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Recommended Citation

Tempo, Vol. 21, no. 2 (1975), p. 47-49

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MANAGEMENT CAN BE CREATIVE, TOO

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From the standpoint of a museum director or, say, the general manager of a performing arts organization, 1974 was not a banner year in terms of finances—and 1975 does not look much better. Costs are skyrocketing when the public can least afford higher prices. A major increase in government funding seems remote as pressure mounts for restraint in public spending. And convincing a major donor to keep supporting the opera, when his investment portfolio has all but disintegrated, takes a near miracle.

The arts “industry” is particularly vulnerable to both recession and inflation. Expenditures for labor, the principal expense of an arts organization, are rising rapidly, as salaries for support personnel increase and as artists themselves, no longer content with their traditionally substandard incomes, are demanding higher wages.

Various surveys have indicated that the majority of Americans believe arts organizations are self-supporting. This is not true—admission revenues never have and probably never will cover the cost of operations. A large part of any arts budget has to come from public and private sources.

What are these sources of financial support? Historically, the major support has come from foundations and individuals, and to a lesser extent from government and corporations. In recent years, however, the influence of government has been expanding. This changing pattern of support creates new challenges and new problems for arts organizations.

“Social responsibility” is a current buzz-word in the arts. Simply stated, both donors and recipient organizations have taken steps to make the arts available to a wider segment of the community and to enlist a broader base of funding. This has been prompted particularly by government programs. Many state and federal grants have been used to encourage arts groups to tour in culturally and geographically isolated communities and to perform before students or for the elderly and handicapped. In addition, to encourage increased public support of the arts, many government grants now require organizations to raise matching funds in order to receive funds.

These programs have been beneficial. They have undoubtedly helped organizations to expand their involvement in their communities, although they still remain largely outside the mainstream of local government planning, decision-making, and programming. Likewise, the matching requirements have created the necessity for a stronger base of local support money.

The programs have stabilized some organizations by

permitting them to maintain longer seasons—in some cases to operate throughout the year; this avoids the agonies of an annual birth and death cycle.

Recipients of government funds have, however, been left on their own to develop support functions for these programs. Examples are arrangements for bookings and touring, new fund-raising approaches, and methods for reaching new audiences. In addition, as the level of support has grown, so has the complexity of application, reporting, and evaluation procedures. Experience in other nonprofit industries, such as health care and education, suggests that continued government funding will lead to even more administrative controls on the grantees.

These are some of the economic facts of life. There is certainly no lack of concern on the part of arts leaders; the question remains only as to how the problems can be resolved.

There are two areas where arts organizations can move rapidly and practically to improve their situation. One is the area of administration and management; the other is the way in which arts organizations are structured.

Managing the Arts

Arts administrators usually have been chosen because of their interest in a particular art form, seldom because they have specific management ability or training. This selection process has had predictable results. With costs soaring and with intense competition for available financial support, there is a growing realization among arts groups that effective management techniques are necessary for survival. Several outside forces are causing arts management to be upgraded:

- A growing number of grants and major donations are either for management assistance or are contingent upon specific management results. Many Ford Foundation grants, for example, are continued only if the grantee reaches a specified goal in terms of fund raising, deficit reduction, or some other milestone.

- Several enterprises, such as Volunteer Lawyers for the Arts and local volunteer service bureaus, have been set up to provide basic legal and management guidance, generally to smaller groups.

- The recognition of the arts as an industry has led a number of universities to offer specialized programs in arts administration. These schools are graduating an ever-increasing number of trained arts administrators.

- Corporate support of the arts is also acquiring new

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dimensions by supplementing direct financial support with other forms of assistance. These include donated space and services, sponsorship of events, and most importantly, the active participation of employees with specialized business skills.

Arts organizations must make immediate major improvements in their management capability. Businessmen consider certain procedures an absolute necessity in running a successful enterprise; these same procedures would seem quite foreign to many arts groups. Artists often view management techniques as "strait jackets" which restrict artistic freedom, when, in fact, effective management can only enhance the opportunities for artistic expression.

There is a wealth of management technology available which has rarely been tapped by arts organizations. These systems and procedures in planning, budgeting, cash management, reporting, and fund-raising have long been staples of other nonprofit industries. They can be equally effective in the arts. (See "Good Management" section.)

Such methods are used to maximize the use of resources. This not only gets the best return for the dollar, it also frees up more time for creative planning and programming. In addition, sound reporting practices enable management to spot and correct emerging problems before they reach the crisis stage.

The Organization Structure

Beyond the immediate necessities for improved planning and management is a larger question: what alternative concepts exist for the structure and operations of cultural institutions in an urban community?

