Innovate to Thrive
The 2010 Denver Cultural Forum Address

By Richard Evans, President, EmcArts Inc.
Thursday, January 14, 2010
© EmcArts, 2010

We're here to talk about Innovation, and few things could be more exciting or inspiring. But, like Edison, we also need to perspire a bit (at least mentally), so I want to put my initial accent on failure.

I try hard not to quote my countrymen too much, especially big cigar-smoking ones, but I was struck by this lesser-known quotation of Winston Churchill:

> *The definition of success is moving from failure to failure with no loss of enthusiasm.*

As we now know, a lot of corporate CEOs, especially back in New York, have clearly embraced this maxim, but what I think it really points out is how closely success and failure are actually related – even the two sides of a single coin, a journey of learning. Success, perhaps, is a measure of how much you learn from your experiments and your failures. So long as you are constantly experimenting, and so long as that effort doesn't wear you down so you relapse into just repeating old behaviors, then there is intelligent life, and the possibility of renewal. The question then becomes: how can we learn to do this experimenting better?

Samuel Beckett famously wrote late in his life:

> *All of old. Nothing else ever.*
> *Ever tried. Ever failed.*
> *No matter. Try again.*
> *Fail again. Fail better.*

I'm putting all this emphasis on failing because I think we have a deep problem in the construction of the nonprofit arts and culture sector – and that is, the lack of room made for positive failure, the insistence on organizational success all the time, in every program, if resources are to be provided and financial support is to be sustained. There are many reasons why innovating on any scale is difficult in our field – the demands of mounting productions and exhibits, of fundraising and selling tickets, limit the ability of leaders to reflect on the "big picture," and focus them on achieving merely tactical advances. The lack of risk capital in the field, at least until recently, has inhibited the early stages of innovation, when earned or contributed income for the project are still uncertain or only slowly developing. But the single biggest obstacle getting in the way of innovation is that the culture of our field resists the organizational experimentation we must commit to, and the failed experiments we can learn so much from, if we are to find new pathways to a sustainable future.

For me, in the realm of misleading one-liners, "Failure is not an option!" sits alongside "If it ain't broke, don't fix it!" If we want an innovative culture, we have to be prepared to allow things not to

work, to embrace the attempt, the experiment, and to see repeated constructive failure as the place of maximum learning – failed experiments, in fact, are the springboard for achievement.

Failure, in its traditional sense, is much on our minds right now, with the country still in such a mess on so many fronts. Reflecting on the place of innovation when times are really tough, I was strengthened by conversations with colleagues who reminded me not only of the profound urgency of innovation in such times, but how building the capacity to do things differently was really the only road to recovery. It was Thoreau who said that "a man sits as many risks as he runs." The potency of innovation in the arts has never been greater. Times of financial and organizational stress may threaten to divide us, but this is a time to think afresh about how we can work, across traditional bargaining lines or institutional boundaries, to build our future together.

In the work I lead at EmcArts, we are seeing across the country inspiring examples of organizations pursuing the journey of innovation with persistence, creativity and results. For instance:

mapp international productions   At producer and presenter **MAPP International Productions** in New York City, to build new audiences they wanted to enable the public to follow the artist's creative journey all the way from conception through production. This effort has morphed into an interactive on- and off-line meeting place for artists and their followers, as equal partners in making the artistic project a reality – leading to a new form of "cultural investor" whose financial support is directly tied to the level of creative access they choose.

At the **Memphis Symphony Orchestra**, new leadership began to address the long-established gap between the Symphony and the great musical heritage of the city. They changed their mission to one of "providing meaningful experiences through music," positioning their artform as a catalyst for new forms of community engagement. This shift in mindset led them to inquire of the community how they could serve its needs, instead of telling people how great their music was. Among the doors that opened were at FedEx – with whom the Symphony now runs a musician-designed leadership program, *Leading from Every Chair*, that uses the orchestra and the music it plays to develop corporate leaders – a new revenue stream that is now being exported beyond the city.

And at the **Yerba Buena Center for the Arts** in San Francisco, their concern that they were attracting an older audience in a city with a vibrant youth culture led them to rethink many aspects of their business – they changed their museum opening hours to reflect times when young people are out (8pm to 1am), and with it their expectations that the staff would work normal hours. They stopped presenting the performing arts only at standard times in traditional settings, and they released control over curating and artistic decision-making to include the views and experience of younger junior staff members (the demographic they were trying to attract).

There are, I know, equally innovative strategies being employed by cultural organizations here in Denver, but the way most arts organizations are set up, or certainly how they develop as they grow, makes them better suited for continuity than for change. Few nonprofits are good at stopping doing things. Yet freeing up resources for well-designed new initiatives – creating what the researchers call "slack" for innovation – is more important now than ever. It's an irony that our arts organizations typically have at their center hugely creative individuals, yet are structured in ways that inhibit turning that individual creativity into organizational innovation.

At EmcArts, we serve as a nonprofit intermediary and service organization for learning and innovation in the arts. We've had the opportunity in recent years to work with over 50 arts organizations, of many sizes and disciplines, that are pursuing significant innovations. We've been funded by foundations like the Mellon Foundation, the Doris Duke Charitable Foundation and the Irvine Foundation to help these organizations with their work, and this has given us an unusually broad perspective on innovation across the arts field. So what I have to say today about innovation is the result of many hours and days of reflection on what we've observed. You might even consider my remarks a kind of report from the field, rather than just a single viewpoint on innovation.

I'd like today to explore four questions in my talk:

1. How do we define innovation?
2. Why should we all care about innovating now?
3. What has EmcArts learned about innovation in the arts?
4. What are the implications of all this for practitioners, funders and policy-makers?

As we move through these questions, I'll be using a number of images to accompany my slides. Most of these photos are from a deck of cards called *Visual Explorer*, a methodology for non-verbal reasoning developed by colleagues of ours at the Center for Creative Leadership, based in Greensboro but well known to you, I expect, from its campus in Colorado Springs. We're using the images with the permission of CCL, for which we're grateful. As metaphorical devices, we've found them to be really useful to spark new ways of thinking – and this is really important in innovation, where we're trying to see things differently, and to make new connections.

So, how do we define innovation?

Innovation may be essential these days, but I think we're often confused about what it is for us in the not-for-profit sector. Ask people in the arts, and you'll hear a hundred different answers. Is it about theory, or practice? Is it the latest gimmick, a new funding incentive? Is it a serious core competence, or an occasional add-on? Is it just novelty for its own sake, or are we talking profound change here?

