

ONTARIO ARTS SERVICE ORGANIZATIONS
One size does not fit all

Phase One

ASO Sector Profile and
Leadership Study

PREPARED FOR THE PASO COALITION

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PASO COALITION: ASO SECTOR PROFILE AND LEADERSHIP STUDY

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About the PASO Coalition

The PASO Coalition is a voluntary collaboration of 23 provincial arts service organizations (PASOs) across Ontario. We strive to strengthen the environment for these institutions and individuals to continue to create and disseminate arts and culture in a manner that is accessible to all Ontarians.

About the ASO Leadership Project

This collaborative arts service organization-driven leadership project is a joint research and networking undertaking of 19 partner Ontario-based arts umbrella organizations with broad bases of membership across the province, each tackling the complex challenges of organizational leadership and governance and collaborative advocacy.

The Project Working Group

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From the Consultants: Methodology

The PASO Coalition, under the direction of a Working Group and with support from the Cultural Development Fund (Ontario Ministry of Tourism, Culture and Sport) and the Ontario Arts Council, commissioned Gerald Smith (First Stage) and Heather Young (Young Associates) to carry out research and analysis that would lead to a better understanding of leadership by examining the positions of Executive Director and that of the elected President of the Board of Directors of Ontario-based arts service organizations (ASOs).

In Phase One, the Working Group identified a quota sample¹ of some 19 ASOs. The research team approached each to supply copies of their governance and policy documents (e.g. Articles, By-Laws, Policy Documents/ Handbooks, job/position descriptions). The materials gathered from this sample formed the basis for the initial literature review and analysis. An integral part of this review included the collection and analysis of financial data from the partner organizations that covered the most recent seven-year span (2007 – 2013).

In Phase Two, the consultant team designed and delivered a web-based survey to explore in more depth some of the characteristics and impacts of the leadership model that predominates. There are two core leadership positions within ASOs in Ontario:

- The senior staff position (often referred to as the **Executive Director**)
- The senior volunteer (**Chair**, President, Committee Chair).

More than half of those targeted in the survey responded to the online survey. Their responses provided additional data to serve as a basis for understanding.



¹ A non-random selection of the field of potential candidates.

PHASE ONE: The Nature and Function of ASOs

Arts service organizations (ASOs) at all levels – national (NASO), provincial (PASO), and municipal (LASO) – are there to serve the artist, their practice and the sector. ASOs were described in a 2004 report for Canada Council as:

... organizations founded and directed by their members, who are professional creators, interpreters, producers, distributors/disseminators and or conservers in the arts and cultural sector, to serve the collective interests of the membership, the constituency, and the public...²

According to Ontario's Ministry of Culture website, ASOs are:

... nonprofit organization(s) serving the people or institutions within the arts community who create, produce, distribute, diffuse, present, and/or conserve the arts. ASOs provide artists in various disciplines and communities with a public voice, opportunities to grow and develop as artists, access to audiences, and a range of support services. They also increase the public's access to the province's cultural resources through a variety of mechanisms including important arts and education initiatives.

Thus, benchmarks for all ASOs include:

- Representative professional bodies
- Membership-based
- Serving the interests not only of members, but also the discipline as well as the public
- Paid professional staff
- Office / Secretariat
- Incorporated,³
- Reporting to a Board, subject to membership approval at an AGM
- Supported by funders who provide significant operating and project support
- Program delivery.

² *Policy In Action, A Report on National Arts Service Organizations*, February 2004, Prepared for the Canada Council for the Arts by Roy McSkimming Consulting Services, p. 8.

³ Many ASOs have also sought and attained charitable status within the requirements of the Canadian Revenue Agency under the Income tax Act.

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Notwithstanding this diversity of diversities – discipline, life cycle, scale, budgets, staff complements, language, and locations – and the rich mixture of programs and services they deliver, arts service organizations are recognized as responsible for programming that includes some combination of at least:

- Communications and information
- Networking and peer support
- Policy development and advocacy
- Public awareness and audience development
- Professional development and training for emerging, mid-career and senior arts professionals working in the field
- Research and program delivery.

Membership in an arts service organization is voluntary as outlined in the By-law/Policy documents of each ASO - as opposed to unions and labour organizations where membership is obligatory.⁴

Historically, ASOs have also served as a bridge between a period of professional training (university or college based) and entry into the profession, reaching out to educational institutions to present sessions around sector awareness and skill-building, as well as offering workshops, publications and services that ease the emerging artists into the realities of their newly chosen professional path.

⁴ The impending *Ontario Not for Profit Corporations Act* (ONCA) will require all ASOs on Ontario to reexamine their articles of incorporation, by law and membership structure.

Market Segmentation: Diversity Among ASOs

Arts service organizations come in a host of shapes and sizes: some represent individual arts practitioners, others the needs of the organizational entities (companies, organizations) that have formed around a recognized sectoral or discipline need.

Arts service organizations respond as much to funders, as to the needs of artists. One ED referred to the ASOs as the *Canadarm* of the funders, reaching out into space to assist the Council with its work. Over time, grant officers have found it advantageous to be able to deal with a single champion in the channel as a way of seeking input and guidance about a variety of policy issues (e.g. health and safety, granting procedures) while at the same time using ASOs as an effective tool to reach out to individual artists, the various disciplines, as well as organizational members of the sector, across the entire province, big and small, urban and rural, in both official languages.

Funders have often supported more than a single ASO within an art form, as a reflection of the variety of artistic genres and categories within that art form: thus visual artists working in different media (painting, performance art and electronic media) may find themselves seeking assistance and support from multiple service organizations – or being invited to join and support several different entities.

Environmental Scan: SWOT Analysis

Strengths and Weaknesses

Variables inside ASOs in the sector, over which they have some direct sway.

- Stable, knowledgeable, skilled and dedicated executive leadership and support staff in the office. Strong, diverse, staff-supportive Boards of Directors. Established operational systems (finance, communications, outreach, programming, and advocacy).
- Profile and respect for ASOs from funders, members and peer organizations. Track record of collaboration/partnership (e.g. PASO Coalition. Success of bridge-building efforts by ASOs with multi-level agencies /boards/ commissions/ departments, educational institutions, professional and union organizations.
- Funders recognize the relationship is a two-way street. ASOs are “a conduit for disseminating program information to clients, but should consult them more fully on policy changes and keep them better informed generally: e.g., on the reasons for granting decisions, or on forthcoming changes to the Council’s budget or funding practices for the discipline.”⁵
- Recognition that, without ASOs as an integral partner in the sector’s infrastructure, it could be everyone for themselves.
- Currently, there is in place a narrow range of training resources/programs dedicated to supporting organizational and management effectiveness (capacity building, stabilization, mentoring, consulting – e.g. OAC’s Compass Program).
- The organizational and operational capacities of ASOs vary depending upon sector/discipline, life span of the organization, budget size (economy of scale), and geographic stretch.

Analysis of the review of documents provided by the ASOs established that:

- Collectively, ASOs are stable and longstanding (average life span 18 years). The leadership are mature, experienced. A significant share of managers hold full time positions, have written job descriptions, written terms of hire, documented HR policies, and a formal staff performance review protocol.

⁵ McSkimming, op. cit., p. 20.

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- More than one in ten ASOs operates with budgets under \$99,999 (13%); half have budgets between \$100,000 - \$299,999 (51%); almost a quarter (23%) with budgets between \$300,000 - \$499,000; and 13% operate with budgets in excess of \$500,000.
- The revenue model is challenging with reliance on direct grants (project and operating, whether annual or multi-year) and limited earned revenues (professional development, publications, events) thwarted by the cost-benefit realities of small staffs.
- ASOs may have a limited pool of potential Board members – trained, experienced – with appropriate skill sets available when needed.
- Fundraising is labour intensive. Making headway on fundraising for a busy ED can be an uphill battle because s/he is already working more than full time attending to other responsibilities.
- ASOs are often in a more challenging position for raising money than their members. Limited public profile tends to hamper fundraising. Volunteer Board members may also be staff of member organizations. Member services are often provided, on principle, at no cost or a very minimal cost, dramatically reducing the opportunity to develop a stream of earned revenue.
- Being pulled in competing directions (advocacy, programming, resource development, and research) contributes to burnout among the leadership – hired and voluntary.
- Human resource development programs or opportunities are seen as limited, not available in all regions of the province, or all disciplines, lacking in coordination of availability, and are often seen as expensive and inaccessible.
- There is no single career path into a leadership position or single external/central mechanism for leadership accreditation or certification.
- Arts service organizations serving a membership base of individuals (e.g. visual artists, authors, performers) face a different challenge in pricing fees that those dealing with arts organizations (e.g. galleries, museums, artist-run centres, theatres.) Both segments are price sensitive.
- A values-driven leadership has the potential to be their own worst enemy – accepting unreasonable working conditions, pay and support, thus limiting their own contribution.
- The next generation of arts leaders is “a smaller cohort of Canadians, one which is highly educated, technologically savvy, and culturally diverse, but burdened by record-high student debt loads and likely to have its pick of jobs.”⁶

⁶ Harvey, op. cit., p. 7.

Opportunities and Threats

Variables outside the ASOs that are not under their direct control.

