

# *The Alchemy of High-Performing Organizations*



*ASCENSION, Anish Kapoor. Basilica San Giorgio, Venice, Italy, Image credit: Domus*

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# Agenda

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- 1 Research Questions & Methodology
- 2 Key Findings
- 3 Breakout Discussions
- 4 General Discussion



*Stages (Houston, TX). Photos by Amitava Sarkar.*

## Research Questions and Methodology

1. What are examples of visual and performing arts organizations that have:
  - a. Financially out-performed others in substantial ways
  - b. Come close to shutting down or were in the bottom ranking of performers but engineered a financial turnaround?

➡ *Methodology: Analyzed KIPIs on 7 financial and operating metrics over 5-7 years*

# Methodology:

## Identifying Turnaround Organizations



- Searched for articles announcing an organization's closing followed by an announcement that it would not close after all.
- Searched websites of qualifying organizations for evidence of strategy or acknowledgement of strategy driving recovery.

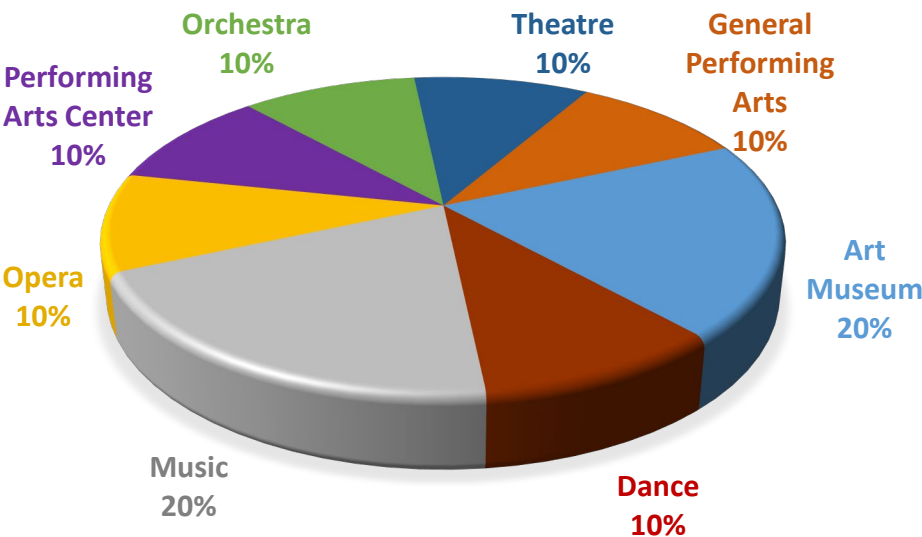
These approaches revealed four discoveries:

1. Financial distress and bankruptcies tend to make the press only when it concerns a very large organization.
2. Numerous organizations that made the press for avoiding bankruptcy have yet to demonstrate that they are on stable footing – i.e., no evidence of a turnaround, only failure avoidance.
3. The vast majority of organizations that performed in the bottom ranking of performers at the start of the period also performed below average at the end of the period, despite some improvement.
4. Many organizations that were below average but not in the very bottom ranking of performers at the start of the period engineered substantial improvement.

# Methodology:

## Participant Description (10 High Performers, 10 Turnarounds)

### High Performance Cohort by Arts and Cultural Sector



126 organizations met the criteria to varying degrees

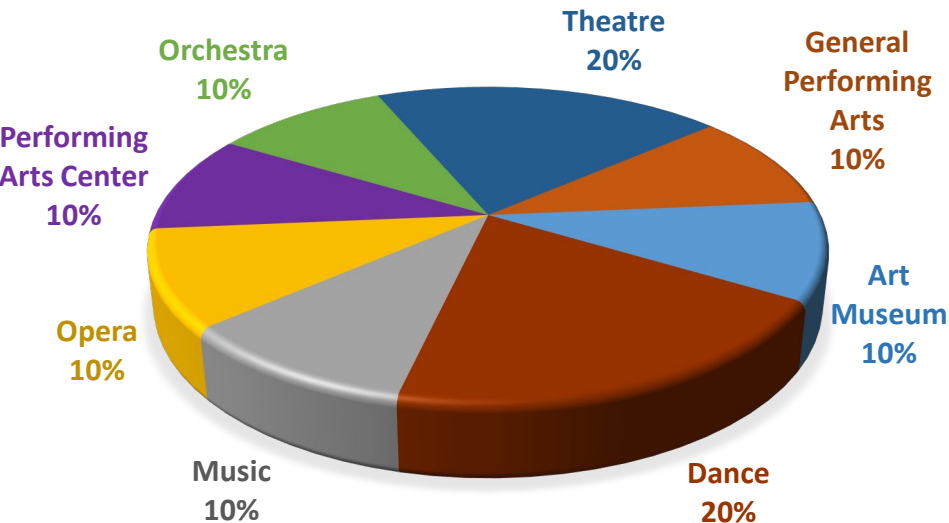
23 strong candidates provided sector and size diversity

