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## **Strategic Planning Methods vs. Our View of the World: Process, People, and Perceptions**

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Over the years there have been numerous articles, books, and discussions regarding the best and most appropriate strategic planning methods in business. But how do those methods relate to the nonprofit sector in general and the arts and culture industry in particular? We are experiential social enterprises filled with passion, emotion, and artistry. But when the culture sector thinks about "strategy" to achieve mission and vision, there are few methodologies, if any, in the corporate world that apply to our social impacts and values. Many arts organizations measure their performance based on the financial bottom line, as we're often told that we must "act more like a business," if we want to remain sustainable. Not to splash cold water on anyone's ideals, but lots of "businesses" today are no longer viable or have been gobbled up by larger enterprises. All the strategy in the world couldn't have foreseen the obstacles that any industry has faced. And when we think about it, many cultural institutions have actually been sustainable for decades with their art, music, dance, theater, and literary masterpieces surviving for centuries. Corporate logic about strategy, growth, and sustainability hasn't exactly saved Fortune 500 companies that have fallen by the wayside over the years, so perhaps the time has come to reevaluate the right planning and performance measures for the culture sector.

In this edition of *Arts Insights*, we'll explore some of the more standard business methodologies that MBA programs and businesses around the world herald as "the answer" to higher sales, market growth, and big financial profits. How does Game Theory, for example, play into your strategy as a dance company whose impact is about finding a child's true potential as an artist and a human being? Can a Judo Strategy help shape future initiatives to best serve a theater company's role to tell a story that moves people to political or social action? And with more limited resources in nonprofits, how can in-depth Scenario Planning best achieve impact in an air and space museum? Will a Balanced Scorecard approach effectively advance an opera company's organizational identity with its focus on "how" results are achieved rather than "why?"

All of the above are viable planning methodologies and theories about strategy, but is there something missing? In the arts and culture sector, however, the interaction of the artistic action and human emotional reaction can enhance, or wreak havoc with, what would seem to be "logical" business decisions about strategy, technology, marketing, and fundraising among other business decisions. With all that in mind, how do people really view - and how do leaders in this industry measure - the aesthetic, social, educational, political, traditional, and economic impacts of cultural organizations? And why are their perceptions important considerations in the process of strategic planning, and how can cultural institutions create messages that drive greater community participation and support?

## THE SIX WORLDVIEWS

What is it that causes you to participate in activities that you enjoy? What activities, careers and conversations inspire a "passion" within you, causing you to want to become involved? In 1928, Eduard Spranger wrote a book entitled "Types of Men: The Psychology and Ethics of Personality." He identified six attitudes or worldviews that all people have with two that are strong, two more situational, and two that we're fairly indifferent towards. These attitudes are a type of window through which we view the world and seek fulfillment in our lives - perhaps we could call this the "why" of who we are and what motivates us to do what we do. If we are participating in a discussion, activity, or career that is in line with our attitudes, we will positively value the encounter. Conversely, if we are in a conversation, job that, or at an event that is against our core values, we will be indifferent or even negative toward the experience or institution we're dealing with, possibly causing stress.

What are the six personal interests, attitudes and values that make up our worldview and passions according to Spranger?

- ❖ **Aesthetic:** A need to experience the impressions of the world and achieve form and harmony in life & self actualization.
- ❖ **Individualistic:** A motivation on achieving position and using that position to affect and influence others.
- ❖ **Social:** A goal to eliminate hate and conflict in the world and to assist others in becoming all they can be.
- ❖ **Theoretical:** A desire to discover, systematize and analyze; the search for truth and knowledge.
- ❖ **Traditional:** A focus on seeking out and pursuing the higher meaning in life and achieving a system for living.
- ❖ **Utilitarian:** A drive to have a return on investment of time, resources and money.

So what do "Types of Men" worldviews have to do with strategy, messaging, and measuring our effectiveness as cultural institutions? Once cultural organizations can determine the attitudes that drive the actions of people and groups of people in their communities, it should lead them to a deeper understanding of how they can best demonstrate all the positive attributes that they deliver to them. That, in turn, should allow them to create more effective methods of community engagement that gain broader community support and participation during good economic times and bad. The arts and culture industry is one of the few that can speak positively to its community through all worldviews. It is a challenge to understand and appreciate the relationships any organization has with its stakeholders. But building consensus around its value to society based on both the intrinsic and external rewards will be immeasurable in building their collective brand as pillars of the community.

Now let's look at various planning methods and theories that many businesses use as the core of their strategic futures. Think about any gaps that you might see between what for-profit businesses and non-profit social enterprises view as important to their future sustainability.

## CONSIDER YOUR GAME THEORY

Game Theory relies heavily on understanding what is called the “value net” of players, or as Sharon Oster outlines in “Strategic Management for Non-Profit Organizations: Theory and Cases” (Oxford University Press, 1995), the importance of the players in the “industry” - in this case the arts and culture. The value net looks at the Six Forces (not to be confused with the Six Worldviews) of buyers, donors, and suppliers, as well as the threat of new entrants, substitutes, and direct competitors that can have an impact on your organization. Ultimately, there is no way to change the outcome of the game without also understanding its key elements and players. In a 1995 *Harvard Business Review* article entitled “*The Right Game: Use Game Theory to Shape Strategy*,” Adam M. Brandenburger and Barry J. Nalebuff outline the key elements on how to exert change effectively. Sometimes the players will and need to change, so understanding the players is the first key element of Game Theory.

