

# **Building a Sustainable Future for History Institutions: A Systemic Approach**

*An Introduction to the History System Project*



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## About TDC

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Founded in 1968, TDC is a nonprofit consulting and research group dedicated to providing the nonprofit sector with the business and management skills critical to operating effectively. We have worked with hundreds of organizations, foundations, and public agencies across the nonprofit sector in all parts of the country. TDC believes that the nonprofit sector plays a vital role in society, giving tangible support to some of our country's most cherished ideals and enhancing the quality of our lives.

As one of the oldest providers of management consulting services to nonprofits, TDC possesses a track record in facilitating successful, challenging, and highly complex planning and organizational change processes. We have worked with nonprofits of all sizes in many parts of the sector, including education; history and culture; arts; housing and social services; and conservation. We also conduct research studies that contribute to the literature on the nonprofit sector, including "Vital Signs: Metro Boston's Arts and Cultural Nonprofits 1999 and 2004" (2007), "Getting Beyond Breakeven: A Review of Capitalization Needs and Challenges of Philadelphia-Area Arts and Culture Organizations" (2009), and "The Risk of Debt in Financing Nonprofit Facilities: Why Your Business Model Matters" (2007).

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## Introduction

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Over the past three decades, TDC has advised many institutions that preserve, interpret, and communicate the local, regional, and national history of the United States, and has witnessed the myriad challenges faced by these important institutions, the keepers of our nation's history. In our observation, many of these institutions across the country face dire financial constraints, which are putting into jeopardy their collections, their facilities, and their overall ability to meet their missions. To explore the causes behind this mounting crisis, TDC embarked on the History System Project in the spring of 2008. This white paper serves to summarize what we have learned thus far and to describe the next phase of this effort.

In the preliminary phase of this project, TDC reviewed the current literature and spoke with 28 individuals from leading institutions across the history system.<sup>1</sup> This inquiry crystallized what we had been hearing through our engagements with institutions over the years: a deep uncertainty about the ability of history institutions to achieve their missions in the face of increasingly limited resources and, at the same time, rising needs and expectations. Many of our interviewees decried a dearth of innovation and predicted that a shake-out is imminent, particularly among the smallest and most under-resourced institutions. With the coming of the recession, this prediction has taken on even more ominous overtones, since the downturn in the financial markets has eroded the stability of larger institutions as well.

What became clear to us through these conversations was that the mission to collect, preserve, and interpret history is complex, and requires many labor- and capital-intensive activities to fulfill. Because of this complexity, a very limited number of individual organizations are well-positioned to succeed. Most institutions are unable to garner enough resources to fulfill the full spectrum of activities, and by asking this of them, we set them up for failure. Capacity-building programs, for the most part, have avoided talking about this uncomfortable reality, and simply ask: "How can we build organizations' capacity to fulfill this complex mission?" In the History System Project, TDC reframes the question: "Can we re-imagine a system where – rather than requiring each institution to undertake all of these activities – institutions assume more focused and defined roles that, taken together, result in collective success?"

As we take this approach, TDC recognizes that there are a number of challenges to having a productive conversation about envisioning ideal roles in a system, including traditional ideas of institutional success, conflicts about where to allocate resources, diffusion of responsibility for collections in danger, unease about changing a business model, and fundamental concerns about organizational identity. TDC has designed the next phase of the History System Project to bring together leaders in the field to talk through some of these issues, and to investigate the possibility of system-level solutions.

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<sup>1</sup> A full list of interviewees is appended to this document.

The system is ready to have this conversation. TDC has observed a number of institutions and coalitions thinking systemically and strategically. Some have defined a clear-cut, sustainable niche for themselves, while others have come together to pool their resources and take on tasks too large for any single institution. An intent of the History System Project is to lift these efforts up into a broader context, share knowledge gained, seed the ground for continued innovation, and help make systemic thinking the norm.

## The History System

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The endeavor of exploring system-level solutions presupposes that there is indeed a system in place. Further, we suppose that such a system has certain drivers that might be shifted to motivate players to behave in different ways, even if individual players in the system do not conceive of themselves collectively. Finally, we suppose that this behavior change could result in better outcomes for the system as a whole or, perhaps, subsets of the system. In order to lay the groundwork for understanding these behaviors and the drivers behind them, we have first attempted to define what we mean by history system.

