General Operating Support Programs

Can foundations make better general operating support grants to arts organizations by using more specific performance measures and criteria? Four leading practitioners described the rationale behind the design and implementation of their respective operating support programs, including the pros and cons and key lessons learned.

Moderator: Janet Sarbaugh,
                The Heinz Endowments

Panelists: M. Melanie Beene,
                The William and Flora Hewlett Foundation

                Kathleen A Cerveny,
                The Cleveland Foundation

                Danton Miller,
                The James Irvine Foundation

                Greg Rowe,
                The Pew Charitable Trusts

Grantmakers in the Arts
Proceedings from the 1999 Conference

Strengthening the Arts through
Policy, Performance and Practice

In 1999 Grantmakers in the Arts celebrated its fifteenth anniversary and, as organizations periodically do, we took this opportunity to stand back, take stock of our work as grantmakers, and look to the future. As part of this process, we surveyed our membership and also asked a number of you to tell us what you were working on, how you were doing, and what was keeping you awake at night.

In fact, we found very few surprises. You talked about the need to sustain arts organizations and leaders, increase public participation, and support individual artists and their work. You also talked about your desire for more informed arts policy, better evaluation, and new linkages to the for-profit sector. These ideas formed the content of the 1999 conference.

But the spirit of the conference came from another place, another vision, that is equally a part of the essential GIA. John Gardner, the founder of Independent Sector, gave a speech in Oakland in 1998, in which he spoke of the immense promise and possibility of the work of philanthropy and the nonprofit sector. He said of our work:

> *We are allowed to pursue truth, even if we are going in the wrong direction – allowed to experiment even if we're bound to fail, to map unknown territory even if we get lost. We are committed to alleviate misery and redress grievances, to give reign to the mind's curiosity and the soul's longing, to seek beauty where we can and defend truth where we must, to honor the worthy and smite the rascals with everyone free to define worthiness and rascality, to find cures and to console the incurable, to deal with the ancient impulse to hate and fear the tribe in the next valley, to prepare for tomorrow's crisis and preserve yesterday's wisdom, and to pursue the questions that others won't because they are too busy or too lazy or fearful or jaded. It is a sector for seed planting and path finding, for lost causes and causes that yet may win. This is the vision.*

Although he wasn't speaking of our work specifically, I have not encountered a more eloquent expression of what it means to be a grantmaker in the arts. The 1999 conference began with its content firmly in hand and with this vision offered as a guide. Hopefully along the way, we explored each other's best funding efforts, shared lessons from our failures, and drew courage from our commitment to artists, art forms, and community.

Cora Mirikitani
1999 GIA Conference Chair

Pontecorvo: Good afternoon. On behalf of the GIA board, I want to welcome you to this afternoon's session on the very timely and important topic of general operating support. My name is David Pontecorvo, I'm the program director of the East Bay Community Foundation, and a member of the board. I want to introduce this afternoon's moderator. Janet Sarbaugh is the senior program officer and director of arts and culture at the Heinz Endowments in Pittsburgh. That's the other Pittsburgh, the one on the east coast. [laughter] We have a Pittsburg here, actually in our territory, and the only difference is we spell ours without an "h".

Sarbaugh: You spell it the wrong way.

Pontecorvo: Well, it's all a matter of perspective. Among Janet's many involvements, she is a recently retired member of the GIA board, and I had the privilege of overlapping for about a year with her and just want to say that among her many attributes and qualifications, she's just a wonderful human being, and you're in very capable hands this afternoon. I hope you enjoy the session very much.

Sarbaugh: Wow, that's the best introduction I've ever had. Welcome to the session on general operating support. Most of you may know that operating support has been a very prominent feature of the last number of GIA conferences, and with good reason. We grantmakers seem to have a love-hate relationship with general operating support, and the foundation center work that's been done by Loren Renz – and I see she's in the back of the room – and others have really pointed out that we seem to have a little bit of a dysfunctional relationship as a field to general operating support. Let me say a little bit about why that is.

On the one hand, we know, from Lauren's work, from our own experience, that it's what our grantees say they need the most. Most of us in fact give most of our dollars to cultural institutions, and what do we hear from them? "Forget the special project grants. We need ongoing general operating support." The grantee organizations said in huge numbers that it was the most important thing to them. The grantmakers, on the other hand, reported two things: one that we were aware it was one

of the most important things, and two, we weren't doing it in great numbers. And what's the reason for that? A lot of grantmakers have been involved in the last five or six years, in trying to explore and understand why that is. What are the problems and what are the concerns?

We at the Heinz Endowments got involved in it first back in 1993 after hearing a wonderful presentation and paper by one of our speakers, Melanie Beene, who at that time was a consultant but now works at the Hewlett Foundation. She came up with an analogy that terrified all of us about arts funding. And I hope she's not going to use this in her talk; otherwise she'll come up here and strangle me. I think the name of Melanie's paper was "The Structural Relationship of Culture and Philanthropy," and she proposed a model that was based on a Skinner box, an arts Skinner box. And there were these arts rats on the inside of the Skinner box running all around. There were the lab technicians on the outside, and they were releasing money pellets into the Skinner box, but they were doing it indiscriminately.

The arts rats had to write a grant proposal in order to get their money pellets, and they actually seemed to believe that there was a connection between the writing of the grant and the release of the money pellets. [laughter] And she went on to embellish this. She said, you know, some rats want bigger money pellets, and we give them bigger money pellets, and then they get fatter, and the rest of the rats are scattering around, and the money pellets are released just indiscriminately enough to keep everybody scurrying. Nobody actually goes away. They keep searching. And she ended by saying, The game is about randomness.

Well, our cultural organizations, now more than ever, are not about randomness. They need to be stabilized. They need to be protected. They need to be protected from market forces, pure market forces. They need to be protected from their chronic under-capitalization and financial fragility. They need to be protected from the wild and crazy performance or exhibition that fails, or the act of God. Maybe some of you from the west coast organizations haven't

experienced the act of God, but we certainly have in our community.

Comment: What about earthquakes?

Sarbaugh: Earthquakes. Floods and fires.

Audience: It's about as random as they come.

Sarbaugh: I can't believe I said acts of God and left out earthquakes in California. Oh, well.

Pontecorvo: How's Pittsburgh spelled again? [laughter]

Sarbaugh: We'll drop the "h" in consideration of my insensitivity. [laughter] But after this epiphany that we all had about the Skinner box, and we all recognized ourselves there, we had a couple of sessions over a three or four year period that Melanie facilitated for us. We had about ten or fifteen grantmakers come, and it was almost like an AA meeting in a way. Well, why won't you do operating support? Some of the reasons were really good reasons, and some of them were more shaky. And I actually went back and dug out some of the notes from that, and people said things like, "Well, our foundation won't receive the adequate recognition." And that, in part, particularly for some of the corporate funders, that's why we do it. So it's not a good strategy for us.

Second, we're social innovators. We're societal innovators. That's what we foundations were created for. We're not meant to just give annual operating support. It's not what we need to do. A third one was, Well, gee, what will I do? I'm the program officer. If we just do general operating support, I'm not going to have anything to do. I think you will discover from hearing our panelists that there is nothing further from the truth than that statement. The struggle to do it well is very time-consuming, very rewarding, but also very time-consuming. The last one, the thing that I think is most valid, is, How in the world can I assure accountability for my general operating support program? How do I measure success? If I'm leaving project support and going to general op, what do I do?

So today's panel, I hope, is going to address all these questions and more. They are all at different levels of operating and designing operating support programs and have a lot of technical expertise and a lot of savvy about building the relationships that are required by putting together a gen-op program. I've asked them today to talk about ideas, problems and solutions, not so much the nuts and bolts of their programs because, as you all know, courtesy of Gita Gulati and Kathleen Cerveny at the Cleveland Foundation, you have this very good nuts and bolts primer on general operating support, and there will also be a roundtable tomorrow morning that as many of us as can will be there so you can ask specific questions about some of this. So the panelists aren't going to talk about nuts and bolts, but they're going to focus on various aspects of their programs, and the order is going to be this.

We're going to ask Melanie Beene to open and talk about considerations or dos and don'ts for designing a program. When is a program right or not right for you? We'll then go to Dan Miller from the Irvine Foundation who's going to talk about Irvine's program and quality assessment and sharing of learning across operating support grantees, which is a really interesting phenomenon. Kathleen Cerveny from the Cleveland Foundation has a relatively new operating support program. It's one year old in operation; it's much older than that in terms of thought and design. She's going to focus on how did she sell it? How did she sell it to her board of directors? How did she sell it to the cultural organizations? And then Greg Rowe from Pew Charitable Trusts is going to close talking about assessing grantee capacity through a gen-op program and also providing TA and capacity building, and all of them will overlap to give you some particular nuances of their programs. And I think they're going to all speak seated from a more conversational style, and I'll ask Melanie to open.

