

# DISRUPTIVE INNOVATION IN THE NONPROFIT ARTS AND CULTURAL SECTOR

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**DISRUPTIVE INNOVATION IN THE NONPROFIT  
ARTS AND CULTURAL SECTOR**

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## DEDICATIONS

Dedicated to wife Gina, my family, and friends, who have given me moral support and encouragement throughout the thesis process.

## ACKNOWLEDGMENTS

I would like to thank everyone that participated in my survey that helped identify the disruptive innovators that were interviewed for my thesis. I would also like to thank all the nonprofit leaders that took time out of their busy schedules to answer my interview questions. Their answers really helped shape my thesis. A special thanks to my cousin Jessica Donohue who proof read my thesis multiple times and my thesis advisor Neville Vakharia for providing great constructive criticism throughout the process.

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## ABSTRACT

The research conducted in this thesis was undertaken in order to investigate evidence of disruptive innovation in the arts and cultural nonprofit sector of the Greater Philadelphia Region. A survey was sent to 120 individuals involved in the arts and cultural nonprofits sector in the Greater Philadelphia area to identify disruptive innovators. Out of the 120 individuals the survey was sent to, 35 people completed the survey. From their feedback, five disruptors were identified and interviewed. Four met the criteria of this thesis. The findings revealed that there are many nonprofit arts and cultural organizations in the Greater Philadelphia Region that are being very innovative however none that were disruptive. Many of the organizations interviewed are instituting innovative programming to set themselves apart from their competitors. More in-depth research conducted over a longer period of time is required to track the organizations that have been identified to see how they progress. Looking back years from now we may realize that they were already being disruptive compared to the rest of the sector, but only time will tell.



**KEY WORDS**

Disruptive innovation, disruptive innovators, disruptors, innovator, sustaining innovations, and value network.

## INTRODUCTION

Disruptive innovation, a term coined by Clayton Christensen, describes a process by which a product or service transforms an existing market by introducing simplicity, convenience, accessibility, and affordability.<sup>1</sup>

Characteristics of disruptive businesses, at least in their initial stages, can include: lower gross margins, smaller target markets, and simpler products and services that may not appear as attractive as existing solutions when compared against traditional performance metrics. Because these lower tiers of the market offer lower gross margins, they are unattractive to other firms moving upward in the market, creating space at the bottom of the market for new disruptive competitors to emerge.<sup>2</sup> While nonprofits do not have margins, they still have to produce revenue to cover the costs of the programming they offer to their audience. Ticket sales usually account for a small portion of the funding that is required to pay for their programming; the rest comes from a large donor base and grants. The comparison to be drawn here is between large organizations trying to attract a large base of patrons versus a smaller organization that provides more focused programming to a niche market. One example is the Philadelphia Art Museum paired against the Institute of Contemporary Art (ICA). The Philadelphia Art Museum's goal is to capture the attention of a large audience with a wide range of interests while the ICA is

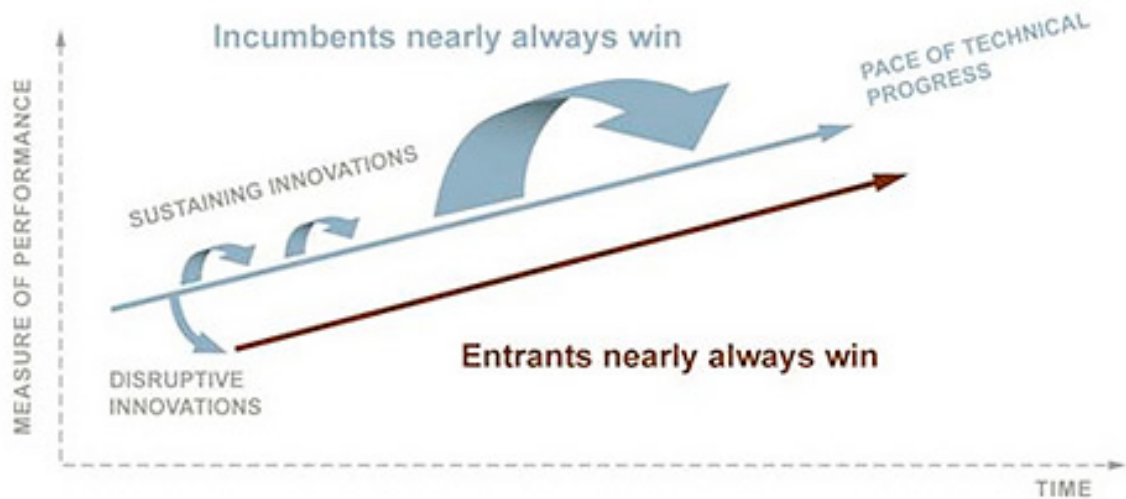
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<sup>1</sup> "Key Concepts | Christensen Institute."

<sup>2</sup> Ibid.

more so focused on people that enjoy contemporary, modern art (usually by artists who are still living).

**Figure 1**



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IBM was the industry leader of main frame computers. When minicomputers first came into the market IBM ignored them and stated that they would not serve their customers' needs and did not generate enough profit for them. But when the emerging companies improved the performance of these minicomputers to a level that they could steal IBM's main frame customers, IBM reacted in a defensive measure. IBM created their own form of minicomputers to compete against the entrant company's minicomputers and were able to keep their current customers from buying elsewhere.<sup>4</sup>

<sup>3</sup> "Key Concepts | Christensen Institute."

<sup>4</sup> Christensen, *The Innovator's Dilemma*, 2011, 125.

For my thesis, I have investigated the role of “disruptive innovators” in the nonprofit arts and cultural sector. Disruptive innovators are risk takers, the forward thinkers that come up with new ways of providing a program/service, conducting business, or using technology in ways that challenge the status quo. Disruptive innovation has been mainly associated with technology, primarily because of the speed and rate of change in that industry. Though it is found in other fields, it happens at a much slower rate, and is more difficult to examine and identify. Well documented cases of disruption are extremely limited in the arts and cultural nonprofit sector. It is like trying to study a certain disease in humans that may take generations to see results; however, running tests on fruit flies that have short life cycles provides more evidence in a compact amount of time, which makes them easier to study and show results.

According to Clayton Christanson, the originator of the concept “disruptive innovation,” if your company is doing everything “right” by conventional standards, you can still fail. Organizations need to set themselves apart from the established norms of the market. What are they offering a patron that is different from everyone else? It is a simple premise. But simple is not easy.

Philadelphia is home to hundreds of nonprofit organizations ranging from museums to arts education to performance spaces. It is the fifth largest metropolitan city in the country with a population of 1.553 million according to the 2013 American

Community Survey. The Cultural Alliance's 2015 Portfolio recorded that arts and cultural nonprofits in the Greater Philadelphia Region employ 24,000 paid employees and provide 35,000 volunteer opportunities. Nonprofits in the region bring in a total revenue of \$1,225,324,000 and have a total spending amount of \$1,103,657,000 which helps strengthen the local economy. There has been a lot of discussion over the past couple of years as to how the creative economy is producing jobs and turning the city around. The numbers provided by the 2015 Portfolio lend supporting evidence to the impact that the nonprofit sector is having on the regional economy.

