

2009 Will Be a Pivotal Year for Museums and Cultural Nonprofits

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To our roundtable members, clients and colleagues:

As we enter 2009 we are keenly aware of the financial challenges you and other museum leaders are facing.

Looking ahead, we recognize that next year will be pivotal for many of you. This will be a year ripe with challenges and opportunities, and is likely to involve fundamental changes to the way you operate. This will not be about getting through a rough spot – downsizing until the economy recovers. Rather, it should entail new thinking and new strategies to place your organization on a stronger financial footing, so that when the economy revives you are positioned to become one of the strongest nonprofits in your area.

Here are six ways you can use 2009 to build organizational strength:

1. We are seeing strong attendance at museums even in the face of the struggling economy. At the same time retailers are reporting major losses. Now more than ever people are valuing meaningful experiences. For several years we have been talking about a long term trend away from a focus on material possessions toward a desire to do something meaningful for oneself and for others. Daniel Pink speaks to this in his book *A Whole New Mind*, which we introduced to our roundtables in 2006. The current economic situation is amplifying this trend, as people choose to spend their reduced resources on family experiences that are relatively low in cost and high in value. Thus, with continuing public interest in museums, there are new opportunities to reach out to visitors on site.

This augurs well for museums, who can assert that they serve a *crucial* role in their communities, even in tough economic times. True, the needs to feed the hungry and shelter the homeless are greater than ever; but to feed the soul, to keep spirits up, to have a place of reassurance amidst the uncertainty of the times – these are *essential* human needs that museums fill. This is the time to hone this message and communicate it to donors, your board, and your staff. You will have a stronger case for their support as the economy recovers. This is the way you can help them do good for others.

2. Communities across the nation are hurting economically, with layoffs and curtailed spending. Now is the time for you to step forward as a community leader, helping to craft solutions not only for your own organization but for others as well. Take action and demonstrate that you are concerned about all the people in your community and take the lead in partnering with other organizations to address specific issues. Examine what your community needs and how your organization can be part of the solution. If you demonstrate leadership at this time, others will take notice and you will reap the benefits as the economy revives. This is what Julia Bland, the director of the Louisiana Children's Museum, did following Hurricane

Katrina. Now she is on her way to building a major multi-million dollar resource for the children of Louisiana.

3. Thanks to the current economic situation, it should now be clear to everyone that dependence on a narrow base of support is dangerous. For years we have talked about the need for diversified bases of revenue, consisting of (1) earnings from fees and sales; (2) endowment earnings; (3) a comprehensive development program, including the active cultivation of major donors; and (4) government/parent organization support.

While all four areas have been weakened by the recession, a healthy mix of revenue gives you more options and a greater chance of sustainability. In 2009 you must continue your efforts to strengthen and diversify revenue so that you are better positioned to take advantage of the recovery as it occurs in different sectors of the economy. For example, the stock market is likely to revive more quickly than the general economy, so maintaining good relations with your major donors and wise investment of your endowment are essential. In contrast, government funding (that depends on taxes) may lag behind, although focused government spending on jobs, infrastructure and the environment may benefit you (directly or indirectly.) You need to be ready on all fronts.

4. In particular, now is the time to get serious about development, the area of greatest weakness for most nonprofits. It is time to allocate resources for building a strong, comprehensive, donor-centered development program. This is probably your most important job. In the past your board or staff, and perhaps even you, may have resisted engaging in the development process. That attitude is no longer acceptable. In 2009 raising funds will warrant the full attention of you, your staff, and your board.

This does not mean that everyone will be desperately soliciting gifts. There are many roles within the development process to educate and cultivate individuals and groups. The development base must be diversified and include active programs in annual fund, foundations and corporate funding, government grants, and major and planned gifts. Major and planned gifts are possible even in the smallest organization and giving continues to occur even in the most severe economic environments.

If you take concerted action in 2009 to build a comprehensive development program, you will have a far stronger organization in years to come. Disciplined actions can lead to gifts that sustain you during these hard times and into a brighter future.

5. The current situation has brought into clear focus the need for disciplined financial management throughout the organization. No longer can board members act as if they have no responsibility for the organization's financial health. No longer can staff act as if financial management were someone else's concern. This is the time to engage *everyone* in understanding, monitoring, and working to improve the financial situation. Everyone has a role to play, and it is your job to define what is expected of them and to hold them accountable. If you do this now, when they are receptive to the idea, your organization will be stronger in years to come.

This is also the time to begin to create reserve accounts, even with your operating budgets tighter than ever. Cut a little more and aim for a profit that can be used as a contingency reserve for the future. Such a reserve will help you weather the next economic downturn.

In the past we have given our roundtable members many tools for strategic budgeting and managing by the numbers. If you have not already done so, put them to use.

6. Finally, 2009 offers you an opportunity to strengthen your organization's culture. This is the time to pull together, focus on results, hold yourselves accountable, maintain a positive outlook, give each other energy, care for one another, and celebrate successes. Basically, you can no longer afford to put up with people who do not "live" your organization's values. You must articulate the values and the expected behaviors, and hold people accountable.

Use this coming year to create the kind of organization – both creative and disciplined – that will enable you to seize opportunities and build on your strengths. Put your best performers on your greatest opportunities, and make it clear that you expect weak performers to improve or leave. Remind all that their first obligation as an employee is to work for what is in the best interests of the entire organization and not their particular department or area of interest. If you do not come out of the next year with a strong team of solid performers, you will have wasted a chance to build a sustainable organization.

We are looking forward to working with you in 2009 and helping you to meet these challenges.

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