Beene: Thanks, Janet. We were going to go back to one more point about the arts rats. I was really making the analogy to the Skinnerian principle that inconsistent reinforcement is the strongest bond and that by moving the money around, funders were actually colluding and

creating the debt in the organization by being inconsistent, and I was coming at it as much from a debt creation issue as well as the need for general regular ongoing support in order to help organizations be healthy.

I've been asked to go first because Hewlett has one of the oldest general support programs, and it's actually one of the reasons that I went there. They, in fact, had been doing it so long. It was very interesting to go there and be in an organization that's been doing it across all program areas, not just in the arts, for so long because most of my consulting work had been designing it from the front end. One of the things that I became aware of in working there was that the general – and we call it general support, we don't call it general operating support – really goes across all program areas, but actually operates quite differently among them.

Our foundation was started 33 years ago, but the first ten years it was not professionally staffed. At the time it got its first paid president, Roger Hines, he and Bill Hewlett sat down and decided on some core goals and objectives. One was building institutions – this was across all program areas – and some operating philosophies, which was basically to trust the wisdom and the knowledge of the grantee organization on the ground and then to give them maximum managerial flexibility in terms of running their programs, so that they would have that kind of leeway to implement their ideas. They came upon the notion of giving long-term and unrestricted operating support. It was basically to pick people who you thought were doing exemplary work and to trust them and give them the flexibility to do what they do well.

It's such a simple idea. What's kind of astonishing is that 33 years later, it's still a minority viewpoint. So few people are doing it. But these core values have gone across the history of the foundation and are really part of its operating culture. One of the things that I think is different about the arts in terms of how they do general support compared to other program areas is really a distinction and a difference in your missions and your goals and objectives for your programs.

I would say our other programs, and there's six other ones – education, environment, conflict resolution, family and community development, population, and U.S.-Latin American relations – are really quite different with very different jurisdictions. Some are international, some are local. But in all of them, the majority of the grantmaking is general support. Their strategies are more problem-solving strategies, where our strategy is really sustainability and long-term support. Because we're looking at it not necessarily as a method of getting the money to them but really as a core strategy to maintain organizational health, we have a much more rigorous review process, and we have a lot more constraints on the kind of organizations we fund and where in the organizational/developmental arc we fund.

One of the things to think about in determining whether or not you want to do a program like this is to look at what your objective is, and ours is really not so much a problem-solving one as building a healthy arts ecosystem. We consequently look at the managerial side as rigorously as the programmatic side. In some of the other programs at Hewlett, I think the general support grant is really a project grant, masquerading as a general support grant. I'd start with reviewing goals and objectives, and I think if sustainability is your objective, long-term regular unrestricted support is the best way to get at that.

When I'm talking to potential applicants or potential grantees, I talk about it as that we come on in the second stage of organizational development. We rarely will fund a startup organization because we want to be sufficiently convinced that they are rooted enough on the ground to survive before we make an investment because our investment is going to be long-term. I'd say we're very often – we're rarely ever the first private foundation grant. We're almost always the last. So by the time we pull out, everybody is gone, including the audience.

But I think another thing that you should look at is your own foundation's readiness to undertake a program like this, and are they willing to make a long-term investment? Do they have the resources and the stability themselves to make

a long-term investment, and do they want to be in partnership with the grantees, in that kind of more open, more honest partnership which is one of the pros of doing this program? Because it involves a lot more review and analysis, and it's an investment strategy. I look at it as a kind of quid pro quo. In exchange for being there regularly, having reliable, budgetable, ongoing support, we expect the grantees to do good work and live within their means, basically. That's the quid pro quo.

Therefore we look at the whole organization, not any one program in isolation but everything that happens, including the long-term prospects in the balance sheet. And we're also looking at how they think about themselves and their own institutional learning. But I think a key factor in deciding whether you want to do this is, Do you have enough both monetary and staff resources to do the program effectively? Are there ways you can scale it to your resources if you only wanted to do a certain portion?

I wanted to point out some of the pros and cons in a very cursory way. I think for the grantee, the flexibility that they can start the year knowing at least some of the money is going to be there is important. These people are betting the store every time they do a performance. I don't need to tell people in this room the fragility of arts organizations, and in some ways, ongoing general support operates like operating capital or like an endowment. We don't give endowment because the fact that we're giving ongoing funding, we are really an endowment to them.

From the funder's perspective, it gives us greater leverage for organizational change. Because the grant is so highly prized, people are willing to take seriously our concerns about what they're doing or not doing, and I think it's much more of a partnership relationship. We also have a really broad sense of the whole organization. For both of us, I think, the dialogue is more realistic and more targeted and more honest, and I think the tracking and recording is probably easier. We don't try to trace where our money went specifically.

In terms of the cons, I think the hardest thing is probably the difficulty in getting really frank

artistic feedback. I think the smaller the organization is, the more difficult it is to convey that. Because we also have an institutional value about trying to give the potential applicants real information about why they didn't get funded, that makes it even harder. When you're having to sit with someone like a small dance company, an individual choreographer, and say that their work that they're making no money on and they've devoted their life to and you think has great authenticity but isn't competitive enough, it's very, very painful. It's easier with the larger companies. It's a very labor intensive review process. I think you'll hear that from all of us. I'm probably the most stricken. We have about 175 to 100 grantees on one to five year cycles at the moment, who get, when they come up for renewal, fairly rigorous review.

Also, sometimes the funder knows more about the organization than it does about itself because we've been around. We've funded some groups the whole 33 years. If they're having a lot of turnover, the new executive director may come to you selling something that you know the other guy did five years ago and really didn't work. So that can be good and bad. I think Janet made the point about name recognition. It's not a flashy way to fund. It doesn't have a high name profile. You don't get to put your stamp on a part of the organization. Our foundation doesn't particularly care about that. But if yours does, and I think certainly for corporate foundations that is an issue, that's something to think about. Although, interestingly, with some of our grantees we're prominently displayed on publicity whether we've funded a single performance or not. But that's not an issue for us.

My other colleagues here are going to talk more in detail about assessment and evaluation, and again, thank you to Cleveland and GIA for this, Kathleen and Gita wherever you are, because the nuts and bolts are in here about how we do the assessments. I would just like to reiterate something I think was brought up yesterday: that there is no real substitute for face-to-face sitting down with people and really talking to them. Do you trust this person to do what they say they're going to do? Do you believe that they know what they're doing? Do you believe

they know where they're going and how to get there? And the evaluation is really an ongoing process on both sides, because planning is part of our review criteria, they're tracking themselves against their plan, and we're tracking them against their plan as well. It's an ongoing process, and the paper evaluation is really tracing a history of what you got from a more subjective analysis.

But one other point about evaluation. Since ultimately, we're trying to build a healthy arts ecosystem, I think you need to look beyond evaluating just the individual organization but evaluate systems. And when you look at it in a bigger frame like a system frame, there'll be some interesting observations. At least there have been for me, that there is natural and organic die-off and pruning as well. We do drop organizations that don't remain competitive against our review criteria, but that that die-off and growth rate will vary between artistic disciplines. For example, a lot of people aren't out starting opera companies and symphonies, but the theaters and dance companies are starting every time another class gets out of graduate school. [laughter] So thinking about these kinds of systems will really inform some of your thinking about grantmaking.

Just reviewing our 30-year history and realizing probably two thirds of my theater groups were no longer in existence made me ask the question, Did we make bad choices? That we haven't sustained theater, is theater inherently more fragile? We're not trying to grow people that will ever be eligible for our general support institution-building funding, but there's an acknowledgement that a lot of the activity is happening at a different level, and there are a number of people who don't want to, need to, nor should they ever be encouraged to be institutions or even 501(c)(3)s. And I think sort of understanding how your own system in your community works is important.

In closing, I wanted to touch on a few strategic tools that if you are going to start your program or you have an old program, that you might want in your toolkit. I think one key advice would be to decide how much you can handle,

and figure out ways to limit the potential applicant pool. One way would be by invitation only. Another is to have eligibility floors or caps. We currently have a floor where we won't entertain a proposal if the budget is under $100,000. It may go up from there. You may want a ceiling. You might decide that the majors are really strong enough to support themselves and that you concentrate on a mid-sized group. You can have other eligibility requirements that will create natural limitations. For example, not accepting proposals from organizations that are carrying any debt, or that don't have a long-range plan in place.

Other strategies to save time are using outside artistic reviewers, clipping services. We also ask for peer panel review ratings from other processes, none of which we believe in because our experience locally is at least half the time we don't agree with the critical reviews anyway. And then outside financial assessments, which I think Dan and Greg are going to talk to a lot more.

And then just a few comments about techniques to leverage in working with grantees: that the grant duration and the grant amount are both leverage points. Generally our grantees are getting three-year grants. We're inching our board up to more four- and five-year grants, which they're getting used to. But, if an organization is in trouble, we'll often put it back to a one-year grant and track them more closely. We will lower a grant amount.