We found no good answer to this in the research literature, and little that is relevant to nonprofit arts organizations. So we arrived at our own working definition, from our research and the work of our partner organizations in the field. It places innovation in the context of organizational change, and over the last several years, our definition seems to have achieved some real traction in the field, being adopted by a number of funders and becoming a reference point for arts leaders. I understand that Ben Cameron of the Doris Duke Foundation is working on a T-shirt! We propose that Innovation has three main aspects to it:

> *Organizational innovations are instances of organizational change that:*
> ♦ *result from a shift in your underlying organizational assumptions,*
> ♦ *are discontinuous from your previous practice,*
> ♦ *and provide new pathways for you to fulfill your mission.*

To take the three parts of this definition in reverse order, the third part indicates that innovations are not just novelties unrelated to your organization's mission – and they're not merely variations on existing strategies.

Innovation introduces to your organization alternative pathways of thinking and acting – ones you've never previously explored. Changes like this are always disruptive to some degree and, because they're unproven, they can mean high levels of uncertainty. So why would you pursue this kind of path? The answer, in part, is that these types of change promise to have an unusually high impact on your organization's ability to fulfill its mission. Across the country, for instance, involving audiences in program planning, or having teens design youth programs, are proving powerful ways to achieve artistic engagement – but they would have been largely unthinkable a decade ago.

New pathways to fulfill the mission

Are discontinuous from previous practice
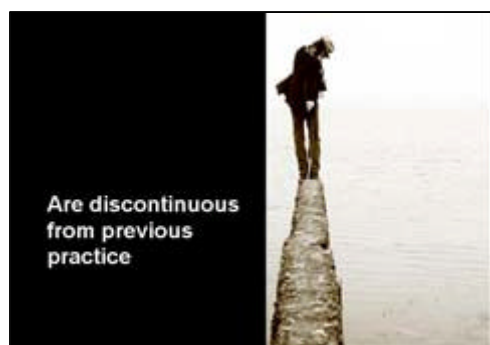
The <u>second</u> part of the definition notes that innovation is not incremental change, or a logical extension of business-as-usual. It is stepping into a new element. **Innovations take your organization, or your programs, down a new, previously unpredictable, path – a path which turns out to be central to your organization's purpose.** Varying your ticket prices, up or down, to respond to economic and demographic changes is a logical step in extending your business model. But changing the financial equation by moving your season from an expensive central performance space to your own studios and a wide variety of community venues, in order to reach more people at lower cost, is innovative change in the making – and many of you may know that's what the Sacramento Ballet did so successfully last season, for example.

Let's note in passing that some people want to make innovation and incremental change into enemies – it's one or the other. That's not what we're seeing. Gradual change and continuous improvement in your work are still valuable, and you'll need them so you can continue to be efficient and competitive. Because sensible improvements over time mean strengthening existing systems and processes, they won't deliver innovation, but they <u>are</u> complementary to it. You can develop your capacity to innovate right alongside a commitment to continuous improvement: you just need to flex different muscles.

The <u>first</u> part of our definition – perhaps the most important – suggests that **innovation derives from some shift in the fundamental assumptions that your organization has held about its business, who it's for, when and where it happens, and so on.**

Every organization operates on the basis of some set of shared assumptions about why it exists, what its business is, and how it relates to the world. These assumptions may be explicit – described in writing in your strategic plan, for instance – or they may remain hidden and unexplored for many of your organization's constituents.

Result from a shift in underlying organizational assumptions

Either way, these assumptions act powerfully within every organization. They give rise to the culture of your organization, inform and limit your capacity for change, and explain much of your institutional behavior. In a well-run organization, the alignment between underlying assumptions and day-to-day actions is clear and consistent.

For example, when I first became involved with community schools of the arts, in the early 1990s, most operated on the assumption that potential students (young and adult) were available for lessons only after school hours or on the weekends. Community schools were bustling during those times, but empty during most of the working week. Some schools began to question this assumption and gradually the whole field discovered its potential to engage with special populations during the week day – pre-schoolers and parents, senior citizens, home-schoolers, and people working different shifts. A questioning of assumptions had opened up an entire new realm of important work, and now these individuals comprise a significant addition to the schools' reach, and continue to make this field one of the most thriving in the country.

Most innovations exhibit these three qualities in varying degrees – few possess them all in the extreme. Those that do are generally called "disruptive innovations," for obvious reasons. But change runs on a continuum from carrying on as usual at one end, to highly disruptive innovation at the other: not all innovations are on the far right of the continuum, but this definition sets the bar at a level that seems to stimulate productive dialogue.

It follows from our definition that innovation is not restricted only to products and processes that are entirely new to the field, or to the world – rather, it includes strategies that are new to some dimension of your organization's practice, whether it be production, management, governance, community engagement, or financial structure. In fact, stealing new thinking from others is a recommended approach, so long as you find the way to adapt it to your own circumstances.

So, to our second question:

Why should we all care about innovating now?

Why is all this important anyway – and why is it particularly important now?

I'd like to split my response into two parts: first, and most important, innovating is important because of irreversible long-term changes in the operating environment for the arts, changes that demand new thinking from us, and, second, because of the need for organizations to remain capable of adapting to these changes even as they deal with the current economic storm.
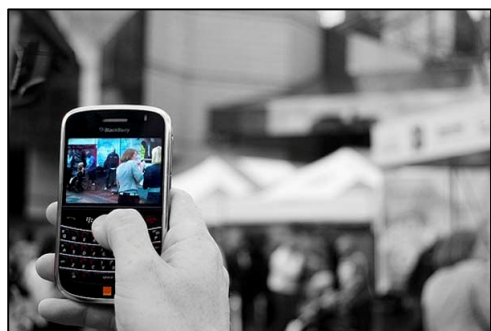
We are living at a time of unprecedented change for American arts institutions, large and small. Across the country, arts leaders are recognizing more and more clearly that business-as-usual is no longer enough, even if carried out with brilliance, to assure organizational health and success in the marketplace. This is a rapid and unsettling environmental change. It has many causes, among them accelerating demographic shifts, rapidly changed patterns of ticket-buying and attendance, and the extraordinary growth of electronically mediated cultural experiences, which has radically changed the landscape of cultural engagement options. Social networks of direct arts participation are also

growing at the expense of traditional audiences. Those of you who attended the symposium here in December with Steven Tepper of Vanderbilt University will have heard many examples of generational shifts in cultural participation that are challenging traditional arts production and presentation, drawn from the recent book Engaging Art which Steven co-edited[1].

