From Implication to Innovation: 2011 Portfolio and Lessons From the Field

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Introduction

In September 2011, the Greater Philadelphia Cultural Alliance released its *2011 Portfolio* report to help local cultural organizations, funders, civic leaders and policymakers understand the state of the region's cultural sector. With this article, we want to move from research to action by recapping the key findings and implications of *2011 Portfolio* and providing concrete examples of field innovation that align with the report's ideas.

2011 marks the third issue of *Portfolio* for the Cultural Alliance, with previous editions released in 2006 and 2008. This time, we were particularly interested in measuring the early impact of the recession. Based on data from the Pennsylvania Cultural Data Project, we included 405 arts and culture institutions in the report, of which 276 provided data for both 2009 and 2007, allowing us to do a recession trend analysis. Here's what we learned.

2011 Portfolio Key Findings

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The recession clearly had an impact. Operating margins, which had been thin in prior editions of *Portfolio*, went negative. In 2007, the aggregate organizational operating margin was +2 percent. In 2009 it dropped to -9 percent. When we unpacked the income statement, we discovered that the problem was not with expenses, but rather was largely on the revenue side. Contributed income fell 19 percent, due to losses in foundation, government and corporate income. Earned income also fell sharply (-62 percent), explained almost entirely by losses in investments and interest income. Net of investment and interest losses, earned income was down 1 percent.

The bright spot in the report was the emergence of the individual. During the recession, Philadelphia's patrons stepped up to support their favorite cultural organizations. Attendance rose 5 percent. Subscriptions and memberships increased 8 percent. And individual giving increased 20 percent.

Individuals also gave their time. There were 38,000 volunteer and board positions at cultural organizations, compared to 24,000 paid positions. In fact, 30 percent of total hours worked in the sector were donated.

Overall, salary costs for the sector averaged 33 percent of total expenses. Though labor remains the number one cost for nonprofit cultural organizations, it's well below the percentage for comparable commercial service industries (i.e., accounting, legal, architectural, design), where the range was 38-59 percent.

The *Portfolio* report also revealed a slight rise in productivity, with the number of events rising 1 percent, but the number of hours worked declining 2 percent. And where there were reductions in labor, they were deeper on the administrative (-4 percent) than on the artistic side (-1 percent). Finally, we detected that organizations were deferring maintenance (-44 percent) to control costs.

Implications for Action

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In conducting research, the Cultural Alliance has always believed that it is insufficient to simply report findings. Research is only useful if it ultimately leads to action. Consequently, the *2011 Portfolio* sought to distill its findings to four key implications for action.

1) From Institution to Individual

Portfolio's recession analysis indicated that the locus of influence was shifting from the institution to the individual. So we challenged organizations to ask themselves, "Are we investing in building *relationships*? Is our contact one-sided? Are our relationships with audiences and stakeholders expressed purely in terms of what cultural organizations *need* from them, and less about what they *want* from us?"

We suggested several technology options that may be key to future adaptation and optimization including Customer Relationship Management (CRM) databases and crowd-sourced individual giving platforms such as Kickstarter.

2) Labor of Love

The second implication in *Portfolio* was that the sector, in squeezing its labor costs ever tighter, was likely reaching its limits, passing the point of wringing out the excess, and now starting to strangle the flow of oxygen. The tacit acceptance of the notion of the "starving artist, wide use of contractors, part-time staff and volunteers has a cost in attraction, retention, accountability, and lost institutional knowledge." In the area of workforce development, we suggested that the sector develop new compensation models that allow us to attract and retain the best and brightest.

3) Maintain to Sustain

If labor is the number one expense for cultural organizations, then *Portfolio* made clear that building and physical plant is a close second. We noted that with new capital projects comes a responsibility not only to raise money for construction, but also the endowment and expanded operating funds for ongoing debt coverage, operations and maintenance. Going forward it will be important that management, boards, policymakers and donors rigorously assess the long-term market demand for new projects before committing capital dollars. These investments are highly illiquid and bind an institution and the region to a course that cannot be altered if the market does not materialize.

