

The Art of Business Innovation: The Citizens' Theatre under the Directorship of Giles Havergal

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The National Theatre of Scotland (NTS) celebrated its fifth birthday in 2011. NTS has, in this short time, built an international reputation not only for its theatre productions, but also for its innovative business model as a non-building-based national theatre company which creates new work and engages communities throughout Scotland at all scales. Its model has been adopted in Wales and hard-pressed funders in other small nations compare the costs and benefits of NTS to the relatively higher cost base and lack of flexibility of the standard twentieth century model of a national theatre operating from a theatre building in the capital city. The NTS model was designed for a twenty-first century Scotland entering the uncharted waters of devolution, taking account of the breadth and spread of Scotland's communities, its particular traditions and cultures and, importantly, the existence of well-established theatre companies based in substantial theatre buildings in the main cities of Scotland.

It is my contention that it is no accident that this innovative business model was developed in Scotland. The canny innovation employed by members of the Scottish theatre community to create a National Theatre which would express the increased confidence of a devolved Scotland and the pride and global ambition of its political leaders whilst preserving the existing theatre infrastructure is a recent example of one of the core characteristics of Scottish theatre. From the beginnings of Scottish theatre to the present day, theatre entrepreneurs in Scotland have repeatedly broken the mould and taken the bold risks necessary to produce, engage with audiences and balance the books. It is no coincidence that the nineteenth- and twentieth-century Howard and Wyndham touring empire, for example, was founded and based in Scotland. There have been inevitable failures as well as successes as actors, managers, producers and directors have experimented with touring, pricing, community work and theatre presented outside of conventional theatre auditoria and evening formats. From the Scottish National Players in the 1920s and 1930s, the 1940s' Glasgow Unity Theatre and foundation of the Glasgow Citizens', from the work of Dundee Rep since 1939 and Pitlochry Festival Theatre since 1951 to 7:84 Theatre Company (Scotland) and a *Play, a Pie and a Pint* at Glasgow's Oran Mor, Scotland's theatre has a strong tradition of innovation. This reflects a strong tradition of entrepreneurs in Scottish Theatre.

I am using the term 'entrepreneur' in the common use of the word as described in the Financial Times Lexicon, with additional theatre specific characteristics highlighted in **bold**:

an entrepreneur is an individual who pursues opportunities for **cultural**, financial or social gain, often at great financial risk.

Entrepreneurs are often **artistic directors, producers or chief executives** (owners or co-owners) of their own company or enterprise and are typically characterised by their initiative and conviction, regardless of resources available.

Entrepreneurs create **artistic value**, social and economic wealth through the creation of companies and jobs **and the development of theatrical**

productions, as well as frequently innovating through the development of new products and services.¹

I am, therefore, not adopting the use of the word as it is often applied as a synonym for being a manager. An entrepreneur differs from a manager. Not only is the entrepreneur driven by a mission and willing to take major risks to achieve this, the entrepreneur often has the sort of psychological characteristics which makes them difficult to work with. In the constant debate as to whether individuals of this type are born or can be made, most agree that entrepreneurs do share some psychological characteristics.² They are often outsiders, driven by a passion and thriving on risk taking. Entrepreneurs by definition start companies or projects. In the context of theatre, this definition can reasonably be extended to describe new artistic regimes where major change and development have taken place, almost from scratch. In a long line of theatrical entrepreneurs in Scotland, some examples include John Stewart at Pitlochry in 1951, John McGrath with 7:84 in 1973, and, in the last decade, David McLellan with Oran Mor and Vicky Featherstone at the National Theatre of Scotland. Unlike their predecessors and contemporaries who operate in a clear commercial market, some of today's theatrical entrepreneurs face the particular challenges of operating within a subsidised context.

Most professional theatre in Scotland today operates within such a subsidised environment, dependent on public money granted by custodians of the public purse – local authorities, Creative Scotland and, in the case of the National Theatre of Scotland, the Scottish Government. The impact of the simple commercial transaction between theatre producer and ticket buyer is clouded and value is expressed not only through ticket sales, but through the awarding of subsidy. The taste of governments and agencies becomes an extremely powerful determinant of survival and success. Subsidised theatre companies must satisfy a wider range of customers than simply the ticket buyer. Theatrical entrepreneurs who are successful within this environment may invest as many creative skills in persuading public funders to invest as they do in developing productions and audiences.

One of the most important theatrical entrepreneurs in the last fifty years, and one who achieved serial innovation not only in art but in business, thereby creating a clear legacy for the National Theatre of Scotland, was Giles Havergal. Havergal was director, and chief executive, of Glasgow Citizens' Theatre from 1969 to 2003 after a short acting career and the directorships of the theatre at Barrow-in-Furness and then of Watford Palace Theatre. During much of that time, the Citizens' was one of the most influential theatres in Britain and 'possibly Britain's only theatre of truly international standing'.³ The 'Citz' was internationally renowned not only for its fabulous – and fabled – productions, but also for some radical ways of conducting theatre business, including introducing the 'All Seats 50p' flat-price seating policy.

The term, 'Havergal regime', describes a period when Giles Havergal was the CEO of the Citz, consistently sharing credit with Philip Prowse and Robert David MacDonald, who together made up a triumvirate of directors. Philip Prowse was the radical of the three and Robert David MacDonald the literary polyglot. The three made decisions about repertoire, actors, the publicity material, the colour of paint in the foyer and every other aspect of how the Citz created work and managed its business, but Havergal would make the final judgement. The Havergal regime pioneered the free preview, cheap and flat ticket pricing and Sunday opening. It created a theatrical multiplex, dividing into smaller houses when faced with fierce competition from the creation of new theatres, venues and international programming during the late 1980s.

The Citizens' Theatre during the Havergal regime had a profound influence on generations of Scots. Its productions of highly visual, world theatre in the heart of what were then the slums of the Gorbals opened up the world for many living not only

in Glasgow, but in the surrounding areas, brought to visit by their schools. Many of today's best directors, designers, writers and actors use Citz productions of the 1970s and 1980s as their touchstones. The theatrical innovations of the Havergal regime are captured pictorially in the series of 'picture books', and Michael Coveney's book, *The Citz: 21 years of the Glasgow Citizens' Theatre*,⁴ offers a comprehensive and insightful of the regime. The business innovations which have had equally profound influences are largely unrecorded.

First of the series of innovations was the programme itself. Havergal, with Prowse took over the Citz in 1969 after a series of seven artistic directors in ten years with audiences at very low numbers and morale and artistic credibility, despite some very interesting work in the 1960s, like the première of Peter Nichols's *A Day in the Death of Joe Egg* in 1967 or the legendary 1968 production of Brecht's *Arturo Ui* starring Leonard Rossiter, at a very low ebb. After a year of treading water, in 1970 they decided to change tack, take a risk and 'if nobody likes what we do, we can do what we like' as Philip Prowse said in 1971.⁵ From that moment of decision and its first resulting production, an all-male *Hamlet*, and ensuing scandal in the press, audiences, critics and international festival directors flocked to the Gorbals. The repertoire included new translations and adaptations of great plays and literature from around Europe, from Goethe to Goldoni and Gogol, Kraus to Racine and Brecht to Proust, alongside Wilde, Coward, Shakespeare and new plays by Robert David MacDonald. Critics were sharply divided, with some local critics dismayed at what was viewed as disrespect for the texts, for Scottish plays and natural modesty, while others were adulatory.

