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# National Center for Arts Research: Does “Strong and Effective” Look Different for Culturally Specific Arts Organizations?

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## SUMMARY OF FINDINGS

This fall the DeVos Institute, which has a long history of working with organizations of color on capacity building, published a study on diversity in the arts.<sup>2</sup> There were two aspects of the report that caught our attention and prompted deeper investigation.

First, one of the DeVos Institute's key findings is that "Arts organizations of color are, in general, much less secure and far smaller than their mainstream counterparts (p. 4)."<sup>3</sup> Arts organizations of every ilk vary in size and all struggle and experience moments of crises, at times individually and at times collectively. Whether culturally specific arts organizations are disproportionately small and experience a disproportionate share of insecurity are questions worthy of further exploration through data-driven inquiry.

So, we examine the extent to which culturally specific arts organizations look and act differently than mainstream organizations. To accomplish this, we focus on two questions: (1) Do culturally specific organizations have different operating characteristics than mainstream organizations and, if so, what are those differences? (2) All else being equal, do culturally specific organizations tend to perform differently than their mainstream counterparts and, if so, how?

To address these questions, we examine the operating characteristics of arts organizations that primarily serve African Americans, Asian Americans, or Hispanics/Latinos and compare these organizations with their more mainstream counterparts. Next, we examine whether culturally specific organizations perform significantly differently from their mainstream counterparts on a variety of metrics. The data come from a large sample of organizations from 12 different arts and culture sectors. The analyses control for a variety of relevant community and organizational characteristics. Our findings are as follows.

**Finding 1:** *Culturally specific organizations are more prevalent in arts and culture sectors that have lower average budget size (e.g., Community-based, Arts Education, Multidisciplinary Performing Arts) and less prevalent in sectors that have larger average budgets (e.g., Museums, Opera Companies, Performing Arts Centers, Orchestras).*

**Finding 2:** *After controlling for sector differences and organizational age, culturally specific organizations have similar-sized budgets and physical facilities as mainstream organizations.*

**Finding 3:** *Culturally specific organizations share some performance characteristics that distinguish them from mainstream equivalents; specifically, compared to mainstream equivalents, culturally specific organizations spend less on marketing, earn less from subscribers and members, have lower trustee giving, and attract higher support from government sources.*

**Finding 4:** *Organizations that primarily serve African Americans, Asian Americans and Hispanics/Latinos have some distinguishing performance characteristics that set them apart from one another as well as their mainstream equivalents. More specifically:*

- Organizations that primarily serve Asian Americans are lean and frugal, generate more attendance using less resources but also attract lower overall resources from all sources except for government.
- Organizations that primarily serve African Americans tend to have fewer programmatic offerings that generate lower annual attendance and program revenue but more contributed revenue, especially from individuals, foundations, and corporations.
- Organizations that primarily serve Hispanics/Latinos tend to have a higher number of programmatic offerings, full-time employees, and development expenses, which generate higher overall contributed support, especially from corporations and foundations, but lower program revenue and lower giving from individuals.

<sup>2</sup> DeVos Institute of Arts Management at University of Maryland, *Diversity in the Arts: The Past, Present, and Future of African American and Latino Museums, Dance Companies, and Theater Companies*, September, 2015.

<sup>3</sup> Ibid. The DeVos study defines "arts organizations of color" as those "founded by, explicitly serving, or celebrating the artistry of African Americans and Latinos (p. 4)." For the purposes of this paper, we will use the term "culturally specific organizations" rather than "organizations of color" except when referencing the DeVos study. "Culturally specific organizations" refer to the arts and cultural organizations in the Cultural Data Project (CDP) data set which have self-reported that they serve primarily African American, Asian American, and/or Latino/Hispanic audiences. These culturally specific organizations are compared with organizations of similar types that do not say that they primarily serve a specific ethnic/cultural audience; in this paper, we call these organizations "mainstream."

Second, the DeVos study proposed the following recommendation under the rubric of building a healthier arts ecology, focused on organizations of color:

With a constraint on funds available, funders might see better results by focusing their grants on a limited number of organizations. Rather than provide small grants to many (grants that allow these organizations to barely survive), they may find that providing larger grants to a smaller cohort that can manage themselves effectively, make the best art, and have the biggest impact on their communities might be necessary. (p. 28).<sup>4</sup>

We assess the implications of this recommendation and conclude that it would reduce (1) the overall number of smaller organizations and (2) the level of diversity, dynamism, and innovation in the arts and culture ecology. In short, we conclude the following:

- Culturally specific organizations are generally younger than their mainstream counterparts and—using an organizational ecology lens—haven’t had time to go through the process of gaining acceptance (called “legitimation.”). This is especially true in traditionally Euro-centric sectors such as Art Museums and Orchestras.
- But, after controlling for sector and organizational age, culturally specific organizations don’t differ in budget size from their mainstream peers. Their resource allocation decisions and funding sources do exhibit patterns that are different from mainstream counterparts, but that is to be expected of a new organizational form. They play an important role in the broader cultural ecology and their performance should be framed within the appropriate context, which includes community characteristics, arts sector, and organizational mission.

