The American Federation of Arts

# The Fourth Annual Directors Forum

**GETTING DOWN TO BUSINESS**:
Art Museums in a Market Environment

November 9 – 11, 1997, New York City

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## Directors Forum 1997 Program Committee

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Director
Museum of Fine Arts
Museum of New Mexico
Santa Fe, New Mexico

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Neuberger Museum of Art
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State University of New York
Purchase, New York

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Jersey City Museum
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Toronto, Ontario, Canada

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Museum of Art
South Bend, Indiana

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Director

Mark Gotlob
Deputy Director

John W. Nichols
Director of Museum Services

## Speakers

Brian Alexander
Director
Shelburne Museum
Shelburne, Vermont

Maxwell L. Anderson
Director
Art Gallery of Ontario
Toronto, Ontario, Canada

Leon Botstein
President and Leon Levy Professor in the Arts and Humanities
Bard College
Annandale-on-Hudson, New York

Kent John Chabotar
The Getty Leadership Institute for Museum
Management Faculty Member; Vice President, Finance and Administration and Treasurer

Bowdoin College, Brunswick, Maine

Arthur Cohen
Principal
LaPlaca Cohen Advertising
New York, New York

James D. Gundell
President, MoMA Retail
A Division of MoMA Auxiliaries
The Museum of Modern Art
New York, New York

Russell C. Pomeranz
Vice President for Finance and Administration
Meet the Composer, Inc.
New York, New York

Franklin Robinson
Director
The Herbert F. Johnson Museum of Art
Cornell University
Ithaca, New York

Suzanne Sato
Vice President, Arts and Culture
AT&T Foundation
New York, New York

Rena Zurofsky
Director of Licensing, Retailing, and Special Publishing
American Museum of Natural History
New York, New York

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**FOREWORD** April 1998

It has been a privilege to be part of the Directors Forum, which affords – at modest cost – an opportunity for museum professionals here and nationwide to meet, network, share ideas, and learn new ways to make the most of increasingly limited resources.

Historically, The Joe and Emily Lowe Foundation has been committed to supporting small to medium-sized museums. To be able to help so many at once is, therefore, truly exciting and personally fulfilling for me. Thus, while you thank us, we thank you.

Ellen Liman
Trustee
The Joe and Emily Lowe Foundation, Inc.

## 1997 Directors Forum Staff

PROGRAM COORDINATION
Lara K. Culley
Museum Services Coordinator

PROGRAM ASSISTANCE
Cary F. Gouldin
Museum Services Assistance

TRANSCRIPTION
Cary F. Gouldin
MiJin Hong



Phone: 800-232-0270; Fax: 212-861-2487; E-mail: <services@afaweb.org>



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## Introduction

Over the past four years, more than 310 museum directors have attended the Directors Forum. Last November, eighty directors, representing thirty states, Canada, Bermuda, and the Cayman Islands, met in New York City for the 1997 Directors Forum: *Getting Down To Business: Art Museums in a Market Environment*. The following transcripts convey the flavor of the main sessions of the conference.

Initiated in 1994, the Directors Forum, a program of The American Federation of Arts (AFA), has emerged as a vital resource for the leaders of small to medium-sized nonprofit art museums. Participants enjoy a singular opportunity to exchange ideas, information, and solutions on issues of common interest with colleagues who understand the demands of museum management and the particular challenges faced by institutions with modest resources. Past themes include: *Facing the Future: New Leadership Challenges for Art Museum Directors* (1994); *Facing the Present: Rising Expectations and Diminishing Resources* (1995); and *Cross Currents: Navigating the Perils and Pleasures of Leadership* (1996). In only four years, the Directors Forum has answered a pressing need within the field, becoming the most prominent conference for leaders of America's smaller museums.

The response from Directors Forum participants has been overwhelmingly positive. Ninety seven percent of last year's attendees rated the program "a valuable experience" and indicated that they would attend future conferences. One wrote, "I think [it] is providing the essential network for sharing and growth for the small/medium-sized art museum director - a very valuable tool for continued professional growth and personal renewal." Others praised the opportunity "to take time away and consider the big picture" and "to exchange ideas, compare notes, solutions and challenges."

The program is organized primarily to benefit the directors of small to medium-sized museums, although directors of large institutions are not discouraged from participating. The two-tier registration fee provides a discount for museums that are institutional members of the AFA.

To participate in the Directors Forum, individuals must be full-time, paid professional directors of nonprofit art museums or galleries open to the public on a regular schedule. Members of the American Association of Art Museum Directors (AAMD) and directors of artist-managed institutions are not eligible.

## *Museum Ethics: Where Do You Draw the Line?*

**Leon Botstein**
Speaker
President and Leon Levy Professor in the Arts and Humanities
Bard College

*Excerpts*

Note: *Dr. Botstein's keynote address at the opening dinner of the Directors Forum was inspiring, provocative, scintillating, and completely extemporaneous. It galvanized the participants, who would have continued to ask questions well past their bedtime, and who talked about the points made by the speaker throughout the conference. Unfortunately, such talks do not lend themselves well to transcription. We hope that the following excerpts will convey, at least partially, both the content and the form of Dr. Botstein's presentation.*

.... I finally understand what would presumably have inspired the AFA to ask me to say something about museum ethics. I have been running nonprofit organizations for a long time. I have been through every possible economic and political situation within recent memory. I've always been associated with under-capitalized institutions that spend more than they could possibly expect to earn. So I'm a surviving veteran of fiscal irresponsibility with a redeeming purpose. I believe that we can lead with ideas and that in fact we have much more experience dealing with limited resources than the business people who seek to give us advice on our boards of directors, who often think it is wise to pay a huge premium for a fancy label on a suit but then refuse to consider overhead as a reasonable object of philanthropy.

.... So, it seems to me that the first thing I would say when we're talking about museum ethics is to realize there is no such thing as genuine ethics in this context. It's a non-question. And that to bother yourselves with ethical questions is to attempt to put yourselves in the clothing of moral righteousness which is not designed for you and in which you cannot fit.

Ethics are for priests, rabbis, and firebrands to talk about. Anybody who runs a nonprofit institution simply would do well to shelve the proverbial higher ground with anybody - the public, employees, collectors, and artists, whoever it is. It's undignified. What we do is no better or worse than people who run businesses, clean the floor in this hotel, and drive a taxi. It's our line of work. We love it. There is no moral superiority, no higher ethical purpose except in some residual way. That residue has to do with the function of our institutions and their ideals. It has nothing to do with the running of the institution day to day.

Of course, there are extremes. But the arguments are never made by the extremes. Yes, if somebody comes to you and says, "I will give you $10 million if you show my nephew's painting," I would say, "How can I make constructive use of this?" I would not say, "How dare you impute our artistic integrity?" I would say, look, at least the nephew is a painter, not a psychopath or an assassin. Perhaps I could create for him and others a forum on the amateur painter in America. Maybe there is some creative way I can actually help the ambitious uncle out and get something for the museum, which will benefit painters who actually deserve to be shown on the basis of standards of taste.

We want only clean money, but there is no clean money. It doesn't exist. If I had to measure cleanliness in money, I could accept tuition from no student. When I was a freshman college president, I met a wonderful shoe manufacturer, now deceased. He was an Irish Catholic, a self-made man, who, with a partner, a German-Jewish immigrant, built a shoe empire. I talked about supporting the causes that I was working for. I was raising money from him.

He said, "You know, we have a friend, a neighbor, who you should raise money from." This neighbor turned out to be a German of their generation who, with his German-American wife, had re-emigrated from the United States to Germany in 1935 to help the Nazi cause. I said to my friend that I would not deign to raise money from this man.

I went home and had lunch with my grandfather, a survivor of the Warsaw Ghetto and labor camp and the wisest, smartest man I've ever known, and told him the story proudly. He looked at me and said, "Why do you think you are doing the right thing?" "Well, I thought you'd be proud of me," I answered. And he said, "You know how I would be proud of you? If you took money from this bastard and did something good with it."

This made a very strong impression on me. One does not bow to the terms of the donor. One tries to reconcile the purposes of the institution that one represents with the subjective needs of the donor, which can be naive, unthought-through. How can one find a way to do better than was first thought possible by the giver of money? We are in the business of teaching philanthropy.

There are lines to be drawn, but often they are drawn too quickly. We make a banality of principle when we invoke ethics every single time. I prefer the ethical line to be drawn rarely and held to rather than squandered in order to make ourselves feel superior.

The most important thing, for you as museum directors, is to actually think clearly about the purposes of the institution, not about ethics. If we pay attention to the primary purposes, most of what appears to be of an ethical nature disappears. Nobody will give you a million dollars just because they like you; donors don't give you what you want, they give *you* what they think *they* want. The key is to lead by transforming their ambitions into ones an institution cherishes.

## *Marketing the Museum: Where Do You Put the Car?*

**Stuart A. Ashman**
Moderator
Director, Museum of Fine Arts
Museum of New Mexico

Good morning. Last night's opening talk is going to be a hard act to follow. I'm sure that everybody agrees that Leon Botstein's presentation was truly energizing and inspiring. I don't think I've had somebody hit home with so many issues so consistently in a long time.