Next they suggest that organizations must delve more deeply into the added values that each participant brings to the table. How do you raise your organization’s added value while simultaneously lowering that of others? Keep in mind both ends of the player spectrum – competitors on the one hand and those who complement what you do on the other – are important to understanding as your competitive position.

Knowing the rules of the game is also critical. Are you dealing with unions, legal regulations, cultural customs, practicality, or contracts that might make your strategy more difficult to implement? Sometimes you can use the existing rules to your advantage or even come up with new rules in the ever-changing game. After this assessment, you will then be able to determine which tactics are best for you. These tactics will assist all the players (i.e. staff, board, patrons, competitors, and other stakeholders) perceive the game and how it is played. Finally it will be important to understand the scope or boundaries of the game. Can you alter the forces to change your boundaries? According to Brandenburger and Nalebuff, by assessing and then changing one or more of these five elements, you can effectively play the “right game” while creating win-win relationships throughout your organization.

But how does this relate to how your cultural institution is viewed by your stakeholders and how they want to experience who we are? They really don’t care about our internal union regulations, artist contracts, or even the value net itself. Game Theory may simply be too internally focused, thus missing an important element in its strategic methodology – the core values that actually shape each individual’s perception of our institution, its programs and services. Game Theory really doesn’t address how you can effective message and “deliver” the strategy, so the “theory” may not be entirely “practical.”

## THE JUDO STRATEGY

Envision your institution in the middle of a circle of what can appear to be ominous set of internal and external forces described above. You’ve assessed your situation and are ready to select the right game. But the Judo Strategy? Sounds more like a sporting event than a way to advance a cultural organization into the future. But the sport of judo allows you to visualize your organization in an increasingly competitive business environment through its three key elements – rapid movement, flexibility, and leverage. In the early 1980’s, economists Judith Gelman and Steven Salop coined the term “judo economics” to describe

a strategy that would induce large players (i.e. movie theaters, theme parks, shopping malls) to allow the entry of what they consider as smaller players (i.e. most cultural organizations). In this case, business retaliation wouldn't be worthwhile for the large players. In effect, arts organizations considering a head-to-head sumo match with a multi-billion dollar conglomerate won't have the financial resources to win in direct battle. But a few carefully placed judo moves can allow for important impact that reverberates in an intrinsic way that other businesses can't achieve.

In a 1999 *Harvard Business Review* article by David B. Yoffie and Michael A. Cusumano entitled "*Judo Strategy: The Competitive Dynamics of Internet Time*," they outline the strategy's key principles. The first element requires that your organization makes a conscious decision to move rapidly into new markets where there is uncontested ground. This is typically a place where arts organizations excel, as they hold a unique position in our cultural lives. The second element requires that players give way to a superior force when squarely attacked. This one is a bit more difficult to grasp, as many arts organization that rent venues find that they often are being assailed by large touring productions with deep pockets that buy large chunks of time in their theaters. Venues focused on presenting a touring production with high income potential versus the educational impact of a local cultural organization may choose money over mission. Unfortunately, we in the arts industry sometimes have to accept this fact and explore alternatives rather than fighting a stronger player head-on.

Finally, and most importantly, the third element is that players know how to use the weight and strength of their opponents against them. Knowing how to craft a strategy that uses the value that your cultural organization adds to its community versus your more transient competitors can have a substantial impact in the eyes of funders and patrons.

But again, is there something missing in the Judo Strategy? This seems to say that entity versus entity in static terms is the way to evaluate success beyond financial return on investment (utilitarian) values. Building a brand, for example, goes well beyond the product or service being delivered. And if groups of people see consistent messages that resonate with their worldviews, won't they be more likely to support "the brand." You may have sold 100 more tickets to your concert than the movie theater did to their show today, but what did it really "mean" to those 100 people?

### **IS SCENARIO PLANNING RIGHT FOR YOUR ORGANIZATION?**

Another tool in developing an effective strategy is to perform scenario planning. This methodology allows an organization to look at various avenues in detail before choosing what appears to be the best path. Ultimately, you are trying to determine how the players in the aforementioned game will react under certain scenarios. You've evaluated their influence under several key business perspectives and can hopefully select what will be the best choice for you and your stakeholders.

"*Scenario Planning: A Tool for Strategic Thinking*," an article by Paul J.H. Schoemaker in the Winter 1995 *Sloan Management Review*, outlines several key points for consideration when deciding whether or not to undertake scenario planning. If your organization is facing the following conditions, you may be wise to consider the benefits of scenario planning:

1. Uncertainty is high relative to management's ability to predict or adjust,
2. Too many costly surprises have occurred in the past,
3. The organization does not see, perceive, or generate new opportunities for itself,
4. The quality of strategic thinking is low, routine, or bureaucratic,
5. The industry has experienced significant change or is about to,
6. The organization wants a common language and framework without stifling its diversity,
7. There are strong differences of opinion with multiple ones having merit,
8. Your competitors are using scenario planning to develop their strategic direction.

