

Flexibility & Sustainability

Exercise developed in partnership
with Peter Frumkin, Ph.D.



Flexibility & Sustainability Exercise

One of the ways to achieve mission and financial sustainability is to develop flexibility in the system. Flexibility allows an organization to be more adaptive and creative in a changing environment, and allows leadership to thoughtfully respond to these changes rather than react in ways that may damage the organization in the longer term. Both revenue and expense provide opportunities for increasing flexibility.

Flexibility & Sustainability Exercise

Use and disclaimer

This discussion-based exercise will help you and your team examine and discuss your financial flexibility. Compile data and questions that will fuel the conversation and distribute before your meeting. Financial data might include expenses and income comparisons over three to five years and project costs to income over time including staff allocation (or costs). Looking at the fixed expenses and how they trend as compared to secure income over that period will help you discuss risk in an unemotional way with your leadership team.

Determine if each person will answer the questions independently and then all will compare views or if you will use the questions to lead a discussion with the group.

Who should be involved

Senior staff and executive

Time to complete

The time needed will depend on the number and emotional / financial complexity of the programs being analyzed. If staff members are analyzing data separately, schedule a time to compare answers and views and to discuss where there might be opportunities for change to increase flexibility.

Video presentation

Watch the video introduction by Peter Frumkin linked below and then work through this exercise with your team.

TheChiefExecutiveProgram

How should cultural institutions approach the challenge of sustainability?

Peter Frumkin, Ph.D.
University of Texas at Austin

National *Arts* Strategies

Expense analysis

Look at your expense structure to determine the degree to which your organization has flexibility in this area. Questions for this discussion might include:

1. Are your fixed costs relative to total costs increasing or decreasing?
2. How do you determine the true costs of your programs?
3. What is the relationship of expenses to outputs and outcomes? Do you evaluate programs regularly against financial and mission related criteria? If so, are resources allocated based on this evaluation?
4. When you create new programs, do you have additional resources (people and money) upon which to draw or do you retire older programs?
5. Are you consistently trying to do too much with too few resources?
6. Are you keeping up with or deferring maintenance?

Income analysis

Now, look at your income to determine the degree to which your organization has flexibility in this area. Questions for this discussion might include:

1. How diversified or concentrated are your income sources? How dependable are the sources? How comfortable are you with the “advance funding” as compared to the “advance fixed costs?”
2. How much unrestricted revenue do you have? Is this sufficient?
3. Do you spend a lot of time managing cash flow or do you have reserves at appropriate levels for defined purposes?
4. What is the organization’s history of deficits/surpluses and what story does this tell?
5. If income were to drop suddenly, how would you decide what to cut to adapt to the decrease? For example, would you implement a percentage cut across all areas or vary the cuts based on criteria such as those outlined in Zero-Base Budgeting (see decision package explanation in the next slide)?

Additional resources

Related to both expense and income analysis, it is helpful to view Michael Granof's video: [How should cultural organizations approach budgeting?](#)

Peter Frumkin's video on [Logic Models](#) may help inform your discussion of outputs and outcomes in the expense analysis.

The Zero-Base Budgeting concept of *decision packages* includes:

- Activity objectives, in terms of both *outputs* and *outcomes* that are objective, quantifiable and measurable
- Alternative means of accomplishing the same objective
- Consequences of not performing the activity
- *Outputs* and *outcomes* at various levels of funding, including the current level and at least one level that is below the current level

Thank you for taking the time to work through this exercise with your team. These online lessons are a bit of an experiment for us. As we learn more, we will continue to adapt and refine them.

Your feedback is vitally important. Please [let us know](#) how you used this tool. What was unclear? What would you add?

We look forward to hearing from you.

Thanks,
The NAS Team