For older buildings, while there may be less debt service, the cost of maintenance, utilities and repairs is substantial. *Portfolio* revealed that, in the course of the recession, many cultural organizations chose to defer repairs and maintenance. While this may have been a prudent short-term strategy, it suggests future liability to catch up on required investment in physical plant needs. Beyond maintenance, we suggested that utilities management may provide a future area of opportunity, both for environmental and financial reasons. While no one can know with certainty the future costs of fuel and electricity, the historic trend suggests that there is more upside than downside.

4) Moving to New Models

The dominant finding of the *2011 Portfolio* report was that organizations were operating in the red. We believe that cultural leaders and funders will need to articulate and adapt to a range of capital needs based on organizations' unique business models. Better understanding and matching of the six forms of capital (operating funds, working capital, operating reserve, capital replacement, endowment, and risk capital) will lead to better capitalization, and with it stronger financial health and delivery on mission.

We also questioned whether there has been an historic overemphasis on project-based support that is contributing to an imbalance of supply and demand? Would a higher balance of general operating support provide more flexible dollars to support the programming of strong, high-quality organizations rather than encouraging the continued development of new projects? Similarly, would the wider acceptance of fiscal agency allow for the easier entry and exit of shorter-term artistic projects and thus discourage the proliferation of 501(c)(3)s?

Finally, at the macroeconomic level, just as in other sectors, some industry consolidation seems inevitable. But consolidation can take many forms, and cultural organization executives and boards should be open to a range of alternative options. These include strategic alliances, shared services and joint programming, and market assessments that examine an organization's resources on its true unique place in the cultural ecology.

What follows is a closer look at how some arts and other nonprofit organizations are putting these ideas into practice in four areas (fundraising, physical facilities, labor and new business models), and in doing so are engaging in the kind of innovation needed for the field to survive and thrive in a new economic reality. In many cases, these successful adaptations have freed organizations to more deeply engage the public through expanded community connections.

Fundraising Innovations

Fundraising Innovations

On average, the nonprofit cultural community maintains a fairly even split among earned and contributed revenue (*Portfolio* 2006, 2008, 2011), with smaller organizations relying more on contributed revenue and depending heavily on foundations in particular. This dynamic may be changing, as recent innovations in fundraising that provide smaller organizations and prospective donors free and easy access to collaborative, communal platforms for raising funds have made it possible for start-ups and small groups to gather broader bases of individual support. Three types of programs (crowdfunding platforms, combined giving campaigns and giving circles) illustrate how these new methods are already enabling arts organizations of all sizes to more deeply engage potential individual investors.

Crowdfunding Platforms

Crowdfunding essentially applies the philosophy of group purchasing to donations, aggregating groups of individuals online to build a collective investment for one project, purpose or organization. Popularized by efforts like President Obama's online fundraising campaign, which enabled volunteer supporters to help raise $639 million from 3 million donors (Aaker and Chang 2009), newer technologies have enabled artists and organizations of all sizes to take advantage of web-based, low-cost, easy-access platforms for individual fundraising efforts. Two such platforms, Kickstarter and IndieGoGo, offer great potential for the arts community.

Kickstarter (http://www.kickstarter.com/), which bills itself as "the world's largest platform for funding creative projects," was founded in 2009 by Perry Chen, Yancey Strickler and Charles Adler. In 2010, the site enabled 3,910 successfully funded projects, raising $27,638,318 from a total of 386,373 pledges (Marketos 2011). On Kickstarter, artists or organizations set up a campaign explaining their project, establishing a fundraising goal and deadline, and creating a series of donor levels tied to incentives that are unique to the project. A project must reach its established funding goal within the set period of time, or no donor pledges are collected. Kickstarter collects a small portion of the revenue raised as a fee, as does Amazon Payments, the system Kickstarter uses to process donor pledges.

