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THE STORY OF A CULTURAL ENTREPRENEUR

by

Steven Hearn

Founder and director of 'Le troisième pôle', engineering
consultancy specialising in cultural activities ;
and Scintillo, holding company

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Report by Sophie Jacolin

Translation by Rachel Marlin

Overview

The cultural area is an economy like any other. Steven Hearn has worked in this sector for several years and is now convinced that the system of providing grants and financial aid is not the be-all and end-all of culture, and that a logical approach by companies may be appropriate. He founded a consultancy which helped to devise important, flagship projects such as 'Lille 2004', Paris' 'Nuit blanche' and the mobile Centre Pompidou. Hearn also formed Scintillo, a holding company which creates, takes over and manages magazines which are in difficulty, cinemas, a publishing house and a film production company. He won the contract for the public service concession of the Gaîté Lyrique, a digital arts and modern music centre owned by the City of Paris. His entire organisation employs a total of one hundred and twenty people, and has a turnover of twenty million Euros. The company develops by self financing. He intends to continue to promote culture by launching two new projects : a business incubator, and an investment fund. He wants to show that investing in culture and the arts is no riskier than in any other sector.

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TALK : Steven Hearn

It was by accident that I created Le troisième pôle in 2000 in spite of the fact that I had never thought I would be a CEO. I had left the agency where I had been working quite abruptly. That agency specialised in communication for the non-profit making sector, and I did not agree with the way in which its director financed his ideas. Some clients said that they wanted to continue working with me, and one of them suggested that I start my own business, and I did just that. Today, Le troisième pôle is one of the leading cultural engineering consultancies in France in terms of its turnover and the size of its team.

Before I started working, I went to university to do business studies (followed by studying for a degree at Fordham University in New York), and then followed my passion by studying philosophy and history of art at the Sorbonne and the École du Louvre. My first job was at the 'Art Public Contemporain' agency which exhibited works of art in public spaces. I then worked at the Ministry of Research (organising European conferences on bioethics), and at the 'Fondation agir contre l'exclusion' ('Foundation against exclusion') whose president at the time was the Socialist MP Martine Aubry.

Entrepreneur as a result of circumstances

One of Le troisième pôle's first projects was for the 'Condition Publique' cultural centre in Roubaix. This was an industrial wasteland which was transformed into a site for exhibitions and cultural events. At the time, there was a trend to transform old sites like this : one of the most well-known was the 'Lieu unique' in Nantes. These places were supported by local associations and were not affiliated to a national project. They offered programmes which were a mixture of cultural animation, creation and live performances for the local population.

Le troisième pôle quickly brought together three areas which are rarely associated with traditional cultural engineering ; studies (project definition, feasibility, identification of the consumer, financial consolidation) ; production of cultural events ; and what I will refer to as transmission (which covers communication and project coordination). An original aspect of Le troisième pôle is that I always recruit very young collaborators who are not yet set in their ways of doing things in other agencies. Even though our sector is generally characterised by precarious employment and large numbers of trainees, almost every member of our agency has a permanent contract. The fact that the team is permanent is a strength because it enables us to increase our expertise with every project, especially because we do not compartmentalise our activities, and no employee is confined to a specific sector or type of project. For example, experience gained from producing an event may be very beneficial in a feasibility study. The result is a mixture of talents which enables us to suggest relevant solutions quickly.

We work exclusively for local authorities, and our potential clients are cities and regional and departmental councils. Some of our more recent activities include the 'Nuit blanche', the 'Paris en toutes lettres' festival, the 'La Force de l'art 2' exhibition at the Grand Palais in Paris, the 'Futur en Seine' digital festival, and the mobile Centre Pompidou, a structure which enables about twenty masterworks of contemporary art to criss-cross France. We are also working with the city of Langres which will hold a Diderot festival in 2013, the city of Marseilles which is getting ready to become a European Capital of Culture, and Tours, an international city of gastronomy. In a different area, we are taking part in the shopping and cultural centre project which is designed by the architect Manuelle Gautrand and funded by the developer Immochan in the 'Triangle de Gonesse' area north of Paris.

