



*the Monthly Publication of the Arts Consulting Group  
April 2014*

## **Extraordinary Boards: A Key Factor in Organizational Sustainability**

*Susan Trapnell, Senior Advisor*

Although many factors contribute to the health of arts and cultural organizations, an effective board is the single most important determinant of an organization's ability to thrive, withstand adversity, and rise to new challenges. Because the board hires an organization's professional leadership, determines expectations against which to evaluate that leadership, and has the authority to override that leadership, the Board either impels or stalls the organization's forward momentum. No organization can rise above the limitations of its board.

The successful self-perpetuating Board also identifies, cultivates, and recruits its own strong leaders and builds a succession plan to ensure its longevity and that of the organization it governs. Board and professional leaders are most effective when working as a partnership of equals who share the same ambitions for the organization, agree on short- and long-term strategies, define their individual and collective responsibilities, and agree on where accountability lies. A shared vision, mutual respect, clear roles and easy communication will create a partnership where anything is possible. When the board conducts its annual performance evaluation, the "legal" roles will be those of employer and employee, but otherwise these two groups work as equals in pursuit of the organization's mission and sustainable impacts.

### **THE FOUR GOALS**

The goals of most arts and culture organizations are quite similar in that they seek:

- Artistic excellence
- Financial strength and sustainability
- Embedded relationships with, in, and for the communities they serve
- Focus on core values

Boards which focus *solely* on financial strength often do so to the detriment of achieving other goals that would result in that strength. This can ultimately undermine their mission and may even jeopardize their tax exempt status. Extraordinary boards address issues of excellence, community, and core values as diligently as they address financial stability. When they do, relationship building becomes a natural activity that results in funding and builds support for shared goals and a worthy purpose.

### **Artistic Excellence**

Artistic excellence on a stage or in a museum is primarily in the hands of its artistic head. The freedom to pursue excellence, however, and the challenge of sustaining it, are often equally shared by the Board. Sustained excellence on stage will always require sustained excellence throughout the organization. The Board plays a major role in setting an expectation of excellence and working with staff leadership to define it and drive toward it.

Copyright © 2014

Arts Consulting Group, Inc.

[www.ArtsConsulting.com/artsinsights/](http://www.ArtsConsulting.com/artsinsights/)

(888) 234.4236

### **Financial Strength and Sustainability**

Each organization must establish its own definition of financial strength. The definition for a small performing arts organization may be different than that of a large visual art institution. That of a symphony will be different than that of a museum. Political, social, economic, and technological trends may also impact that financial aptitude in various communities. Ultimately, however, artists and boards will disagree over financial priorities unless they take the time to articulate and agree on the balance of these with other institutional goals and intended outcomes (beyond financial).

Despite the type or size of organization, in most cases, a strong financial profile will include:

- Working capital reserves large enough to cover negative cash flow months within the year
- Capital funds substantial enough to replace equipment and keep the physical space well maintained
- Venture capital funds for new initiatives that may or may not pay off financially in the near term
- Board designated endowment funds once the above three funds can be maintained.

Every organization must have cash on hand. There is no board or staff in the world which is good enough to build strength without cash. Cash strapped organizations reduce their most powerful leaders, boards, and managers to impotence. Effective boards ensure that the organization remains capitalized for the benefit of every aspect of the organization.

Artistic excellence can be achieved without financial strength - but not for long. And financial strength can be achieved without artistic excellence - but not for long. The best board/staff partnerships operate with an equal appreciation for artistic and financial strength, while also serving community needs and protecting the brand of the organization.

### **An Embedded Relationship With, In, and For the Community**

A profound relationship with the community is the foundation of long-term institutional strength. Such a relationship takes years to build, even if an organization sustains artistic and critical success. Such relationships are built with an ongoing dialogue regarding the challenges, opportunities, and values of BOTH the organization and the community. To earn the 501(c)3 nonprofit status as an organization, a group must organize with a volunteer Board of Directors drawn from the community for a charitable purpose. The Board is there to ensure that the purposes which earned a tax exemption are being fully realized.

The Board's most fundamental responsibility is to ensure that the organization delivers on its public promises. It cannot evaluate itself in this role without being in the community, talking and listening to audiences and stakeholders. Fundraising is a very effective tool for doing just that. Boards should embrace it as an opportunity for dialogue and learn to regard honest feedback (including negative feedback) as a strategically important resource. It is the best tool an organization has to learn about its community and what the community values. Effective fundraising derives from a commitment to serve the community and confidence in the organization's ability to create more value as a result of financial investments.

Monthly financial statements are not necessarily the best indicator of how well an organization is serving its community or its mission. Ticket sales and admission fees will only tell you how much value you recouped from past investments. Contributed dollars, on the other hand, will tell you how much value you have created in the community and can be an effective guide for making future investments. Arts organizations cannot survive in the pure marketplace of ticket sales. An embedded and profound relationship with the community, however, will generate the capital needed to pursue excellence.

