The 2008 Economic Recession in New England Museums: Executive Directors' Response

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Background

Between March 23 and April 1, 2009, 102 executive directors and senior administrators (22% of the colleagues in NEMA's membership who hold the position of executive director or president) gathered at seven locations throughout New England[1] for open and frank conversations about the effects of the recession on their institutions. They discussed the ways in which the economy has taken its toll on them, personally, as executive directors and senior managers, and options for guiding their institutions through the current crisis.

Five past presidents of NEMA and two current board members facilitated the conversations.[2] In preparation for the meetings, they met via conference call to discuss the ways in which they would keep the conversations positive and focused and accommodate the needs of colleagues from institutions of various sizes and disciplines. They also discussed how to position the conversations to yield useful results that colleagues could take back to their institutions. The facilitators knew that they needed starting points for discussion but didn't wish to cut off any avenues of conversation or prescribe any outcomes or solutions.

Although our intention was to limit the conversations to 15 participants, some grew to 20, as we did not wish to turn anyone away. The discussions lasted 90 minutes, with many colleagues remaining after the formal program to share additional observations over lunch or refreshments. The following aggregated conclusions are based on notes submitted by the facilitators or participants. We hope that they will help other museums in several ways:

- By showing museum leaders, including boards of directors, the common ways in which museums are being affected by the recession
- By allowing executive directors to share in what their peers are experiencing
- By offering specific ideas about institutional change that may help museums emerge from the current economic crisis as stronger institutions

This report suggests several avenues for further study, and the author hopes that investigations and publishing on these topics will continue. The executive directors who took part in these discussions expressed their desire to convene again in the late summer or early fall, and additional conversations will be scheduled. NEMA will announce these widely, and once again all executive directors will be invited to take part.

[1] They were the American Precision Museum in Windsor, VT, Gore Place in Waltham, MA, the Maine Discovery Museum in Bangor, Mystic Seaport in CT, the Providence Children's Museum in RI, the Springfield Museums in MA, and Strawbery Banke in Portsmouth, NH.

[2] Our sincere gratitude to Charlie Browne, Director of the Fairbanks Museum and Planetarium; Susan Funk, Executive Vice President of Mystic Seaport; Diane Kopec, Interim Director of the Bangor Museum and Center for History; Susan Robertson, Executive Director of Gore Place; Larry Yerdon, President of Strawbery Banke; and Nina Zannieri, Executive Director of the Paul Revere Memorial Association. Thanks also to Kent dur Russell, CEO and Curator of the Museum of Russian Icons, who helped to conceptualize the conversations, and to Joseph Carvalho, Executive Director of the Springfield Museums, who led the Springfield program. Thank you to Ann Lawless, Director of the American Precision Museum; Janice O'Donnell, Executive Director of the Providence Children's Museum; and Andrea Starke, Executive Director of the Maine Discovery Museum who also played a leadership role in the conversations.

What Keeps Executive Directors Awake at Night

To employ a common metaphor: a sense of the rug's being pulled from beneath them. Paradoxically, one of the things that is making the recession so hard for museum leaders to endure is the fact that museums, taken together, are resilient institutions. They are permanent fixtures of their communities with numerous attributes that predispose them to success. If this is the case, how can it be that museums—even those with few paid staff—have proven to be so vulnerable to society's economic downturn?

Museum leaders are at the nexus of current conditions and acutely feel the tension inherent in this situation. Many colleagues expressed concern over their own inability to fulfill expectations. However, they also noted that they are worried about changes in prevailing public attitudes, perceptions and psychology that run deeper than anyone can address through a press release. One colleague expressed anger at a breach of public faith, adults' decreasing interest in supporting activities in the humanities and social studies. In this context, money isn't the main issue, and participants expressed concern about how museums can fulfill their missions "without remaking ourselves into something we're not." In the current environment, museums that are governed and/or sponsored by a college, university, municipality, or other entity must take care to justify their existence and reinforce their value to the parent organization.

Interpreting the Crisis

The executive director conversations were conducted six months after the market decline of September 2008. Projections about when the economy will recover and the strength of that recovery still vary, as the positive economic news of one afternoon is subdued by negative indicators the following day. Meanwhile, circumstances vary throughout New England, with Massachusetts reporting an unemployment rate that is lower than the national average and modest job gains, while its neighbor Rhode Island struggles with an unemployment rate that exceeds 12%.