Well, continuing with the theme that is of utmost concern to all of us, the Program Committee wanted to address all of these issues that affect our daily lives. We assembled this panel of distinguished professionals who will bring us their perspectives from their individual areas of expertise. I don't have to point out to anyone in this room that the climate has changed. With shrinking government support comes new challenges for museum directors. Museums have to become entrepreneurial. We've heard that before but there are definitely issues in fundraising that we didn't have ten years ago. These issues and this climate I mentioned dictate new directions and new strategies that we are all going to have to examine.

The title of this session is curious. Glenn Lowry, Director of MoMA, talked a little bit about it today. I had assumed when I heard the title – *Marketing the Museum: Where Do You Put the Car?,* that we were talking about Glenn's caper in Toronto where an exhibit was funded by Chrysler. He put a Chrysler in the lobby, and that raised all kinds of ruckus. I've talked to him, and he said it wasn't his easiest week but it worked out all right in the end. Then I heard about two other incidents, one – and I call them incidents because they seem to be looked at that way – was Alamo Rent-A-Car sponsoring a show at the Metropolitan. They wanted to put their Alamo Rent-A-Car in the lobby, but, actually, ended up putting it on the sidewalk, and nobody was satisfied. Yet another was an exhibit put together by the AFA and sponsored by Mercedes – it had some problems too. And just this morning I heard about an old car in the lobby of the Brooklyn Museum that was for sale and created all kinds of problems.

But, anyway, all of these point to the complexities and the many facets of marketing museums. It isn't a clear-cut simple thing. There are many, many ethical, logistical, and strategic things to look at when marketing a museum.

The panelists are going to give us their presentations individually, and then we will follow with a question and answer period.

**Suzanne Sato**
Panelist
Vice President, Arts and Culture
AT&T Foundation

Prior to entering philanthropy, I spent a long stint managing theater companies, so I am still a learner in the world with which you are all so very familiar. I can see from the preparatory conversations we had with the group as a whole that I will be learning a lot as the panel proceeds.

To some extent, what I am going to talk about is more in the traditionalist mode. As you all set out to organize an exhibition, I am sure one of the first things you think about – after you think about the art, of course – is how you are going to fund it. What has been fascinating about preparing for this panel is learning about all the different ways that museums are thinking creatively about the ancillary activities that can be mobilized to market an exhibition? As donors, we encounter some of these innovative ideas at the inception stage when folks are going out to raise funds, and we also see them at the point when the exhibition opens when our local AT&T people get involved in the projects. But I must repeat that this panel has already provided me with new learnings, as much as becoming familiar with the museum world over the years has been an education for me as well.

One of the things I was asked to discuss was corporate trends, though I find it is almost impossible for me to talk in generalizations about what corporations at large are doing. To some extent, AT&T is like many other corporations and at the same time is very distinct from other corporations. So the way AT&T behaves cannot be interpreted as a trend, though our experience may well be reflective of yours.

First of all, *how long* and *in what way* has AT&T funded the arts? AT&T has been in the arts business for more than 50 years. AT&T's history in the arts goes back to "The Telephone Hour" on radio and then on television, even before we were thinking about the arts from a philanthropic standpoint. The AT&T Foundation was established in 1984 at AT&T's divestiture, so we have had an organized arts program from the day the Foundation opened. But support for the arts, and especially for visual arts, precedes the actual inception of the Foundation. The Foundation marks the beginning of a period when we opened our doors to a larger variety of funding possibilities, but before that time, AT&T had a history through our advertising and marketing programs of funding major exhibitions, some of which you may recall: the Hockney touring exhibition, Wyeth, Gauguin at the National Gallery. More recent exhibitions were the Basquiat and Robert Longo.

But these major touring marketed exhibitions are far from the bulk of our work. And I would say that the days when we were able to underwrite major blockbuster touring exhibitions are over. This shift would not, however, be reflective of what some other companies are doing; in some cases, major touring exhibitions or huge exhibitions in major cities are where companies are interested in investing their resources. Our activity in the last twelve or fifteen years has really centered at the intersection between community needs and business interests. So AT&T has supported a spectrum of kinds of exhibitions and a spectrum of kinds of venue.

*Why* is AT&T in the arts? AT&T is a communications company, so it doesn't take much of a leap to figure out that if our business is creating the physical links between people, we might also be interested in supporting some of the metaphorical links. So we have been very focused on arts and have remained so, frankly, even when some of our own marketing data might demonstrate that arts are not the most effective place to invest our dollars. We have stayed with the arts because we feel that they send a very important symbolic message about communication.

AT&T has also been very committed in its philanthropy to strengthening communities, and we believe cultural institutions to be at the core of what makes a strong community. So, we renew our involvement in the arts even when surveys tell us we ought to be involved in fields like education. Of course, we *are* involved in education; we are deeply engaged in education. And my colleague in education administers a very substantial program nationwide, but our commitment to the arts remains sound.

In AT&T's experience, even prior to the inception of the Foundation, whenever AT&T became involved in a community, one of the first places where our local executives would meet their counterparts from other companies would be on the boards of major cultural institutions, not just the museums, but symphonies, dance companies and theaters. And that practice continues - began historically and then continues - to be a way in which we have felt we can not only contribute to the community, but interface with our key customers and major influentials.

These are all the reasons why we have supported the arts. But we don't fund the arts wholesale. *What* precisely do we fund in the arts? (And here we focus on the Foundation, which represents the preponderance of AT&T's giving in the arts.) First, we want to make the point that AT&T is an innovative company, so we concentrate on funding contemporary work. This would not necessarily be the key message that another company might want to send. So another kind of exhibition might be more important for a different sort of company. But we feel that as a telecommunications company, particularly a telecommunications company in these competitive times, we are concerned with more than garden variety long distances. AT&T offers a variety of other kinds of newer telecommunication services. So we focus entirely on contemporary work to reinforce the idea of innovation.

Second, AT&T has a long history of being committed to diversity - the diversity of our employees, and the diversity of our customer base. Consequently, diversity - supporting work by women and artists of diverse cultures - is a key issue in our portfolio of grant making in the arts. And if you look through our grant portfolio, probably more than 50 percent of our grants involve artists that are women or artists of diverse cultures. And the great majority of what we support involves living artists.

A third piece of what we support is a relatively new component which is specifically aimed at new technologies. Targeted projects that mobilize new technologies to enhance the work of artists or the work of arts communities. These are very selected, case-by-case grants. It is by no means the bulk of our grant making, but we are exploring its possibilities.

*Where* do we focus? We focus in our key cities. Our key cities shift as our business strategy changes, but we are an international foundation. AT&T philanthropy centers on two dozen key cities in the U.S. and in eight key countries worldwide, along with three international focus regions; as much as twenty percent of our arts grant making is outside the U.S.

We also concentrate on institutions – supporting institutions to support artists, rather than funding artists directly. And we look for institutions that have a strong presence in their community. That does not necessarily mean the biggest institutions. Of course, we support the High Museum in Atlanta, for example, and we are happy to be involved here at MoMA and a many other major institutions, but AT&T funds a spectrum of activities, building on successful partnerships that we have built with institutions in their respective communities. When we enjoy a good working relationship with a museum, or a theater or a dance company, we tend to go back again and again, because the working relationship is strong.

Much of AT&T's giving is aimed at creating a local footprint. We are indeed a big multinational company, and we have a brand whose integrity we protect very zealously. So we are aware of trying to connect the quality of what we feel the AT&T brand represents with the quality of what the museum/viewer experience will be.

We are particularly interested in exhibitions, as are an increasing number of companies, because exhibitions are on view for a long time. Yes, AT&T spends considerable resources in the performing arts – it is after all my field. But, as you know, a theater production may enjoy a five-week run at best. And in dance, a run could be as brief as two or three nights. The wonderful thing about a visual arts or museum exhibition is the possibility of a six-week to three-month run, and sometimes, even longer; and if the exhibition goes on tour even longer than that. So an exhibition is a very good investment that remains visible over time and really presents a great deal of flexibility for our local customers.

AT&T is interested in making the local connection. So while I sit in New York, and we are viewed as a national – even international – foundation, every grant that we make is tied very closely with local AT&T public relations teams. The grant proposals come to the AT&T Foundation via the local AT&T teams. The relationships with the institutions are held by the local teams. And the leveraging that happens after the grant is awarded is managed by the local AT&T teams. We at the Foundation work very closely with them; and if a proposal were to come directly to our office that we thought was of interest and met our guidelines, we would send it back to our local AT&T teams for review.

The AT&T Foundation Arts & Culture budget is about $5.5 million a year, and 20 to 25 percent of that money is awarded to museums. On one hand, the total makes us one of the top ten corporate donors in the arts. On the other hand for museums, if you do the math... let's see... $1 million... $1.2 million... for the museum world... it is not a staggering amount of money. We have probably spent about $1.2 million this year to date. And by year's end, the total will be probably a little more than that, comprising 29 or 30 grants. You can see, then, that our grant amounts range anywhere from $10,000 to $100,000, and in very rare instances will exceed that amount. Compared to the dream blockbuster dollars, these are not huge grants, and a key, as I said before, is that we are not using marketing and advertising dollars. Our resources are limited to grant dollars.

AT&T arts support is a hybrid. We do count on our local AT&T presence to leverage the grants, to entertain around them, to partner with grantee organizations, to help to reach your clientele as a museum paired with our clientele as a business. And when we really achieve what is called a win-win situation is when our guest list and your guest list get together and we are able to introduce each other to people that we were not previously familiar with. In some cities, AT&T has been extraordinarily successful in that way, because we have many key customers and significant key reach into the community, into a community that *you* may not have been able to access before. On the other hand, you bring your very devoted clients to the party as well, to the party literally and the party figuratively. So we are hoping that we are building a partnership between your museum and AT&T where all are beneficiaries.