At first, many leaders in the arts thought we were all just experiencing bad weather, but in the last five years it has been universally acknowledged that the combination of all the rapid changes underway constitutes nothing less than a new climate for the arts. These challenges mean the continual refinement of business as usual – continuing existing patterns of behavior – is becoming less and less effective in ensuring a vital and sustainable future for our organizations. More and more arts leaders across the country are realizing that being able to innovate organizationally has become an essential asset if we are to thrive in an environment where few of the old rules still apply. Established strategies, let's face it, are providing fewer net gains (in audiences and donors, in visibility and attention), and the greater risk these days may lie in just carrying on as before. As Einstein suggested: Doing the same thing over and over again, and expecting a different result, would indeed be madness these days.
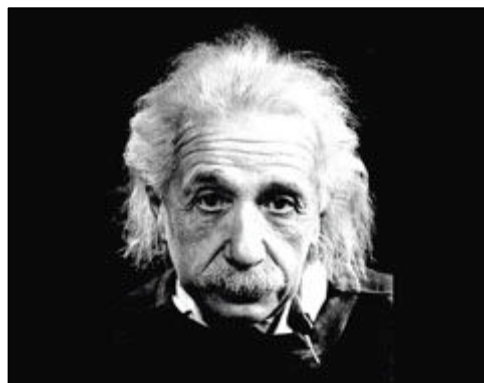
And what about the current economic downturn?

It's a natural reaction in times like these to retreat to your core programs, stop experimentation, and attempt to weather the storm with a reduced version of current programs and business structures. But innovation isn't always about doing more. Over the past year, it has become clear that being able to innovate as an organization is of paramount importance right now, at this time of economic crisis. In fact, we can be as innovative in how we think about downsizing or restructuring as we are in calmer times in considering growth.

Because downsizing or restructuring are traditionally not seen as opportunities for innovation, only the negative aspects of these actions tend to be identified and predicted. But if we see situations like these as opportunities for innovation, it encourages us to put more on the table for review than just the areas of work most vulnerable to budget cuts. To look again at how we might reconfigure our work for different times in order to move forward more effectively.

Even though being able to innovate as an organization has never been more important, the current recession is in danger of inhibiting adaptive change in favor of hunkering down and hoping the storm will pass. The concern we hear constantly is of organizations retrenching using old practices, relying on smaller versions of their current programs and structures to see them through. This approach makes it even more difficult to prepare for the changed environment that lies ahead, when the economic environment improves. One of the biggest mistakes we could make would be to focus solely on making it through the current storm, only to find ourselves fatally ill-equipped to manage the changed world into which we emerge when times get better.

---

[1] Engaging Art: The Next Great Transformation of America's Cultural Life; Eds. Steven J. Tepper and Bill Ivey, Routledge, 2007.

The organizations that continue to thrive in the future will, I think, be those that increase their emphasis on innovation, and make the most compelling case for their work by showing that they are creatively adaptive in their thinking and nimble in their response to change. You don't have to be managing a behemoth like the Kennedy Center to appreciate Michael Kaiser's point that reducing the power and scope of the art you put on the stage, and losing your intimacy with your audiences through reduced marketing, are more than likely to start a downward spiral in which your organization gradually becomes less compelling, less visible, less accessible, while the boldness and creativity of others steals your territory. To avoid this means you need to plan for the near-term with a firm commitment to innovative strategies as the means of securing a sustainable future, and building value in your community.

I know that may sound easy – but I do realize how hard it is. I've experienced it myself with my own company. This past year, we did everything we could to reduce costs in areas that are not directly related to our mission: we've taken pay cuts, delayed new positions, cut back some administrative staff to 4 days a week, reduced supplies to a bare minimum, even clustered the staff much more tightly so we could sublet one-third of our office space. But at the same time, we knew we had to invest in our programs, so we've tried to take advantage of the low cost of web-based promotion to attract new income, reaching out more broadly and more consistently to potential partners in our work. We've devised new shorter-term programs suited to the times, and exploited our assets – the consulting skills and writing abilities of our senior staff – to back them up with local applications. It's a bit counter-intuitive to be cutting with one hand and expanding with the other, but that's the kind of unsettling feeling that often accompanies being adaptive, trying to find the discontinuous new pathway that will change the game.

Many arts organizations have begun to think in this way – with promising success. It's likely that some of these "green shoots" of innovation will grow into the core programs of the future, attracting vibrant audiences and animated, committed patrons. We must do all we can to foster and protect them, because it is precisely these green shoots that are most likely to die premature deaths amid economically challenging times.

I propose to you that the arts and culture field – with its abundant creativity, the scope of its role as a catalyst for creative activity, and its capacity to re-invent itself, is a field that is ripe for innovation. You rarely get significant, fundamental change when times are good. Right now, there's no doubt about the pain being experienced in the field, the sense of urgency for new ideas. And the continuing turbulence – the fact that things are not settling down, the signals are contradictory, and we are not yet able to make sense of the new environment – is in this context a great opportunity. When a system is in flux like this, is when it is most open to influence, a time that is actually helpful to those with the courage to innovate.

And how might we all respond? The ideas you all have will vary, and suit your particular circumstances. But one thing we've learned in our work is that, whatever the innovation project, you need to design those projects effectively to maximize your chances of success on the journey, and use robust frameworks to shape and propel your work, so it doesn't run out of steam after a few months, or get beaten down by the burden of carrying on with your everyday tasks.

I'd like to share with you some practical lessons I've learned about these issues of project design, capacity and frameworks for innovation. These are emerging best practices that we at EmcArts have observed in our work across the country with cultural organizations uncovering new strategies and managing to do things differently, even in these uncertain and fragile times. Many of these lessons may, I suspect, apply equally to funding organizations.

<u>What has EmcArts learned about innovation in the arts?</u>

Managing innovation projects is both exhilarating and hard work. We've found from our partnerships that there are some guidelines that can help make the process more effective – more likely to result in a genuine new strategy being implemented to your real advantage. The bad news is I could talk for hours about the great work we've seen, and the lessons we've learned from innovators. The good news is, I'll try to highlight briefly just a few of these insights……. (and there's a handout summarizing these which you can take as you leave, if you like).