One challenge with scenario planning is that it takes a substantial amount of time and perhaps money to thoughtfully develop and evaluate the strategic options. The benefits, however, are extensive, in that the entire team has analyzed the options and hopefully embraced the best plan for the future good of the institution. As you can imagine, much of the planning process is a combination of both art and science, with financial and organizational plans, resource evaluations, and stakeholder analyses integrated with critical consensus building. Many organizations undertake this process intuitively, and they may or may not select the best option. Those that are more thorough in evaluating future uncertainties when developing various scenarios, however, are typically the ones that find greater ongoing success in selecting the most appropriate path.

But again, is scenario planning happening in a vacuum treating an institution in a static manner? People seem to be viewed as cogs in a large bureaucratic wheel with a top-down approach to analyzing (i.e. thinking) steps rather than embracing entrepreneurial intuition (i.e. feeling). As we've seen in society, you could have 100 scenarios in your plan, but it is the one that you can't plan for, likely impacted by some human or emotional element not based in logic at all, that will be #101 that you couldn't have expected. Unfortunately, there is no straight line between A and Z, and "if X happens then do Y" statements seem to ignore the human element altogether.

### **CAN THE BALANCED SCORECARD WORK FOR YOU?**

In many arts organizations, it is difficult to find that delicate balance between patron needs, artistic integrity, funder expectations, cultural impact, and effective business operations. Overarching, of course, is an organization's primary mission, as it is in all strategic plans. In the case of the Balanced Scorecard approach, envision a rectangle that is divided horizontally into four parts. Above the rectangle is the mission. Beneath that is the "customer perspective," where an organization evaluates how it is perceived by its buyers and donors, as well as the breadth and depth of the products and services it offers the community. Second are the "internal processes," identifying how the organization can operate at peak efficiency in order to meet its customer needs. Third comes from the "internal learning and growth perspective" of those who are going to devise and implement the strategy. Finally is an understanding of the "financial resources" required to support all of the above. Within each of these four categories specific goals and objective, tactics, and implementation responsibilities are developed under the Balanced Scorecard method.

The *Harvard Business Review's* 1992 article by Robert S. Kaplan and David P. Norton entitled "*The Balanced Scorecard – Measures That Drive Performance*" outlines the key elements of importance in developing a balanced strategy that includes continuous learning, partnerships, and teamwork. It helps an organization view itself globally while still seeing many of the intricate components that are required for it to be successful. The arts and culture in particular, however, are all about taking something that is intangible – creativity - and delivering it to the world in a tangible format. Ultimately, the Balanced Scorecard is developed to evaluate what your organization is delivering while identifying a way to measure its effectiveness. It doesn't allow one area, such as financial performance, to carry more weight in decision making than others. It also allows everyone *in an institution* to see how important their function is in the overall strategic picture.

Although the Balanced Scorecard might come closest to seeking to understand Spranger's values through the focus on "customers," don't cultural organizations also seek support from those who have never stepped foot into their facilities or experienced their programs? Where does advocacy by the government official fit in? How about the superintendent whose students and teachers are impacted by your programs? Where do social or artistic impact and the derivative power of the arts to create vibrant educational and economic centers come into play? If these measures indeed drive a cultural institution's performance, how should strategy be developed to meet these needs?

## **CONCLUSION**

It has been interesting of late to listen carefully to the many people who support or oppose our cultural institutions. And even among the supporters there are sometimes serious detractors. They all seem focused on evaluating the performance of cultural entities and their success solely in financial (utilitarian) terms. But what about all the rest? We are one of the few industries that create form, beauty, and harmony (aesthetic) while simultaneously preserving our historic (traditional) treasures. We provide a forum for public debate of our own ideas (individualistic) while educating (theoretical) audiences of all ages about making the world a better place (social). The arts and culture provide a significant return on investment (utilitarian) that can't necessarily be measured in financial terms.

Several options exist in developing the strategy for arts and cultural organizations. A strategic plan that simply says "we need to raise more money because we think we're important" is doomed to fail. Clarity, mission, purpose, direction, and community impact are what drives patrons and donors to your door and more effectively embraces all the worldviews that we each hold, in different priority order, near and dear to our hearts. All of the above methods require an organization to first understand its mission and purpose for existence. Next its stakeholders are thoroughly evaluated and engaged to ensure that clarity is preserved. But true engagement must also lead to the community "owning" the success of the institution. The strategic plan and its messaging must be developed to include effective performance measures that evaluate all personal interests, attitudes, and values. Overall, it is clear that developing a strategic process built around consensus, collaboration, and cooperation will guide an organization on its journey towards institutional advancement and the greatest positive community impact. But it can't be measured until we understand the perceptions of the people, and the communities, with whom we coexist.

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