SMART Growth Evaluation Report
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Executive Summary

SMART Growth Program
In 2005, The Chicago Community Trust (Trust) launched the SMART Growth program for arts and culture, marking a new approach to funding very small and small arts and culture organizations in Chicago. SMART Growth was developed as a capacity-building program founded on the smARTscope® philosophy. Developed by the Arts & Business Council of Chicago (A&BC) smARTscope® asserts that balanced growth across six delineated management areas while progressing through developmental phases is essential in order to ensure stability and resilience. The goal of SMART Growth was to guide 40 participating arts and culture organizations (Appendix I) toward balanced growth that ensured their sustainability and resilience in the face of economic shifts and organizational transitions. The methodology coupled small general operating grants of $10,000 to $40,000 annually with an initial organizational assessment (smARTscope®) that identified areas of strength and provided recommended strategies to address lagging areas. FY2009 was the final year of this three-year demonstration model.

During the initial SMART Growth program, the Trust staff began to identify and measure trends and factors that appeared to influence whether the cohort’s yearly outcomes were achieved. In response, additional technical assistance was provided to grantees by connecting them to existing and/or Trust funded resources (i.e., the Illinois Arts Alliance guide to hiring an Executive/Managing Director). The Trust staff also tracked each grantee’s progress in achieving its stated outcomes, rating them as high, average, and low on an annual basis and identifying common factors within both the high and low groups.

Evaluation Overview
A comprehensive evaluation was conducted in 2010 by consultants Lisa Tylke and Rob Paral to determine if the SMART Growth program had produced 40 organizations that were more stable and resilient and less prone to crisis management. In addition to assessing this primary impact, the evaluators sought to analyze the data related to the high-achieving, average, and low-achieving organizations, as it changed each year, to identify factors that might be causal and could be addressed through improvements in the SMART Growth program. Finally, the evaluation report included further findings and recommendations to strengthen the effectiveness of SMART Growth.

Using the information gleaned from the 2010 Evaluation the Trust redeployed the SMART Growth program maintaining its strong elements while expanding supportive elements that reinforced board engagement in the program’s methodologies, and provided grantees with professional development, discretionary consulting support and peer learning opportunities offered through the A&BC. The Trust also reduced the size of the cohort from 40 to 30 organizations in order to provide more support to the individual organizations as they progressed through the program.
**Cohort 1 Longitudinal Update**

The purpose of the 2014 Longitudinal Update Evaluation was to determine whether or not the impact identified in the 2010 Evaluation was sustained over the ensuing 3 years (2010-2013) and to what extent the progress made toward resiliency across the key management areas was sustained over time. The evaluation process included information gathering via a range of methodologies (Appendices II and III) including an electronic survey of all remaining 501(c) 3 organizations (88% response rate,) analysis of the Illinois Cultural Data Project benchmarks (11%-77% response rates), survey and data outcomes from the 2010 Evaluation process and select interviews with individuals from four of the SMART Growth organizations that closed since 2009.

Of the 40 organizations that began SMART Growth, 33 (83%) remain today as 501 (c) 3 organizations. Between 2006 and 2013, three organizations (8%) merged with other nonprofits (*Shanti Foundation with Changing Worlds; Anchor Graphics and Chicago Jazz Ensemble both with Columbia College.*) Four organizations (10% of the original cohort) closed (*Chicago Chamber Musician, Luna Negra, Neighborhood Writing Alliance and Next Theatre.*)

Analysis of how well the positive impact of SMART Growth was sustained over the ensuing 3 years (2010-2013) was based on the level of sustainability and/or growth evident collectively among the 37 grantee organizations in meeting a targeted subset of the program’s “Common Outcomes and Measures” along with additional benchmarks made available through the Illinois Cultural Data Project including the number of full time employees, board and individual donor giving levels, earned and contributed revenues, annual marketing expenses and paid admissions.

The following narrative summarizes the findings and recommendations for the Trust to consider in redeployment of the SMART Growth program in the future.

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1 Created at the beginning of the program, the Common Outcomes and Measures were to serve as a guide to understanding and/or verifying the impact of SMART Growth on developing the seven management areas of its grantees.
Summary Findings

The SMART Growth program’s positive impact on developing critical management practices between 2006 and 2009 was sustained between 2010 and 2013, resulting in a more resilient and sustainable cohort as evidenced through growth in income, staffing levels, board support and continued investment in strategic planning.

2009 Baseline Findings

- SMART Growth had a positive impact on organizational sustainability as demonstrated by cohort growth across six out of the seven management areas. Each saw moderate to significant progress made toward achievement of the stated SMART Growth Common Outcomes and Measures. ²
- SMART Growth had its most significant impact on the management area of Board Governance.
- The SMART Growth logic model methodology was utilized as a tool to improve management.

2014 Longitudinal Findings

1. The positive impact was sustained and in several cases continued to grow over the ensuing 3 years (2010-2013) as demonstrated by cohort activity across five of the six management areas—Concept Development & Planning, Board Governance, Income Generation, Financial Management and Staffing & Structure.
   - **Concept Development & Planning**
     - Gains made in strategic planning engagement were sustained indicating an “institutionalization” of strategic thinking and planning within 49% of the cohort
     - Planning for fundraising fell off slightly but remained strong at 62%.
   - **Board Governance**
     - Board support increased in both total dollars raised (14%) and average gift size (19%).
   - **Income Generation**
     - Income continued to grow, earned revenue by 49% and contributed revenue by 3%.
     - The number of individual donors reported by the cohort as well as the total dollars raised from individuals continued their upward trends (34% and 9% respectively).
   - **Financial Management**
     - Financial management benchmarks were sustained.
   - **Staffing & Structure**
     - The number of full time staff members employed by the cohort continued its upward trend, growing by 25%.