All budgets of arts and cultural institutions are to some extent based on audience and attendance. They need members, donations, and participation in their programming. With so much competition in the arts and cultural sector in the region, in addition to commercial entertainment options that are abundantly available, how can an organization grab your attention and hold your interest with its product? You don't even have to leave your home anymore to view detailed images of priceless works of art. How can nonprofit organizations be expected to compete against corporate giants for people's attention, when their budgets are limited and many are already in financial trouble? Can disruptive innovation help organizations adapt to these changes?

Disruptive innovation doesn't just exist in Silicon Valley; it is happening all around us in various fields. I believe there are examples of disruptive innovators in our

own community in Philadelphia that span a wide range of nonprofit arts and cultural organizations.

Disruptive innovation shatters old archetypes. Usually it is a less expensive model or idea that is tapping into a user base that needed something fixed before they realized they needed it. The technology needed already exists, the tools are out there in people's hands, organizations just need to figure out ways to tap into new audiences and motivate them to be involved in their organization. These disruptive innovations do not have to include technology; it could be free admission to a museum, a new ticket pricing structure for theaters, or new forms of interaction with the audience like tearing down the old fourth wall that separates the audience from the performer. Why not give people an experience that computers and smart phones cannot provide?

My interest in the area of disruption came about while attending a Philadelphia Orchestra performance. It was my first experience attending the orchestra. I was given free tickets and thought I should take advantage of the opportunity to open myself up to something new. From the start, it was foreign to me. I felt like an outsider. I wished the organization had taken time to educate the audience. There were no introductions of people or musical pieces. It was as if I had been placed in class that was above my skill level. No notes appeared in the music program. I was standing and clapping for people I knew nothing about for reasons that were not apparent to me. Everyone else seemed to know what was going on. I assumed that the other patrons probably attend the orchestra regularly, or possibly were attending with someone who could explain this new world to

them. I wasn't privy to that information, nor did I have a guide. Needless to say I have not been to the the orchestra since this experience. Not because I did not enjoy the music and performances, but because I felt like an outsider. The experience did not feel personalized; no one took the time to explain anything. They had not welcomed me into their world. Had my experience been different, I may have become a lifelong subscriber. I believe this was a perfect example of an established cultural institution in the city that was not advancing or investigating how audiences and expectations have changed. I saw it as an historic institution fully reliant on their reputation as a well-established cultural institution. I started to question how long patronage will last after the generation that intuitively understands the orchestra passes. Perhaps the orchestra has not taken the time to cultivate the next generation of patrons or begun to think about the needs of this new audience. What does this new generation of orchestra attendees want from the orchestra? The situation reminds me of the countless incumbent companies mentioned in *The Innovator's Dilemma* where upper management was not willing to try to understand the markets below them or cultivate a new customer base when they had a product that was making them money now.<sup>5</sup> This was the down fall of many companies listed in Clayton Christensen's book; they simply kept going after guaranteed money from their current customers while smaller new comers to the market started to dominate the incumbent's market share. These principles of disruption can be applied to any type of business model, including nonprofits.

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<sup>5</sup> Christensen, *The Innovator's Dilemma*, 2011, 89.

Recently, the Philadelphia Orchestra began to take steps to address the issue of inclusion in performances. They worked with engineering professors and students at Drexel University's Excite Center to develop an app that explains various parts of the performance to the audience members while the performance is in progress. This is one step closer to recognizing their shortcomings and figuring out how they can connect audiences with the performances.<sup>6</sup>

This experience was the impetus for my research. What is the arts and cultural nonprofit sector in Philadelphia doing to set itself apart from the rest of the country's art and cultural institutions, and from one another in the city of Philadelphia? In Philadelphia, many organizations are competing for the same funding and patronage from wealthy donors, foundations, and working class people. Five or 10 dollars starts to add up quickly when a couple thousand people start donating money. The question remains, how will they alter their programming for new audiences and differentiate themselves from other organizations providing similar experiences?

Disruptive innovation is the act of creating something new that hasn't been done before, that changes the current landscape of a field or discipline so drastically it outdates immediately what was done in the past and makes it obsolete. Your audience does not even know that it wants or needs these new features or services, but once it has them they cannot go back to the way things were. This is mainly achieved by not listening to

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<sup>6</sup> Faulstick, "Philadelphia Orchestra to Premiere Drexel-Designed Interactive Concert App for Mobile Devices." *DrexelNow*. Accessed March 19, 2016. <http://drexel.edu/now/archive/2014/October/LiveNote/>



your current customers or audience; if you listen to them your organization will grow slowly by creating sustaining innovations. Sustaining innovations are incremental changes that improve the existing product just enough to satisfy the existing audience. These sustaining innovations will definitely improve the organization; however, it is not enough of a radical change to separate yourself from the rest of the pack.

For example, the Metropolitan Opera's simulcast of opera performances in movie theatres, under the leadership of Peter Gelb, has changed the way audiences enjoy opera.<sup>7</sup> Before the advent of the Internet, patrons would travel to New York City to watch performances at the Metropolitan Opera or go to their local opera. Now audiences can sit in the comfort of their local movie theaters and enjoy performances from the Metropolitan Opera. Last season 3.2 million people paid to watch performances, 2.6 million of them via their Live in HD simulcasts to 2,000 cinemas in 70 countries around the world.<sup>8</sup> Location is now irrelevant for the Met because technology has connected them to new audiences around the world. In addition to filling the seats of their opera house, which is important for generating revenue, the Met has found this new untapped market that has added to their revenue stream. This idea has greatly increased the Metropolitan Opera's viewing audience and revenue and in some cases it may fill a void in a town or city that does not have a local opera. It takes advantage of a relatively inexpensive technology and is helping to cultivate the next generation of opera goers and

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<sup>7</sup> Wroe, "Not Only in New York – How the Most Powerful Man in Opera Took the Met to the World | Music | The Guardian."

<sup>8</sup> Ibid.

possible donors. This would make Peter Gelb a disruptive innovator, and has inspired other major opera companies like the National Theatre in London to explore this new revenue stream.

The New York Times dubbed violinist Geoff Nuttall the Jon Stewart of chamber music. He has been able to relate classical music to his audiences in a fun and understandable manner, similar to what Jon Stewart has done for politics. He is a top-notch violinist who brings humor and playfulness to the stage at all times. Nuttall is redefining what a chamber music concert can be. Nuttall has also been introducing technology into his performances through the use of laptops and Skype.<sup>9</sup> This is something more organizations should embrace, it breaks down barriers between the audience and the performers. It not only connects the audience with the performers on stage, but it can also connect someone from half way around the globe and bring them into the performance as well. It is simple, free technology being used in creative ways, plus the audience can relate to the use of the technology and appreciate the cleverness of its use. Educating your existing audience is the best way to bring them with you as you move forward into new areas with your programming.