Havergal's business innovations and entrepreneurial attitude stemmed from the determination he had to create great theatre and attract audiences to it. In 1970, when he took over the Citizens', the context was significantly different from today. The Citizens' was the only producing theatre in Glasgow receiving public subsidy from the Scottish Arts Council (SAC). The SAC itself was a small organisation, part of the Arts Council of Great Britain (ACGB), but enjoying the relative freedoms of operating at 'double arms length'⁶ from the UK Government. The election of Thatcher's government in 1979 heralded the introduction of market principles to public management and a change to the nature of arts councils in the UK. Arts councils became steadily more clearly charged with the delivery of government policy objectives, more strategic, both more concerned with evaluation and monitoring and larger in terms of funds at their disposal and the number of staff employed. Arts councils over the last twenty years have developed many strategies to deliver policy objectives including those concerned with 'audience development'. This term 'audience development' appears in the late 1990s and is unlikely to have been used in subsidised theatres in the 1970s or 1980s and was certainly unknown in its modern usage in the Citizens'. Neither did the Citizens' at that time have an 'education strategy'. I worked at the Citizens' in the late 1970s as a box office assistant and then in the early 1980s as the Publicity Officer (a term which today could be 'Director of External Affairs, Development, Marketing, Sales and Education'). Every headmaster of every single secondary school in Glasgow would be pressed into a personal meeting at the school with either Havergal himself, the General Manager or me at the beginning of each term and the Theatre attracted large numbers of school parties. The audiences were also more demographically wide than any theatre with which I have since been involved, due not only to the programme but also the accessible seat pricing and the free previews. The Citizens' under Havergal developed audiences because they were essential to the Theatre's success and not because of directions given by the SAC or the City Council. Meantime, the City of Glasgow Council in the 1970s did not employ arts officers or the more senior cultural tsars it would employ during the late 1980s when it set its sights on becoming European Capital of Culture. The city's cultural infrastructure was

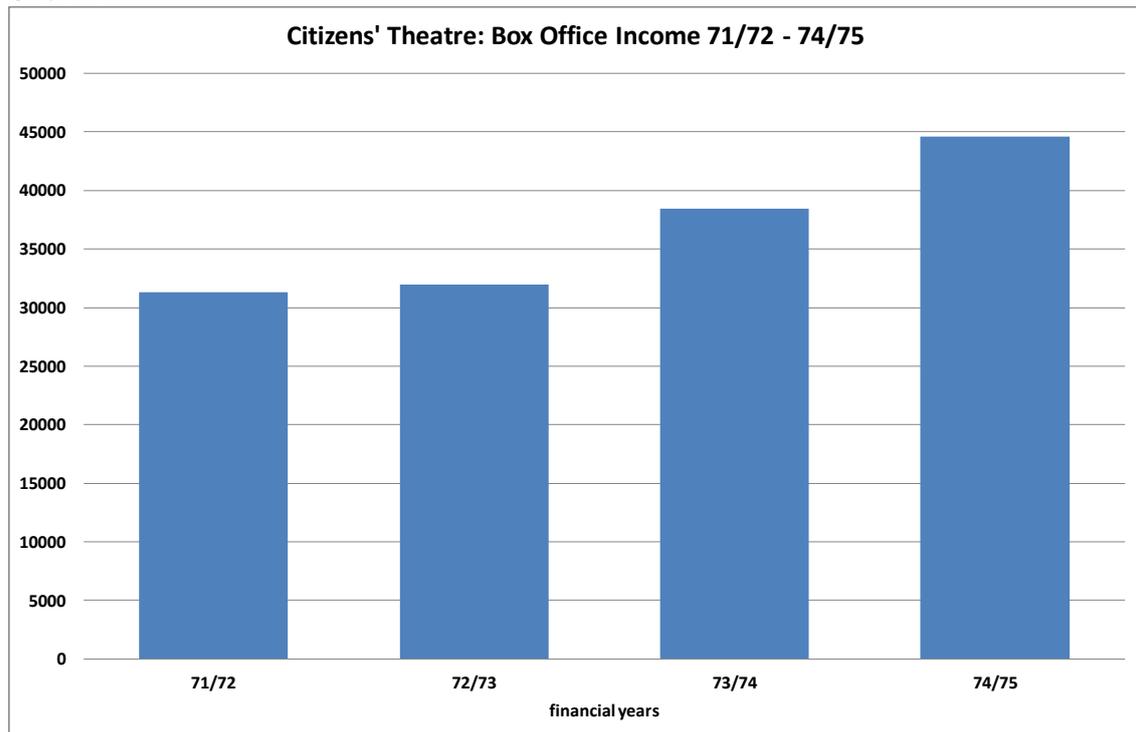
much weaker than it is now and there were fewer than half the number of performances each year.⁷ The first ten to fifteen years of the Havergal regime, therefore, were set in a Glasgow that offered little competition for the producing work and in a public funding environment lacking overt strategies. Giles Havergal led the Theatre's strategies for achieving excellence and access unfettered by directions from the local authority or SAC. He led and did not follow. In doing so, he, of course, he still had to please the public funders as customers. In an interview on the eve of his departure after thirty-three years at the helm, Havergal referred to the Citizens' as a 'sand-pit'.⁸ This spirit of play is an essential characteristic of the entrepreneur.

The impact of Havergal's business innovations has not been evaluated. In particular, the cheap seat pricing which was pioneered has not been reviewed. Did the cheap seats attract greater numbers of audiences? What was the impact on box office takings? How was the Theatre's overall economy effected? There was no formal business strategy that drove this policy and no formal evaluation. In order to provide the evidence explored and evaluated in this article, the annual accounts and the summary of box office sales held at the theatre have been analysed to determine the impact of the seat pricing policy on numbers attending and income generated. These sources cannot provide evidence of any changes in the composition of the audience as there is no information on who made up the audience or whence they came.⁹ As we shall see, what the data do demonstrate is that the cheap seat pricing was firmly associated with increased attendances and that the pricing policy was carefully managed to retain a high level of average ticket price paid. The data also illustrate that the increases in attendances and box office income were associated with higher levels of subsidy. The proportions of overall income from earned income and subsidy throughout the period 1974-1981 were broadly constant. The increase in the overall financial envelope over this time enabled more money to be spent on producing theatre. This period was one in which the Citizens' enjoyed an increasingly high national and international reputation while increasing its audiences. It, therefore, achieved excellence and audience development through its own internal drive and ambition and first-class theatrical entrepreneurship.

The impact of 'All Seats 50p'.