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² Because the cohort was diverse with regard to facility access, usage and maintenance, the Common Outcomes and Measures selected for Facilities were less valid as indicators of common progress. Therefore this evaluation report is not attempting to analyze this information with regard to grantee cohort progress.
2. As prescribed in their initial smARTscope® assessments, 88% of grantees chose *Board Governance* as a management area to focus on during their three-year grant cycle. The impact of this focus can be seen in the following longitudinal outcomes:
   - 75% of participating organization’s experienced significant (40% or higher) board rejuvenation.
   - Collectively, the cohort reported an increase in board support with total dollars raised growing by 14% and average gift size increasing by 19%.

3. Perhaps the most direct correlation to organizational sustainability is evident in the cohort’s 49% growth in earned income.
   - 50% or more of the organizations reported either maintaining or increasing their levels of earned income from all major earned revenue streams.

4. *Marketing and Audience Development* was the single management area with contrasting outcomes.
   - Between 2009 and 2014, 57% of the organizations spent less on marketing. Even so, earned revenue grew significantly (49%) and at a faster rate than contributed revenue. Potential reasons for this absence of cause-and-effect correlation could include:
     o Investment in Marketing Plan development and data analysis was strong during the SMART Growth years (up by 213% and 184% respectively) which offered groups longer-term residuals (i.e., a deeper understanding of their audience, an effective marketing plan template for use over multiple years, etc.)
     o Costs associated with marketing have decreased with the growth and sophistication of social media and electronic marketing tools.
   - A significantly higher number (89%) of groups reported gathering data while only one third reported utilizing audience data to inform their marketing and audience development efforts.

**Summary Recommendations**

*Technical Support*
Although five out of six management areas saw sustained gains or upward trending, a few waning management benchmarks suggest a need for more targeted technical support that could help SMART Growth grantees maintain improved practices beyond their SMART Growth years. These include:

   - *Micro-level Planning*
     Three key areas of planning (business, fundraising and marketing) showed weakening during the three years following SMART Growth. In particular, the level of involvement
in business planning decreased by 41% reverting back to the levels reported prior to involvement in SMART Growth (21%). Of the four organizations that closed their doors between 2009 and 2014, three cited boards that were not sufficiently engaged in financial oversight coupled with insufficient financial expertise at the staff level as key elements that precipitated a financial crisis leading to closure. Business Plans provide an organization with the financial “road map” to achieving their Strategic Plan, and as such are a key planning practice that builds stronger board and staff engagement in and understanding of financial forecasting and evaluation. This decline in micro-level planning after SMART Growth points to the need to develop awareness and understanding among grantees of the critical role detailed planning plays in an organization’s sustainability and resiliency.

– **Audience Analysis**

The data shows us that SMART Growth grantees became much more engaged in collecting data from their audiences which is a crucial first-step in understanding core audiences. However, the data also shows that the majority of groups still have not engaged in analysis of this critical data. Further education and technical support for SMART Growth grantees regarding the importance of effective analysis of audience demographics and psychographics is a critical next step in moving this target cohort (small to mid-sized arts and culture organizations) forward toward stronger audience engagement.

– **Staff Transitions**

The majority of organizations (87%) experienced staff turnover at least once during the three years following SMART Growth. The Trust staff noted early on that key staff turnover among SMART Growth grantees was negatively impacting their ability to get the most out of their SMART Growth experience. It is also important to note that of the four organization’s that ceased operations since 2009, three (75%) cited executive or artistic staff turnover as a significant factor contributing to their decisions to close. In response the Trust funded the Illinois Arts Alliance to create a guide to hiring an Executive/Managing Director with relevant resources, such as job descriptions, organizational charts, compensation study, etc. Additional avenues of technical support may be necessary particularly those that provide training on methods for managing staff transitions, retaining institutional learning, develop positive and supportive work environments, and developing better human resource practices and personnel policies.
2014 Longitudinal Evaluation Report  
SMART Growth Cohort 1  

BACKGROUND  
In 2005, the Chicago Community Trust (Trust) launched the SMART Growth program for arts and culture, marking a new approach to funding very small and small arts and culture organizations in Chicago. SMART Growth was developed as a capacity-building program founded on the smARTscope® philosophy developed by the Arts & Business Council of Chicago (A&BC). SmARTscope® defines six developmental phases (from budding organization to major institution) charting seven distinct management areas including: Concept Development and Planning, Staffing and Structure, Board Governance, Income Generation, Financial Management, Facilities and Audience Development and Marketing. Its fundamental premise is that balanced growth across all seven management areas is essential in order to ensure stability and resilience while progressing from Phase 1 through subsequent phases.

The goal of SMART Growth was to guide 40 participating arts and culture organizations (Appendix I) toward balanced growth that ensured their sustainability and resilience in the face of economic shifts and organizational transitions. The methodology coupled small general operating grants of $10,000 to $40,000 annually with an initial organizational assessment (smARTscope®) that identified areas of strength and provided recommended strategies to address the lagging areas. FY2009 was the final year of this three-year demonstration model.