We interviewed 10:

**Budget range: \$832,000 to \$33M**

**Mean budget: \$7.5M, Median budget: \$2.0M**

### Turnaround Cohort by Arts and Cultural Sector



330 organizations met the criteria to varying degrees

22 strong candidates provided sector and size diversity

We interviewed 10:

**Budget range: \$648,000 to \$35M**

**Mean budget: \$7.0M, Median budget: \$2.2M**

## Research Questions and Methodology

1. What are examples of visual and performing arts organizations that have:
  - a. Financially out-performed others in substantial ways
  - b. Come close to shutting down or were in the bottom ranking of performers but engineered a financial turnaround?

➡ *Methodology: Analyzed KIPIs on 7 metrics over 5-7 years*

2. What kinds of strategies were used to achieve this financial performance?
3. Were there particular contexts or conditions in which these strategies seemed to be more effective?

➡ *Methodology: Theories-in-Use. Seeks to capture the mental model of how things work from the perspective of individuals who are closest to the problem (Zeithaml et al. 2020).*

*Project timeframe: January 15-March 11, 2020*

# The Alchemy of High-Performing Arts Organizations: High-level Observations (10 High Performers, 10 Turnarounds)

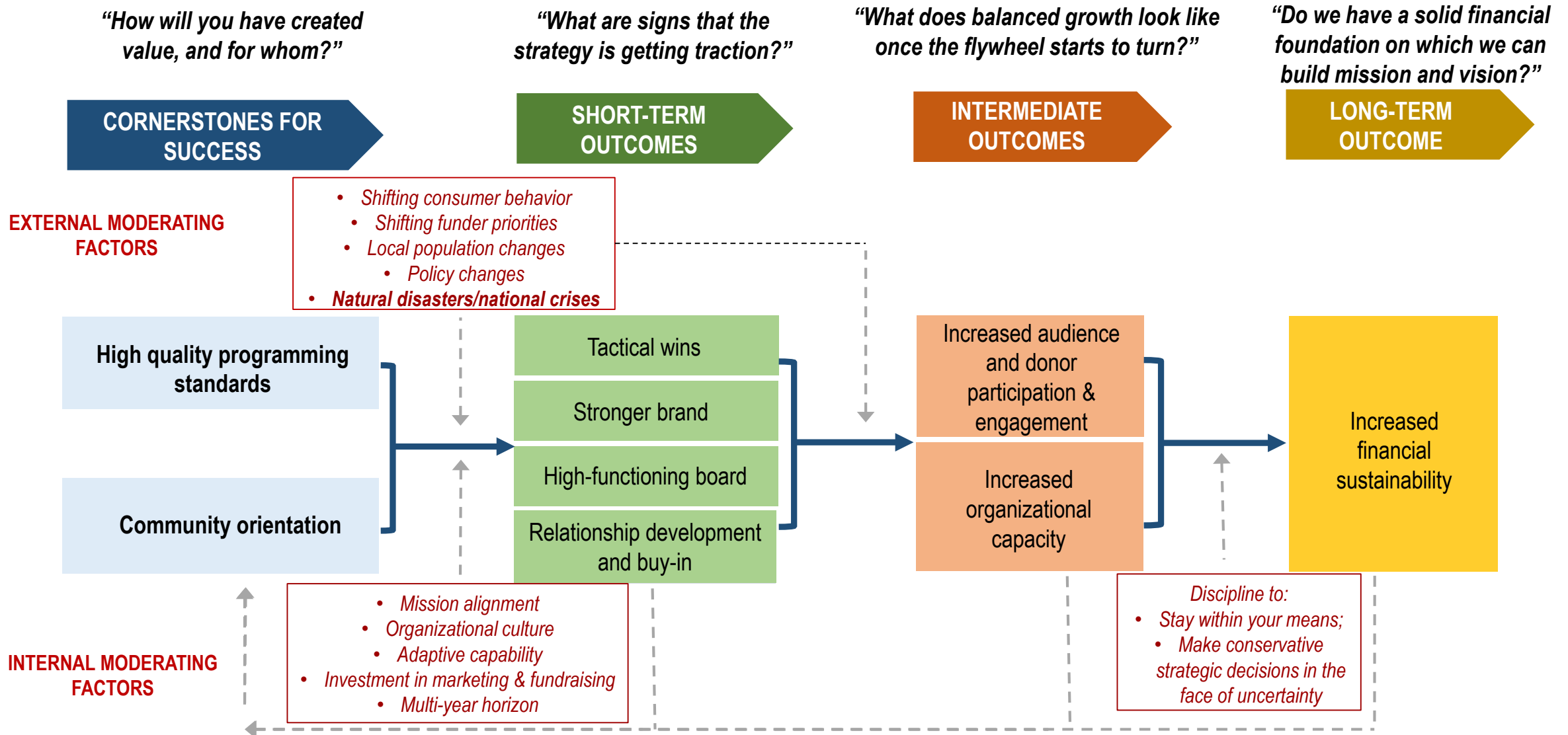
High-performing organizations were once turnaround organizations.