- The recognition that ASOs serve a valuable role as sources of professional development, outreach, research and advocacy offers a strong platform for capacity building in the sector, and across disciplines.
- Cultural vitality⁷ is one of the four pillars of sustainable development for healthy communities (along with economic prosperity, social equity and environmental sustainability.) Cultural vitality is also seen as the last one to join the table in discussions about planning and sustainability, and so it has not yet had the time – or resources – to cement its position.
- The implementation of Bill 65 – the Ontario Non Profit Corporations Act (ONCA) – opens a window for Boards to strengthen their governance resources, and re-examine their membership structure and bylaws.
- New digital technologies have led to the development of several new arts forms, as well as creative opportunities for artists to collaborate, communicate, showcase, access resources and learn in ways across different disciplines or in different geographic locations. Governance and operational actions have yet to benefit fully from emerging technologies
- A growing availability of enhanced entrepreneurial skills, knowledge and abilities could support a strategy of revenue diversification beyond the current alternatives for grant-based revenues and earned revenues (memberships, events, services).
- Funders increasingly recognize as legitimate those administrative costs (salaries, professional development) that are integral contributors to program and assessment criteria.
- An increasing awareness by EDs and Board Presidents of the need to professionalize the sector’s HR practices and resources - and the growing risk associated with failure (clarity in job descriptions, performance evaluation and feedback). Funders are increasingly recognizing they are positioned to contribute strategically to healthy and humane HR resources, policies and practices for long-run success.
- The increasing risk of staff, Board and committee “burnout” and the lack of PD resources for incumbent EDs hinder strategic development of leadership capacity for the future and leads to migration of colleagues to more lucrative opportunities.

⁷ <http://sustainablekingston.ca/community-plan/four-pillars-of-sustainability>

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- Current and ongoing instability undermines the function of strategic planning.
- EDs and their Board Presidents operate in an increasingly complex legal and regulatory environment (CASL, PIPEDA, CRA, AODA, police checks) of more demanding levels of accountability, transparency and reporting.
- Governments are communicating that growth in financial support is not an option in current deficit environments. The Ontario Arts Council recently announced a 5% cut to operating grant clients.
- Private philanthropy, whether personal, corporate or foundation based, feels every economic pinch. Further, when the tax base takes a hit, so too does government funding to the arts.
- Increasing levels of expectations by users, supporters and members around customer service levels and on-line support.
- Limitations or a restriction on internships, mentorships and coaching inhibit access to experienced leadership resources.

Variations on a Theme: Document Review and Sector Profile

The research team and the Working Group targeted some 19 arts service organizations that signed on to the funding applications, and agreed to support and participate in this study.⁸ Of the organizations contacted, 95% responded by supplying complete or significant access to the data and details requested. At the heart of the data/responses from the 18 responding provincial arts service organizations: *one size does not fit all*.

Respondents by Discipline

The respondents represent a broad range of arts disciplines across the province, including: the visual arts (25%), performing arts (21% combined), multidisciplinary (28%), and single discipline (3% Literary Arts).

	Number	%
Dance	2	6
Music	2	6
Theatre	1	3
Presenters	2	6
Visual Arts	4	22
Media Artists	1	3
Multidisciplinary	5	28
Literary Arts	1	3

⁸ Alliance Culturelle de l’Ontario, Artist Run Centers & Collectives of Ontario (ARCCO), ArtsBuild Ontario (ABO), Canadian Alliance of Dance Artists – Ontario (CADA-ON), Canadian Arts Presenting Association (CAPACOA), Canadian League of Composers (CLC), CARFAC Ontario, Cultural Career Council Ontario (CCCO), Dance Ontario, Media Artists Network (MANO), Ontario Association of Arts Galleries Ontario (OAAG), Ontario Book Publishers Organization, Craft Ontario, Ontario Presents, Orchestras Canada (OC), Professional Association of Canadian Theatre (PACT), Réseau Ontario, Theatre Ontario, and Toronto Alliance for the Performing Arts (TAPA).

Membership Base and Size

A membership base is a common feature to all ASOs, and the respondents certainly reflect this principle, directly serving nearly 4,000 members, both individual and organizational.

	Total	Individuals	Organizations
Total	3,989	2,516	1,473
Average	222	140	82
High	940	900	235
Low	15	7	6
Median	145 – 153	44 – 138	41 – 100

There are a wide variety of membership base sizes from the small (less than 50 members), to the large (over 500 members).

	Number	%
Less than 50	6	33
101 – 200	6	33
201 – 500	4	22
More than 500	2	11

Membership Type

Legally, ASOs report to their members. However, for some ASOs, the membership base is comprised solely of individual membership (1 member = 1 individual = 1 vote) and others report to a membership base composed of other organizations (1 organization = 1 vote). Additionally, some ASOs also include other categories (such as supporters, sponsors); half of them have opened their membership up to a combination of both.

	Number	%
Individuals	2	11
Organizations	7	39
Both	9	50

What is not clear here is if the membership is divided into differing classes, and whether or not all classes have equal rights (voting) and responsibilities (with respect to the annual general meeting). For many arts organizations/charities, the term membership is also meant to categorize any one individual or entity that has paid money, whether it is a true member fee, with rights and responsibilities, or a donation, or some other form of support (in-kind).⁹

Cultural Affiliation

The membership base of the respondents represents more than one cultural affiliation, Aboriginal, Anglophone, or Francophone, and can be constituted to address either a single or multiple groups.

	Number	%
Single	11	61
Multiple	7	39

	Number	%
Aboriginal	2	7
Anglophone	16	59
Francophone	9	33

Corporate Status

As representative bodies working in the sector, ASOs organizations are not-for-profit corporations, while one third have taken the extra step of becoming registered charities.

⁹ This will become increasingly relevant once the new Ontario Not-for-Profit Act regulations are determined.

Life Span

The longest running respondent ASO in this sample was founded in 1951 – more than six decades ago – and the ‘new kid on the block’ is barely a half decade old, formed in 2009. The average life span of the respondents is close to two decades (18 years), with a fairly varied distribution that would echo the growth of the arts sector since the 1950s, particularly during the 70s and 80s for more than half of the respondents.

	Number	%
1950s	1	6
1960s	2	11
1970s	4	22
1980s	6	33
1990s	2	11
2000s	3	17

It is a testament to their value and contribution to the growth and support of the sector that ASOs have collectively amassed some five centuries of experience, with approximately two-thirds of the responding organizations in operation for more than twenty years.

	Number	%
Less than 10 years	3	17
10 – 20 years	3	17
20 – 30 years	5	28
30 – 40 years	4	22
More than 40 years	3	17

Budget Size

Returning to the theme of *one size does not fit all*, budget size is certainly the case. The total operating budget for these particular ASOs is in excess of seven million dollars (\$7,270,152). The average budget is approximately \$400,000, and the lowest budget is just over \$75,000.

	Number	%
Less than \$ 100,000	4	22
\$100,000 - \$250,000	6	33
\$250,000 - \$750,000	6	33
More than \$750,000	2	11

Staff Size

ASOs by their nature are program developers and service deliverers. This mixture is created and delivered by staff. Across the province, distributed amongst these 18 organizations, the total work force is slightly more than 120 staff. The largest ASO has some 29 staff, and the smallest is run by 0.4 FTE (one person, two days a week). The average staffing complement is 7.3 individuals. The median point lies between 5 and 5.4 staff.

	Number	%
Less than 2 staff	5	28
Between 3 – 5 staff	5	28
Between 6 – 10.5 staff	6	33
More than 10.5 staff	2	11

Board Size

On the other side of the HR leadership equation, there are a total of some 190 Board members serving as trustees, with the average Board size being 11 members. According to current not-for-profit corporate legislation in Ontario, the minimum number of individuals required to constitute a Board is three.¹⁰ The smallest amongst the respondent organizations has five members, and the largest tops out at 15. While the average size of a board for these respondents is 11, and the median is 10, board size is distributed as follows:

	Number	%
3 – 5 members	2	11
6 – 8 members	5	28
9 – 11 members	3	17
12 – 14 members	5	28
15+ members	3	17

Non-Board Volunteer Base¹¹

The programs and services of ASOs would not be possible were it not also for the generous contribution of time and talent provided by volunteers (above and beyond those on the Boards).

Total	560
Average	37
High	158
Low	4
Median	20

¹⁰ Although the Ontario Not-for-Profit Corporations Act (ONCA) was passed by the provincial legislature in 2010, the enabling legislation and the regulatory framework are still pending as of Spring 2015; the best current estimate is late 2015, transition to be completed by 2018.

¹¹ No data provided by ABO, MANO, OCC, Theatre Ontario

Executive Director: Position Requisites

The request to the respondents for supporting materials included several key documents:

- By-laws
- Executive Director’s position description
- President and/or Chair’s position description
- Governance policies and/or board handbook and
- CADAC financial statements and statistics going back at least 5 years to include 12/13, 11/12, 10/11, 09/10, and 08/09.

The level of compliance (95% sent some materials), as well as the variety and the depth of detail made available to the researchers, has provided a solid baseline of data.

Executive Director: Position requisites ranked by occurrence

The vast majority (89%) of responding EDs reported that they had a job description. There is fairly strong identification apparent in the collected ED job descriptions for the criteria required of the position of Executive Director.

Financial management and advocacy appear in the top quarter of the responses and are both ranked first:

	Rank	#	%
Financial Management	1	14	78
Advocacy	1	14	78

There is also a strong clustering of position criteria identified in the second quartile by respondents around the broad skills of managing people (Board support, HR management, partnerships), programming (membership services), proposals (grant writing, communications, partnerships), and the requisite that Executive Directors are also required to be adept at planning and operations.