## INTRODUCTION

Diversity in the arts has become a hot topic, as evidenced by initiatives such as Theatre Communications Group’s Equity, Diversity and Inclusion Initiative and the Cultural Data Project/DataArts’ development of staff and board demographics surveys. Grantmakers in the Arts adopted a statement of purpose on racial equity in arts philanthropy in 2015, “...to increase arts funding for ALAANA (African, Latino(a), Asian, Arab, and Native American) artists, arts organizations, children, and adults.”<sup>5</sup> Major funders are paying increased attention to arts organizations’ artist, staff, and board diversity.”<sup>6</sup>

Funder incentives to increase diversity come with both ethical and practical implications. They increase opportunities for participation while serving the organizations’ interest in growing audiences. As a recent *New York Times* article observes, “When a company is diverse, the audience becomes more diverse, too, and for those faced with aging, dwindling audiences, that is priceless.”<sup>7</sup> However, when the key motivator of diversity is externally driven rather than intrinsic and authentic to the organization’s mission, it raises questions of whether the commitment to diversity will remain beyond the funding that inspired it. In the course of diversifying the artistic voices, staff, boards, and audiences for mainstream organizations, what will be the consequences to existing organizations that have always primarily served African American, Asian American, or Hispanic/Latino audiences?

The DeVos Institute published a study on diversity in the arts in September 2015, an outgrowth of its years of working with organizations of color on capacity building.<sup>8</sup> It focused on the largest organizations of color in the Museum, Dance, and Theatre sectors and compared them with the largest mainstream organizations in those sectors. One of its key findings is that “Arts organizations of color are, in general, much less secure and far smaller than their mainstream counterparts (p. 4).”<sup>9</sup> One recommendation regarding small organizations of color is:

With a constraint on funds available, funders might see better results by focusing their grants on a limited number of organizations. Rather than provide small grants to many (grants that allow these organizations to barely survive), they may find that providing larger grants to a

4 Ibid.

5 Grantmakers in the Arts, [www.giarts.org/racial-equity-arts-philanthropy-statement-purpose](http://www.giarts.org/racial-equity-arts-philanthropy-statement-purpose)

6 Kourlas, Gia, “Push for Diversity in Ballet Turns to Training the Next Generation.” *New York Times* online, October 30, 2015.

7 Ibid.

8 DeVos Institute of Arts Management at University of Maryland, *Diversity in the Arts: The Past, Present, and Future of African American and Latino Museums, Dance Companies, and Theater Companies*, September, 2015.

9 Ibid.

smaller cohort that can manage themselves effectively, make the best art, and have the biggest impact on their communities might be necessary. This may be a difficult position to take from a political perspective, but it might allow the sector to thrive by creating a group of strong, effective organizations of color that can serve as role models and training grounds for others (p. 28).<sup>10</sup>

As the authors no doubt intended, this recommendation provoked reflection on our part. Our interpretation is that the authors are suggesting that funders consider concentrating their funding, focusing on a select number of culturally specific organizations. The logic appears to be that funding a “chosen” number of larger culturally specific organizations will enhance overall sector performance and viability. The good example set by the “chosen” few may ultimately benefit the performance of other culturally specific organizations as they learn from their more successful peers. To simplify, the argument is that increased concentration of funding to fewer culturally specific organizations will increase overall sector viability as well as the performance of all culturally specific organizations.

In this paper, we assess this argument in two ways. First, we examine the plausibility of the argument using the theoretical lens of organizational ecology. Organizational ecology explicitly addresses links between diversity (in the broadest sense of the term) and the viability of individual organizations and entire sectors of organizations. It emphasizes the process of selection (i.e., who survives), which is determined by the institutional environment and by interactions between organizations, especially under conditions of limited resources. We believe that organizational ecology provides an excellent framework for understanding the implications of a decision by funders to increase the concentration of funding on “successful” organizations and for understanding how the implications may vary across arts sectors that exhibit different characteristics.