First, on designing and implementing innovation projects:

When you're getting started on a project, you need to **be very clear about your innovation's purpose**. What is this innovation supposed to accomplish and why is it important to you? What major challenge that you're facing does it address? And, particularly: Are you clear why your existing strategies aren't the right ones? Answering these key questions at the start – when no-one is quite sure what the response to the challenge will be – provides the alignment and direction that is an essential foundation for innovative work.
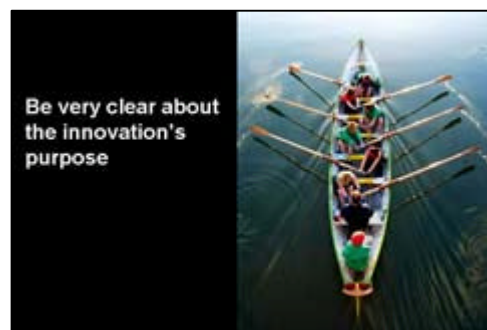
You should recognize that **innovative projects are not like business-as-usual only a bit different: they are a completely different game**. This seems obvious, but over and over we see innovative efforts being supported by conventional marketing and development plans, communication strategies and measures of success, as if they were just different versions of the "same old thing." They're not, and trying to graft tried and true approaches from the core business onto the innovation usually won't work – old mindsets will box you in.

As you create your Innovation Team - the group who will serve as leaders of the innovation project - **match the team members working on the innovation to the purpose of the innovation**. This may also seem obvious, but we frequently see teams made up of the "usual suspects" or, in larger organizations, teams where there is a representative from each department, whether or not that department is critical to the innovation's success. Effective teams are groups of people who need each other for success, so think

<u>outside your organization</u> as well as from inside. You need team players who are passionately committed to the project, driven to succeed, convinced that they can be "winning underdogs" (or under-penguins, I suppose).

When the innovation project is underway, you should take care to **protect the team and the innovation from business-as-usual**. Innovation teams need "island time" to develop their best ideas into new strategies – island time being periods to incubate and nurture the fledgling innovation before subjecting it to the attention of the rest of the organization. It was French writer André Gide who said that *"One doesn't discover new lands without consenting to lose sight of the shore."* This is equally true <u>inside</u> organizations.

Protect the team and the innovation

Allowing the team to operate relatively independent of the culture of the full organization will help legitimize "alternative" thinking, and stop it falling back into the habitual patterns that sustain business-as-usual.

If the team is able to function as an "island," they'll need at the same time to **build a "bridge" to the**

Build a bridge   to the mainland

mainland of the organization so the team doesn't become isolated. We've learned a lot from the scholar Warren Bennis, who studied Innovation Teams in different industries in his book *Organizing Genius*.[2] Bennis notes how the really successful ones became "Great Groups," to use his phrase, by forming the kind of Island within the organization that I'm talking about, and maintaining a two-way Bridge to the Mainland.
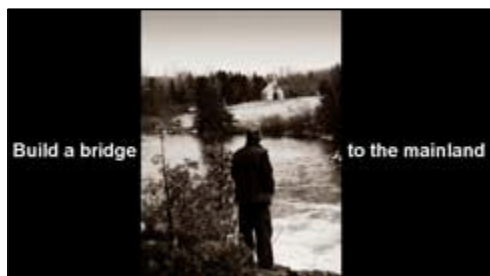
Around the midpoint of the innovation process, or after three or four months of work, we have seen the tremendous gains from **using an innovation "Accelerator"** – an event that pushes the project

forward quickly in a short amount of time (or makes it go up in flames, perhaps). We find that an accelerator (such as an extended retreat) can compress several months of work, usually done in a two-hour meeting every 3 or 4 weeks, into a few days. This can really maintain momentum when it may be in danger from fatigue. In our *Innovation Lab for the Performing Arts*, we shocked the field by requiring full Team participation in 5-day residential retreats (we call them "Intensives") – now, participants call them "transformative" and "essential."

Use an "Accelerator"

Be innovative yourselves, as a team. Working to make innovations happen requires – no surprise – innovative ways of working together. Try to use processes that help the team work productively and address problems in new ways. Employ "lateral thinking" to move away from predictable or entrenched attitudes and spark new approaches. Allow yourself not to know answers for a longer period of time: though it may be uncomfortable sitting in the ambiguity, really good strategies can emerge from the tension. Don't just accept the first new pathways that are suggested. Look further.

---

[2] <u>Organizing Genius: The Secrets of Creative Collaboration;</u> by Warren Bennis and Patricia Ward Biederman, Basic Books, 1998.

In this way, incubating innovation can be creative, even like crafting a poem. Austrian poet Rainer Maria Rilke had famous advice on writing poetry that applies here:

> *When you are writing a poem,* Rilke said, *there are two rules. After you have written the first three stanzas, you will have written everything you know you have it in you to say. The first rule is: Keep going, for then you will start to write what you did not know you had it in you to say. And the second rule is: When you get to the end, throw away the first three stanzas…….*

Time, they say, is what stops everything happening at once. So is prototyping. As you work toward implementation, you should **embrace rapid prototyping** – repeated try-outs of the innovation, in controlled circumstances, where the stakes are relatively low. This is where constructive failure comes in. Rapid prototyping enables you to see the reality of your ideas early and to "fail fast, fail early and fail safe" without exposing an imperfect execution of the idea to a critical public, often at higher cost. When possible, you should introduce one aspect of the innovation as a small feature, evaluate these prototypes aggressively and revise for the next iteration. This "stepped" approach to introducing innovations – similar to what they call "stage-gating" in the corporate sector - is a way you can reduce and manage the risk involved in any previously untried strategy.

It's critical that the innovation team **enrolls others to the innovation and works with the resistance**. Any group that's been through a unique and transforming experience has moved to a different place from the rest of the organization – just as we all will from being at this Forum! Innovations trip up, perhaps more than in any other way, by the failure of the Team to recognize this problem and act on it. You need to spend a lot of time in the implementation phase dealing with skeptical, even hostile, colleagues, for whom the innovation is basically a problem: someone else's idea that is not only "more work" but "work we don't know how to do," which is even more challenging. Real champions of innovation recognize these views as valid and systemic – not just curmudgeonly or misinformed individuals.

We've also found that enrolling external stakeholders to innovation projects has proven to be an immensely powerful fundraising strategy. If funders see a new project that is both linked strongly to the mission and is not business-as-usual, we've found they frequently respond with new support – and funders or individuals that have never supported the organization start to pitch in.

