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ENTREPRENEURIALISM IN NONPROFITS

PANELISTS

Reynold Levy

President, Lincoln Center for the Performing Arts

Glenn Lowry

Director, Museum of Modern Art

MODERATOR

Robin Pogrebin

The New York Times

PROFESSOR SUGIN: I am honored to welcome two of the most important leaders in the New York nonprofit community for our panel *Entrepreneurialism in Nonprofits*.

Reynold Levy has been the president of Lincoln Center for the Performing Arts since 2002. His leadership at Lincoln Center continues a distinguished career of public service, including as president of the International Rescue Committee and president of the AT&T Foundation. He holds a J.D. from Columbia University and a Ph.D. in government and foreign affairs from the University of Virginia. He has served on the boards of numerous organizations and has taught often at Harvard Business School. He has written two books, including *Give and Take: A Candid Account of Corporate Philanthropy*.¹

Glenn Lowry became the sixth director of the Museum of Modern Art (MoMA) in 1995. His most recent major initiatives include guiding the building of MoMA's new museum and directing the \$858 million capital campaign that funded the building project and enlarged the museum's endowment. He has lectured and written extensively in support of contemporary art and artists and the role of museums in society. Mr. Lowry received his B.A. from Williams College and his Ph.D. in art history from Harvard University. He is our first nonlawyer speaking here today.

Mr. Levy and Mr. Lowry's conversation will be moderated by Robin Pogrebin, a reporter on the culture desk at *The New York Times*. Ms. Pogrebin has also covered city news for the metropolitan desk and the

1. Reynold Levy, *Give and Take: A Candid Account of Corporate Philanthropy* (1999).

media for the business desk. Prior to joining the *Times* in 1995, she was a producer at ABC News and a reporter for *The New York Observer*.

At the end of the presentations, there will be discussion among the presenters. When they are finished, we will open up to questions from the audience moderated by Ms. Pogrebin.

MS. POGREBIN: Welcome, everyone.

I want to start by saying that these guys are great talkers and you can learn a lot from them, as I have over years of covering what they do.

I would like to make this as casual a conversation as possible, as anecdotal a conversation as possible. I think their examples will be helpful and instructive for all of us.

To start, when I first got this e-mail from Linda, the whole idea seemed somewhat like a contradiction in terms, which is provocative in itself. Is entrepreneurship, some would argue, at odds with running a nonprofit cultural institution? Where you have an obligation to your board and responsibilities to your staff in running an organization, how entrepreneurial can you be?

I would like to start by having each of these guys talk about how they see entrepreneurship vis-à-vis the institutions that they run and take it from there.

Glenn, do you want to start?

MR. LOWRY: Thanks, Robin.

I am delighted to be here this morning and to participate in this discussion, especially with Reynold, who is one of the great leaders in the city.

I do not know that I have all that much really to contribute to the discussion, but I am certainly happy to offer a few observations. I say that because, as Linda mentioned, I am trained as an art historian, and what I do essentially grows out of that background and temperament. Since being invited to participate on this panel, however, I started to think a lot about what entrepreneurship might mean. I'll stumble on that word a couple of times because it is not one that I normally use.

I think it is fairly clear to anyone who has followed the media over the last several years and who works in the cultural world that there is an uneasy tension between the idea of entrepreneurialism (with its emphasis, at least in standard definitions, on financial risk) and nonprofit institutions. This is, in part, because entrepreneurialism is generally associated with taking on higher-than-normal risks in the hope of generating higher-than-normal returns, while not-for-profits endeavor to minimize financial risk in order to ensure the long-term viability of their mission.

But this is also because I think we have come to expect not-for-profit institutions to behave differently from businesses. Yet, given the complexity and cost of running most not-for-profit organizations today and the unreliable nature of most sources of funding, it is obvious that an

entrepreneurial spirit, if not entrepreneurialism itself, is an increasingly important aspect of not-for-profit activity.

I say this neither as an advocate nor as a critic, but really as a pragmatist. There are only so many ways to fund not-for-profit institutions. In a world of diminished public and corporate support, and with increased competition among all sectors of the not-for-profit world for private support, earned income is going to play an increasingly important role. It has to.

There are a number of what might be called epistemological issues with the idea of entrepreneurship in relationship to not-for-profits that are worth thinking about for a moment.

Let me just cite one of them. Howard Stevenson, who teaches at Harvard Business School, has provided one of the most widely accepted definitions of entrepreneurship. He defines entrepreneurship as “the pursuit of opportunity without regard to resources currently controlled.”² Unlike many other definitions, Stevenson allows for entrepreneurship to be driven by passion or the relentless pursuit of opportunity, and even to be program- or mission-based rather than purely financial.³

However, there is a real distinction between how for-profit and not-for-profit organizations deal with the issue of resources, as not-for-profits—at least the ones that survive—are highly conscious of operating within the resources they control rather than without regard to them. Indeed, most of the ones that I know are required to balance their budgets on an annual basis, so that a disregard for resources currently controlled would be a violation of their operating premises.

I mention all of this because I have been searching for a framework in which to discuss projects like our recent expansion. At first glance, it might seem as if it was very much an entrepreneurial exercise, as it carried with it a great deal of risk—financial and institutional—and a great deal of innovation.