During the three-year time period, the Trust staff began to identify and measure trends and factors that appeared to influence whether yearly outcomes were achieved. Participating organizations were contacted regularly about other resources available to them and to assess their ability to effectively make use of these resources. In response to the disruption caused by key staff turnover, the Trust also funded the Illinois Arts Alliance to create a guide to hiring an Executive/Managing Director with relevant resources, such as job descriptions, organizational charts, compensation study, etc. In addition, Trust staff tracked each grantee’s progress in achieving its stated outcomes, rating them as high, average, and low on an annual basis and identifying common factors within both the high and low groups.

EVALUATION OVERVIEW  
A comprehensive evaluation was conducted in 2010 by consultants Lisa Tylke and Rob Paral to determine if the SMART Growth program had produced 40 organizations that were more stable and resilient and less prone to crisis management. In addition to assessing this primary impact, the evaluators sought to analyze the data related to the high-achieving, average, and low-achieving organizations, as it changed each year, to identify factors that might be causal and could be addressed through improvements in the SMART Growth program. Finally, the evaluation report included further findings and recommendations to strengthen the effectiveness of SMART Growth.
The Trust used the 2010 Evaluation as a guide to improve the impact and delivery of the SMART Growth program in several key arenas while maintaining the program’s strong and unique elements, including multi-year, general operating support, smARTscope® assessment, logic model methodology and promotion of professional development to support change. The Trust also maintained the eligibility criterion for SMART Growth requiring grantees to retain a minimum of one paid staff person and ensuring that this requirement was in place throughout the process.

To further encourage board engagement the Trust instituted a practice of requiring the Executive Director and Board Chair to attend a pre-selection interview and hosted a post-selection dinner event which launched the program. The post-selection event brought Executive Directors and Board Chairs from all SMART Growth grantees together with “graduated” SMART Growth board and staff members for peer sharing and networking. In addition, one of the three panel discussion sessions coordinated by the Trust throughout the 3-year funding cycle involved SMART Growth Board Chairs participating and networking with one another.

In response to the recommendation that the program could provide discretionary consulting support and/or peer learning opportunities for those SMART Growth organizations that seek it; the Trust awarded a grant to the Arts & Business Council (A&BC) to expand its technical assistance role with regard to the SMART Growth organizations. Beginning with cohort 2, the A&BC worked with the grantees throughout the program cycle, beginning with the smARTscope® assessment and continuing with consultation through the renewal process each year. A&BC also maintained ongoing communication with grantees through institutional transitions/turnovers, and provided professional development opportunities for staff and board members. The Trust also reduced the size of the SMART Growth cohort from 40 to 30 organizations in order to provide more support to the individual organizations.

Cohort 1 Longitudinal Update
The purpose of the 2014 Longitudinal Update Evaluation is to assist the Trust in determining the long-term value of the SMART Growth methodology and 3-year program to the participating grantee organizations. The Longitudinal Update investigated whether or not the impact identified in the 2010 Evaluation was sustained over the ensuing 3 years (2010-2013) and to what extent the progress made toward resiliency across the key management areas was sustained over time.

The evaluation process included information gathering via a range of methodologies (Appendix II) including an electronic survey of all remaining 501(c) 3 organizations (88% response rate,) analysis of the Illinois Cultural Data Project benchmarks (11%-77% response rates), as well as survey and data outcomes from the 2010 Evaluation process. (Appendix III)

Analysis of how well the positive impact of SMART Growth was sustained over the ensuing 3 years (2010-2013) was based on the level of sustainability and/or growth evident collectively
among the grantee organizations in meeting a targeted subset of the program’s “Common Outcomes and Measures” along with additional benchmarks made available through the Illinois Cultural Data Project including the number of full time employees, board and individual donor giving levels, earned and contributed revenues, annual marketing expenses and paid admissions.

The following narrative describes the findings of the research and offers recommendations for the Trust to consider in re-deployment of the SMART Growth program in the future.

3 Created at the beginning of the program, the Common Outcomes and Measures were to serve as a guide to understanding and/or verifying the impact of SMART Growth on developing the seven management areas of its grantees.
Note
Insights into the Closing of Four SMART Growth Organizations
(Cohort 1)

Of the 40 organizations that began SMART Growth, 33 (83%) remain today as 501 (c) 3 organizations. Between 2006 and 2013, three organizations (8%) merged with other nonprofits (Shanti Foundation with Changing Worlds; Anchor Graphics and Chicago Jazz Ensemble both with Columbia College.) Four organizations (10% of the original cohort) closed (Chicago Chamber Musician, Luna Negra Dance Theater, Neighborhood Writing Alliance and Next Theatre.) As part of the Evaluation, interviews were conducted with six individuals (three board and three staff members) from the four SMART Growth organizations that closed operations since 2009. The purpose in speaking with them was to provide background and insight into the rationales behind each closure and how the organization’s management practices leading up to and during closure may have supported and/or hindered the closing process. Outcomes of this line of inquiry are summarized below and further detailed in Attachment IV.

One out of the four organizations (25%) reported having a well-managed closure. Reasons cited included having knowledgeable board leadership (an attorney) to guide the board and organization through the closing process, time to do it thoughtfully and continuous board engagement in the process. In addition, the factors leading up to the organization’s decision to close were grounded in the institution’s lifecycle rather than a financial or staffing crisis. In this instance, the board and staff collectively determined that the organization had “run its course” and it was time to cease operations. The process was well-managed by the board who remained engaged until all responsibilities associated with closing were complete.