Of course AT&T is interested in visibility, and of course we are interested in achieving corporate visibility in a positive context. I cannot imagine a single corporation that is not interested in that visibility, unlike the goals of private foundations. Some people mistake our interests, perhaps because we are a foundation – thinking that somehow as a foundation we intend to hide our light under a bushel. By no means. We are very interested in the visibility, and we would like to partner with your organizations to make that happen.

AT&T is unlike some other companies – perhaps unlike many other companies – in that we do administer competitive initiatives. I will not go into them in detail at the moment, because my time is almost at an end. Just recently, however, we completed the third round of an initiative called *AT&T: New Experiments in Art and Technology* (AT&T: NEAT). The AT&T: NEAT initiative was launched because we found that we were very successful in grant making to contemporary art museums and multi-purpose museums, but given our history as an arts program, AT&T was not present in children's museums and science museums, which happen to be places where we, as a technology company, need to have a presence. So we designed a program called *AT&T: New Experiments in Art and Technology* to encourage our colleagues in children's museums and science museums to think about mobilizing artists to play a role in bringing their exhibitions to life, not simply as exhibition designers, but as genuinely integral players in the creative process. AT&T: NEAT has now completed its third round, and we have just announced the grants. The hope is that we can continue to bring arts to the fore in many different contexts.

We have maintained other initiatives, such as *AT&T NEW ART/NEW VISIONS.* I do want to tell this one story because it is emblematic of the way AT&T works. Some six years ago, I believe it was American Express that organized a meeting between museum directors and corporations, where, as I understand it – though I wasn't present – some pretty hot words exchanged. Museum directors and corporate donors ducked it out for a couple of days over what corporations weren't delivering that museums needed and what museums weren't providing that the corporations really wanted. It is reported that there was quite free and frank discussion, which was probably good for everybody. What AT&T subsequently announced as a result of that meeting was based on one of the messages we heard. Museums believed that corporations were interested only in big blockbuster exhibitions, or in small annual operating support grants. What were not being addressed were: smaller permanent collection exhibitions; shows that focus on the work of younger artists; some of the exhibitions that are important because they allow museums to widen the spectrum of their activities, even when these shows are not blockbusters, not star vehicles. But these are important exhibitions, because they promote the future of the arts, not simply capitalizing on the big guns.

So *AT&T NEW ART/NEW VISIONS* was designed to support smaller exhibitions that were aimed at living artists that were aimed at current debates in the contemporary art community. Today, what is interesting about the sunsetting of that program is that many of its goals are now infused into our grant making. I would say the majority of our grant making in contemporary arts is in smaller and medium-sized exhibitions. We fund a few projects every year that are more ambitious, but the bulk of what we fund – and you can deduce this in our grant numbers – is really more modestly scaled exhibitions.

We are very interested in where an exhibition originates. We want to be engaged at that origination point, and then we like to follow the exhibition if it is traveling to AT&T's key cities, and we would like to be involved with each of the institutions that the exhibition is visiting. So it is not unusual for AT&T to award a grant to the originating institution or the originating museum partners, followed by smaller grants along the way to the receiving institutions so we can maintain our relationship with each organization that is presenting the exhibition, not only its home state.

These are some of the strategies that we are employing to stay involved with what we hope is what the contemporary arts need, with what arts institutions of all sizes need, and certainly with what AT&T needs as a company.

Thank you.

**Arthur Cohen**
Panelist
Principal
LaPlaca Cohen Advertising

When I first went from the private sector into the museum world, which was an act of kind of passion and faith, I was very surprised to see the structural antipathy that seemed to exist between the curatorial and marketing sides in museums of all sizes. There seemed to be no correlation between the type of museum or the city it was located in or even the people who ran it and the degree of cooperation between the business or marketing end and the arts side of things. That always struck me as both a missed opportunity and also just didn't make sense. In the course of various events that have led to the formation of an advertising agency devoted to the needs of cultural clients, everything has been predicated on the very firm belief that you can create impactful marketing communications in advertising without any sacrifice or compromise to the integrity of the cultural institution. I don't think these things are at odds, and I think the opportunity is to find a way where both things work together for the benefit of all. That's what we try to do.

I want to talk very briefly about what I think museum advertising is all about and then show you some examples. Advertising for museums should be viewed, in its most essential way, as your exclusive opportunity for a direct communication of the museum's mission, position, and identity to the audience beyond the walls of the museum. The reason that is important is because it distinguishes it from public relations and other marketing efforts where you're really relying upon an intermediary to spread the word and tell people why they should care. Why they should care is a big deal.

When we start any communications project or marketing project with any client, the first thing we ask ourselves about any project is what is there in this that can get the general audience to care about the museum either institutionally or for this specific program or event. It's a tough question, and you need to ask yourself it if you're going to create an effective marketing campaign. Advertising, therefore, is unique because it's your voice. It's undistilled, it's pure, and it's direct to the mass audience. It says what you want to say about yourselves in your own words, and it should be viewed just as that, as this unique opportunity.

A lot of smaller museums sometimes think that advertising and marketing is a luxury that they can't afford, and it's pretty much been the experience of the variety of museums we've worked with as well as a lot of others that we know about, particularly smaller museums, that it's a necessity that you can't afford to do without in terms of preserving and maintaining your long-term viability. I think cultural institutions have an obligation to the communities that they serve to clearly communicate what they're trying to do, why people should care about them, and invite them to come in. I think advertising is a very effective way of doing that.

I know a lot of people when they hear Suzanne and other people from the corporate support side are just wishing, "Oh, there are dollars there that I can use for my marketing efforts and all these things I never get around to because it costs so much." Sometimes, yes, it costs a lot, and depending on what your ambitions are and which media you're buying, it can be very cost prohibitive.

However, there are other opportunities that are available almost uniquely to cultural institutions as nonprofit organizations that make certain advertising communication programs very cost efficient, and I think those should be considered. A couple of things to think about when you're evaluating the opportunity to make this connection with your audience through advertising are very basic: what's the specific message you're trying to convey, and how are you going to say it, because the words, the vocabulary, the syntax that we use to communicate within a museum is very different and often inappropriate with that which is necessary and effective to communicate to the audience outside the walls of the museum.

Second is "when." When do you need to connect with your audience? Typically, cultural institutions are on a seasonal cycle. There is a fall push and a spring push, and we all kind of pray that we get through the summer. While looking at your exhibition schedule gives some answers, other answers relate to your long-term institutional objectives, how you want to develop or grow your organization, and communication needs which stem from that target.

"Where" is a big deal, because where is all about what your target audience is. Everyone says, "Well, we want to advertise to our audience." There is no such thing. There are many audiences, and different audiences are appropriate to connect to at different points in time or even at the same point in time from different functions or departments within a cultural institution.

The other "where" part is where ads actually appear. The editorial environment of the publications, for example, if you're going in print, says a lot about how your ad will be perceived, not only in terms of the readership of that particular publication, but the quality, the overall message or feeling that one has when one opens the local newspaper versus the local monthly magazine versus the New York Times or Time magazine. All of these impact the way your ad is perceived and its potential to connect with the target audience.

What I'd like to do now is show you just a few slides that show you a range of institutional sizes. This shows that this is appropriate not just for the big guys, but for the small guys as well. So if we can have the first slide. This is an ad done for a huge institution that has limited dollars to spend on advertising, the National Gallery. The reason that I'm showing you this ad first is to show you that you can create things that are very content-rich.

There is a lot of type and a lot of stories in this ad, and it is placed in publications that people tend to spend more time with. This is an ad for an organization that can't be out there a lot. When in those few instances they are out there, they combine major events of the season under an umbrella position, an idea that's interesting and timely. This says, "The Glories of Autumn at the National Gallery." This ad ran throughout September and October. And it essentially tells people immediately this is what's happening now. It uses an image that is appropriate for the overall tone you want to create and then goes in deep enough with descriptive, but still friendly, text describing some major events of that season. This is a very cost efficient way to attack the seasonal needs of an exhibition program by doing it in one fell swoop but also making sure everything comes together in a single message.

Can we have the next one? This is an ad I like a lot. It's currently running for the RISD museum. I don't know how many people here have been to the RISD Museum. It's a wonderful place, but it is beset with logistical problems. It's in Providence, which is a kind of no man's land market, or has been historically, trapped between New York and Boston. It's affiliated with a university, which is both great and horrible, because it suffers from and benefits from the identity of that other institution always looming over it. And it has a word name that no one really got, if they don't know the institution already. The point of showing this is to say, think about what your worst communication issue is and make that the opportunity which the ad addresses, because an ad is a great way to tackle a problem like this head on. The problem with RISD is people saw the word and didn't know how to pronounce it if they were not familiar with it. And so "To see the world, just say the word, RISD" with the phonetic spelling (RIZ-DEE) right below it was really all about the introduction of this idea, this name, this word, to a broader audience. And this will be followed up by exhibition and program specific advertising later. This sets the stage for a lot of specific messages to come.