Second, we empirically examine the extent to which culturally specific organizations are outside the mainstream. Implicit in the argument is the assumption that culturally specific organizations require a different funding formula because they are more endangered or resource-deprived than mainstream arts organizations. If not, then the argument for more concentrated funding on “successful” organizations should apply equally to mainstream organizations and culturally specific organizations. This analysis addresses two related questions: (1) Do culturally specific organizations have different operating characteristics than mainstream organizations and, if so, what are those differences? (2) All else being equal, do culturally specific organizations tend to perform differently than their mainstream counterparts and, if so, how?

## **ORGANIZATIONAL ECOLOGY AND THE ARTS**

Organizational ecology provides an insightful framework for conceptualizing the diversity and vitality of the arts community, each of the arts sectors, and individual arts organizations. Each sector represents a dynamic population of organizations that enter through creation and exit through failure. Entry and exit are largely determined by the financial resources available. For arts organizations, those resources are revenues earned from paying customers and attracted from various funding sources. The total level of available resources limits the number and size of organizations in the environment.

With a given level of resources, there is a natural trade-off between the number and size of organizations in the environment. One large organization displaces many small organizations and vice-versa. Whether the population features a small number of large organizations or a large number of small organizations depends on characteristics of supply and demand. And the number and size of organizations in the environment determine the diversity and dynamism of the environment. These are features of a complex, self-organizing system.

On the supply side, high entry barriers favor the emergence of a small number of large organizations. This explains why there are relatively few museums and a relatively large number of dance companies. Museums have to amass a permanent collection and rent or own a physical facility to house the collection. These large, up-front, fixed costs deter widespread entry. Dance companies, on the other hand, need minimal administrative space, and rehearsal space can be donated or leased. Performances frequently take the form of a tour that requires minimal up-front, fixed

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<sup>10</sup> Ibid.

costs for the dance company. These supply-side differences partially explain why some sectors have many, small organizations and other sectors have fewer, large organizations.

On the demand side, diversity of financial resources also influences whether there are a small number of large organizations or a large number of small organizations. The greater the diversity of resources (e.g., varied consumer demand and multiple funder types and interests), the greater will be the diversity of supply. Diversity of tastes might be associated with a genre of art form (e.g., theatres specializing in Shakespeare, musicals, or new works) or it might be associated with the cultural background and interests of the audiences (e.g., theatres focusing on works with African American or LGBT themes).

Because the arts ecosystem is a complex, self-organizing system, it is difficult to predict with confidence how a shift in resource availability would impact the system. But the principles of organizational ecology, especially the concepts of legitimation and selection, offer insights. Legitimation is the process by which new organizational forms – e.g., those serving an underserved market – gain acceptance. Increasing levels of acceptance attract new entrants. Legitimation is complete when the organizational form becomes widely accepted or taken for granted. At this point, direct competition increases and selection becomes the prevailing force precipitating failure and exit.

The evidence reported in Exhibits 1 and 2 below indicates that culturally specific organizations in the U.S. are significantly younger than their mainstream counterparts and that their numbers underrepresent the ethnic populations they serve. This suggests that culturally specific organizations represent a relatively nascent organizational form that has not completed the legitimation process. Concentrating resources to a smaller number of organizations would lead to a greater concentration in the number of organizations, with the chosen organizations becoming larger and more stable, displacing smaller organizations in the process. This “selection” process targeting a “smaller cohort that can manage themselves effectively” is consistent with the idea that selection processes generally favor reliable and accountable organizations.<sup>11</sup> But accelerating the selection process would shift, perhaps prematurely, the evolution of the organizational form away from the process of legitimation to competition.

Clearly the chosen organizations benefit, but what happens to the sector overall? The concept of resource partitioning, which describes how large, mainstream and small, specialist organizations operate in distinct resource spaces, offers insight. A sector that features many culturally specific organizations is a diverse and dispersed marketplace. In this type of marketplace, large, mainstream organizations dominate the core of the resource space and small, specialist organizations (e.g., culturally specific organizations) can operate on the periphery. The small, specialist organization successfully attracts resources to serve culturally specific audiences because the large, mainstream organizations are satisfied to focus on the core. As the executive director at a large, mainstream theatre remarked, “We are happy to have [a very successful theatre] focusing on Shakespeare in the community because it takes pressure off of us to do a Shakespeare each season.”

But if funders concentrate resources on the periphery to support larger, more stable culturally specific organizations, failure rates for smaller, specialist organizations will increase. This loss of smaller culturally specific organizations would likely lead to a decrease in sector-wide cooperation because smaller, specialist organizations targeting niche resource spaces are more likely to cooperate and share resources with other specialist organizations, whereas larger, stable competitors are more likely to compete for resources.<sup>12</sup> Smaller, specialist organizations are also more likely than larger, stable competitors to experiment with radical new works or challenge artistic boundaries.<sup>13</sup>

Collectively, relevant theory and empirical evidence suggest that a concentration of funding to a select number of stable and reliable culturally specific organizations would likely reduce (1) the number of smaller culturally specific organizations, (2) the level of cooperation and adaptation between organizations, and (3) the level of artistic innovation and dynamism in the sector. This effect would likely be greatest in arts sectors with low entry barriers. As discussed in the following section, these are sectors that currently feature the greatest presence of culturally specific organizations.