The Dallas Museum of Art (DMA) is offering free general admission to their museum, along with free museum memberships. Annual attendance jumped from 498,000 to 668,000. Slowly, other museums around the country are starting to follow suit

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<sup>9</sup> Keller, "Geoff Nuttall, the Jon Stewart of Chamber Music."

and offer free admission to their patrons. Initially, free admission is made possible through grants; however, it is up to the museums to figure out how to restructure their revenue streams to support free admission once grant funding runs out. Maxwell Anderson, the director of the museum, is hoping this becomes the model that all museums in the country will enact in the future. He sees the entrance fee as something that prohibits people from entering the museum in the first place. The museum has seen a 29% increase in visitors from racial and ethnic minorities. Latinos alone now account for 26% of the museum's audience.

The museum is publicly funded and therefore Anderson wants all local residents to have access to the museum, regardless of socioeconomic status. The museum has also implemented a badge system similar to Four Square that allows people to earn points that eventually grant rewards. For example, if you bring friends with you to the museum, you may be awarded the friends badge and over time your points accumulate so that you eventually earn prizes like a free lunch or tickets to a special exhibition.<sup>10</sup>

Maxwell Anderson's model is exactly the type of thinking that will help propel the arts and cultural field forward. The DMA has provided a great example of disruptive innovation in the field. It can be as simple as eliminating ticket fees and providing badges to increase the incentive for people to actively participate in the organization's programming. Disruptive innovation does not always have to involve technology; it can

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<sup>10</sup> Granberry, "Dallas Museum of Art Takes Bold Step of Offering Free General Admission AND Free Memberships || Dallas Morning News."

be drastic changes in the way an organization operates. It is still too early to tell if this will be successful or not; the point is that the DMA is doing something different and has broken the common standard of charging for admission to generate additional revenue.

### **Limitations**

A potential limitation to this project is that there may not be any disruptive innovators in the Greater Philadelphia Region, or very few. This may grow from a local search into a more national search. Conversely, there may be too many individuals to interview for the purpose of this case study, in which case I will have to be more selective of who I choose to interview. My hope is that Philadelphia's arts and cultural scene is vibrant enough to provide about ten stellar examples of disruptive innovation in the field. This case study is not trying to redefine or break down what it means to be a disruptive innovator. Clayton Christensen, a Harvard business professor, has provided a very acceptable for-profit definition of what a disruptive innovator is. Many of my studies and data collection will be based on his writings. This study will primarily focus on who is currently disrupting the nonprofit sector. I will not be studying past cases or try to predict who will be the next disruptor. This study will primarily focus on the traditional brick and mortar arts and cultural organizations throughout the city; they may include, but are not limited to, theatre companies, museums, operas, and orchestras.

### **Anticipated Findings**

Philadelphia is a very do it yourself, carve your own path type of city. I anticipate finding many leaders in the local Philadelphia nonprofit community to be disruptive innovators in their own way. Disruption does not always have to involve technology. It could be the way an organization handles their subscriptions, ticketing, or how they market to their audience, or programming. The possibilities are endless. There will be many people that do not even know what disruptive innovation is or they might believe that it has no place in the arts and cultural sector. I also think there will be many organizations that may be aware of the terminology, but that are not being disruptive because they simply do not know how. I hope to find ten organizations that are disruptive innovators or at the very least on the cusp of becoming disruptive innovators located in the Greater Philadelphia Region.

## LITERATURE REVIEW

For the purpose of this study, disruptive innovation will be defined by any new programming, technological enhancements to performances, or services that are bold enough to radically change or make the old convention obsolete. The focus of this study will examine traditional arts and cultural organizations like art museums, dance companies, theatre companies, and orchestras, along with some new comers to the field. Most of these organizations have been in existence for over 50 years, but some have only been in operation a few years. No matter how long they have been around these organizations will have to reimagine how they serve their audiences and conduct business. In fact, change has already begun due to the economic recession caused by the housing market crash in 2008. Many organizations' endowment funds were severely depleted as a result. "Disruptive technologies bring to market a very different value proposition than had been available previously. Generally, disruptive technologies underperform in comparison to established products in the mainstream markets. But they have other features that a few fringe (and generally new) customers value."<sup>11</sup> Not all disruptive innovations occur in technology, it just happens to be published more because the change happens so rapidly in those perspective fields. The music industry has been disrupting itself with technology for years thinking one medium was better than the next until they finally lost control of the format and music ended up being accessible for free.

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<sup>11</sup> Christensen, *The Innovator's Dilemma*, 2011, xviii.

It happens all the time in various industries around the world. One day you are buying music at a store on a CD, the next you are streaming it from your computer on the internet. ‘This is a process, not an event.’ Disruption happens over time, it could take years or decades to see the results, it can be a very slow moving process to see how things play out in a particular industry.”<sup>12</sup>

Technology has affected each of these various types of organizations in different ways, while others have not been able to change with the times due to the necessity of a large number of staff to facilitate events and perform every day activities. The most irreplaceable people in an organization are the talent, which poses a big problem for some organizations who have seen their budgets tighten and funding become scarce. “Products based on disruptive technologies are typically cheaper, simpler, smaller, and frequently, more convenient to use.”<sup>13</sup> Most of the research and literature that has been written on disruptive innovation revolves around the for-profit world. The research that has been conducted in this thesis will hopefully advance the field of arts and culture by shedding light on possible disruptors in the field and feature how they can positively impact change within the community. This is a great time to investigate the types of disruptions that are going on in the field of arts and cultural nonprofits, especially since many organizations have had to rethink the way their organizations operate because of the recession.

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<sup>12</sup> Bennett, “Clayton Christensen Responds to New Yorker Takedown of ‘Disruptive Innovation.’”

<sup>13</sup> Christensen, *The Innovator’s Dilemma*, 2011, xviii.

Currently there are a lot of visionary leaders, entrepreneurs, and pioneers that are breaking new ground and recognizing the need for a shift in the field. The majority of the work force is still dominated by baby boomers with an increasing number of millennials trying to enter the field. Because of drastic changes in economy and technology, our society has shifted the way we interact with one another, spend leisure time, and what people expect for their money (Return on Investment). All these factors have changed rapidly and so must arts and cultural nonprofits to stay competitive and relevant to their audiences.

### **The Difference Between Disruptors and Innovators**

There are many characteristics that make disruptors and innovators similar, but as much as they are alike they are also very different. It is common to confuse the terms. “Think of it this way: Disruptors are innovators, but not all innovators are disruptors—in the same way that a square is a rectangle but not all rectangles are squares.”<sup>14</sup> Disruptors change the way we do business and the way that we live our lives. Simply put, they are games changers.

