

Strategic Challenges for Symphony Orchestras in Japan

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1. INTRODUCTION

There are 25 professional symphony orchestras in Japan, as of year 2003. Out of these 25, eight are based in Tokyo (plus two in neighbouring prefectures), six in greater Kansai (Kyoto, Osaka, Kobe and surrounding areas), two in Nagoya. During the five year period of 1996-2000, only one orchestra in Tokyo and one in Nagoya posted an operating surplus every year, while all the Kansai orchestras and others in Tokyo and Nagoya lost money for one or more periods. The prospects for the condition to change in near future seem very slim. Customer base for classical music has been shrinking, the public funding has been declining and corporate sponsorships have been more difficult to obtain due to the long-lasting recession of Japanese economy. All the symphony orchestras have been making efforts in operational areas, such as having branded goods and increasing ticket sales through promotions, to keep alive, but these efforts do not seem to have a significant impact on their long-term viability.

Against the above situation, the interests in orchestra management in Japan seems to have been focused around the operational and macro considerations, with curious paucity in strategic orientations (eg, Kurabayashi and Matsuda (1979), Watanabe (1989), Matsugu (1994), Tokunaga (1999), Oki (2002)). The purpose of this article is to investigate the situation from a *strategic* perspective, and to develop possible strategic options for Japanese symphony orchestras, both short-term and long-term.

The next section briefly reviews the history of symphony orchestras in Japan. Then research methodology is discussed in section 3. In section 4, an industry analysis of symphony orchestras in Japan is given, and strategic options are proposed in section 5. The discussions about these options in section 6 are followed by the concluding remarks.

2. BACKGROUND

The first western-style symphony orchestra in Japan was created in 1879 by musicians of "Gagaku" (traditional court music) at the Palace Household Agency. The first permanent symphony orchestra in Japan was established in 1925 as Shin-Kokyo Gakudan (the New Symphony Orchestra) which later developed into Japan Symphony Orchestra and then into NHK Symphony Orchestra. Although the orchestras before the war were organised by wealthy individuals (eg, Kotaro Iwasaki) modeled after philharmonic societies in Europe, or by private companies (eg, Mitsukoshi Department Store and Matsuzakaya Department Store) as a marketing tool, many of the orchestras after the war were organised by mass media (eg, Fuji Television, Yomiuri Newspaper, Bunka Radio Station). Also important to note is that amateur groups have been playing important roles in Japanese symphony orchestra scene. Keio University Wagner Society and Waseda University Symphony orchestra were established in 1909 and 1913, respectively.

Just as Japanese companies changed their characteristics (and hence governance process) through the difficult labour disputes during 1950-60s, the power base in orchestras shifted from owners/management to musicians during this period. Orchestras created during and after the period, more or less, tend to exist to give opportunities to play for musicians. Just as Japanese companies lost their capitalistic nature to become "socialistic" that they became to exist mainly for the employees, not for the shareholders, Japanese orchestras tend to be accountable only to their members, namely musicians themselves. For example, when Tokyo Symphony was bankrupted and disbanded in 1964 as main radio sponsors terminated their broadcasting contracts, the musicians re-established the orchestra as a cooperative. When Bunka Radio Station and Fuji

Television disbanded Japan Philharmonic Orchestra as a result of labour disputes in 1972, some musicians kept playing as a cooperative while other members created the New Japan Philharmonic Orchestra. Orchestras such as Kanagawa Philharmonic Orchestra (1970) and Tokyo City Philharmony Orchestra (1975) were created by musicians for themselves. Also not a small number of professional orchestras in regions have origin in amateur orchestras.

Many of orchestras activities became reliant on corporate sponsorship during the growth and the bubble economies of 1970-80s. Naturally they were forced to retract when the economy collapsed in 1990s. The merger of Tokyo Philharmonic Orchestra (original orchestra with the same name was established in 1945) and Shinsei Nippon Symphony Orchestra in 2001 was symbolic in that it was the first sign of consolidation in the post-war history of Japanese orchestras.