11 See for example “Structural Inertia and Organizational Change,” Michael T. Hannan and John Freeman, *American Sociological Review*, 1984, pp. 149-164.

12 See for example “Organizational Ecology and Organizational Strategies in World Politics,” Kenneth W. Abbott, Jessica F. Green, and Robert O. Keohane, Discussion Paper 2013-57. Cambridge, Mass.: Harvard Project on Climate Agreements, August 2013.

13 See for example “Strategic Ambidexterity in Small and Medium-Sized Enterprises: Implementing Exploration and Exploitation in Product and Market Domains,” Glenn B. Voss and Zannie G. Voss, *Organization Science*, 2013, 1459-77.

## CULTURALLY SPECIFIC ORGANIZATIONS AND THEIR MAINSTREAM COUNTERPARTS – COMPARING APPLES AND ORANGES?

We now examine if, how, and why culturally specific organizations look and act differently than their mainstream counterparts. This inquiry is motivated by the recommendation "...to look at the challenges of arts organizations of color in a new way,"<sup>14</sup> which suggests that culturally specific organizations face unique challenges that mainstream organizations do not. Does "strong and effective" look different for culturally specific organizations than it does for mainstream organizations? This would seem an important consideration before abandoning or significantly altering support for culturally specific organizations.

More specifically, we address two questions:

1. Do culturally specific organizations have different operating characteristics than mainstream organizations and, if so, what are those differences?
2. All else being equal, do culturally specific organizations tend to perform differently than their mainstream counterparts and, if so, how?

Comparing different populations in an equitable manner is fraught with challenges. A recent *New York Times* article by David Leonhardt explained why the Department of Education's raw test scores in reading and math have to be adjusted for each state to account for student demographics such as poverty, race, access to a computer, and language spoken at home, which affect preparedness.<sup>15</sup> This adjustment recognizes that students do not start from the same place and creates a "level playing field." Failing to recognize and control for these important differences can lead to biased results and inferences. The adjustment transforms the framing of the disadvantaged students from poor performers relative to their advantaged peers to potentially high performers, all else being equal.

This same type of bias (known as omitted variable bias, which arises when important causal factors are left out of the picture) can occur when making any type of comparison. For example, like students, arts and cultural organizations have different characteristics and operate in different environments. They do not start from the same place and do not have equal access to participation, talent, opportunities, or resources. There is not a level playing field. Factors that can influence an arts and cultural organization's performance include age, facility size, and characteristics of the community in which it operates such as population and income level. All of these factors need to be taken into account – or controlled for – before any serious and equitable comparison can take place. Otherwise, conclusions made about "raw test scores" suffer from bias.

We start by developing an evidence-based understanding of organizations that primarily serve African Americans, Asian Americans, or Hispanics/Latinos. We first identify and control for arts and cultural sector. For example, we know from the data that art museums have higher average annual attendance than do dance companies. Therefore, making direct comparisons between a dance company and an art museum regarding attendance is rather like comparing an apple to an orange or like comparing a Nordstrom department store to a Gap specialty store. There are similarities but also fundamental differences, so any analysis and comparison of arts and cultural organizations must control for sector.

We also control for organizational characteristics, especially fundamental characteristics that are difficult to change in the short term. For example, size of the physical facility (e.g., number of seats in a theater) can place constraints on attendance, and organizational age can impact various measures of performance. Organizations may start out in smaller facilities and graduate to larger facilities as they become established. Not recognizing these inherent differences can bias a comparison between an older, larger organization and a younger, smaller organization.

Finally, we control for the characteristics of the community where the arts and cultural organization operates. New York City has a larger population with higher average income and tourist visits than most other U.S. cities, but also more direct and indirect competition for arts and culture consumers. Controlling for these community differences allows us to make unbiased comparisons between organizations in different cities.

<sup>14</sup> DeVos Institute of Arts Management at University of Maryland, *Diversity in the Arts: The Past, Present, and Future of African American and Latino Museums, Dance Companies, and Theater Companies*, September, 2015, p. 29.

<sup>15</sup> Leonhardt, David, "Surprise: Florida and Texas Excel in Math and Reading Scores," *New York Times* online, October 26, 2015.