### **Focus on Core Values**

Adherence to core values creates a strong brand and distinguishes an organization. A strong brand is the foundation of a strong organization. Core values determine the type of space in which to operate, the selection of content and artists, production values, pricing, and compensation within an organization. They determine the nature of communication with stakeholders, whether they be audiences, artists, donors, trustees, staff, vendors, neighbors, past donors, colleagues or competitors. Core values establish the way trustees are chosen and the way they interact with one another and the community. These values also indicate how conflicts are addressed and the way problems are solved. Core values seek to define the experience audiences will have when they walk in the door. Ultimately, they inform every decision in the organization. Extraordinary boards articulate mission and vision and then hold everyone in their organization responsible for being true to the shared core values in order to achieve institutional goals and community impacts.

### **THE BOARD AS A WHOLE**

Both extraordinary boards and dysfunctional boards are comprised of accomplished, dedicated and skilled individuals. The effective board has strong leadership, active committees, open communication, and individual members who are willing to work as a team and to go out into the community on behalf of the organization. Effective boards also have plenty of help from their organization's staff and leadership who they count upon to provide thorough information, clear expectations, useful work, and even fun.

Effective boards are also comprised of individuals who are committed donors/supporters and are driven to help advance the organization. The successful board airs and addresses opposing points of view, makes the best decisions it can, and then harnesses all the energy of the organization toward execution of that decision. Individual trustees must be given the opportunity to air any concerns and vote their conscience. But it is also important that each board member accept the collective decisions of the board in acting as community ambassadors for the institution. Ongoing criticism of a strategic path that has been debated and voted undermines the board effectiveness and its credibility in the community. A board member who continues to vocally disagree with past decisions should resign or be asked to resign. Everyone on the board has to be on the same page.

Rigorous pursuit of the key four goals above will create the foundation for long term stability. Excellence breeds respect. Financial strength breeds confidence. Core values breed affection and a profound relationship with community breeds long term stability. Organizations that enjoy the respect of, confidence in, affection for, and ownership by the community will also enjoy tolerance, generosity, forgiveness, and extraordinary support when needed. Such organizations are able to thrive whether conditions are perfect or imperfect.

How goals are articulated, strategized, delegated, executed, evaluated may be different in different organizations. But in every organization it is the Board and professional leadership who are accountable for maximizing the intersection of goals that sometimes conflict with one another.

### **AN EXTRAORDINARY BOARD**

A few key elements of an extraordinary board, as a group and individuals, are that they:

- Develop a respectful partnership with their organization's professional leadership to maximize the intersection of artistic excellence, financial sustainability, adherence to core values, and community engagement.
- Embrace the nonprofit status of their organization and proudly raise funds, friends, and goodwill on behalf of that organization.
- Are ambitious and work with professional staff to ensure that the skills, focus, structure, resources and stamina necessary to achieve organizational ambitions are in place.
- Operate as a two way antenna; broadcasting information about the organization to the community as well as receiving information from that community and transmitting it to organizational leadership.
- Communicate openly and honestly within the board room and stay on message outside the board room.

An extraordinary board is exhilarated by its potential to create value in the community. The most remarkable trait of nonprofit organizations is their ability to bring private capital voluntarily to serve public purposes. These organizations are essential to the quality of life we have and want in the future. Extraordinary boards make an essential, and enormous, contribution to their organizations and communities. We applaud their efforts and look forward to their success.

**About the Author:** Susan Trapnell, ACG Senior Advisor – Seattle, WA

*Ms. Trapnell has long been a leading manager in the American nonprofit theater community and in cultural agency development. She began her career in the arts in 1976 when she started work with the Bill Evans Dance Company, where she became Managing Director in 1979. Ms. Trapnell was head of the City of Seattle Arts Commission from 1999 to 2002 and, under her leadership, the Commission was able to generate a 30% increase in funding for the arts and culture in Seattle. She also spent twenty-one years as Managing Director of ACT Theatre in Seattle and has served as Vice Chair of the Kings County Arts Commission, President of the Washington State Arts Alliance, and Secretary of the Board of Directors of Theatre Communications Group, among many other appointments. She guided Seattle's Intiman Theatre through an amazing transformation as an interim leader and has worked with numerous organizations as an ACG consultant to strengthen their capacity and sustainability. She is a graduate of the University of North Carolina and is a recipient of the Safeco Corporation Rudy Award and the Corporate Council for the Arts' Unsung Hero Award.*

###

**FOR MORE INFORMATION ON HOW ARTS CONSULTING GROUP CAN HELP YOU  
CREATE A HIGHLY EFFECTIVE AND IMPACTFUL BOARD,  
PLEASE CALL US TOLL FREE AT  
(888) 234.4236**

Copyright © 2014  
Arts Consulting Group, Inc.  
[www.ArtsConsulting.com/artsinsights/](http://www.ArtsConsulting.com/artsinsights/)  
(888) 234.4236