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## **Strategic Planning Methods: Which One is Right for Your Organization?**

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Over the years there have been numerous articles, books, and discussions regarding the best and most appropriate strategic planning methods in business. But how do those methods relate to the nonprofit sector? How does "game theory" play into your strategy? Will the "judo strategy" help shape your future initiatives? Some believe that "scenario planning" would be best in evaluating the available future options. While others say that the "balanced scorecard" approach would most effectively advance your organizational identity in the community. In this edition of *Arts Insights*, we'll review a few of the strategic planning methods that are available for consideration. We'll also discuss the importance of a thorough stakeholder analysis, both internal and external, which is required in advance of any planning process. Keep in mind that the process itself is as important, if not more so, than the end result of "a plan." It also goes without saying, however, that your institution first needs to be very clear on its mission and vision before selecting any one or combination of the strategies outlined below. Regardless of method, successful arts and cultural organizations are embracing strategic planning like never before. They recognize that effectively raising more money to support programs, education and outreach can only come from having a strong "case" for giving. Telling Board or staff members to simply "raise more money because we need it" without a clear direction and context typically produces mixed results at best.

### **PERFORM A THOROUGH STAKEHOLDER ANALYSIS**

Selecting an effective strategic direction requires a thorough stakeholder analysis to best evaluate future options. Sharon Oster's "Six Forces Model" for the nonprofit sector, which was built from Michael Porter's "Five Forces Model" in the corporate sector, provides a good template for consideration. The six forces include evaluating the importance of the "industry," in this case it could be performing arts, visual arts, or general arts and culture. It looks at the buyers, donors, suppliers, as well as the threat of new entrants and substitutes that can have an impact on your organization's institutional advancement. Below we'll take a look at how each interacts with your organization.

First, envision your local "arts industry" in the center of a circle with the various forces exerting pressure on it. It's very important to first understand this market for the performing and visual arts in your community. How is your organization positioned compared to other arts groups? Do you have a relatively large or small audience? Is there a certain niche that is served only by your organization and no other? How much influence does your organization exert in the rest of the local arts community? This internal industry review will help you best identify how your organization fits into the competitive arts landscape.

Next, think about what kind of power your ticket buyers and donors have. They are your financing tool, so their influence is of primary concern. Do you have a thorough understanding of the buying and contribution behaviors of your patrons and how that behavior relates to the marketing strategy

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for your artistic product? Do patrons have longevity with your institution, or are they only occasional supporters? How do your donors see your overall community impact? What types of projects, performances, and exhibitions are buyers and donors supporting? These questions will help you get started in understanding some of your most important constituents and how they interact with you.

Next comes the review of your “suppliers.” In this case, suppliers are the artists, curators, venues, employees, vendors, volunteers, and anyone else who works with you in either a paid or an unpaid capacity. The strength of your artistic core rests in this supplier category, so it is critical to understand their motivations and commitment individually and as a group.

Above are the components of your organization upon which you have some control. Finally, there are two other groups that require serious consideration - the threat of new entrants and substitutes. In some aspects of the arts community, the threat of new entrants is somewhat low, particularly when it comes to the high capital costs that are required to establish a new organization. A new arts education institution, for example, that requires facilities, venues, dormitories, and substantial infrastructure may have difficulty entering a new market. But a new community orchestra with volunteer musicians might have some impact, although quality comparisons might make this a moot point. Substitutes, such as other entertainment options, alternative disposable income opportunities, family, church, or other nonprofits, typically have great strength in competing for your audience and donors’ coveted time and money.

### **CONSIDER YOUR GAME THEORY**

Game theory relies heavily on understanding what is called the “value net” of players outlined above. Ultimately, there is no way to change the outcome of the game without also understanding its key elements. In a 1995 *Harvard Business Review* article entitled “*The Right Game: Use Game Theory to Shape Strategy*,” Adam M. Brandenburger and Barry J. Nalebuff outline the key elements on how to exert change effectively. Sometimes the players will and need to change, so understanding the players is the first key element of game theory. Keep in mind both ends of the player spectrum – competitors on the one hand and those who complement what you do on the other. Strategic partnerships can be as important to understand as your competitive position.

Next you must delve more deeply into the added values that each participant brings to the table. How do you raise your organization’s added value while simultaneously lowering that of others? Several venues, for example, have led the effort to improve acoustics or add leg room, thus adding patron value ahead of its competition. What is your organization’s added value?

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

### **THE JUDO STRATEGY**

Now you’ve envisioned yourself in the middle of a circle of what can appear to be ominous internal and external forces. You’ve assessed your situation and are ready to select the right game. But the Judo Strategy? Sounds more like a sporting event than a way to advance an arts organization into the future. But the sport of judo allows you to visualize your organization in an increasingly

competitive business environment through its three key elements – rapid movement, flexibility, and leverage. In the early 1980's, economists Judith Gelman and Steven Salop coined the term "judo economics" to describe a strategy that would induce large players (i.e. movie theaters, theme parks, shopping malls) to allow the entry of what they consider as smaller players (i.e. most arts organizations). In this case, business retaliation wouldn't be worthwhile for the large players. In effect, arts organizations considering a head-to-head sumo match with a multi-billion dollar conglomerate, however, may not have the resources to win in direct battle. But a few carefully placed judo moves can allow for important impact.

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

Finally, and most importantly, the third element is that players know how to use the weight and strength of opponents against them. Knowing how to craft a strategy that uses the value that your organization adds to its community versus your more transient competitors can have a substantial impact in the eyes of funders and patrons. Again, collaboration among arts organizations and their vendors can also be an important key to overcoming the hurdles that exist in the business environment.

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

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

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

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

One challenge with scenario planning is that it takes a substantial amount of time to thoughtfully develop and evaluate the strategic options. The benefits, however, are extensive, in that the entire

team has analyzed the options and hopefully embraced the best plan for the future good of the institution. As you can imagine, much of the planning process is a combination of both art and science, with financial and organizational plans, resource evaluations, and stakeholder analyses plus critical consensus building. Many organizations undertake this process intuitively, and they may or may not select the best option. Those that are more thorough in evaluating future uncertainties when developing various scenarios, however, are typically the ones that find greater ongoing success in selecting the most appropriate path.

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

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

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

### **CONCLUSION**

Several options exist in developing the strategy for arts and cultural organizations. A strategic plan that simply says "we need to raise more money" is doomed to fail. Clarity, mission, purpose, direction, and community impact are what drives patrons and donors to your door. All of the above methods require an organization to first understand its mission and purpose for existence. Next its stakeholders are thoroughly evaluated and engaged to ensure that clarity is preserved. Remember that engagement will also lead to the community "owning" the success of the institution. Finally, a strategic plan should be developed which includes effective performance measures that evaluate artistic quality, customer service, Board and staff effectiveness, and financial efficiency among others. Overall, it is clear that developing a strategy built around consensus, collaboration, and cooperation will guide an organization on its journey towards institutional advancement and the greatest positive community impact.

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