In sum, we examine if, how, and why culturally specific arts organizations look and act differently than their mainstream counterparts, after controlling for differences in arts and cultural sector, organizational characteristics, and community characteristics. These controls allow us to make unbiased comparisons between culturally specific organizations and their mainstream counterparts. It contextualizes what stakeholders within and external to the organization can expect of the organization.

Our analyses use the National Center for Arts Research (NCAR) database, which comprises information provided by a number of data partners.<sup>16</sup> We use data from all of the roughly 40,000 organizations in the database to model the US arts ecology. However, to answer specific questions comparing culturally specific organizations to mainstream counterparts, we rely exclusively on data from DataArts' Cultural Data Profile (CDP), which collects the industry's most in-depth, cross-sector financial, operating, and attendance data from individual not-for-profit arts organizations on an annual basis.<sup>17</sup> DataArts collects data nationally, with the vast majority coming from organizations in 14 states and the District of Columbia.

DataArts' CDP is the only one of our data partners' surveys that includes the question, "Does your organization primarily serve a particular racial/ethnic group?" In our sample of 9,345 organizations that have completed the Cultural Data Profile since 2009, 816 (8.7%) target culturally specific audiences. Some organizations serve more than one culturally specific audience so that the number that targets each of the three ethnic groups adds up to more than the overall total: 296 serve Asian Americans (3.2%), 529 serve African Americans (5.7%), and 484 primarily serve Hispanics/Latinos (5.2%).

## DETAILED FINDINGS

**Question 1:** *Do culturally specific organizations have different operating characteristics than mainstream organizations and, if so, what are those differences?*

To address the operating characteristics question, we grouped arts organizations into those that report that they primarily serve a specific ethnic group and those that do not. We present averages for three organizational characteristics in Exhibit 1: total expenses, organizational age, and square footage. We selected these traits because they provide information on the general operating context of organizations: size, age, and capacity constraints. The differences were statistically significant in each case. Specifically, culturally specific organizations tend to have smaller budgets, be younger, and have less square footage.

### Exhibit 1

#### Organizational Characteristics of Culturally Specific Organizations Compared to Mainstream Organizations

	CULTURALLY SPECIFIC ORGANIZATIONS	MAINSTREAM ORGANIZATIONS
Number of organizations	816	8,529
Total expenses	\$747,701	\$1,725,272
Organizational age	19.6 years	29.7 years
Square footage	22,180	67,948

*Note: All averages are significantly different (p < .05)*

Next, we examined the propensity of culturally specific organizations to operate in some arts sectors more than others. This analysis helps to understand the differences between the population of culturally specific organizations compared to the population of mainstream organizations. The results, which are captured in Exhibit 2, indicate that culturally specific organizations are significantly more likely to operate in three sectors: Arts Education, Community-based, and Multidisciplinary Performing Arts sectors.<sup>18</sup> They are significantly less likely to operate in five sectors: Art Museum, Music, Performing Arts Center, Symphony Orchestra, Other Museum, and the Miscellaneous sectors. Both