We often have a matching requirement, both for a healthy organization and for an organization in debt. If they're really healthy and we think they need to work on developing an endowment, we will ask that our general support grant be matched with a grant that goes to endowment, which has been really successful with a number of groups. If they're in debt, and we have people in our portfolio who are in debt, we will give them the operating grant at probably the same level until they get out of debt, because we don't want to continue to fund growth that creates more debt, but we will give them a matching grant for debt elimination that they have to match. And they're really always in competition with each other. I know yesterday Ann Chamberlain was talking about

competition as a factor that was discouraging for an individual artist in terms of the grant-making, but I think it can be healthy for organizations, and it really focuses on benchmarks of excellence and becomes an incentive, I think, to make the whole field more healthy.

Miller: I have my version of the arts rat story, and it's an anecdote and for it I cite a great arts theoretician – that's my dad – and dad, as many people of his generation will do, tends to color the world in opposites, in black and whites, and dad's got a theory about human relationships. It is that you can't go from good to good. You can go from good to bad, or you go from bad to good, but you can't go from good to good. And that means if somebody holds you in high esteem, it's really hard to remain in high esteem because they'll just take you for granted. Or if you're a bad person, you can easily win that person's high esteem.

I think there's an analogy here in arts funding in that in a lot of projects we are enamored of the bad to good syndrome. It's just irresistible to find an organization that's in trouble and to try to fund a remedial action on their part. We try to take them from bad to good. The converse happens too often inadvertently, and that is, project grants can be a temptation that might take an organization from good to bad. In the evaluation pool yesterday, they talked a lot about how organizations have a tendency to establish their outcome, their goals for a project that there's no way they can achieve. And they almost always fall down, and certainly we're implicated in the process, but nevertheless a good organization might actually go to bad.

So from that perspective, I see unrestricted operating grants in our program as trying to help organizations to go from good to good. My dad says you can't go from good to good, and like a true son, I don't believe him. I think that in funding, we can help organizations go from good to good, and I see that as what our organization tries to achieve. On Irvine's version of a general operating support program, something we call the Cornerstone Arts Organizations Program – it's only been around a couple of years – what I thought I would do is give you a little bit of the context, the background, how we came around to develop this program, run

through the goals and objectives, talk a little bit about process. I was warned not to talk about process because I can just bore you to death with this stuff. Then really talk about the outcomes for the program which are actually, for the participants, the really exciting part of it.

The program has its basis in a series of board activities that occurred just over the past half decade. Beginning in '95, our board issued a mandate to staff to get more strategic focus in our grantmaking. What this meant was not necessarily in terms of our program foci and the priorities that we were funding in, but also in terms of the organizations we worked with. Melanie mentioned partnerships, and they really wanted us to establish ongoing long-term partnerships with organizations, to give them grants that were of substance that enabled them to actually see a project through to fruition.

The following year, and this was mentioned by our president, Dennis Collins, in yesterday morning's plenary session, we spent a full year examining the arts program at Irvine, culminating in the first ever retreat of the board staff that was focused on a single program area. For those of you that don't know the Irvine Foundation, we are a multipurpose foundation; we have grants in eight different areas. For the first time ever in 1996, board staff came together to talk about the arts program.

Among the key findings of that was an interest in supporting leadership in the arts. To quote one of our trustees, he said, "Find the organizations that are agile in terms of their managerial capacities, those that evince artistic excellence, and back them where they go in directions that conform with ours, and get out of their way." There was even a suggestion of a high-profile awards ceremony, a Malcolm Baldridge-like award, just to let people know that these organizations are leaders for a reason.

That was followed by the arrival of Cora Mirikitani on our staff, the much and rightfully ballyhooed Cora Mirikitani, and when Cora came on, we did a seven-year retrospective analysis of our grants. What we found was that – well, we made a lot of grants, 365 grants. This is from '89 to '96 – 365 grants, a total of about 31 million dollars. We funded everything, right? We provided general operating support

grants. We provided technical assistance and capacity-building grants. There were capital support grants, audience development, project related – everything. We were all over the place. In those 365 grants, there were 238 organizations represented, and most importantly, there were 97 repeat organization over the course of seven years.

And when I reflect on that, I think about another anecdote. This is apropos of nothing, but it's a good anecdote anyways. [laughter] A friend of mine went to traffic court in Beverly Hills, California, of all places. And she came up behind this cab driver, and the cab driver gets up before the justice and says, "Your Honor, I'm a regular customer of the court. What are you going to do for me?" And I kind of felt that way with some of our regular customers.

But really, in looking at it, we figured, there must be something going on. There must be a reason why we keep funding the same people over and over again, codependence aside, and we started thinking, what are the innate qualities that lead us to support an organization repeatedly? Or turning that around, what are the qualities that ideally a renewable grantee would evince, would possess? That led to the creation of new programs in '98, and the Cornerstone Arts Organization is one tier of our funding, but in our funding priorities, it represents a significant chunk of grants every year. We budget for up to three and a half million dollars. We actually award less than that.

The goals of the Cornerstone program are first, to develop a model of organizational practice and support that is tied to performance and to leadership rather than to financial dependency or need. Our second goal is to support a cohort of exemplary organizations. By exemplary, we mean established, so it's not for the new kids on the block; organizations that seem to be running on all five cylinders or what one of our board members called high-performance organizations that are indeed the cornerstone of the arts and culture in the state of California. We're restricted to the state of California. Finally, we want to harness leadership in the arts community, on behalf of the arts community, to improve their capacity to think globally for the arts.

The objectives of the program are to identify and define cornerstone arts organizations through a rigorous and comprehensive testing process; to reward them with three-year core program support (We don't pay operating support. We're really core program support, and there's a distinction there, and I won't get into it.); to publicly recognize these organizations, kind of like the Baldridge Award, so we try to let mostly other funders and the general public know that we think these organizations are good. We've dedicated a lot of resources to analyzing that. And finally, to mobilize the leadership of these organizations through convening facilitated communications and other project-based activities.

The Cornerstone process is composed of two different components. There's an intake mechanism and an output mechanism. The intake mechanism is really about the assessment process, which I'm not going to go into any great length about, but it's irresistible, so I'll talk some about it. First of all, there are underlying values of the process that is really important to us and to anybody coming to it, and that is we want it to be as flexible as possible in analyzing these organizations. We really wanted to make sure we got away from a cookie-cutter approach that said that organizations got to look like this or their systems have to be like this. We realized that every organization is idiosyncratic, and we wanted to make sure that we were as fair as possible in assessing that idiosyncrasy.

Secondly, we wanted to make this process self-defining, and that is, we give the organizations a chance to make the case for themselves for why they are exemplary organizations. Now, the program is by invitation only, so we don't just open our doors to anybody. Because we know a lot of these organizations, we're able to say up front whether or not they're going to make it in the program. Those that we haven't had a current relationship with receive a questionnaire that gets some very superficial reading of some of the issues we're interested in.

Once we've decided that an organization looks like they're Cornerstone material, and forgive any kind of arrogance that that might presume, we invite them to participate in the assessment

process. The assessment, as I mentioned, is a really rigorous, intrusive thing. At the heart of the process is this assessment tool we have where we identify a series of benchmarks that we evaluate an organization against. Rather than calling them benchmarks, we call them guidelines because we don't want to suggest that they're hard and fast rules.

The administration of this process comes in two parts. One is a document review. In a document review, we give the organizations a chance first to exercise grantsmanship, in which we invite them to write six short essays that cover all aspects of the organization's operations, and it's amazing how forthcoming they are in these essays. One of the questions concerns what challenges the organization's facing currently, and, you know, I read this stuff and I say, "I can't believe they told me this." Then we ask them to submit virtually every document they have in house, and I get reams of stuff, and it's just everything from board minutes to board handbooks, personnel handbooks, marketing studies, long-range plans, by-laws, and all the other usual sort of stuff. Programs, audits, 990s. If you can think of it, chances are it's in there.

So we do this enormous document review, and then following the document review, there's a site visit, and what Melanie said about these forms of face-to-face interaction is absolutely critical. A number of people have asked us for copies of our assessment tool, and we've resisted it because it's on paper, and it really isn't worth much. It's all about the administration of the tool and the site visit that really gives it the value.

Once an organization is assessed, it's essentially a pass-fail process. If you pass, you're invited to submit an application for funding. Because we've already put them through so many hoops, that application is a kind of cursory process. If they haven't passed, chances are because we know the organization so well, we will provide them with some sort of remedial funding to address the shortcomings that we uncovered during our assessment. All organizations that participate in the assessment will receive copies of assessment findings. Maybe this is an oxymoron, but we try to make it as value-neutral as possible. And really, we kid

ourselves, obviously, in saying that it isn't about winners and losers, but of course, it is about winners and losers, and so we do try to make it as constructive a process as possible.