Disruptive innovation is occurring around us all the time. Some people think of it only in terms of new technology. It is not limited to only tech companies with large development budgets that are constantly acquiring smaller startups. Sometimes it is the

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<sup>14</sup> Howard, “Disruption Vs. Innovation.”



small startup that overtakes the large corporate giant. It can happen in any field and any type of business model, including 501(c)(3). Disruption in the field could occur by the means of a new ticketing system or free admission to a museum; it can be as simple as changing an organization's offering to its audiences. But unless these innovations radically change the field or make organizations obsolete or disappear, they are not disruptive, more likely than not they are sustaining innovations. What this thesis will identify is game changers; people and organizations that have the vision and skills to make the rest of the field take notice and will be forced to change to keep up with the disruptors.

### **What We Can Learn From Disruptive Innovators**

Tim Williams, leader of Ignition Consulting Group, said "Disruptive innovation isn't necessarily a new technology; it's usually a recombination of existing features and technologies served up in disruptive way."<sup>15</sup> Arts and cultural organizations can learn from this lesson. Many organizations will have to re-examine what they offer. When new mediums and technologies are introduced into the field, arts and cultural organizations have to figure out how to present them to their perspective audiences. These organizations do not need to hire tech gurus or have a ton of capital to make a change in the field. They can still shake things up for everyone else around them on a small budget. Organizations have to constantly be looking at ways to create value for their customers.

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<sup>15</sup> Williams, "Why Advertising Agencies Must Disrupt Themselves."

In order to reinvigorate their brand, they may have to disrupt their own organization to bring a fresh perspective to their audiences. This may include restructuring entire organizations in order to be more efficient, letting go of staff members who are ineffective and not focused on moving the mission of the organization forward, or generating a new perspective for audiences to become part of.

A company or organization that is doing everything right to turn a profit for their shareholders or board members will probably miss out on the opportunity to be a disruptive innovator. Their current audience is not going to lead them to a disruptive innovation. These organizations will have to find new costumers that want a different type of product that will allow them to disrupt. An organization's current customers have the same recurring needs every time, and organizations make small incremental changes that improve things just enough to keep this customer base happy. This is called sustaining innovation.<sup>16</sup> Low risk ideas and innovations can not generate enough growth for a company or organization to expand into new markets. However, disruptive innovations will make companies unique and stand out from the rest of the market. In order to become disruptive innovators, organizations have to learn not to fear the possibility of failure. There has to be room for experimentation, to take calculated risks in order for these organizations to be able to disrupt.

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<sup>16</sup> Christensen, *The Innovator's Dilemma*, 2011, xviii.

Even the largest and most successful companies can fail due to lack of innovation. Innovation is what keeps these companies on top and competitive. The formula for success that a company initially used to get to the top in their perspective field can eventually lead to their down fall, a sort of Achilles heel. Management, in many cases, has been taught to sustain the success and technology currently in use within a company. This is true for nonprofit organizations as well. So many arts and cultural organizations have lobbied, protested, and advocated to get where they are today. Most of them know how to sustain their organizations at their current level. However, there are very few leaders in the arts and cultural nonprofit sector that will know how to move past the point where their organization is at now. Some will achieve something great and break through this barrier while others will fall along the way. We will probably see many new unlikely partnerships in the near future, these hybrid organizations will form out of pure survival and will push boundaries to create something totally new. For leaders to be disruptive in their perspective field they are going to need support and encouragement from their boards and not be afraid of the possibility of failure. This is how disruptive innovation is spawned; if they play it safe and do not take chances then other nimbler organizations will surpass them. The larger companies do not think about the bottom end of the market; they just think of the demographic that provides them with the highest return. Disruptors infiltrate the market by servicing the lower end of the market. However, before these larger organizations know it, they have been surpassed by entrant organizations in their perspective market because those organizations offered a better, simpler product at a cheaper cost and cultivated a new audience that may not have existed before. This can be

seen currently in Apple's business model; they are going after the high-end profit margins leaving a wide base of lower end users un-serviced. Samsung and other competitors are creating products for this lower end market and building a larger base of customers that may eventually dethrone Apple in the tech industry.

Arts and cultural organizations will hit this breaking point and changes will need to be made to move forward. The industry leaders of today have to embrace the new disruptive innovations emerging in their field and other entertainment industries to stay competitive. This by no means is an easy feat to achieve. Many well-established companies struggle to balance the disruptive innovation that is being injected into their existing company culture while staying true to their original mission and core values that they have held in strong regard for years.

Organizations and companies that are trying to rebuild a lost customer base can turn to disruptive innovation to create interest again from their old customers, audiences and gain new ones along the way. This is a very important lesson that can be learned for all nonprofits that have lost a certain segment or demographic of their attendees due to new technologies or change in economy. These organizations will have to become nimble enough to respond quickly and have the foresight to take a proactive approach to give their participants what they need.

## The Drawbacks of Disruptive Innovation

“Most big ideas have loud critics. Not disruption. Disruptive innovation as the explanation for how change happens has been subject to little serious criticism, partly because it’s headlong, while critical inquiry is unhurried; partly because disrupters ridicule doubters by charging them with fogyism, as if to criticize a theory of change were identical to decrying change; and partly because, in its modern usage, innovation is the idea of progress jammed into a criticism-proof jack-in-the-box.”<sup>17</sup>

The largest drawback of disruptive innovation is failure, or the fear of failure. There are no guarantees when developing or implementing a disruptive innovation for your arts and cultural organization. Disruptive innovations are a gamble, if they work out your organization may set the trend for the rest of the arts and cultural organizations in the country to follow. It could mean big press and large sums of income, but with this success comes the chance of failure. This could contribute to the loss of revenue, donations, audience participation, or funding. This fear is what stops many leaders in the arts and cultural nonprofit sector from growing and evolving. The nonprofit sector is naturally risk adverse and does not take many chances as they fear for their survival.

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<sup>17</sup> Lepore, “The Disruption Machine.”

Organizations, donors, and foundations want a sure bet, they want a guaranteed return on investment. Unless arts and cultural organizations change their opinion towards taking risks, which include disruptive innovation, they will never be able to compete with for-profit organizations or be able to set themselves apart from other nonprofit organizations in larger markets in the country.