TDC defines the *history system* as the set of the institutions, entities, and individuals that pursue the mission to preserve, make accessible, and interpret collections that relate to the history of the United States. Moreover, the system aims to engage a wide range of audiences to communicate the ideas that underpin history and the stories that illuminate it. Integral to the history system are *collecting and presenting institutions* that undertake the critical tasks that allow us to uncover and understand the stories and lessons of the past, including historical societies, research libraries, history museums, living history museums, and historic house museums. Some of these institutions are free-standing nonprofits, while others are embedded within a larger institutional context, often a university. We distinguish between the two because governance models have a profound influence on all aspects of these institutions, from funding to audience to ultimate mission.

These institutions steward diverse *collections* (including documents, books, artifacts, and artworks) and serve a wide range of *audiences* (including the general public; schoolchildren; students and scholars; and amateur historians). The institutions are staffed with a range of *professionals*, including historians, librarians, educators, and curators, who use different modes to interact with audiences. These *modes* include exhibitions, libraries and archives, programs and events, audio and video presentations, and publications – with some of these modes having a virtual counterpart to traditional methods. The institutions are governed, funded, and (sometimes) managed by *boards of directors or trustees*. There are also *support organizations* that underpin and connect this system, including national and regional associations, foundations, technical assistance providers, and federal and state granting agencies. Finally, there are producers of *historical mass media* that both partner and compete with collecting and presenting institutions.

Together, this system preserves and communicates a collective American memory that helps us to reflect on current issues grounded in the experience of the past; records and renews our cultural

patrimony; helps us to better understand ourselves by tracing our ancestral roots; and communicates the ideals and complications of the American experiment to audiences in this country and the wider world.

We acknowledge some caveats to this attempt to define a history system. In our wide scope, we are including institutions that have different business models, funding sources, audiences, and – sometimes – different professional standards, values, and approaches. We aim to remain cognizant of this heterogeneity as we move forward, recognizing that “one size does not fit all” and that we may need to think about solutions that address a sub-system within the larger system.

## **An Expansive and Expensive Mission**

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Based on our research to date and our experience in the field, TDC posits a theory for understanding the causes for the system’s negative trends. We trace the roots of the problem to a value proposition that has become more costly without a commensurate expansion of capitalization.<sup>2</sup> The cost of the value proposition has expanded in two ways.

First, the founding value proposition of collecting and preserving the documents and artifacts of our national patrimony has become more costly. Since the oldest institutions in this country were established, the cost of stewardship that meets industry standards has risen dramatically, and the rate of that increase has only sped up over the past few decades. As collections have grown and aged, the overall need for preservation activities has increased. While preservation knowledge and technologies have continued to evolve to meet these needs, keeping up with these developments has been costly and beyond the reach for all but the best resourced institutions. Funding to support investments in these technologies has been temporary, leaving incomplete projects and an unfunded mandate behind. Technological advances in access have also progressed, with their attendant expansion of capital and skilled labor requirements. While technology promises long-run efficiencies, the short-run investment is high and will take a long time to “pay off.”<sup>3</sup>

Second, on top of growing stewardship costs, institutions face changing expectations about their value proposition from scholars, funders, and the public. At their founding, the oldest institutions were tasked with collection, preservation, conservation and scholarship for (and often about) a narrow membership of gentlemen-scholars. The public was to derive a passive benefit of having history preserved and studied. The latter part of the 20<sup>th</sup> century saw new trends in academia –

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<sup>2</sup> We use the term “value proposition” to describe the benefits that the history system offers to society relative to what the benefits cost to acquire, and the term “capitalization” to talk about the resources through which the system undertakes the delivery of the value proposition. The concept of “value proposition” bears much similarity to “mission” except that it incorporates the idea that there is a cost to delivering the mission and that the “consumer” (in this case, society) has a choice on how to meet the described need. For more on nonprofit capitalization, see TDC’s study “Getting Beyond Breakeven.”

<sup>3</sup> A more subtle factor is Baumol’s Disease, an economic concept that traces passively rising costs for labor-intensive enterprises. Jed Bergman provides an excellent accounting of Baumol’s Disease in chapter six of *Managing Change in the Nonprofit Sector: Lessons from the Evolution of Five Independent Research Libraries*.

the rise of public history and telling the story of the common man – which supported a more inclusive approach to history.