Our grants are significant through the program, up to $700,000 over three years for organizations over ten million dollars. For smaller budgets, it's a graduated scale. There are fixed amounts tied by budget size as I've suggested, and there's also supplemental discretionary grants that enable the organization to act on certain programmatic opportunities. That's part one of the assessment of our Cornerstone program, the assessment process.

Part two is something we call the Leadership Forum, and what this is, is a series of Foundation-supported activities beyond the grant that are intended to foster and activate leadership around salient issues of common interest. It's kind of a support group for good organizations. It's a support group, but it's also a think-tank. It brings them together. It's newer. We've only had one convening that wasn't an actual award ceremony. But there's a lot of energy around it, and this is exciting. At the Irvine Foundation we like to say that our work is grants plus. We make grants, and then on top of making grants, we bring a whole lot of other things to bear on the process. And part of that is our ability to bring people together, the leverage we bring in convening groups that might not ordinarily get together.

Participation in these convenings is a mandatory part of the Cornerstone program, participation by leadership. If your executive or artistic director is unable or unwilling to attend these convenings, you're not a part of the Cornerstone program. That hasn't really been a problem. People have been really forthcoming, and they've been very interested in coming in. And it's all part of these partnerships that we look to develop with our grantees. We've found that leaders across organizations don't really meet, especially among large organizations.

If you're an organization, say you're the San Francisco Ballet or San Francisco Opera, well, you probably know each other because you share the same facility. And there are problems with that, but you probably bump into each other regularly. But for instance, the people in

the San Francisco Opera will never have met the people at the California Institute for the Arts, and these are enormous cultural resources in the state of California, and they never have the opportunity to meet. So these convenings are of enormous intellectual interest to the leadership of these organizations, and in fact it seems to be that the grant money aside – yeah, it's great to get a lot of money – but the opportunity to actually sit down with your peers and to trade ideas and engage in a dialectic around ideas and issues of common interest really seems to motivate a lot of people to do this. They make time in their schedule to come to an all-day convening, or for instance, we're going on retreat in March, and to get the heads of these organizations to free up that kind of time is really extraordinary. The Leadership Forum, as I suggested, is currently about convenings, but we took the communication process out of house because we want to make sure that these people talk regularly outside of the convening situation, but also felt free to speak their minds. So we have an outside consultant who manages and facilitates the communication process.

The carrot here is that they will be able to access Irvine funds, foundation funds, to engage in projects that they've identified as being of mutual interest. In talking about the outcomes of the CAO program, I think Cora was really smart in deciding that the program wasn't really about the grants per se. For our interest, the primary outcomes are really about the success in the convening process, in wowing the leadership, in seeing whether or not this grants plus strategy that pervades the foundation, our leveraging and convening people, is really of value or really amounts to anything. I should note that the grants made through the Cornerstone program do serve a sustainability function. It's a lot of money, and it's counted on for over three years, and it isn't about inventing new programs, but again, that's not the intent per se. Instead, the purpose of this program is to recognize excellence in the arts.

Let me talk about evaluation for a minute. And when we engage in the evaluation process of this program, what we're probably going to look at is the tool itself, our means of assessing organizations and bringing them into the

process. We feel confident that the tool will hold up because we stole a large part of it from Pew. But really what we need to find out is are we getting to the bottom of organizational excellence, or are we just kidding ourselves? Are the measures, the benchmarks, the guideposts that we are utilizing, really true to the process? And we will have an outside evaluation team looking at that.

Finally, let me just mention some challenges of the program. First of all, as Melanie suggested, it is incredible labor-intensive. Now, we assess generally, or in the first two years, we've assessed six organizations a year. Now, each of those assessments takes at least a full week of time. The way we do it, it's a team of assessors. I go out and assess an organization with a consultant. And because it's generally concentrated around a certain docket, the period of time is very intense, it's very focused, and it's exhausting, to be totally honest with you.

There's also a problem because we're so particular that this program is self-defining, as I mentioned, that it is a flexible process It is so difficult to get the consultants I work with to be true to that, and to remind ourselves about that because I think when we have been funding for a long time, everybody tends to fall into patterns. And everybody says that, if you've got a long-range plan, your long-range plan has got to look like this. It's got to be established in this way. You've got to have goals, objectives and strategies. You've got to look at managerial systems, fundraising, marketing, programming, on and on and on, and in fact, we want to get away from that.

For this process, we want to suggest that as long as you think about the future in some systematic way, that's enough. I think arts organizations didn't have any discipline previously, didn't really exert any rigor in management, and so for a long time, people tried to impress that rigor upon them, and now we just really want to see what works and try to be as holistic and organic in this process as possible.

Regarding the Leadership Forum, the challenge there is continuity in the membership. Transitions among staff leadership is a huge issue across the field, as you all know. We've already experienced some turnover. This is really about

people developing a comfort level with one another and a willingness to work together, and when you keep introducing new blood, it's difficult. And every year brings a new class of Cornerstone Arts Organizations, and so that immediately disrupts the process, and then to have old pals leave, well, that tends to disrupt it even more.

There's also a challenge in managing the conversation and really getting these organizations to think about big issues and how these issues come from within them, but also to have them get out of their own organizational problems. You know, I have to confess to some disappointment when at our last convening in October we said, "You know, the world is your oyster. What do you want to think about? What do you want to talk about?" They said, "Board development." And you know, that didn't really do it for me because, you know, that's just a little too individualized and personal a process, and if you're Cornerstone organizations, shouldn't you have figured out board development by now? That troubled me. It took me back to the tool for a moment. And with that, I think I'll pass it along to Kathleen.

Cerveny: Since our program is really the newest of those here, and it's the newest of those that are in this book, Janet asked me to talk about building a new program, selling it to the board. How did we come to decide that operating support was right for us when we had never done it before, and in fact had declared very long and loud that we don't do operating support? How did we introduce it to the arts community and get their buy-in and get their involvement in the program?

Let me say first off that one of the differences about our program, I think, from many of the others that you might hear about is that we created the program in order to be able to work more successfully with organizations that weren't doing so well, that were threatened, that were at risk. But organizations which we had a long relationship with and organizations that we felt were important to the community. So the name of our program is the BASICs Program, which stands for Building the Arts' Strength In Cleveland.

I got the idea, not for this program specifically but the idea about the need for operating support, six years ago in La Jolla. We all owe so much to Melanie, flying on the plane reading her essay on the dysfunctional relationship between grantmakers and grant seekers. I remember one absolutely sleepless night in La Jolla where I sat there thinking I was two years at the Cleveland Foundation. We had this venerable 80-plus year history of making grants. We had the strategic framework. We had this relationship with institutions, and it was all about project support.

I sat there thinking, you know, if we're a community foundation, if we're committed to our community and we're committed to these institutions, how come we're not thinking about helping them do their daily business? Why do we keep pushing them to invent new projects for us, which when you look just below the surface are really for stuff that they have to do anyway. And we force them to jump through hoops and develop a part of their business as a new project for us every year when we know darned well we're probably going to give them a grant anyway? And it just made me feel as though we weren't being honest with ourselves and with the organizations in our community.

The Cleveland Foundation is very old and very big, and sometimes can be very set in its ways. And, as a new grantmaker, I thought it was a very significant challenge for me to begin to introduce an idea that was absolutely against the long-standing priorities of the foundation in which every single one of my fellow program officers in other disciplines would have knifed me in the back for if I came right out and said, "Gee, I think we ought to be doing operating support." So there was a very long process of both educating myself about what was happening in the field, educating my board and my superiors at the foundation about why what we were doing isn't the best thing to be doing for the arts, and why as a community foundation we should make a change and provide some leadership around that.

I want to talk to you about four different parts of that story and where we are now. The first part of it is about understanding our history, the history of the foundation and the history of

the community in which we live. I don't know how many of you are local funders, but if you are a local funder, you have to recognize that there is an ecosystem, there is an environment. The way I talk about it is, we go to bed with these guys every night and we get up with them in the morning, and they're not going to go away, and we're not going to go away. And so it's about building a relationship and recognizing what is.

Understanding the history, acknowledging what is – what are the current realities – as honestly as you possibly can. Then going down that rocky road towards change. It's not going to be a smooth road, and recognizing that you're undertaking something that is going to be difficult, and you might not do it all perfectly. The fourth part of that is however many first steps you take on that road, there are many more to come. And we're at the beginning of something, even though we've been at the change process for about six years now, we're really at the beginning of a process.

