

**ACM Leadership Conference Call: Challenging Times
December 22, 2008 — 3:00 PM EST**

I. Welcome and Introduction, Neil Gordon, ACM Board President and Executive Vice President and Chief Operating Officer, Boston Children's Museum (MA)

Neil Gordon thanked everyone for joining the call, including those already on vacation. Gordon introduced call moderators John and Anita Durel, who run Durel Consulting Partners, which is affiliated with the QM2 community of consultants. Both have a broad base of experience and lead roundtable groups of museum leaders. John is known for his expertise in leadership and organizational change, and Anita is known for her leadership and fundraising expertise.

II. Managing in Challenging Economic Times, moderated by John Durel, Ph.D., and Anita Nowery Durel, CFRE, of Durel Consulting Partners / Quality Management to a Higher Power (QM²)

A. Responding to the Current Economic Situation

- Be transparent, honest and open, without too many meetings behind closed doors. Acknowledge to your staff, board and all stakeholders:
 - things are changing rapidly and we need to be vigilant and responsive;
 - everyone is affected — staff, visitors, members and supporters (express empathy);
 - you will do your best to ensure that the museum comes through this difficult time as an even stronger institution.
- Stay positive: Keep saying “We can and will get through this, and become stronger in the process.” It could take 2-3 years for your supporters to rebuild their wealth, which in turn will allow you to rebuild yours.
- Be nimble: Keep a close eye on your finances and on what is happening in your community. Make adjustments quickly. Put your efforts behind things that are working.
- Bring your best thinkers together, board and staff, to help you solve problems.
- While children's museums continue to see strong attendance, museums are seeing a decrease in corporate sponsorships, foundational support and individual giving. Be sensitive to what your donors are going through. If you don't have a comprehensive development program that includes major and planned gifts, then add those development program pieces. Turn over the rocks that haven't been turned over before. That means investing in research and approaching development more strategically than ever before. Look at your data for consistent donors, no matter their giving amount.
- Stay in contact with your donors and sponsors (individuals, foundations, businesses, government agencies) with this clear message:
 - We recognize that the current economic downturn is having a broad impact, and everyone is affected. We hope you will be able to continue to do good through us, even if it is at a reduced level. During these difficult economic times, every gift of any amount makes a difference.
- Broad-based mailings won't have the returns you previously may have expected. Direct mail consulting firms are advising that this is not a good time to acquire new members or new donors. Children's museums are seeing attendance hold if not grow. There is a return to family values and evidence that children's museums are filling an important need in the community. Take advantage of this by avoiding mass mailings and instead doing more on the museum floor. Attract new members by soliciting visitors while they are in the museum.
- Share with members, donors and supporters the message that children's museums are providing the following benefits:
 - People are looking for reassurance and comfort, for themselves and their families. This is a critical need at a time when people feel insecure about the future — families need time together, a break from their worries, where children can have fun.
 - Children's museums provide a relatively low-cost, high-value experience for families at a time when they need it. Sustained attendance numbers show that children's museums are filling an important need in the community.

B. Short-Term Action

In the short term, it is critical to curtail expenses and maintain revenue with the following methods:

- Layoffs vs. across the board cuts
 - If you have a strong staff and organizational culture, then shared cuts or salary freezes across the board may be the better choice.
 - If you have weak staff or a weak culture, then it may be better to selectively get rid of people who are not carrying their weight.
- Cost cutting
 - Focus on your core purpose and your strengths.
 - Stop or delay activities that do not produce well in terms of generating revenue; for the short term put your effort behind activities that bring in money.
 - Find ways to cut costs without impacting your ability to generate revenue.
- Adjusting Price Points: Museum leaders shared adjustments to admission, membership and facility rental fees that they have made or plan to make to accommodate the current economic climate, based on strong attendance figures.
 - Suzanne LeBlanc reported that Long Island Children's Museum (NY) increased admission fees and membership fees in July. Despite the increase, the museum is still above projections.
 - Tracey Kuehl reported that the Family Museum (Bettendorf, IA) would implement an admission fee and membership fee increase as of January 1.
 - Debbie Spiegelman reported that Miami Children's Museum (FL) has increased admission from \$10 to \$12. The museum also had a holiday membership special where it extended its membership renewal period to a 15-month membership instead of a 12-month membership. This deal, combined with personal calls to lapsed members, helped boost memberships.
 - Anita Durel suggested holding to planned increases. She shared examples of current membership drive tactics. ECHO Lake Aquarium & Science Center (Burlington, VT) is conducting a membership drive that markets their community leadership. For each new membership, ECHO will provide a membership to a low-income family. They are working with local social service agencies to identify recipient families. New York Historical Society (New York City) publicized a half-price sale on new or renewed membership, based on the understanding that it costs more to recruit new members than to retain, and hopefully upgrade, existing members. Ultimately the objective is to move members into a donor category and begin to build a long-term relationship. John Durel added that high attendance shows that visitors value children's museums. High attendance (demand) indicates that raising the admission/membership prices and offering incentives makes good economic sense. Research shows that when institutions increase the prices, they generate more money than see a decline in attendance.
 - Carol Enseki shared that Brooklyn Children's Museum (NY) increased its admission prices from \$5 to \$7.50 with the reopening of the museum in September. It is reducing its free admission hours. It wants people who can pay to pay. Those who are not in a position to pay are the targeted audience for the free admission programs. It is looking for sponsors for free admission times and to formalize community partner relationships.
 - Barbara Leggett shared that Explore and More Children's Museum (East Aurora, NY) offers free admission to families on WIC, which has worked smoothly.
 - Anita Durel added that many museums provide free memberships to people who need them the most. John Durel feels that that even in these tough economic times, people are not giving up the desire to help out someone who needs it. Therefore, during free times if you get a mix of visitors that includes people who could afford to pay, make a statement that the museum is here to serve and help the community, and can you help us help others?
 - Suzanne LeBlanc reported that Long Island Children's Museum is seeing a decline in birthday party reservations and museum store revenue — add-ons to the museum visit.
 - Catherine Horne said that EdVenture Children's Museum (Columbia, SC) re-priced their birthday parties and summer camps to create a perceived increase in value. Since reducing birthday party prices to just under \$200, they've seen a 10 percent increase in birthday party reservations over the last 45 days following this change. This adjustment came after seeing problems with birthday parties and memberships — anything priced in the \$150-\$250 range. The

museum increased the guest capacity for a party, while eliminating some of the things that the museum provided. The museum communicated the price change via its electronic newsletter and Web site. The decision and process to adjust the prices was part intuitive, part determined through staff observations regarding trends. EdVenture Children's Museum staff noticed a softening of memberships around mid-August. In response, the museum launched a more aggressive membership drive, particularly at the Welcome Center where memberships are sold or renewed. Catherine Horne fears the economy will impact summer camp registration.

- John Durel advised looking for early signs that things are changing — through staff testimonials or hard data — and make updates part of the conversation in your organization daily or weekly. Be nimble, flexible and somewhat experimental in adjusting pricing and/or benefits, as what you know about how people's spending behavior evolves.
- Anita Durel stressed that this is the time to create a tactical case for support, articulating meaningful, strategic messages that convey the value you bring to your community, and what it takes for you to deliver this value. Make sure that the entire staff and board understands these positions and can articulate them:
 - Why you exist — your purpose in meeting the needs of others
 - Who you serve and how
 - Why your work is important to the people you serve — how it makes their lives better
 - What makes you different from all the other nonprofits; what do you do better than anyone else
 - Why you should continue to exist — what would be the impact on the community if you ceased to operate
- Anita Durel encouraged taking these messages out in public places. Engage the media in sharing your story. During the holidays, the media is looking for human interest stories, so you might approach the media together with a couple of other nonprofits to pitch a story. Communicate not only what you are doing that is worthy of attention, but what you are doing that demonstrates how you care about the community, and how you are helping. This is where some of the innovative approaches to membership such as those that offer a free membership to low-income families may be of interest to the press — especially if paired with other creative actions taken by other nonprofits.
- Anita Durel touched on how the recent economic climate has impacted museums, including a downturn in corporate sponsorships as well as hits to foundation endowments. While this means that foundations have less to distribute, this is not a reason to diminish the grantwriting efforts or to assume that there are no funds out there. Differentiation has always been vital within the nonprofit community. More than ever, at this time you must differentiate yourself and articulate why children and families need children's museums now more than ever.