These guidelines can help you design and execute your innovation projects more effectively. But we've found with a lot of highly innovative organizations – ones that don't just take on a one-time project, but manage to go on innovating regularly as part of their core business – that they develop specific capacities across the whole organization that help them do this. These are their "innovation

muscles," if you like, that contribute to what is generally called "adaptive capacity" – the capacity for sustained innovation. I'll mention three of these capacities that seem to be really important.


First, as leaders, you should **learn to be champions of innovation** within your organization. For you to be consistently innovative, artistic, Board and staff leaders have to sanction the possibility of frequent change, and maintain high expectations for innovative ideas. If leaders are appreciative of new ideas from many and unexpected sources and are open to surprises, then your organization will generate much more raw material on which to build innovations.

Consistently innovative organizations are constantly questioning their organizational performance – and notice: they focus on doing this especially when things are going well, not just when a crisis is looming. A trajectory of success provides the best platform for effective change, even while it can blind us to the need.

Use continual questioning and a search for multiple possible solutions to problems as ways to **build tolerance for ambiguity** around innovation – what poet John Keats called "Negative Capability."
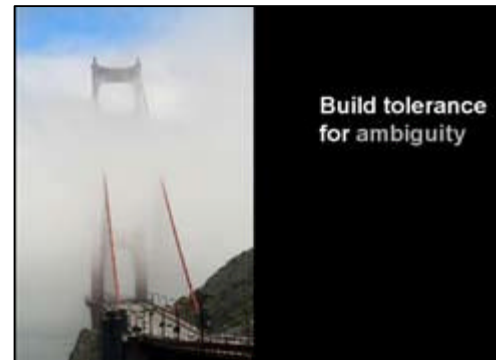
Or as Wendell Berry has put it in his beautiful poem <u>The Real Work</u>:

> *It may be that when we no longer know what to do*
> *we have come to our real work*
>
> *and that when we no longer know which way to go*
> *we have begun our real journey.*
>
> *The mind that is not baffled is not employed.*
>
> *The impeded stream is the one that sings.*

Finally, **increase your organization's capacity to scan and learn from external trends and behaviors**. Big market research budgets are unlikely to suddenly appear, but there are many ways

to get useful feedback that don't depend on surveying huge populations. Nowadays, getting continuous feedback from existing audiences remains valuable, but getting outside that group is more important than ever, when cultural and leisure choices are so varied. You should continue to do wider surveys and hold focus groups, yes, but you should also try to go beyond that and become a "public square," a place – online and off-line – that invites communities to converse around, as much as about, your organization's work. Getting out into unexpected arenas, and letting the voices of leaders who have had little or nothing to do with your organization influence your strategic thinking enormously strengthens your capacity for innovation.

I hope these emerging practices and capacities that we've observed in innovative arts organizations may be of use to you in moving forward. One last thing: you also need a "container," a framework, within which to carry out this kind of work. It's not just a matter of debating the possibilities, selecting one and saying "Go forth and innovate…" You'll need a structure to do this, because it won't be something you're used to, or practiced at, so you won't be able to rely on the processes you already know.
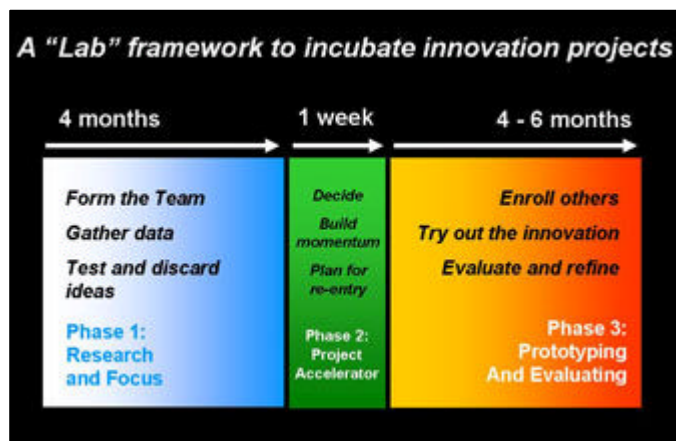
One simple framework for your thinking as you get going is to ask yourselves the fundamental questions that are prompted by the definition of innovation I shared earlier:

- *What underlying assumptions we've had about our business are no longer holding true? What assumptions can we let go of? What new assumptions might we embrace, and if we did, what could we do differently?*

And, in light of that shift in assumptions:

- *What strategies could we try that would be different from the past, not just extensions of business-as-usual? (what we call "the illogical next step")*

- *And, which of those strategies are closely tied to fulfilling our mission, not just change-for-change's-sake?*

A longer-term framework for innovating is the structure of our Innovation Lab – built on the lessons we've learned – and which you might well adapt to your own needs. What we've found is useful is

to structure the work in three phases. The first concentrates on building the team, researching possible new strategies and focusing your efforts on the most promising discoveries. The second phase is a mid-project Retreat to serve as an Innovation Accelerator, and the third phase focuses on trying out the innovation through prototyping and evaluation, as you decide whether, and how, to move forward with fuller implementation. The idea with this kind of framework is not to box you in, but the contrary – to set boundaries that bring some order to the process, and channel your energies into propelling the work forward.

A "Lab" framework to incubate innovation projects

4 months	1 week	4 - 6 months
Form the Team	Decide	Enroll others
Gather data	Build momentum	Try out the innovation
Test and discard ideas	Plan for re-entry	Evaluate and refine
Phase 1: Research and Focus	Phase 2: Project Accelerator	Phase 3: Prototyping And Evaluating

All of this is what makes the work of innovation so exciting, creative, unpredictable and rewarding. If your attitude is always to learn hard from what you do, then the richness of these journeys will amaze you. If you ultimately decide that an innovation hasn't taken in the marketplace, or for other reasons shouldn't be continued, you'll have profited so much from the work that it will seem odd to use the word "failure" to describe the outcome. "Far from it," I've heard many innovators say, "we were transformed by what we learned. We're so much better equipped now to do it again – and better. We can't wait to start again."

<u>So, What are the implications of all this for the future?</u>

Many of you here today are grantmakers, legislators, and heads of service organizations, so I wanted to speak, not only to lessons in innovation that may be of use to practitioners in the arts and culture, but also to those of you who set the policy context for the support that public agencies and private enterprises provide for our sector. For there are many policy implications in the unprecedented turmoil through which we are all making our way.