We also have projects abroad. In Africa, we created a travelling caravan consisting of maritime containers (smaller than the mobile Centre Pompidou) with the aim of publicising the artistic and traditional African know-how ; we have a plan to re-open a cinema in Cotonou (Benin) ; and there are ideas to help to bring together the Carthage jazz festival. We support the International Festival of African Fashion (FIMA) in Niger.

In five years, Le troisième pôle has increased its number of employees from one to twenty-three, and its turnover from 152,500 Euros to 5 million Euros. This has taken place in a pragmatic, often opportunistic way, and has reinforced an unwavering conviction : cultural activity can and should from now on rely on entrepreneurship and profitable economic models without having to regard public funds as a godsend which systematically correct so-called structural imbalances. Public authorities have a major role to play in the cultural field, but I think that this should be a case of launching and supporting emerging initiatives and not offering unconditional financing. Is it normal for an association to receive grants for thirty years without its activity being assessed, or that those involved in cultural events are not worried about launching loss-making projects because they know that they can eventually rely on a local grant to break even ? Our convictions gradually led us to take on the status of a 'cultural operator'. I realised this later on, but our approach was undoubtedly neither well thought out nor rational.

The Gaîté Lyrique centre : a cultural laboratory

In 2004, looking through the job pages in 'Télérama' magazine, I saw an advertisement for someone to manage the public service concession of a forthcoming Parisian development, the Gaîté Lyrique. I put the advertisement in my pocket, forgot about it, and only found it again (after it had been through the washing machine) a week before the closing date. The first thing I did was to inform the management that I was interested in being a candidate for this job. I was rather naïve about this as I had no idea about the magnitude of the development. The Paris City Council undoubtedly thought that Le troisième pôle was too small to be given the entire management of such a project, but nevertheless recognised that we could bring interesting ideas to the table. Time was on our side : the architectural works were behind schedule and as a result, the City took more time to select its candidate for the work. The construction of the Gaîté Lyrique site took four years. During this time Le troisième pôle worked on increasingly important projects, such as the French and Monegasque pavilions in international exhibitions, and numerous studies and events. Moreover, we systematically replied to all the requests for expertise about the Gaîté which the City of Paris gave us, including the 'federation of talent', the rapprochement with the Naïve record label, a rerun of the business plan, the search for financial partners and even financial consolidation of the project as a result of the support we received from a Suez subsidiary. The agency and its partners were finally awarded the concession in 2008.

The Gaîté Lyrique is a cultural and artistic centre dedicated to digital art and contemporary music. It hosts concerts, exhibitions and conferences and shows films. It is a costly development : the building is totally equipped with fibre optics ; the concert hall (constructed on hydraulic cylinders to ensure noise insulation) is equipped with one of the most advanced acoustic systems in the world, and can be fitted with screens for 360° projection. Of the annual budget of 10 million Euros, nearly three million are spent solely on the upkeep of the building. The City of Paris finances half the budget. We, therefore, have to finance the remaining five million Euros from ticket receipts, sponsorship, space rentals, co-productions, bar sales, merchandising revenues, training and finally as a business incubator. The development welcomed 211,000 visitors in its first nine months and, remarkably during its first financial year, it made a profit of 35,000 Euros.

The Gaîté Lyrique is a living laboratory where we apply the engineering skills acquired in Le troisième pôle. This experience has given me a taste of what it is like to be an entrepreneur and how one initiates a development. I assume this responsibility wholeheartedly. In 2008, I met Olivier Saby who helped me with the organisation and acquired and started these projects which, to an outsider, seemed rather disparate. We are joint associates in the Scintillo holding company.