The remaining three organizations (75%) reported having difficulty with managing the closure process. Reasons cited included the unanticipated and crisis-driven nature of each closure. Although both board and staff members reported seeing financial warning signs, each group reported either missing or ignoring these warning signs. All three organizations reported a lack of financial oversight coupled with significant executive and/or artistic leadership transitions as the precipitating factors in bringing about closure. In addition, the closing process was reported as being significantly arduous, becoming the responsibility of one or two board members (Chair and Vice Presidents) who found themselves managing the process alone and unprepared. All three organizations hired outside attorneys to assist them in completing the process.

In addition, these organizations reported boards that were not sufficiently engaged in financial oversight coupled with insufficient financial expertise at the staff level as key elements that precipitated the financial crisis that led to closure. Two of the organizations also reported boards that were not sufficiently engaged in fundraising for a significant amount of time leading up to the closure.
Long-Term Impact in Sustaining Common Outcomes and Measures

Survey and Data Findings

The following charts summarize data collected from the survey, Illinois Cultural Data Report and 2010 Evaluation data. The information demonstrates the lasting effectiveness of the SMART Growth program and methodology in helping the initial cohort build sustainability.

Concept Development and Planning

What the Data Shows

Gains made by SMART Growth participants in strategic planning engagement were sustained indicating an “institutionalization” of strategic thinking and planning within 49% of the cohort. The level of involvement in business planning however decreased by 41% reverting back to the levels reported prior to involvement in SMART Growth.

Correlations/Conclusions

In 2006, the majority of SMART Growth grantees utilized the smARTscope assessment as a springboard for their initial proposals and over the course of the program adopted a more customized approach to selecting outcomes and measures in subsequent proposals. Ninety-seven percent (97%) reported that the SMART Growth experience helped them think more strategically about the seven management areas. Since 2009, growth in strategic planning practices remained constant at 49%.
What the Data Shows

Seventy-five percent (75%) of SMART Growth participants experienced significant board turnover/rotation since 2009 while board support increased in both total dollars raised (14%) and average gift size (19%).

Correlations/Conclusions

According to the 2009 SMART Growth Evaluation, SMART Growth had its most significant impact on the area of Board Governance. Following their smARTscope assessments, eighty-eight percent (88%) of grantees chose Board Governance as a management area to work on during the grant cycle. Using this information as a filter, the significant level of board turnover reported could be interpreted as thoughtful board rotation. This conclusion is also supported by the sustained levels of strategic planning and the growth in board support.

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4 25 data points; 68% of 37
**Staffing and Structure**

**Number of Full-time Staff**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>77</td>
</tr>
<tr>
<td>2009</td>
<td>130</td>
</tr>
<tr>
<td>2013</td>
<td>163</td>
</tr>
</tbody>
</table>

**Key Staff Turnover 2009-2013**

- Executive Director: 17%
- Managing Director: 18%
- Artistic Director: 28%
- Development Director: 11%
- Marketing Director: 13%
- Other: 4%

**Key Staff Turnover 2009-2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>87%</td>
</tr>
<tr>
<td>2</td>
<td>41%</td>
</tr>
<tr>
<td>3</td>
<td>30%</td>
</tr>
</tbody>
</table>

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**What the Data Shows**

The number of full time staff members employed by the cohort continued its upward trend between 2009 and 2013, growing by 25%. Staff turnover continued to be a markedly common occurrence (87%), particularly among the top management positions (Executive/Managing Director), which combined saw the highest rate of turnover (66% of respondents.) The Director of Development position also turned over at a significant rate (42% of respondents.)

**Correlations/Conclusions**

During this period of significant staff turnover (87%), SMART Growth grantees continued to show sustainability and growth in most of the key management benchmarks which demonstrates the ability to maintain and transfer institutional knowledge through staff transition.

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5 22 data points 2006 (59%); 26 data points 09-13 -- 70%
Income Generation

What the Data Shows
Revenue continued to grow after 2009, with earned revenue growing more significantly (49%) and contributed revenue staying consistent (3%).

Correlations/Conclusions
Income growth is the strongest outcome indicating sustainability supported by the cohort’s sustained engagement in planning and financial management practices; increases in board support, and growth in all areas of audience-based revenue streams (ticket sales, subscriptions, contractual fees and workshop/lecture fees.)

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6 Earned Revenue: 26 data points, 70%; Contributed Revenue: 23 data points, 62%
Between 2009 and 2013, 50% or more of the organizations either maintained or increased their revenue in each of the major areas of earned revenue. Fifty-two percent (52%) either increased (38%) or maintained (14%) their level of total paid attendance during the years following SMART Growth.  

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7 Total Paid Attendance -- 21 data points, 57%; Contracted Service Fees – 9 data points, 24%; Ticket Sales – 21 data points 57%; Workshop/Lecture Fees -- 4 data points, 11 %; Subscriptions 12 data points, 32%
Contributed Revenue

What the Data Shows
The practice of developing an annual fundraising plan remained strong at 61% with 42% of respondents who had established this practice for the first time during their SMART Growth years maintaining it during the three years following. Those with an annual fundraising plan in 2014 continued to be significantly higher (200%) than prior to 2006. SMART Growth grantees also reported continued growth in the number of individual donors (34%) and total dollars raised from individuals (9%) between 2009 and 2013. More than half of the organization’s reported an increase in their number of individual donors between 2009 and 2013 while another 15% maintained their numbers.