<sup>16</sup> NCAR website: <http://mcs.smu.edu/artsresearch/>

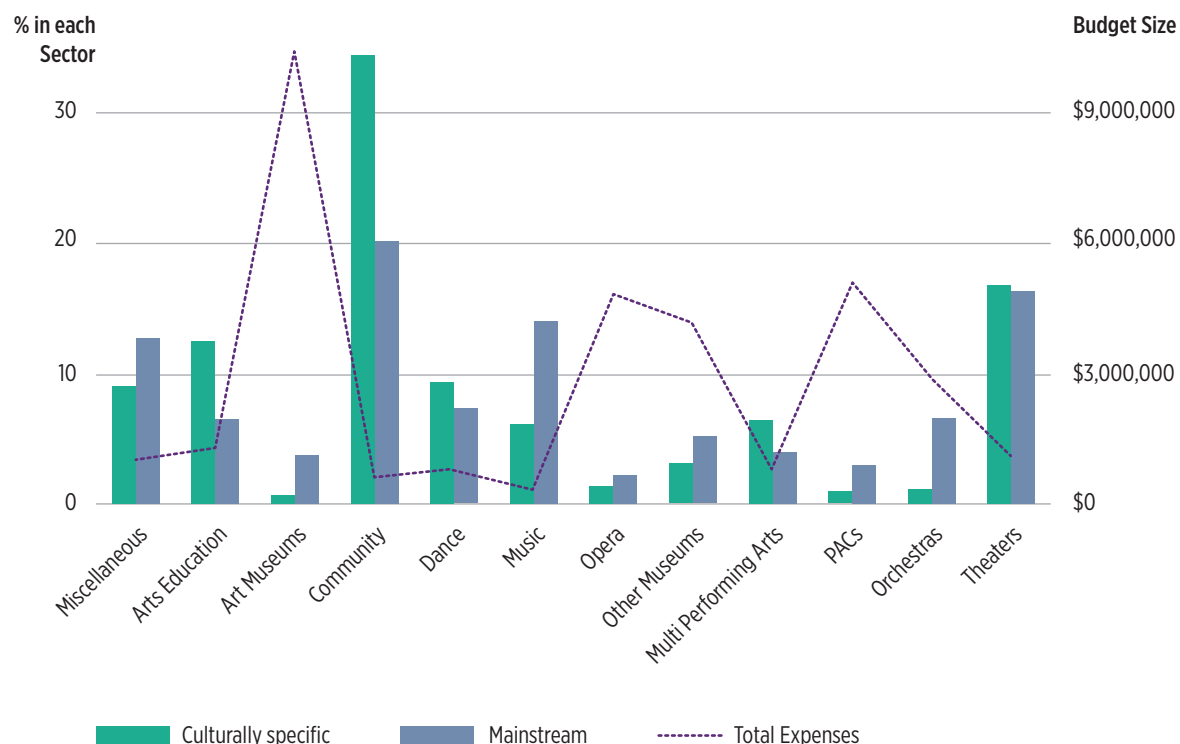
<sup>17</sup> The data used for this report was provided by DataArts, formerly the Cultural Data Project, a nonprofit organization that brings the language and leverage of data to the business of culture. Any interpretation of the data is the view of NCAR. For more information on DataArts and the Cultural Data Profile, visit [www.culturaldata.org](http://www.culturaldata.org).

<sup>18</sup> For a full description of the Arts and Cultural Sectors and their associated NTEEs, see the "Modeling the Arts & Culture Ecosystem" section of the NCAR website at: <http://mcs.smu.edu/artsresearch2014/articles/about/report/1-modeling-arts-culture-ecosystem>.

cohorts are equally likely to operate in the Dance and Theatre sectors, and there is also no statistically significant difference in the Opera sector, primarily due to the small number of organizations in that sector.

## Exhibit 2

### Distribution Across 12 Arts Sectors of Mainstream Organizations and Culturally Specific Organizations



The data indicate that culturally specific organizations are more often found in some sectors and less so in others, so we next examined whether sectors vary significantly in relevant characteristics such as budget size, organizational age, or size of the physical facilities. We show average budget size for each sector in Exhibit 2, but the results were similar for a variety of size measures. The average budget size for Art Museums, Opera, Other Museums, Performing Arts Centers, and Orchestras was significantly larger than the average budget size in the other sectors. Exhibit 2 nicely summarizes our first key finding, which is:

**Finding 1:** *Culturally specific organizations are more prevalent in arts and culture sectors that have lower average budget size (e.g., Arts Education, Community-based, Multidisciplinary Performing Arts) and less prevalent in sectors that have larger average budgets (e.g., Museums, Opera Companies, Performing Arts Centers, Orchestras).*

Culturally specific organizations are generally smaller than mainstream organizations at least in part because they tend to operate in sectors with lower average budget size. But are culturally specific organizations significantly smaller than the mainstream organizations in the same sector? For this analysis, we conducted a regression analysis with total expenses as the dependent variable and both sector and a “culturally specific” dummy variable (i.e., whether or not the organization serves culturally specific audiences) as the independent variables. This analysis determines whether “culturally specific” is a significant predictor of size after controlling for sector membership. We found that sector membership was a significant predictor of size but, after controlling for sector membership, being a culturally specific organization was not (see the Appendix for more details).

Finer-grained, within-sector analysis indicates that culturally specific organizations are smaller than mainstream counterparts in three sectors: Art Museums, Performing Arts Centers (PACs), and Orchestras. But there are very few culturally specific organizations in these sectors (see Exhibit 2), which is consistent with the discussion above



regarding entry barriers associated with up-front fixed costs. Moreover, those differences are not significant if we also control for organizational age. Mainstream art museums are, on average, 43 years older than culturally specific art museums; mainstream PACs are, on average, 10 years older than culturally specific PACs; and mainstream orchestras are, on average, 20 years older than culturally specific orchestras. This evidence supports our earlier arguments that culturally specific organizations in these sectors have not yet achieved the level of legitimation that their mainstream counterparts have.