A talented holding company

Scintillo groups together projects which I acquired in a rather opportunistic – and even sometimes surprising – way. One such example is the Saint-André-des-Arts, a well-known place for art-house cinema founded by Roger Diamantis more than forty years ago. A few years ago in a café, I helped someone at a neighbouring table who was struggling to fill out a grant request form for the Centre national de la cinématographie (CNC : National Centre for Cinematography). Six months later, a friend advised me to contact a delightful person who did not have any time to run his cinema. It turned out that this person was the man who had been sitting at that table in the café. He was Roger Diamantis' son. I started to help him - officially this time - to obtain some funding, and to meet potential partners until the day he called me to show me the statutes of a company which we were going to own together. The statutes were part of a strict deontological charter, written by Roger Diamantis, which prohibited me from having any links with other cinema competitors such as UGC and other cinema multiplexes ! I was supposed to inherit Saint-André-des-Arts and its spirit of resistance and this is how, by chance, I came to co-manage this legendary art-house cinema.

Another example of a project which came to me unexpectedly was the 'Mouvements' magazine. The magazine was on the verge of being bought by a press group when I was contacted by the employees and asked to make a counter-offer which would allow the magazine to keep its independence and editorial line. My offer was successful. We reworked the layout and the timing of the publication of this magazine which was dedicated to live performing arts, and we are going to incorporate articles about new technologies. Following this project, I have taken part in other current musical magazines such as 'Tsugi', 'Reggae Vibes' and 'Serge' which had been 'dormant' because of a lack of readers.

Some of these same partners helped us to undertake the management of the Trabendo concert hall in April 2012 and the Galeries Royales Saint-Hubert concert hall in Brussels which also has a cinema, space for an exhibition and a shop. Once again, this project happened more or less by accident : the gallery owners found my number on the Internet, having read an article about me in the press, and asked me if I could assess their project. They awarded me the project rather than the Karmitz family (famous for producing art-house films), which is a triumph and would have delighted Roger Diamantis had he still been alive !

Over a period of two months, Scintillo showed 1,500 films in six halls, and represented 135,000 magazine readers, held 40 concerts with a total of 25,000 spectators, had 50,000 visitors at its exhibitions, and had three companies using the business incubator, and also had new studies. The holding company has a turnover of nearly 20 million Euros and employs 120 to 140 people on the equivalent of a full-time basis. Because of this holding structure there is interaction between the various entities which can be fruitful. Some cross-functional projects have been carried out. For example, the technical director of the Gaité Lyrique may be asked to solve a problem regarding a festival, or journalists from 'Mouvements' magazine may be asked to collaborate on studies or audits of cultural policies. The professions feed off each other. This is why this system acts in a positive, upward spiral and can be assured a permanent team of people. Scintillo is first and foremost a holding company which has talent, rather than a holding company with various business entities. This means we can think and react, and this is an advantage for us. The reason this structure has almost exponential development is because it is built to last.

As far as forthcoming projects for Scintillo are concerned, we have applied to manage the disused Parisian train stations of Saint-Ouen and Masséna which have been made into concessions by the City of Paris with the aim of transforming them into cultural centres. We only took a week to find an investor capable of financing the future building sites, and three weeks to devise a solid project. I should also mention our application for the future operation of the 'Cité musicale' on Île Séguin (an island in the Seine in the western Parisian suburbs)

and the commercial space on it ; a partnership with medici.tv (a classical music webTV) ; and our equity stake in Boralys (a partner of the magazine 'Mondomix') which produces shows in very prestigious places, arenas or stadiums under the public service concession contract of arts programming.

Organising and supporting culture

All these projects depend on the belief that entrepreneurs can nurture the cultural arena as long as they are surrounded by competent people, and are aware of the employment and public service issues which are specific to this sector. We therefore thought that it was important to contribute more by organising the cultural sector from a corporate point of view. As a result, we introduced some innovations such as the 'cultuRégie' a part of which looks after the advertising for our magazines and helps to organise cultural activities by looking for partners and sponsors for the Saint-Brieuc ArtRock festival, the Trans Musicales in Rennes and the Francos Gourmandes in the department of Saône-et-Loire.