Correlations/Conclusions
SMART Growth engendered a stronger practice of planning for fundraising which positively impacted the level of individual donor support reported by the cohort.
What the Data Shows
Gains made between 2006 and 2009 in annual operating budget approval and monthly financial statement review were by and large sustained showing only slight statistical decline (4% and 8%).

Correlations/Conclusions
Sustained levels of fiscal management practices correlate to similar outcomes in strategic planning practices (49%) underscoring continued board engagement.
What the Data Shows
Gains made in developing an annual marketing plan and assessing/analyzing audience demographic data during the SMART Growth years declined significantly (47% and 31% respectively) since 2009. However, levels in both areas continued to be higher in 2014 than they were before SMART Growth in 2006. Although only 37% of the respondents reported annually assessing and analyzing audience demographic data the majority (89%) reported utilizing audience diagnostic tools. In addition, more organizations (57%) decreased their level of spending on marketing since 2009 than increased (29%).

Correlations/Conclusions
Even though investment in Marketing and time spent in planning and analysis was down, earned revenue grew significantly (49%) and at a faster rate than contributed revenue. This could be in response to strong investments in marketing, planning and analysis during the SMART Growth years (planning up by 213% and analysis up by 184%) having a residual effect on revenue growth. Another contributing factor could be the lower costs associated with marketing with the growth of social media and electronic marketing options. It should also be noted that there is a lack of correlation between the number of groups gathering data and those utilizing the data to inform their marketing efforts.

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8 21 data points between 09-13, 57%
Findings

The SMART Growth program’s positive impact on developing critical management practices between 2006 and 2009 was sustained between 2010 and 2013, resulting in a more resilient and sustainable cohort as evidenced through growth in income, staffing levels, board support and continued investment in strategic planning.

2010 Baseline Findings
According to the 2010 Evaluation, SMART Growth had a positive impact on organizational sustainability as demonstrated by cohort growth across six out of the seven management areas. Each saw moderate to significant progress made toward achievement of the stated SMART Growth Common Outcomes and Measures.\(^9\)

SMART Growth had its most significant impact on the management area of Board Governance. Following their smARTscope assessments, eighty-eight percent (88%) of grantees chose Board Governance as a management area to work on during the grant cycle. One third of the grantees had this area prescribed by the smARTscope® assessment as lagging.

In addition, the SMART Growth logic model methodology was utilized as a tool to improve management. All but one organization (97%) reported that the SMART Growth experience helped them think more strategically about the seven management areas.

2014 Longitudinal Update Evaluation Findings

Sustained Impact
The impact identified in the 2010 Evaluation was sustained and in several cases continued to grow over the ensuing 3 years (2010-2013) as demonstrated by cohort activity across five of the six management areas.

- Concept Development & Planning
  - Gains made in strategic planning engagement were sustained indicating an “institutionalization” of strategic thinking and planning within 49% of the cohort.
  - Planning for fundraising fell off slightly but remained strong at 62% with 42% of respondents beginning the practice during their SMART Growth years maintaining it over time.

- Board Governance
  - Board support increased in both total dollars raised (14%) and average gift size (19%).

\(^9\) Because the cohort was diverse with regard to facility access, usage and maintenance, the Common Outcomes and Measures selected for Facilities were less valid as indicators of common progress. Therefore this evaluation report is not attempting to analyze this information with regard to grantee cohort progress.
- **Income Generation**
  - Income continued to grow, (earned revenue by 49% and contributed revenue by 3%.)
  - The number of individual donors reported by the cohort as well as the total dollars raised from individuals continued their upward trends (34% and 9% respectively.)
- **Financial Management**
  - Financial management benchmarks were also sustained showing very slight statistical declines (4% annual operating budget board approval and 8% regular financial report board approval.)
- **Staffing & Structure**
  - The number of full time staff members employed by the cohort continued its upward trend, growing by 25%.

**Continued Board Governance Improvement**

According to the 2010 Evaluation, SMART Growth had its most significant impact on the *Board Governance* management area. Following the recommendations of their smARTscope® assessments, eighty-eight percent (88%) of grantees chose *Board Governance* as a management area to work on during the 2006-2009 grant cycle. Since 2009, 75% of SMART Growth participants experienced significant (40% or higher) board rejuvenation. During this same time board support increased in both total dollars raised (14%) and average gift size (19%). Further supporting this correlation between improved governance practices and positive board development are the sustained growth patterns in several management benchmarks that are reliant on strong board engagement such as:
  - **Strategic Planning** (maintained at 49% of cohort.)
  - **Financial Management** practices, (sustained with slight statistical declines of between 4% and 8%.)
  - **Income Generation** (34% increase in the number of individual donors.)

**Income Generation Practices – Continued Upward Trending**

The most direct outcomes demonstrating sustainability were the cohort’s growth in earned income (49%) and reports showing 50% or more of the organizations either maintaining or increasing their levels revenue in all major areas of earned revenue (i.e., admissions, subscriptions, contractual fees and workshops.) In addition, the positive impact SMART Growth had on strengthening fundraising planning (63%) was upheld having a positive impact on individual donor support as reported by the cohort (34% increase in the number of individual donors and 9% growth in the total dollars raised from individuals.)