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	Rank	#	%
Grant Writing	2	12	67
Communications		12	67
Board Support	3	11	61
Operations Oversight		11	61
HR Management		11	61
Membership Services		11	61
Strategic Planning	4	10	56
Partnerships	5	9	52

Although the following skills fell into the lower half, this is more a reflection of the differences amongst the responding organizations, the variations in their capacity due to size, age, discipline, life cycle, geography, and language.

	Rank	#	%
Fundraising	6	8	44
Contract Negotiations	7	7	39
Facility Management	8	5	28
Evaluation	9	4	22
Research		4	22
Education/Pro Dev		4	22
Board Recruitment	10	3	17
Awards		3	17
Special Events		3	17
Board Membership	11	2	11
Bookkeeping		2	11
Data Management	12	1	6

Board President (Chair): Position requisites

An examination of Bylaws and policy manuals provides insights into the requirements, responsibilities and regulations of the lead volunteer position of Board President (Chair). A major difference between the lead staff and lead volunteer positions is that the Board President is elected, not hired, and while subject to an established term limit, is not often subject to a performance assessment strategy.

	Rank	#	%
Elected	1	16	89
Chairs at meetings	2	15	83
Term Limits	3	14	78
Removal terms		14	78
Principal/CEO Status	4	13	72

The examination of governance documentation also solidifies how much more the lead volunteer’s reality is determined by regulation as opposed to policy:

	Rank	#	%
Job Description	5	12	56
Board Documentation		12	56
Signing Authority		12	56
Voting Rights	6	9	50
Ex Officio Status		9	50
Committee Membership		9	50
Elected: by membership	7	8	44
Elected: by Board		8	44
Removal: 2/3 members	8	7	39
Past Presidency		7	39
Uphold the mandate		7	39
Voting: tie breaker	9	6	33

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Removal: Board	10	5	28
Set Meeting Agendas		5	28
Compliance		5	28
Advocacy/Promotion		5	28
Board/Staff Evaluation		5	28
Strategic Planning	11	4	22
Board Orientation	12	3	17
AGM Report	13	2	11
Fundraising		2	11
Board Recruitment	14	2	6
Board Recognition		2	6
Public/Professional status		2	6
Bus. Management Skills		2	6
Previous Board Experience		2	6

Longitudinal Financial Analysis

Summary and Methodology

This component of the research supports a broader evaluation of the financial strength, stability and resilience of these organizations by providing insight into the degree to which energy and resources are available to sectoral leadership (as financially expressed through programming and services) in contrast to day-to-day operating needs of the ASOs themselves.

Before turning to findings, a brief discussion of the data is in order. Government funded arts service organizations contribute their audited financial data to CADAC (Canadian Arts Data / Données sur les arts au Canada).¹² With the permission of the contributing organizations, CADAC operating grant financials were used as the data source, where available, to support consistency in data collection.

The resulting financial graphs illustrate the economic capacity of ASOs aggregated as a sectoral group. The consultants have drawn additional insight by segmenting participating organizations by age, size, membership base and other relevant factors. The financial graphs cover up to seven years of data, depending on information supplied by participants.¹³

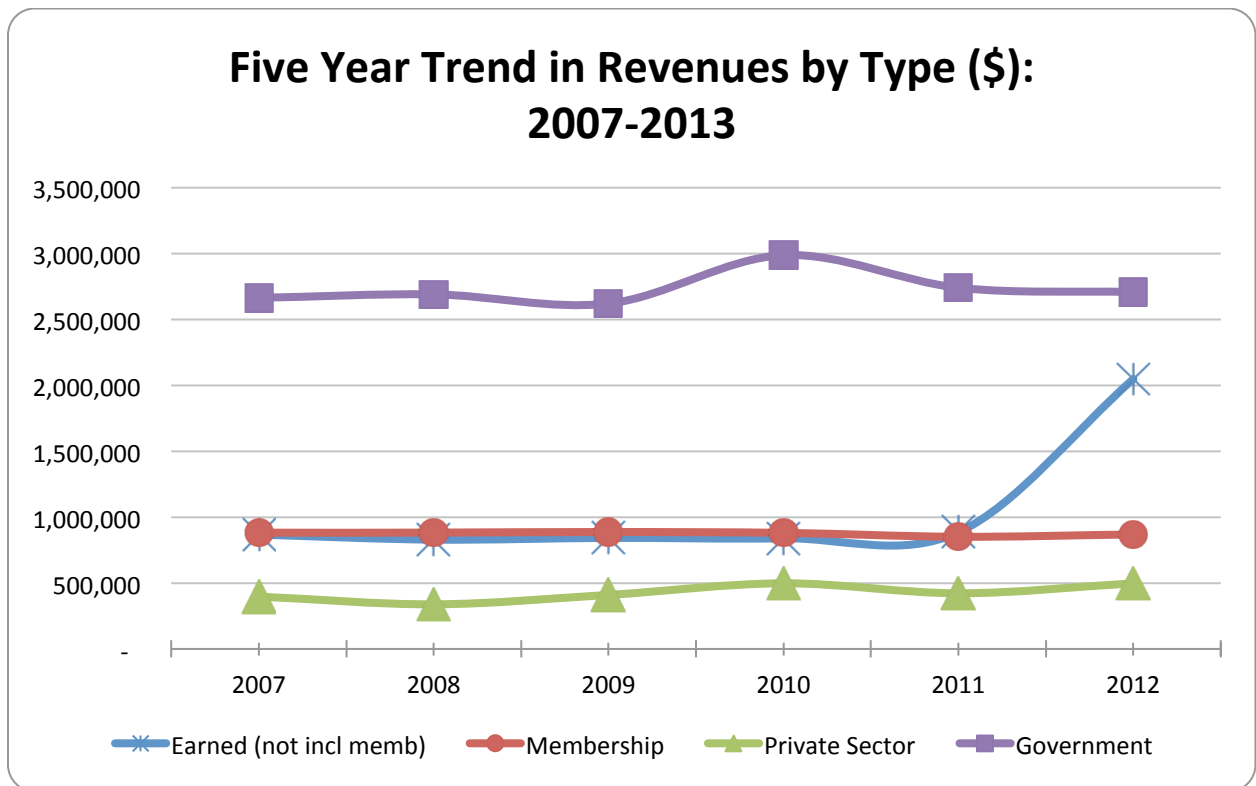
These graphs capture key data points in the form of trend lines. The trend lines were categorized as generally trending upward or downwards, showing minimal variation or irregular (i.e. no dominant pattern). This is a subjective classification. It is important to note that any organization over its life may go through periods where trends are positive or negative, stable or in flux. The consultants' goal was to select the best descriptor for the data over the study period.

¹² CADAC (Canadian Arts Data / Données sur les arts au Canada) is a web-based application dedicated to the collection, dissemination and analysis of financial and statistical information about Canadian arts organizations. CADAC launched in 2008.

¹³ Although some ASOs have been around for four decades, some are virtually start-ups.

Revenues are more easily interpreted than expenses, because the categories are less subjective. (CADAC applicants tend to receive their revenues from the same types of sources, but the sector engages in a wide variety of activities, which CADAC captures in a small number of broad categories.) The expense lines are more subject to individual allocation decisions. In particular, without detailed research, it is impossible to be conclusive about the cause of peaks and valleys in administration and marketing spending, except to say that they likely result from special projects classified here (rather than programming) based on the nature of the project and the preferences of the organization.

A more in-depth investigation would involve separating core commitments from short-term or ad hoc projects. This would enable a more precise analysis of how ASOs are funded: in particular, the extent to which core costs (particularly leases, employment contracts and other long-term commitments) are financed from secure revenues, and the degree to which organizations must chase soft/project revenues to make ends meet.



In the CADAC template, organizational expenses are organized into four categories: Programming, Administration, Marketing & Communications, and Fundraising. Looking at the figure of the four expense categories, Programming (47%) and Administration expenses (45%) predominate, and are roughly equal each other over the study period.

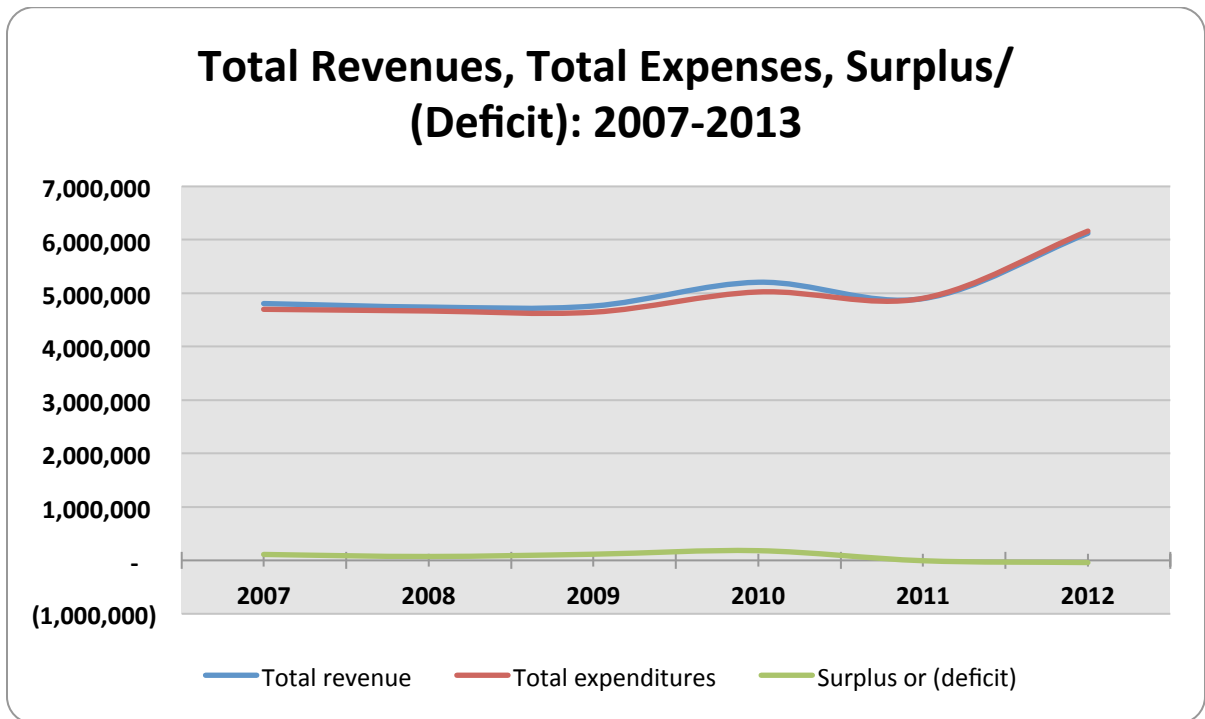
Arts funders, whether public or private, traditionally fund administration costs only to the extent that they directly serve specified activities and deliverables. Therefore, although administration needs are substantial, financing initiatives are always framed as pitches on behalf of programs and services.