The next one, please. This is an insert, which I should first say is not designed so much to be an ad. That is, it doesn't have that kind of quick immediate impact. It's meant to be inserted, and, in fact, was in local papers in Cambridge for the Harvard University Art Museums, again, more than anything else, to build the bridge to the local community within Cambridge to just let people know, it's not just Harvard's adjunct arts collection. This is a museum unto itself, and there are a lot of interesting things here.

We then followed it up - if I can show you the next one, please. This was something that was a little more time-sensitive. A lot of cultural institutions across the country have been celebrating the anniversary of India's independence, and Harvard University was among these. This is just a way to then refine the message a little bit for more specific information, again, geared to the local community. These were printed as inserts. Very, very cost efficient. You stick them in your local newspapers. You overprint them and distribute them in your lobbies, at events. You give them to other institutions to distribute on your behalf. It's a nice way just to get a message out there.

Next I want to show you some things that are about targeting your audience a little bit more specifically than these general ads. This is an ad that ran in Cleveland for Pharaohs. It was a show that we really didn't know what would happen with. This was the Louvre's permanent collection that essentially had to be moved while the galleries in Paris were being reinstalled. That was a hard story to tell, and so we tried to make the message an interesting story about a move to Cleveland. It was a way to connect with the local audience to create an angle that still made it relevant. The point about Cleveland I wanted to make is that it starts to make a bigger idea more specific to the local community by looking for that local angle.

This was the first in a series of three slides I wanted to show you for a program called *After Hours at the Art Institute.* Is anyone familiar with this program? It's great. It's amazing. It's really the benchmark program for reaching young professionals, and it happens one Thursday a month. The first time I think 850 people came. The next time we had 1250. And now it averages about 2,000 people one night a month at ten dollars a head. And the whole idea is it's an opportunity for young professionals who are already in a downtown urban location - where the museum is fortunate enough to be situated - to come, and interact in a non-traditional environment where they might get something even a little bit more interesting than the norm; a cultural benefit on top.

A lot of the language that was used in this ad and the imagery came out of focus groups with this target audience of young professionals, and the ad was designed to be a component ad where the image from the permanent collection changed and the representation of people changed.

The next one, please. This is a more recent version. Again, the same basic formula. We wound up refining it even more once everyone knew what After Hours was, and the program became a kind of trademark. So the idea was to keep taking the same overall combination of an image of the exterior of the museum, a permanent collection image, and a group of people, and keep changing it each month so it's always fresh and timely, but always interesting and consistent and relevant to its objective, which is to engage a very specific target audience. And, for the Christmas ad, if you've been to the Art Institute at Christmas, you know they put a big wreath around the lion, so the lion had the wreath around it for the December event. Those are the kind of things you can do.

The next one, which is a more recent one still - just gets a little smoother and a little closer, actually, to the action itself. It's still using the same basic formula. Again, this is not an ad you would do to reach maybe your core constituent if you're in an older community or if you're trying to reach families, for example. This is not that ad. This is not that campaign. This happens simultaneously with - for example, the Renoir campaign, running right now, separately from this in different publications to a different audience. This is just the idea of a museum connecting with different groups within its overall audience for specific messages appropriate to that group.

Then can we see the next one. This was a campaign that we had a lot of fun with, although it was very complex. We ran the Byzantium campaign for the Metropolitan in six different languages. I can't always remember them all, but it was something like Greek, Russian, Armenian, and others, and with each of these we bought local publications that served these particular communities, as we have many times before for the Metropolitan, for any major exhibition which also has a specific ethnic audience target as well. We designed an ad that is torture-tested to make sure that when we work with the publications to get the translations, we have a big single word that can be translated into whatever language, a relatively small amount of copy, and the Metropolitan's identity, which stays consistent in English throughout. This was an amazingly effective campaign, and the museum had a statistic to the effect that two out of every five people who came to see the show identified themselves as coming from one of these targeted ethnic groups, which is quite extraordinary when you consider how many people come to a place like the Metropolitan.

You don't just advertise to tell people to come. You advertise to provide people with information they want to know and otherwise might not be able to get. Cézanne was such a killer ticket to get in Philadelphia that over the course of the exhibition the advertising needs changed, and we had to tell people about ticket availability, about new hours being added, and other types of relevant information that they otherwise might rely upon more indirect sources to get. Using advertising to respond to the needs of the audience is something that I think museums rarely do. They always think about what do I want to tell you, not what do you want to hear from me. And that's what all this is about.

Also, after a major exhibition, you kind of hear this collective sigh of relief in the host cities. But there's a lot that the city has been through. It's been a lot of attention and a lot of effort, actually, on the part of all the people who suffered through the long lines or waiting on the phone queues to get their operators to order advance tickets, things like that. You owe people a bit of gratitude. I think to just acknowledge that is a way not only to convey a public service, but also to put a more familiar and human face on an otherwise faceless institution by saying, "Hey, thanks. We really appreciate what you've done for us." And "thank you" are words that museums don't use enough where it's appropriate.

Here's another example. This is an ad that runs in the business sections of newspapers. For example, it ran in the business section of the New York Times, and I believe a couple of times we ran it in the Wall Street Journal. The whole idea here is not just to say thanks to our corporate patrons, which is a very important thing to do, but also to say, hey, you're not on the list of the people who are on the list. What happens, without exception, when these ads are run is the next day calls come into the development office saying, "Hey, how do I become a corporate patron? What is that all about? What are the benefits? What do I have to do to get listed on this ad?" These are the kinds of things that provide real service, and often the development department is over here and doesn't even talk to the marketing department. That's a mistake, too, because there are all sorts of opportunities that really haven't been exploited by many, many institutions that serve this longer term goal of addressing the strategic needs of the museum into the future. Okay. That's it for the slides and that's it for me for now.

Thank you.

## *Getting to the Bottom Line: Introducing Participatory Budgeting*

**Kent John Chabotar**
Instructor
The Getty Leadership Institute for Museum Management Faculty Member
Vice President, Finance and Administration and Treasurer
Bowdoin College

Welcome to a small segment of what MMI is like at UC Berkeley every summer. As Serena said, I'm now an administrator at Bowdoin College in Brunswick, Maine. I was a faculty member, though, for 25 years. When I was a faculty member, I thought administrators were idiots. They didn't know anything. They were always obstructionists. They were always saying no. They were bureaucratic. They were rigid. They were really hard to deal with. Now that I've been an administrator for six years, it's amazing how much you folks have learned.

Why participatory budgeting? Why are we doing this? Why would we take a process, which is hard enough as it is to get a balanced bottom line, and open it up? I'd have to say that I'm a late comer to all this. When I arrived at Bowdoin College, developing a balanced budget using a committee had already been decided. I was skeptical. I was afraid it would result in a non-budget. We would never get it done. I was also afraid that the budget process would be captured by the various interest groups. I was afraid it was a budget which would not make sense. I was wrong on all counts. If it's done right, a participatory budget helps understanding the folks who did the budget much more than a speech or memo. If they've been involved, they understand it from the ground up. It's also a better budget.

What is participatory budgeting? There are three types of budgeting. First is informational. Informational means doing the budget centrally. The director and the business officer do the budget but they periodically inform employees what's going on. Second is consultative. That turns a one-way conversation with information into a two-way conversation about options. During the process, you consult with the community, especially the department directors who put in their budgets originally. Third is participatory budgeting which essentially asks top management to let go of the process for a time. A participatory budget says, subject to the approval of the chief executive officer and the board, our community plays a much greater role in the budget process. In effect, subject to some constraints, the community's representatives do the budget. Not the director alone, not the business officer, people like me alone, but the community. Fine tuning is essential if participatory budgeting is to succeed. A few basic, *how*-to principles will help.

First of all, *use a budget committee*. The committee is not chaired by the business manager, not chaired by the director, but chaired by someone from the mission or program side of the institution. That might be the curatorial department in a museum, faculty if it's a college or medical staff if it's a hospital.

This person must be carefully chosen. Selecting a non-financial person as chair sends a message that a budget is all about the basic priorities of the organization. It's not just about money. In my view, a budget is one of the most fundamental statements you can make about the true priorities of the organization. You're putting your money where your mouth is. And I've often seen a director or dean claim one thing about priorities, but the budget discloses that the resources of the institution are being spent somewhere else.

Number two is to *ensure that the committee represents the various constituencies within the organization.* If you're a large organization with professional associations, have them nominate, to the CEO, committee members from within their own ranks. The budget committee should also include selected senior officials of the museum or the hospital or the college if you want the senior officials of the organization to buy into the process just like everybody else. This is not abdication of responsibility. It's delegation. And one way you delegate is to make sure that senior management continues to influence the budget process.

A third rule is to *set clear expectations and limits*. One limit I've already talked about: the head of the organization approves the budget. Everything else is suggestive. It's a recommendation. It's a proposal. But until the CEO and trustees approve, it's not really the budget. Before the process starts, define any constraints on the ability of the committee to do the budget. The constraints have to be public and in writing. It's not fair to play surprise at the end and put new rules on the group that were not clear at the beginning. For example, one rule might be a balanced budget. If you've ever done a budget, that is not a foregone conclusion.

You might also constrain the relative priority of the budget between program services and support services. Perhaps you seek a shift in the budget away from support and toward program, or the other way. Suppose you're in a growth mode. Are there constraints on who gets the money as membership and employees increase? If you're in a retrenchment mode trying to restore a balanced budget, are there people or programs that must be preserved?