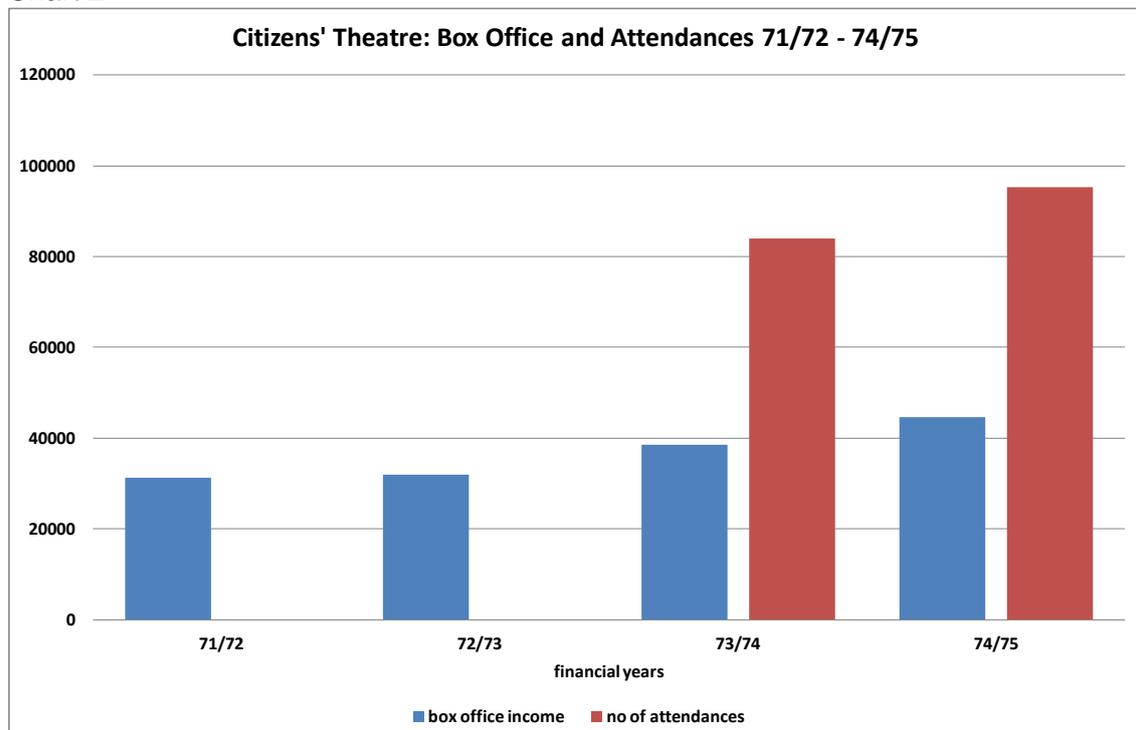
When, in the wake of Prowse's words, the Citz changed its artistic policy, it not only achieved increased national and international attention, but also increased its box office income.

Chart 1



This increase in box office income was generated by an increase in attendances:

Chart 2



Note: attendance data is incomplete for the first two years and therefore not shown.

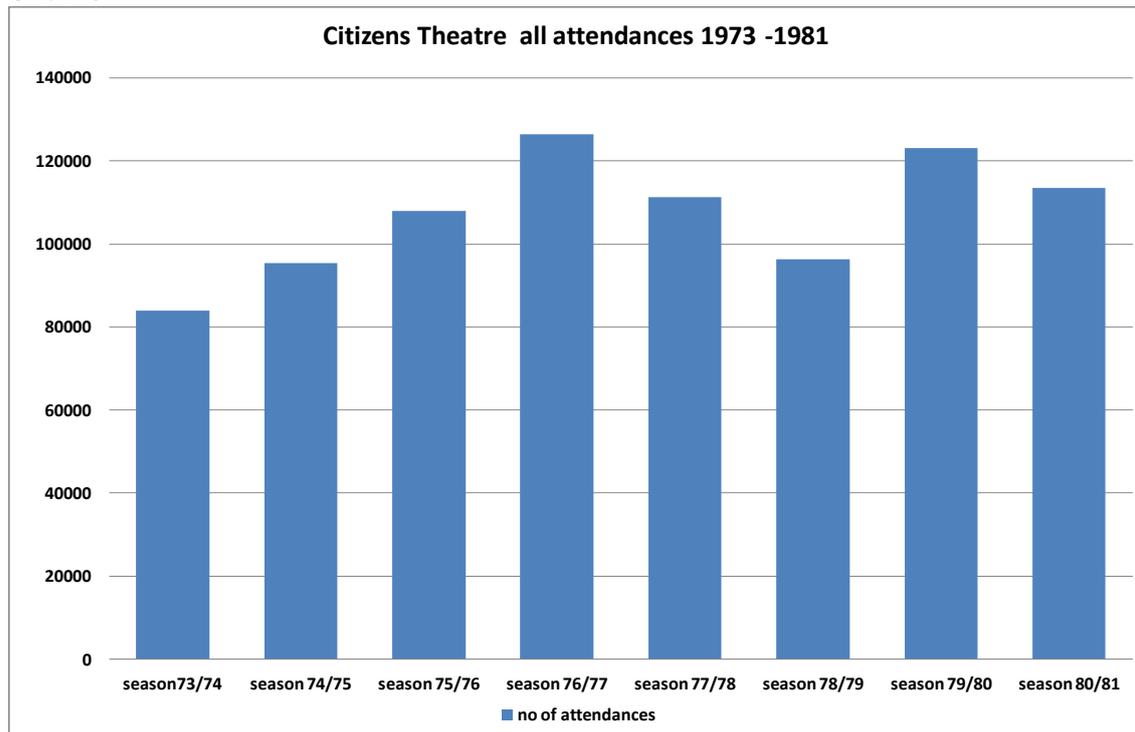
Despite this success, the Citz began to play with pricing. In 1971 the Citz operated what was then a standard model of ticket pricing, with a range of seat prices according to the location of the seat and the day of the week. Pricing policies were focussed on achieving the maximum amount of income according to historic patterns.

Monday to Friday seats were £1, 70p and 40p and on Saturday, traditionally the night when premium prices could be charged, prices went up to £1.10, 80p and 50p. Student tickets were 20p and 30p. There were no concessions for OAPS, unemployed, Equity members or other groups who, during this era, were largely unclassified for the purposes of ticket pricing. The Havergal regime threw this tradition of ticket pricing up in the air, in the spirit of play and experimentation and, as Havergal says, 'to shake things up'.

The ticket pricing experiment, which began in 1976, was, on the face of it, to create a cheap seat policy, with all seats 50p, 25p for students and a free preview on the Thursday before the Friday opening. This free preview, since replicated in many another theatre, used to attract queues round the block and drew in a complete cross section of Glasgow life at the time, from the keen theatregoers who wanted to be first, to the bargain hunters, the hard-up and many a local Gorbals teenager. To put 50p in the context of 1976, then the average weekly wage for a man was around £70 a week - for women it was £45.30. A sliced white loaf cost 19p and a pint of beer around 32p, while a packet of 20 cigarettes – more socially acceptable and less taxed at that time – a mere 45p.¹⁰ The 50p ticket price applied to all of the main season productions – the Citz own productions and visiting programme – but excluded the pantomime. The 1975/76 season comprised Citz own productions of *Hamlet*, King and Carey's *Sailor Beware*, Seneca's *Thyestes*, Robert David MacDonald's *De Sade Show*, Goldoni's *Mirandolina*, Middleton's *Changeling* and Buchner's *Woyzeck*, interspersed with productions from 7:84 (Scotland), *Little Red Hen*, and 7:84 (England), *Lay Off* and *Yobbo Nowt*, and from Traverse Theatre, Lyric Belfast and Perth Rep as well as Peter Kelly's *Harry Lauder*, and the pantomime, *Aladdin*. In the first year, only one of the visiting companies refused to accept the low pricing strategy on grounds of unaffordability, the socialist company 7:84 (Scotland). Each of the seasons in the period 1976-1981 had a similar mix of work. Some productions were more popular than others and audiences attended for a variety of reasons: the reputation of the Theatre at the time, the particular productions and the promotion. The particular contribution of the ticket pricing cannot be quantified. This analysis looks to associate attendances and income with seat pricing and does not claim that ticket pricing in isolation caused all increases in attendance.

