

Surviving through the crisis: a strategic perspective

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In January 2009, my colleague and professional partner, the sociologist Helmut Anheier, contributed an article entitled 'How can the cultural sector survive the financial crisis?' to the European cultural portal *LabforCulture*. In the context of the financial crisis that began in the autumn of 2008, he was asked to advise cultural organizations on the sorts of strategic and management responses they might adopt. How to deal with the immediate fallout and how to develop medium and long term survival strategies? Anheier's analyses and prescriptions, based on many years of studying the world of not-for-profit, 'third sector' organizations in both Europe and the United States, have been widely noted and debated since they appeared and also came to the attention of the organizers of this gathering

Unfortunately prevented from being here today, Helmut Anheier asked me to replace him and cover the same ground. I am doing so largely on the basis of his January 2009 article, yet I shall also introduce complementary thoughts of my own. For both of us, the experience of sharing findings and recommendations is always an enriching one, particularly when it takes place with highly professional groups such as yours.

The first point I wish to underline, as did Anheier, is that if we really take a long and strategic view of things, we are obliged to distinguish between strategic challenges that were already present **before** the crisis and those that emerged, sooner rather than later perhaps – or maybe more dramatically – **because** of it. In the first category, that is trends that were already there before the crisis began, it is important to recognize the following:

- There will be **ever-increasing demand** for cultural goods and services but with ever-decreasing funding
- **Competition models** developed in sectors such as health, social services and education will be applied increasingly to cultural institutions. This is the familiar issue of the increasing hegemony if you will of the business paradigm, or what some call 'enterprise culture'. But there seems to be a special twist here, in that the emphasis applied to the cultural sector is on **cost control** rather than on **outcomes** and their **quality** – in a true 'enterprise culture' the two would be in much better balance.

- An **abiding fickleness in private philanthropic support**, hence continuing fluctuations in revenue streams, accompanied by overly optimistic expectations – and a great deal of talk – about what non-state sources can actually provide for arts and culture.
- Hence the need to develop **new business models**, new operational mixes.

There are two corollaries of these three major trends:

- The first is that the need will be even more marked now and in the coming years for **professionalisation of management**, finance, fiscal transparency and service delivery.
- The second corollary will be the increasing imperative facing cultural institutions to establish their **legitimacy** as institutions in and for society. This need for legitimacy is very closely related to another major trend, but one that is somewhat different from the finance-driven ones cited above. Museums today tend to be included somewhat more within different paradigms of **representation** rather than within paradigms of aesthetics or elevated scholarship. By this I mean that the institution is in many cases no longer valued principally for, say, the art historical quality of its collections and the art historical excellence of its curators but for the ways in which its 'communities' find recognition and representation in the ways collections are presented and contextualized.

Now none of the above trends, except the reductions in expenditure both public and private, is a direct outcome of the crisis in the financial sector. Instead, they have come about through the progressive abandonment of welfare state and public service principles in Western Europe, as well as, throughout the world, the growing demand for cultural representation among individuals and groups.

Yet new challenges have been generated by the financial crisis and these include the following:

- At the societal level, a loss of trust in the 'system', a general sense of insecurity
- An accompanying opportunism among political actors on both the left and the right of the political spectrum

- A rediscovery of Keynesianism by European governments, many of which, because they are far more fiscally secure than the US and have more room to maneuver, have launched large-scale public spending programmes. But only a small portion of the money will reach cultural institutions. These increases in public investments are being offset by budget reductions which in turn are creating shortfalls, of which some are being passed on to the publicly supported cultural sector.
- The increasing fondness in the business sector for 'short-termism' and the concomitant reassurance of shareholders. As a result, companies are eliminating or reducing spending on corporate social responsibility and giving. At the same time, they are looking for government handouts and subsidies in return for some guarantees, typically related to employment and performance.
- Dramatic declines in the asset values of philanthropic foundations, which are leading them to reduce their grant budgets and pay much closer attention to the sustainability of current programmes and commitments.

Now it is important to stress that cultural institutions are different from business organizations in three ways:

- They embody deeply embedded values (religious, political, humanitarian, moral, artistic). These values influence organizational behaviour in a variety of ways, but their presence implies at the very least a more complex means-goals relationship between operational and higher order objectives. These values can be enabling or restraining; protecting or stifling; leading or misleading; invigorating or distracting.
- They have a more complex array of stakeholders (trustees, staff, visitors/audience, state agencies, private foundations, etc.), which makes them more genuinely *political* organizations. This means that managing them entails creating and coordinating coalitions around a common purpose.
- They operate with multiple revenue sources (markets, quasi-markets, membership, transfers from government, donations and sponsorship, contracts, rentals of space etc.), yet price

mechanisms – which are still some of the best indicators of performance – are generally absent.

Management and legitimacy

These specificities lead me to focus on two issues: **management** and **legitimacy**.

'Half the battle for culture is management' – somebody said that at least fifteen years ago. This need for better stewardship stems from the growing demand for cultural products and services on the one hand and, on the other, the growing scarcity of resources. But stubborn myths prevent the two from coming together as two faces of a single 'culture' rather than as two different cultures... There has been resistance to the concept and the word, to the text and the sub-text. And conversely, sometimes the manager is seen as a magician, endowed with special powers...

