ORGANIZATIONAL ANALYSIS

BEYOND THE LOOKING GLASS

By Management Consultants for the Arts
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From childhood, it seems, we learn to appreciate that among all the various ways of maintaining good health, one practice stands out: the regular checkup. It's easy to see why. A checkup provides an objective rundown of your present condition. It can identify a potentially serious problem long before you're conscious of it. Often, it spots trends that tell you it's time to shed a few pounds, set aside the salt shaker or pull out the jogging togs. At the very least, it can confirm what most people wish to be true—they're just fine, thank you.

Checkups are common in the business world, too, where quarterly and annual reports and financial audits are a way of life. And in the classroom, report cards give students (and their parents) a regular progress update. Despite these practical benefits to individuals and organization alike, this idea of periodic assessment, of taking a hard look in the mirror, is neither widely nor regularly practiced within the nation's cultural community. We think it should be. In this paper we make a case for the "checkup" or, as we formally refer to it, the organizational analysis. Why?

From all indications, the '90s will be a decade of profound and continuous change for U.S. cultural organizations. In our view, organizations cannot successfully navigate these white waters unless they first understand where they are positioned right now. You need to know if you're shooting the rapids, paddling mid-stream or spinning round in a whirlpool. Where you are today can determine where you will or can be tomorrow. An organizational analysis yields this information, and more. It raises provocative questions, illuminates problems, and many times it unveils opportunities that may have eluded you. Most important, a rigorous, objective analysis, conducted at regular intervals, can help ensure that your organization remains faithful to its mission.

For the Best and Worst of Times

Like a snapshot, an organizational analysis captures the state of your organization at a particular moment in time. Sometimes called a situational analysis, needs assessment, or management audit, this type of analysis helps you take stock of what your organization is doing relative to its past performance. You evaluate its vulnerabilities and opportunities, examining how it works operationally within the context of its mission and external environment.

What initiates an analysis varies widely. For some organizations, such as an art museum in New England, an analysis provided a guide to manage expansion. The museum had enjoyed a spurt of growth, opening a new building, quadrupling its space, doubling its budget and visitation, but not staff.

Positions had evolved with each staff member taking on more and more work—and becoming more and more dissatisfied. An analysis was conducted to understand how to prevent burnout, adequately compensate employees and create positions and budget for new hires. Sometimes an analysis is used to affirm the rightness of an organization's current direction. But more often than not, analyses are launched by organizations grappling with major problems or upheavals, such as a significant change in leadership. That was the case with an orchestra whose founder announced his intent to retire. An analysis enabled the board to describe in detail the experience and qualities they sought in a new music director. That helped ensure a successful search.

On occasion, analysis has been turned to as a last-bid effort to save an organization. In one such instance, the managing director described his financially strapped theatre company this way: "We have to take a hard and honest look at how we do things. When we started out, we were a bunch of kids trying to make a go of it. We grew spectacularly. Now we're losing a significant amount of money, and we don't even know what our true financial condition is. We don't know what part works, what part doesn't. We do know that we can't go on this way because we're going under."

Sometimes organizations believe that a problem is isolated within a particular department. Upon investigation, however, this is rarely the case. Most "isolated" problems are symptoms of larger issues because departments of cultural organizations are so integrated and so interconnected that it's nearly impossible to isolate a single piece. An overhaul of the marketing department necessarily affects fund raising. A shift in the nature of the artistic work affects the money you raise, the audience who comes, the board members you attract.

Recently, we worked with a presenter widely admired for its artistic work, but also disparaged for a box office notorious for poor service—a reputation personally validated by one of our partners, who observed: "If there wasn't glass in the ticket window, fistfights would break out in the lobby every night."

An analysis was performed. The fundamental issue that emerged didn't just zero in on the box office employees and their attitude or performance. In fact, it didn't categorize the problem as chiefly a business management issue. It focused on the company's view of its mission and, in particular, its view of audience. Did the organization believe it needed to serve the audience who pays money and holds expectations as much as it served the performers on stage? Once the broader question was addressed, a solution to the box office problem became evident.