A little bit of history. I took a look at Cleveland's community and tried to understand a little bit about what it was and how it got to be what it was. What I recognized was that there were two tiers of organizations that you would call established. The first tier were those organizations that were for the most part pretty traditional institutions: the orchestra, the art museum, the natural history museum, the botanical gardens, the historical society, a number of others, that were founded as long ago as the Cleveland Foundation was, and out of the same sort of noblesse oblige for the community. At the same time they were established at a very high level of performance; they were also very substantially endowed, and so they were in fine shape; they were the leaders in our cultural community, and the members of my board sat on their boards, and everybody was really comfortable with the traditional cultural institutions. Most of them, however, were museums or societies. The orchestra was the only performing arts organization among that particular universe.

The second tier of established organizations were much, much younger. They were founded in that great movement that started with the

NEA and the Ford Foundation money, 20-25 years ago when everybody was into building institutions. The Cleveland Foundation was into building institutions at that point also, and with maybe one or two exceptions, they were all performing arts organizations. They were all ballet companies, dance companies, opera companies, theaters, and so forth. It was that set of institutions that we had a very long, a 20-25 year relationship with. We gave them a grant every year, but we forced them to create these projects, and they were all in serious trouble. So we had a commitment to them. They were important to the community. They also had audiences. But they were not founded with the level of endowment or working capital or patronage in terms of board leadership that the established institutions were.

Then, of course, there's another whole range of younger, growing organizations that are always coming up and struggling in the community, and we have a lot of those, too. I tried to help my board understand that this was the ecosystem within which the arts functioned in Cleveland, and then I tried to help them understand where our grantmaking came from. Frankly, we don't do much grantmaking with the major institutions in the community. There's been some regular support of the Cleveland Orchestra, but I don't think we made a grant to the art museum before 1991. We rarely make grants – I mean, this is an organization that has a 600 million dollar endowment. They don't need our money.

Question: A 600 million dollar endowment?

Cerveny: Yes. It's actually more than that, but yes. These were institutions that were very well able to take care of themselves, and we could do fun kinds of grantmaking with them, but they didn't need our dollars. It was the three million, four million, five million, 500,000 dollar organizations that we had helped create in the community and we had to acknowledge some responsibility for, that were really in difficulty. So I helped our board understand that we had some responsibility for these organizations. In part, they were in the difficulty that they were in because we refused to look beyond our preferred way of doing business with them, and they were our regular customers, and they

were going to be our regular customers for the duration.

With the changes that we're all familiar with now that happened in the '90s and the recession, the change in the corporate funding structure in communities, these organizations were in serious trouble, and there was no other place for them to go but to the Cleveland Foundation. By the end of the '80s we had more than a dozen what I would call fragile organizations that were completely dependent on an annual grant from us. If we stopped, decided to stop funding them, they would close their doors and disappear. We had to acknowledge that. We tried to figure out what the best way was to help both the board and the community recognize that something had to change.

The Cleveland Foundation has a history of leadership and convening, and we also have a longstanding practice of creating what we call study commissions for solving major community problems. We launched a study commission on the performing arts in 1995. It lasted about 18 months. It was formally called the Civic Study Commission on the Performing Arts. We called a group of folks together, community leaders and brought in some people from the outside. The purpose of that commission was to do what I'd already done, but in a more public forum: to study the environment for the arts, to try to identify what the causes of the problems were that these organizations were having, and to recommend some solutions to the foundation, to the community, and to the organizations themselves.

That report is long out of print. Everybody in the world wanted copies of it. It actually is accessible through a Web site that I can give you at another time. That was a very important thing for us to do because it got everybody's attention, and one of the things that it helped people understand was these organizations aren't in trouble because they're badly managed. They're in trouble because they're in a set of conditions over which they have no control, and they have no tools and no access to tools that will give them control.

One of the other things that the study commission did that I'm very, very proud of is that it said, "The arts are supposed to take risks.

That's what they're about." Being a risk-taking organization is not a bad thing, and we have to recognize that in order for organizations to take risks, to advance the art form, to be pushing that envelope all the time, which is what we want the arts to do, they have to have the kind of stability or capacity from which to take those risks. Here we're asking them to take those risks without any kind of founding support. So it validated what the arts were doing. The study didn't say, "Well, they should just do stuff that's more popular, and so they could sell more tickets, and then they'd be better off." I was very proud of that particular finding of the study commission.

The study commission also said a couple of other things. It said local funders should provide operating support to these organizations. That's what they need. They don't have endowments. They're probably not likely to be able to build endowments until they're healthier. Local funders should give them that kind of support.

The other thing the study commission said was these organizations should be held to best-known practices of operation. That was a little bit of a scary one to say. It was a nod to the corporate community that was part of the study commission that really insisted on having best practices be part of the solution for these organizations. I'll say that we didn't disagree with that, but we also said if a best business practice is to have sufficient working capital for cash flow and you don't have that, how do you get it? So we tried to uncover some of the things that were diametrically opposed to each other in the whole dynamic for the arts organizations. Getting this report from the study commission essentially charged the Cleveland Foundation with providing general operating support to organizations and requiring them to operate according to best known business practices.

One of the other things the study commission did also, which ended up being a completely separate track that's moving in our community, but it is very much related, is in understanding the environment for the arts and declaring what is in terms of current realities. It helped our community understand that Cleveland is one of

very, very few major cultural centers in this country that has no local public support for the arts, at all. We do not have an arts council. There is no comprehensive public support providing any kind of resources for the arts in Cleveland. In many communities the local public agency provides operating support as a kind of baseline, and sometimes it even owns the facilities that organizations perform in, so the costs of that are lower. None of that exists in Cleveland.

The other recommendation that the study commission made was that Cleveland ought to undertake a cultural planning process and try to figure out how to move towards adding a new stream of stabilizing support in terms of public support, and that is happening. There's a 30-month cultural planning process going on now. The report will be published first quarter next year, and we will begin to launch a campaign to introduce public support for the arts in Cleveland. It's not a sure thing. But we're hopeful. So we helped that get launched.

Then we said, "Okay, we're it. We're the largest funder of the arts in the city, and if it's anybody's responsibility to deal with the issues of these fragile organizations, it's us." We also had a board retreat at which the arts was the only topic, and the board really wrestled with moving forward with an operating support program. What I introduced to them was the notion that what this really was, was a capacity building program for those fragile institutions in the community. I identified 17 organizations, and laid out for the board the criteria by which they were selected. This is a program that is by invitation only. The criteria are basically: you have to have been around for a while; you have to have an established relationship with us; you have to have a strong artistic product with an established audience for that product; you have to have a functioning board; you have to have paid staff; and you have to have some challenges that you cannot meet without some additional assistance. So you need to have a lack of capacity in order to be part of the program.

At about the same time, we revised the strategic framework in arts and culture, and we created, declared and created, the BASICs program,

which became one of the key pieces within that framework. The study commission let us change. It was something that was really necessary to do to raise the conversation in the community about the need, about the challenges, some reality around the challenges, and allowed the foundation to make, in this area only, some significant changes in the way that we did business.

The board was not really comfortable with it for a long time. It took them a long time. I think we discussed it for maybe two years. It was the fact that folks from Pew and folks from Heinz had asked us to participate with them in a series of conversations, and I could bring more information to them; the fact that we could bring them some samples of what other programs looked like that really helped them understand that many other path-breaking foundations were doing this kind of work and that it was serious and important and very deep work. As we began to design the program, we thought what we're doing here is changing our relationship to a very important set of institutions in the community. How do we do that well? We'd been playing a game with them for a long time. You know, they'd been writing these proposals, we'd been saying, "Yeah, yeah," writing the check. There'd been very little that we could legitimately talk about beyond the project that they had submitted to us.

We said, "Look, we're going to do something, we're going to start doing something different. We're going to have to have some very deep and thorough conversations with you about who you are and what you do and what your problems are." We were a little bit nervous about all of a sudden launching that kind of conversation. We had some good relationships with a few organizations, but not the whole cohort that we were working with. So we created a group of what we called confidential advisors. I think there were six executive directors of organizations that we had a good, honest relationship with, which had shown us that they were honest about who they were and what they did and would tell us the horror tales as well as the good news, and we invited them confidentially to come and speak with us about this program. We met on three or four occasions with them, told them what we were thinking of

doing, and getting some of their reactions about it.

When it got to the point of designing the application form, the foundation has no application form for anything. It's just, "Here, send your proposal in." But we felt for this program, we wanted to create an application form that would begin to gather some of the information that we needed, and we asked them to help us design it. We put one together that I shared with our executive vice president, and it was like three pages long. And she went, "Oh, that's too much. They're really going to balk at doing all of this, and it's too harsh." And so we presented it to our confidential advisors, and it became a seven-page application. You know, they said, "You've got to ask this, and you've got to ask this, and you're not asking this question the right way." So they really helped us design the application to the program.

We later let the rest of the community know that we had some advisors from the arts community, but we've never revealed who they are, and as far as I know, they've never told anybody either. So it worked out pretty well. We also had other funders help us. We had a couple of meetings over the course of the year or so with funders, and some of these folks came and talked with us about their programs so that we could try to be as smart as we could be in putting ours together.