Another entity which we created was Creatis, an incubator for cultural businesses. Jean-Louis Missika, currently the deputy mayor of Paris in charge of innovation, suggested this idea. We had contacted him to get financial support for an investment project for venture capital intended to finance cultural entrepreneurs (which will soon exist). He explained that the City of Paris was not allowed by statute to invest in such a fund, and so he advised us to create an incubator or a 'co-working place' to help to support these entrepreneurs. This is how we got started. In less than three months, fourteen start-ups became established on the top floor of the Gaité Lyrique. We provide advice for their legal and financial structure, we help them to find business angels and public or semi-public financing, and we help them to devise their marketing strategy and communication. Their activities vary from the creation of a social network of amateur photography, to the publication of digital books, and providing a cultural recommendation service to the general public. The outlook is good for them and they contribute towards a cultural model which we consider to be rich. In six months, these start-ups have managed to create about forty permanent jobs. The operation has been so successful that we have extended the use of the incubator during 2013. We want to demonstrate that culture can be a source of job stability and in so doing, it is not necessary to abandon the idea of common good and public service.

We have created two other entities : the Praxlab which studies the behaviour of 'cultural consumers' who use different interfaces (such as tablets and interactive, tactile tables) ; and Alvéo, a think tank which pragmatically argues the case for the use of new economic models of culture.

Finally, we are working on the launch of Crysalid, an investment fund for venture capital for cultural entrepreneurs. In the long term, the fund should amount to about eight million Euros brought in by private, public and institutional investors with whom we are currently holding talks. It intends to help cultural entrepreneurs by investing between 200,000 and 450,000 Euros over a period of five to eight years. In 2013, the fund should have already raised one million Euros. It will have a profitability of 4 %.

In short, all of these activities are the result of a pragmatic approach which I am always trying to arrange from a corporate point of view.

DISCUSSION

Public authorities : one of our partners

Question : *You seem to find sponsors easily, but this is usually difficult in the cultural sector. What sort of collaboration do you have with your financial partners ?*

Steven Hearn : I never call on a sponsor simply to enhance a project, but so that we can build it together. My approach is not to sell a finished project and then to ask a partner to make up the economic deficit. In a similar way, all our projects are defined when we have worked on them together with other people involved, such as local associations highlighting the gastronomic heritage, bookshops in a particular area of a city, and so on. If we do manage to win the concession, the Saint-Ouen train station complex will include a concert hall and a bookshop specialising in travel, and reflecting the interesting nature of this area as the station is situated in Paris' 18th arrondissement which is very cosmopolitan. The Masséna train station complex will include a drugstore, open day and night, as well as a chemist's shop, a restaurant, a tattooist and a concert hall. In both cases, people living in the area were consulted. As a result, each project has a taste of the local characteristics and its own uniqueness.

Q. : *Are public service concessions really able to build projects as a group ? Is there not a risk of delegation of public policies ?*

S. H. : These concessions have one important advantage ; they make local authorities define the public service that they provide for culture, and make them be decisive in their communication with the general public. The eventual contract is the result of a discussion between an 'operator' (often a private individual but he may sometimes belong to an association) and a local authority, and it can be very satisfying. I think that the public-private partnership is less of an upward spiral in the long term because it involves public sector debt with regard to the investor and invites less responsibility.

Q. : *To what extent do you resort to government subsidies ?*

S. H. : Le troisième pôle replies to invitations to tender. Its services are therefore paid for by local and regional authorities. I never ask for public funding directly. Moreover, since some parts of Scintillo have the status of companies, they are hardly eligible to receive such grants. It is my clients who receive government or public funding. This is true of the Gaîté Lyrique management company, but only for a specific action. The Gaîté Lyrique has a vocation of public service to encourage specific members of the public, and to offer a springboard to young artists, and to encourage 'difficult' art forms or ones which are less well-known to the general public. The level of participation of the City of Paris depends on our overall turnover and above all on our internal financing capacity : if both of these decrease, the subsidy diminishes. On the other hand, the Trabendo, the other press publications and the Belgian Galleries project are not subsidised at all. Cinemas are different because they benefit almost automatically from financial aid and subsidy investments from the CNC (Centre National du Cinéma) which is itself the result of redistribution between cinema operators.