**Institutionalized Macro Planning – Strategic Planning**

In 2006, the majority of SMART Growth grantees utilized the smARTscope® assessment as a springboard for their initial proposals and over the course of the program adopted a more customized approach to selecting outcomes and measures in subsequent proposals. Ninety-seven percent (97%) reported that the SMART Growth experience helped them think more strategically about the seven management areas. Since 2009, strategic planning practices
remained constant indicating an “institutionalization” of strategic thinking and planning within 49% of the cohort.

_Waning Business Planning_

The level of involvement in business planning however decreased by 41% reverting back to the levels reported prior to involvement in SMART Growth. Approximately one half (49%) of the cohort are maintaining their strategic planning practices but 43% of these groups are not engaging in the further practice of business plan development. This demonstrates a lack of interest, understanding or expertise among the cohort with regard to business plans and their value as a tool for fiscal sustainability.

_Audience Development and Marketing Practices – Juxtaposition of Outcomes_

Marketing and Audience Development was the single management area with contrasting outcomes. Between 2009 and 2014, groups spent less money (57% less) on their marketing efforts and engaged less (47% less) in developing an annual marketing plan. In addition the vast majority of organizations (89%) reported engaging in data collection on audience demographics while conducting 31% less data analysis.

However, less marketing planning, data analysis and spending did not correspond with a decline in earned revenue as one might expect. Instead earned revenue rose by 49% between 2009 and 2013 and at a faster rate than contributed revenue. In addition, in the three years following SMART Growth, 50% or more of the organizations either maintained or grew their levels revenue in all of the major areas of earned revenue.

Potential reasons for this anomaly might include;

– Investment in marketing plan development and data analysis was strong during the SMART Growth years (planning up by 213% and analysis up by 184%) which offered groups longer-term positive residuals (i.e., deeper understanding of their current audience, an effective marketing template for use over multiple years, etc.);

– The costs associated with marketing have decreased with the growth and sophistication of social media and electronic marketing tools.

This missing linkage between data collection and use points to a need for further development of the field with regard to the value of data analytics and basic methods for doing so.
Recommendations

The following recommendations are presented for the Trust to consider as it looks to the future and potential re-deployment of the SMART Growth program.

**Increased Technical Support**
Although five out of six management areas saw sustained gains or upward trending, a few waning management benchmarks suggest the need for more targeted technical support that could help SMART Growth grantees maintain improved practices beyond their SMART Growth years. These include:

- **Micro-level Planning**
  Three key areas of planning (business, fundraising and marketing) showed weakening during the three years following SMART Growth. This type of micro-level of planning helps organizations to develop specific, focused strategies that directly impact their financial sustainability, guide their implementation and set the foundation for targeted evaluation. It is an important planning practice that organizations of the SMART Growth size (small to mid-sized) may lack the capacity or interest to maintain after their SMART Growth years. In particular, the level of involvement in business planning decreased by 41% reverting back to the levels reported prior to involvement in SMART Growth (21%). Of the four organizations that closed their doors between 2009 and 2014, three cited boards that were not sufficiently engaged in financial oversight coupled with insufficient financial expertise at the staff level as key elements that precipitated a financial crisis leading to closure. Business Plans provide an organization with the financial “road map” to achieving their Strategic Plan, and therefore are key planning practices that build stronger board and staff engagement in and understanding of financial forecasting and evaluation. This decline in micro-level planning after SMART Growth points to the need to develop awareness and understanding among grantees of the critical role detailed planning plays in an organization’s sustainability and resiliency.

- **Audience Analysis**
  The data shows us that SMART Growth grantees became much more engaged in collecting data from their audiences which is a crucial step in understanding ones core audience. However, the data also shows that the majority of groups still have not engaged in analysis of this critical data. Further education and technical support for SMART Growth grantees about the importance of effective analysis of audience members’ demographics and psychographics is the next step in moving this target cohort (small to mid-sized arts and culture organizations) forward toward stronger audience development practices.

- **Staff Transitions**
  The majority of organizations (87%) experienced staff turnover at least once during the three years following SMART Growth. The reasons for this significant turnover are
unknown but could include organizational growth requiring more skilled staff members; institutional stress leading to employee “burn-out,” or normal life transitions precipitating employee changeover. Either way staff transition can present a significant strain on an organization. When it happens often (30% reported 3 or more such transitions) it can derail positive institutional trends. It is also important to note that of the four organization’s that ceased operations since 2009, three (75%) cited executive or artistic staff turnover as a significant factor contributing to their decisions to close.