Two parts to the program. I'm not going to go into it in great depth because it really is in the book, but there is operating support, which we've been giving away for about a year now, grants between $15,000 and $150,000 at the highest level, organization size between $200,000 budget level and $6 million budget level. There's some really interesting issues around how do we decide who gets how much, because for the most part we wanted to keep grant levels at approximately what we had been doing. We didn't want to disadvantage anybody, throw anybody into a tizzy, so there's not a real formula. You look at who gets how much and you wonder why sometimes, but part of it is tradition, and for some organizations where there's decreases, we decreased it over a three or four-year period so it wouldn't be a big hit.

And the other important part of it, though, was the capacity-building side of it. We knew that what we wanted to do was to get these organizations to a position of depending less on us, not that we were ever going to go away. We expect to be a continuing part of their support, but we don't want to be the make or break support. We don't want to be the one that 20 years from now when there's another program officer and they decide to make a big change, these organizations don't disappear from the face of the earth as a result of that. So we have engaged National Arts Stabilization to come and work with us and design a capacity-building program, which has begun with the assessment of each organization. The technical assistance part of it will begin in December and go for the next five years.

The board has committed to five years for the BASICs program. I think we know now, however, that we're not going to stop this work. It's just that whenever you launch something new, you want a chance to say, "Whoa, that didn't work," and get out. One of the nifty things is wherever the board goes now, this is their favorite program. I think they're very happy about being proactive in this way. We know that we've taken the first steps. We know they're not the final steps. We don't know what all the next steps will be; we'll be looking at it and evaluating it as we go along. But one thing we do know is that we hope we get to a point, whether it's five years, seven years, nine years from now, where the organizations in the BASICs program, and maybe some other that we might add, we're working with from a position of their health and their strength, not from a position of their being at-risk or fragile or dependent.

Rowe: When I thought about this panel, as some of you may know, I am by far not the youngest person up here, but I may be the newest grantmaker. I was trying to think about what I could really contribute to the subject of assessment and feedback of capacity building, and I decided I would focus on some of the more difficult, perhaps some of the emotional issues that lace this all the way through.

I'm going to ask you to jump back in time with me to three years ago to November 16, 1996.

I'm warning you, by the way, I'm both a Southerner and a theater person, so this story will be embellished and compressed. I am not yet a grantmaker. I am the managing director of a theater company just outside of Philadelphia. By all appearances, things are really going well with this company. I've been there 14 years. The budget's quadrupled. We've never run a deficit. All of this is true. We have a really fine theater complex debt-free, two theaters, actor housing, great workspaces. We even have a three million dollar endowment.

So, again, on all surfaces, things are really going well, but of course, I know what's wrong with this organization, and I am managing a bunch of things that are very difficult and some of them are just irritating, but among the difficult things that I'm managing is a very thorny, emotion-laced process of a separation of the theater from its founding artistic director. I'm dealing with a board that has decided that strategic planning is not a priority right now until they deal with this other issue. They have put a capital campaign on hold, one that we need to really kick-start and get going right away.

Also on this day, this imaginary day, it has been discovered out on a corner of the property that the water main that feeds the sprinkler system for all of the buildings ruptured four days ago, and water has been gushing out into the retention basin. The marketing director has, for the second time this year, threatened to quit, not because I think of any fault of mine, but basically that he needed, that she needed a medication adjustment, in my view. [Laughter] I have spent an hour on the phone with my most effective board member, but the board member that takes absolutely the most of my time. She spent about ten minutes on substantive fundraising issues and the rest of the conversation talking about "Why don't you get the artistic director to make better play choices, and I took my friends out there, and the bathroom was dirty, and the…" Anyway, this has been my day.

On top of this, in three weeks, my grant application to the Pew Charitable Trusts is due. Pew has changed the guidelines, so now not only do I have to come up with a strategic plan that the board has no interest in but I have to do a 30-page narrative. I have to, the staff has to, copy practically every document that we've created in the past three years, and everybody is really cranky and tired, and I'm really cranky and tired, and I'm feeling that all of this is a judgment on me. The question that I feel emotionally in all of this is Pew is asking the question, "Is Greg Rowe doing a good job?" And it's a painful question. It's a difficult question for me to be coping with emotionally.

So let's jump forward seven months. I've left the theater company, which did get a grant through the process. I am now program officer in charge of this program, so I'm both perpetrator and victim of this process, and the board on that day has just made 15 grants to brand new operating support grantees, organizations that have never gotten money from the Trusts before, and this is really good, positive news. It's a nice, well-rounded group of grantees. But of course, the bad news is that 17 or 18 organizations got turned down. Each of these 17 or 18 organizations, in addition to putting all the work in their application that I put into mine, as far as I can tell on this day, was absolutely certain that they were going to get these grants.

It is my job this day – and literally there's a thunderstorm going on outside, there's lightning and rain and everything – to call folks and tell them that they've been turned down in the program, and they all want to know why. In a flash, I realize that although I have an enormous amount of information about these organizations and I'm really capable of telling them why, they're not prepared to hear it, and I'm not prepared to deliver it to them. I throw that out just to pull this all together in some way for you.

I'm going to skip most of the background on the operating support program at Pew, but just to briefly say that the assessment tool that we were using for the '97 grantees, while it had been very thoughtfully put together and really represented the values of the program well, it simply did not provide me with the kind of information that I needed to feed back to these organizations. So when I finally did meet with these organizations to tell them what had happened in assessment, everything I said

to them felt very, very subjective, and it sounded much more punitive, and frankly, in the back of my mind, I had to admit that there were some doubts on my part as to whether or not every organization had been treated exactly the same way. Different reviewers might have had different ways of looking at these indicators.

The other problem that we realized very early on was that we would never be able, with the assessment tool that we were using then, where there was no numeric score and no numeric ranking developed, we would never be able to measure the accomplishments of the program over time. So hot on the heels of that bit of a disaster, we undertook the total redesign of the assessment tool. We used the original index that we had developed as a starting point, but we had some very important objectives that we were trying to get at in the new assessment tool.

First, we wanted something that could create a numeric score for all organizations. We needed an assessment tool that would be effective at evaluating a lot of different kinds of organizations as well. Philadelphia is a very large arts community. We have huge $25-30 million mainstream organizations, but we have a lot of organizations that are much smaller and of course a bunch in the middle, so we knew that we needed an assessment tool that would be effective at managing a variety of different kinds of management practices in a lot of different kinds of organizations. We needed something that could be used by a lot of different reviewers, which meant that with each of the indicators that we developed, we had to give them very specific instructions on how to grade organizations, what's an exceptional score, what's a mediocre score, and what's in the middle.

We ended up developing this new assessment tool, and I think this is the one you guys probably had a look at, which ended up with 93 indicators. It was daunting to us, and I think it was even in many ways more daunting to the community. We developed this to be administered by a team of outside evaluators. Staff does not evaluate the applicants to the Philadelphia Cultural Leadership Program, PCLP. An outside team of evaluators do it. And in addition to

requiring a lot of documents from organizations that apply, we also do a day-long site visit. We accept only five pages of narrative for the application. Our rationale is that this is really not a process that is about grantsmanship. It's a process that really ought to be about what the relative health of the organization is. Once the decision is made that you're going to fund only the healthiest organizations on a competitive basis, then the need to get a tool that really accurately measures that is really, really important.

The most difficult area for us in terms of evaluation was about evaluating programmatic and artistic quality, so I thought I'd take a minute to talk about that.

We simply felt that we couldn't undertake a large enough peer review evaluation in order to really get a handle on what program quality was. We tried to build into the instruments ways of looking at the processes by which organizations define their artistry and their programming and by which they evaluate it. We looked for articulated artistic standards and program standards. We don't opine on what those standards should be; we just look to see that they have them and with what rigor they're actually using those standards.

On the theory that an organization that is very focused in its mission will produce better quality work, we spent a lot of time trying to figure out, are all the individual pieces of the organization focused on the same thing? Are they all pulling in the same direction? We spent a lot of time talking with people about mission and programming and how those things link together.

Finally, looking at artistic quality and programmatic quality, we looked at a range of issues that try to get at whether or not the organization is an active participant in the regional and national cultural system. Do they participate in building collaborations and in alliances? Are they really out there in a leadership way, in an appropriate leadership way, given what they do?

One of the things that I think continues to be troubling to us about all of this assessment is that any kind of assessment that you do has

embedded in it some very particular values of your organization. You really do have to 'fess up and come to grips with that, and I think we all need to understand where those values may be in conflict with the way arts organizations actually run. And I'll just mention two in our case.