Certain sectors of the economy were slower to enter the recession and will be slower to emerge from it. Budgets that were unaffected immediately following the downturn, ranging from state budgets that collect tax revenue to nonprofits that receive donor and foundation support, are entering their sharpest declines and will take longer to emerge from the crisis.

The unique nature of the recession and the complexity of current conditions are evident in the questions that executive directors are asking themselves: Which of the challenges that we are facing are "normal," and what constitutes an "extraordinary" circumstance? One of the discussion groups suggested that the nonprofit field must grapple with a "full sector change"; there are simply too many museums, and mergers, closings, and repurposings are warranted.

> "...they spoke of repositioning their institutions for the future."

Under these circumstances, executive directors are focusing on the core issue of institutional sustainability. Certainly, they are concerned about managing "infinite details," "dropping the ball," or "always playing catch up." However, these are perennial concerns of management and, expressed in this manner, represent an awareness of personal accountability.

To ensure sustainability, colleagues are taking steps to understand this complex situation with several goals in mind: obtaining the information needed to make good decisions; preserving an ability to act quickly; and positioning their institutions to take advantage of a range of opportunities. Executive directors have found that their organizational plans are no longer supported by the reality of today's economy, and they spoke of repositioning their institutions for the future.

A Recession of Resources – Personnel, Funding, Facilities and Technology

Staff cutbacks and hiring freezes have quickly become a characteristic of this recession, as evidenced by the sharp decline in job postings by museum service organizations. Even as executive directors are striving to set a good example to maintain morale, they are acutely aware of the discouragement and anxiety that may pervade their institutions. In a small organization, the fear of staff reductions is "very personal," and any cuts in a small staff may debilitate the organization, rendering it dysfunctional. Executive directors are worried about their ability to make payroll and cognizant of the personal stresses that they and their employees are also facing at home.

The repercussions of downsizing range from adverse effects on programs to a decline in the museum's reputation. There often remains a disconnect between the workload that is expected of the museum's staff and the human resources available to accomplish it. This situation is clearly one of the most vexing and stressful that executive directors are facing. To manage the situation, executive directors recommended investing in staff succession planning as well as board development.

> "...some museums are reporting that they are meeting or exceeding their annual appeal goals with smaller but more numerous donations..."

As indicated above, the root cause of staff cutbacks is a lack of financial resources. Given the current environment, one executive director termed the act of budgeting "pure speculation," and cash flow projections have dramatically increased in importance. Museum directors are scaling back their budget projections and eyeing their increased dependence on earned income. For some museums, endowment losses have created a shortfall; other organizations are publicly funded and subject to cutbacks in state or municipal budgets. The negative effects of the recession on foundation investments and the corresponding decrease in foundation support for museums are already playing out.

In addition to staff cutbacks, hiring freezes and mandated furloughs, funds for collections care and acquisition have either been lost or are restricted. Where salaries have not been reduced, staff members are being required to pay higher healthcare deductibles or a greater share of their premium, and cash payments to those not purchasing health coverage are being reduced or eliminated. More about the effects on programs appears below.

The good news is that some museums are reporting that they are meeting or exceeding their annual appeal goals with smaller but more numerous donations, and that these donors are retaining their museum memberships at the same time.

Capital campaigns, whether ongoing or scheduled, present a particular challenge to museum directors, who are worried whether they choose to proceed with a campaign or delay it. Executive directors' best advice is to steadfastly focus on the basics of donor cultivation in any environment: building relationships and practicing good stewardship.

In their conversations throughout the region, executive directors spoke only briefly about the role of technology in navigating the recession. They expressed their concern about an (unspecified) lack of adequate technology and about applying technology in the current environment.

A Management Focus

The record of the conversations that NEMA sponsored indicates that the attention of most executive directors is focused squarely on the availability and stewardship of limited resources, primarily funding. The severity of the current recession has initiated a scramble to stop the hemorrhaging of money and supporters, and executive directors are responding.