The upward trend in audiences continued after 1976:

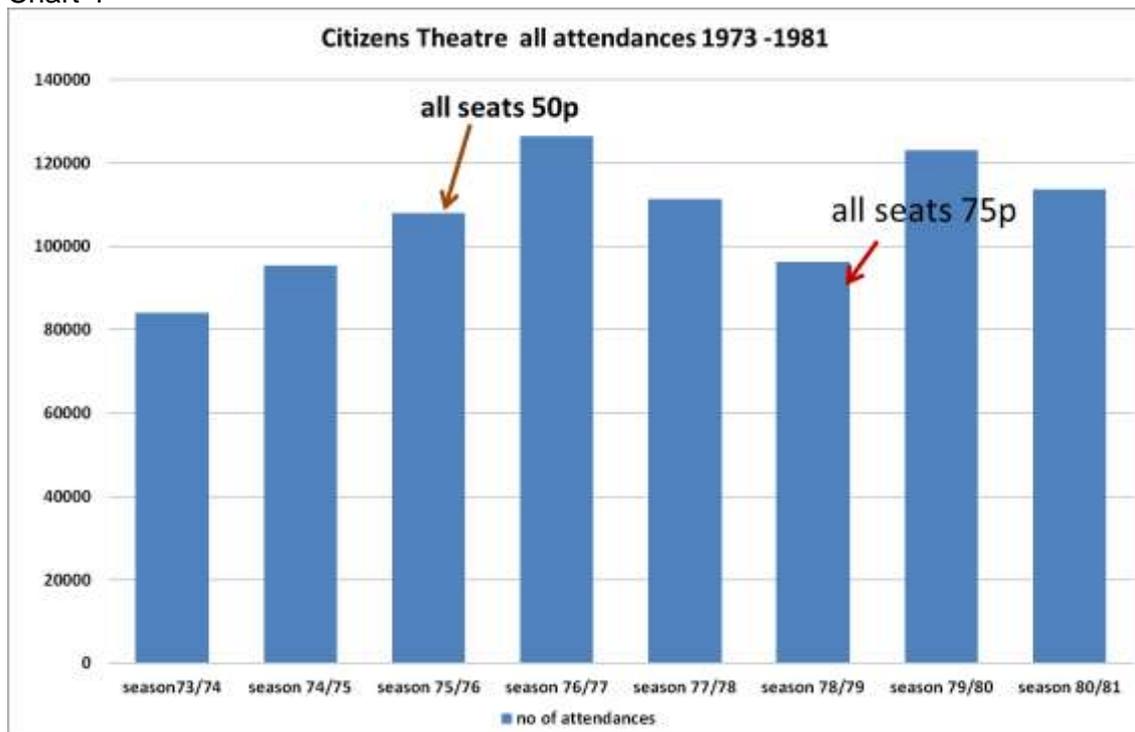
Chart 3



Note: data shown by artistic year – September to June (financial years are April to March)

The 50p seat price appears to generate a sharper increase in attendances in its second year, before dropping off in its third year. This pattern is repeated when the next flat price is introduced in 1979, 'all seats 75p'. The introductory year of the 75p seat price is associated with a drop in attendances:

Chart 4

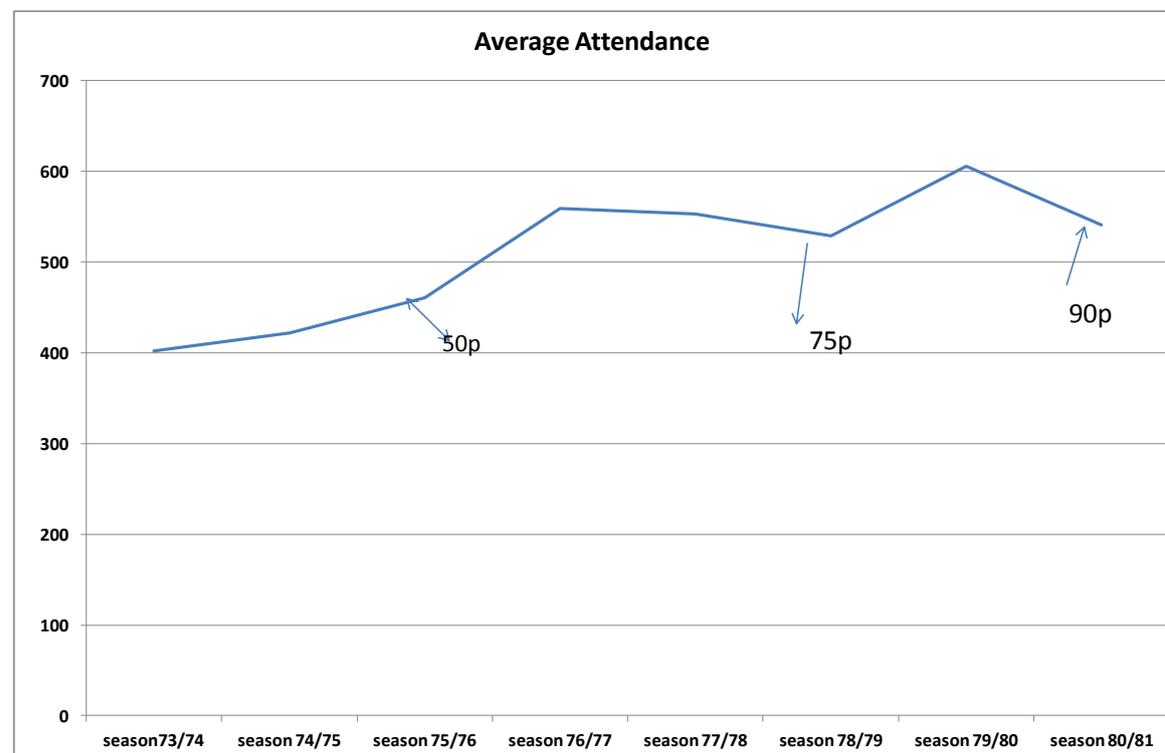


However, the number of performances was not constant during this time, in particular during 1979 when refurbishment took place:

Table 1

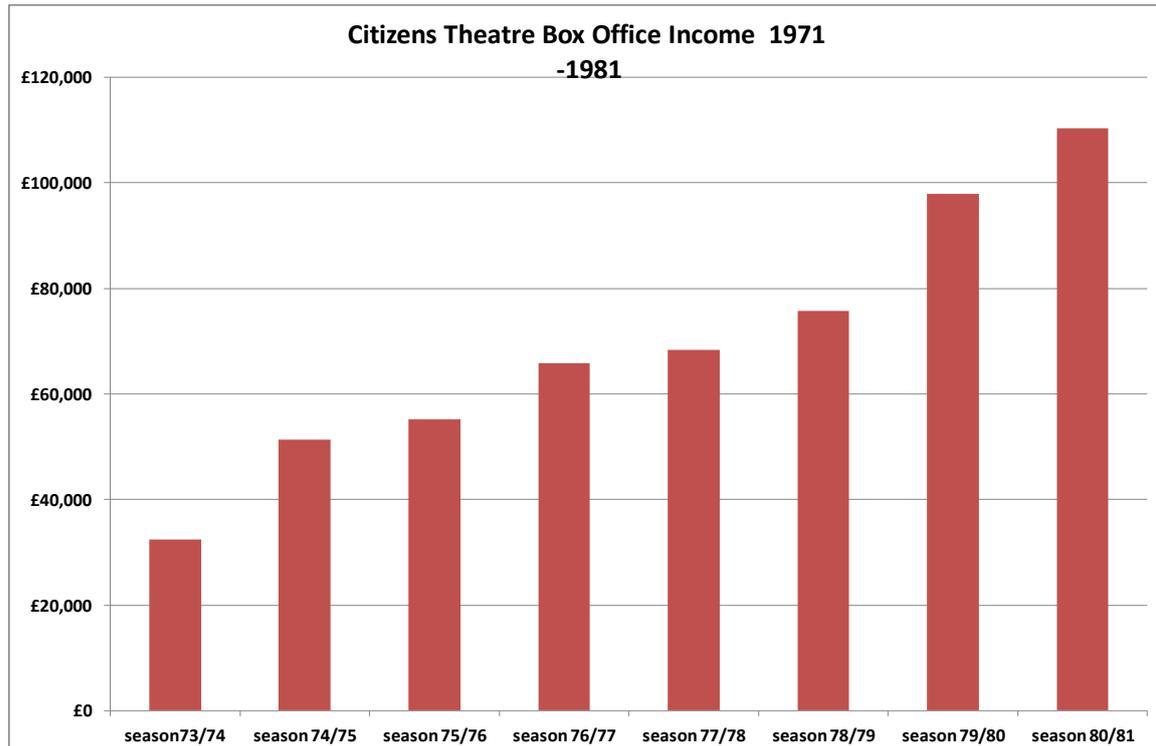
	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81
no of performances	209	226	234	226	201	182	203	210
no of attendances	84033	95352	107914	126445	111267	86521	126259	113585
	402	422	461	559	554	475	622	541