In 2011, Philadelphia photographer Jacques-Jean Tiziou created a Kickstarter campaign to extend the "How Philly Moves" dance and photography public art project featured at the Philadelphia International Airport. By late

March, the campaign had raised $26,270 on a goal of $25,000 from 617 backers. More than half of the donations (54 percent) to the project were for $50 or less. Those donations enabled Tiziou to conduct an additional community photo shoot for the project in September. Incentives for donors ranged from “How Philly Moves” promotional materials, to artworks from the project itself, to crepes with (and made by) the artist.

IndieGoGo (http://www.indiegogo.com/), started in 2008, is similar to Kickstarter in concept, but open to all types of fundraising efforts. It’s free to create and donate to a campaign, though the site does collect at least 4 percent of all revenue raised, and pledges are binding even if the campaign doesn’t meet its set goal. IndieGoGo incorporates the use of fiscal sponsorship into its platform through partnerships with arts service organizations like Fractured Atlas and the San Francisco Film Society. The site also enables fundraisers to use other nonprofit agencies as fiscal conduits.

A recent search for successfully completed dance projects on IndieGoGo turned up 23 projects that raised nearly $64,000 in total. One group, Washington, DC’s Christopher K. Morgan & Artists, had raised $1,950 on a goal of $1,500, with 40 hours still left in its campaign. The set-up? To clothe its dancers for the company’s next concert, cleverly titled “Reveal.” Incentives for donors to this campaign ranged from “the peace of mind that you will not have to watch us dance completely naked,” to additional tickets, receptions, and opportunities to attend company rehearsals.

Combined Giving Campaigns

Similar to fund drives for agencies like the United Way, combined giving campaigns are community-wide efforts to raise funds for civic organizations conducted within a limited time period. One model that supports the arts using this method is Pittsburgh, Pennsylvania's "Pittsburgh Gives" campaign (http://pittsburghgives.org/).

During the one-day fundraising event, started in 2009 by The Pittsburgh Foundation, donors are asked to contribute to nonprofit organizations in Allegheny and Westmoreland Counties. The most recent Day of Giving, held in October 2011, raised contributions at a rate of $75 per second, totaling $6,448,448, nearly twice what was raised in 2010 (The Pittsburgh Foundation 2011). Of the 654 organizations participating, one-quarter (169) were classified as arts, culture and humanities groups.

Donations to arts and culture organizations were matched through a partnership between the Greater Pittsburgh Arts Council and the Heinz Endowments, who established a Pittsburgh is Art campaign under the Day of Giving umbrella. The 147 cultural organizations participating in the Pittsburgh is Art Day of Giving event held in May 2011 successfully raised $1,408,704, $475,000 of which was matched by area foundations to generate a total of almost

$2 million for the local arts and culture community (GPAC 2011; Zlatos 2011). The event also proved to be effective in attracting new donors and re-engaging lapsed ones, as 50 percent were either new or had not made a gift in the prior eighteen months.

Giving Circles

Giving Circles

A third example of innovations in fundraising techniques can be found in the growing presence of giving circles, which consist of groups of individuals who pool their philanthropic resources and together decide how to invest them. In Philadelphia, giving circles can be found at The Philadelphia Foundation, which has established two such groups, and at Philly Stake, a local offshoot of an international network of "meal-based microgranting initiatives."

The Philadelphia Foundation's two giving circles, the Asian Mosaic Fund and IMPACT Philadelphia, were both established in 2010. The Asian Mosaic Fund supports youth development and civic engagement in Philadelphia's Asian community, and, through matching grants, has further leveraged the group's own resources, raising more than $15,000 for three organizations, including the Asian Arts Initiative and the Wilma Theater.

IMPACT Philadelphia's aim is to support sustainable local economies and to inspire youth to take on leadership roles. In six months, the group raised more than $16,000 to support three nonprofits. One of its grantees is the Norris Square Neighborhood Project, which will use the funds to engage 30 teens in its Art Factory. The Art Factory program provides neighborhood teens with exposure to and training in a wide variety of art forms including graphic design, dance, poetry, animation, drawing and video, with the aim of increasing their opportunities to pursue art as a career (The Philadelphia Foundation 2011).