Analyze the Analyst

At its most basic level, every organizational analysis requires an analyst and a set of respondents, informed people from within the organization and its external environment. A full analysis involves representative donors, members of the community, professional staff, board members and others. Some organizations elect to conduct the analysis themselves. Those that do should be aware that objectivity can be an issue. It may be unrealistic to expect staff members to objectively assess other departments' performance, not to mention their own. Key players in the external community—donors, business and civic leaders—may hesitate to offer a candid critique of an organization to a member of that same organization. Too, if the analysis is driven by a problem, the people who have been dealing with the problem may be too close to it to see new and viable solutions—solutions that could be drawn from the successes of other organizations in similar situations.

A trustee once rhetorically asked one of our partners, "Isn't it terrific that $13 million of our $15 million budget is covered by ticket sales?" "Yes," our partner replied. "But isn't it too bad that you only raised $2 million? And I'm sure you're concerned that you've generated ticket sales mainly by cutting back on classical repertory, which you've always said was an important part of your mission."

The exchange underscored for that trustee the potential for insular thinking within his organization and the potential value of an outsider's perspective. Help is available from many sources. Service organizations offer assessment programs. The museum field has a structured program whereby federal funds pay professionals to do peer assessments. Arts councils, funding agencies and foundations are also potential sources of grants for this work. In addition, many organizations have received pro bono services from local firms, sometimes arranged under the auspices of a trustee.

It's About Discovery

Our approach to analysis—and we've found that most others use roughly the same process—begins by creating a baseline of what exists. This involves conducting extensive research into the organization's history, its purposes, financial standing and human resources. All relevant documents are digested: mission statement, financial reports, job descriptions, attendance patterns, bylaws, organization charts, any existing plan documents and so forth.

Key players are interviewed through one-on-one discussions and meetings. Surveys and questionnaires are also helpful. The idea is to get their perspective in their own words, and also ask them to step away and look at the total organization's strengths and weaknesses. Representative questions are described in the accompanying chart. While not intended to be a comprehensive checklist, these are typical lines of inquiry, depending on the scale and scope of the analysis and organization.

1. Mission

- How clear is it?
- Is it understood by staff and board?
- To what extent are decisions based on it?
- How often is it referred to in meetings and in written material?

2. Program

- What do you do, how do you do it, who does it, and who do you do it for?

- How do you select programming?
- How do you evaluate your programs?
- How do the programs serve the mission of the organizations?
- How do you perceive and measure the level of quality?

3. Board

Note: The issue of the board performance is on the minds of many trustees and staffs. Despite the fact that it is rarely the subject of rigorous analysis, we recommend that the issue be addressed directly.

- How large is the board?
- How does the board "rank" when compared with other not-for-profit boards in the community?
- How clear are the roles of board members?
- Is there a plan for succession and leadership?
- How are members recruited and oriented?
- To what extent do the board's composition and practices reflect the organization's mission? The community?

4. Personnel

- Organization chart?
- Written job descriptions, personnel policies, wage & benefit plan?
- How often do jobs turn over?
- Is there a formal performance review process?
- What are the linkages between various job functions and departments?

5. External Environment

- Who are your peers and competitors?
- What are the economic and social conditions of the community?
- What is likely to change?
- How does your organization fit into community planning, such as urban development?
- How well does your organization collaborate or otherwise work with other organizations in the community?
- Is your organization part of another organization, such as a university? If so, what issues involving the larger entity may have impact on your organization?

6. Marketing

- How is the organization positioned relative to others?
- What mechanisms exist to understand your audience?
- Is regional market research from third parties utilized to better understand attendees and nonattendees?
- What role does audience play in the organization's positioning?
- What is the makeup and demographics of the audience?
- Is that the audience you want?

7. Fund Raising

- What are your funding sources?
- What percentage comes from private, public, etc.?

- What is the board's ratio of giving to overall giving?
- To what extent are your marketing and development campaigns mutually supportive?
- To what extend do fund raising concerns enter into your general decision making?

8. Financial Condition and Management

- Current fiscal condition, ratio of assets and liabilities?
- Cash flow analysis, cash reserves?
- What reports are regularly generated?
- How accurate and timely have they been?
- Any recent letters to management from auditors?

9. Facility

- Condition?
- Maintenance plan?
- Renovations or expansions planned?
- Is the space satisfactory for the nature of the work produced or exhibited?
- Does the facility adequately serve the needs of the audience?

Crystallizing the Issues

Once all of this information is collected, it must be synthesized and presented in a written report. This document should be more than a recitation of facts. It should provide an interpretation of the findings and attempt to provide insight into problems. Where possible, solutions may be suggested. The report should be circulated within the organization so that it can be openly and vigorously discussed.