The average attendances therefore illustrate the trends more clearly. The year after the price change is associated with an increase in the average attendance and the introduction of a higher seat price coincides with a drop in average attendance:



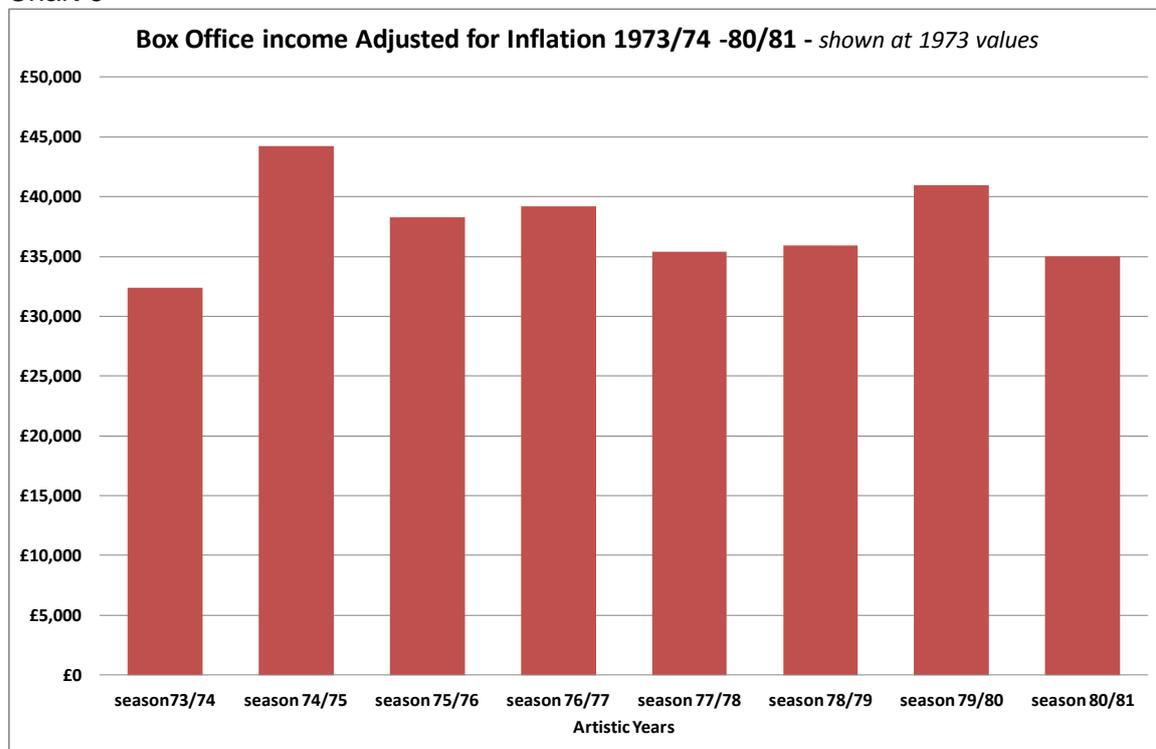
The impact on box office income is more complex. The figures used for this analysis are those which show the face value of tickets sold over an artistic year. They therefore include VAT which was introduced in 1977, when VAT on theatre tickets was 12.5%, rising to 15% from 1979. This was also a period of galloping inflation. The box office income including VAT and inflation was steeply increased:

Chart 5



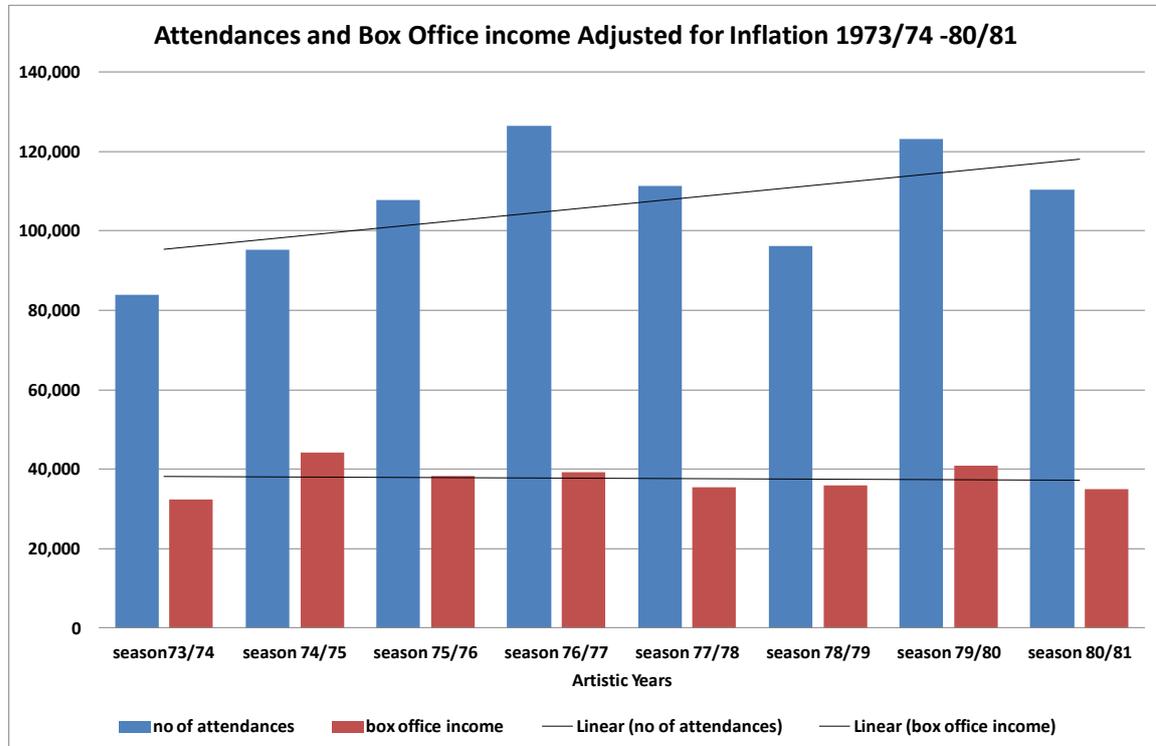
A more useful comparison is the value of tickets paid, including VAT, adjusted for inflation (shown at 1973 values). This demonstrates that the value of tickets sold remained fairly constant:

Chart 6



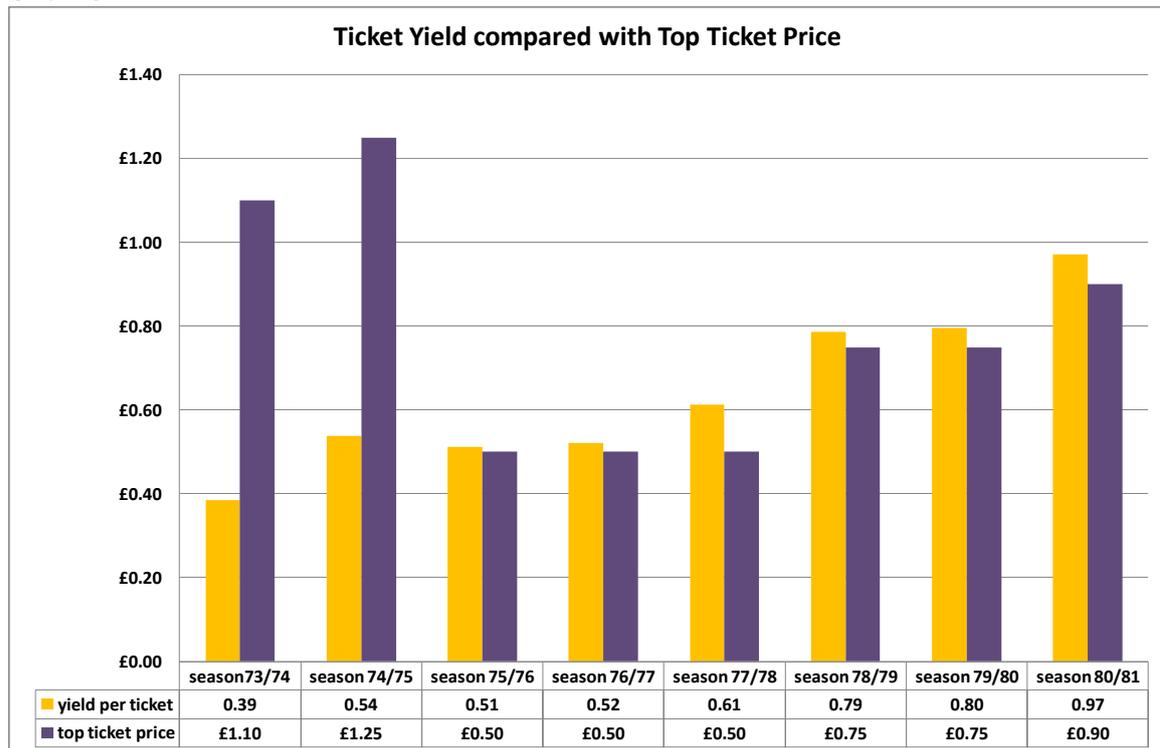
Considering the box office income after inflation adjustments with attendances, it is clear that the lower price is associated with higher attendances and not higher box office income.

Chart 7



Not only did attendances increase during this period, but so did the average ticket yield, that is, the average price paid per ticket. Taking into account inflation, the increase in the average price paid is not surprising perhaps. What may be surprising, is that the average yield is at least as high as the flat ticket price charged.

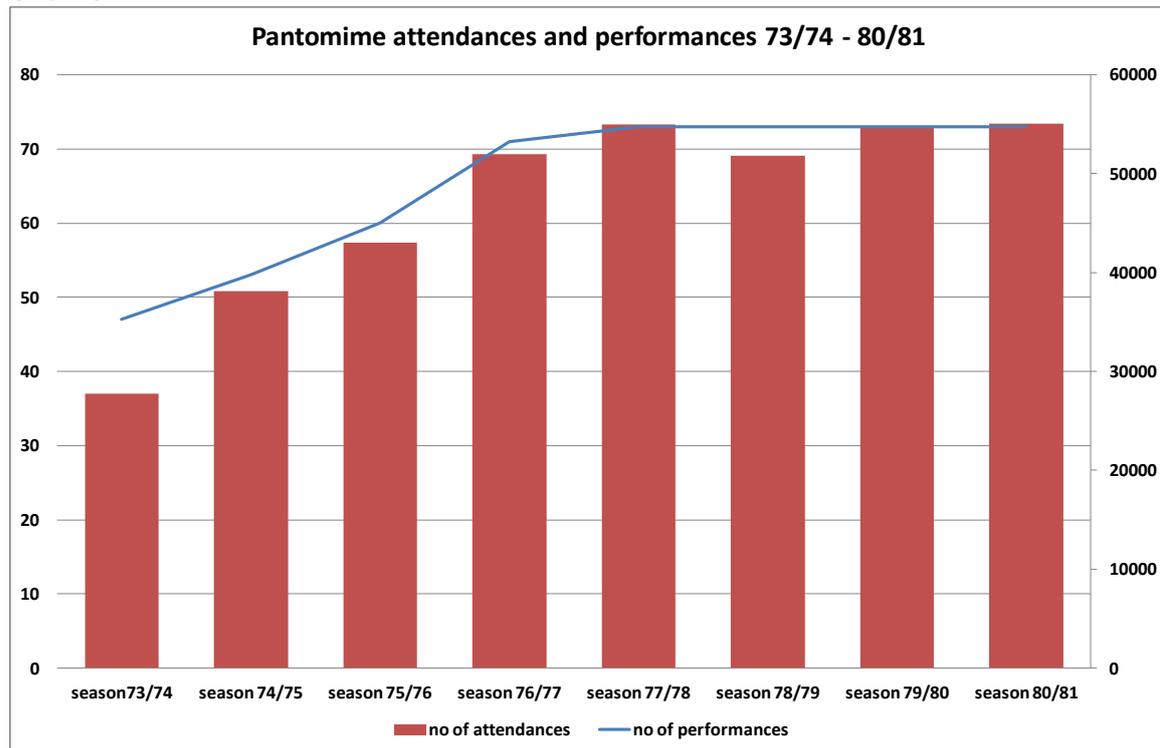
Chart 8



What is apparent is that the top price for a ticket in 73/74 and 74/75 was rarely achieved. In 73/74 the average yield – calculated by dividing the whole box office income by the total number of attendances including complimentary tickets was 39p; in 74/75 it was 54p and in 75/76 it was 51p. The cheap seat pricing was effectively a simplifying of the ticket offer to the public.