The fourth principle is to *start early and allow more time*. The first year of a participatory process can consume much more time than you think. Participants must be trained about the technical aspects of the budget process such as the chart of accounts, potential sources and uses of funds, and so forth. They also need to know about the organization's financial condition. There's also going to be some suspicion. "What do you mean participatory budgeting process? Oh, just another scam by the boss around here to make us think we're participating, but it's really a done deal."

Allowing more time is important. Assume, for example, that your fiscal year starts July 1st. When does the board approve the budget? If it's in May or April, you're probably talking about starting the process several months before that. It's better to stretch it out and be casual, be deliberate. You cannot rush to judgment; pull one of those last minute, college all-nighters to prepare a budget. This doesn't work because budgeting is a planning process. A budget is a plan with dollar signs. Budget preparation should be done over a longer period of time so people get a sense of the information and do the best job possible.

*Provide adequate staff and timely data* is the fifth principle. Don't argue about the facts. How many times have we been in a committee, whether it's budgeting or something else, without the basic information needed for decision-making: the number of members; how have members grown; what's the average membership fee; have they kept up or not kept up with inflation; what's the staff? That last one is not an easy question in larger organizations. Depending on where you are in the organization, you may get different answers. Some may cite head counts. Some may use full-time equivalents. Some may count employees on the recurrent budget and not on the non-recurring grant funds. Arguing about the facts is among the worst things you can do if you're trying to obtain a budget on time and in balance.

Principle six is to *have community meetings during the process,* sort of a progress report on how things are going. Smaller organizations can get everyone in the same room fairly easily. But larger organizations can hold these meetings in one of two ways. The first model is we treat different constituencies like the estates of pre-Revolutionary France: nobility, clergy, and the bourgeoisie. We have our equivalents in museums: senior staff, curatorial staff, and support staff. If you hold separate meetings for each group, the members of one group may be tempted to criticize the other groups not at that meeting. In colleges, when faculty is gathered together, they complain about those "do-nothing parasites called administrators. There's too many of them." You get the administrators together, and they talk about "under worked, immature faculty who don't earn their salaries." So I advocate having the entire community together at least once during the process like the national assembly of France, not three estates. That way everyone can talk to each other more politely and constructively about issues that matter in the organization.

Another useful item is an e-mail suggestion box that disguises the sender's name. If it's been a while since you've been on the firing line, since you've been working, for example, in the store, or have been one of the people taking the tickets, or somebody in security or in the physical plant, you forget that they see opportunities and problems differently than top management. But they may fear retribution if they offer critical comments. And, until you can change the culture and climate to be more open to honest feedback, an anonymous suggestion box offers information and protection. It's also important to let the community know which suggestions will be implemented, and why.

The seventh principle is to *involve the trustees early*. They cannot delegate responsibility for approval of the budget in any nonprofit organization. Trustees have basic fiduciary responsibilities for not only managing endowments but also approving the budget. How should trustees be involved? Early in the process the board has to be oriented to the process itself. Further, the best legislative bodies are ones that have more than one reading, more than one review of proposed legislation. Give the trustees more than one shot at the budget.

The finance committee is key. At an early meeting, talk to them about the basic challenges for the year. Talk to them about program priorities, grant possibilities, endowment spending, and membership drives. You're not proposing a budget yet. You're giving the finance committee the variables with which you're working with to get this budget done. Put them in the place you are. Put them in the place of having to make the same budget tradeoffs intellectually that you've had to make early in the process. By the way, I find conference calls to be a very good, *occasional* substitute for face to face meetings to increase attendance and to have the members spend time analyzing materials and not traveling. Later in the process, advise the committee about your tentative conclusions about the budget. Here's what we're thinking about charging for admissions. Here's what we're thinking about on our grant budget. Here's what we think is going to be our percentage utilization rate from the endowment. What do you think? This approach gives you an early warning about controversial issues before the budget is completed or submitted.

Involve other trustee committees, too. The finance committee should not have a monopoly on the information. Development, admissions and memberships, facilities, and other committees have roles to play, too. Meet with each committee and advise them not only about how the pending budget impacts their specific areas but also the larger budget context. State the status of the total budget, and how issues within the purview of the committee are being handled. That is the early warning system for that committee. Remember that the members of these trustee committees are also voters when the full board decides whether to approve the recommended budget.

The eighth principle is *overlapping membership between the budget committee and other groups*. For example, a few senior staff members should also be members of the budget committee. This keeps everyone informed and on track, and is especially important when the CEO is not on the committee. It's a way in which the CEO can still feel part of the process because his or her major staff members were part of the budget process as they've always been. The process has two parallel tracks with the senior staff and committee communicating throughout. The budget committee can query the senior staff, and vice versa. We're thinking about raising the membership fee to X. What do you think? When someone has taken a public position on a budget issue, it's very hard to get them to change. Do it informally first before the positions are hardened.

The ninth and final principle is to *implement participatory budgeting slowly and gradually*. Don't try to go from a dictatorship to a democracy in one year. The culture won't stand it. For example, let's suppose that, in your institution, the business officer alone does the budget. If you want to open up the process, use a consultative model in the first year in which dialogue occurs among the business office, director's office, and line managers. If that works, if it doesn't seem to cause a civil war, then slowly broaden participation. It may require two or three years before a truly participatory model is achieved.

Participatory budgeting is not easy. These principles will help, but it's a risk. And yet, its benefits are so great that I'd urge you to try it. As the saying goes, "Nothing ventured, nothing gained."

## *Asset Management:*
## *Survival of the Financially Fittest*


**Dahlia Morgan**
Moderator
Director
The Art Museum at Florida International University


I will preface my very brief remarks by saying I think I am really the perfect candidate to talk about today's session on mergers and acquisitions. "Acquisitions" in that our museum is part of the university system in the state of Florida called Florida International University. We really should be The University of Florida at Miami, indicating our relationship to the state system. Furthermore, we acquired the entire art collection of what was the Metropolitan Museum and Art Center (MMAC) at Coral Gables. The collection was primarily acquired by the Director, Arnold Lehman, who is now at The Brooklyn Museum. He had been in Miami and was the director of MMAC in the early 80's before becoming the director of The Baltimore Museum of Art (BMA). He was followed by a succession of five directors within five years. The museum board had tremendous debt and the collection was in danger of being sold and dispersed. Since it was a community based collection, I went to our university President Modesto Maidique, who was newly on the scene, yet quite entrepreneurial. Although he is an engineer, I felt he would be interested. I said to him, "I think if we pay their debts, we might get the collection. I don't think it should be sold or dispersed." The transaction occurred just as we had discussed. So we acquired four or five thousand objects, an encyclopedic collection of even strengths, some marvelous things from Rodin to Hans Hoffman to Asian art. This was the beginning of our collection at The Art Museum.

The MMAC collection was the first acquisition. More recently, a significant merger occurred with The Wolfsonian museum on Miami Beach and Florida International University. The Wolfsonian is a marvelous museum created by one individual, Mitchell Wolfson, who spent what seems almost his entire fortune in the acquisition of many objects and the building housing his collection. Its excellent staff includes Wendy Kaplan as Chief Curator, and at the time Peggy Loar, Director for many years. It is in an old warehouse that has been restored in the Art Deco style on Miami Beach. In 1997, Mr. Wolfson realized he would no longer be able to afford this exquisite collection, building, and staff. I received a call from Peggy Loar, the Director, and she said, "Dahlia, maybe the University..." Our university is growing by leaps and bounds and we are known to aggressively seek interesting solutions to problems. Fortunately, the final papers are in process, and the agreement will take place. The Wolfsonian is currently being subsumed under the umbrella of the University, thereby allowing The Art Museum and Wolfsonian to coexist autonomously. As the Director of The Art Museum for 15 years, I have been appointed chairman of the oversight committee. Hopefully, this well accredited institution with a marvelous, professional staff, will not need me for interaction on a daily basis. Thus, with this topic of mergers and acquisitions, I am perfectly equipped to be a part of this interesting panel.


**Russell C. Pomeranz**
Panelist
Vice President for Finance and Administration
Meet the Composer, Inc.


I have been asked to speak to you about the role mergers and acquisitions can play in enabling nonprofit arts organizations - museums in particular, to survive, grow, prosper, and assert themselves in an increasingly competitive world.

My epiphany that mergers would be critical to the arts was not merely a result of observing the merger madness that has swept over the for-profit sector or my inherent desire as a director of finance to slash costs. The idea hit me several years ago when I read about Disney's attempt to build an American History theme park in Manassas, Virginia. What was so astonishing to me was that Disney's number crunchers were able to articulate a money making scheme based on American History. History, as I imagined and remembered it, is the domain of museums and universities, not the basis for large entertainment companies to invest millions of dollars to ultimately increase shareholder equity. But I took this concept one step further and wondered, what is to prevent Disney, Time-Warner, Sony, or any other mad-cap entrepreneur from buying an art collection and charging admission to see it, or building an amusement park around it, or renting it to a mall or store to entice visitors? A theme park of art-related products and works could attract a sizable crowd with correspondingly sizable revenues. As demonstrated by the popularity of the recent Cézanne and Picasso exhibits or the Three Tenors Performance, there does seem to be a significant market interested in fine arts exhibitions and activities. Where there is a market, there is money, and where there is money, for-profit organizations pay attention.