As of 2003, it is generally believed that there are 25 professional symphony orchestras in Japan. They are:

Sapporo Symphony Orchestra
Yamagata Symphony Orchestra
Sendai Philharmonic Orchestra
Gunma Symphony Orchestra
NHK Symphony Orchestra*
New Japan Philharmonic Orchestra*
Tokyo Symphony Orchestra*
Tokyo City Philharmonic Orchestra*
Tokyo Metropolitan Symphony Orchestra*
Tokyo Philharmonic Orchestra*
Japan Philharmonic Orchestra*
Yomiuri Nippon Symphony Orchestra*
Kanagawa Philharmonic Orchestra**
Nagoya Philharmonic Orchestra****
Kyoto Symphony Orchestra***
Osaka Philharmonic Orchestra***

Century Orchestra Osaka ***
Kansai Philharmonic Orchestra***
Hiroshima Symphony Orchestra
Kyushu Symphony Orchestra
New Philharmony Orchestra Chiba**
Central Aichi Symphony Orchestra****
Kyoto Philharmony Chamber Orchestra***
Orchestra Ensemble Kanazawa
Osaka Symphoniker***

* Tokyo

** neighbouring prefectures of Tokyo

*** greater Kansai

**** Nagoya

3. METHODOLOGY

The study draws on various sources, such as constitutions of the orchestras, their budgets and accounts, performance programmes, and some 50 interviews with orchestra managers and players, as well as publications from the government, orchestra associations and academia.

In terms of competition, while the seven regional orchestras are in the monopolistic competition condition (regional monopolies), the situation in Tokyo, Nagoya and Kansai calls for a competitive analysis. General environment and competitive situation in these areas, therefore, are analysed using the framework of industry analysis. After the industry analysis and generation of strategic options, the practical feasibility of these options is tested against the organisational and cultural context of orchestras and motivational aspects of their members.

4. INDUSTRY ANALYSIS

4.1. Demand Condition

According to Geidankyo (1995) there were 3165 concerts in 1991 by 22 professional symphony orchestras, while Oki (2002) counts 1740 concerts in 2000 by 25 professional symphony orchestras. Although it is difficult to see consistency in different statistics, interviews with orchestra members reveals that they are fully engaged throughout the year. On the other hand, it is generally believed that the market for classic music has been shrinking worldwide. If one consider also the fact that majority of Japanese professional symphony orchestras are constantly making loss, it is safely inferred that the service of Japanese orchestras (concerts) are priced too low, inducing more than optimal level of demand.

4.2. Supply Condition

There were 130,600 musicians in Japan in 1995. 55 national and municipal universities/colleges, 31 private universities/colleges and 37 junior colleges, as well as 44 vocational schools and 100 highschools have a music programme, churning out about 20,000 to 25,000 musicians. Some of them get teaching jobs at elementary schools, junior highschools or highschools, but many of them join or are ready to join the music job market where the supply by far exceeds the demand.

4.3. Rivalry

The competitive situation differs significantly from region to region.

4.3.1. Tokyo

Eight professional symphony orchestras are active in Tokyo, and further two orchestras are based in the neighbouring prefectures of Kanagawa and Chiba. Among these ten are three most important symphony orchestras in Japan, both in terms of reputation and of budget size. In terms of programming, all of them more or less adopt an "orthodox" mixture, heavily emphasizing standard repertory of Beethoven, Mozart, Brahms, etc.

Only Shinsei Nippon Symphony and Japan Philharmonic can be regarded as slightly differentiated as they played more works of Japanese composers (about 24% and 10.6%, respectively, during the period of 1972-81). In terms of market, none of them are considered to be seriously targeting outside the Tokyo area. On the whole, all of the ten orchestras are in a same strategic group.

4.3.2. Greater Kansai

There are four orchestras in Osaka and two in Kyoto. Osaka, Kyoto, Kobe and other cities in the area, however, are closely connected commercially and culturally, and it is relatively easy, both practically and psychologically, for people to move around in this greater Kansai area. Hence in terms of geographical markets, these orchestras are not regarded as in the same market nor in separate markets, but in geographically differentiated market. The net effect will be the increase of total demand, compared with the situation where all the orchestras are not geographically differentiated. In terms of programming, Osaka Philharmonic was considered as slightly differentiated with its emphasis of Bruckner under the baton of Asahina. Otherwise, all of the six orchestras are more or less in the same strategic group.

4.3.3. Nagoya

There is a duopoly in Nagoya, again with both orchestras being in the same strategic group.

4.4.4. Regions

Seven regional orchestras are in monopolistic competition, or in regional monopolies. In terms of programming, they are very similar, but this is only natural if they are to exploit the maximum potential of the respective local markets which are considered to be similar in taste.

