

EXECUTIVE SUMMARY

Arts Organizations' Early Response to COVID-19 Uncertainty: Insights from the Field

This rapid evidence review was undertaken between mid-March and June 2020, at the inception of a period of tumultuous change and uncertainty for all sectors of social, cultural, and economic life in the United States. The pandemic itself; the response to it by public health authorities; the economic fallout; and the anticipated but as yet unknown behavioral implications have together created the greatest challenges of most arts sector employees' professional lives. The civic movement for racial justice that was triggered by the killing of George Floyd by the police in Minneapolis on May 25, 2020 – the middle of the period of this exercise – provided a further lens on the pandemic, as the pandemic has both revealed and accelerated racial inequities in a highly visible manner. The demand that the cultural sector and its leaders address issues of systemic racism and social justice with greater urgency than they have to date is undoubtedly now an institutional imperative that now stands alongside the pandemic in its salience for arts leaders.

The evidence gathered in this review suggests that positioning, programming, and business modelling that focuses on **relevance** and **resilience** offers the best prospect of success across a range of future unknowns. These two terms, in turn, contain a cornucopia of potential strategies, some of which are already evidenced and others of which inevitably are more speculative. This report covers both, addressing:

1. Initial observations from the field on the implications of the crisis on operating models and anticipated outcomes for the not-for-profit arts sector;
2. The levers, mechanisms, and strategies being used or considered;
3. The needs and priorities identified by sector leaders to navigate the implications of the pandemic.

The observed implications of COVID-19 on arts organizations underscore trends already in evidence: the fragile and unsustainable nature of the business models in the arts; the need for greater understanding of audience behaviors and preferences; the imperative to develop a compelling online presence; the need to revisit the strategic alignment between programs and mission; strained relations between artists, creatives with a contingent employment relationship to institutions, and institutional leadership (at executive and Board levels); and the impact of modest reserves of working capital that many smaller and minority organizations have. Many arts leaders expressed concern for wellbeing of their organizations' staff and artists working in the sector given the pressures the pandemic has put on their personal and professional lives.

Excerpts from survey of arts leaders

Audience behavior

73% agree there may be an increase in socio-economic divide in propensity to participate in person

Income sources 5 years from now

54% expect decrease in ticket sales; **35%** expect increase in online retail profits

Future operations (2-5 years from now)

79% expect a change in diversity and quality of digital programming; **59%** expect introduction of new income streams

Dealing with impacts of the COVID-19 situation

Access to reliable audience data and projections; business modeling and scenario planning tools; and leadership skills are seen as equally important

In their response to the impacts of the pandemic, the leaders of arts organizations are exploring new strategies and approaches across the following areas:

- **Organizational planning for short, medium, and long term** – including scenario planning and revisions to strategic and business plans.
- **Programming** – taking measures to adapt to physical distancing requirements, accelerating digital production and distribution, and finding ways to support individual artists and creatives.
- **Income generation** – arts organizations are focusing on emergency relief fundraising and generating support from private and philanthropic donors, while also seeking ways to monetize digital programs and, in some instances, generate income for individual artists through new partnerships, platforms, and commissions.
- **Audience engagement** – the move to digital offers greater reach (not limited by geographic location) while racial justice movement is bringing to the forefront the issues of access and inclusivity, where minority arts organizations are better suited to engage with the local and global communities.
- **Work force and leadership development** – some organizations seek to restructure and 'upskill' their staff and leadership to address the need for digital content production and distribution and new channels for income generation.
- **Physical infrastructure** – the organizations with buildings or in pursuit of capital projects are considering new ways to utilize cultural infrastructure that may never return to pre-COVID-19 occupancy rates. This may generate new models of civic and community uses; retail; food and beverage; education uses; special events (e.g. virtual fundraising events for other non-profits); as well as conversion to smart and digital buildings.
- **Lobbying and collaboration** – formal and informal networks have been formed to advocate for the federal, state, and municipal funding for the sector and to jointly seek solutions to the effects of the pandemic on artists and arts venues.

The last section of this report summarizes the needs and priorities expressed by the leaders in the arts sector as they address the impacts of the pandemic on their organizations:

- Short- and mid-term operating funding, and more flexibility in the eligibility criteria set by philanthropic funding programs.
- Continuous data collection and analysis, and skills and technology to support that.
- Digital innovation and production and new collaborations and skills to advance research and development of the digital production and distribution of artistic content.
- Diversification of Boards, executive leadership, and staff and their respective skillsets to allow for greater accountability, transparency, inclusion, and innovation – including building business modeling skills for arts leaders.
- Partnerships with other sectors on artistic, education, and community programs.
- Exploring the viability of organizational and business models alternatives that provide opportunities beyond the not-for-profit, 501 c3 model prevalent in the sector.

There were commonalities in the preoccupations of interviewees and broad assumptions if not yet in articulated strategies, among them are: a sense that however the U.S. emerges from the immediate crisis of COVID-19, it will be into a less predictable and more turbulent operating environment; a need to engage with virtual content in a systematic and strategic way as a permanent part of artistic creation and distribution; a greater openness to experimentation and innovation; and a realization that during a period of economic recession 'relevance' – a short-hand for perceived social impact – will be paramount if current levels of philanthropic giving are to be maintained.

While there are yet no clear or universal paths for performing or visual arts organizations to navigate the impacts of the pandemic, the findings of this study present some tactical and strategic opportunities for the arts organizations to achieve greater resilience and relevance in the current period of crisis and social change. To help further the development of these opportunities, the Wallace Foundation is also publishing a set of scenario planning tools for the arts sector – developed by AEA Consulting with input from sector leaders and organizational planning experts from other industries – looking out to possible futures over the next five years, to help sector leaders shape their response.