<u>A new era - from organizations structured for Growth to ones structured for Sustainability</u>

Let me emphasize first that I think we stand at a watershed for the nonprofit cultural sector – what Andy Grove of Intel dubbed a "strategic inflection point." We are moving into a new era, propelled by all the changes I referred to earlier, in which fundamentally different rules will apply. For 50 years or so, funders and practitioners have invested in building professionally-run organizations, developing specialist organizational skills, and capturing larger audiences for the arts. The consistent measure of success was Growth, with most organizations being judged on how much they could use their expertise and artistic vision to grow, programmatically and financially, over time. Indeed, the organizational model that came to predominate in our sector was one that was intentionally structured for growth.

This model was gradually and painstakingly assembled through what is now often referred to as "the Ford era" of arts development in the United States. From 1957 for more than two decades, the Ford Foundation invested in the arts (primarily the performing arts), in what was the outstanding national program of arts philanthropy in the country. The influence of Ford on how the arts sector came to be shaped cannot be over-emphasized. When the Ford Program started, national foundation support for the arts was in its infancy, the NEA and state arts agencies did not exist, and major arts organizations were clustered around a few metropolitan centers. By 1958, the Foundation was spending over $10 million a year on the arts, and the numbers sky-rocketed from there. Ford's most famous special initiative was the Symphony Orchestra Endowment Program, still the country's largest-ever program of arts philanthropy, which invested $80.2 million in 61 orchestras, and leveraged no less than $200 million for the field ($800 million at todays' prices).

With this level of financial resources devoted explicitly to expanding provision of the professional arts, dramatic changes in the landscape were inevitable. The lessons flowed thick and fast, and the institutional model that was seen as most beneficial came into focus. The services of Danny Newman were employed, first with orchestras and then across the performing arts, to move the focus of marketing toward the idea of annual subscriptions (seen as a way to foster artistic adventurousness and grow audiences). The principle of financial leverage was employed extensively – most Ford grants required local matching by grantees, in the ratio 2:1 or 3:1. This institution-building device was used to develop the modern annual fund, as well as to formalize the groundrules for special capital campaigns (and it was widely emulated, as in the NEA's largest program in the 1970s and 80s, the Challenge Grant program). The role of trustees in arts organizations as local fundraisers was also cemented by this approach. And an overall emphasis emerged on raising permanent capital endowments as the means to stabilize arts organizations, and protect them from the ever-growing "earnings gap" (the gap between earned revenues and total expenses) that otherwise could imperill ongoing expansion. As a result, fundraising and marketing staff proliferated, large administrations were created, and major cultural organizations became entities that needed to be supported as much for their own sake, as for their artistic impact.

When cracks appeared in the model, Ford responded. As orchestras saw their liquidity plummeting even as their endowments grew, Ford introduced its Cash Reserve program to provide internal revolving loan funds to meet periods of cash shortage. This shoring up of the model culminated in the creation of the independent National Arts Stabilization Fund in 1982, whose program offered a highly developed financial "stabilization strategy" to keep the onward march of institutional growth going.

One important thing to note is that the audience for the arts was hardly ever mentioned in Ford's program designs (except as units of ticket sales, passive consumers of the spreading artistic excellence). Even more striking, the Foundation remained silent on the creative accomplishments and aspirations of the larger communities which the organizations it funded supplied with high quality cultural events. By and large, the institutional model and the set of fundamental assumptions that became orthodoxy in the arts and culture field were ones that linked growth and stability to systematically excluding the community from artistic creation, and then marketing commodified artistic products back to that community, using scarcity and excellence as the twin incentives for increasingly high ticket prices and for privileged access to donor benefits.

This may all seem a bit like ancient history, except that the long influence of Ford through the 1980s and 1990s has meant that private foundations, public funding agencies and arts organizations alike have largely followed the assumptions Ford initiated about the structures, competencies, funding policies and measures needed for organizational success in the arts. As a result, organizational structures have tended to homogenize, with increasingly skilled and rigidly defined departments generating the greatest possible efficiency in maintaining, and improving, the status quo. The emergence of hyper-capitalism in the last two decades of the 20th century only served to reinforce the insistence on growth, on the "build it and they will come" mentality. Indeed, the arts building and renovation boom of these years cemented not only status,

but also a set of norms and efficiencies; but having more and more specialty buildings with restricted technical purposes reduced the room for maneuver organizationally and programmatically, and privileged the support systems needed to maintain and service fixed assets.

Of course, funding for the arts in this entire period was more diverse than I'm portraying, and I don't mean to ignore the principal alternative strand of thinking that emerged in the 1970s, the community arts movement, which asserted the value of creativity in the community (rather than only in the professional artist) and sought to develop, present and foster community-based cultural activities for more diverse audiences and participants. But I don't think this movement has yet proven to be a real counterweight to the predominant organizational norms in the sector, although right now there is an enormous amount to be learned from its achievements and challenges.

The organizational structures and underlying assumptions we are going to need to thrive in this new phase will be quite different from those that served us well – or which we took for granted – even in the recent past. Where before we were structured for growth, in future success will mean being structured for sustainability; growth capacity as a measure of success will be replaced by adaptive capacity.

What this means is that the ability of an arts organization to adapt its programs, strategies, structures and systems to address continuous external change and seize fleeting opportunities will become a leading indicator of success and an overriding measure of organizational health. In this new era, successful organizations will more deeply recognize and engage with the creativity and artistic potential of the larger community, and the dominant organizational model will change to one that is porous, open and responsive. This will require new forms of strategic thinking, organizational nimbleness and a commitment to remaining provisional (not to efficiency, specialty and technical rigidity). Wider definitions of success will center on helping foster "the expressive cultural life" in our communities (a term introduced to arts policy by Bill Ivey[3]), more than on developing a professional cultural community. As Samuel Jones wrote in a recent publication, Expressive Lives from Demos in London, "we have moved from a model of *provision* to one of *enabling*. The role of the cultural professional has changed."[4]

Researcher Charles Leadbeater has identified the emergence of the "Pro-Am" movement as one early example of this shift – those whose avocational, amateur creative efforts are carried out to professional standards, and who are serving as innovators in many fields.[5] We are becoming used to the shift from "proprietary" software to "open-source": now our organizations have to undergo a similar shift, as Clay Shirky writes about in his book Here Comes Everybody.[6]

Profound structural changes

Let's briefly compare some of the structural features of the previous phase with those I believe will characterize this new one. Some of the key features of most arts organizations in the era when we were structured for growth were:

> *Singular creative vision and direction, handled by one or a few insiders*
> *Select, high-level artistic group, separate from the community and presenting to it via formal seasons of activity*
> *Strong boundaries to the organization, serving to differentiate it from others and from the wider community*
> *Specialist administrative departments with consistent technical competencies working in hierarchies*
> *Marketing of products to passive consumers*
> *Boards as core funders and solicitors for established work*
> *Balance sheets focus on building long-term permanent assets*

---

[3] In his book Arts, Inc.: How Greed and Neglect Have Destroyed Our Cultural Rights; by Bill Ivey, University of California Press, 2008.