4.4. Entries

Given that there is an abundant pool of musicians and short of demand for them amongst the incumbent orchestras, there is always a possibility that a group of musicians creates a new orchestra. Legally and institutionally, there are no restrictions against forming of new orchestras, and only the economic condition constitutes a deterrent. In fact, six orchestras were established during 1980s when Japanese economy was performing extremely well, including three in Kansai area; New Philharmony Orchestra Chiba (1980), Osaka Symphoniker (1980), Kansai Philharmonic Orchestra (1982), Central Aichi Symphony Orchestra (1983), Orchestra Ensemble Kanazawa (1988), and Century Orchestra Osaka (1989).

4.5. Substitutes

4.5.1. Orchestral Music

There were 2,327 orchestral concerts in 2000 in Japan, out of which 1,740 were by Japanese orchestras, whereas 587 were by foreign orchestras. Given that Japanese orchestras are not internationally competitive despite that some of Japanese musician are (Oki: 2002), and that there is always an issue of legitimacy of Japanese orchestras playing the western repertory, there is little wonder in that audience are willing to listen to visiting western orchestras. Hence, the visiting orchestras tend to command premium in ticket prices.

4.5.2. Classic Music

There were 11,038 concerts of classic music in 2000 throughout Japan, out of which 8,428 were by Japanese musicians/groups whereas 2,610 were by foreign musicians/groups. According to Geidankyo survey (1995), although orchestra audience tend to be better educated and with higher income, they also enjoy other forms of theatrical entertainment such as opera, chamber music and dramas. Out of the orchestra audience surveyed, only 24% listened only to Japanese symphony orchestras in the previous year. This means that, for majority of classic music audience, symphony orchestras must compete against other forms.

4.5.3. Entertainment

As people have only 24 hours per day, there is a limit to the time spent for entertainment. With more and more people spending a lot of time on internet, the time (and money) allocated to other forms of entertainment has been decreasing. There is a chance that the time people spend on classic music may not decrease with use of walkman- and/or MP3-type devices and file exchanges, the time people spend on live orchestral music is sure to decrease, unless something totally new is introduced.

4.6. Summary

Overall, given that orchestras are generally making loss despite public and private subsidies, yielding no monopoly power whether or not there is competition, and that there is always a threat of entries, some observations are made.

(1) The market is contestable.

When there is an opportunity to make a monopoly profit, or even an economic viability, there can be an entry, as there is abundance of musicians' pool (Besanko, Dranove and Shanley: 1996).

(2) The current demand level is grossly inflated.

Especially in competitive markets, services (concerts) are considered to be supplied at a wrong price, distorting the distribution. As a result, orchestra players are working extremely long hours, while orchestras are accumulating losses. Some of the inferences and calculations made by industry insiders concerning the potential market size (eg, Geidankyo: 1995) seem to totally ignore this point, deriving unrealistic wishful conclusions.

5. STRATEGIC OPTIONS

Obviously, strategic options differ dependent on competitive situation.

For seven regional orchestras which enjoy a monopoly, they would need operational improvement rather than a strategic manoeuvre. This means:

- increase of customer base through various programmes such as promotions and out reach,
- control of cost, and
- appropriate pricing.

For other orchestras in a competitive situation, they would need to think strategically. As they are in a industry structure typically inducive of excessive competitions, obvious strategic options are consolidation and/or differentiation. The merger of Tokyo Philharmonic and Shinsei Nippon in 2001 mentioned earlier was the first movement towards this direction. What is clearly necessary is differentiation of incumbent orchestras. For example, the orchestras in New York are differentiated in terms of geographical orientation and repertory; New York Philhamony and Orpheus Orchestra target the global market while St Luke's, American Composers' and American Symphony target the NY audience. The repertory of New York Philharmony and St Luke's is standard, while that of Orpheus, American Composers' and American Symphony is differentiated. Compared with orchestras in New York, Tokyo orchestras are extremely homogenous. What is important about differentiation is that in a differentiated market the total demand is larger and the market needs are better met than when the market is not differentiated, with the number of suppliers being constant (Saloner, Shepard and Podolny: 2001). This means that, if the orchestras in Tokyo and Kansai were appropriately differentiated, the total audience size would be larger than present, and that the audience needs in these markets would be better met.