Jill Lepore believes that disruptive innovation is another unfounded theory to explain the modern economy's rise and fall. "It's a theory of history founded on a profound anxiety about financial collapse, an apocalyptic fear of global devastation, and shaky evidence."<sup>18</sup> Lepore is a Harvard Scholar like Clay Christensen, but she attempts to debunk Christensen's disruptive innovation theory throughout her article in the *New Yorker*. She claims there are no critics of his theory because they will be accused of impeding progress and being out of touch. Lepore points out that Christensen praised certain disk drive companies that later failed, only experiencing brief success while many of the incumbent companies like IBM still exist and are still successful. Lepore continuously calls out Christensen in her article, trying to dismiss his theory by recapping example after example from his book *The Innovators Dilemma*. One by one she attempts to prove that every example was historically inaccurate. "History speaks loudly, apparently, only when you can make it say what you want it to say."<sup>19</sup> Lepore notes that it is difficult to blanket successful disruption in various industries off of the observations of the disk drive industry. There are people involved too, it is not just cut and dry for

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<sup>18</sup> Lepore, "The Disruption Machine."

<sup>19</sup> Lepore, "The Disruption Machine."

every industry. Nonprofit organizations have a responsibility to their audiences, patrons, and donors. They do not have products that they can sell for lower price points for maximum gain. She goes on to explain in the article that disruptive innovation is a poor predictor of measuring success for a company because the theory is based on why companies fail.<sup>20</sup>

Christensen was not at all amused by Lepore's article and promptly participated in an impromptu rebuttal in *BloombergView*. Christensen said her article was a take down piece and nothing more. He felt she had done very little fact checking against his research and that she based all her criticism on his first book *The Innovator's Dilemma*.

Christensen admits that his theory was not complete at that time, but as he published more books on the subject he refined his theory. However, Lepore did not bother looking further into his research past the first book, according to Christensen, which was shocking to him since she was also a fellow Harvard Scholar. Christensen went point by point to debunk Lepore's accusations in a very angry tone.<sup>21</sup>

“Doctors have obligations to their patients, teachers to their students, pastors to their congregations, curators to the public, and journalists to their readers—obligations that lie outside the realm of earnings, and are fundamentally different from the obligations that a business executive has to employees, partners, and investors. Historically, institutions like museums, hospitals, schools, and universities have been

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<sup>20</sup> Lepore, “The Disruption Machine.”

<sup>21</sup> Bennett, “Clayton Christensen Responds to New Yorker Takedown of ‘Disruptive Innovation.’”

supported by patronage, donations made by individuals or funding from church or state. The press has generally supported itself by charging subscribers and selling advertising. (Underwriting by corporations and foundations is a funding source of more recent vintage.) Charging for admission, membership, subscriptions and, for some, earning profits are similarities these institutions have with businesses. Still, that doesn't make them industries, which turn things into commodities and sell them for gain."<sup>22</sup>

## METHODOLOGY

Self-obtained first hand sources were used in this research. Secondary sources are used to support the primary sources and solidify their importance. Currently, well documented cases of disruption are extremely limited in the arts and cultural nonprofit sector. Conventionally, disruptive innovation is used to describe drastic changes in the fields of science and technology. Through my research, I will identify disruptive innovators in the arts and cultural sector in Philadelphia and investigate their strategies.

Most often we associate "disruption" with the technology sector, due to the speed at which technology evolves. This rapid evolution forces those involved in the manufacturing and creation of technology to constantly question, challenge norms and develop new approaches and perspectives to address developing issues. Can the same be

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<sup>22</sup> Lepore, "The Disruption Machine."



said for a 100-year-old organization that has been forced to change due to the current economic climate, and ever-changing consumer behavior? I have sought out organizations that are forging new perspectives in the arts and cultural sector. The present political, technological, and socioeconomic climate promote the need for organizations to change and move just as fast as the world around them. If they do not, the consequences could be dire. Audiences will move on and the organizations will be equated to forgotten, antiquated technologies like pay phones.

An initial survey was sent to 120 individuals who are part of the arts and cultural nonprofit community in Philadelphia. Out of 120 surveyed, 35 responded. These participants were asked to identify people and organizations whom they considered to be “disruptive” innovators in the arts and cultural field. The term disruptive innovator was thoroughly defined and current examples were given to further support the definition. The follow up question asked if they considered themselves and/or the organizations they work for to be disruptive innovators. This question was asked to further shed light on whether or not the participants understood the term “disruptive innovator”. The survey was created and hosted on Survey Monkey, a reliable and familiar survey tool used by many organizations in the arts and cultural sector. The results of the survey were examined and from those results I identified eight individuals who were commonly identified as disruptive innovators in the Philadelphia area. Those individuals and their respective organizations became the primary focus for my research. Individuals who were infrequently mentioned were also considered after I investigated them on my own to see

if they met the definition of disruptive innovator. Those who did were added to the primary list of potential interviewees.

Eight organizations/individuals emerged as being commonly viewed as disruptors. They were invited to participate in a brief interview via email. Five of the eight individuals responded to the invitation to participate in the interview process. A series of open-ended questions were crafted to further identify if the interviewee fit the characteristics of a disruptive innovator. These interviews were conducted either over the phone or in-person. For the ease of scheduling, a majority of the interviews were conducted by phone. Each of the interviews was recorded by an iPhone app called Call Trunk. The conversations were then sent out for written transcription. Once the conversation had been transcribed, the conversations were coded to highlight the commonalities between the interviewees' answers. Their answers would substantiate and provide the foundation to the argument of this paper. Of the five individuals who were interviewed, four of the interviewees fit the criteria of the research being conducted in this paper. After interviewing all five disruptors, a common characteristic emerged between the organizations. All of the organizations provided programming to the general public except one. The organization that was excluded from this thesis provided administrative services to organizations that could not afford to have a larger staff to complete those specialized tasks. While the idea seemed disruptive and innovative, the organization's mission was not one that enriched or improved the lives of people in the

community, but instead helped other nonprofits. For that reason, they were excluded from this study.

## **Figure 2 – Survey Questions**

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Q1: Do you know what disruptive innovation is? If yes, please list the arts and cultural organizations in Philadelphia that you would classify as disruptors.

Q2: What qualities does an arts and cultural organization need to possess in order to be considered a disruptor.

Q3: Do arts and cultural organizations need a lot of capital in order to be innovative?

Q4: What makes an arts organization innovative?

Q5: What age group do you think these arts and cultural disruptors most appeal to?

Q6: Do you think an establish arts and cultural organization could be considered a disruptor? Why?

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**Figure 3 – Interview Questions**

1. Can you please describe your organization and your role in it?
2. How long have you been involved with your organization?
3. Who do you consider to be your main competitors and how does your organization stand out from them?
4. To what extent are you influenced by donors/grant funders in the decision making process for your organization?
5. How does your organization bring a different value proposition to your perspective field than what is being offered by your competitors?
6. What is the biggest risk that you've taken on behalf of your organization?  
Was the risk worth the reward?
7. How do people in the nonprofit community react to the idea of disruptive innovation?
8. Whom do you consider as a disruptive innovator?
9. Which part of your demographic do you listen and pay attention to the most; your consistently loyal patrons or are you inclined to program more for prospective patrons?