As the larger urban communities have grown in the last decade, they have spawned the majority of new arts groups and many new and exciting art forms. There is a new awareness of our artistic heritage and the contributions of different ethnic groups. But life in the city is precarious. Costs are rising fast and adequate space (where it is available) is often exorbitantly priced. Cities are under great financial pressure, besieged with all the other, seemingly more immediate, problems of the urban scene. Economic support from cities is rare; where it does exist, it has tended to flow to the "flagship" organizations. The less well-known organizations have seldom succeeded in establishing enough of a cohesive force at the city level to exercise real political muscle.

It is the nature of an arts organization to be fiercely independent. The very existence of the organization

results from someone saying, "I want to do something different."

How can organizations improve their economic status without sacrificing their artistic independence? If the independence is coveted only in the artistic sense, then cooperation on other fronts may be perceived as desirable.

In an urban environment, there are clearly discernible advantages to major forms of cooperation.

Management practices which have worked successfully in other nonprofit fields may well be applicable to the arts. These include centralization of administrative services, consolidated marketing and fund-raising, standardized reporting and accounting systems, and the sharing of facilities.

The structure necessary to accomplish this cooperation may take the form of community arts councils whose numbers have increased rapidly in recent years. Or it may take the form of a grass-roots coalition of arts organizations. At recent public hearings of the National Parks Service, several coalition groups presented proposals for obtaining and administering facilities in the Golden Gate National Recreation Area. These proposals expressed the need for an "umbrella" organization to maximize the benefit of the facilities to the whole community, through multiple uses of space, cooperative advertising and promotion, and shared services.

At the national level, efficiencies and cooperation can also be spurred by arts trade associations that can develop and make available to their members extensive support services. For example, associations can establish centralized computer facilities to handle membership lists, campaign mailings, and subscription services. They could also be effective in establishing standardized accounting and reporting procedures for their members. Such procedures would not only be of great help to individual art groups, they would also upgrade the quality of arts research and provide better information to major donors. Trade associations could also expand the technical assistance offered to members in such areas as fund-raising, administration, and marketing.

The rate of "rise and fall" of arts organizations may well increase over the next few years, with recession and inflation augmenting this process. Artistic vitality will remain the prime requisite for survival, but effective management and the intelligent use of resources will contribute to the health of the organizations. They will not solve all the problems, but they will provide a framework within which an arts organization can move beyond the trauma of day-to-day "crisis management."

Good Management: Key to Fund-Raising

Sound financial and management techniques are central to any fund-raising effort. Here is one approach that has been used successfully in many arts organizations to create a framework for progress.

Developing Goals and Objectives

To begin, all elements of the organization—artists, board members, and administrators—should participate in developing a *written* consensus stating the purpose of the organization and its specific goals, both short-range and long-range. In an arts organization, a clear understanding of purpose is essential, since disagreement between the artists and administrative players may easily arise. Goal-setting helps avoid such common maladies as the “unreasonable expectation” syndrome, the “perennial deficit” syndrome, and the “you’re stifling the arts” syndrome.

The formal process of setting goals will clearly identify any organizational weaknesses and will highlight the need for a board of directors which is strong and which reflects an understanding of the art form and effective management. The written document will serve as an excellent fund-raising device, since it will answer the majority of a potential donor’s questions. The document should include:

Budgets: The written definition of goals provides an intelligent frame-

work for the preparation of budgets. The budget should be prepared on the basis of projects and activities for at least a three-year period and translated into a detailed “line-item” budget for the current year.

Scheduling Techniques: The operations of most arts organizations are highly cyclical. It is therefore helpful to break down the current budget into small time periods (usually weeks). The weekly cash inflow and outflow will allow for better management of resources by predicting where shortages will occur. This kind of analysis is critical in a project environment (such as a theater season), since revenue inflow lags considerably behind the outflow of funds for production expenses.

The weekly budget information can be translated into other schedules, such as a manpower schedule and a materials requisition schedule. This “translation” not only challenges the reasonableness of the original budget, it will also disclose areas where expenditures can be deferred.

Financial Reports: Such reports can range from the delightfully simple to the painfully complex. The key is that reports are prepared regularly—this means weekly in a performing environment—and are always compared against budget, so that they become a precursor of management action rather than an exercise in raking dead leaves.

In sum, the fundamentals of sound operations include planning and budgeting, resource allocation, information gathering, and fund-raising. This brief description points up their interdependence. ▲

Circle in the Square, New York City
Civic Light Opera, Pittsburgh
The Children’s Theatre Company, Minneapolis
Visual Arts Center of Alaska
Detroit Symphony