

Strategic Planning in the Arts: A Practical Guide

The Planning Environment

Strategic planning does not happen in a vacuum. Many organizations initiate the planning process during a period of great change (e.g., financial distress, physical expansion, changes in leadership). The benefits and limits of strategic planning are linked to the nature of the change facing the organization.

The way a planning process is implemented will depend, in great measure, on the situation facing the organization when it decides to develop the plan. Only a few arts organizations have the discipline to develop comprehensive strategic plans in a rigorous way during periods of stability. Most organizations only embark on planning exercises when facing periods of great change owing to financial distress, changes to operations (including physical expansion), the loss of a major funder, new senior staff or the decision to pursue a serious stabilization effort.

FINANCIAL DISTRESS

The most common reason why arts organizations turn to planning is the onset of significant financial problems. When there is considerable cash flow pressure, when nothing in the current operations suggests that this pressure will abate, when every conversation revolves around cash shortages, when the fun of involvement has evaporated, and when the Board and staff have no solutions, they frequently turn to planning. (Of course, a careful plan developed three years earlier may have averted the crisis.)

A plan meant to address a fiscal crisis must be comprehensive, but must also be developed with dispatch. These plans accomplish several objectives:

- They force a discussion on the root of the problems facing the organization.
- They encourage a logical, organized discussion of possible solutions.
- They create alignment of the Board and staff around a course of action.
- They result in a document that can be used to attract new Board members.
- They can be used with funders to help show how additional investment in the institution will contribute to long-term stability.

What the plan will *not* do is solve the cash flow problem. This will only be accomplished if the plan is implemented. This typically takes a great deal of effort by Board and staff. If the effort devoted to creating the plan exhausts the time and energy commitment of the key participants, leaving no resources for implementation, it is certain to have no impact on the institution.

Too often, even when a troubled organization does work hard to create and implement a plan, the focus is placed solely on the short-term fiscal needs. The temptation to solve this most pressing problem is understandable but the longer-term consequences can be significant. There are very

few institutions that are saved simply by an infusion of short-term cash. While mounting an emergency campaign is frequently a central part of the strategy for a troubled institution, it can not be the only area of focus. Without addressing methods for increasing both earned and contributed income, and controlling costs, the organization is likely to experience serious cash flow problems yet again when the short-term campaign revenue is depleted. Many organizations have to learn how to reduce expenses. Even more have to learn how to enhance income generation by employing sophisticated marketing and fund-raising techniques. The payoff from these approaches is not achieved in the near-term; the best arts executives will make the effort to ensure that long-term revenue growth is pursued even in the face of daunting short-term crises.

PHYSICAL EXPANSION

When a major expansion is under consideration, the planning calendar can be a bit more relaxed. But the case for pursuing a broad planning effort is just as compelling. Too often, organizations in this situation look simply at the design of the facility, the cost of construction and the feasibility of the campaign. Too little time is spent reviewing what is needed for a smooth transition to the new space, the marketing, fund-raising and other operating requirements for supporting that facility and the impact of the expansion and the campaign on the staff and Board.

In fact, many organizations only begin serious strategic planning after designs for the new building are completed. This leaves little room for the planning process to affect the design. While the excitement generated around architectural drawings is significant and understandable, arts organizations must discipline themselves to complete major planning processes *before* any designs are initiated. This allows the plan to address the marketing, staffing, Board expansion and fund-raising issues that must be solved before a major expansion. It also allows the campaign to be specified more accurately by including all the costs the expansion will incur, not simply the capital costs. Yet too many Boards and staffs get so excited about the facility design that serious, rigorous, organized planning efforts fall by the wayside.

LOSS OF MAJOR FUNDERS

Like organizations in fiscal crisis, those that lose the support of a major funder have waited too long to plan. Unless there is flexibility to reduce expenses in the short-term (assuming the fund-raising and earned income efforts cannot be expanded in the very short-term), the financial implications will be substantial.

The answer to the loss of a major funder is not to seek a single replacement funder. Rather, the organization must find a way to enhance its visibility or to exploit its current visibility to attract a larger circle of funders.

Working actively to strengthen the Board is frequently an important element of this strategy. As mentioned previously, the plan itself will provide one of the most potent tools for soliciting new Board members. The plan gives Board prospects a clear picture of the direction of the organization and the way their efforts will be helpful. Those prospects from the corporate sector

will be familiar with business plans and will appreciate the apparent rigor of the planning process.

CHANGES IN LEADERSHIP

When an organization experiences changes at the highest level of the Board or staff, the plan becomes an important transition tool. The new leaders can use the planning process to create a renewed sense of direction and vitality, effectively addressing the organizational insecurities that attend any change in leadership. This is particularly true when a visionary leader leaves the institution; new leaders must be given the opportunity to create their own platform.

STABILIZATION

Some planning processes are undertaken when an arts organization decides to make an effort to achieve long-term financial stabilization. (Frequently a special gift from a major donor inspires this decision.) Stabilization is one of the best reasons for embarking on a planning process.

Yet stabilization requires more than financial analysis and a campaign plan. The definition of a stabilization strategy must be broadened to include the operational actions that create financial security in the arts. Simply erasing an accumulated deficit, building an endowment or creating a working capital reserve is not enough to stabilize an organization. The artistic, marketing and development plans must also support on-going revenue generation.

Without long-term revenue growth, a stabilization campaign really only provides a few years of cash flow relief - not a bad thing but not real stabilization either.

NEW ORGANIZATIONS

Very few new arts organizations initiate any form of rigorous planning. The effort it takes to mount a first production and the limited availability of money and managerial expertise makes it difficult to think about the future in an organized manner.

Unfortunately, the failure to think of the first production as part of a continuum can be quite costly. Donors and ticket purchasers who support the first performances are not adequately engaged, people who can provide support in the future are not asked to attend, and members of the press are not cultivated for future coverage.

While developing a comprehensive long-term plan for a new arts organization may not be justified, or even possible, a simple two year plan can be very effective. Evaluating environmental issues and developing basic strategies for dealing with them can help set priorities, attract Board members and convince institutional donors that this new company is approaching its future in an intelligent manner.

Whatever the situation facing an arts organization, plans are only as effective as the people who create and implement them. Employing sophisticated planning techniques is considerably less important than finding the best people to develop strategies and manage their implementation. Yet, armed with strong analytical techniques and a logical planning framework, a well-managed arts organization with an effective Board and, most important, a high quality artistic product, can create plans that accomplish a wide range of initiatives.

In the end, however, it all comes down to probabilities. No one can promise that the building will be expanded, the tour will be enlarged or the deficit will be erased - or that they won't. Turning your dreams into strategies simply increases the odds that they will come true.