



GRANTMAKERS IN THE ARTS

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No Slow Fix, Either

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"There is nothing constant in the universe. All ebb and flow; and every shape that's born bears in its womb seeds of change."

Ovid, Metamorphosis

Several years ago someone told me of being asked to speak, but also of being instructed not to mention "the paradigm shift" because everyone was already tired of hearing about it. This struck me as curious, since, to my mind, the shift is poorly understood. Like others seriously trying to think about the subject, I have been struggling to tease out the nuances of the profound changes in world view that I find in our midst. That people are "already tired of hearing about it" is but one indicator of the intense resistance developing to the necessary changes ahead.

In an earlier paper for Grantmakers in the Arts ("The Structural Relationship of Culture and Philanthropy from a Practitioner's Perspective," *Alternative Futures*), I talked at length about the ways in which transactions between arts funders and their grantees were flawed, and introduced the term "faulty transactional dynamic." Another flaw in the dynamic is the failure by both funders and grantees to understand the environment in which they are both rooted. My focus here is the changing nature of the environment (or our understanding of it) and the ways the lack of understanding is mirrored in the habits of both grantmakers and arts managers.

What has shifted?

Quantum physics has revealed that there is no such thing as stability. Everything is in motion. The nature of reality is constant change. Nothing will ever be fixed, get fixed, or stay fixed for longer than a moment. Thus, there is no quick fix, and no slow fix either. The pattern or idea of "fixed" is being supplanted by the idea of "change." Reality is the same as it's always been. But our

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scientific knowledge of reality has moved beyond our habitual ways of talking, thinking, and orienting to the world. These "old paradigms" no longer accurately describe the world as we now know it to be. Our challenge for the next century will be to create new metaphors for living in reality.

The new metaphors will be metaphors of motion. No longer will the myths and metaphors of stasis suffice to encompass the life we are experiencing. New language-making will be the task for the whole culture not just the nonprofit sector where we work. For example, we need to reeducate people not to expect to live "happily ever after." "Happily ever after" is the old world view: striving for stable rocks to stand on—the perfect job, the perfect spouse, the perfect home. New thinking is about acknowledging that we are in a moving river and about learning how to swim.

Most grantmakers understand that there is no quick fix. But the yearning after fixed solutions (quick or slow) is still with us, and much of the attachment to the old, "fix-mentality" remains, especially in the current funding trend of "stabilization."

To give just two examples of “fixed” thinking. Recently, a federal grantmaker who funds stabilization remarked, “We’ve just got to keep these organizations going until things change back.” In the same vein, a recent national study is titled, “Rethinking Stabilization: Strengthening Arts Organizations during Times of Change.” In fact, *all* times are times of change. Things don’t generally “change back,” and times of change do not alternate with times of no change. The implications of this shift in thinking are profound and have profound implications for grant-making and arts management. Continued attachment to the way things have always been done will be at our peril.

How can grantmakers align with metaphors of motion?

Most funders want to be helpful to their grantees. This paper posits ideas on how grantmakers might begin to more closely align their thinking with the new realities, or new understandings of reality. The ideas are grounded in certain assumptions:

- Responsible funders should not encourage the creation of debt that will be borne by the organization’s community should the grantee organization fail.
- For the most part, self-sufficiency is not a realistic or achievable goal for nonprofit arts organizations as we know them. (This is why rock bands and Arthur Murray dance studios don’t apply for funding. The subtle and varying distinctions made between commercial arts and nonprofit arts with terms like high art, low art, entertainment, and culture are too rich and diverting to be dealt with here. Note, however, that none of these categories is mutually exclusive.)
- Funding should be granted to activities of merit as defined by the individual funder. Merit might vary across a spectrum of activities from low attendance/high creativity/low production value events (e.g. a new music recital) to high attendance/low creativity/high production value ones (e.g. a Nutcracker). In what follows, I do not mean to suggest that all organizations should get the same kind of support or that they should all receive ongoing general operating support.
- The current size of the nonprofit arts industry built on debt-financed growth as opposed to audience-demanded growth, cannot be sustained. This was true even before government cutbacks.
- Government cutbacks, however, will be increasingly destabilizing and demoralizing. Downsizing, dissolution, and bankruptcy will be the *theme* of the next chapter in the history of the not-for-profit arts industry. This should not imply, however, that no organization will grow; in fact, many will continue to be successful.
- The budget-size of an organization is not a reliable indicator of its “stability,” its management capacity, or its dynamic adaptability.

Speak the truth, name things correctly, use language with precision

The new metaphor of continual change requires new language, new values, new behaviors. We will all be challenged to use language with as much precision as possible in order to describe our new understanding accurately. To continue to use the old language will only serve to confuse and delay the necessary incorporation of the new kind of thinking into our work.