I can confirm that I am running a private economy. Nevertheless, we recognise that certain adjustments will have to be made in order to improve one day. A project like the Gaîté Lyrique has given rise to the creation of an ad hoc association as a way of receiving investment and operating grants, certainly for very specific projects, but also because the management company could not get them directly.

I think that the French system of culture works in an upward spiral. I am not carrying out a crusade against the interference by public authorities into culture which seems to me to be essential as an incentive, and supports creation. However, I do not think that they are the be-all and end-all of culture. I regard public authorities as one of the potential partners of cultural entrepreneurs (whom I hope to see flourish) capable of protecting those who are

weaker, because of their influence and methods. The government should nurture, initiate and encourage projects, even protect them sometimes, and then make cultural entrepreneurs sustain them and develop more economic models which operate in a positive 'follow-on' effect.

I have been pushing the Ministry of Culture and Communication to launch a forum so that there can be a discussion about cultural entrepreneurship. We could act as a financial guarantee for people launching their companies, and we could envisage offering tax breaks and even cultural endowments or investment funds. One must explore specific solutions which will allow cultural entrepreneurs to emerge, by helping them to understand the need for creating employment and partnerships with other public operators, and also by helping them to give meaning to their actions.

Culture can be profitable !

Q. : *How is it possible to make a profit in activities which are often considered loss-making, such as art-house cinema and cultural magazines ?*

S. H. : Even though Scintillo has a large consolidated turnover, its profit margin is negligible. All profits are reinvested into projects, such as the Créatis incubator which was a success. We have benefitted from the Créatis project and have rented out an additional 450 square metres to help other entrepreneurs. I do not believe in approaches which deal solely with accumulation or survival, but only those concerned with investment and sustained development. I do not have to repay any loans for my companies because the banks refused to give me any ! There is just one bank today which supports my investment fund and it has to admit that business is looking good.

In France, culture is tinged with a prejudice which dictates that one has to remain small, poor, subsidised and elitist. Profit-making is frowned upon because this it is seen to be a sign of a lack of intellectual honesty. The cultural sector, however, is not as penniless as people would have us believe. In France, it represents 200,000 companies and employs the equivalent of 1.4 million people in full-time jobs. On a European scale, culture represents between 3.3 % and 4.5 % of the GDP. The cinema industry, television and music are a significant economic force. Therefore, I feel that culture sometimes exaggerates its poverty. Having said that, specific activities such as live performing arts, contemporary art and classical music (where creation and production times are long) need subsidies. A pop or electronic music concert is often easier to programme and to finance than an opera or an avant-garde play which has to be worked on and rehearsed several months in advance of the performances in the best-case scenario.

Our publications are niche magazines which have a specific readership. We know these readers very well. They are small in number, but loyal. For example, our magazine 'Mouvements' has 6,000 subscribers and more than 7,000 newsstand sales (for a turnover of 450,000 Euros), and 'Tsugi' has 10,000 subscribers and 15,000 newsstand sales. Even though the number of readers is static, the advertising revenues have often doubled. This is due to the fact that advertisers know their target public well and can turn this to their advantage. A degree of professionalism exists because of 'cultuRégie'. Our magazines 'feed' our ecosystem : 'Tsugi' promotes electronic music and culture, and therefore indirectly affects the scheduling at the Gaîté Lyrique and the Trabendo.