One of the values that is embedded in everything in the index, is that a healthy organization has strong, reliable management systems. whether they're artistic management systems, financial management systems, or planning, they've got strong, reliable systems in place. This is a value which may very much be in conflict with organizations that are run by founding directors, founder-driven organizations. In many of these organizations, all the vital information about the organization is carried around in the founder's head. All of the relationships with the outside world are the founder's relationships. The standards for quality and all decision making happens in this person's private world, with other people scurrying around to accommodate it. In some of these places, things like board minutes and personnel policies and rigorous financial reporting requirements are things that just get in the way of their doing what it is that they really do well.

I think we also have to admit that in some cases, the output of these organizations is truly exceptional and even inspirational at times. A system that evaluates processes may not be doing a very good job at getting that aspect of an organization.

The second thing that I've been spending a lot of time worrying about is that also embedded in this is that a healthy organization knows what its mission is and sticks to the mission and excludes activities that don't really work towards a very fairly refined set of objectives for the organization.

I think this is the kind of value that is very often in conflict with community-based arts organizations. Organizations particularly in the inner city cannot so neatly and in such a refined way limit their agendas. The Latino Music Organization in North Philly has to be worried about whether or not the child that comes in for a class has felt safe on the way over, has had a

good meal, has had to deal with substance abuse problems at home. All of these things, not to mention economic development issues in some of these communities, really are imperatives that they cannot ignore.

My concern is that our assessment may not place enough value on the miracle-making that some of these organizations do almost as a matter of routine. It's something that I think we're going to be spending some time trying to get a handle on.

Maybe I can tell you what has worked for us in giving feedback to organizations. One of the objectives you have for an assessment like this is that it truly become a learning tool for the organization.

We found that it's far more effective to give feedback in person rather than in writing. This allows us to do a couple of very important things. It allows us to put a very positive light on some of the real accomplishments of the organization. It also allows us to contextualize the feedback that we're giving them, not just in terms of their own organization, but in terms of what we're seeing in the field, and I think this has been really, really important.

We also insist that they bring in multiple people, including a trustee. The trustee is really important because I'd say about 50 percent of the time, the feedback that we're giving them is stuff that relates back to board issues. We've found it effective to take the executive director out of the position of being the deliverer of yet one more message about what the board is not doing right. We've found it to be much more effective for us to deliver that directly.

I'd say overwhelmingly the feedback is done much better when it's given several weeks after the turn-down. Organizations right after a turn-down feel injured. They can't really hear what you have to say to them. It's important to respect that and give them distance and time. We give feedback generally three or four weeks, or seven or eight weeks, even, afterwards.

For organizations that are contemplating renewing again, we try to meet with them sometimes five or six months later, because with a little bit more distance and time, we're

able to be even more frank with them about what we see in their review.

Like Dan, we don't give written reports to organizations. We don't give them a verbatim grade on each of the 91 indicators, and I think this is a problem. I think it's our problem, not theirs, and we need to figure out a way to get more comfortable with it.

Our concern, of course, is that if we give them the feedback, we'll get wrapped up in endless conversations about whether or not the assessment tool is a valid tool. And endless conversations about why we didn't look at the document that they gave us, and that the reviewer didn't get it right. So we've been very hesitant to go there, but in a series of focus groups that we recently did with grantees, they just all but demanded it. They really want chapter and verse how they did on this, and I think they want it for the highest motives. I think they really want to learn from this. We're trying to figure out a way to do that better and make ourselves comfortable with it and make sure that it's something that works for them.

We had a parallel program to the Cultural Leadership Program which was a capacity-building program intended to provide learning opportunities for the cultural community at the Wharton School of Business at the University of Pennsylvania. While we feel that the quality of the programs that we provided were really very, very strong, and we've yet to do a thorough evaluation of the program, we're concerned that we don't see any real evidence that any individual organizations have really been able to shift their effectiveness in meaningful ways. We can't see that we've moved the needle on any of the sort of naggling problems in the arts community such as board development and marketing and things like that.

We don't think this is a problem that emanates from the management of the program; we think generally it's been well managed, and again that the programs have been very good. But the design has been unfocused. We were not focused on a finite enough group of grantees. It was thrown open to the entire community. We didn't focus on a finite set of outcomes that we were trying to achieve. It's really very hard to get a handle on what we're doing. We did not

offer customized technical assistance. The programs were out there for people to take classes and seminars, but they really were given no opportunity to come in and take advantage of capacity-building activities specifically designed just for them. Therefore, because they didn't see this as a place to come, they haven't been invested in the program and they haven't seen themselves as collaborators in the program. So it's felt very, very detached, and I think in that way it's been far less successful than it might have been.

So, what are we doing next? The assessment tool is about to go through a very large, hopefully detailed correlation analysis. We're going to try to get the indicators down from 90 to 40 or 45 or 50, focusing on those indicators that are the strongest markers of success. We're going to take a strong look at the issue of cultural biases that I was talking about before, with the assessment tool.

We're going to focus the capacity-building program, the new one, on 70 or 80 organizations, those organizations that are already grantees or those that are most likely to make it into the pool with just a leg up. And we're going to develop some very focused outcomes that we're looking for in the program. We're going to try to figure out what it is we want to do about marketing and what it is we want to do about board development, direct programs in those particular areas, and then develop evaluation strategies to let us know as we move along if we're making progress in those areas.

Finally, the program really does need to be made much more collaborative. It really needs the buy-in of the cultural community. We haven't done a very effective job of that. We will hopefully develop a group of people from the community that will help us design programs and keep the program on track. We really want to increase their ownership in all of this.

Sarbaugh: Please join me in thanking our four panelists. [applause] You've been very patient and attentive in listening to the four sagas. I think you get a sense from these four panelists the extent of the grantmakers' emotion, commitment, involvement in shaping these pro-

grams. I think you get a sense from all four of them that although they're four very different foundations, it's all about relationships. It's changing the relationship between their foundation and the cultural community that they serve. I think all of us have found that we've learned a lot and the cultural organizations have learned a whole lot about us, from trying to craft these kinds of programs. I hope that some of you will have questions for one or all of the panelists.

Question: The question I had is at what level should we enlarge our operating support without affecting the balance. Is there a percentage?

Beene: All of our grantmaking in the arts is general support. Maybe two grants a year might not be, but it would be very unusual. I don't think there's a magic number. I think you have to look long-term, and how many people you want to invite into that and what's the rest of your pool.

Sarbaugh: I can say something from the Heinz Endowments programs. When we changed our operating support about five years ago, our trustees were very nervous. "Well, what about project money?" "What about discretionary money?" And the way we sold our program to them was that we promised that we wouldn't let our operating support program grow to more than between 30 and 40 percent of our total giving. We sometimes had a little struggle remaining in that. Our solution has been to cap the number of the organizations in the program. We haven't been able to take any more organizations, and that's been the downside. But the upside is our trustees felt a little bit more comfortable that we weren't cutting off their innovation and their risk-taking dollars. Other panelists have a comment on that?

Question: I would just say that we've committed to about 30 to 35 percent of our total giving in operating support for the program.

Sarbaugh: More questions? Yes.

Question: How can you keep your operating support program from becoming an entitlement or a line item? How can you encourage the

organizations to make needed changes that are identified by your process?

Sarbaugh?: Can I ask, are organizations that receive operating support from you, can they also apply for project grants?

Question: It depends. It depends on the project. And if yes, the two can be overlapped. But in doing so, they have to be differentiated, they can't be funding the same project.

Female: I guess what I'm asking is if the organization has a difficulty, and you and they agree on what the difficulty is, are you willing to give them additional dollars to deal with the problem? Or do you expect them to do it with just the available dollars that they have? Are your goals the same as their goals?

Question: Well, we're County government. Our goal is to help the things move more comfortably.

Sarbaugh: I'll get a couple of other panelists to comment, and we'll take another question.

Rowe: The notion of really getting involved, especially like you guys are, I'm not sure you can do it a little bit. I think if you're going to go, you have to commit, and you have to commit both dollars and advice. And you have to be willing, I think, to really hold their feet to the fire. And you have to be willing to spend the staff time that it takes to really make that sort of thing work.

I think that what we've found in our capacity-building program is that we didn't get engaged enough with them in the work. Now, getting engaged more, there's another whole set of issues, like do you really want to be implicated that deeply in whether or not they succeed? So it's a very complicated thing. I think you're right to be thinking about it. I think it's pretty loaded.

Beene: I wondered if you ladder down. It sounded like in your description that the big budget organizations were getting all the money. I wanted to make the observation that budget size does not have any proportional relationship necessarily with managerial

excellence, or artistic excellence for that matter. So maybe you should ladder down some people.

I think one way to get at it is through tougher eligibility requirements and through planning. And I agree with Greg, if you're going to start ticking off items, it's going to be hopeless. You have to do whole-hog or not at all.

And we've actually let major symphonies go un-funded because we did not believe their plans made any sense. You have to be willing to say no, or it has no credibility. Two years from now you're going to be renegotiating with a different group of people, and they won't even remember this is the fourth time you've tried to get them to do that.