In short, we completely rebuilt and enlarged the museum on 53rd Street. To do this, we had to close our building in Manhattan for several years, which is how I started losing my hair; build a temporary exhibition space in Queens; move there for two years; and then, upon our return to Manhattan, convert that space into a state-of-the-art storage center.

In order to do this, we had to raise some \$858 million. That included construction, endowment, purchase of land, and a variety of other capital activities. But on closer inspection, this was in fact a fairly traditional exercise that was for the most part funded the old-fashioned way, by articulating a compelling vision that engaged our donors and the public. The \$900 million-plus that we ultimately raised came in the form of gifts from a large group of generous individuals, many of whom were trustees of

2. Howard H. Stevenson, *A Perspective on Entrepreneurship* (1983), reprinted in *The Entrepreneurial Venture* 7, 10 (William A. Sahlman et al. eds., 2d ed. 1999).

3. *See id.*

MoMA, plus some \$75 million in direct financial support from the City and State of New York.

While the City and State may have looked at their contributions as investments in the cultural infrastructure of the city, with short- and long-term financial benefits to New York involving increased tourism and taxes, that is not what motivated the rest of our donors. They were engaged by the idea of a new museum providing a substantially enhanced environment in which to see and experience one of the world's finest collections of art.

I do not want to suggest that there was nothing entrepreneurial about the project, but only that its success relied on a very traditional model used by most cultural organizations around the country.

From my perspective, the most entrepreneurial decision we made during the entire process had almost nothing to do with 53rd Street. It had to do instead with the belief that Long Island City would play an increasingly important role for the museum and that it made sense to acquire two buildings there to ensure our long-term storage needs and to merge with P.S.1, a contemporary art center on Jackson Avenue. That is a much smaller and scrappier organization than ours, but one with the kind of lively grassroots program that we felt would be essential to our ability to deal with contemporary art.

The decision to merge with P.S.1 was not driven by financial considerations, but rather by belief in the importance of P.S.1's program and an understanding that there was a natural relationship between P.S.1's audience and ours.

We also recognized that P.S.1, because of its location and space, would provide us with new programming opportunities, such as the creation of the Young Architects Program, which invites an emerging American architect to create a building on site every summer—not to show their models, as we would do on 53rd Street, but to show the actual building.

But to be clear, the ability to take on creative risks is affected by one's organizational and financial stability. My sense is that the more stable the organization, the more able it is to take on risk.

Self-sufficiency becomes a central issue in this context. But this is clearly an increasingly difficult goal to achieve, especially in a place like New York, where costs are so high and the competition for support is acute.

Take MoMA as an example and the problem becomes clear. We are a privately funded institution that receives less than 1% of our roughly \$100 million budget from direct public support. Our ability to maintain a balanced budget depends first on our endowment and then on a great deal of earned revenue. This is no different than many museums in the United States.

However, like many museums, we are seriously under-capitalized relative to our needs in terms of our endowment. Our recent capital campaign began to address this problem, and we have taken the endowment as a percentage of our overall budget from about 20% in 1994 to about 25% today. Traditional fund-raising provides the single largest support of the

museum, roughly 26%. In addition, 19% comes from admissions, 14% from membership, and about 7% from retail.

Although we have explored a variety of potential new initiatives to generate additional income, in the end, from our point of view, traditional fund-raising and growing the endowment are by far and away the most effective and cost-efficient means that I can think of.

As the late Kirk Varnedoe, the museum's former chief curator of painting and sculpture, once put it when we were seeking several million dollars to complete a major acquisition and we were all agonizing about how we were going to find that money, "All we have to do is ask Mike Margitich, our brilliant head of development, to have another couple of lunches and we'll find the funding." He was actually right.

So let me conclude with a final thought that I know will provoke some discussion with Reynold. The degree to which one believes that art museums today need to be entrepreneurial, at least in the financial sense, depends to a large degree on how one understands the institution. Are these museums instruments of enlightenment, designed to organize and present a diverse body of material to a large public, or are they powerful brands, capable of operating like commercial businesses? Are museums cultural repositories deeply tied to their communities, or are they an undervalued asset capable of being exploited and developed? The answers to these questions are by no means simple or easy, or even mutually exclusive.

But it seems to me that, in the midst of all of this, one issue is absolutely certain, and that is why people go to museums. They go there to see the art. The finer the collection, the more powerful and compelling the exhibitions, the more substantial and engaging the educational programs, the more likely people will return; and the more they return, the more likely they will ultimately end up supporting the institution.

Thank you.

MS. POGREBIN: Reynold.

MR. LEVY: Robin, thank you. When I see an audience like this, I am accustomed to giving an exam. So get your pencils out. We will distribute them later.

It is really a pleasure to be here. Glenn has made an enormous contribution to the vibrancy of New York City's artistic life and to its economic development. MoMA's expansion and the way it was conducted is a sterling example of how to go about expanding a museum in a way that is helpful to the rest of the city.