As a result, when museum directors express their worries over attracting school groups, retaining members, and maintaining attendance at seasonal sites, it is out of concern over maintaining their income stream. It would be incorrect to state that museum directors are unconcerned with fulfilling their institutional missions, but many are actively seeking the answer to surviving the recession in profit and loss statements, balance sheets and personnel manuals. A broader perspective is evident in conversations with those executive directors who stress the importance of professional development, strategic planning, facilities maintenance, and new "hooks" for interpreting history. Even the question of what kind of centennial celebration to hold, a seemingly trivial concern, may be considered evidence of strategic thinking about stakeholder needs and public perceptions.

The academic exercise of budget cutting in anticipation of a downturn takes the mission into account in its first stages. Given the urgency of the current crisis, it may seem harsh, unrealistic, or even irresponsible to suggest that executive directors should respond in any other way than to focus on maintaining institutional resources. However, at a time when staff reductions may happen through attrition, or programmatic changes follow from funding cuts, it becomes more important than ever for executive directors and their trustees to revisit the museum's mission and, in the interest of sustainability, to do what they can to align scarce resources in support of the institution's service to the community.

The Outlook of Executive Directors

On a personal level, executive directors are approaching the economy with a range of attitudes and emotions. They admit panic, anger, remorse over lost opportunities, and apprehension about what is yet to come. They even feel cheated that following the rules of sound investing, fair play, and hard work could not avert their being caught in the recession. It is at times oddly comforting that events are beyond the control of any one individual.

Such emotions are understandable, but the seeds of a recovery are to be found in the optimistic tone that many executive directors maintain. They speak of viewing a challenge as an opportunity ("A crisis is a terrible thing to waste"), adapting and being proactive rather than reactive. They sense opportunities that we all can look forward to, and evince optimism about the fundamental value of what we do. They anticipate that the public will value museums more in the future. Some are excited about the chance to "go out on a limb" and try something new. One executive director admitted a sense of exhilaration. Bring it on!

> "They speak of viewing a challenge as an opportunity… adapting and being proactive rather than reactive."

Executive Directors' Response to the Recession

Staffing

The key question that faces most executive directors is this: how long does one continue to meet payroll when revenues keep on falling? Of course, there is no right answer; the solution lies in the overall financial strength of the organization and its tolerance for taking a risk that could affect its long-term sustainability. It is the role of the executive director to serve as a visionary for the board and staff.

Some executive directors, facing the prospect of laying off staff for the first time, are unsure of the mechanics and how to judge the cost of making a layoff. They are concerned with treating staff fairly and compassionately and maintaining staff morale. Executive directors stress that staff at *all levels* need a basic understanding of the issues that management is facing and to buy into the solutions. They should be furnished with clear plans and priorities to guide them in their work.

Ideally, staff will be engaged in developing creative solutions; involving them to a greater degree in budgeting and planning empowers them, which helps to foster a positive and productive attitude. This will be especially important, since in this recession they will likely be required to take on work that was completed by other staff members in previous years. Moreover, in this time of crisis, executive directors need the support of all their staff. All staff members have a contribution to make; museum educators, for example, may be well positioned to identify faithful families who may be interested in supporting the museum through donations. Finally, executive directors can encourage staff to motivate one another, peer-to-peer, and engage and support younger generations in our work.

Executive directors should continue to practice good communication of very hard decisions, and to be honest with staff: perhaps there is a need to counsel staff in resume development. Good communication is also prompt and clear and includes timely follow-up. It should address current conditions as well as the prospects for the future of the organization (people will speculate, regardless). Moreover, executive directors advise being creative and innovative in this communication. Managing in tough times is hard!

Although most executive directors prefer to reduce their staff through attrition, they recognize the importance of making strategic adjustments in order to retain a core group of employees with key skills. Because core programs may have staffing requirements that do not allow executive directors flexibility, directors are implementing wider salary freezes or benefit reductions and considering contingency plans. They are also making greater use of volunteers, interns and work-study students, and are partnering with organizations such as Americorps. The evaluation of staff and volunteers and recognizing a job well done have taken on greater importance. Executive directors believe that eliminating unproductive workers presents both a risk and an opportunity.