10. Are you or your organization afraid of failure or do you embrace what you can learn from the experience as part of the development process?
11. What was one of your organization's biggest hurdles since coming on board?
12. Would you mind sharing a failure that you learned from and how you were able to rebound from that?
13. Do you and your organization rely on current market research to make decisions?
14. What do you consider to be your organizations biggest or most recent success?

## **FINDINGS**

Four individuals were identified from the survey as disruptive innovators: David Devan the General Director and President of Opera Philadelphia, John Jarboe the Artistic Director of The Bearded Ladies, Siobhan A. Reardon the President and Director of the Free Library, and Sarah Stolfa the Founder & Executive Director of the Philadelphia Photo Arts Center. Each of these nonprofit leaders bring an interesting perspective to their field and are looking to move their organizations forward to secure their future in

Philadelphia and to be leaders among their peers in the in the nonprofit arts and cultural sector. Their innovative programming is gaining momentum and has caught the attention of other individuals throughout the nonprofit community.

Opera Philadelphia, Founded 1975

David B. Devan, General Director & President

Total support and revenue (FY2014) \$9,613,721<sup>23</sup>

Mission:

- Delivering outstanding productions of traditional and new repertoire that engage our public and propel our genre forward
- Identifying extraordinary artists, both established and emerging, and provide opportunities for them to create their most imaginative and inspired work
- Presenting innovative programming relevant to the multi-cultural Philadelphia region that broadens and diversifies the opera audience<sup>24</sup>

David Devan is the General Director and President of Opera Philadelphia. He is responsible for both the artistic and administrative functions of the organization. David reports directly to the board of directors. David has been with the company for eight years, three of which have been spent in his current position. He was brought in as a change agent for the organization. He first looked at basic problems that needed to be

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<sup>23</sup> “GuideStar Nonprofit Reports and Forms 990 for Donors, Grantmakers, and Businesses.”

<sup>24</sup> “Our Mission - Opera Philadelphia.”

fixed before he could start to change the artistic direction of the organization and the way they presented themselves to the world.

David Devan's solution to having very little liquidity for Opera Philadelphia was to escrow the opera company's subscription money and forgo paying some bills in order to show financial discipline to their donors in the time of the 2008 recession. The risk paid off and they raised half a million dollars from the board and the other half from a wealthy philanthropic family. This decision helped put their debts to rest and any doubts that their donors had about their financial well-being. Opera Philadelphia raised all of the money within a six-week period during a recession, which was unheard of at the time. "We were the only company to escrow their subscription money, and the fiscal discipline resonated with donors so much that everyone dug deep" said David Devan. They could have been sued for not paying their bills, the donors could have not given them any money, there was the great recession facing them during their turn around moment. They did not falter, instead they persevered, continued as planned and took a leap of faith. According to Devan, "If you are going to be a disruptor you have to be ready to lose some people and you have to be ready to lose some money. The trick is you need to have more new money than the old money you're losing".

The biggest artistic risk they have taken to date is their American Repertoire program. Opera Philadelphia has committed to developing one new opera every season for a decade. Philadelphia was the birthplace of our nation so they want to embody that

notion by nurturing American composers. This adds value to their Philadelphia brand and adds value to their organization nationally by nurturing US born composers. No other Opera in the country has made this type of commitment to its native composers. The idea of nurturing and helping grow an organic American composer is unprecedented in the Opera community. Operas and their audiences prefer the familiar staples that have been perfected for decades, maybe even centuries. Opera Philadelphia has taken the opportunity to help shape the future of Opera.

Opera on the Mall is another great disruptive idea that Opera Philadelphia has developed. About 6,000 people come out to this event annually to watch a free simulcast opera performance on Independence Mall. The people attending this event are not regular opera goers, maybe 10% of them will buy a ticket to a performance later in the year, but the main reason Opera Philadelphia relies on this event is to show donors that there is still a massive interest in opera and they can help sustain it through their contributions. “Here the secret sauce is: the people, the philanthropists that care about opera, this is an instigator for philanthropy. All we have to do is show them a picture of 6,000 people and their dogs and their kids out there on the mall and they want to give more money”, said Devan.

The Bearded Ladies, Founded 2010

John Jarboe, Artistic Director

Mission:



The Bearded Ladies is an experimental cabaret group devoted to exploiting all the possibilities of intimate, homemade theater through beautiful songs, tricked-out costume changes, drag, and virtuosic prop construction. With wit and sparkle we tackle the politics of popular culture, sex, gender, and artistic invention.<sup>25</sup>

Though the Beards appreciate spontaneity and improv as much as the next theater troupe that practices an art form based largely on spontaneity and improv, we also appreciate having a home, the Wilma Theater. And though their native turf is greater Philadelphia, they wouldn't be able to grow and evolve without the support of several long-term hosts and sponsors. We tip our top hats and twirl our moustaches to them.<sup>26</sup>

The Bearded Ladies Cabaret (BLC) is an experimental cabaret company located in Philadelphia. John Jarboe is the Artistic Director of the organization. Their goal is to keep no distance between how they run the administration and how they function artistically. The company's idea about collaboration is a little bit different than most people's definition. They try to utilize their employees' expertise in what they excel at and to personalize the collaborations. Everything they do is hair based. They have salons, but not the type that you are thinking about where you get your hair done. These salons consist of little committees that focus on people's specialties, for example someone might specialize in marketing so they will team up with others who are especially good at marketing to collaborate. Currently, BLC is collaborating with Opera Philadelphia, a

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<sup>25</sup> "Know Your Beards | Bearded Ladies Cabaret Company."

<sup>26</sup> "Know Your Beards | Bearded Ladies Cabaret Company."

much larger organization and a big risk for their company to take on. This will be their largest project to date. It is called *Andy: A Popera*. The Opera has limited experience with presenting new pieces and has partnered with Bearded Ladies to learn about exploration and developing new work. Traditionally, opera does not try to figure out what is or is not working within a performance. The Bearded Ladies usually share their work before it is ready. Typically, the audience is a primary character in their performances. In the case of Opera Philadelphia, if word got out that a performance was not up to par or if they tested an opera on an audience beforehand and things went poorly the new opera would be killed then and there. So they have to get it right in secrecy with the help of the Bearded Ladies Cabaret. Devan noted that “Everyone involved in the new performance is required to sign a waiver and there is absolutely no recording of any kind permitted during rehearsals. A leaked performance that was not well-received could mean that the opera would never see the light of day. So why not do some out of the box thinking and recruit a troop that is used to presenting new, un-finished work all the time to help hone and craft your new production?” Over the past couple hundred years, cabaret has perfected the art of sharing new works with unsuspecting audiences. This is not uncharted territory for the Bearded Ladies, which is one of the reasons why Opera Philadelphia teamed up with them.