[4] Expressive Lives; Ed. Samuel Jones, Demos, London, 2009.

[5] The Pro-Am Revolution: How enthusiasts are changing our society and economy; by Charles Leadbeater and Paul Miller, Demos, London, 2004.

[6] Here Comes Everybody: The Power of Organizing Without Organizations; by Clay Shirky, Penguin Press, 2008.

The challenge, in part, is that these features can still seem very reasonable and viable, given no clear alternative. But we should contrast them with what I believe will be widespread organizational features in the future:

Old structural features	Emerging structural features
Singular creative vision and direction, handled by one or a few insiders	*Pluralized curation that includes dialogue with external voices*
Select, high-level artistic group, separate from the community and presenting to it via formal seasons of activity	*Acknowledging and embracing the creative capacities in the community - guided by, and working with, professionals year-round, on-demand*

Notice the underlying shift in assumptions about the nature of the artistic experience that is embodied in the second comparison. From: "*The quality of the artistic experience we can offer is dependent upon high levels of technical execution that are otherwise rarely experienced*" to: "*The quality of the artistic experience we can offer is dependent upon the connection we make between our own and our participants' creative aspirations.*"

Strong boundaries to the organization, serving to differentiate it from others and from the wider community	*Loose organizational boundaries, porous to the community, that blur distinctions between organizations and emphasize commonalities*
Specialist administrative departments with consistent technical competencies working in hierarchies	*"Post-specialist" workers with varying responsibilities, working in artistically-centered teams*
Marketing of products to passive consumers	*Engagement of audiences as active participants in process as well as product*
Boards as core funders and solicitors for established work	*Boards as champions of change and as informed ambassadors to enroll others*
Balance sheets focus on building long-term permanent assets	*Financial profile that emphasizes working capital and reserves, including risk capital*

Again, notice the shift in financial assumptions. From: "*Permanent capital funds and buildings will stabilize our organization and protect us from annual upsets*" to: "*Liquidity and fungible assets will support our ability to adapt rapidly to meet new conditions.*"

The second set of features are clearly those of a very different kind of organization, built on different assumptions. To some of you, the informality and flexibility implied here, the rapid responsiveness and lack of fixity, may seem a step backward rather than forward. But I would stress that the clarity and rigidity that has informed the mainstream of our organizational development is likely now to be the very thing that inhibits us from becoming more effective. And the shift toward open structures, characterized by continual experimentation and reinvention, and backed by human and financial capital that can flow rapidly to promising strategies and areas of growing impact, in fact offers a new level of sophistication in the way arts organizations serve as intermediaries and amplifiers for artistic engagement in the community - and I don't expect that the new leaders in this effort will be

confined to the larger, most established organizations. For our cultural organizations, whether large and small, these are *pathways to sustainability*.

<u>Embrace liquid modernity: Celebrate and support a much wider search for meaning</u>

This basic shift in the business model reflects, and fits, the "liquid modernity" of contemporary life – a term coined by the sociologist Zygmunt Bauman.[7] Bauman suggests we are now "defined by constant change and the questioning of the conventional," living in globalized environments that bypass interdependency and are full of "endemic uncertainty" that does not solidify into coherent social norms. These self-determined lives, moving independent of the social and cultural norms of the past, are those of people looking for engagement, for experiences that they themselves can feel part of creating.

The arts can be perfectly placed to respond to this search for meaning, and to play a central role, both in civic development and in the "life narratives" of individuals. All too often in the past we have spoken of the arts as central to the American life, when in fact the structure of most of our sector belied the rhetoric and has served to distance our organizations – and the country's artists – from the great majority of Americans. The organizational changes now before us will finally allow us to live up to the rhetoric, to become truly integrated into American lives as we develop new types of organization, and new strategies, to identify, support and celebrate the creative potential of our citizenry – enabling, rather than just providing, compelling arts experiences.

<u>Release the potential of artists as organizational members</u>

Ken Foster, Executive Director of the Yerba Buena Center for the Arts in San Francisco, and one of the country's most experienced presenters, has argued that we now need to act "less like businesses and more like artists".[8] We certainly need to treat with a new level of skepticism the management strategies of the corporate sector, and I do agree with Ken that we will need to involve artists in new ways in our organizations. The structures we developed in the past seemed determined to keep creative thinkers out of the realm of management and organizational problem-solving. We divorced the creation and production of art from the systems of delivery we built, and robbed ourselves of some of our most important creative capital, almost by design – the genuine integration of artists into our organizations was one challenge the orthodox business model did not achieve. In our Innovation Lab, we encourage all participating organizations to include at least a couple of creative artists in their project teams, not to represent a programmatic perspective, but as full members of the team, divergent thinkers and creative strategists. Indeed, in future innovating will need to form part of every job description.

<u>There is much to Unlearn</u>

This transition will not be a smooth one. It has, in some ways, been delayed. Our sector is notorious for employing a wide variety of "coping mechanisms" – special year-end fundraising, use of next year's income to cover this year's shortfalls, working massive numbers of effectively unpaid hours, and so on – in order to make it look as though our business model is working when in fact it's

---

[7] <u>Liquid Modernity</u>; by Zygmunt Bauman, Polity, 2000.
[8] In <u>Thriving in an Uncertain World: Arts Presenting, Change and the New Realities</u>; by Ken Foster for the Association of Arts Presenters, 2009 (http://www.apapconference.org/docs/new-business-resource-1-thriving-in-an-uncertain-world.pdf), accessed 01.12.10.

decaying. And the transition has come upon us not at a time of our choosing, but rather in response to changes in the operating landscape over which we have no direct control.