One of the main reasons for the increased yield is that these total figures include the annual pantomime. Far from being naive about box office income, the Havergal regime cared very much about gaining as much income as possible, to spend on productions. The pantomime was the 'cash cow'¹¹ for the regime, thanks to increasing the number of performances and its marketing. Attendances went up to achieve close to maximum capacity:

Chart 9



The yield per ticket for the pantomime went up at a higher rate than other elements of the programme from 33p in 73/74 to £1.34p in 80/81, with the ticket yield from Citz productions going from 42p to 62p in the same period before adjustments for inflation:

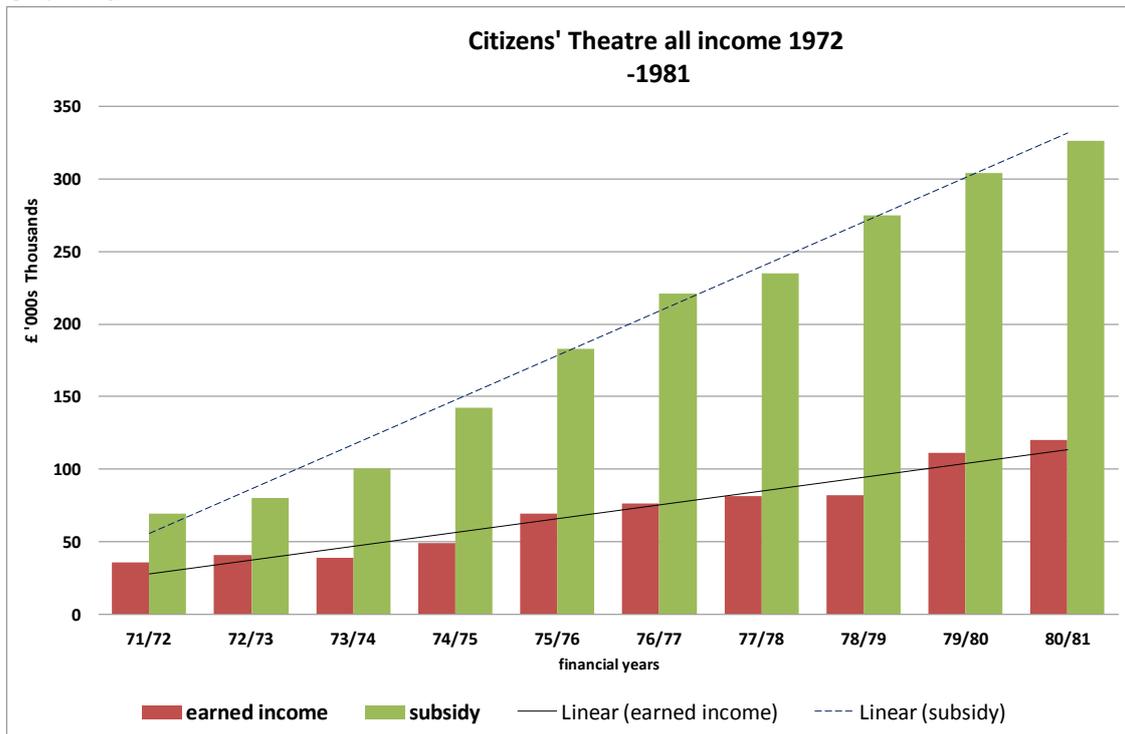
Table 2

Ticket yields	Season 73/74	Season 74/75	Season 75/76	Season 76/77	Season 77/78	Season 78/79	Season 79/80	Season 80/81
Citz own productions	£ 0.42	£ 0.47	£ 0.31	£ 0.32	£ 0.34	£ 0.53	£ 0.51	£ 0.62
Visiting productions	£ 0.40	£ 0.71	£ 0.54	£ 0.38	£ 0.34	None	£ 0.57	None
Pantomime	£ 0.33	£ 0.51	£ 0.70	£ 0.79	£ 0.89	£ 1.01	£ 1.13	£ 1.34
average	£ 0.39	£ 0.54	£ 0.51	£ 0.52	£ 0.61	£ 0.79	£ 0.80	£ 0.97

This explains why the Citz achieved high ticket yields in relation to the top price of the tickets. So much of the impact of the cheap seat prices turns out to be yet another manifestation of the smoke and mirrors for which the Citz was renowned. The cheap seat price is certainly associated with increased attendances, but not increased box office when inflation is taken into account. The rise in attendances had begun before the cheap seat pricing, as a result of the programme, promotion and style. And the increased ticket yield was largely as a result of some good old-fashioned theatrical business skills around the maximising of performances and pricing for the pantomime.

The increased attendances may not have increased box office income, but they played a part in increasing public subsidy and a general expansion of the Citz economy. During this time public subsidy increased at a higher rate than earned income:

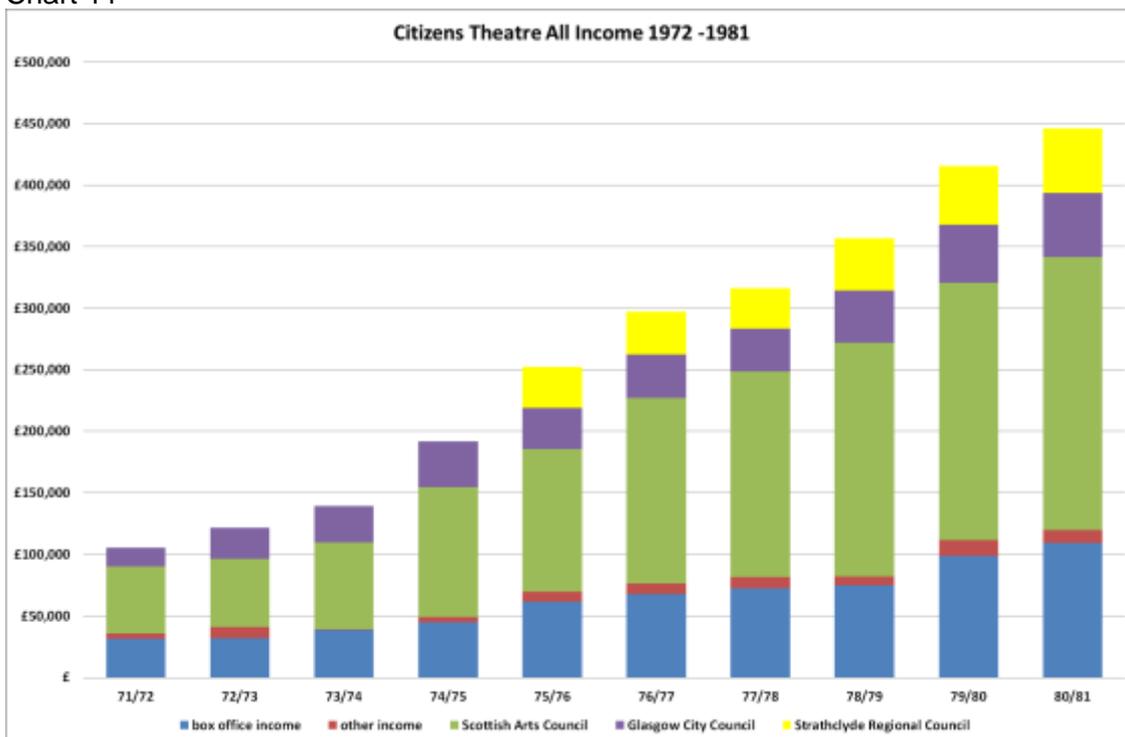
Chart 10



Note: this data is in financial years as sourced from annual accounts. Earned income includes box office income after VAT and other earned income including bars and confectionery