There is, it seems to me, much work to be done still to adapt the core of standard management principles and techniques to the particularities of cultural goods and service provision. The success of an arts organization is measured not only by how well it balances its books, but by how well it fulfils its cultural mission. The challenge is to do both. The cultural manager has to be at once a strategist, a financial planner, a fund raiser, a marketer, an educator, a good manager of human resources and a persuasive advocate. In the museum as well this clearly makes it even more essential today that curatorial prowess be matched by a far more diversified professionalism. Indeed, the 'museum profession', in order to really be a professional needs to lay down acceptable levels of achievement in **all** areas associated with running a successful and effective museum or gallery.

My second line of emphasis, on the need for museums to conquer *legitimacy* in response to the demands of multiple stakeholders and plural claims for cultural recognition and representation, is by means a new idea. And it has been approached in many different ways already. But the notion of 'institutional value' articulated by the British analyst John Holden provides a useful recasting of the message.¹ The cultural sector justifies the value of its activities and services in terms of their intrinsic and instrumental value, in other words, either 'art for art's sake' kinds of arguments on the

¹ John Holden (2006) *Cultural Value and the Crisis of Legitimacy. Why culture needs a democratic mandate*. London: Demos. www.demos.co.uk

one hand or arguments based on how much cultural institutions can contribute to say, economic growth, employment or social cohesion. Institutional value relates to the processes and techniques that organizations adopt in order to create value for the *public*. It is an under-articulated dimension of value, argues Holden. As he puts it (2006: 18):

it flows from their working practices and attitudes... not simply as mediators between politicians and the public, but as active agents in the creation or destruction of what the public values... not just as repositories of objects, or sites of experience, or instruments for generating cultural meaning, but as creators of value in their own right... Trust in the public realm, transparency and fairness, are all values that can be generated by the institution in its dealings with the public. This concern for increasing broad public goods, this care and concern for the public, is expressed in ways both large and, seemingly, small: a commitment to showing the whole of a collection in a fine building at one end of the scale, to serving hot drinks at the other. But it is through recognising these values, and, crucially, *deciding for itself* how to generate them, that the moral purpose of an organisation becomes apparent, and where organisational rhetoric meets reality. Institutional value is evidenced in feedback from the public, partners and people working closely with the organisation.

This line of emphasis seems to me germane to the challenges that face museums as public institutions in the present climate. Yet ways of measuring and talking about *how* they actually add this kind of value – or how this kind of value is evidenced – have not yet been fully articulated or brought into everyday practice, except in a few cases.

Six tips for weathering the storm

Six short-term options:

- Revisit the value base of your organization so as to reinvigorate the meaning and significance of these values, basing all major decisions on values rather than economic rationale alone. If values are less central, make economic sustainability a priority.
- Consolidate your resources around mission-critical, resource attractive programmes, and prune activities that are less mission-critical and less resource attractive. Align stakeholders accordingly and build appropriate coalitions.

- Cooperate with others only around mission central programmes, and consider merger and franchise models.
- Cross-subsidize only if less mission critical programmes have a proven and significant capacity to generate revenue. Rededicate assets and reserves accordingly, and divest cross subsidizing programmes.
- Spread risk in revenue streams by avoiding dependencies on government, donors etc. and by diversifying earned income options (sliding fees, charging above marginal costs, using assets, cross subsidizing, etc).
- Run an active information campaign about what your plans are and how you seek to achieve them. Transparency and public awareness with all stakeholders is important for any re-organization to achieve legitimacy and success.

Tougher questions for long-term survival

For many cultural institutions, the result of the current shake-up may merely be a smaller and leaner entity, shaped by short-term reactions. It may not yet be a one that has thought through a strategic response to a transformed environment. The strategic visioning required will require it to ask tough questions about its very existence, functioning and impact. The options include:

- A more determined focusing of programmes, target groups, fields etc.
- Developing a scale of operations adequate to both mission and resources: right now, is that scale the right one?
- Building partnerships and networks along economies of scale
- Exploring multi-site and franchise models accordingly
- Reinvigorating advocacy and lobbying campaigns, so that their voices and concerns are heard.

Preparing for the future

In addition to short and medium-term inventivity, there are also steps that can be taken to make preparations for the long term. These include:

- Establishing a Public Trust Fund for museums to smooth organisations through a period of fiscal uncertainties, budget shortfalls etc. Of course, there are different ways to build and run such a trust fund (tax-based, community foundation model).
- Developing a membership base that can be mobilized politically for advocacy purposes as well as economically for resource generation.
- Exploring institutional innovations for the museum sector as a whole: e.g., dedicated financial institutions such insurance funds, forms of capital markets etc., as well as smart public private partnerships with profit/reserve options.
- Investing in more deeply grounded advocacy, in some measure by strengthening the watchdog function.

Students of capitalism have long argued that crises are necessary correctives, part of an ongoing process of the 'creative destruction' that for the Austrian economist Joseph Schumpeter has shaped much of the modern world. In this perspective, the crisis offers as much perhaps in terms of opportunities as it does in terms of threats. It will lead to the demise of some institutions, but the birth of others; the decline of some, but the flourishing of others. Some patterns of organization and leadership will be replaced, at least partially and new ones will emerge.

Surviving the crisis will require much more than asking for old wine to be served in new bottles (as the American car giants and the European banks have been doing). Instead, it will mean mobilizing those capacities for creativity and innovation that the cultural sector claims as its own, but that it advocates rhetorically more often than it demonstrates concretely.