Ultimately, the issue isn't whether Disney should or should not encroach upon traditional nonprofit territory. The fact is that they can. The problem is, how does the nonprofit sector stand up to them? At this point, nonprofit art organizations and museums cannot. No museum begins to have the financial, marketing, and facility muscle or flexibility to compete. The largest museum in the U.S. is the Met with total income of approximately $250 million. Mike Ovitz, a fired Disney executive, made approximately $100 million in less than one year's worth of work, and he wasn't even the boss. The nonprofit sector is overmatched.

The societal challenge to the nonprofit arts sector is that huge for-profit entertainment companies play a larger and larger role in the way Americans view themselves and define their artistic interests and prerogatives. The museum, however important, is pushed into a small niche in the arts and entertainment industry. To re-establish its place in society, the nonprofit sector needs its own organizational critical mass to assert its agenda. To do that they need to be bigger, stronger, more confident, and more aggressive. That comes from expanding their capital base, cutting costs, marketing to a much wider and larger audience, making broader use of new technologies and long-term industry-wide planning.

The big picture approach characterizes for-profit mergers that have been so prominent in the news today. Based on the mantra, growth is necessary to survive, big is better, and the sad reality is many medium sized companies have limited long term survival prospects. Chase merged with Chemical Bank to maintain its revenue base, cut its costs, and assert its role as an industry leader. Travelers took over Salomon Brothers to strengthen its trading department, and ultimately establish itself as a full service investment bank with an international presence. The lessons of creativity, ambition, and vision demonstrated by the for-profit sector should not be lost on the nonprofit sector.

Unfortunately, merger examples in the nonprofit sector are harder to find and are generally less dramatic in scope. We've seen several large nonprofit hospital mergers over the past few years. We've also seen small arts organizations merge, though this is usually due to some sort of financial distress. Some organizations have talked about it, but there just doesn't seem to be much impetus or desire on behalf of major museums to play this game. Most museum executives I talked to claim to be getting by with a tolerable surplus, and that seemed to justify a lack of action.

Unfortunately, other immediate and long-term realities may force the nonprofit arts sector to seriously consider significantly more merger activity. That so many arts organizations and museums are breaking even or getting by in one of the most robust economies this country has ever seen, should be a warning. I'm not sure it is inaccurate to say that the arts are just one recession or stock market crash or prolonged correction away from a severe consolidation. When individuals can no longer give appreciated stock, if foundation investment earnings are seriously curtailed, if new tax laws cutting capital gains tax rates prove to be a disincentive to give, if local governments start cutting back, if donors decide that giving to nonprofit social service organizations makes more sense in tough times, when individuals watch their wallets more closely, more and more museums will be at risk. Museums and arts organizations need the financial strength to weather such storms. The foresight to combine organizations spreads out the risks and enables one larger institution to survive when two smaller ones would not.

In addition, nonprofit arts organizations must also respond to greater pressure on their bottom lines from funders. Foundations have stipulated that they will only give to organizations that not only run in the black, but are clear about their long-term strategic plans. Individuals, I would guess, approach their charitable contributions the same way. They want their investment to help an organization that is going to be healthy for a long time.

Mergers also make sense on an organizational level. They cut costs. Just doing the math illustrates this point. Two organizations of equal size of, say, $5 million merge. If their missions are somewhat similar, significant savings are obvious and attainable. A more interesting calculation, however, by museum bean counters might be to measure the savings of a number of organizations combined. What would be the savings if fifty $5 million organizations merged over time? If, as some people have mentioned, the merger savings rate is ten to fifteen percent, the museum world would have at least an extra $25 million to spend.

Mergers also enable organizations to grow by adding a strategic service or element that fills in gaps of the existing organization. Creating a "synergy" is a justification often mentioned in the for-profit sector. Suppose they wanted a much larger photography department. Suppose a museum had a great space but a limited collection or vice versa. Instead of duplicating efforts or starting from scratch, why not merge? An example of this concept might be the organization I currently work for. Though we are not a museum, we have been around for 25 years, have a budget of approximately $3 million, never had a deficit, and grant money to composers. We don't need to cut costs. We need a venue to show people what we do, as well as better serve our constituency: composers. We need bricks and mortar, a presenting organization or even a museum with an interest in contemporary music to provide us with that opportunity to display a product we believe in. The emerging synergized organization would expand our base of support and certainly increase the long-term survival prospects of both outfits as well as enable it to grow.

The contribution mergers can make to the financial stability of the nonprofit arts sector is also a result of the intelligent reallocation of revenues that become available. Let me give you three examples:

Number 1: Increased spending on marketing. In the nonprofit organizations I have worked for, marketing and advertising has often been an afterthought and an expense least likely to appeal to funders. This is changing, however. The power of marketing is more and more apparent in today's business world. In order to compete, raise revenues, get your message out, expand current markets and even to create new markets, more will have to be spent.

Number 2: Increased investment in research and development. When a small start-up museum based on a new or revolutionary idea tries to get going, they must raise significant administrative facility and marketing monies just to overcome the threshold of existence. The incubation of pragmatic and artistic ideas under the umbrella of a large organization seems to be a more effective way to test the feasibility of an idea. Money saved from mergers would allow this to happen.

Number 3: Increased spending on technology. Three $5 million organizations might each have trouble purchasing a $100,000 program or piece of equipment that will enhance a particular function of the organization. A $15 million organization would have less trouble affording and justifying that purchase. Some administrators have also mentioned to me that it is difficult for a small to medium size museum to justify MIS staff essential to managing technological growth and efficiencies. A larger organization able to add staff devoted exclusively to technology will be in a much more competitive position.

The eventual result of the reallocation of resources is the evolution of perhaps a different type of organization, a nonprofit arts organization with a greater percentage of income based on revenue instead of traditional support. Several significant advantages are apparent, one of which is especially important, that is the access to and creation of capital. Let's face it, museums are under more and more pressure to provide enjoyable spaces, add recreational activities such as restaurants, concerts, et cetera to provide a full experience for their constituents. The Getty Museum just set the new standard with a $1 billion facility in California. In order to compete, other museums will need significant capital to upgrade their facilities. Again, issues of scale are relevant to raising capital from traditional sources, such as banks, or even issuance of bonds. The larger and stronger the financial base of the organization, the better chance that they will gain access to funds to make necessary improvements. In addition, less reliance on the exhausting, time-consuming and uncertain capital campaign to raise money will serve nonprofit arts organizations well.

What might also be interesting is the idea of creation of capital in nonprofit organizations. Museums and arts organizations, just like the for-profit entertainment companies, have a product that could pay for itself. Instead of donors paying for operations, their contributions should really go for an endowment or organizational capital. For-profits use stockholder equity as capital to grow. Similarly, the nonprofit organization that can build and use its endowment as a capital resource, enhances its growth potential. Museums are also different from other nonprofit arts organizations because their collections can also be considered part of its capital base. My two colleagues on the panel will speak to that very shortly.

Ultimately, there are reasons merger mania has not hit nonprofit arts organizations. In the for-profit sector, there is usually enough money and stock to placate even the most principled objector. Not so in the nonprofit sector. Hence, the incentive for nonprofit board members and executives to give up their influence and jobs is limited. Similarly, these mergers and alliances in the for-profit sector are often driven by people such as investment bankers, executives, and shareholders who are in a position to make a lot of money. Merger instigators in the nonprofit sector would have to be motivated by what makes sense in the short and long-term.

Another impediment to mergers is that there is a certain local sensibility to museums that may not easily translate into large multi-national conglomerates. Finally, there is also this nagging sense among board members, staff, and perhaps society that nonprofits shouldn't focus on large sums of money, regardless of the noble way in which it is spent. I think that perception has to change. For-profit organizations have saved money, and grown to tremendous size, strength, influence, and scope through the accumulation and reallocation of resources acquired through mergers and acquisitions.

The nonprofit sector has been slow to commit to such a course. It would be a shame for an industry based on promoting human creativity through art not to approach their own business needs in a similarly creative manner.

Thank you.

**Brian Alexander**
Panelist
Director
Shelburne Museum

I will be compressing about two and a half years of work into twenty minutes of slides, so I will go through them pretty quickly. If there are questions, we can discuss them afterwards.

As you probably know, the Shelburne Museum deaccessioned twenty-two objects from its collections with the goal of making $25 million to establish a restricted collections care endowment, the income from which would be used to take care of the overall collection. This was a highly controversial sale, largely because of the intended use. We weren't reacquiring collections with it, but using the proceeds to establish an endowment for the care of the collections. It was a very deliberate process and we believe that we did the right thing for the institution. In spite of the criticism that we have received we are unapologetic for our decision. We feel that it has greatly benefited the museum, and I'm here to tell you why.

We believe that the deaccessioning was an act of foresight, not an act of desperation. There's a book by Kevin Guthrie on The New-York Historical Society's deaccessioning that you may have seen. He uses a quote from *Barrons* that I think is very telling. The quote refers to the Historical Society and I present it to you with all respect to the Society: "The Society's trustees for years sat around waiting for the bluebird of happiness to fly in the window and solve its financial woes, and the birdie never arrived." The trustees of the Shelburne Museum chose not to wait for the birdie.