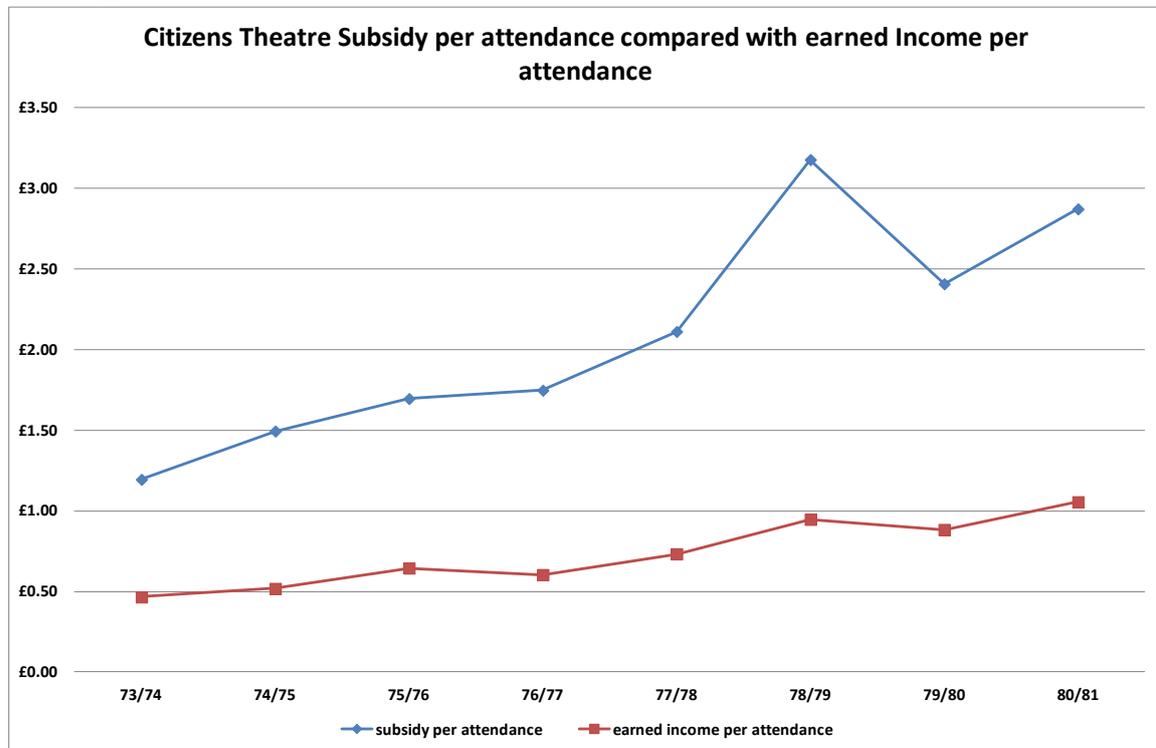
The introduction of the 50p price coincided with the establishment of Strathclyde Regional Council and the effective doubling of local authority funding as the Citz maintained its Glasgow City Council funding as well as the new regional funding.

Chart 11



The expansion of the economy led to a higher amount being spent on production. Over the period, the subsidy per attendance increased at a greater rate than the earned income per attendance, in other words, more money went into the work:

Chart 12



The cheap seat pricing experiment did not set out with a series of measurable objectives, as such a strategy in the subsidised theatre would inevitably do nowadays. It was a disruptive innovation aimed at creating change and improvement, and this it did. The Citz increased audiences while maximising income from the pantomime and was also able to attract additional subsidy and to use its expanded economy to put more money into the work.

There were downsides to this innovation. The Scottish Arts Council, under the public policy of Thatcher, did not approve of the low ticket prices and in the annual report for the year 1981/1982 there is an unusually explicit statement from the Chair Bill Taylor referring to the adversarial and difficult position between SAC and the Citz, as SAC had given the Citz a 5% uplift and all other theatres a 10% uplift, on the grounds that the Citz had failed to increase their ticket price.

The next innovation was less successful. In 1983, the Citz took the democratisation of ticket buying to a new level. Except for the pantomime, advance booking was abolished and tickets were bought cinema style at the door, with no reserved seating. This coincided with the weekly rep season, with a new production every ten days, rehearsed in less than two weeks. The experiment saw a drop in attendances (albeit small) and the experiment was abandoned. Failure is an essential element of entrepreneurial success and the risks taken by the Havergal regime were unrivalled in UK theatre at that time, and perhaps since. Other innovations centred around cost cutting and included the use of a single set which included the proscenium arch for a whole season, plus the increasing number of performances given by Giles Havergal and sometimes Robert David MacDonald.

Everything changed in the Citz environment in the 1990s, as the City of Glasgow set its sights on repositioning itself as a cultural destination, welcoming tourists. Led by the most powerful cultural tsar Scotland has seen, Bob Palmer, Glasgow embarked on a major cultural expansion. The Tron, The Arches, Tramway, Theatre Royal, Concert Hall, SECC were all opened after the 1980s. Meanwhile, the tenements in the Gorbals, where the Citz is, were demolished and plans for the Citz to be relocated came to naught. The triumvirate stayed on and experimented with dividing up the auditorium into a multiplex. Giles Havergal believes that this innovation was perhaps the most important artistically, providing platforms for new playwrights and performers and taking the risk with repertoire including the stage première of *Trainspotting*.

Havergal was a risk taker, refuse-to-take-no-for-an-answer leader with a mission to produce and present great work for the audiences of Glasgow. The Citz directors did not use business plans or strategies to shape their innovation, but rather an intuitive experimentation. The simple mantra for all innovation, whether artistic or business was, as Philip Prowse often said 'Not to change in art is to die'. A 'taught' entrepreneur – that is to say, a manager using established business tools and techniques – would not have considered a flat 'low' ticket price after three years of growth in revenues and attendances. But for Havergal, there was no formal strategy, no management objectives, no annual review. 'I don't think we knew what had happened. We just looked at the money we had for the year ahead'.

Havergal and Prowse did it to shatter the inherited mould of complicated ticketing and to see if that might attract more and different people. The experiment was successful not only in its contribution to attracting additional audiences, but in achieving more income from public bodies. With intuitive experimentation and serial innovation, the Havergal regime left a legacy of entrepreneurialism inherited by NTS. NTS in its first years of operation has been able to create its own business model, not having to fit into a mould heavily shaped by public funders and this may be a crucial element in its success. The Havergal regime led the way on innovation, income generation and audience development and the public funders followed. In today's arts funding system, which is heavy on policy, strategy, measurement and evaluation, could similar theatrical entrepreneurialism flourish?

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¹ Financial Times Lexicon (URL <http://lexicon.ft.com/Term?term=entrepreneur>) (Accessed 1 August 2012)

² See, for example, Thomas M. Begley, David P. Boyd, 'Psychological characteristics associated with performance in entrepreneurial firms and smaller businesses', *Journal of Business Venturing*, vol. 2, issue 1 (Winter 1987), pp. 79-93. (available at <http://www.sciencedirect.com/science/article/pii/0883902687900206> [accessed 1 August 2012])

³ Michael Coveney, *The Citz* (London: Nick Hern Books, 1990), p. xx

⁴ See note 3.

⁵ Coveney, *The Citz*, p. xx, citing *Plays and Players* magazine

⁶ S. Galloway and H D Jones, 'The Scottish dimension of British arts government: a historical perspective', *Cultural Trends* (2010), vol. 19:1-2, pp. 27-40

⁷ John Myerscough, *Glasgow Cultural Statistics Digest* (Glasgow: Glasgow Life, 2011)
<http://www.glasgowlife.org.uk/policy-research/Pages/Glasgow-Cultural-Statistics.aspx>
(accessed 1 August 2012)

⁸ Keith Bruce, *The Herald* (30 April 2003), available at:
<http://www.heraldscotland.com/sport/spl/aberdeen/farewell-favourite-citizen-after-33-years-giles-havergal-leaves-his-gorbals-theatre-with-an-international-reputation-but-don-t-expect-him-to-take-the-credit-by-keith-bruce-1.119915> (accessed 1 August 2012)

⁹ Extensive audience profiling is undertaken today using postcode analysis, for example MOSAIC analysis, but was not available in the 1970s.

¹⁰ Source: BBC News, *Back when money was worth something* (13 February 2001)
<http://news.bbc.co.uk/1/hi/uk/1168149.stm> (accessed 1 August 2012)

¹¹ Cash cow: used in the Boston matrix to describe products and services which continually generate profits.