Bearded Ladies Cabaret biggest risk they have taken to date, according to John, is collaborating with Opera Philadelphia, which is a much larger organization. It would be easy for a small organization to quickly lose its identity when working with such a large

organization. The opera has different procedures when planning a performance that are more rigid, whereas the cabaret is more free flowing and improvisational. The other difference between the two is that opera is all about perfection. They do not perform and develop many new works. That's where the Bearded Ladies come in. They are used to this type of loose group development, a trial by fire to improve their work.

The Bearded Ladies have created very untraditional structure for their board called a "Weave". They do not have a traditional board of wealthy donors. The Bearded Ladies approach people in the community to be on the board, whether that person has donated \$10 and come to all the shows or has donated \$10,000 dollars a year. This type of board includes a diverse group of people who have a say in the organization's future no matter their socioeconomic status. This type of board could be risky as there is no mandatory annual board donation that could help bail them out of financial hardship. The Bearded Ladies feel that input from the community is priceless and this is far more valuable to them than a mandatory annual donation.

Free Library of Philadelphia, chartered in 1891

Siobhan A Reardon, President and Director

Total support and revenue (FY2014) \$48,035,950<sup>27</sup>

Mission Statement:

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<sup>27</sup> "GuideStar Nonprofit Reports and Forms 990 for Donors, Grantmakers, and Businesses."

To develop resources and funding to expand, enhance, and support the services, collections, building improvements and technology expansion, and other activities of the Free Library of Philadelphia. programs include early childhood, family, and adult literacy; after-school homework help; teen leadership and youth empowerment summit; workplace and career placement; regional foundation center; lecture series; summer programs in reading and science; and cultural performances.<sup>28</sup>

### Programming

Public programs to provide literacy, cultural and educational programming on behalf of the Free Library of Philadelphia examples of such programs include the mayor's council in literacy's moving up program, the Philadelphia book festival, one book one Philadelphia, science in the summer, teen programming, and the author lecture series.<sup>29</sup>

Today, the Free Library is composed of 61 locations citywide, including Parkway Central Library, three large regional libraries, 49 neighborhood libraries, four technology Hot Spots, the Library for the Blind and Physically Handicapped, the Regional Research and Operations Center, and The Rosenbach of the Free Library of Philadelphia.

One of Siobhan's colleagues once said to her "This is a Google world; we just live in it." That is the reality the Free Library of Philadelphia exists in and that is why they have to consider redesigning their spaces and how to better serve their constituents.

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<sup>28</sup> "FLP - Our Role in the Community."

<sup>29</sup> Ibid.

Their customer base ranges from the rich and affluent to the poor and illiterate. Their audience is about as different and diverse as an organization can have. Yet they have figured out programming to help close the gaps and serve all their constituents equally. Recently they created a program called Culinary Literacy where they partnered with Kensington Quarters to bring the community new programming that it had never seen before. Kensington Quarters is a Philadelphia-based butcher shop and restaurant located in Fishtown, that prides itself on supporting local agriculture. The Free Library wanted to get into the maker space market, which is a risk in itself. When most people think of libraries, they think of books, not activities. Plus, many of the original maker spaces have closed their doors over the past few years. Siobhan states in her interview that cooking essentially is basic literacy. It involves math, science, and tactile learning. Reardon explains that “It’s collaborative learning and it’s all about the skill building you did, not only around cooking, but there’s nutrition, there’s portion size, there’s learning how to shop on \$20, all of these life skills that have gone into that, all building multiple literacies, if you will.” This workshop attracted people to the library who had never attended an event before, 30 something males that wanted to learn how to butcher a goat.

Siobhan and her staff are trying to think of ways to create the Library of the 21<sup>st</sup> century and push the boundaries of how a library is defined. They want to meet the needs of the people in specific communities and tailor the experience based on region. The need to be relevant to their audience is more important than ever with the new spectrum of media outlets. The Free Library reached out to the community to ask what type of

programming they wanted and the library has continued to make them part of the decision making process. It's a total paradigm shift; one that the Free Library hopes will pay off.

The Free Library underwent a complete reorganization that affected not only the staffing structure, but also the type of staffing positions they hire. They spent a lot of time rethinking the space and the type of work they do in order to create different and unique programming. According to Siobhan, between the spaces and the staff all their risks are internal, but ultimately these changes will affect the way the organization interacts and affects the community, so these risks are truly more than just internal choices. Of the Culinary Literacy program, Siobhan asked 'who knew there would be an interest in goat butchering?' The event was sold out, a room full of 20 – 30 something males who do not normally come to the library. To be a disruptive innovator you have to create your own markets and buzz around the product. When Siobhan and her staff thought of this program no one knew who their target demographic was or if their typical audience that regularly shows up to the library would attend. Something unpredicted happened. A new audience emerged, one that has not frequented the library before. The library is trying to be in different and unexpected spaces and this is a step in that direction. That event was written about and publicized all over the city, creating a buzz that got people talking about the library doing cutting edge programming. The Free Library, like so many organizations, have their base constituents to think about as they move in new directions. There are aging buildings to contend with that need to be updated in order to offer the

programming of tomorrow, and some staff who are just stuck in their old ways. The organization is on its way to becoming a disruptive innovator and has had a hint of brilliance but has not quite reached their full potential yet. Programs like their Techmobile have definitely broken ground, brought the library's services to communities that need training in writing emails and resumes. It helps lessen the digital divide and offers people the opportunity to learn about technology and close the gap for those who would not normally have access to this type of training.

The Free Library has come back from huge losses from the recession and a reduction in funding. In addition, an aging work force is taking its toll on the organization with many of the long-time staff members retiring to take advantage of the pension plan that is in place before it disappears. Through all these challenges they have persevered and managed to keep all their locations open, even with a reduction in funding. The Free Library is at risk right now, they need to change the dynamic of their organization or become stagnant and go the way of the dinosaur. Change doesn't come easy. Siobhan wants change but to do that she needs to convince her staff and constituents that they need to restructure the way the Free Library operates and the type of programs it offers. Their spaces also need to transform in order to accommodate the new programming they would like to offer.

Philadelphia Photo Arts Center, Founded 2009

Sarah Stolfa, The Founder & Executive Director

Total support and revenue (FY2014) \$590,164<sup>30</sup>

### Mission Statement

The Philadelphia Photo Arts Center is a nonprofit 501(c)(3) organization devoted to the study, practice, and appreciation of photography in the Philadelphia region. The organization fulfills this mission by offering educational programs, photographic exhibitions, lectures by practicing artists, and affordable access to high-end digital equipment for the creation of photographs. PPAC is a resource for both practicing artists as well as individuals interested in learning about all aspects of contemporary photography. PPAC provides needed technical services and instruction and promotes the relationships and connections that will lead to a more vibrant photography community.<sup>31</sup>

### Programming

The Philadelphia Photo Arts Center offers a unique combination of education, exhibitions, a digital rental lab, and fee-for-service printing and scanning. All services and education are affordable in comparison to other options in Philadelphia for photographers.<sup>32</sup>

At the Philadelphia Photo Art Center (PPAC), Sarah Stoffel, founder and Executive Director has established a foot hold in the Philadelphia nonprofit scene as the

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<sup>30</sup> “GuideStar Nonprofit Reports and Forms 990 for Donors, Grantmakers, and Businesses.”