Let me first tell you about the Museum. Established in 1947 by Electra Havemeyer Webb, the Museum is often referred to as a "collection of collections." It reflects one woman's view of American life and culture. In her words, the Museum was founded to show the "manner of living in the early days." The Museum's collections include approximately 80,000 objects exhibited in 37 buildings situated on 45 acres near the shores of Lake Champlain in Vermont. Largely idiosyncratic in nature, the Museum possesses very diverse collections ranging from folk art to American paintings to tools and horse drawn vehicles to a small collection of Impressionist art. The exhibits are housed largely in historic structures from New England because Mrs. Webb believed that the collections would be shown off to best advantage in the intimate surroundings in which they were made or used.

The exhibit approach at the Museum is unique. It is to a large extent an exhibition of an exhibition. It is very important as an assemblage of buildings and exhibits because it reflects a way of thinking about historical interpretation from a particular period of time, in this case the 1940s and 1950s. This approach, of course, creates some interesting challenges for us both in terms of presentation and conservation. We try to balance Mrs. Webb's intent, and the flavor of the original exhibit installations, with the Museum's need to be effective in its presentation to contemporary audiences and its concerns over the proper care of the collections.

The first collection of the museum was the horse drawn vehicle collection, which was part of the Webb family collection and is now the nucleus of one of the greatest such collections in the country.

The Museum is best known for its collections of folk art, trade signs, weathervanes, quilts, dolls and tools. One of the great things about Shelburne is that because of the manner in which the collections are exhibited, in intimate and eclectic gallery spaces in historic structures of various types, there are surprises around every corner. You never really know what you are going to see from one level to another or one room to the next. A good example of this is the remarkable Kirk Brothers Circus, which is a hand carved miniature circus comprised of about 3,500 individual characters.

Anomalous to the American flavor of the Museum is the Electra Havemeyer Webb Memorial Building, which houses several replicated rooms from the Webb's Manhattan apartment. The building, which exhibits works from Monet, Manet and Degas originally in the family collection, was designed as a memorial to the Museum's founder, and was added after Mrs. Webb's death.

The Museum also has a significant collection of American paintings ranging from Andrew Wyeth to Grandma Moses to Fitz Hugh Lane, among many others. In terms of its programming the Museum provides an active roster of programs year-round including workshops, lectures, symposia, elder hostels, special events and many others.

In an article in the *Boston Globe* a few years ago, Edward Able from the American Association of Museums was quoted as saying that, "It's all too easy for museum boards to look at their artwork as financial assets." Well, I will tell you that there was nothing easy about our decision to deaccession and use the proceeds to establish a restricted collections care endowment. We put ourselves under incredible internal scrutiny, wondering if we were doing the right thing, whether this was the only way, whether we should be selling the pieces we sold, and on and on. There was also extreme external pressure, as everyone knows, and it was a difficult time for the institution. It was an agonizing process; there was nothing easy about it and there shouldn't have been.

The Museum is a largely gate-dependent institution. About 60 percent of its total income comes from gate-related sources, such as tickets, the cafeteria, stores, and rentals. We have a short season of 22 weeks when we get most of our business, and even within that 22-week period, there are only about 16 weeks that produce significant revenue. So if we have bad weather, or the economy is a little bit off, or if tourism is slower than expected, we can have significant shortages of revenue for as much as $20,000 in a single day; if we don't get the projected paid attendance, the results to our financial picture can be devastating.

While we have highly *unpredictable* revenue we have many important and *predictable* mission-driven functions, such as the conservation of the collections. And our problem, and this is not a unique problem, is how are we going to stabilize our income so that we can take care of our collections on a regular basis without relying on highly erratic income streams?

This pie chart shows you that our general operating endowment makes up only about 14% of our total operating income. All the rest comes from highly unpredictable sources - from fundraising to gate-related sources to other earned income. The expenditure pie chart shows large portions of our total expenditures that are not designed for revenue production. These are the mission related functions, such as collections care and management, and building preservation, so, as you can see, a relatively small portion of predictable revenue supports a relatively large piece of predictable expenditures. The rest of the funding comes from highly unpredictable fundraising and earned income which may change dramatically from year to year (even week to week), thus putting collections care activities at great risk.

We have done a great deal over the years to try to increase and diversify our income, and we have enjoyed great success. We have upgraded and better located our museum stores. We have expanded our food service areas. We have developed a wide range of special events throughout the year. We work in product development and have a number of product lines based on our collections. We have worked very hard and will continue to work hard with our annual appeal. We established and continue to work on our membership programs. We have conducted capital campaigns, and sponsored fundraising events at the Museum. We have enjoyed considerable success with special project funding, such as the restoration of the *Ticonderoga* where we've raised about two million dollars.

We've also cut our budgets considerably. When our budget was around $3.5 million, we took out almost $600,000. We felt that at that point we really couldn't cut too much more without endangering our ability to generate additional revenue, without hurting the collection, and without damaging visitors' experience.

We even looked at re-engineering - the manner and efficiencies in the way we do business. We brought in Peat Marwick to do a re-engineering study. We had Management Consultants for the Arts conduct a management survey. Both said that we operated efficiently and productively with the resources we had. Yet, we still had massive collections and historic buildings to care for with unpredictable and inadequate income and our collections care needs were growing at a rapid pace. We then found ourselves running operating deficits in large part because we were trying to support so many mission-driven activities that made relatively little income. And these deficits would be paid from the general operating endowment, and whenever that happened, of course, our only predictable source of operating revenue was being gradually reduced. Our greatest need was to find a regular, predictable funding source to ensure that we would always be able to care for our collections.

So in light of this, trustees decided in 1994 that decisive action had to be effected so that this problem could be dealt with and we could remain responsible stewards of the collection. A special committee of trustees was appointed with the charge of examining these issues. They were to project needs and funding sources into the future, and upon completion of their work, recommend a course of action to the full board.

During this time we studied virtually every possibility. Issues that we discussed ranged from increasing earned income and re-engineering and budget cuts and mergers to partnerships and endowment fund raising and leasing collections and sale of real property. We even looked at the Museum as an amusement park. No stone was left unturned; we were *really* looking at every possible alternative. I should say here that many of these things (and others) we do on an ongoing basis, and will always do. The ultimate decision to deaccession is only one part of an integrated program to fund the museum, and then only a certain portion of the Museum's activities. The deaccessioning was not meant to solve all of the Museum's financial problems; it was meant to ensure the perpetual care of the collections.

After a year of study the committee made a series of recommendations, the most important of which was that the Museum deaccession a small number of collections to establish the principal for a restricted collections care endowment. It indicated how much money we thought we would need for principal ($25,000,000), that we must carefully define objects to be deaccessioned, that the collections committee of trustees recommend to the full board which objects should be deaccessioned, and other policies. It also identified investment and use policies to ensure that the endowment would be protected and given an opportunity to grow.

The moment after this was approved by the trustees, we started faxing press releases. From the very moment this happened, *literally the very moment*, we were "above board" and honest about the issues with our audience and public. This is, in part, why we received so much attention; we brought the attention on ourselves. We responded to questions; developed question and answer documents; we developed a "white paper" document explaining the process; we responded to requests quickly and as thoroughly as we could.

Unfortunately, in spite of this, we received our share of negative headlines, as you all know. We received enormous publicity. I did interviews on CNN, German Public Radio and many more. The story was covered in the *New York Times*, *Wall Street Journal*, *Boston Globe* and other major newspapers. Rumors were running rampant. People thought we were selling the entire collection. There were anonymous letters written to the press from disgruntled employees accusing us of every conceivable transgression. We even had a store in Burlington use the deaccessioning to help sell its merchandise. At a going out of business sale they said, "we're selling things off the walls just like Shelburne Museum..." And, of course, you know you are really in the news when you become the topic of an editorial cartoon.

As we kept hammering away at our message, trying to make the press and public understand what we were doing, things began to change, and the press became more favorable in their coverage and a more balanced picture was presented.

None of this was helped when there was an article in the *New York Times* in which the American Association of Museums was quoted as saying that we were looking for "loopholes" and trying to "confuse" the public and press. This was done without talking to us or asking about the details of our process. This did not help us at the time and made our job a little bit more difficult.

We, of course, examined various statements of the professional museum organizations with regard to deaccessioning and the use of proceeds from sales. We found a range of policies from the most conservative, such as the College Art Association and the Association of Art Museum Directors who endorsed reacquisition only, to that of the American Association of Museums which said "acquisition or direct care" to the American Association for State & Local History, which said "acquisition or preservation."

Because of our concern over some of the public comments by AAM, we wrote them several letters expressing our concerns and debating some of the ethical issues. The gist of this was that the AAM was saying that our proposed use of proceeds was not ethical (in their view), and our view was that we were using only *income* generated by the proceeds (not the proceeds themselves which became endowment principal). The AAM said that what we were doing was not "direct care," and we said that the most important responsibility we have is to take care of our collection and that it was the most ethical thing an institution could do.

We were accused of not doing things that were in fact "direct care," although the AAM had not defined "direct care." Other than personal opinion, no one could define "direct care." So we developed our own definition, which I will be happy to share with you. We were also very careful to make certain that everything we did was consistent with our collections policy, our articles of association, and pertinent Vermont law.

The decision of which objects to sell was a wrenching decision. We looked at the entire collection and ultimately decided on 22 works out of our collection of 80,000. About two-thirds of those at the time were in storage, and had been for some time. The attention that we received during the deaccessioning and sale was drawn to the selection of five Impressionist works. We certainly recognized that they are important pieces, but for the purposes of the Museum, they were not the main focus of what we do, and even then we kept many other Impressionists paintings which we felt were more outstanding examples. It is important to note that the Memorial Building at the Museum where the Impressionist paintings are is a memorial to the founder of the Museum. It really does not relate directly to the purposes for which the Museum was established.