Common strategic elements breed success for both cohorts.

Success takes a slow, controlled burn. No single action or miracle moment will provide transformation.

Success is not accidental or haphazard. All interviewees possess a mental map, or playbook, for how success happens.

# Key Findings: Linking Strategy and Financial Sustainability



# Detailed Findings:

## Linking Strategy and Financial Sustainability

The Alchemy of High Standards in the Creation of Work That Is Meaningful to the Local Community.

### CORNERSTONES FOR SUCCESS

“Work to always create transformational experiences that build community.  
If you can do that well, everything else falls into place.”

“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.’”

### High quality programming standards

“I do not believe there is another way to achieve a healthy bottom line than through success in being meaningful to the community.”

“Really serve your audiences – respect them because they could go elsewhere. Find those things that will resonate with the interests of audiences and donors.”

### Community orientation

“Your key to survival is for your community to care that you provide your programming.”

“Have the wisdom and humility to be a listening organization.”

***“How will you have created  
value, and for whom?”***

# Detailed Findings:

## Linking Strategy and Financial Sustainability

The Alchemy of High Standards in the Creation of Work That Is Meaningful to the Local Community.

### CORNERSTONES FOR SUCCESS

High quality programming  
standards

Community orientation

***“How will you have created  
value, and for whom?”***



# Detailed Findings:

## Linking Strategy and Financial Sustainability

### EXTERNAL FACTORS

*Shifting consumer behavior;  
Shifting funder priorities;  
Local population changes;  
Policy changes;  
Natural disasters/crises*

***“How does the external environment moderate the organization’s ability to translate these cornerstones into positive short-term outcomes?”***

**“We’re all dealing with a world where the attention spans are diminishing and we’re in an art form that requires a 2 hour commitment.”**

“People are stressed and looking to hunker down at home, and they have high quality options like Netflix.”

**“2019 was harder for us. We starting hearing from people that they can no longer itemize and will be cutting giving.”**

“Who we are is inextricably linked to where we are. Our community is defined by its remoteness and seasonality. We are surrounded by water and very vulnerable.”

**“Corona virus is wreaking havoc, on audiences, on artists and companies.”**

# Detailed Findings:

## Linking Strategy and Financial Sustainability

### INTERNAL FACTORS

*Mission alignment;  
Organizational culture;  
Investment in marketing & fundraising;  
Adaptive capability;  
Multi-year horizon*

***“How do internal factors moderate the organization’s ability to translate these cornerstones into positive short-term outcomes?”***

“Everyone has to align on the mission of the organization. Otherwise, you’re always putting out fires.”

“You can’t create strategy together if you can’t get along.”