At the same time, institutions were tasked with an expanded value proposition that mirrored this shift, demanding a deep engagement with the general public. This shift was concurrent with the establishment of national public funding agencies, such as the National Endowment for the Humanities (in 1965) and the Office of Museum Services (in 1976). Both NEH and IMLS (the successor to OMS) include engagement with the public as a core goal of their work. From the NEH web site: “Because democracy demands wisdom, the National Endowment for the Humanities serves and strengthens our Republic by promoting excellence in the humanities and conveying the lessons of history to all Americans.” From the IMLS website: “The Institute’s mission is to create strong libraries and museums that connect people to information and ideas.”

The success of history institutions in meeting this challenge is unclear. After a brief “golden period” in the 1960s and 1970s – when living history museums were popular destinations – visitation has been on the decline, as consumer expectations and leisure activity options have risen. More recently, technology-based interactivity has been a new mode through which institutions seek to breathe life into history. Even more recently, new media and social networking have presented tantalizing new opportunities for reaching the public. For technology-based efforts, the jury on their effectiveness at engaging audiences is still out. What is clear, however, is that technology has raised the stakes in public outreach. Like in collections management, use of new technologies entails intense capital investment, ongoing maintenance costs, and a shift in mindset and skillset for staff, which are not within the reach of many institutions.

The toll of the expanded value proposition has been harsh in audience engagement, collections care, and financial health. Although the numbers are not definitive, systemwide, audiences over the past several decades have been on the decline at many leading institutions.<sup>4</sup> The National Trust reports annual decreases of 2 to 3 percent annually, which are even higher after correcting for population gains in the same period.<sup>5</sup> The impact on collections, to the extent that we know, is vast. The Heritage Health Index reported that 37.5% of objects – 1.8 billion – are in unknown condition. Of those that can be assessed, more than 820 million are in need or urgent need.<sup>6</sup> The impact on the organizations is similarly catastrophic. Undercapitalization is endemic in organizations large and small. Institutions hang on, fueled with small injections of funding and the passion of staff and leadership, often deferring ongoing maintenance and – for some – quietly chipping away at endowments. Over the years, a number of institutions have reached a crisis point, where they have been pushed to consider selling key elements of their collections in an attempt to stem the tide of financial distress. Still others have been pushed to the brink of closure.

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<sup>4</sup> Cary Carson, “The End of History Museums: What’s Plan B?”

<sup>5</sup> James Vaughn, “Historic Houses in the 21<sup>st</sup> Century.”

<sup>6</sup> Heritage Health Index Report, p. 30.

What is it about these kinds of organizations that is so risky and unstable? The answer lies in the mismatch between their capitalization needs and available resources. The concurrent demands of their collections-based mission and the call for public outreach raise two immense hurdles for history institutions as they attempt to capitalize themselves. First, as stewards of collections and historic properties, these institutions have the most capital intensive business model. Their fixed costs in collections management and facilities are high and must be ensured in perpetuity. For institutions with the long view, endowments are prudent and, in TDC's view, necessary. Given the rising costs of collections and facilities care, however, spending amounts are often not adequate, and institutions are often forced to defer facilities maintenance indefinitely and to starve administrative infrastructure.

Second, the changing value proposition demands a heavy investment in risk capital that organizations can use to test new ideas in public outreach. Innovation requires the bandwidth to experiment, which is inherently risky. And, for history institutions, experimentation will be necessary as they intuit the nuances of what they really mean when they (and their stakeholders) talk about public engagement. Agreement on the questions of which audience, what outcomes, and which methods can only be reached after an extensive (and expensive) process. For a system building from an inadequate base of capitalization, procuring and spending the necessary risk capital seems beyond reach for all but the largest institutions.

Funding the ongoing cost of public engagement, too, is in question. Even for living history museums – designed to attract large numbers of visitors – the dream of public outreach “paying for itself” through earned revenues has proven illusory, and institutions have been hard pressed to identify other sources of revenue to fill the gap. The lack of adequate resources has forced institutions to make choices about the available funds, choices that sometimes compromised their ability to be successful on any front.

Only a very few organizations have been able to achieve a degree of success in this new context. Instead of pursuing the full range, successful institutions set strategic priorities so that they can focus their resources on their core strengths in the context of the expanded value proposition. These lucky few also often possess a fortuitous combination of circumstances: significant collections or an iconic story, a prosperous community, and a budget that can support skilled professional staff. For the numerous organizations that are comparatively resource-poor and primarily volunteer-run, the implications of the expanded value proposition are grim. They find themselves left ever further behind a continually rising standard of professional care and public engagement, a situation that calls the question: “What does it mean to be a small, volunteer-run history institution?” Our interviewees predicted a shake-out among this segment of the system, positing that we may have “too many flowers blooming.” Two factors about the shakeout scenario give us pause, however: first, we wonder if it will actually happen, since history has shown that institutions can maintain themselves seemingly indefinitely on a starvation diet; and second, we worry that if it did that there may be negative implications to our collective memory, commensurate to “collective Alzheimers.”