The first of these works was a Degas pastel. We had five pastels of ballet dancers by Degas. We decided that we would select two of the less important pieces and deaccessioned *Dancer in Yellow* and *Dancer at the Barre*. The next piece, another pastel, *Portrait of Constantin Guys*, by Manet, was in very poor condition. We retained three major oils and one work on paper by Manet. There were also concerns of condition with *Portrait of Mademoiselle Lemaire*, also by Manet. The *Little Dancer* bronze by Degas is one of 22 castings, two of which are in nearby museums in New England. But we kept the outstanding examples of the Impressionist works at the Museum and still have the great majority of the collection in place, such as *Blue Venice,* which is currently on loan for an exhibit at the Musée d'Orsay in Paris.

Ultimately we decided that public auction was the best means of selling and would yield the best return to the Museum. We did better at auction than we anticipated, and in addition to establishing the principal for a Collections Care Endowment, we were able to make an important purchase. We purchased a pastel by Mary Cassatt of *Louisine Havemeyer and Her Daughter Electra.* The daughter, Electra Havemeyer Webb, would later become the founder of the Shelburne Museum. Her mother Louisine, also a great American collector, was a close friend of Mary Cassatt. And it's also an outstanding example of Cassatt's work. It was a wonderful acquisition for the Museum.

What have we done with the money? The endowment principal, of course, is still in place, but we have put the income that it has generated to good use. We were able to establish a textile conservation area, improving the storage, and installing climate control to take care of our quilt collections. We were able to add conservation-grade lighting with UV filters in the horse drawn vehicle collections. We were able to better control natural light from the outdoors, which would reduce overall light levels and eliminate ultraviolet lighting. We installed insulation and vapor barriers in the Horseshoe Barn to keep out moisture. We were able to continue our program of monitoring environmental conditions in our buildings. We ensured that there would be regular checks of temperature and humidity and round-the-clock monitoring of collections areas. We were able to ensure that our exhibitions were properly prepared and mounted using appropriate materials. We were able to apply vapor barriers in the quilt areas to better control the humidity. We upgraded our daily care of the collections at the most basic levels. We were able to ensure that collections were properly examined for loan. We were able to properly assess historic building conditions. We also worked with the Getty Conservation Institute to determine if our practical climate control methods were working.

Lastly, I suppose the big question: How has the deaccession affected our relationships with our constituencies? I would argue that it's positive. We are in a much stronger position. The public better understands the problems that we face. We continue to have gifts of collections, and our fundraising efforts continue to achieve good success. And of course our collections are assured of proper care. I think the best statement of all is that which was expressed at the Museum's recent 50th birthday party on September 27th. Over 14,000 people came out in one day to show their support of the museum.

We believe the deaccessioning was responsible; it was right; it was thoughtful; and it was in the best interest of the overall collection and the audience it serves.

Thank you.

**Franklin Robinson**
Panelist
Director, The Herbert F. Johnson Museum of Art
Cornell University

Brian's discussion was marvelous, and I think he did the sale the way it should have been done, and then took it on the chin for doing it the right way. And I guess that's what I want to talk about, how to somehow avoid his successors, as it were, having to go through the same process. Most of what I say will be obvious to an audience like this; nevertheless it might be worth saying.

For example, there are over 100 art museums in this country that have budgets over $2 million. Who knows how much all of our budgets would add up to? There have been more museums started since 1980 than previous to 1980, which is extraordinary. And the question is, where will all of this money come from? Certainly not from the government; in most cases not from endowment. I agree with every single word that Russ said, but I don't think it's going to come from mergers and acquisitions either. And if that's a solution for some places, I don't think it's a solution for the majority of us, if only because museums are specific places, buildings, and have local, defined missions. I wish that Tom Krens were here to talk about how the Guggenheim has done it, and how those finances worked. Of course, there you have a building with not much exhibition space and a bigger collection than the building, as it were. Perhaps that's only one part of it. I also wish David Ross was here to talk about how that has worked with the Philip Morris outreach.

At any rate, however you define it, our major assets are certainly our collections, our major tangible assets. My general feeling is that the profession should set up a committee or commission of some kind to look at these sale or deaccessioning issues. Of course I'm talking about sales for operating funds or capital funds, not for buying further works of art, and particularly looking at it from the point of view of what happens in situations when a museum gets desperate like the New-York Historical Society. I know all the arguments about selling works of art for operating or capital projects, the slippery slope, and these are things we all know about.

But I still think that the New-York Historical Society situation and other situations like that will continue; there will be many more of them. I think the museum field has expanded too rapidly, and our own individual budgets have expanded, which is not our fault, given what security costs and salaries cost. And I do feel our discussion should begin in-house within the profession. But at some point we should be more public and include all the affected constituencies. There are so many of them, museum directors, curators, trustees, donors, artists, tax people, lawyers, attorneys general, and legislators, and we should do that before those other constituencies take over the debate and write the rules for us. As far as I'm aware, nobody is really studying this issue seriously, and we have many examples of the problem. The Shelburne has gotten the headlines, but I think we all know about Brockton, and Brandeis, and the Phillips, and Bob Metzger I'm sure is here somewhere, and he could talk about Duncan Phillips and Reading, and there are others, Scranton, and so forth.

Some of the issues that I would like to see addressed would be these: What is the definition of desperate? What does that mean? A short-term crisis? Does it mean long-term pessimism? Is it something to do with a deficit, a shortfall? And to what degree do you cut expenses? Also, who decides when a museum is desperate? The director? The trustees? The donors of the works involved? The Attorney General, the state, God forbid? Legislators? The AAM? Or the AAMD? Speaking as a longtime member of the AAMD - and I love the organization - nevertheless, I don't feel that their involvement in one or two such situations has always been helpful. And also there is a bit of a question whether the AAMD is a club or professional organization, which has never been resolved. Also, what are our moral responsibilities to the donors, to the public, to the objects? And no one is talking in a comprehensive way about that.

Some other issues that might be addressed: Should sale funds be allowed to be used for, quote, conservation and preservation? As we've heard from Brian, nobody knows what that means. Is security conservation? I think it probably is. Nevertheless, how do you define that? Or these loopholes, who checks? What are the penalties? As you know, there's a penalty in the AAMD. Museums should not lend to those museums that have done deaccessioning in the wrong way. As far as I know, those penalties have never been even called for or enforced, and I don't know how they would be. What would be the impact of those desperation sales on the tax deduction for gifts of appreciated property? Probably our most precious asset, so to speak. What would be the impact on our tax exemption? We all know that some museums are now in certain states required to pay real estate taxes on those parts of their building that are used for shops and other such sales units. What would be the impact on our tax subsidy? In other words, on what's left of the NEA, the IMLS, the NEH, and so forth. How do we do these sales without the damage to the reputation and careers of the museum people involved, let alone their emotional equilibrium? I know of one director who went through such a thing and was within two years retired by the request of the trustees. How do we protect the people who make these decisions? How do we protect the reputations and commitment of the trustees, the reputations of these particular museums and the museum itself as an institution in society? What would happen to the art market if we suddenly sold a very specialized and magnificent collection that would be the finest grouping or concentration of that material? What would happen with the art market, dealers, auction houses, and so forth? What is our legal liability? What are the legal rights of donors and their heirs? Or the legal rights of the public? The Orphans Court in Pennsylvania is very much involved in protecting the rights of the public vis-a-vis those collections. You can just see lots of juicy lawsuits in all of that. What about the current law? Who knows that law state by state? Where is it pulled together? New York State put together an extremely good bill, which I'm sure those of us who work in the state know, an extremely good bill about deaccessioning after meetings all around the state. And it was very good. Then the New-York Historical situation happened, and they changed it. They put in what some people would say is a loophole, and what other people would say is a necessary thing. But, whatever, the loophole for conservation and preservation basically gutted the bill and made it useless, from my point of view, with my trustees, and you could drive a truck through it now. But maybe that was a good thing.

Should the use of deaccessioning or sale funds for operating or capital expenses ever be used in non-desperate situations? For example, for expansion. Of course, you could say sometimes a new building is desperately needed for mission, or for preservation of the collection, or simply in the long run for building audience. What about the current exceptions that are occurring as we speak? We all know a good number of such exceptions, not just Brockton and Brandeis and the Phillips, and so forth; we all know of those that don't get into the newspapers. What would happen to our flow of donations from collectors?

I was fascinated to see Brian's interesting, very good list of alternatives. For example, should a museum just plain liquidate itself before selling the collection? What does that do to the mission? What does it do to the jobs of the staff or the service to the community? And then of course the collection itself does get sold and dispersed.

Last but not least, what about the artists who produced the works? The Museum of Modern Art, as you know, does not sell works of art by living artists, so that it won't get around that an artist has been deaccessioned from the Museum of Modern Art.

On the other hand, I believe the New Museum does accept works of art for its collection, but it sells them within five years. It is a new museum.

In other words, it's a problem that I think we should wrestle with. I don't know if any one of us could take out a year from our careers to work on it, but there are retired museum directors around, and I'm getting there myself, and academics, and I'm sure we could find foundation support for this kind of thing. But I think we should wrestle with it now instead of later when we are wrestled with.

Thank you.