As far as the Saint-André-des-Arts centre is concerned, we had to have a positive financial position. Roger Diamantis tended to neglect management tasks and so the banks did not give him an overdraft. The premises are still in need of a breath of fresh air. People go there to watch good films, or even to support culture, but not really for comfort ! The walls belong to the Diamantis family and were acquired as a result of revenues from related activities (including restaurants). In the end, Roger Diamantis found money-making schemes in order to develop an activity which he loved, and which made him the first person in France to show films made by Wim Wenders, Akira Kurosawa and Ken Loach.

Q. : *Artistic scheduling has an effect on the profitability of cultural centres. Do you interfere in the programming ?*

S. H. : I intervene in the editorial line, but never in artistic scheduling of developments or publications which I manage. For example, at the Gaîté Lyrique, I am the head of a management company which signed a public service concession contract with the City of Paris. The deputy managing director of this organisation, whom I appointed, is responsible for artistic direction and he decides all the scheduling with advisors and auditors whom he has chosen. I never intervene in the choice of artists, only in the programming, co-ordination policies, typologies and the themes of events. As far as our public service aim of the centre is concerned, we offer a programme which is quite specialised and innovative and which is 'outside the box'.

A methodology forged by experience

Q. : *How have you handled the successful development of your companies ?*

S. H. : I am surrounded by very talented colleagues. I have learnt – sometimes with difficulty – to delegate responsibilities. Today, I no longer deal directly with the organisation of an event, an opening exhibition or the production of a concert. I have become the 'conductor' of all activities. My timetable consists of a succession of board or editorial committees : during these meetings I am kept informed and I have to make decisions. All of this is very organised : Friday afternoons are devoted to the Saint-André-des-Arts, Monday mornings to administration and the finances of the Gaîté Lyrique, Tuesday mornings to the incubator, and so on. A new company requires a new slot in my timetable !

Q. : *Your projects have, perhaps, appeared 'by accident', but your approach, without being formal, is structured and relies on specific know-how. How do you characterise this know-how ?*

S. H. : The time when the construction of the group was accidental is long gone. I can no longer let it be like that now that I work with nearly 150 people. Originally I was driven by the energy of an entrepreneur, by the wish to act, and the conviction of being able to make the system work in an upward spiral. Today, procedures have become formalised, and I have the know-how and the resources. If, for example, someone comes to me with a project and asks me to invest 15,000 Euros in his company, I suggest that first of all he uses the incubator to consolidate his idea. Having said this, there is always a subjective part in decision-making. One does not perhaps invest in culture in the same way as one does in industry. And one only becomes a good entrepreneur in the cultural field with experience and observation.

Q. : *How do you see the future of your agency and your field ?*

S. H. : Apart from the projects which I have already mentioned, I am also thinking about the possibility of creating a sort of 'Valley of art and professions' in Paris' 3rd arrondissement. This is where the Gaîté Lyrique, the Le troisième pôle agency, the Creatis incubator, the French Centre national des arts et métiers, young art galleries, the future Carreau du Temple public space and soon, Silicon Sentier ('Sentier' is a district of Paris) are all located. It would be a concentration, in a specific area, of cultural and innovative entrepreneurial activity, uniting public and private operators.

More broadly speaking, I would like companies like mine to multiply. Even though the position in which I am is not monopolistic, it is nevertheless solitary and this is not always very easy. I would prefer to be around many companies because diversity is always a source of enrichment.

Conversely, I sometimes think that the disappearance of cultural engineering agencies as intermediaries between developments and territories on the one hand and culture and art on the other could be interesting. Why should the Gaîté Lyrique or the '104' cultural centre in

Paris not produce events themselves, with a broader territorial dimension ? Having said that, this would take away our raison d'être and not ensure the longevity of Le troisième pôle !

Presentation of the speaker :

Steven Hearn : graduate in economics, philosophy and history of art. He gained a wide professional experience in the field of cultural and social strategies. He worked for Art Public Contemporain (from 1992 to 1995), the Ministry of Research (from 1996 to 1997, the European Biomed II programme), and a communications agency specialising in the non-profit sector. He developed equipment and networks which enabled him to create Le troisième pôle in 2000 and the holding company Scintillo in 2010.

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