There is therefore a lot we will have to "unlearn," as practitioners, funders and policy-makers. Given the investment funders have made in professionally-run arts organizations, and the extent to which grantmakers contribute to setting the definitions of success and measures of organizational progress, these changed circumstances demand changed approaches by funders as well. In this new era, being innovative is as much a need for funders as for grantees.

Review the design of local funding

So, we will need to review the design of local funding to support new policy aims. The SCFD, for instance, has become a national model for tax-based local funding, and its re-confirmation by the voters twice since 1988 shows that it is perceived as a significant public good for the arts and culture in the seven counties. The question now is: Does the structure of its funding – and that of other local and regional funders – provide sufficient incentives and support for the kinds of innovative change that are needed in the sector? Some funds of this type are structured in ways that reinforce the status quo, and have the effect of focusing funded organizations primarily on continuing the programmatic and institutional strategies they already have in place – supporting them whether they are trying to adapt, or heading for the edge of a cliff. Funding continuity was fine when growth and incremental change were the dominant dynamics, but it may not be so fitting when what is needed are powerful incentives to embolden innovative strategies.

You might argue that general operating support of this kind is the bedrock of a sustainable funding ecology, and in terms of the past I wouldn't take issue with the idea, but I also recognize that innovative change (however much in the longer-term interests of organizations) rarely happens of its own accord. It needs policy underpinning and financial incentives, risk capital to underwrite experimentation and prototyping, and metrics for success that acknowledge and reward discontinuous change, as well as continuity. Perhaps this is how some of the discretionary funds at the SCFD could be applied in the future – of course, a full $38 million a year used creatively to enable and support innovation in the arts and culture could make Denver the cultural capital of this new era. Or perhaps this should be the policy mandate of local and regional foundations, which have more freedom to set the pace in programmatic terms. Either way, it will be essential for the underlying assumptions of different agencies, and the ways in which they are each defining success in this new era, to be compatible, whatever issues individual funders choose to address in developing a thriving Denver community through the arts and culture.

Provide frameworks for innovation and support prototypes

I mentioned earlier that innovation also needs well-crafted external frameworks for its design and incubation, if it is to be used systematically by arts organizations. Funders can develop or make use of these frameworks to enable innovation (such as those of our national Lab and our *New Pathways Program* at the community level). They need to be systems of unlearning, of cultural and structural change, of unprecedented team development. And they need to explicitly allow for prototyping, and for the productive failure. Funders should encourage and reward failures that result in learning and new experimentation, saying "If you're never failing, you're not doing well enough!"

Move from strategic planning to incubating innovation

I regard programmatic frameworks for strategic innovation as the replacement, in this new era, for traditional strategic planning. Strategic planning entered the arts field in earnest in the 1970s. The burgeoning of the NEA, state arts councils and foundation support led to a desire by funders for their support to be backed by evidence of grantees' ability to chart a logical and reasonable linear course into the future that grant funds would in part support. I believe that time is coming to a close. Traditional strategic planning was always guessing at the future, but the guesses, informed by good historical analysis, were typically close enough to how things turned out for them to be a useful guide to action. Those were what mathematicians would call "classical conditions." Now we live in an operating environment as arts organizations that no longer lends itself to these kinds of rational presumption ("chaotic conditions," where complex, non-predictable change is the norm).

In these new circumstances, strategic planning becomes highly fallible and may even serve as a distraction from developing the responsiveness and nimbleness that we now truly need. I prefer now to think of managing, with a debt to Peter Drucker, as "a constant improvisation around a shared sense of direction." From this perspective, building capacity for change, rather than linear planning, becomes the priority for organizational advancement and sustainability. And the incubation of innovation becomes the framework within which to consider multiple futures, and to design, organize and test effective strategies to meet today's challenges. I expect to see grantmakers giving the space for systematized innovation that, in the past, they've afforded to strategic planning.

I used the word "systematized" here, with deliberate reference to a recent Kellogg Foundation report on innovation in the social sector, *Intentional Innovation*. It arrives at a remarkable number of similar conclusions, quite separately, to those I've spoken of today. And the authors emphasize that, far from being a mysterious event akin to lightning striking, innovation can be approached systematically, using frameworks like that of the Innovation Lab that we run. It's a fascinating report, that I recommend to everyone.

Create a collaborative culture of innovation across the community

Finally, if our organizations are to advance in new ways, porous and open to wider influence and change, then we must not limit our view of the likely solutions to the problems we face to ones conceived by single organizations alone. In addition we will, as never before, need to foster collaboration and joint projects across the local community (inside and outside of the professional arts sector). We must develop a culture of innovation (not what Steven Tepper has called "a community of squelchers"). This means bringing people together to share approaches to innovation, and it means structural shifts – in the way organizations function and the way funding works - that reward cross-organizational thinking and action, rather than (as in the past) individual distinctiveness and differentiation.

These six approaches can be used, I believe, to help generate a truly thriving creative culture here in Denver, with nimble, responsive organizations having lasting impact as visionary enablers of artistic and cultural experiences that are highly valued throughout the community.

I want to end by encouraging you to have the courage and belief to start innovating <u>now</u>, to return home from this Forum and dedicate next week to enrolling your colleagues to your championship of innovation, or to re-energizing the innovative thinking you've already been working on.

As you begin this work, you will need to lead it with unshakeable confidence and belief. You will constantly be knocked back toward the usual as you and your fellow underdogs work to subvert the culture – or perhaps you will be seduced back by the massiveness of order into letting go of the challenging, the absurd, the kernel of vision that resides in your new way of thinking. Persevere. You have it in you to do this difficult and bold work. Your strengths, your tenacity and the power of your art will end in renewal. Allow that fleeting emotion, joy in the discoveries you make, to sustain you and keep you aloft in the days and months ahead.

I'll leave you with the words of the writer Annie Dillard, who lives this life as boldly as anyone. From *The Writing Life*:[9]

> *Every morning you climb several flights of stairs, enter your study, open the French doors, and slide your desk and chair out into the middle of the air. The desk and chair float thirty feet from the ground, between the crowns of maple trees. The furniture is in place; you go back for your thermos of coffee. Then, wincing, you step out again through the French doors and sit down on the chair and look over the desktop. You can see clear to the river from here in winter. You pour yourself a cup of coffee. Get to work. Your work is to keep cranking the flywheel that turns the gears that spin the belt in the engine of belief that keeps you and your desk in midair.*

---

[9] <u>The Writing Life</u>; by Annie Dillard, Harper Perennial, 2000.