For example, for grantmakers who are interested in supporting the long-term *sustainability* of institutions across time, I recommend dispensing with any reference to stability or stabilization strategies. The future of stability is death. Nothing in nature is standing still. Desiring stability is bad science, like wishing the earth were flat. If you want to be “stable” move to another planet. It is not the nature of reality here.

One replacement suggestion (and I welcome others) is the notion of dynamic adaptability. This is a quality needed to survive in a world of constant change. On an individual level, it might be called consciousness or action informed by consciousness. On an organizational level, it is the ongoing readiness to respond to a dynamic environment. The term acknowledges that both the environment and the organization are in motion and are simultaneously acting on and being acted on by each other.

Take into account the whole system

New-style grantmaking aimed at organizational sustainability can only be accomplished by looking at the whole. Every intervention by a grantmaker must be evaluated in terms of its impact on the entire organization within the context of the organization’s environment. Likewise, funding for sustainability cannot be concerned with single-moment results, but must measure its effects across the developmental life of the organization. Because the new approach requires holistic thinking, individual funders need to have an understanding of the operational dynamics of both nonprofit management and foundation funding, and of the ways both work together. Grantmakers will need to work, if not more in concert with their peers, at least with acknowledgment of the cumulative effects of their individual actions. Single-strategy approaches alone will rarely promote sustainability.

The shift to a systems-thinking approach will not be cumulative, that is, it will not result from incrementally expanding onetime, single strategies to multi-year, multiple strategies. Rather it will be a radical reframing, analogous to the visual phenomenon of a figure/ground shift.¹ A grantmaker cannot become “more holistic” in his or her grantmaking (any more than one can be a little bit pregnant). You either deal with the whole or not.

¹ Remember the drawing in your Psych 101 class book? If you look at the black image, you see two heads in profile facing each other; if you look at the white image, you see a vase.

Define your goals and know what the results look like

In any coherent, effective funding program, you must know what results you want and why you are doing what you do. You have to know what “the good” looks like, or you won’t be able to see it when it happens. If your goal is long-term viability of arts organizations, you need some generic, universally-agreed-upon standards for what a healthy organization has looked like across time. Some indicia of a fundable organization’s dynamic adaptability, considered on average over a span of years, might include:

- regularly revisiting its mission in relation to the changing environment;
- consistently providing artistic products and/or services of merit;
- regularly living within its means;
- decreasing accumulated debt and/or increasing surplus;
- creating or maintaining a cash reserve;
- growing or shrinking in budget-size in relation to its current base of support;
- sharing ownership with a community-of-interest appropriate to the organization’s size and activity.

Reward “the healthy”

So-called “stabilization” programs have focused inevitably on resuscitating, or at least rehabilitating, the sick rather than rewarding the healthy. To reward the healthy turns the whole system on its head, but might achieve the results that grantmakers have sought through stabilization strategies.

To draw analogies from the current debate within the health care industry, the funding approach I’m promoting should emphasize health maintenance over the magic pills or surgical implants of the old ways of funding. The disease that needs tending in society and in nonprofit management is a lifestyle problem. What is needed for lifestyle management is not, so much, information (the diet book or financial management technical assistance) as will power—daily acts of discipline. Arts managers don’t have a “skill” deficit as much as they have a “will” deficit.

Grantmakers interested in long-term health maintenance of arts organizations need to focus on disease prevention through “will enhancers.” To do this, grantmakers could shift the focus from curing sickness to rewarding health, from bailout to investment. While some arts managers might find the readjustment wrenching, I have been amazed at how exquisitely tuned grantseekers are to the goals and objectives of their grantors. Look at how quickly they tied themselves into organizational pretzels in the past to qualify for your money.

Some implications of rewarding health based on industry-wide standards

The practical effect of rewarding health would be a redesign of funding programs, or at least, a redesign of

what are currently called “stabilization programs.” New programs would have to include more psychologically sophisticated motivators than past strategies have. The cleanest way to do this would be to make the results you seek—your picture of “the good”—the front-end eligibility requirements for a long term, ongoing general operating support program. The only requirement for remaining in the program would be that the participant continue to meet agreed-upon eligibility criteria (e.g. merit, need, etc.). This would eliminate the tug-of-war (and often sham) accountability problems that many grantmakers have wrestled with in past “stabilization” programs. In some of these programs, grantors often found it difficult to penalize a grantee’s noncompliance because they were somehow implicated by choosing the organization in the first place. In the case of some government programs, taking the money back was considered too difficult administratively, and admitting failure was seen as a risk to other policy decisions pending in Congress.

More important, a shift in emphasis to eligibility (and making eligibility consonant with the desired end-results) would shift the authority and responsibility to the arts organizations, with minimal grantor directive for how the grantee must adapt. Through a long-term operating support program with front-end eligibility a grantmaker would invest in an organization that has already achieved health contingent on its remaining healthy, rather than providing supplemental funds for managerially weak organizations in the hope that they will learn to need less in the future.

