

# Financial Stability via Artistry and Relevance

In August, the Wallace Foundation, in partnership with SMU DataArts, released *The Alchemy of High-Performing Arts Organizations*, a new report that identifies common strategies utilized by twenty arts groups to achieve organizational health. The study, by SMU DataArts Director Zannie Voss and Research Director Glenn Voss, is the first of several reports that will expand the Wallace Foundation's resources for the field. While the report's findings reflect pre-pandemic conditions, the data and strategies it presents could help inform orchestras' work toward resiliency. Read the full report at [wallacefoundation.org](http://wallacefoundation.org). Here are excerpts.

by Zannie Voss and Glenn Voss

Arming those who lead nonprofit arts and cultural organizations with more knowledge and strategies for improving organizational health is essential for the field's long-term sustainability. Even before the recent health and economic crises, arts organizations faced headwinds related to changes that affect tax deductibility of contributions, regular threats to the elimination of federal arts funding, and changing consumer preferences. Like nearly every sector of society and business, arts and cultural organizations have been hard hit by the pandemic, and the effects will continue as long as questions remain about the safety of gathering and sharing cultural experiences in closed spaces.

Yet while some organizations remain concentrated on short-term triage, others

have turned their sights to a path forward, beyond reopening to recovery and reimagining. In this study, we take advantage of this crucial moment to share the commonalities among ten performing and vi-

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sual arts organizations that have achieved high performance and ten that engineered a turnaround during the past five to seven years. It is too early to know whether all aspects of their success are achievable in the current environment or whether some elements that drive success gain or diminish in importance under unprecedented conditions. Still, the lessons offered are intended to help those contemplating

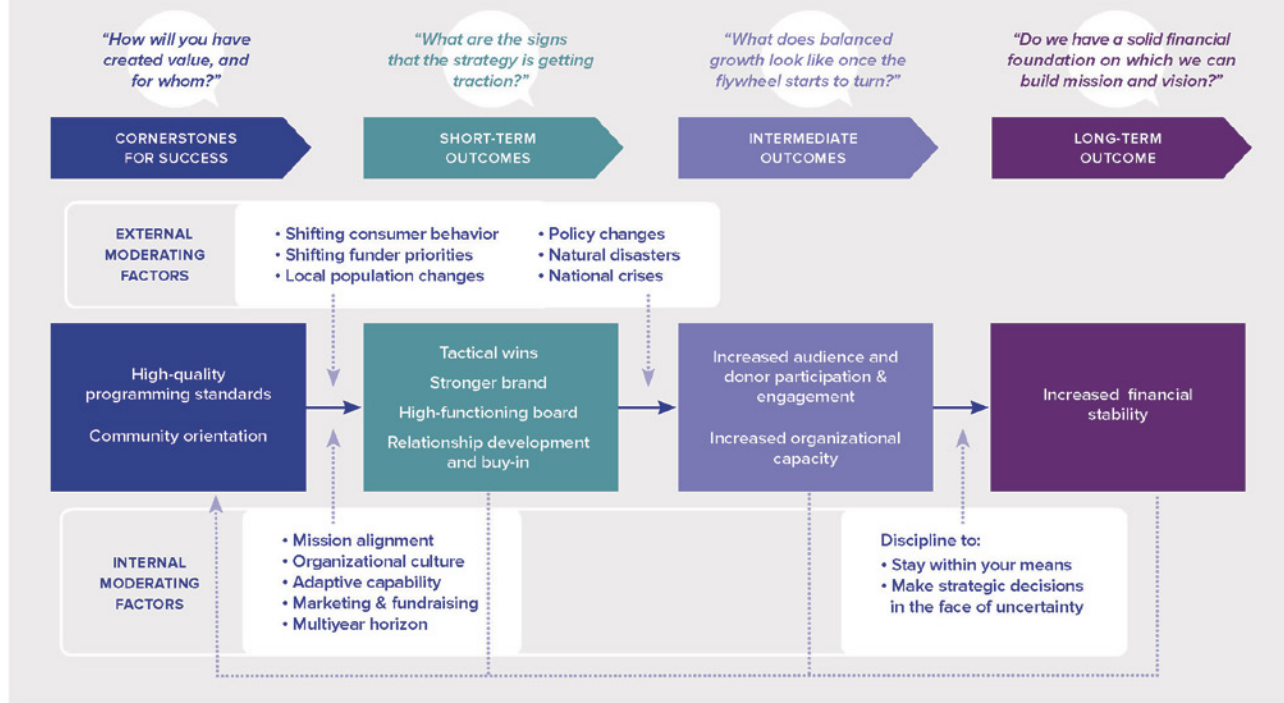


the next “normal” consider how to link the present to a longer-term strategy for achieving financial sustainability.

We identified 23 high-performing arts organizations that have consistently achieved above-average performance on several metrics for at least four years, and 22 turnaround organizations that went from below-average to either average or above-average performance over time. From these 45 organizations, we interviewed twenty. Organizations ranged in budget size from roughly \$650,000 to \$35 million, although most organizations' total annual expenses were in the \$1 million to \$4 million range. They represent a variety of visual and performing arts sectors.

Success is not accidental or haphazard, according to the organizational leaders in our study. Without exception, participants in both cohorts spoke to their strategies and strategic plans. They possess a mental map—or playbook—for how success happens, created with involvement and buy-in from the staff and board. One CEO remarked, “Think big. A plan can generate excitement about a positive future

**FIGURE 1: CONCEPTUAL MODEL LINKING STRATEGY AND FINANCIAL SUSTAINABILITY IN PROFESSIONAL ARTS ORGANIZATIONS**



A chart from *The Alchemy of High-Performing Arts Organizations*, a new report from the Wallace Foundation in partnership with SMU DataArts, proposes a conceptual framework for approaching financial stability and organizational strategy.

state and the roadmap for getting there.” Grounded action plans for achieving goals recognize multiple steps over time, rather than assume that a single action or miracle moment will provide transformation. As an executive director observed, “Once the turnaround begins, strategy changes are evolutionary, not revolutionary. Steady, incremental improvement over time.”