D. Keeping Up Staff and Board Morale

- Anita Durel warned that even in institutions that have implemented staff cuts elegantly, staff cuts can affect staff morale. Remaining staff wonder whether their job will be the next to be cut. Board morale is affected too, as they realize that they have the financial responsibility for the museum, they may feel that if their efforts had been more concerted, that they may have minimized the current distress. It is important to celebrate each step forward. This is also your opportunity to turn things around and create a stronger team. Communicate constantly and report good news even if it seems like baby steps.
- Betsy Grant of Greensboro Children's Museum (NC) reported that she eliminated a senior staff position that had been in place since the museum opened but was nevertheless non-essential. She sat down with staff and was honest with them about the crisis situation, and staff has risen to the occasion, offering ideas or offering to take a salary cut or to reduce their hours to reduce museum expenses.
- John Durel advised that as you bring people together to solve problems, send the message that the highest priority is the long-term health of the organization and the ability to serve people you serve. This situation may require that you lay off people even if you don't want to. It is conceivable that the organization could become 20-30 percent smaller and stay at that size for a few years. If you have to lay someone off, bring everyone together so they understand why the decision was made and the financial reality. Get them engaged in a positive way of solving problems together creatively.
- Gina Moreland reported that at Habitot Children's Museum (Berkeley, CA), low morale among board members is more of an issue. For many, their personal wealth has gone down and they now feel they

aren't able to do what they signed up to do, and some are trying to make decisions that may not be in the best interest of the organization's long-term health.

- Anita Durel advised bringing board members together and reminding them how much their investment has meant to you. Have them go around and say why they got involved in the museum the first place. This connects them in an emotional way to what the mission really is. The board doesn't have a chance to share and hear this very often. You can bring board members into the museum to see the powerful things you are doing, being strategic in this way to nourish their commitment. Reinforce why you should continue to move forward.
- John Durel added that it may help to give board members something to do to keep them connected, like making three thank you phone calls each to supporters. Anita Durel said you shouldn't ask supporters for money but just say thanks.
- Anita Durel encouraged museum leaders to measure their institution's progress, and share it with their boards. Having the discipline to measure, analyze and discuss changes and impact is critical.
- Neil Gordon agreed with the idea of being strategic and thoughtful. Boston Children's Museum (MA) just went through an exercise with its board to agree on a framework for quantifying potential problems — a risk-and-reward framework to provide a context for specific decisions. In cutting staff, you aren't talking about eliminating people, you are talking about eliminating services that people are providing. Developing this framework takes away much of the hysteria and myth-making out of this situation.
- Debbie Spiegelman reported that Miami Children's Museum conducted an exercise with its Executive Committee that projected the impact and savings of closing the museum for a day. She suggested this kind of activity provides data to show how a change might have a downside that is greater than the savings.
- As John Durel wondered what the change in museum operations might be based on percentages in response to the economic downturn, Neil Gordon said that Boston Children's Museum hesitated from doing this but instead quantified best-case, worst-case and fair-weather scenarios to project income and expenses and how the museum would respond. What items are at risk? Where are opportunities? They engaged a large part of the staff in this process, which helped them be more aware of the issues and dispel myths about what is productive and revenue-generating and what is not.
- Anita Durel suggested a recent *Harvard Business Review* article that looked at how leaders impact the morale and creativity of staff. Studies showed that a leader who comes into work in a good mood affects everyone in the institution and increases staff's creativity and productivity. Maintain a positive attitude even when there things are difficult.

E. Opportunities and Long-Term Positioning

- Anita Durel warned that holding fundraising events sometimes takes more staff time than if the time was spent in cultivating specific corporations or foundations. Relationship building with those that really care about your work can be more effective.
- John Durel suggested bring people together not to see how we can cut things now to make money, but longer-term implications of how the museum would respond. Bring smart people together to think through fund generation in a disciplined way.
- John Durel referred to Jim Collins' maxim, to embrace the genius of "and" — focus on activities of high mission value (those closest aligned to your mission) *and* high margin value (those that generate the most revenue for the least effort). Be conservative on estimating revenue potential. For a while, reality will be less than projections. Run contingency plans — what if something doesn't work out. Build in a surplus for the future. Make sure everyone understands the financial situation, and how the institutional budget goals align with each departmental budget goal. Build in good tracking measures so you know how things are working.
- Carol Enseki is considering partnerships with other nonprofits that could help reduce expenses, including joining together in fundraising efforts as part of longer-term capital planning.
- Anita Durel mentioned the Chattanooga, TN, model of three institutions mounting a joint capital campaign. Their comprehensive approach allowed them to raise money, even without the help of a fundraising council. Their collaboration continued after the campaign, sharing financial management through the aquarium partner. The institutions handle their own accounts receivable and have the benefit of a CPA, which they could not typically afford, to handle all financial management including the annual audit. There are also examples in the museum field of sharing facilities management. These kind of

collaborations might be popular with funders, who are looking to get the broadest impact with the least amount of money.