- ASOs must be highly sensitive to avenues for revenue generation that may be seen as directly competing with the members they exist to serve.
- Securing philanthropic support is typically a challenge for ASOs. Artists have limited capacity to give, and arts organizations – for the most part registered charities – rarely donate to other organizations. As membership associations, ASOs have limited direct contact with the sort of broad audience that entices corporate supporters. Few major individual donors, foundations, or corporations prioritize the type of community-building activity delivered by ASOs.
- The most obvious source of earned revenues is the membership itself, in the form of membership fees plus event registrations, publication sales, and the like – with interested non-members (often other arts organizations and other ASOs) providing a secondary market. Given the constricted resources of the sector, prices are often set with the intent of merely recovering direct costs. Pricing to recover overhead expense – and, beyond that, to generate a surplus/profit – is often deemed too “rich” for the sector. Thus, membership fees are a relatively small source of revenue for many ASOs, and substantial revenue-generating projects are often undertaken only when underwritten by grant support.

- In Phase Two of this study, we learn that on average 54% of an art service organization’s support is government-based funding. The majority part of government funding (or 37% of the average ASO’s total financial base) is project-specific grant support for programs and services including, in some cases, a small percentage to underwrite a portion of the project delivery overhead. Most ASOs also receive some operating support from a combination of governments for their general member services and activities (about 17% of their overall operations). It is not uncommon for salaried positions to be supported from a patchwork of operating grants, project funding and earned revenues. The risk of “mission drift” always attends organizations that rely on project funding to pay core costs.

Findings

Overall, the analysis indicates that ASO budgets tend to vary in size from year to year depending on success at attracting project funding. The majority of organizations show an up-and-down pattern in both total revenues and total expenses.



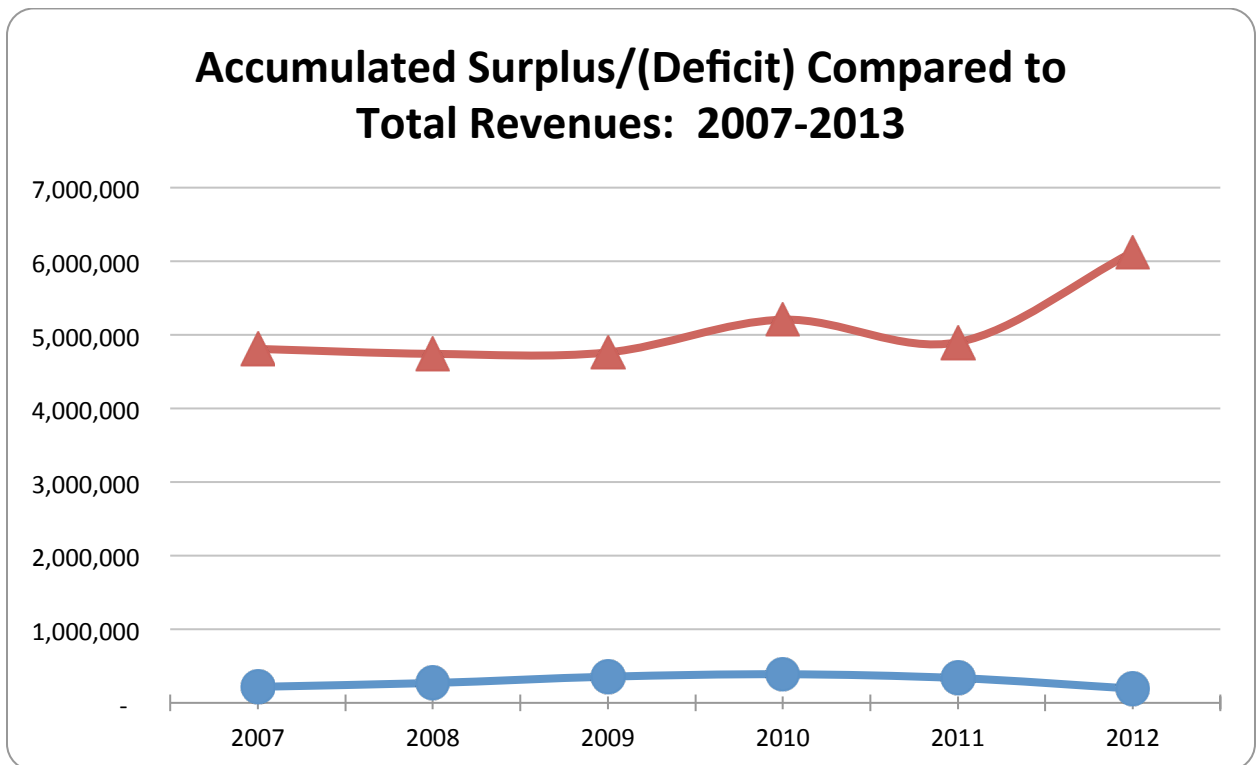
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This effect is visible to some degree in the aggregate graphs, but considerably smoothed out because the fluctuations of individual associations offset each other. The variability confirms the importance ascribed by EDs to resource development. The common scenario is for organizations to bolster their activity base through periodic short- and medium-term projects which augment the revenue base and fuel spending on service delivery.

Among the few organizations whose finances trended consistently upward over the study period, there is no obvious common factor: they are of different sizes and ages, in different disciplines, etc.

Overall financial health

In terms of accumulated surplus or deficit – an important indicator of health and stability – the news over the study period is mixed.



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In 2008, the 15 participating ASOs held accumulated surpluses totalling \$220,000 on aggregate revenues of just over \$4.8 million. That is, taken as a whole, the sample associations' accumulated operating reserve stood at about 5% of their revenues. This would cover somewhat less than a month's spending. (One twelfth of a year would be 8.3 %.)

In 2013, accumulated surpluses totalled \$193,000 on aggregate revenues of just over \$6.1 million. Although still a positive result, the operating reserve has shrunk to about 3% – about half a month's spending.

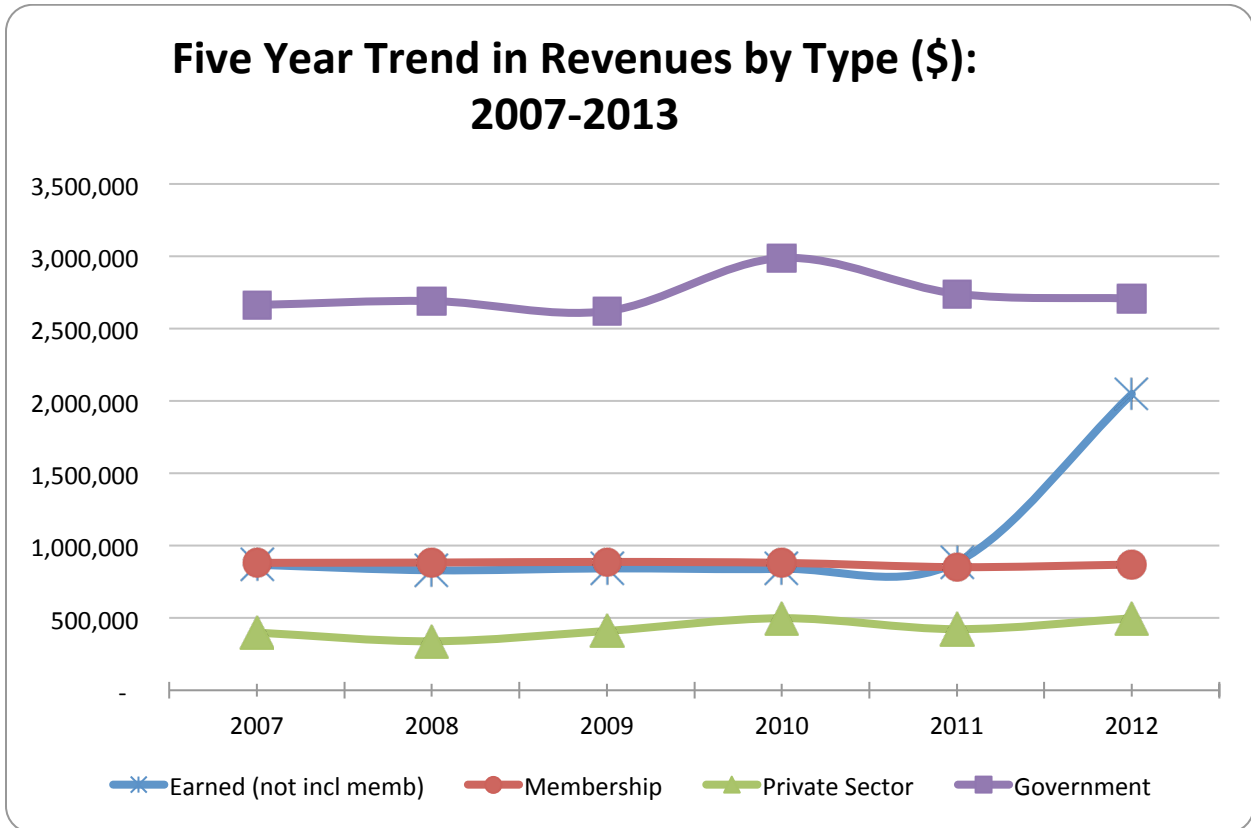
In the intervening years, the high point occurred in 2010 and 2011, when the aggregate accumulated surplus for the respondents stood at 7.5% of their total revenue base. But, because these organizations can experience considerable financial volatility; we cannot conclude that the decline between 2008 and 2013 necessarily represents financial trouble for the sector.