Philly Stake (http://phillystake.org/), organized entirely by volunteers, is an effort that brings together interests in community investment, communal experiences and support for local resources. It's a periodic dinner party featuring locally sourced food, with a philanthropic twist. Guests pay $10-$20 to attend, and during dinner they're pitched a series of projects. By the end of the meal, they've voted on what their collective dinner fee proceeds will go to support, and the winners attend the next dinner to share the results of what's happened with that investment.

In its first three dinners, Philly Stake granted $4,800 to seven local projects, including two arts efforts. One of them was Recycled Artist-In-Residency (RAIR) (http://rairphilly.org), an effort responding to local artists' growing interest in access to recycled materials at Revolution Recovery, LLC, a construction and demolition recycling facility. RAIR's mission is to "provide artists with salvaged materials and comfortable workspace while increasing awareness about the waste stream." Another Philly Stake grantee, Warrior Writers (http://www.warriorwriters.org), is helping Philadelphia-area veterans reflect on their military experiences through the creation of art. Warrior Writers also ran a successful Kickstarter campaign to support the publication of its third anthology of veterans' creative work, attracting 76 investors for a total of $4,522 pledged to a $4,000 goal.

Sharing the Pitch

While giving circles involve a group of individual donors coming together to make philanthropic investments, another inventive approach to fundraising can be found in groups of grantseekers coming together in a combined request. One example of this can be found in Phoenixville, PA, where eight local nonprofits, including the Colonial Theatre, collectively pitch a group of individual donors each year. Funds awarded are divided among the organizations according to need, which is determined through an analysis of each organization's annual budget (Cook 2011). This approach provides a win-win for donors and grantseekers by streamlining the process from both perspectives.

Research also shows that people involved in giving circles donate more, make more strategic investment choices, and are more actively engaged in their communities

(Eikenberry and Bearman 2009). Crowdfunding tends to attract investors interested in social participation and technological innovation, as well as the desire to be part of the creation of the works they support (Ordanini et al. 2009). Combined giving campaigns tap into both of these sets of motivations, offering social and civic community engagement activities through collaborative online platforms. All three types of fundraising represent innovative ideas that can be leveraged to support Philadelphia’s creative sector.

Efficient Use of Physical Facility

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Physical plant expenses typically represent the second-highest cost area for nonprofit arts organizations (*Portfolio* 2006, 2008, 2011). Efficiencies in this area are difficult to achieve, though three types of collaborative efforts show how it can be possible: energy-buying cooperatives, online creative space rental portals, and shared facilities.

Reducing Energy Costs

Energy-buying cooperatives offer individuals or businesses the ability to achieve rate reductions through group purchasing. Recent changes to energy regulation have made it easier for groups to come together for this purpose. Two school systems are actively engaged in energy-buying efforts, including the Mid-Atlantic Catholic Schools Consortium, which operates a residential energy purchasing cooperative for Catholic school employees in Delaware, Maryland and the District of Columbia. Pennsylvania's Central Susquehanna Intermediate Unit (CSIU) manages an energy-buying cooperative for local schools, one that purchasing services manager Jeff Kimball estimates has saved them more than $30 million over 7 years (Fickes 2011). Interestingly, these cooperatives can be structured to benefit organizations as well as employees, illustrating the potential for the arts community to collaboratively approach energy savings with costs and benefits for the field's physical plant facilities and its labor pool in mind.

Efforts to create energy cooperatives have also occurred online, through platforms such as Alphabuyer (http://www.alphabuyer.com). Similar in concept to sites like Groupon, Kickstarter and IndieGoGo, Alphabuyer incentivizes individuals to participate in group purchasing programs for, in this case, energy. The deals require a certain number of sign-ups to occur within a given window of time, and they improve in value as more people sign on. When the time runs out, everyone who has signed up receives the best deal available, and Alphabuyer takes care of the "back end" details of switching each buyer's energy provider.