## A Systemic Approach

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Some concerned observers have chalked up the decline of the sector to a lack of bold leadership, creativity, or management skills. The unspoken theory might be voiced: “If they truly knew what they were doing, they’d be getting better results.” Over the past two decades, public and private funders and associations have tackled this hypothesis with a robust capacity building strategy, disseminating best practices through professional development, training, and accreditation programs. These efforts have had the admirable effect of increasing the standards of the field. They have not, however, resulted in broad-based sustainability. And, they have tacitly placed the burden of responsibility on individual leaders.

TDC proposes that we take a different approach. We hypothesize that by raising the level of conversation from the institution (and the individual leader) to the system as a whole, we could reframe the problem to enable the system to more effectively tell the American story and care for their collections. By looking at themselves in a larger context, institutions may be better able to understand their unique value in this context and determine which of their activities contribute to this value and which do not. By focusing, institutions may be able to relieve some of the burden imposed by the expanded value proposition, concentrate their resources on their unique value, and unleash their full potential.

When thinking about a system-level approach, we first posit that there is a system with a common mission, which we articulate as: “to preserve, make accessible, and interpret collections that relate to the history of the United States; and to engage a wide range of audiences to communicate the ideas and stories that illuminate history.” For the system to flourish, we next posit that each institution must play a role in meeting this mission. Given variable access to resources and relative value of collections to different audiences, these roles will look different for different institutions, and may allow some institutions to focus their activities on those that advance their particular roles. As institutions define their roles, they may conceive of collaborative efforts that more efficiently advance the work of the system.

TDC is excited by the possibilities that the systems approach presents, and we’ve been lucky enough to play a role in a few nascent efforts. Through this experience, however, we have observed some obstacles to progress. First, when organizations lack a basic understanding of the content and condition of their collections, this can get in the way of modeling and evaluating new collaborative approaches to collections management. Second, since many institutions have tiny budgets, cost is a huge barrier to innovation, despite potential gains on mission accomplishment. Finally, for many institutions, it is next to impossible to get consensus on narrowing their scope of work. Making choices, particularly if that involves letting go of collections or pieces of collections, is often perceived as a failure, and for individual leaders and other stakeholders, the perception of failure “on my watch” is too difficult to conceive. An even deeper issue is the fear that a narrowing in scope will result in an institution losing its essential identity, which would result in the loss of key relationships with funders, community stakeholders, audiences, colleague institutions, and even their own leadership. Without ways to reframe the perception of failure or to conceive of new paradigms for organizational identity, these charged debates can block discussion of new solutions.



## The Project

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The History System Project is designed to test the hypothesis about the effectiveness of a systems approach, to facilitate a discussion on how to overcome barriers to systemic solutions, and to conceive of proposed solutions. To meet these goals, TDC has designed an interactive and iterative process that engages a broad sample of players in the system in facilitated discussions that are focused on concrete solutions. We believe that this focus will allow participants to discuss larger issues without falling into an unproductive morass. It would be too ambitious to claim that we will arrive at a system-wide consensus on how to resolve “hot button” issues. We do, however, hope to make some conceptual breakthroughs that will lead the way to exciting possibilities.

*Analyzing the regions.* The goal of the first portion of the project is to gain a better understanding of how the system works through both quantitative and qualitative data analysis. The research to create the regional analyses will be conducted throughout the summer and into the fall of 2009.

In order to make the scope of the project more manageable, we have focused our efforts on three regional systems: the Northeast, Mid-Atlantic, and Midwest. Intuitively, it made sense to take a regional approach because of the importance of state- and local-level funding for many institutions, and because a geographic approach is often taken in collecting and studying historical artifacts and documents. We also wanted to address a common barrier to collaborative efforts – lack of proximity. We chose the first two regions in order to cover the oldest institutions with the deepest preservation issues, which are concentrated in the Northeast and Mid-Atlantic. We chose the Midwest to analyze a system with a history of state support.

TDC has the great good fortune to be able to build on the work of Heritage Preservation’s Heritage Health Index. This remarkable project gives us access to a quantitative understanding of institutions and their collections, which heretofore has only been anecdotal. Through a collaborative relationship with Heritage Preservation, TDC will incorporate insights from the HHI data into our regional analyses. TDC will collect additional information on the state and regional context for the history system, including demographic information, primary state and regional funders, tourism trends, and state educational standards.