> "An economic recession is no time in which to compromise a museum's collection policies."

Executive directors are also looking into new ways of staffing their institutions, creating flexible part-time positions, supporting job sharing[3] and collaborating with other nonprofits. This requires defining what is unique about your institution; executive directors may prefer to collaborate on commonly shared functions such as financial management, human resources management, food services or retailing. One or more institutions may consider setting up a separate business that services multiple institutions. The summer 2009 *NEMA News* will have as its theme the process of collaboration.

Collections, Mission and Governance

An economic recession is no time in which to compromise a museum's collection policies. To mitigate declines in income, museums may choose to stop collecting and place new restrictions on donors. They may share collections more widely to assure an object's care and to assist one another in developing exhibits, and consider shared storage. This may be a useful strategy for those institutions that are also having difficulty maintaining their infrastructure.

Executive directors are seeking information about how to mothball collections, including historic buildings, and any related issues concerning donors. Alternatively, they are considering repurposing historic buildings into rental property, including time-shares. Executive directors are also accelerating the process of gaining intellectual control of their collections and reviewing with their boards museum codes of ethics concerning deaccessioning; in the process, they are reviewing closely the American Association of Museums definition of collections care. Already, many curatorial and collections staff have been laid off in this recession, which places an additional burden on the institution as it seeks to carry out these activities.

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[3] Some states are adjusting the rules regarding unemployment compensation to facilitate job sharing; museums should contact their state department of labor for the latest information.

One executive director has posited that museum boards are more frightened of the recession than staff are, because, rightly or wrongly, a precipitous decline in the institution's endowment could be perceived as a measure of their effectiveness. Meanwhile, executive directors are most concerned with board inaction. They can assist boards by encouraging them to understand their roles and responsibilities, helping them to sharpen their sense of mission. This lays the foundation for revisiting the mission of the organization and defining its core functions. Boards should appreciate the importance of institutional values, a compelling vision and, as a final deliverable to the public, an exciting story.

Executive directors and boards should strive to practice professionalism an all areas of governance and collections practices, and maintain high standards. Executive directors agree that many useful studies for coping with the recession have been published, but these are not being utilized as they should be. Finally, this may be the time for an organization to evaluate and reorganize an ineffective governance model. One group of executive directors reported, "We need a new governance model. Boards are a wild card, and their weaknesses are heightened and harder to work around in bad times. Nonprofit governance went through a long phase of trying to be more corporate, and corporate boards aren't functioning well, either."

> "To increase income, museums are working to identify new revenue streams or raising fees…"

Budgeting

Executive directors are tackling the challenges of the recession by balancing cash flows, operating budgets and strategic financial objectives. They stress the value of planning for the long-term, not just the current fiscal year, and of transparency with boards, staff and donors. As a result, the activity of "honest" benchmarking has taken on a new importance. Boards should also consider whether the institution's CEO requires greater support than board members can provide. It may be worthwhile to engage outside assistance to help the executive director grapple with today's extraordinary challenges.

Boards and CEOs are questioning how and when to obtain cash from endowment funds as they strive to balance their budgets and recognize the importance of establishing cash reserves. While it may be illegal for a public charity to draw from endowment funds that are valued below their principal, thirty-five states including Massachusetts have adopted legislation to make these funds available, and legislation to this effect is pending in other states. In general, the concept of the endowment as a "safety net" has become a harder assumption to support. Executive directors questioned, "Would we be better off if funds earmarked for our endowments had, instead, been spent on equipment or other capital?"

To increase income, museums are working to identify new revenue streams or raising fees, ranging from admission and membership fees to the deposits required on museum services. Some museums that are raising membership fees are judiciously lowering program fees at the same time. Museums are also making use of new funding databases to identify potential sources of grant income, paying attention to the needs of their community and considering whether these might be addressed through a grant-funded project. However, executive directors also questioned how they might educate funders so that they would be more responsive to museums' self-determined needs, including operating support. They agreed that funders sometimes set priorities that are difficult for nonprofits to respond to.