Culturally specific organizations in the Theatre sector are both numerous and smaller than mainstream counterparts, but again those differences go away if we control for organizational age. Even without controlling for age, there are no size differences in other sectors such as Multidisciplinary Performing Arts, Music, and Dance. And in the Other Museum sector, culturally specific organizations are actually larger on average than their mainstream counterparts after controlling for age. Overall, the evidence leads us to conclude that:

**Finding 2:** *After controlling for sector differences and organizational age, culturally specific organizations have similar-sized budgets and physical facilities as mainstream organizations.*

Finally, there were only minor differences in the distribution patterns for the three different groups of organizations that primarily serve ethnic audiences. Organizations that primarily serve Asian American are slightly more likely to be in the Music sector and less likely to be in the Other Museum sector than are organizations serving African Americans or Hispanics/Latinos. Otherwise, the distribution patterns depicted in Exhibit 2 hold true for all three types of organizations. We now turn to Question 2.

**Question 2:** *All else being equal, do culturally specific organizations tend to perform differently than their counterparts and, if so, how?*

The second research question addresses whether culturally specific organizations achieve different operating and financial outcomes after controlling for differences in organizational and community characteristics. Again, we control for these characteristics because these are important factors that affect or explain variations in performance. As such, they need to be accounted for in order to get a clear look at the unique effects on performance of primarily serving a particular audience. Five performance areas are considered: (1) supply and demand outcomes, captured by number of offerings, attendance, marketing spend, program revenue, and subscription/membership revenue; (2) contributed revenue outcomes, including fundraising spend and levels of contributed revenue per source; (3) revenue balance, which assesses the mix of contributed and earned revenue; (4) expenses, assessing relative budget size and the relative allocation of resources to program personnel and program expenses; and (5) bottom line and balance sheet outcomes, including change in unrestricted net assets and access to available cash.

To examine these outcomes, we used stochastic frontier analysis, a technique that assesses the extent to which organizations achieve productive and efficient outcomes. We modeled each outcome as a function of organizational, community, and public policy characteristics. Dummy variables indicating whether an organization targeted culturally specific audiences were included as independent variables in the analysis. The coefficients for these variables indicate whether organizations that target culturally specific audiences achieve different levels of outcomes after controlling for relevant organizational, community, and public funding characteristics.<sup>19</sup>

<sup>19</sup> For a complete description of the analyses, see the "What Drives Performance" section of the NCAR website at: <http://mcs.smu.edu/artsresearch2014/articles/about/report/4-what-drives-performance>

### Exhibit 3

#### How Targeting an Ethnic Group Affects Performance Outcomes, by Audience Targeted

		TARGETS ASIAN AMERICANS	TARGETS AFRICAN AMERICANS	TARGETS HISPANICS/LATINOS
NUMBER OF ORGANIZATIONS		296	529	484
Supply & demand	Number of programmatic offerings	n/s	-	+
	Attendance	+	-	n/s
	Marketing spend	-	-	-
	Program revenue	n/s	-	-
	Subscription/membership revenue	-	-	-
Contributed revenue (\$)	Fundraising spend	-	-	+
	Trustee \$	-	-	-
	Individual \$	-	+	-
	Corporate \$	-	+	+
	Foundation \$	-	+	+
	Government \$	+	+	+
Revenue balance	Contributed \$	-	+	+
	Earned \$	-	n/s	-
Expenses	Program personnel expense	-	n/s	+
	Total program expenses	n/s	+	-
	Total expenses	-	n/s	n/s
	Full-time employees	n/s	n/s	+
Bottom line & Balance sheet	Bottom line	n/s	n/s	-
	Available cash	-	-	+

Note: All + and - signs show significantly different performance at the  $p < .05$  level.

We present the results of this analysis in Exhibit 3, which shows whether a performance outcome is higher (+), lower (-), or not significantly different (n/s) for organizations that primarily serve each ethnic group. We first note that the interpretation of positive and negative signs is mission dependent. As such, we make no attempt to assign value judgements to the fact that an organization spends more or less on marketing or program expenses or receives more or less revenue from subscribers or foundations. Our objective is simply to observe differences and draw inferences from those differences. Exhibit 3 produces the following two conclusions.

**Finding 3:** *Culturally specific organizations share some performance characteristics that distinguish them from mainstream equivalents; specifically, compared to mainstream equivalents, culturally specific organizations spend less on marketing, earn less from subscribers and members, have lower trustee giving, and attract higher support from government (combined local, state, and federal funding).*

**Finding 4:** *Organizations that primarily serve African Americans, Asian Americans, and Hispanics/Latinos have some distinguishing performance characteristics that set them apart from one another as well as their mainstream counterparts. More specifically:*

- Organizations that primarily serve Asian Americans are lean and frugal, generate more attendance using less resources but also attract lower overall resources from all sources except for government.
- Organizations that primarily serve African Americans tend to have fewer programmatic offerings that generate lower annual attendance and program revenue but more contributed revenue, especially from individuals, foundations, and corporations.