The Trust staff noted early on that key staff turnover among SMART Growth grantees was negatively impacting their ability to get the most out of their SMART Growth experience. As reported in the 2010 Evaluation Report, the SMART Growth program requires from its grantees a commitment to thoughtful planning, basic tracking and purposeful evaluation. Without consistent management to see the process through it is easy for this commitment to slip. In response the Trust funded the Illinois Arts Alliance to create a guide to hiring an Executive/Managing Director with relevant resources, such as job descriptions, organizational charts, compensation study, etc. Additional avenues of technical support may be necessary particularly those that provide training on methods for retaining institutional learning, develop positive and supportive work environments, and developing better human resource practices and personnel policies.
Appendix I

SMART Growth Cohort 1 Grantee List

African American Arts Alliance of Chicago
Albany Park Theater Project
American Theater Company
Anchor Graphics
Barrel of Monkeys
Changing Worlds
Chicago Chamber Musicians
Chicago Dramatists
Chicago Human Rhythm Project
Chicago Jazz Ensemble
Chicago Jazz Orchestra
Chicago Public Art Group
Congo Square Theatre
Emerald City Theatre Company
House Theatre
Hypocrites Theatre
Independent Feature Project
Intuit: The Center for Intuitive and Outsider Art
Jazz Institute of Chicago
Joel Hall Dancers and Center
Jump Rhythm Jazz Project
Lifeline Theatre
Links Hall
Luna Negra Dance Theater
Muntu Dance Theatre
Natya Dance Theatre
Neighborhood Writing Alliance
Neo-Futurists
Next Theatre
Puerto Rican Arts Alliance
Remy Bumppo Theatre Company
Rush Hour Concerts at St. James Cathedral
Shanti Foundation for Peace
ShawChicago Theatre Company
Silk Road Theatre Project
South Chicago Art Center
Teatro Vista...Theater with a View
Timeline Theatre Company
TUTA: The Utopian Theatre Asylum
Young Chicago Authors
<table>
<thead>
<tr>
<th>Management Area</th>
<th>Outcome</th>
<th>Measures</th>
<th>Survey Questions</th>
<th>Data Mining 2006/2009/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept Development and Planning</td>
<td>Succession for the Artistic Director and/or Executive Director has been discussed by the Board. A strategic plan exists for 2-3 years.</td>
<td>- A current strategic plan has been approved by the Board and progress is monitored annually by the Board.</td>
<td>We currently have a strategic plan in place that was approved the Board and is monitored annually by the Board. (disagree, agree somewhat, agree strongly, completely agree)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- A Board approved business plan exists for implementation of the artistic and programmatic elements of the strategic plan.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing &amp; Organizational Structure</td>
<td>A staffing structure and performance management system for paid staff exists</td>
<td>- # of paid staff relative to 2006 and 2009</td>
<td>Please indicated how many times (if any) your organization has experienced turnover in the following staffing positions since 2009: Executive Director (0,1,2,more, N/A) Managing Director (0,1,2,more, N/A) Artistic Director (0,1,2,more, N/A) Development Director (0,1,2,more, N/A) Marketing Director (0,1,2,more, N/A)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Rate of staff turnover</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- # of paid staff
<p>| Board Governance | Board governance capacity is strengthened | ▪ # of Board members exceeds minimal 3-5 from 2006-2009-2013 | ▪ How many board members did your organization have in: 2009 2013 | ▪ # of Board members |
| | | ▪ Amount of Board contributions (give or get) – levels from 2006-2009-2013 | ▪ Board giving levels |
| Income Generation | Earned revenue increases | ▪ FY13 earned revenue $ vs. FY10 vs. FY06 earned revenue $ &amp; % change. | ▪ earned revenue Growth &amp; % of change |
| | Contributed income increases from a variety of sources | ▪ FY13 contributed income $ vs. FY10 vs. FY06 contributed income $ and % change | ▪ contributed income Growth &amp; % of change |
| | The individual donor base increases | ▪ FY13 number of individual donors vs. FY10 vs. FY06 number of individual donors and % change – | ▪ number of individual donor Growth &amp; % of change (2013 only?) |
| | | ▪ An annual fundraising plan is developed and monitored | | |
| Financial Management | Financial management capacity increases | ▪ Annual budget approved and monitored by Board | ▪ We currently have an annual operating budget which is approved by the Board. (disagree, agree somewhat, agree strongly, completely agree) |
| | | ▪ Regular Monthly financial reports generated | ▪ We currently produce monthly financial statements which are prepared for and reviewed by the Board. (disagree, agree somewhat, agree strongly, completely agree) |</p>
<table>
<thead>
<tr>
<th>Audience Development and Marketing</th>
<th>Reliable sources of earned revenue</th>
<th>A marketing plan is developed and updated annually.</th>
<th>We currently have a marketing plan that is updated annually. (disagree, agree somewhat, agree strongly, completely agree)</th>
<th>Annual marketing expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>The audience increases</td>
<td>FY13 audience vs. FY10 vs. FY06 audience &amp; % change – audience numbers (ticket buyers) have increased</td>
<td></td>
<td>Please share with us the diagnostic tools your organization uses to measure and analyze audience data. (List prompts or N/A)</td>
<td>Select relevant audience data (2-4 markers)</td>
</tr>
<tr>
<td>Current core audience demographic data is measured and analyzed.</td>
<td>Baseline measurement is established in 2006 and measured annually</td>
<td></td>
<td>We access and analyze audience demographic data annually to help inform our marketing. (disagree, agree somewhat, agree strongly, completely agree)</td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
<td>Only organizations with sufficient financial and management capacity acquire their own building.</td>
<td>Organization’s space from 2006-2009-2013</td>
<td>We have office space that is well-suited to our current needs. (disagree, agree somewhat, agree strongly, completely agree)</td>
<td></td>
</tr>
</tbody>
</table>
Appendix III

Data Collection Response Overview

Illinois Cultural Data Project and 2010 Evaluation Process Data Collection

- Data points from each source vary among areas of inquiry ranging between 11% and 77%