However, given that many of these orchestras were established by musicians themselves to give them opportunities to play, and that the musicians have a strong voice in the administration of the orchestras, it would not be too easy to directly implement the options above. Although the differentiation results in the enlarged customer base and is good both for the symphony orchestra industry as a whole and for its audience, it also

means a narrower, if deeper, repertory for individual orchestras. This may be difficult for some (or indeed many) musicians to accept. Loss of jobs through consolidation will be even more difficult to accept for them.

Hence our recommendations for short-term include:

(1) Orchestras in Tokyo, Kansai and Nagoya should be encouraged to differentiate/specialise themselves to form separate strategic groups within respective markets.

(2) Mobility of players amongst orchestras should be encouraged (eg by three to five years contracts instead of permanent employment). This would benefit not only orchestras in controlling the quality of performance and the expenditure, but also (better) musicians by offering mobility and variety in their career.

(3) Lobbying for public funding should emphasize a focused distribution, not a wide and spread distribution, to make new entries more difficult. It is essential to change the contestable nature of the market.

(4) Ways should be devised to facilitate an exit (dissolution of incumbent orchestras). This may include severance pay subsidy by remaining orchestras or public subsidies.

In the mid- or long-term, however, as the competition has been becoming more and more global with lower costs of transport and communication, eroding regional advantages (Grant: 2001), orchestras will be forced to position themselves in the global market. In the global competition, one has to question why audience in Japan or other countries should want to listen to Japanese orchestras, barring a significant depreciation of Yen. For the audience outside Japan, the only area where Japanese orchestras may be able to have advantage over western or other Asian orchestras will be performance of works by Japanese composers. Otherwise, there are few reasons for western and/or Asian audience to choose a Japanese orchestra over a Western or other Asian orchestras. The second potential area where Japanese orchestras may be able to have an advantage over foreign orchestras would be fine-tuned interpretation of foreign works for the Japanese

audience. This interpretation market has been existent for dramas (admittedly there is a language factor, but Japanese interpretation that appeals to Japanese sensibility also seems to play an important role in works of, eg, Shakespeare or Chekhov when they are performed in Japan) as well as for operas (Nikikai) and for Broadway and West End musicals (Gekidan Shiki). There is a possibility that this kind of Japanese interpretation may work in classic music for the Japanese market. Hence, the mid- or long-term recommendation is:

(5) Globally competitive orchestras with an appropriate market positioning should be created either from incumbent orchestras or from scratch. These orchestras should have a clear governance structure with effective board and management.

6. DISCUSSIONS

The present professional symphony orchestras in Japan seem to be "of the musicians, for the musicians and by the musicians", just as many of Japanese companies after the war have been "of the employees, for the employees and by the employees", causing inefficiencies and governance crises. Due to this organisational context, drastic changes which should benefit the audience and the society as a whole supporting those orchestras, are to be difficult to implement, although it is obvious that their strategic positions (or, to be more precise, the lack of them) are untenable in the long run.

The short-term options (1)-(4) above recommended, will be relatively easy for Japanese orchestras to swallow. They not only satisfy the desires of (better) musicians to diversify their experiences and skills and develop their careers, but also will help orchestras control the personnel costs (the largest portion of any orchestras' costs) by more flexible employment practices. More importantly, a group of differentiated orchestras will better meet the customers (audience) needs, than presently available, and will contribute to increase the total demand (size of classic music market).

In the long run, however, Japanese orchestras must create their own *raison d'être* in the coming global competition. Here, different from traditional forms of performing arts

such as Gagaku, Noh, Kyogen, Kabuki and Bunraku, the potential areas where they can claim the global legitimacy may not be so large as they like to think. Creation of globally competitive orchestras may well be easier if organised from scratch, rather than if developed from incumbent orchestras, due to all the vested interests and organisational inertia, after all.

7. CONCLUSIONS

Existing literature on symphony orchestras in Japan tends to delve on their macro environment (government policy, audience profiles, etc) and supply side conditions (institutional arrangement, funding structure, cost structure, etc), rarely touching strategic issues of competition. This article tried to obtain insights into strategic options available to Japanese symphony orchestras by directly addressing this topic of competition, both amongst Japanese orchestras and in larger contexts. Through industry analysis coupled with literature survey, studies of budgets and accounts of orchestras and extensive interviews in the industry in Japan, France and the US, several strategic options, both short-term and mid- and/or long-term, which are likely to be acceptable to major stakeholders including audience, the society as a whole and musicians, were identified.

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