Maximizing Rental Income

Many arts organizations control spaces within their facilities that can be rented out for other purposes. In recent years, collaborative online efforts have arisen to help potential renters navigate these options, and to help arts organizations market their availability to a wider audience.

In Philadelphia, what used to be published by the Greater Philadelphia Cultural Alliance as a guide for brides seeking a uniquely fabulous place to get hitched (*Special Places, Memorable Spaces* 1999) is now PhillySpaceFinder (http://www.phillyspacefinder.com). A partnership between four arts service groups—the Cultural Alliance, the Theatre Alliance of Greater Philadelphia, the Philadelphia Music Project, and Dance/UP—PhillySpaceFinder customized Fractured Atlas' system for this region, and currently lists more than 250 spaces available for rent.

A system like PhillySpaceFinder creates efficiencies for all involved, including the service collaborative, space renters and the facilities. As the broker, the collaboration of service organizations bears the costs of website development, website maintenance and marketing, but fulfills its aims to help maximize the use of physical resources available for arts production and to support the bottom line of the cultural organizations who are renting out spaces. The collaborative also benefits from the fact that space owners update their own records, creating a savings on some labor costs. Renters benefit from onestop shopping, as they can conduct comprehensive searches for spaces suitable for specific purposes related to their interests, and owners benefit from the rental income and the exposure provided through marketing of the site. Both renters and owners benefit from the fact that the system is free, and can be updated quickly and efficiently by the owners themselves.

Sharing Space

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Collaborative arts spaces have arisen as another model of physical facility innovation. The Brooklyn Arts Exchange in New York and Summit Arts Space in Akron, OH are just two of many national examples of artists and arts organizations sharing office, educational and performance or presentation spaces. Philadelphia's cultural community is also benefitting from this model, as evidenced by the Community Education Center, Crane Arts Building and Asian Arts Initiative.

The Community Education Center (CEC) (http://www.cecarts.org), located in a former Quaker schoolhouse in West Philadelphia, was incorporated in 1973. The Center focuses on the development of new artists and hosts a series of presentation programs including New Edge Residency and New Edge Mix. The CEC is also home to other arts organizations including Group Motion Dance Company and other performing arts organizations. Many of these groups came to the CEC following the loss of Kumquat Dance Center, a shared performance and rehearsal space in Old City from which they were evicted a decade ago during a real estate boom.

The Crane Arts Building (http://www.cranearts.com), a former manufacturing site purchased in 2004 by David Gleeson, Richard Hricko and Nicholas Kripal, who subsequently repurposed it as a collective facility for artistic and creative pursuits, has become a central part of the revitalization of the Old Kensington neighborhood where it is located. Currently housing 50 artists' work studios, three gallery spaces, and organizations like NEXUS/Foundation for Today's Art and InLiquid, the area expanded this year with the opening of the Pig Iron School for Advanced Performance Training in the Old St. Michael's School (Amorosi 2011). As Community Design Collaborative Executive Director Beth Miller notes in a video for WHYY's Friday Arts series, the Crane Arts Building demonstrates that, "[i]ndustrial reuse can be done, and done well" (O'Reilly 2011).

The Asian Arts Initiative (http://www.asianartsinitiative.org) represents the newest venture in Philadelphia's shared space scene with the purchase and renovation of its new home in Chinatown, the second floor of which is a multi-unit facility housing a dance company, an arts consulting group, and a project of the Mural Arts Program, among other tenants. The 24,000 square foot space creates an anchor for the cultural community in the Chinatown area. Spurred by the group's eviction from the Gilbert Building, which was razed to make way for the expanded Pennsylvania Convention Center, the site took four years to develop and recently celebrated its opening with a ribbon-cutting ceremony in November 2011 (Landsmann 2011).