Survey Responses

- The survey inquiry focused on activity between 2009 and 2014, therefore, 6 organizations of the original 40 were not included in the survey (3 merged, 3 closed)
- 34 organizations/64 individuals contacted:
  - 30 with two contacts = 60
  - 4 with one contact = 4
    - Unable to get a second viable contact for:
      - African American Arts Alliance
      - Chicago Jazz Orchestra
      - TUTA
      - Rush Hour
- 49 individuals responded (76% response rate when measuring individual responses)
- 30 groups responded (88% response rate when measuring organizational responses)
  - 4 organizations did not respond –
    - African American Arts Alliance
    - House Theatre
    - Rush Hour Concerts
    - TUTA
Appendix IV

Insights into the Closing of Four SMART Growth Organizations (Cohort 1)

As part of the Evaluation, it was determined that the evaluator should conduct interviews with persons involved with the four SMART Growth organizations from cohort 1 that closed operations since beginning SMART Growth in 2006. Six people (three board and three staff members) were interviewed.

The purpose in speaking with them was to provide background and insight into the rationales behind each closure and how the organization’s management practices leading up to and during closure may have supported and/or hindered the shutting down process. Individuals were asked about their personal experience with the process and their opinion as to whether or not the closing process was well managed. The following narrative summarizes the outcomes from these interviews.

Overview
One out of the four organizations (25%) reported having a well-managed closure. Reasons cited included having knowledgeable board leadership (an attorney) to guide the board and organization through the closing process, time to do it thoughtfully and continuous board engagement in the process. In addition, the factors leading up to the organization’s decision to close were grounded in the institution’s lifecycle rather than a financial or staffing crisis. In this instance, the board and staff collectively determined that the organization had “run its course” and it was time to cease operations. The process was well-managed by the board who remained engaged until all responsibilities associated with closing were complete.

The remaining three organizations (75%) reported having difficulty with managing the closure process. Reasons cited included the unanticipated and crisis-driven nature of each closure. Although both board and staff members reported seeing financial warning signs, each group reported either missing or ignoring these warning signs. All three organizations reported a lack of financial oversight coupled with significant executive and/or artistic leadership transitions as the precipitating factors in bringing about closure. In addition, the closing process was reported as being significantly arduous, becoming the responsibility of one or two board members (Chair and Vice Presidents) who found themselves managing the process alone and unprepared. All three organizations hired outside attorneys to assist them in completing the process.

In addition, these organizations reported boards that were not sufficiently engaged in financial oversight coupled with insufficient financial expertise at the staff level as key elements that precipitated the financial crisis that led to closure. Two of the organizations also reported boards that were not sufficiently engaged in fundraising for a significant amount of time leading up to the closure.

Management Areas
– Concept Development & Planning
  All four groups reported undertaking strategic thinking and planning leading up to the closure. Three (75%) brought in outside facilitators to guide the planning process.
– Governance
  In one of the four organizations the board was instrumental in making the strategic decision to close and then staying involved to see the work through to completion. The remaining three
organizations reported having governing boards that identified too late the issues that precipitated the closures and then made the difficult decision to close the organization. These boards also disbanded too soon, leaving the board leadership to manage alone.

- **Staffing & Structure**
  With regard to the staffing layoffs, these were not necessary for the well-managed closure as staff were notified well in advance regarding the potential for closure and thus given time to seek employment elsewhere. The remaining three reported handing this task less effectively by board members who did not have expertise in human resource management.

- **Financial Management**
  The closing out of financial accounts, meeting legal obligations and negotiating contractual settlements were all handled by legal counsel (one in-house, pro-bono and three paid.) This area was reported as taking the longest time to complete with most groups experiencing a 12-18 month timeframe from announcement to actual closure. Only one organization’s board remained intact throughout this process.

- **Marketing & Communications**
  Three out of the four groups reported working reactively rather than proactively to get the message out to the public and their funders as information about their closure leaked out to the public before they had a communications plan in place.

**Lessons Shared**

When asked what lessons were learned following their experiences, individuals shared the following insights:

- There should be more stringent oversight of an organization’s finances by board at all times (good cash-flow and bad) along with tighter checks and balances along the way.
- The board’s engagement in approving the programming vision should remain strong to ensure that it programming remains relevant, mission-driven and financially viable.
- There is no benefit in masking financial challenges from funders. Organization’s need to suppress their fear of sharing weaknesses with their funders and instead engage funders in dialogues about seeking solutions early on.
- When an organization is experiencing a crisis, boards need to face challenges/difficulties openly and with a willingness to look at all possibilities for survival, allowing for no “sacred cows” or avoidance tactics.
- All organizational stakeholders should become part of the discussion as early on as possible.
- Organizations should have a crisis management and communication plan in place.
- Board members are unprepared and uninformed about what it takes to close a 501(c) 3 organization. There are very few informational resources available that explain the process. Finding guidance and expertise is essential.

**Interview Participants**

- Michael Woolever, Chair, Board of Directors, Chicago Chamber Musicians
- Nico Rodriguez, Director of Development, Luna Negra Dance Theater
- Jennifer Edgcomb, Vice President, Board of Directors, Luna Negra Dance Theater
- Ann Stanford, Chair, Board of Directors, Neighborhood Writing Alliance
- Carrie Spitler, Executive Director, Neighborhood Writing Alliance
- Jenny Avery, Artistic Director, Next Theatre