“To build trust...be transparent with the board, staff, and artistic leadership. Honesty is the only way to get everyone to own both the successes and the challenges. In the end, you ARE all in this together or else everyone loses.”

“Our key to success is our cultural values. We’ve built a culture where everyone has a voice, which creates great buy-in. We live by the African Proverb, ‘If you want to fast go alone, if you want to go far go together.’”

“Innovative solutions and new approaches to programs and problem-solving are presenting themselves through open clear, cross-departmental communications.”

“What this pandemic has proven is that we can adapt quickly without sacrificing mission.”

“People have to believe in a positive future for the organization.”

# Detailed Findings:

## Linking Strategy and Financial Sustainability

### SHORT-TERM OUTCOMES

Tactical wins

Stronger brand

High-functioning board

Relationship development  
and buy-in

“When you see progress, everyone’s attitude changes to become optimistic. You need early wins to push change for momentum’s sake. Success breeds success.”

“Figure out what aspects make your organization unique, and narrow that list to the aspects people care about. That’s where your storytelling starts.”

“Shift the brand. Don’t make it about the cult of an artistic leader. Make it about all of the artists, your audience, how you contribute to the community.”

“When the situation turns around, tell the new story. In doing so, celebrate the community that collectively created the positive trajectory.”

“When you are transparent and establish trust with the board, you can go to them with anything.”

“You will only succeed if people want you to succeed. If they do, they will be emotionally invested and make sure it happens. It is about building a community of relationships.”

***“What are signs that the strategy is getting traction?”***

# Detailed Findings:

## Linking Strategy and Financial Sustainability

### INTERMEDIATE OUTCOMES

**Increased audience and donor participation & engagement**

**Increased organizational capacity**

“I do not believe there is another way to achieve a healthy bottom line than through success in being meaningful to the community. Fiscal health depends on it. They have to walk through your doors.”

“We’ve had significant growth in board support and individual support because we are an institution of this community. They own our success.”

“There’s a tremendous amount of institutional growing up ...Putting process and professionalism around moving from a company of artists to an institution that feels fully owned and embraced by community. If we can put the right staff structure in place, we can achieve so much more. In the long-term we can deliver mission better. Doing it alongside investing in the art rather than instead of it.”

***“What does balanced growth look like once the flywheel starts to turn?”***

# Detailed Findings:

## Linking Strategy and Financial Sustainability

### INTERNAL FACTORS

*Discipline to:*

*Stay within your means;*

*Make conservative strategic decisions  
in the face of uncertainty*

“Put in place strict financial control policies that everyone agrees and adheres to. When you’ve all been through crisis times together, you appreciate that the protections are there to keep you from ever living through that again.”

“Have the discipline to spend your artistic dollar where it really counts.”

“Minimize the financial risk while increasing the artist risk. High financial risk drives no appetite for artistic risk.”

“Don’t eliminate programming in a down economy, find ways to trim costs and creatively partner.”

**“Under what conditions does  
growth lead to financial  
sustainability?”**

“I’m judicious with every decision we make. I have to make sure we find success. We don’t have room to fail.”

# Detailed Findings:

## Linking Strategy and Financial Sustainability



LONG-TERM OUTCOME

**Financial stability**  
**(bottom line, working capital,**  
**debt ratio)**

***“Do we have a solid financial  
foundation on which we can  
build mission and vision?”***

## Questions: 25 Minute Group Discussion

1. Reflect on what is surfacing at your own organization currently, in relation to the two cornerstones for success identified in the report:  
    High-quality programming standards & Community orientation.
  - What challenges or successes related to these two key elements have you experienced in the past six months, during this crisis?
  - Are there other elements of the model that are proving to be particularly critical at this time?
2. Share examples you have initiated, witnessed, or experienced of theatres engaging with communities, particularly BIPOC communities, in mutually-beneficial ways. What are the characteristics of authentic partnership?
3. Understanding that we are all working under exceptional constraints, how can the model identified in this study be useful in looking ahead and developing a turnaround strategy?

# THANK YOU!

Report link:

<https://culturaldata.org/pages/the-alchemy-of-high-performing-arts-organizations/>



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**Argo 383**

Pictured (L-R): Veralyn Jones and Trisha Miller in *Argonautika* at A Noise Within. Photo by Craig Schwartz.