Moving Beyond the Office Walls

Collaborative spaces are one way for arts organizations to gain efficiency regarding physical facility expenses, but perhaps the greatest cost efficiencies in this area can be gained by not having any space, whether rented or owned, on the books. While this simply isn't possible for some arts organizations due to the nature of their work, for others it's a strategy that could be considered. Musicopia (http://www.musicopia.net), an organization whose mission is to bring educational music enrichment programs to schools and communities throughout the Delaware Valley, is one example of an arts organization that has realized cost efficiencies through the creative use of technology to empower its staff.

Now in its 37th year of operations, Musicopia (formerly known as Strings for Schools) has no office space. Instead, all seven staff members work from home. Staff meetings, which used be held in the conference rooms of board member's offices, are now held as virtual meetings on Google+. Rather than spending time travelling to and from an office, Musicopia's staff are freed up to spend more time in the community where they work, the schools themselves.

This adaptive twist on the expected work structure, where employees live at home, go to an office to work, and then go out of the office "on location" when necessary, is enabling a community-oriented organization to essentially skip the middle man—the office—and go straight from home to where the work really happens. That not only saves Musicopia money on administrative costs, but promotes deeper fulfillment of the organization's mission by providing all staff the ability to spend more of their work-related time at the schools they serve.

Taken together, energy-buying cooperatives, collaborative marketing of spaces available for rent, shared workspaces, and opportunities to work without office space all present opportunities for the region's cultural organizations to realize savings in, and in some cases gain income from, their facilities.

Restructuring Labor

Restructuring Labor

Labor is consistently one of the highest expense areas within nonprofit cultural organizations (*Portfolio* 2006, 2008, 2011). In the last five years, the nature of nonprofit cultural employment in this region has shifted to increasing numbers of part-time and independent contractor positions. While those shifts can represent cost savings, there may also be other ways to adapt the field's labor model that provide cost savings, increased revenue or increased employee engagement.

One interesting labor model can be found in Phoenixville, PA's Colonial Theatre (http://www.thecolonialtheatre.com), which operates with a substantial volunteer base of 150 people and only three full-time employees. As Nonprofit Finance Fund Program Manager Kim Cook outlines in a recent article, the Colonial Theatre's labor structure relies on sharing, rather than stratifying, employee functions across the organization:

Each employee has responsibility for operations, programming, and revenue areas. So, for example, the person in charge of the theater is also in charge of programming the Friday Night Fright series, as well as managing the concessions stand. This means that they have increased job satisfaction (from the programming), make a clear contribution to revenue results (the concessions stand drives as much net revenue as any of the film programs), and maintain an operations focus that matches their skill set (2011).

Cook also highlights part of the labor model of Spiral Q Puppet Theater (http://spiralq.org), which has developed partnerships with local universities to employ students in the organization's community arts and education programs. Though employed by Spiral Q, the students' wages are supported by their respective universities (Cook 2011).

Revenue Sharing

In some for-profit companies, revenue-sharing incentives give employees a stake in both the risk and reward of the company's success. In the nonprofit sector this practice is typically frowned upon, particularly among fundraisers, whose code of ethics through the Association of Fundraising Professionals expressly prohibits working within a revenue-sharing payment model. However, there may be some staff roles where this model could be feasible and attractive to potential employees, such as sales and advertising.

The Metropolitan Opera ("the Met") (http://www.metoperafamily.org) is an innovator in this area, having successfully negotiated contracts for HD transmissions with its performing and labor unions that are based upon a guaranteed minimum plus a percentage of additional revenues rather than a fixed figure up front (Flynn and Pogrebin 2011). The structure of these agreements has enabled the Met to greatly expand its audience base, as the transmissions now reach more than 2 million people in 46 countries (Waleson 2010). They have also earned the organization millions of dollars in net income.

New Business Models

Since the 2008 recession, there has been increasing attention paid to the question of how to create new organizational structures with greater viability for the arts. Innovation, though, isn't always about discovering new things. It's often about finding creative and adaptive ways to better use, or re-use, what already exists. In that spirit, it's worth taking a look at what some arts organizations are doing that represents innovation within the existing 501(c)(3) structure.