- Within the aggregate, only one held an accumulated surplus exceeding 25% of its revenue base.
- About half of the participating ASOs maintained an accumulated surplus equal to one to three months of operating costs (that is, 8% to 25% to the good).
- Another third were carrying net assets running between an accumulated surplus of 8% and an accumulated deficit of 10%.
- The remaining few carried accumulated deficits greater than 10%, the zone within which arts councils request a deficit-reduction plan appended to operating grant applications.

Considering year over year change, approximately one third remained stable over the study period. Another third were on a positive trend towards a stronger financial position. These were almost all larger organizations with 200 or more members. The remainder were in decline, or showed an irregular pattern of improvements and backslides. These were mostly smaller organizations with membership bases below 50. However, it is important to note that other organizations with small membership bases were “holding steady” on net assets.

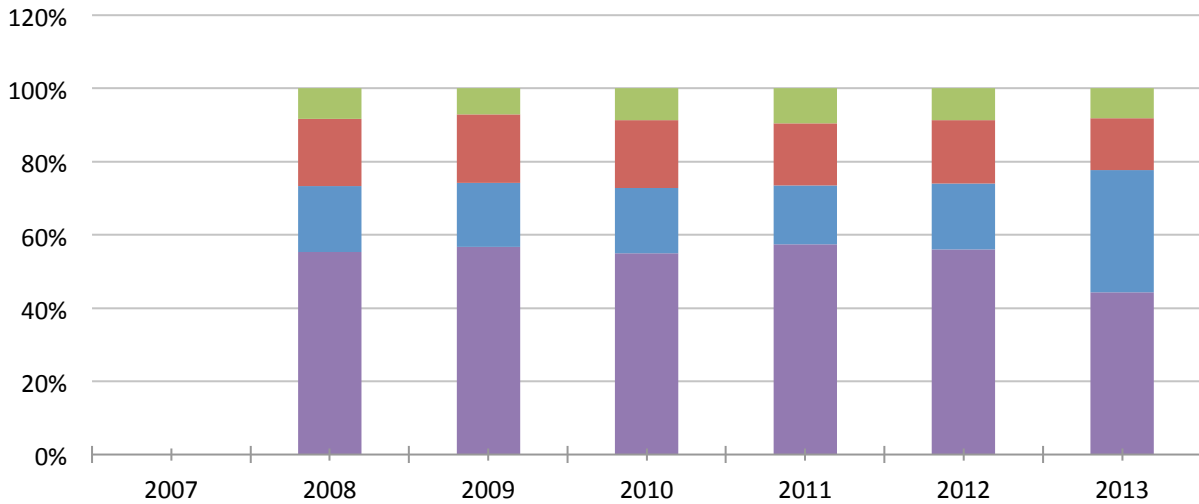
Revenue mix

The revenue mix tends to be surprisingly consistent through yearly fluctuations. Regardless of activity level, earned, fundraised and government tend to stay in roughly the same proportion to each other.



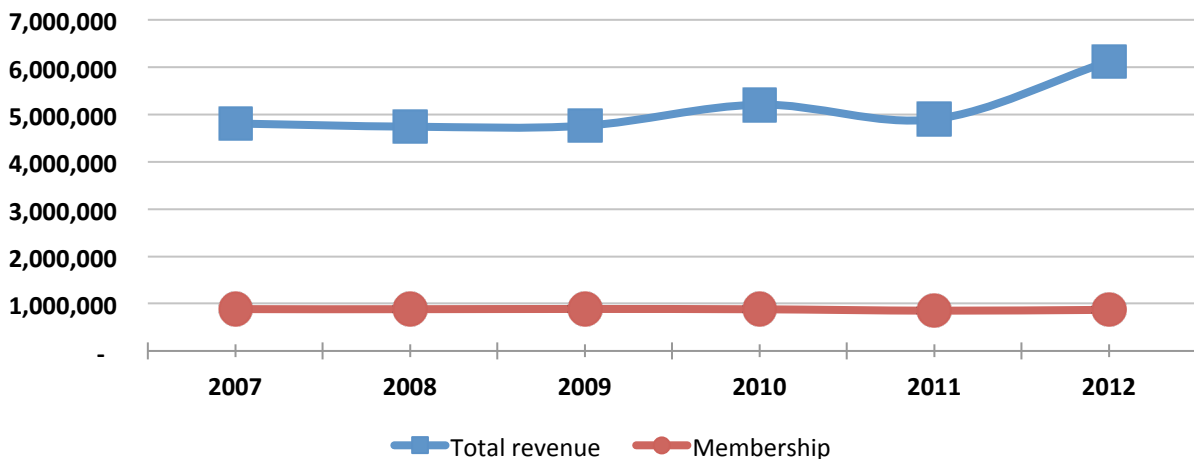
ASOs depend on government funding to a significant degree. Although operating grants provide a consistent base of revenue (for most, flat-lined since 2009), they are not sufficient to maintain these organizations at their current size and programming level. Project grants are an essential tool for program delivery. They also drive volatility in the financial size of the organizations. On aggregate, operating grants contributed an average of 17% of ASO revenues over the study period, ranging narrowly from a low of 15% in 2008 to a high of 19% in 2012. By contrast, project grants contributed an average of 37%, with a much wider spread. The low of 29% fell in 2013 and the high of 40% occurred in both 2008 and 2011.

Five Year Trend in Revenues by Type (%): 2007-2013

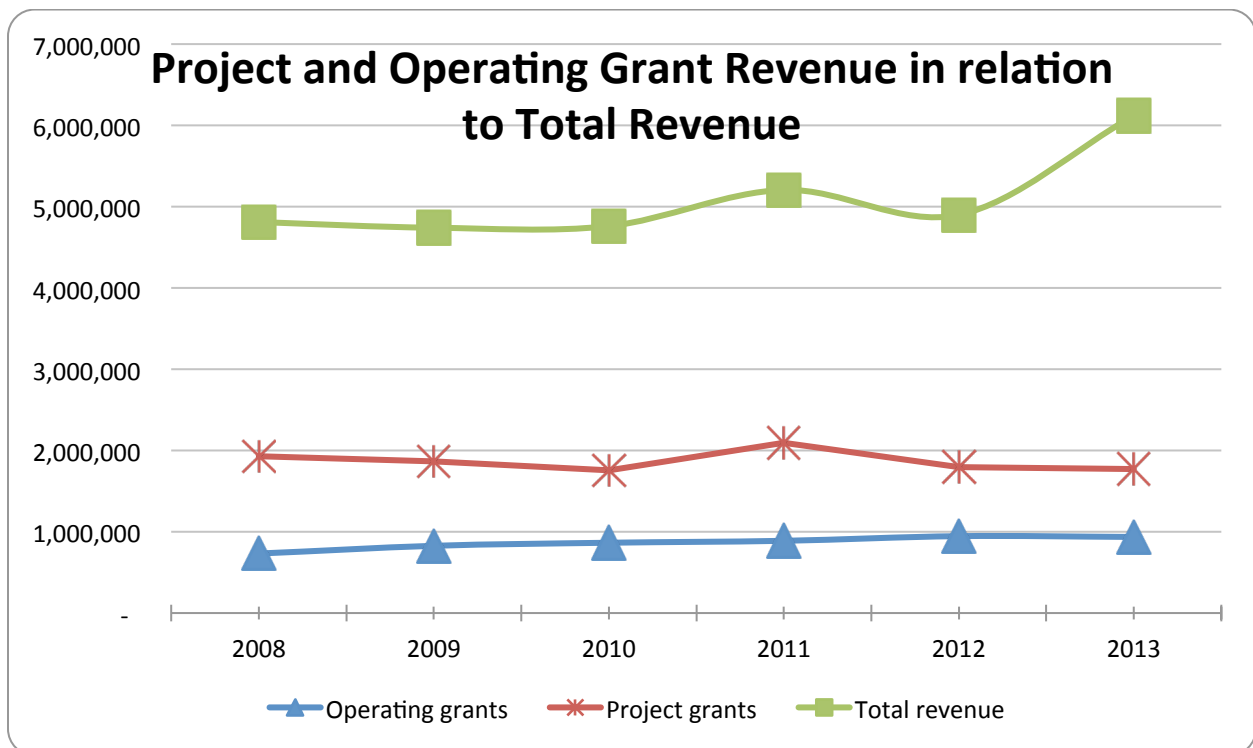


Research indicates that project grants tend to drive both earned revenue and philanthropic support. In years of higher government investment, all revenue sources tend to increase. This observation supports the inference that government grants are used as a tool to leverage other forms of revenue – and, conversely, that ASOs have greater success at attracting community support in situations where foundational government support has been secured.