<sup>31</sup> “About Us / Philadelphia Photo Arts Center /PPAC.”

<sup>32</sup> Ibid.



only organization that specializes in all aspects of photography. She claims that it is the only organization like it in the country that she knows of. It definitely is unique. Unlike the other organizations that are being written about, this is one of the newest, in fact they open their doors during the start of the recession. Sarah said their biggest risk was just opening. Because they were starting out in 2009, they couldn't receive any grants the first year and it is very difficult to secure funding as an unknown start-up. They generated a lot of interest in their programs by running Groupon and Living Social deals. This was a very innovative way of getting the word out. They did not have to use marketing dollars or invent a new app, they simply took advantage of an already existing technology and used it to their advantage to gain interest and support for their organization. Eventually the popularity of those discount event sites decreased. However, that marketing plan worked to spread the word about PPAC and got people involved in the organization. By the time those revenue streams dried up they were able to apply for funding from foundations and solicit donors. Those early days of using Groupon and Living Social showed proof of concept that there was a definite interest in their organization.

PPAC developed a program called Philly Photo Day that engages many different photographers from all walks of life. Participants may use any photographic device to capture their Philly photos all on the same day. This event started in 2010 and that year they received over 320 photos from participants. Four years later participation has grown to about 1,903. It is a low cost program that engages a lot of people in the city. Everyone already has a phone with a camera built into it. Philly Photo Day takes advantage of that

fact to maximize participation in its annual event. It has grown dramatically over the years in funding and participants. It is a way to engage people who normally would not participate in the organization's daily programming. Every year after the event date the photos are printed out by PPAC and publically displayed in a gallery or public venue like Dilworth Plaza. Funding and participation has increased dramatically over the years and has gained the organization a good amount of press throughout the nonprofit community. Stoffel says, "We don't know what photography's going to look like in 10 years, 15 years. But we've dedicated ourselves to the mission of always being relevant, which is good."

## **CONCLUSION**

After interviewing the selected nonprofit leaders, analyzing what their organizations have done over the years since their time there, and what the field is doing as a whole I believe these organizations have done very innovative things and are on the precipice of something great, of becoming leaders in their perspective fields. While they may not be disrupting the field they are making great strides with sustaining innovations, making great improvements to their organizations. They are laying the foundation right now for future leaders in the field to be disruptive innovators. There are a few organizations that are truly disrupting throughout the country, though they probably would not even consider themselves disruptive innovators because they are in the arts and

cultural sector. Organizations that disrupt in the field could be figuring out how to receive more funding and attract more donors via their programming, services offered or pricing structure. Nonprofits are not cutthroat like corporations, most of them are trying to help one another and form partnerships and are invested in seeing others succeed. It is a tight knit community with many of the same people serving on multiple boards and employees who have worked at multiple organizations throughout the years. The community in Philadelphia is very intertwined. If an organization was to disrupt the arts and cultural sector in Philadelphia, I do not think it would send shock waves through the community. I think organizations would take notice and try to emulate their success. Most organizations are risk adverse and would be against risky changes that might effect their organization. This may lead to their eventual downfall but it would not be immediate. The actions of a museum may not have a ripple effect to an Opera, they are so different and diverse that it would probably not affect them that much. While there is cross over in their audiences, donors, and foundations their fundamental missions and programming are too different for it to affect either one. It would be like saying because a new hard drive came out that is revolutionizing the computer industry that the car market will suffer and go into despair.

Nonprofit organizations from around the country might begin to take notice of the imaginative and creative ideas that have sprung from these organizations and it would then become more obvious that the selected organizations have truly innovated in their own way. We may look back in a few years and say what they were doing today was very

disruptive. Measuring disruption is difficult while looking at it in the present. It is one of those things that time needs to pass and be reexamined a few years later, especially in a field like arts and cultural nonprofits that does not move as fast as the advancement of technology. All of the organizations in this study, The Free Library, Opera Philadelphia, the Bearded Ladies, and the Philadelphia Photo Art Center are innovative in their own way in Philadelphia. Eventually their efforts may be recognized nationally and help advance the nonprofit sector. Many nonprofits in Philadelphia are not disruptive at all and are content with sustaining innovations to keep their existing audience happy. Over the next couple of years, we may see major nonprofit consolidations and new partnerships that were unheard of before, in order to help strengthen the nonprofit sector. There are so many nonprofits that have established themselves over the years in the Philadelphia region that no longer serve a purpose or have lost touch with their mission and need to realign themselves in order to move forward.

Some organizations are preparing for the upcoming changes in the sector by developing new innovative programming that hasn't been done before. Which leads to new audiences and sources of revenue, these new sources need to be developed and nurtured by these organizations. These new audiences are then cultivated and help grow these organizations in ways they haven't been able to do in the past. The work that the present day organizations are doing is helping pave the way for future leaders to be inspired and to build upon their efforts.

According to the surveys that were conducted before this thesis research began, knowledge of disruptive innovation was limited among people working in the Philadelphia nonprofit sector. I would hypothesize that this is probably the consensus for most people involved in the nonprofit sector, but this would be an area ripe for continued research. This thesis is only the beginning of the research that is needed to be done in order to better understand disruption in this sector. Organizations have to be taking steps to make themselves more competitive in this market and differentiate themselves from their competitors. Many organizations want to be nice and say that they are not competing in the same sense that for-profits are, but they need to stop being polite and realize that they are all competing for the same pool of money. If they do not receive the funding that they applied for, someone else will.

The side effects of disruptive innovation are basically one organization or company gets propelled ahead of all of its competition and the rest of the sector is left to play catch up. No one wants to be in the group that is left behind. This could mean that some organizations go bankrupt, or partner with other organizations to withstand the dramatic change in their perspective field. The incumbent organization is usually dethroned, forced to play catch up to the entrant company. Incumbents are usually focused on sustaining innovations to keep their current constituents happy. They want to make as much profit as possible without drastically changing their current product offering or programming. The benefits for the company that did the disruption is they get catapulted ahead of the rest of their competitors. They have their existing audience that

they worked hard to develop along with new audiences they will gain because of their product's popularity. They have everything to gain and nothing to lose until there is a disruption again in their perspective field. Other side effects could include loss of staff or audience members due to the drastic changes occurring in an organization. The transition could be too radical for existing members to handle, causing a departure of their core values. These organizations have to be willing to commit to the disruption, have money set aside to experiment outside of their normal programming and not be afraid of failure. It is easy to falter with this much uncertainty in front of these organizations.

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