In one of the executive director conversations, participants also shared their experiences planning their annual galas. Two museums eliminated these expensive, labor-intensive affairs. Executive directors agreed that off-site venues could be costly and undermine brand identity. Some directors, however, described their plans to make their museums' galas more mission-centric, to commit less staff time, to lower prices, and to establish expectations of lower revenue. This strategy aims to forego short-term gain that is probably unattainable in the current economic climate, in order to engage a wider segment of the community while focusing their attention on the public value of the institution.

In conclusion, executive directors and boards are now questioning much of the traditional wisdom of investing and income generation. They yearn to try new revenue streams and business models, but there is general agreement that no new models have yet come to light. An alternative to the process of collaborating on non-core functions would be for museums to contract out museum functions. Can a museum sell its expertise in collections care, preservation, or program development without creating a for-profit entity? Executive directors question whether museums can attract interest in their work among entrepreneurs. They posited that this activity may not be new, or may in fact represent a different kind of fundraising.

Exhibitions and Programs

In discussing programming, museum directors are especially prone to reveal their bias for doing more with less. They spoke of combating the recession by extending their museums' hours, improving public access, and maintaining "current or better" levels of public programming. They understand the importance of having an exciting story to tell.

> "...museum directors...reveal their bias for doing more with less."

As a result, many museums are developing fresh programs including ancillary activities designed to appeal to new segments of their core audience. They are also revising their business models to target new audiences, including regional markets. These new models seek to be more cost effective, for the museum and the user, and to maximize the return on investment.

Most executive directors, however, are evaluating their existing programming and refocusing their initiatives in response to the environment. They are extending exhibition schedules to reduce the number of exhibits they need to install, and choosing to update long-term exhibits rather than break them down. They are purchasing fewer traveling exhibits, borrowing less and developing more exhibits from their own collections. This latter activity requires a certain investment in curatorial research. Institutions that have traditionally provided generous budgets for exhibit development are following the example of their peers who have always reused exhibit fixtures and employed simple, low-cost materials and techniques.

Most significantly, museums are testing whether their products are still relevant to the community and whether they utilize the correct models. They are retaining programs that are sustainable and eliminating what doesn't pay and are networking with other organizations to avoid duplicating programs.

Partnerships

The conversations among executive directors revealed that partnerships can be conceived of in two ways: enlisting others' help in solving challenges faced by an institution, or offering the resources of the institution to help meet the needs of others in the community.

Executive directors discussed various avenues for raising a museum's profile in the community and strengthening community partnerships, beginning with their own boards of directors. Boards are being challenged to sponsor their institution financially and to assist in the stewardship of major donors. Institutions can take steps to rekindle their relationships with former supporters. They may also enlist widespread support, including new sponsors, through community meetings.

If a much-loved organization that is already central to the life of its community is struggling, the community may well rally to provide assistance. More commonly, however, museums are probing to learn whether their business model does, in fact, meet the needs and concerns of their community and asking what they can do to help those around them. In response, new partnerships may involve sharing the museum's resources, such as staff members' expertise in developing programs, or space in its facilities. Museums may integrate programs that are already on the dockets of other organizations into their own activities.

Such collaborations can develop an organization's capacity by prompting staff to try new forms of communication, give them experience in serving new constituencies and challenge them to increase revenues and control costs. The experience should not cause a museum to lower its standards or expectations, and staff should take care to understand and articulate their organization's economic impact.

Executive directors agreed that partnerships challenge our common perceived knowledge. One of the most complex forms of partnering involves merging an institution with another organization, yet executive directors agreed that the field as a whole needs to move constructively toward mergers, closings, or repurposings. Repurposing could involve converting a historic house into a rental property having preservations easements as a means of sustaining the preservation activity for the building.

Boards of directors and others closely associated with an organization often demonstrate resistance to the idea of merging, and, in the worst circumstances, territory grabbing may ensue. However, in their conversations, executive directors emphasized the importance of honoring the unique story told by each institution involved in a merger; of keeping local history local; and of focusing on the benefits that will accrue to the merging organizations in the form of the new umbrella organization.

Marketing

One executive director claimed that in this recession their institution has become "a marketing machine"! Directors agreed that there is no "one size fits all" marketing plan; all are unique. Museums are revisiting their mission statements and developing statements of their value. They are also employing their mission in the service of their brand. Although marketing professionals often stress that an institution's "brand," by definition, is determined by its audience (an organization cannot *command* that the public perceive it in a certain way), museums are redoubling their efforts to support a strong and positive public perception of their institution. Some museums are rebranding themselves as a regional resource.