Membership Revenue in Relation to Total Revenue:



Earned revenues arise from memberships and the sale of professional development events and publications. For two-thirds of participating organizations, membership revenue was essentially flat over the study period. The remaining third are spread evenly amongst increasing and declining membership revenues, with one respondent showing an irregular stream of revenues from this source. Looking at all participating ASOs in aggregate, membership revenues contributed 17% of annual revenues on average, and other earned revenues contributed an additional 17%. (The 2013 aggregate result for earned revenues other than membership fees is considerably higher, at 33%. This sudden jump-up arose because one responding organization amalgamated its reporting with a related entity.)

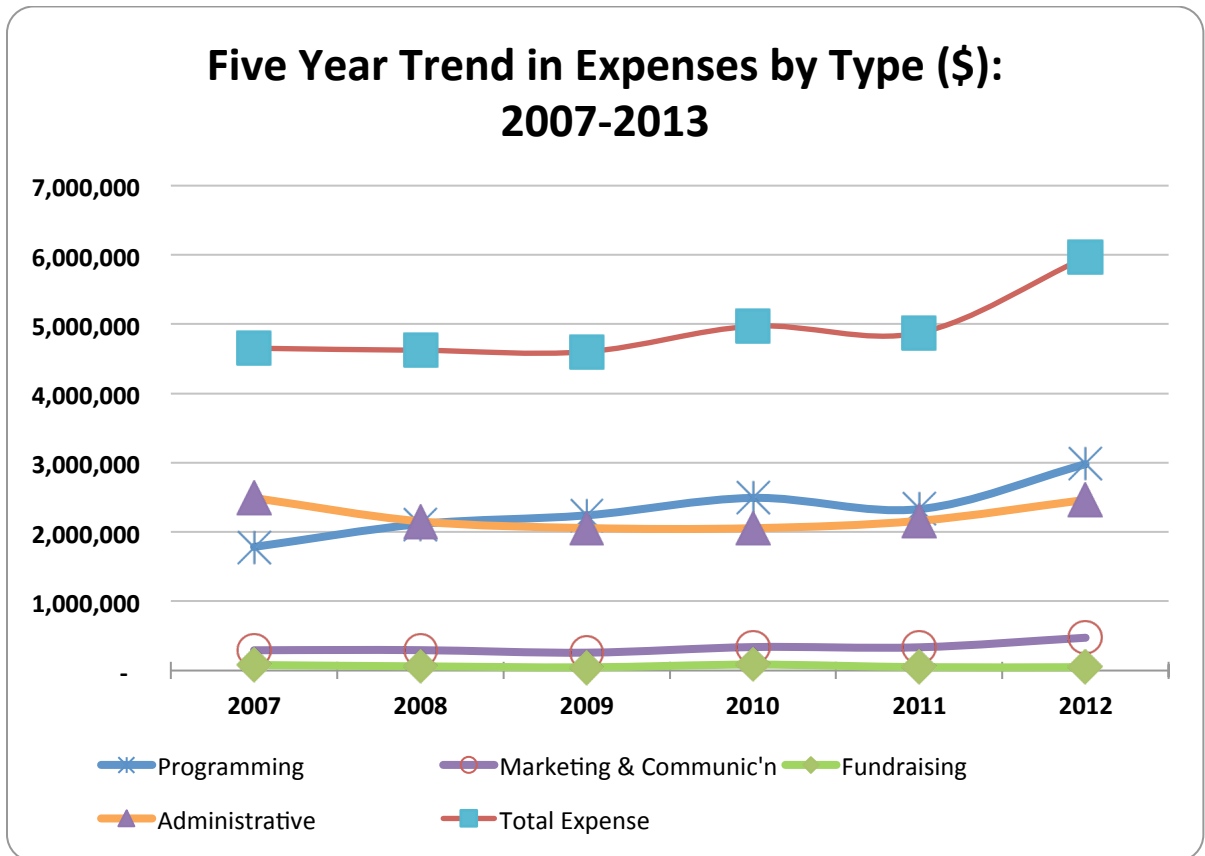


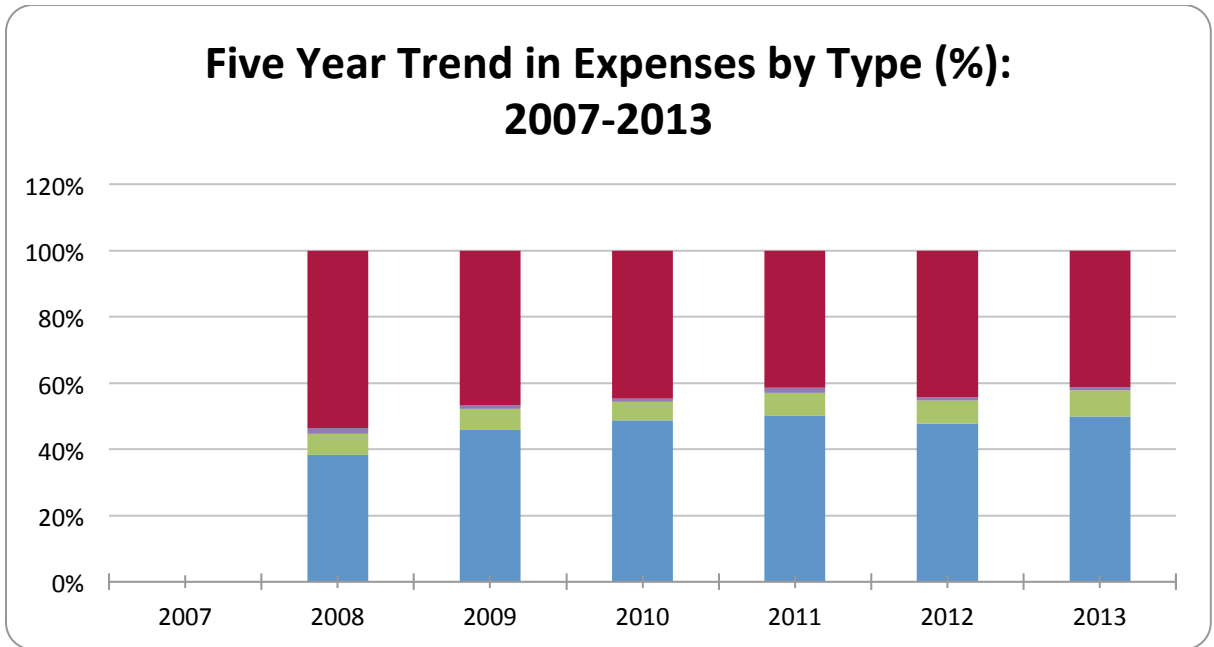
Fundraising/philanthropic support is a factor for some but not all ASOs. Some do not fundraise; some hold fundraising events. Many seek sponsorship for conferences and other programs. On an aggregate basis, fundraising contributed about 8% of ASO revenues over the study period.

Some organizations have an extraordinary source of non-government revenue that has, or may have, the potential to produce, enough extra funds to stabilize the organization. We termed this a “glass slipper.” The examples that demonstrate the most potential are retail shops and awards programs. ASOs who have found a way to “break the mold” of the typical revenue mix may undertake greater risks, but also stand a better chance of finding financial security.

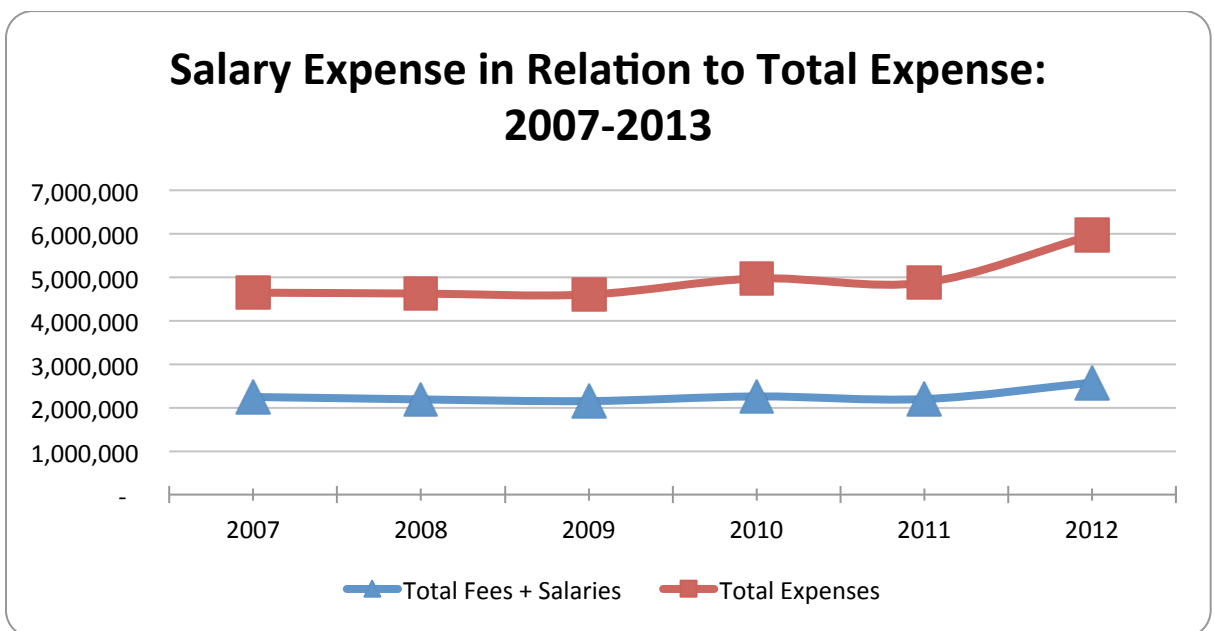
Expense mix

63.6% of EDs and Presidents identified resource development as the top priority for the Executive Director position. *Resource development* is the process of financing – i.e. providing funding for – the service and delivery costs of an ASO’s mandate.