### Linking Strategy and Financial Sustainability

According to all whom we interviewed, the road to sustainability begins with a clear and compelling purpose. The cornerstones of high performance appear to lie in the alchemy of high standards in the creation of work that is meaningful to the local community. Organizations that are high performers and those that have turned around poor performance are

resoundingly intentional in their cultivation of both strengths: high program standards and community orientation. As one executive director stated, “Work to always create transformational experiences

### Two cornerstones constitute necessary conditions for strategy success: high program standards and community orientation.

that build community. If you can do that well, everything else falls into place.” It is up to each organization to interpret these essential cornerstones to fit its mission, vision, and community’s needs. Importantly, understanding the community’s needs requires that an organization go beyond making assumptions and commit to the ongoing practice of actively listening to its

community, then adapting its programming to meet needs.

External threats to an organization’s ability to achieve short-term gains are unprecedented events, such as the COVID-19 virus, as well as downward industry trends such as changes in consumer preferences, population changes, shifts in funder priorities, and the tax reform act’s impact on individual contributions. Yet the positive impact of a strong foundation is maximized when there is mission alignment throughout the organization. Success flourishes in a positive, open, healthy culture that invites participation. It requires a balance of steadfastness and adaptability as well as longer-term vision and professionalism. An executive leader stated, “Innovative solutions and new approaches to programs and problem-solving are presenting themselves through

## League Webinar: Turning Strategy into Stability

On July 29, the League of American Orchestras presented *In It for the Long Haul: From Reimagining to Financial Sustainability*, a webinar on specific steps that orchestras can take to emerge from the pandemic crisis and move toward sustained action and resiliency. Jill Robinson, CEO of TRG Arts, and Zannie Voss, director of SMU DataArts, led the webinar, which was free for League members. One of the 340 people who attended the webinar commented, “Both my board chair and I participated and found the message very timely to our upcoming strategy session with the board ... as we revision our value to our community.” Watch the webinar on demand at <http://bit.ly/longhaulwebinar>.

*The webinar was made possible by a generous grant from The Wallace Foundation. Additional support was provided by American Express, the Baisley Powell Elebash Fund, the Howard Gilman Foundation, and the National Endowment for the Arts, and by public funds from the New York City Department of Cultural Affairs in partnership with the City Council.*

open, clear, cross-departmental communications.” When these internal elements are in place, they pave the way for short-term tactical wins that inspire confidence and excitement, build the brand, and strengthen relationships with the board, employees, and external stakeholders.

The flywheel starts to turn as short-term outcomes translate into intermediate outcomes of expanded organizational capacity and increased audience and donor participation and engagement. These resource and relationship wins have positive impact on the organization in two ways. First, they reinforce its community orientation and advance its ability

to achieve high-quality programming standards. Second, they lead to financial sustainability provided the organization has the discipline to stay within its means and make conservative strategic decisions in the face of uncertainty. Arts and cultural organizations exist for mission fulfillment, not financial sustainability. Yet the long-term outcome of financial sustainability undergirds the ability to maximize mission success.

### Cornerstones for Success

Two cornerstones constitute necessary conditions for strategy success: high program standards and community orientation. Organizations that are high performers and those that have turned around poor performance are resoundingly intentional in their cultivation of

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both strengths, and those interviewed attributed the core of their success to the alchemy of these two underlying factors. Each organization’s unique interpretation of these cornerstones forms the vision statement that frequently anchors strategic plans. Strategic vision is the organization’s answer to the question, “How will you have created value, and for whom?”

While this basic product-market fit sounds intuitive, attaining the alchemy is an aspiration rather than a reality for many organizations. It demands a commitment to excellence in programming in tandem with a commitment to providing programming that is meaningful to the local community, not just to the organization. As one executive director remarked, “Some organizations do what they want to do regardless of whether the audience follows. We don’t say ‘do this, it’s good for you.’” Three leaders of turnaround organizations stated:

- “Our biggest deficit was involvement

and connection to the community. Getting this right will address the financial deficit.”

- “I do not believe there is another way to achieve a healthy bottom line than through success in being meaningful to the community.”
- “Modifying your vision to what fits with that city is critical. Some people think their vision should never be messed with. That isn’t true. Honor the tastes, history, demographics—this is really important and inseparable from the programming and operations of the company.”

Ultimately, organizations do not determine what work resonates with a community, the community decides for itself. An executive director stated: “The plan always has to reflect great art that is relevant to your community, plain and simple.” Understanding what programming will be meaningful to the local community requires getting out of the organization and participating reciprocally, listening, learning, and responding, all of which lead to relationship building. As one leader remarked, “We all have an obligation to be reflective and relevant. When you begin to achieve this in a meaningful way, it makes everything else easier.”

Community orientation forces organizations to rethink whether and how they serve more segments of the community. When organizations provide programming that makes them relevant to only a small slice of the community, they not only expose themselves to risk when that narrow slice diminishes in size with shifting demographics, they also miss opportunities to increase their footprint of community connections. Active probing and listening are the only ways to discover what people value, what they find meaningful, and what needs they have that the organization can meet. Once there is clarity around an organization’s mission and its vision for its excellent, relevant programming in the context of its community, staff and board members have to embrace that vision and align all organizational decisions behind it. **S**

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