The report ten becomes the subject of a debriefing session (or sessions) ideally involving both board and staff leadership. Questions embedded in the report can be enormously helpful in stimulating exploration and discussion. As answers are discussed and debated, not only do potential solutions emerge, the dialog also creates a constructive atmosphere of ownership and collaboration.

In addition to raising questions, it's useful for the analyst to provide options and an assessment of the upside and downside to each. Many times organizations elect to focus on just one or two options, such as adjustment of job descriptions, organizational restructuring or a redefinition of board roles. Sometimes an analysis is employed to assess the viability of a new venture or direction. A performing arts center in New Jersey was considering a major shift away from presenting dance, music, theatre and opera, and toward producing more original theatre. To do so would entail funding substantial startup costs—commissioning the playwright, casting, set production, rehearsal, etc. An analysis provided a breakdown of what they would need to do differently in terms of funding, staffing and structure. After much deliberation, the group decided to forge ahead, and they did so clear-eyed, fully aware of the risks involved.

This kind of analysis has often raised significant enough questions about an organization's approach and performance that a full strategic planning process was requested. In a long-range strategic plan, an organization lays out over the next several years objectives to best serve its mission and the strategies to get them there. Since these efforts typically begin with an assessment of the organization, the analysis process discussed in this paper can serve as a useful springboard to planning.

A photography center in the northeast initiated an organizational analysis as the first stage of a long range planning process. They focused on what they wanted to accomplish in the next couple of years. Based on its mission, the center was committed to providing appropriate exhibition space that matched the work of its artists. Since more and more of their photographers were exhibiting very large prints, they clearly needed more wall space. That led to a planning process which, in turn, produced a thoughtful and realistic facility expansion plan.

Reflecting on Mission

Perhaps the greatest value of organizational analysis is in helping an organization assess how well it is serving its stated mission. As with the notorious box office, many organizations' problems are rooted in mission. It could be that the mission is non-existent, muddled or, more commonly, left out of the day-today management process. Yet, as we have often argued, without a clear sense of what the organization is all about, the organization's leadership lacks an important point of reference, a touchstone of decisionmaking.*Consequently, the quality of the decisions they make can suffer. A beautiful new performing arts center in the midwest was an impressive addition to a university. The center's leadership believed that, in harmony with the organization's mission, the facility should host the finest symphony orchestras in the world. The Chicago Symphony, they stated, would come every year.

Yet an analysis, conducted after construction was completed, revealed that because the center wasn't designed with this ambitious aspect of mission in mind, the facility could not fulfill it. Given the Chicago Symphony's requirements, the center's limited seating capacity and size of the university's subsidy, the ticket prices would have started at around $75. They simply could not do it.

Without the analysis, events might have been booked two or three years ahead, inevitably leading to a financial crisis. Instead, the analysis provided a reality check and averted what would have certainly been a disaster. More important, it stimulated the center's leadership to rethink how they could fulfill their mission in other creative ways.

In another instance, two founders of a dance company were dissatisfied with the direction in which their company was going. They were frustrated, but didn't fully understand why. An organizational analysis revealed that they were, in fact, feeling undue pressure to increase their New York City performances because that's what a lot of their peers were doing. In ensuing discussions, they refocused on their mission, to what they had formed their company in the first place, which was to help develop new talent.

As a result, they strengthened ties to their university and its educational programs. Today, they are much less concerned about whether they tour to New York or not. "We feel liberated," one of the founders said. "We got wrapped up in the New York scene, but it really wasn't for us."

We view it as a positive sign that increasing numbers of cultural organizations are committing time and resources to analysis. But we're also concerned that too many wait until crisis descends. By engaging in a regular pattern of assessment many problems can be headed off altogether. In fact, organizations that conduct analyses during non-crisis periods find that they have the time and resources to act on the results of the analysis—to pursue new opportunities or nip problems in the bud. Indeed, many managers and board members who have discovered the value or organizational analysis treat it like an annual preventive checkup.

We know that this is a pivotal time for many cultural organizations. Over the years, we believe our most profound and longest-lasting contributions have been when we helped cultural organizations serve their missions more fully, more effectively. Organizational analysis can be invaluable in this regard –sufficient reason, we believe, to employ this valuable diagnostic tool, again and again.