- Organizations that primarily serve Hispanics/Latinos tend to have a higher number of programmatic offerings, full-time employees, and development expenses, which generate higher overall contributed support, especially from corporations and foundations, but lower program revenue and lower giving from individuals.

While we highlight these distinguishing characteristics of culturally specific organizations as the focus of this study, it can be said that possessing distinguishing characteristics is not a phenomenon unique to culturally specific organizations. Distinguishing characteristics surface for different markets and they arise between sectors and the mainstream and culturally specific organizations that populate them.

## CONCLUSION

By examining the organizational and performance characteristics of culturally specific organizations, we get a better understanding of their operating context and a better idea of what expected performance looks like for them on a variety of dimensions given their operating context. This is their starting place in a diverse arts ecology. As the DeVos Institute so eloquently stated in its recent *Diversity in the Arts* report, “The cultural contributions of and historical challenges faced by such diverse communities are essential to a vibrant arts tapestry truly reflective of the United States of America (p. 2).”<sup>20</sup>

It turns out that culturally specific arts organizations are not disproportionately smaller than their mainstream peers when we take into account their sector and age. Culturally specific organizations are generally younger, which may be reflective of major shifts in U.S. laws and policy in the mid-1960s, the repercussions of which have taken decades to unfold (e.g. the Civil Rights Act of 1964 and the Immigration and Nationality Act of 1965<sup>21</sup>). **Culturally specific organizations’ distinguishing characteristics deserve to be recognized and understood for what they are, neither good nor bad nor a sign of ineffectiveness but simply a different starting place.**

This study intentionally avoids supposition or commentary about the characteristics of the ethnic groups targeted that may shed light on why the organizations that strive to serve them possess certain traits. That is a data collection effort and project for another day. What we do provide is an acknowledgement and assessment of the differences. By creating a level playing field and identifying historical performance outcomes for these organizations, realistic yardsticks of performance can be calibrated with more precision and fairness. This is different from pandering or lowering expectations. It is simply equitable measurement, based in evidence. There are stories to tell about high performance in organizations that primarily serve a culturally specific audience that are authentic to their starting place. With time, the advancement of the legitimation process, and the changing demographics of the U.S. – the U.S. Census predicts that America’s population will be majority-minority by 2044<sup>22</sup> – these stories are likely to change.

Larger questions loom surrounding whose culture gets represented through works of art. If it’s overwhelmingly Asian-American organizations doing work for overwhelmingly Asian Americans, the nature of the product that is presented is attached to a sense of history, culture, and identity. What changes if it’s overwhelmingly Eurocentric organizations doing work for Asian-American audiences? Who gets to tell what stories and who is doing the listening? Who are you inviting to attend, volunteer, etc.? Is there equal access to participation, talent, opportunities, and resources? By creating more diverse organizations that will, theoretically, make more diverse work, is there a consequence for those organizations that have always been dedicated to connecting with the cultures of specific ethnic communities? While addressing these questions is beyond the scope of this paper, they nonetheless deserve mentioning and serious future consideration.

20 DeVos Institute of Arts Management, *Diversity in the Arts: The Past, Present, and Future of African American and Latino Museums, Dance Companies and Theater Companies*, September 2015, p. 2.

21 The Migration Policy Institute, [www.migrationpolicy.org/article/geopolitical-origins-us-immigration-act-1965](http://www.migrationpolicy.org/article/geopolitical-origins-us-immigration-act-1965).

22 U.S. Census Bureau, *Projections of the Size and Composition of the U.S. Population: 2014 to 2060*, March, 2015.

## APPENDIX

To determine whether “culturally specific” is a significant predictor of size after controlling for sector membership, we conducted a regression analysis with total expenses as the dependent variable and both sector and a “culturally specific” dummy variable (i.e., whether or not the organization serves culturally specific audiences) as the independent variables. The results appear below in Appendix Table 1. Total degrees of freedom were 9,345. The simple model explained 5% of the variation in total expenses. Sector membership ( $p < .0001$ ) was a significant predictor of size but, after controlling for sector membership, targeting culturally specific audiences ( $p > .10$ ) was not.

**Appendix Table 1**

### **The Relationship Between Targeting Culturally Specific Audiences and Organization Size After Controlling for Sector Membership**

<b>SOURCE</b>	<b>DF</b>	<b>TYPE III SS</b>	<b>MEAN SQUARE</b>	<b>F-VALUE</b>	<b>PR &gt; F</b>
Sector	11	41490778000000000	37718889000000000	44.84	<.0001
Culturally specific	1	11980515000000000	11980515000000000	1.42	0.2327