To enrich the quantitative analysis, TDC will interview a broad range of system participants. We anticipate conducting 50 to 80 interviews in each targeted region. In addition to providing nuance to the numbers, we aim to hear interviewees’ reactions to TDC’s hypothesis and understand their viewpoints on the “hot button” issues that could stand in the way of systemic solutions. We also aim to poll interviewees on ideas that we could explore through this project and, for those who have pursued systemic solutions already, we are eager to hear about their experience and lessons learned.

From this research, TDC will prepare a narrative analysis of each of the three regions, which will serve as a touchstone through the remainder of the project.

*Conceiving solutions.* With the regional analyses in hand, TDC will convene working groups in each region starting in early 2010. Each working group will be comprised of institutional leaders who have an interest in exploring a systems-level vision for their own institutions and the sector as a whole. The working groups will focus on conceiving, articulating, and evaluating potentially sustainable solutions based on a systemic framework. These solutions will then be tested in conversations with funders and other sector-wide supporting organizations. Funders, of course, will play an integral role in systemic solutions, as the source for sustaining risk capital. They can also take the lead in helping the system to move in a positive direction by creating the right incentives. Associations also create incentives as they set the system standards and disseminate the best practices against which institutions are judged.

*Sharing ideas and insights.* Finally, the working groups and TDC will share lessons learned with the wider field. Through these activities, the History System Project aims to achieve a common understanding of the regional systems and how they work; to identify the unique roles institutions play in the systems; to foster collaborative relationships; and to generate innovative ideas for solutions and support changes in funding approaches. We anticipate that the dissemination portion of the project will begin in fall of 2010.

## **Moving the Conversation Forward**

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We must acknowledge that this discussion will be challenging. The debates that have blocked system thinking so far are very real. As an informed third party, TDC can take on the role of voicing provocative ideas and spurring debate among institutions. We can also help the sector to recognize and define models and frameworks that will facilitate idea generation. The key to the success of the History System Project, however, is not us, it is you. Without participation from visionary leaders in the history system, we will be unable to turn these ideas into action and results. We invite you to contribute your time and ideas to this effort and help us to conceive of a history system that can sustain and innovate for years to come.

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- Vaughn, James, "Historic Homes in the 21<sup>st</sup> Century" (Public lecture, February 2006)

## List of Interviewees

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- Nina M. Archabal, Director, Minnesota Historical Society
- Peter Brantley, Executive Director, Digital Library Federation
- Charles F. Bryan Jr., President, Virginia Historical Society
- Terry Davis, President and CEO, American Association for State and Local History
- John Dichtl, Executive Director, National Council on Public History
- Ellen S. Dunlap, President, American Antiquarian Society
- Dennis A. Fiori, President, Massachusetts Historical Society
- Bernard P. Fishman, Executive Director, Rhode Island Historical Society
- Marian A. Godfrey, Managing Director of Culture and Civic Life, Pew Charitable Trusts
- Doug Greenberg, Director, USC Shoah Foundation Institute
- John Grey, President, Autry Museum of Western Heritage
- Gary T. Johnson, President, Chicago History Museum
- Steven Koblik, President, Huntington Library
- Martin Levitt, Librarian, American Philosophical Society
- Jane Long, Vice President, Emergency Programs, Heritage Preservation
- Bobbie McCarthy, Director, Save America's Treasures
- Louise Mirrer, President and CEO, New-York Historical Society
- James G. Neal, Vice President for Information Services, Columbia University Libraries Rare Books Department
- Carl R. Nold, President and CEO, Historic New England
- Christian Overland, Vice President for Museums and Collections, Henry Ford Museum
- Lauren Prestileo, Project Manager, WGBH/American Experience
- James C. Rees, Executive Director, Mount Vernon
- Marsha Semmel, Director, Strategic Partnerships, Institute of Museum and Library Services
- Hal Skramstad, Former Director, The Henry Ford and the Chicago Historical Society
- John C. Van Horne, Director, Library Company of Philadelphia
- Janet Vaughan (Senior Director, Member Services) and Beth Merritt (Director, Center for the Future of Museums), American Association of Museums
- Donald J. Waters, Program Officer for Scholarly Communications, The Andrew W. Mellon Foundation
- Richard Wendorf, President, Boston Athenaeum

*Titles are current as of March 2008.*



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