- John Durel advised looking to collaborate with nonprofits you've already worked with rather than figuring out how to work with a new group. Could you save money or raise more money by working together?
- John Durel suggested thinking about where the new Obama administration may put money into the economy with the potential to affect your institution, and those that will affect your supporters so that when they start to benefit, you will benefit. Stay aware of areas that are likely to see increased funding like jobs programs, infrastructure, green initiatives, buying local initiatives, health care reform and education reform.
- John Durel added that museums should make sure they are on their state representatives' radar. Many people will find themselves in Washington, DC, in the coming months, which is a good time to plan to meet with representatives. Plans are being made now, and if you are not on their radar screen, it will be difficult to jump in later.

III. Closing Remarks, Neil Gordon

Neil Gordon closed the call by saying that the ACM staff is coordinating additional calls to be scheduled through the winter. There are resources on museums and nonprofits managing in challenging economic times posted on the ACM Web site. He encouraged everyone to be talking to each other individually as well. Finally, Neil Gordon thanked John and Anita Durel for putting this challenging economic time for children's museums into perspective and highlighting the opportunity for long-term planning while making tough decisions in the short term.

Other Advice from John and Anita Durel:

Curtailing Expenses & Increasing Revenue

- If you have not done so already, get all staff together and challenge them to cut costs and increase revenue.
- Provide opportunities that are tangible and time specific, such as a 20 percent off coupon or sale at your museum store, or membership deals like buy one membership, get a second to give as a gift.

Fundraising

- Look in your own backyard first.
- Carefully segment your database and invest time and energy in cultivating your top prospects.
- Let major donors know how much you appreciate their past support. Visit your top 20 donors immediately, just to say thanks. Keep them in the loop. Inform them of the actions you are taking to curtail costs and maintain services.
- Give donors options for giving less this year, in anticipation of more when the economy recovers, saying "A gift of any amount that will help us continue to serve the community."
- If any of your corporate supporters have faced layoffs, offer free memberships to their employees with children who were laid off and those who remain. Show empathy while keeping the relationship strong.
- Partner with other nonprofits on grants, sharing the work of getting a proposal out, and appeal to funders — many of whom value collaboration. Remember to keep the message positive, visionary but grounded. Although these are difficult times, this is not a time to present the institution as desperate. No one is interested in supporting a sinking ship.

Strategic Recession Budgeting

- Bring your leaders together to create or revise your institution's budget, making it a group process. This will increase their understanding and build their commitment to making it work.
- Make conservative revenue projections. Anticipate at least 20 percent less next year, maybe more. Talk to your major supporters to learn what they are thinking about donating next year.
- Budget with a contingency plan — what you will do if revenue begins to fall short.
- Rethink all "fixed" costs. Renegotiate contracts.

- Make sure the whole staff understands the budget and their role in making the projections.
- Track budget closely and make timely adjustments. Be nimble. Look for things that are doing better than expected, as well as those doing worse.

Keeping Up Staff and Board Morale

- Let everyone know that you care about them, even as you make tough decisions.
- Communicate often, including one on one. Listen to staff concerns and be forthright.
- When saying “goodbye” to staff, give people time together, show respect and offer support.
- Support and challenge those who remain, especially your stars.
- Be creative in finding low-cost professional development opportunities. For example, you could take staff to a Wegmans, Whole Foods, Trader Joe’s or another market noted for customer service. Shop for lunch food, observe the service and meet with the manager to talk about their customer service philosophy. Then go to someone’s home to cook lunch together and discuss how to improve guest service at your museum.
- Invigorate your board and maintain their commitment.
 - Remind them that the board is financially responsible for the organization, and all board members are on the Development Committee.
 - Give them ways to participate, including calling donors and planning for future small cultivation events.
 - Give them ways to support the staff.

Opportunities/Long-Term Positioning

- Being visible as a “good community citizen” could do much to position your organization as the economy recovers.
- Be a leader of your institution but also of your community. Speak publicly about helping the community become stronger through the recession. Be a prominent part of the civic conversation.