Thinking from a strictly financial viewpoint, mandate-driven organizations can evaluate their success by the degree to which they are able to allocate resources to their dedicated arts service priorities, while at the same time paying for rent, insurance, and other general overhead expenses. In terms of priority allocation for the Executive Director, *resource development* is then followed by the priorities of *programming*, *advocacy* and *governance/board relations*.



As noted, the challenge in defining the expense mix was reasonable interpretation of the allocations. Without a doubt, salaries represent the most significant area of expenditure for ASOs. The CADAC form breaks salaries down by department, but it was easy to aggregate the line items.

- About half of reporting organizations spend between 33% and 50% on salaries.
- Another third spend more than half of their budgets in this area.
- The remaining ASOs spend less than a third of their budgets on salaries.

Interestingly, this last group includes the largest and smallest organizations by budget size: that is, they were either too small to support salaried staff, or so large that salaries occupy a proportionally smaller share of their expenditures.

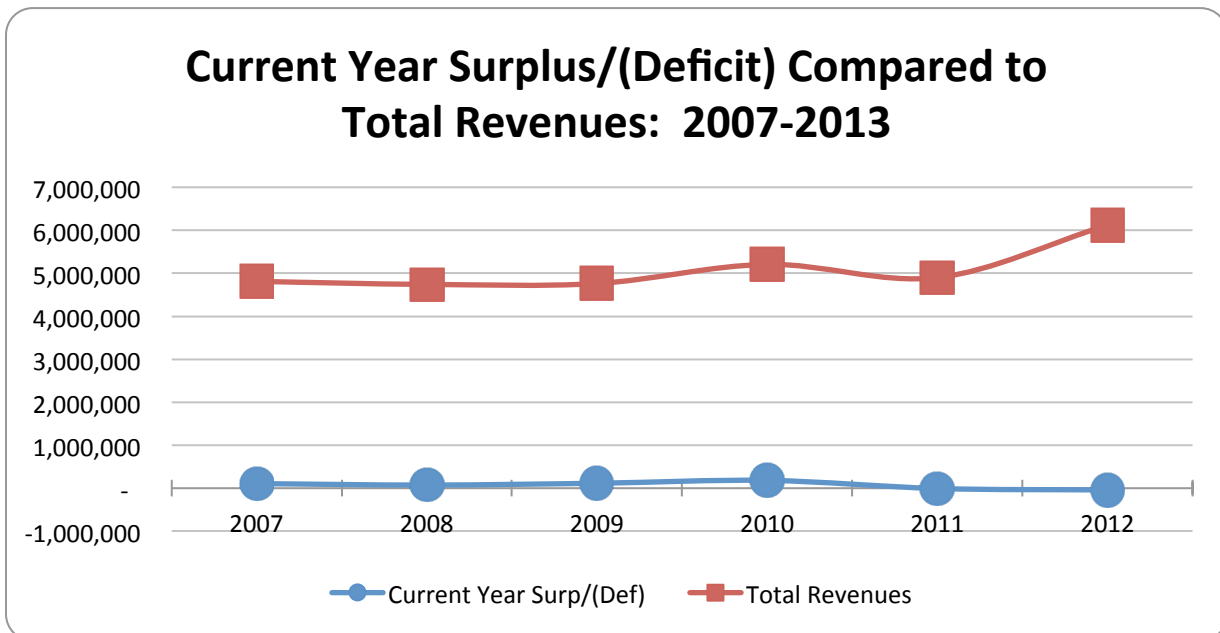
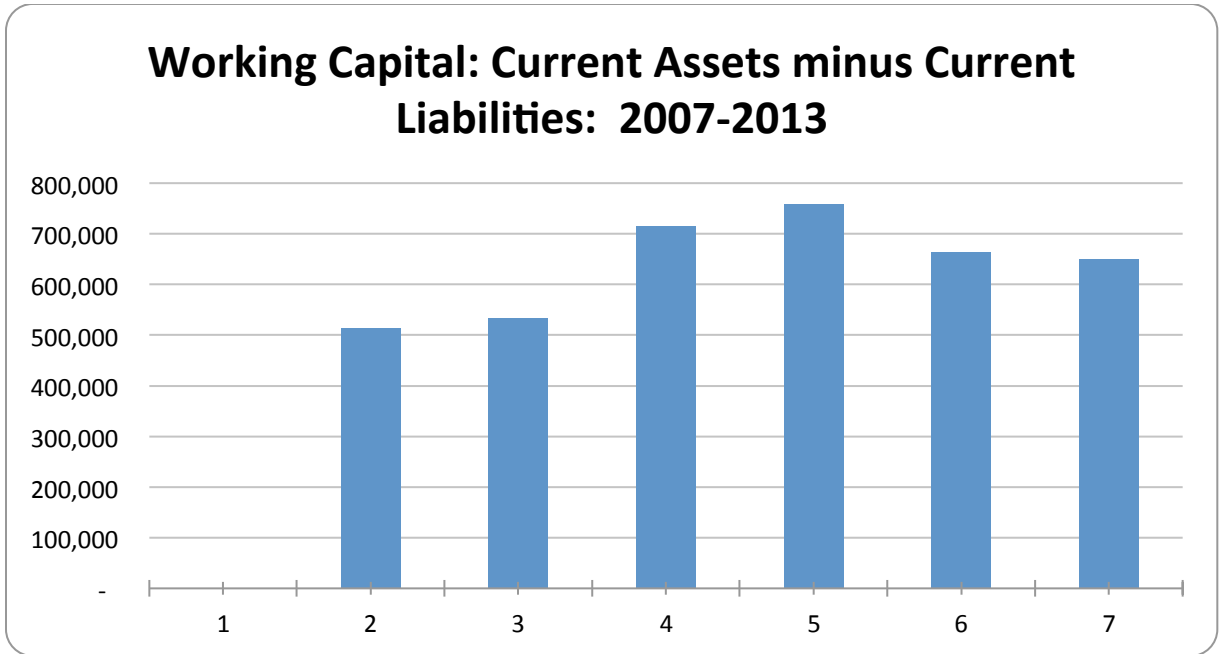
As previously noted, programming (encompassing programming salaries and other costs) consumes an average of 45% of ASO expenditures. Almost all respondents (80%) see their programming outlay vary up and down in tandem with project funding. This relationship was quite apparent from the CADAC figures.

Marketing and communications expenditures for the most part are flat, meaning that they occupy about the same percentage of total spending regardless of that year's total budget. Note that in some instances there are significant peaks and valleys on this line, which the consultants attributed to the allocation of special projects in the realm of marketing and communications. In aggregate, the study participants spend an average of 7% of their budget in this area.

Most ASOs spend little or nothing on fundraising. In aggregate, the group of respondents spend about 1% of their resources in this area. The common wisdom is that ASOs should not compete with their members for philanthropic support, and that even if they did, with minimal public exposure, ASOs would have a hard time attracting support. The current data set supports this commentary.

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For about half of participating ASOs, administration expenditures fluctuate year by year. The other half are divided about equally amongst administration costs increasing, declining and remaining flat as a proportion of total spending. For the entire study group, administration spending ranges from 40% (2011, 2013) to 54% (2008) of the total (on average, 45%).



Implications for ASO leadership

Dependence on government-based funding is magnified for those ASOs with few members and/or low membership revenues. (While these two factors may go hand in hand, it is also possible for an organization with few members to charge a high per-member fee. It is also the case that ASOs serving individual artists keep their fees as affordable as possible, and therefore may have proportionally low membership revenues despite a relatively large membership base.) To illustrate, of the organizations with fewer than 50 members, all but one derive 75% or more of their revenue base from government sources. The odd one out produces conferences that drive significant revenues from other sources.

Because government provides targeted funding for the sector, because grant support tends to drive ancillary revenue generation, and because grants tend to bring in large sums for one concentrated effort, they are rightfully seen as both a primary and an expedient source of financing.

However, arts service organizations are pursuing revenue diversification to the fullest extent possible. If the landscape of government arts funding in Canada were to change in a way that disadvantaged ASOs – as happened in Ontario in 1997 – a major shift in financing strategy would be required. Weaker organizations might become unsustainable. For example, the recent OAC 5% cut to operating grants was substantial enough to offer a significant challenge to many organizations.

From the viewpoint of diversification, it is interesting to note that there does not seem to be a correlation between achievement at attracting earned and fundraised revenues and either membership size or budget size. Both larger and smaller associations had varied experience in these realms.