Collaborations and Mergers

Working in tandem with community partners can provide some cultural organizations a way to minimize overhead while maximizing impact. This is the case for the Village of Arts and Humanities ("the Village") (http://villagearts.org), a community arts organization in North Philadelphia that in recent years has developed strategic partnerships with other organizations including Temple University, Teens4Good and Faith Enterprises. These efforts have paid off in more ways than one, enabling the Village to cut costs by 27 percent while increasing the number of programs, and jobs, offered in their neighborhood (Cook 2011).

Mergers, when carefully planned and thoughtfully executed, can represent another opportunity for cultural organizations to increase impact through restructuring operations. In 2008, The Children's Theatre and The Little Theatre of Winston-Salem, NC merged to create Twin City Stage (http://www.twincitystage.org). Initiated by the organizations themselves after prior collaborative efforts proved successful, the two organizations realized that though each attracted a different audience base and filled a unique niche in the local community, the similarity of their missions might enable them to achieve more together. The risk paid off, and Twin City Stage's work was recognized in 2010 with the American Association of Community Theatres' Twink Lynch Award for major steps in new directions.

While the merger was not without its challenges, success became apparent in the first year through savings of 5 percent and 15 percent in overhead and programmatic costs, respectively. The new organization also saw growth of 10 percent in earned revenue. In terms of labor, the merger not only resulted in maintaining each organization's existing jobs, but has allowed the group to add additional jobs. Perhaps the greatest indicator of success, though, can be found in the organization's own report of the merger's true value:

What were two separate organizations with different areas of influence has become a much larger grass roots arts organization with tremendous resources and interactive programming. The real "social good" is that we are now able to divert more of our resources into programming for our mission (Foundation Center 2011).

Limited-Life Nonprofits

It’s long been a joke that the true purpose of every nonprofit is to continue to exist at all costs. Some nonprofits, though, set out with a limited existence in mind, establishing themselves to fulfill a short-term need within a purposefully restricted lifespan. An example of this can be found in 13P (http://13p.org), an organization formed in 2003 with plans to close as part of its raison d’être.

Even the organization’s name reflects its limited-life aspirations, as it refers both to its founders and their plans to produce thirteen new plays and then fold. The organization’s founders are thirteen accomplished, mid-career playwrights who came together out of frustration with the current system of new play development, which generally supports readings and development workshops rather than full productions of new works. They decided to pool their credentials and create a nonprofit collaborative that would allow each of them to serve as playwright and artistic director for the fully staged production of one new work.

13P’s response to the apparent conundrum of setting out with the end in mind is as straightforward as their business plan: “Because we don't want to be an institution. Our mission is very simple, and we want to complete it and call it a day. 13P isn't really a theater company; it's a 13-play test of a new producing model." Making that choice up front has enabled 13P to create a very streamlined model of operations.

The playwrights serve as a rotating crew of artistic directors, but don't manage the day-to-day operations of the business. That effort is led by ten volunteers (including 3 of the 13 playwrights) who meet monthly to handle production and fundraising tasks. The group's only paid contractors are an executive producer, production personnel and actors, and a PR firm. The playwrights initially leveraged their resumes and personal contacts to build philanthropic support, and their individual mailing lists to build an audience base. 13P's budget, averaging around $70,000 annually, is composed of contributed revenue received from government, foundations, individuals, and the proceeds of an annual benefit, while earned revenue is supported solely by box office income.

To date, the group has presented eleven of its thirteen planned productions, and a recent press release touts this year as its ImPlosion Season, with the final show scheduled for summer 2012. An oral history video archive documenting the 13P process and experience is also being released this year. When 13P closes, the organization will cease to exist, but its website, containing the video archive, will remain (Zidell and Kwon 2011).

13P represents a fresh and distinctive approach to the traditional business model of nonprofit arts organizations. It is worth noting, however, that the time, energy and resources required to establish and then officially fold a nonprofit may not be worth it for those interested in a limited lifespan. In those cases, the pursuit of fiscal sponsorship is often recommended instead.