Miller: Our grants in our operating support program are three-year grants, and at the end of the three years, the organization has to go through the assessment process again. Because they've been through it before, we have a baseline against which we can evaluate them. If they're not still performing at that level, they understand at the outset they can be dropped from the program. But also, a private funder's perspective is very different from a public agency's perspective. Politics are just completely different. I used to work for a public agency, and staff can do what they will, but people will often go around staff and still get funded.

Question: I want to respond to what the gentleman said. I work for a federal, public-funded arts agency, and we've been doing general operating support for a very long time. So a lot of the agencies that have been getting the funding do see it as their money. This year, the panelists – we have a panel of experts that make the decisions, staff does not make the decision – they have started putting in panel comments, "We have required this of you for X number of years, and we've asked you for X number of processes, and it hasn't happened." And we have a scoring system, the three criteria that we review by. Let's say it has to do with managing your budget, or your application budget is never balanced. What they have done is they have made that comment. We've reprimanded. One comment was, "As was men-

tioned to you by three previous panels, we've recommended such and such." But previously it's at a higher score in that category. They still get by at their same load of funding. But this year, they made the comment that the score dropped, and the ball was dropped. Those organizations, as we know, will go back to the City of Houston. What we've done is prior to notifying them, we've already sent the City of Houston, "This is what's going to happen, and this is why." And I think the organizations are starting to understand now that, yes, we are a stable funder, but we're not here as an entitlement. You have to get on the ball. I'm interested to see what's going to happen in the next granting cycle. If you've been saying that they need to do one thing or the other, year after year, at some point you have to stop it so that you'll have the credibility as a funder.

Sarbaugh: Absolutely.

Rowe: I think there's another section to that theory. This issue about they want to grow but they don't want to grow up. [laughter] But you just can't have it both ways. If you say you want to be a bigger organization, you want to be a better organization, you want to grow, we're here to help you grow. But along with that, you have to follow through with learning how to grow up. I can't solve all their problems in one year. But you need to start marching down the road.

Male: Well, funders are culpable because we tend to infantilize a lot of organizations with whom we have long relationships.

Sarbaugh: For us the process of changing the relationship is sometimes as tough or tougher than it is for the organization.

Question: Assessment criteria seem to be geared toward the reduction of risk, to avoiding mistakes or errors. I wonder to what extent there is a balancing appreciation for that simple artistic element, that is defined as risky, meaning that there's both success and failure in it as part of a natural cycle. So, when you're making assessments, to what extent is there room for this fundamental part of the creative process,

especially in terms of aesthetic risk and the quality of the particular program.

Cerveny: It's a great question, From our standpoint, it is in order to enable organizations to continue to take risks that we look at a capacity-building program. We want them to have sufficient risk capital. We want them to have sufficient internal strengths. We want them to have those things that they can fall back on in those cases, that gives them the confidence to take those artistic leaps, knowing that even if they make a miss, and of course they're going to make some misses, it doesn't mean they fall into a black hole of obscurity. That there's going to be a safety net there so they can pick themselves up and go on and continue to take additional risks.

So one of the things that is very important to us is to acknowledge that it is because these organizations take risks that we value them, and we don't want to lose them, or we don't want them to stop taking those kinds of artistic risks. And so as much as we've supported the artistic side of the program for 20-some years, we now need to support the financial, the management, the other side that helps balance that artistic risk-taking.

Rowe: My perspective on this subject is not really as a grantmaker but as a theater manager, and I don't believe that only organizations that are stable can take artistic risks. In the theater world, there are just dozens and dozens of stories of theaters that because they've never taken any artistic risks, continue to chase around three-character plays that are safe to market. I think there are more examples of stable organizations that because they are stable can really take on something exciting and new and really push the boundaries.

Miller: From my perspective, a willingness to take artistic risks is an indicator of artistic excellence and emblematic of a leadership organization. It's absolutely at the heart of our process.

Question: I have a two-part question for Dan. Have any organizations gone through the whole three years of this Cornerstone Program?

Miller: No.

Question: No. So is any of the first group in the second year or in the third year?

Miller: The first group is beginning their third year; however, for the first time we will assess people this year that were not advanced to proposal stage after an assessment.

Question: And listening to you talk about this program, it sounds a lot like the NEA Advancement Program.

Miller: It is and it isn't. We looked at the NEA's Advancement Program when we were creating this one. It isn't a capacity-building program.

Female: The focus of Advancement was really on planning and institutionalizing a planning perspective into the whole work life of an organization. So most of that year was really around planning, although the needs assessment at the beginning might have been very similar.

Miller: So that was the learning. We realized a lot of people were hurt by Advancement, and that's why we're really sensitive to how intrusive this process is.

Beene: One phrase we developed along the way that somebody came up with was, if there's a fault line in your organization, Advancement will be an earthquake. [laughter]

Question: Just a real quick, basic question. We're a fairly large foundation in arts grant-making, and doing our own reviews by our staff, including a rating system, even for their artistic quality. So I'm comfortable about that. How do you find good reliable quality reviewers?

Beene: I would say that at least 80 percent is being done in-house, by the staff. But we have some great outside reviewers. In the Bay Area, there are a lot of local people: artists, freelance artists, but we don't bring in people from outside.

Miller: Our assessment of artistic quality is that it's a black hole. I don't mean that you're going to disappear when you get near it, but that the evidence of artistic quality is everything around it rather than the thing itself. You can't actually see a black hole, but you have evidence that it exists. So we look for evidence that artistic quality exists so that we are not put into a position of actually weighing in on artistic quality.

It's things like surveys of the audience. It's ticket revenue trends per particular seasons or exhibitions. It's critical reviews. In the case of a theater, say, if they originate a play, does that play go on to successful runs elsewhere? In the case of a museum, if they originate an exhibition, does it tour? Things like that.

Beene: I just want to make the point that sometimes we use the word "merit" instead of "quality" because of the range of kinds of organizations that we're funding. I think that's a more neutral term, and also you would expect a different level of merit from the San Francisco Opera, say, a world-class organization, than from a neighborhood school program. So it's contextual.

I also think that taste is different from quality, that there may be all these indicia of quality – donors, audience, the dancers are very well trained, whatever – and you don't like the work. And I think it's important to recognize that distinction. I felt like in my own internal self-evaluation after the first year, the fact that I'd funded a lot of things I really didn't like, gave me some assurance I was applying my criteria correctly. A lot of people who I really liked I did not fund. And I think that is really a test of your own review criteria, and are you applying them systematically.

Sarbaugh: One of the things that we've done, too, at the Heinz Endowments is to bring in anonymous outside reviewers just to give us a reality check. We the staff are stuck for better or worse with an artistic quality assessment, and we've done very much what Melanie has described. We've had outside reviewers come in and just place our organizations within a national landscape in a discipline. Not necessarily, well, your ballet company is number three

in the nation, or whatever, but place the work in a national context or a disciplinary context. It just helps us get smarter about the way we look at our community's work. That's helped us a tremendous amount.

I would say go back and see if you can convince your board to let you use some outside folks. And I'm sure some of us would be glad to help with suggestions about who you could use.

I want to thank you all very much for joining in this conversation, and if you continue to be interested in it, all of us love to talk about operating support programs, as you can see.

THIS IS ONE OF A SERIES OF PROCEEDINGS FROM THE GIA 1999 CONFERENCE,
STRENGTHENING THE ARTS THROUGH POLICY, PERFORMANCE AND PRACTICE

Transcriptions of proceedings from GIA's 1999 conference, *Strengthening the Arts Through Policy, Performance and Practice,* are published as individual papers. These proceedings are also available on the GIA website at www.giarts.org.

ORDER FORM

Please indicate the number of copies requested for each individual sessions. Each GIA member organization may request one set of proceedings at no cost. For additional copies, please include a postage and handling fee of $2.00 per session requested.

_____ Arts and Philanthropy in the 21st Century

_____ An Artist's View: Ann Chamberlain

_____ Building An Arts Policy Community

_____ Supporting Individual Artists – Models That Work

_____ Getting Value From Evaluations

_____ Audience Participation in the Arts

_____ Arts and Youth Development Getting Down to Business

_____ Myths and Models of Collaboration: Creating Strategic Alliances That Work

_____ Address by William Ivey, Chairman, National Endowment for the Arts

_____ Working in the Profit-Nonprofit Intersection

_____ Leadership Development and Transition in the Arts

_____ General Operating Support Programs

_____ What's Next: Going Off-Road with the Arts as Venture Philanthropy

Name _____

Institution _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____

Email _____

_____ Additional sessions requested @ $2.00 each = $_____enclosed.

Charge my bankcard # _____ Name on card _____ Expiration date_____

Make check payable to Grantmakers in the Arts

Fax to: (206) 624-5568, or

Mail to: Grantmakers in the Arts 604 West Galer, Seattle, WA 98119-3253