

Executive Summary

Collective Insourcing: A Systemic Approach to Nonprofit Arts Management

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Most arts administrators and artists have experienced the various pitfalls of the U.S. nonprofit system. Regulatory and funder requirements exceed organizational capacity and experience; as costs increase with growth, disproportionate resources are required to maintain the institution, which detracts from program development; frustrating structural and behavioral inefficiencies abound; addressing donor desires adds complexity; and there is a perpetual lack of resources to invest directly in artists and arts projects. In addition to the basic business costs of producing and selling, nonprofits have the added cost of attracting and maintaining donor interest. Meeting diverse expectations can add cost and dilute effectiveness. Meanwhile, arts administrators and artists are required to fulfill disparate roles, often in excess of their experience and sometimes to the detriment of their work product. Addressing this complexity by increasing contributed income to pay for expanded administrative infrastructure often compounds the problem, because expectations increase at the same rate or disproportionately higher with income growth.

A Systemic Approach

The collective insourcing model proposes that routine processes of multiple arts organizations can be delivered through a shared, self-sustaining, client-owned agency. By shifting common processes of many organizations to a shared system, there is a multiplier effect on limited resources, specifically: time, money, and labor. Administrative processes that are currently duplicated within and amongst organizations can be aggregated and streamlined. Financial resources will have greater residual impact because any surplus generated by the agency is returned to the clients through lower fees, enhanced services, or shareholder distributions. Work product is delivered at substantially lower cost due to standardized practices, enterprise-level data systems, high-volume transactional processing, and collective utilization of labor.

Many areas of potential business process reorientation will be considered, including: accounting, cash management, budgeting, reporting, regulatory compliance, insurance coverage, human resources, workspace management, information technology, document management, purchasing, banking, lending, investing, production staffing, and information dissemination. Fundraising and marketing may have certain functions delivered in the new model, but it is assumed that much of that work will remain proprietary.

Potential Impact

A well-implemented model will offer increased resources for artist compensation, creative residencies, and enhanced production values. For program administrators, the new model alleviates significant time and energy currently consumed by non-programmatic activity. For non-program administrators, it offers the opportunity to work in a more focused way as part of a team providing high-impact services to a large, diverse clientele of organizations and artists. For organizations, this approach frees up resources currently spent in inefficient structures, allowing for more effective mission delivery. For funders, well-organized grantees will provide greater return on investment and realization of mission. Audiences will

benefit from increased access to information, improved production values, and more fully realized artistic work.

Fundamentally, the proposed new operating model is discontinuous from previous operational practice in that multiple companies' business processes would be delivered by an agency that they collectively own. Unlike current service organizations that offer certain services and operate independently, this model is anchored by a shared agency that is interdependent with its client-owners. In effect, the model creates a container for and recycler of limited financial resources, eliminates currently duplicated systems that serve common needs, reduces competition for limited funding, and maximizes resources available for programmatic activity.

Development and Implementation

Part of the development work will focus on creating a flexible system that can, over time, serve the full range of New York's nonprofit arts organizations and perhaps other nonprofit industries as well. We are particularly interested in determining how the new model can also serve independent artists – perhaps decreasing or eliminating the need for artists to incorporate unless specific goals beyond personal artistic production warrant the cost of institutionalization.

A development phase would build on experiential research already collected to shape the conceptual model. The model-in-development would be tested in a variety of ways, including peer review, legal structure analysis, financial assessment, and existing resource comparisons. It is vitally important to strenuously test and refine the model in order to mitigate potential dysfunction, inefficiency, resistance, and change aversion. If this testing results in a viable model, a comprehensive business plan can be developed for the creation and management of a client-owned agency, implementing a new model for nonprofit management. Start-up funding would be secured to establish a legal structure, design/build necessary operating systems, hire/train staff, and develop client/owner participation.

Conclusion

What differentiates artists and arts organizations is the creativity and individuality of the content they produce, not the procedures required to maintain a nonprofit company. This is different than for-profits, which may develop proprietary operational methods to produce similar products to their competitors more efficiently and achieve greater market share for a wider profit margin. Artists and arts organizations don't compete in this way because their *products* are each original. There is no advantage in keeping nonprofit operating systems proprietary and in-house, because these systems are not what make each organization special. An organization's programmatic output is what ensures its identity and longevity, and reducing the amount of time wasted on duplicative efforts and inefficient systems increases the potential effect. The proposed replacement model would resolve many of the obstacles that stand in the way of a more deliberate and increased focus on artistic practice and output.