In programs following a traditional “stabilization” model, the grantmaker tended to identify the problem and then tell the grantee what to do about it. An organization’s adaptive skills were overwhelmingly directed to providing the results that the funder wanted to see—whether audience development or diversity or a cash reserve or more donors or a balance sheet change—even if the results were not in the best interests of the organization’s overall health. Like corporate CEOs whose salaries continue to rise no matter how poorly their companies do, nonprofit arts organizations have continued to be funded no matter how high their operational debt or how far they fall short.

Another important implication of funding health is that, arguably, access to funding will be more equal. There is no relationship between budget-size or artistic discipline and an organization’s capacity for dynamic adaptability. Many small organizations have been doing it well for years. Ironically, some of the biggest “entitlement junkies” in the nonprofit arts are among the largest budgeted organizations serving, primarily, the elites.

If funding were based on generally-agreed-upon standards of health and good business practice, the sense of fairness in the process would be greater. The change would also represent a significant shift away from a former philanthropic pattern that emphasized keeping the funder’s goals and expectations somewhat obscure

to protect the privileges of wealth, privileges that included bestowing largess at the sole discretion of wealthy benefactors and, for the most part, on their personal interests, hobbies, associations, and activities. As more time elapses from the direct influence of living founders and their heirs and as foundations become more professionally staffed, we have the potential to transform the faulty dynamic between funders and grantees. If groups of funders develop agreed-upon standards of excellence, funding decisions might become less about who you know and more about how you perform.

The bottom-line questions facing arts funders today, given that there are not enough resources to go around, is who to fund and how many arts organizations the environment can support. If the money started betting on the survivors—on those with a demonstrated capacity to cope, those with the most evolutionary adaptability—we might see more healthy organizations, or at least more movement toward health.

General operating support is the best “stabilization” strategy

It is my contention that a carefully constructed, long-term, general operating support program is the best strategy to promote organizational sustainability. This is true not only for the new world view of constant motion, but also for the old static paradigm. (Remember, reality hasn’t changed, just our way of thinking about it). In a continually unpredictable universe, funders who are regular, reliable, predictable, and continuous become true investment partners in the enterprise.

Surprisingly, ongoing general operating support is not acknowledged as a “stabilization” strategy in recent studies of the stabilization field, despite many recently launched programs (at the Bush Foundation, the Pew Charitable Trusts, and the Heinz Endowments, for example) and other general operating support programs of long-standing duration and regard (the William and Flora Hewlett Foundation and San Francisco Grants for the Arts/Hotel Tax Fund).

The chart on this page is a rough schematic that briefly tries to map out some of the ideas presented here, with apologies for the inevitable oversimplification:

The chart is not entirely accurate. While it seems to imply a chronological evolution, in fact, I would argue that one of the most innovative, if not entirely successful, stabilization programs was the 1966 Ford Orchestra Stabilization Program, the earliest of the genre. Many of today’s so-called stabilization strategies are more old paradigm than ones of thirty years ago, in part because the term stabilization has no set definition and has become such a widely-used moniker that just about any kind of grantmaking can stand under its umbrella.

Identifying a “transition pattern” is also problematic since I also suggest that gradual transitions do not lead to a new paradigm and will not be much more effective

Old Paradigm	Transition Patterns	New Paradigm
Single strategy	Multiple strategies	Holistic, comprehensive, taking in the environment
Short-term	Multi-year	Sustainable
No accountability	Rhetorical accountability	Front-end eligibility
Funder control	Grantee accountability	Grantee responsibility
Quick fix	Slow fix	No fix

in promoting sustainability than the old approach. More often, a new world view calls for significant and discontinuous leaps in thinking, for “jumping the curve,” as one author expressed it.

In a continually unpredictable universe, funders interested in institutional sustainability should consider becoming dependable, rather than eschewing the dependence of grantees.

What if, starting tomorrow, any foundation arts funding that aimed for sustainability was given for a ten-year period and only to meritorious organizations who incurred no more operating debt. Any organization that failed to live within its means would lose its funding and would be ineligible for the next ten-year cycle. Imagine the consequences. Since only healthy organizations were eligible, what might be the basis for funding decisions: the art. How soon, or how long do you think it would take the field to recalibrate itself to a new standard? While money can’t buy behavioral change, change will often follow the money.

Despite the desires of Wall Street, the expectation of continual growth is doomed. In the natural world, the only thing that grows continually is cancer. An old Appalachian line goes: “It’s not so much what you have, but what you’re satisfied with.” Grantmakers, through their funding practices, have the potential to help acculturate their grantees to being satisfied with reality, with the ebb and flow, wax and wane rhythm of the universe.

Melanie Beene is a nonprofit management consultant whose firm, Melanie Beene and Associates, is based in the San Francisco Bay area. This paper was commissioned by the Cleveland Foundation, the Heinz Endowments, and The Pew Charitable Trusts in the context of a discussion of general operating support. (See related article, “The Future of Operating Support,” on page 39.)