In the current economic crisis, museums are learning to make better use of traditional methods of communication and utilizing newer tools. They are improving their newsletters, making telephone calls to thank their donors, initiating member-to-member letters and arranging get-togethers. They are also using programs such as Constant Contact to improve the efficiency and presentation of their emails, adding new features to their websites, developing blogs, using Flip Video and posting videos to YouTube, and setting up Facebook pages and Twitter accounts.

"...museums are learning to make better use of traditional methods of communication and utilizing newer tools."

As noted above, one size does not fit all in connecting with today's audiences, and museums are challenged to maintain a myriad of communication vehicles. The large number of free and reliable online services helps museums to improve the return on their investment of staff time. Meanwhile, "seeding" viral grassroots marketing via social networking sites can extend a museum's message and reduce the amount of staff time required to develop content for a particular mode of communication.

Planning
Stick to your plan. Look to the future. Keep your focus. Don't scale back your ambitions. Think "outside the box."

Executive directors value the opportunities that strategic planning affords and note that the process is never completed. A museum should always be engaged in laying the groundwork for future planning efforts, even planning to raise funds. In the current recession, it is important to articulate the organization's internal strengths and weaknesses, but perhaps more important to gauge external threats and opportunities in the community. The plan should incorporate the standards of the field, and it will guide the institution for three to five years. If a museum is part of a parent organization, it is vital that the museum have a seat at the table during the parent organization's planning.

In their conversations, executive directors agreed upon the elements of a sound business plan, which should address:

- Strategic goals
- Audience needs
- Network mapping of competitors and collaborators
- Levels of programs and services
- Financial planning
- Evaluation

Museums should develop a set of institutional priorities for their business plan that will allow them to make budget decisions and choose whether to maintain or eliminate programs based on three principles:

1. Maintaining momentum
2. Building the perception of value
3. Keeping permanent staff

In the current economic environment, what was once a risk may now be considered an opportunity: capital construction projects may benefit from the increased competition among trades people to obtain work.

"In the current economic environment, what was once a risk may now be considered an opportunity..."

Capital Campaigns
Not surprisingly, the recession is leading many museums to defer their building campaigns, which are a stressful undertaking even in good times. Other museums are struggling to meet the debts they incurred during capital projects that have long been completed. Executive directors concur that establishing an endowment campaign in the current environment is equally challenging. However, other executive directors reason that they should position their institutions for a return to more prosperous times, and that a capital campaign or endowment campaign may be initiated if it is structured, or phased, with immediate, short-term and long-term goals.

Conclusion: A Paradigm Shift?
Although executive directors spoke of regaining their footing by being proactive at a time when the economy has perhaps unfairly targeted nonprofits, several colleagues expressed concern that museums still have not made the tough decisions necessary to survive and thrive over the long term. Many executive directors and trustees have expressed their desire to return to familiar ways of doing business, but not all museums will be able to do so.

In more than a conversation about being "bold enough," we must consider whether the 2008 recession (which some date to 2007) represents a watershed between an old way of doing business and a new paradigm. Although we have yet to witness its full effect, it is fair to say that the recession will stimulate societal changes, and museums must be prepared to tailor their programming to these new realities. Some executive directors are exhilarated at the prospect that the public may value museums more in a "less consumerism-driven, perpetual growth dependent, post-recession economy" and believe that it will be important to plan for that possibility. Small museums, in particular, are advised to prepare themselves to compete in the new environment. The resources of all museums will need to include new tools, new processes and new skill sets, many of which are associated with the talents of younger professionals.

Moreover, museums must find a way to free themselves from the boom and bust cycles that they have been subjected to for more than thirty years. The economies of the future will continue to expand, contract and evince the volatility of human endeavors. The museum field must take up the challenge of defining and implementing smart growth. With their wealth of talented, experienced and creative executive directors, trustees, staff members and volunteers, museums are poised to prove themselves as model partners and leaders in rendering the highest level of public service to their communities.

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