Consultants' Offering: A Context for Ongoing Discussions

The cultural sector has been fortunate over the span of some 40-plus years of active, vital history of arts service organizations (ASOs) across the disciplines that so much has been expected of so few – and they have delivered, in terms of years of experience in the sector and in the leadership position of their ASO, as well as countless hours of contribution (lieu time for the staff and volunteer time for their supporters).

The leadership function in Ontario-based ASOs is seen by the practitioners – both Lead Staff (Executive Directors) and Lead Volunteers (Chair, President, VP, Past President) – as a joint venture.

Increasingly, however, the ASO leadership is also aware of some harsh truths as glimpsed through the lens of this research. Both EDs and their Board Presidents have been driven to ensure that the sector (members, artists/performers, funders, supporters) know that the books have been balanced, audits completed, tax forms submitted to Revenue Canada, that grant deadlines (applications AND reports) are met.

Now they are being challenged to pivot 180 degrees. They must become even more mindful of the future they want to create. Building on a history of accomplishment in terms of compliance and oversight, they now need to look forward. ASO leaders will be required to heighten their profile as ambassadors, harbingers of good things on the horizon, despite the chronic austerity in the field, so that decision makers (elected and appointed) are constantly aware of the arts service organization's value proposition.

Best Practice in ASO Leadership – Next Steps

Although *one size does not fit all*, there are numerous strategic and tactical actions that ASOs – their Boards, committees, staff, volunteers, funders, supporters – could be addressing as an ongoing and essential part of nurturing success. Those in leadership, both lead staff (EDs) and lead volunteers (Presidents/ Chairs), are best positioned to tailor and harmonize the most effective balance of actions to accomplish this. Over a decade ago (2003), the then Canadian Conference for the Arts (CCA) highlighted the “importance of human capital in the life-cycle of organizations and actively encourages the development of healthy and humane workplaces capable of attracting and maintaining healthy committed workers.”¹⁴ Progress has been barely incremental.

- We recommend that the PASO Coalition seek the means to facilitate a conversation amongst the ASOs that addresses the value of strategic alliances. Collaboration is about “when and how.” Start a conversation about a shared service agreement that speaks to ASO development as sectoral capacity building, not just organizational capacity building.

Governance

The objects/articles/bylaw/constitution/policies of Arts Service Organizations in Ontario are the *rules of engagement*, laying out in greater or lesser detail the *how* of an ASO’s response to the mission-vision-mandate-values of the organization. Like collective agreements, they offer direction as to a baseline (not an optimum) of the ways things best get done.

- The impending Ontario Not for Profit Corporations Act (ONCA – projected 2016, compliance by 2019) offers a window of opportunity to re-examine:
 - Board size
 - Board composition (diversity of diversities – age, gender, cultural, income, education, skills)
 - Length of Board terms, maximum number of terms, total number of years
 - Removal of a Director, policies re attendance
 - Quorum for Board, committees and AGMs.
- Ongoing inventory/gap analysis of strategic skills as part of strategic succession planning.

¹⁴ Jocelyn Harvey, A Proposed Action plan for Creating Winning Conditions, p. 24.
ONTARIO ARTS SERVICE ORGANIZATIONS
One size does not fit all

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- The ED should be engaged proactively and contractually in the annual recruitment cycle (e.g. *ex officio* on Nominations Committee) of Board members as well as officers (with particular sensitivity to the VP role).
- Establish annual (at least bi-annual) performance assessment protocol for both the ED and the Board President.
- Ensure that succession planning – mindful leadership – is a reality for BOTH the Boards and the Executive Directors (especially those ASOs founded between 1984 – 1994 where half predicted difficulty in replacing themselves).
- Determine a “right size” strategy for Boards, recognizing that all the resources (talent) do not have to reside only at the board table, but also within the committee, taskforce and advisory structure.
- Clarify differences between governance and management appropriate to the individual ASO context (board composition, board life cycle, budget and staff scale, etc.): “management manages; boards govern.”
- Boards periodically review core policies (Conflict of Interest, Whistleblower, Privacy), Bylaw, D & O Insurance).
- Budget for ED and Board travel and training.
- Boards of ASOs who are registered charities should review the annual T3010 Registered Charity Information Return prepared for Revenue Canada.

Boards

- Understanding and commitment to the Mission/Vision/Values of an ASO is so fundamental, Boards must ensure that recruitment process starts there, identifies, nurtures and celebrates and supports it. There is a hierarchy of needs:
 - Passion for the mission
 - Community connections
 - Required skills (Marketing, Client Service, Development, Financial, etc.)
 - Demographics (diversity)
 - Ability to “give AND get” resources
 - Knowledge of the sector.
- At least bi-annually, Boards (including key stakeholders) should undertake a strategic/ planning/ board meeting/retreat.

Committees

- Make Governance/Nominations Committee a regulated part of committee structure to meet the HR demands of the Board, its committees and members. This function is best served when it is strategic, continuous and proactive.

Leadership

The shared leadership model of ASOs (EDs appointed and Presidents elected) needs to be able to operate like the two halves of the brain. Although each side has its particular skills and strengths, it takes a balanced combination of the two to be able to function effectively and efficiently.

Steps towards Collaborative Leadership

- Executive Director and Board Chair/President collaborate on developing and fostering a sense of collegiality, teamwork, and a full understanding of the organization's impact on its communities.
- ED and Board Chair develop meeting agendas collaboratively, in advance of meetings.
- ED and Board Chair establish a positive board culture by example:
 - Supportive listening skills
 - Engage all participants at meetings
 - Delegate topic or issue leadership to others
 - Environment dedicated to trust, mutual respect, shared responsibilities and accountability
 - Encourage strategic thinking, the long game.
- ED and Chair develop a support strategy for other committee chairs;
- ED and Chair are essential contributors to the Board's Governance/ Executive/ Nominations Committee.

Executive Director

- As an integral part of an ASOs Bylaw, Executive Directors should be *ex officio*, non voting members of their boards, a participant in all board meetings

President/Chair

- As integral part of the Bylaw, clarify that the lead volunteer is not ‘unpaid staff,’ with duties specific to the function and not constantly in operational mode.

Assessment

Duty of Care responsibility for Board members requires that their obligations centre on strategic direction, compliance/oversight, and resource attraction. While Boards are mission supportive, and more effective at such technical tasks as bylaw management, financial reporting and compliance, they also need major work on adaptive work (more complex, competing solutions, strategic).

- The PASO Coalition could establish a temporary “creative trust” as one means to gather resources, create tools to measure status quo, set objectives for improvement work with specialists to achieve improvement, possibly establishing an incentives approach for meeting objectives.

Accountability and Oversight

- PASO Coalition seek collaboration with Imagine Canada’s Standards Program of Canada’s Charities and Nonprofits in the community outreach to the arts, culture and heritage sector (board governance, financial accountability & transparency, fundraising, staff management, and volunteer involvement).

Advocacy

- Position ASOs as value adding to the infrastructure, not a programming cost, one that brings focus of volunteers, staff and supporters to the broader policy structure of the Province.
- Approach OAC to host annual/biannual meeting of ASOs to examine best practices in strategic and operational elements that are essential to ASOs.

Professional Development

- PASO Coalition approach a post secondary educational institution (Humber College and York MBA program) for contribution to developing curriculum and training resources:
 - <http://www.humber.ca/program/arts-administration-and-cultural-management>
 - http://schulich.yorku.ca/client/schulich/schulich_lp4w_Ind_webstation.nsf/page/home-artm!OpenDocument.
- PASO Coalition should source training resources for strategic skills identified in research:
 - Managing Change (76.7%)
 - Working effectively with both Board and staff (76.7%)
 - Setting Priorities (73.3%)

Human Resources

All arts service organizations have yet to reach a level of professionalization in their HR Policies and Management, possibly tied to historical practices amongst funders and managers that accentuated programming, not infrastructure.

- PASO Coalition approach Work in Culture to explore the funding and delivery of several Peer Learning Circles for EDs (according to length of experience – new, established; size of organizational budget or staffing).
<http://www.workinculture.ca/Resources/Research/PeerLearningCircleJanuary2010.aspxn>)
- PASO Coalition engages the marketplace – corporate, institutional, and regulatory – in a dialogue that is supportive of funded professional field placements and internships.
- PASO Coalition approach funders for investment in the development of short term sabbatical leaves for senior managers, and mentored career development for mid-career managers.
- Based on the CHRC model for job descriptions and competency profile (which speaks more to primary responsibilities, duties and demands, rather than a lengthy listing of tasks), develop appropriate job descriptions for the lead staff and volunteer positions.
- With the CHRC skills matrix, build a core curriculum targeted to the strategic and operational needs of EDs and their ASOs, adding in entrepreneurship and change management as strategic skills.

- Establish benchmarks across the province for ASO HR development benchmarks over the mechanics of such elements as:
 - Job descriptions
 - Compensation packages
 - Recruitment, retention
 - Turnover rates; burn-out; working conditions
 - Health and Safety issues
 - Work load, lieu time
 - Baseline of full time and full time equivalent
- Initiate a dialogue in the sector on how best to address the challenge of professional development amongst ASOs.

Communications

- Develop enhanced technological framework for meetings, communications.

Support - Systems

Arts service organizations want to ensure security for planning cycles (multi-year grants, annual reviews), to present a consistent and professional face to the sector (not the EDs spare bedroom and dining room/conference table), to position them as available and accessible to all.

- Establish sectoral benchmarking for stable office, administration, and operational levels:
 - Space
 - Sufficient technology, upgraded regularly
 - Sufficient core revenue, not dependant on project funding
 - Turnover and burnout prevention
 - Career development options.