Fiscal Sponsorship

Fiscal sponsorship isn't a new idea, but we may be entering a time when its use becomes more prevalent, as it readily facilitates adaptation and flexibility, two key strategic advantages in today's economy. One local arts group using this model is Pink Hair Affair (http://pinkhairaffair.com), a dance collective started in 2007 by graduates of the University of the Arts. The collective's members share administrative responsibilities and support each other's artistic endeavors.

Pink Hair Affair presents shows featuring members as dancers and choreographers, and is organized as a fiscal conduit through the Painted Bride Art Center. Financially, this allows the collective to receive tax-deductible donations from individuals as well as support from philanthropic organizations like the Philadelphia Cultural Fund. It also fosters fluidity for members within the collective, enabling them to pursue other professional artistic opportunities while knowing they can return to full participation in the collective again at a later date.

New Business Models

One recent innovation within the 501(c)(3) structure can be found in the business model of Fresh Artists (http://www.freshartists.org), started in 2008. Challenged to support arts education in Philadelphia's schools and to turn the traditional structure of attracting individual donors to support an organization's mission on its head, founder Barbara Chandler Allen discovered a new way to realize the organization's mission of promoting access for all children to the healing, transformative self-expression of art-making and philanthropy. Rather than simply asking adult donors to support arts education for children, Fresh Artists takes a "lateral approach," asking children to support each other through the philanthropic cycle.

Children's artwork is photographed and licensed to use as gifts to corporations and other donors, who give to the cause and display the photographed works in their offices and other spaces. The proceeds from the children's photographed artworks are then invested in arts education programs in under-resourced schools. Donors and artists also have opportunities to engage with one another through Fresh Artists' programs and events. In the program's first year of operations, 150 art teachers in Philadelphia received supplies, and seven art teachers received "Angel Art Grants.".

Adaptive Governance Structures

While some cultural organizations are adapting the business model, others have realized success through adaptive governance structures. The Louisiana Philharmonic (http://www.lpomusic.com) provides one example of an organization whose structure has evolved over time, allowing it to thrive in periods of great change and community upheaval. Using what it calls a "three-legged stool model," the Philharmonic's musicians, trustees and staff work closely together in an arrangement that has evolved over time.

Formed in 1991 following the closure of the New Orleans Symphony, the Philharmonic's board was originally composed only of musicians, though it now has a majority of community trustees. Community board members are nominated by a committee that includes musicians, staff and trustees, and are approved by the orchestra. Musicians who serve as trustees are nominated and approved by the orchestra. Both the orchestra and the board have a president, and all committees have dual musician- and community-trustee chairs, with the exception of the Personnel and Concert committees, which are led by musicians only (Drinan 2009b).

This arrangement has created a foundation and culture of trust, open information and shared responsibility over time among all three parties, one that is best evidenced by the Philharmonic's post-Katrina successes in establishing itself as a regional orchestra and deepening its engagement with the local community. It can also be seen in the relative ease of renewing the Philharmonic’s annual collective bargaining agreement, which typically takes the musicians one day following the board’s annual budget process (Drinan 2009).

As arts organizations continue to feel the pressure of a changed economy, flexibility and adaptability become critical for success. Though the 501(c)(3) organizational structure is not generally regarded as one that encourages these behaviors, the examples above illustrate potential ways in which it can support evolving models.

Conclusion

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From fundraising to facilities to business models, nonprofit arts organizations are taking advantage of new ideas, opportunities, and technologies to reinvent the way they do business. Key to the success of these strategies is a continued focus on each organization’s mission as the guiding force against which all choices must be weighed. To survive and thrive in the post-recession economy, arts organizations must continue to adapt to new advancements that enable them to work through community networks, collaborative partners and web-based platforms to engage the public. The organizations presented here illustrate how these advancements can be leveraged to the mutual benefit of arts organizations and the communities they serve.

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