He did not talk about the museum's effort when it was undergoing change to support other small, emerging arts institutions all around New York City. My wife is on the board of El Museo del Barrio, and it benefited from a showing of the Latin American art of MoMA, which was lent to El Museo in a special exhibit during MoMA's transition. So Glenn's leadership efforts really were extraordinary.

It is also a pleasure to be on this panel with Robin. Glenn and I both run institutions that are public trusts and benefit from, and very much need and welcome, the examination of outside forces.

I think one of the greatest dangers—and this links directly to the theme of my remarks—for institutions that have been around for a while, that regard themselves as established, that are prideful of their standards is complacency. I say this having been at an institution that used to house Bell Laboratories—Bell Laboratories is no more.

There have been questions raised about whether for-profit governance standards ought to apply to nonprofits. As I ponder that question, I think about WorldCom, Enron, Arthur Andersen, and all of their hundreds, if not thousands, of enablers. Those are not illustrations of what I would like to see in the governance of nonprofit institutions.

I think you would have to look long and hard to even come near finding at the most extreme the kind of egregiousness that has existed in the corporate sector around governance issues in the nonprofit sector. So I am a skeptic about the applicability of corporate governance standards—even revised and reformed corporate governance standards—sweeping over nonprofit institutions. That is a subject I would welcome questions and comments on.

In the late 1960s, William J. Baumol and William G. Bowen, economists at New York University, produced a classic book called *Performing Arts, the Economic Dilemma*.⁴ The animating theory of that book was relatively simple: you cannot get productivity out of the performing arts unless you severely undermine quality, which is something that Lincoln Center's twelve institutions would never do.⁵

Lincoln Center's twelve institutions have an aggregate budget of about \$750 million. About 2.5% of that is government money, a little less than 3% of it is retail income, about 60% is earned income, about 30% is contributed income and income on endowments.

The Baumol-Bowen thesis, in essence, was that you cannot play Beethoven faster; you cannot ask for less rehearsal time; you cannot say, "You know, that trumpet only played three measures. Who would notice the difference?"⁶ So costs move inexorably higher than does earned income, which has limits on its elasticity, and higher than contributed income, which also has limits on its upward elasticity.

That is the essence of the dilemma of the economics of performing arts. The performing arts run on an economic model that is unsustainable. In fact, one can argue that all nonprofit institutions run on such an economic model that is unsustainable.

4. William J. Baumol & William G. Bowen, *Performing Arts, the Economic Dilemma: A Study of Problems Common to Theater, Opera, Music, and Dance* (1966).

5. *See generally id.*

6. *Id.*

Indeed, the very definition of a nonprofit institution is market failure. Nonprofit institutions enter spaces where markets fail. If there was a vibrant market for orchestral music, you would find for-profit entrepreneurs producing it. In fact, for many, many years, for-profit entrepreneurs did produce it. When it became no longer profitable, enter philanthropy and nonprofit institutions.

So at Lincoln Center we are looking at our traditional economic model and doing everything we can to endeavor to alter it sufficiently so that we can sustain it for the next generation of artists and audiences. That is a theme that animates much of our work. Whether you call that entrepreneurship or not, I will leave it to you.

Is it entrepreneurship to, for the first time at Lincoln Center in thirty-five years, engage in a significant endowment campaign? Is it entrepreneurship to look at your portfolio of assets, examine it afresh, and move it in significant ways to hedge funds and to private equity and to commodities in a move toward significant diversification? Is it entrepreneurship to engage in a billion-dollar-plus campaign to renew and refresh and open up the Lincoln Center campus to a new generation of artists and audiences, to modernize its public spaces, to introduce twenty-first-century technology, to welcome newcomers and tourists, to add to cultural facilities, to provide wireless Internet access throughout the campus, to increase significantly the attractiveness of what you can do before and after performances, to alter its setting significantly?

Is it entrepreneurship to negotiate with twelve constituents and get everyone to agree on a common plan, or to have the temerity to negotiate with a condominium board to lease a facility across the street from Lincoln Center, a privately owned public space? It is in a building called the Harmony. Some of you who pass it may have seen a rock-climbing wall, which is about the only activity in this space.

We are going to invest about \$15 million in the space. We are going to be an agent for the community in reviving that space. It will become a center of information about the Upper West Side and about what is going on at Lincoln Center for students, for tourists. And, for the first time in Lincoln Center's history, it will house a discount ticket facility where one can purchase a ticket for anything going on at Lincoln Center that evening, from the Film Society straight to the Metropolitan Opera, any one of our 22,000 seats, 4000 more than Madison Square Garden. And, we are having better seasons than the Knicks or the Rangers.

I do not know whether you call that entrepreneurship, but that is part of the reform that Lincoln Center is undertaking, one of many to significantly alter its economic model and address squarely the thesis of Baumol and Bowen's classic book.

One other thought. The one thing Lincoln Center will not do is change the standard for what it presents and how it presents it. In a society that appears to want shorter and shorter snippets of information and entertainment, that appears to have a sweeping attention deficit disorder,

Lincoln Center offers nine hours of theater, and Lincoln Center offers the opportunity to drop all of your preoccupations and encounter the best that our cultures have to offer—our Western European cultures, our Asian cultures, our African cultures. There is no one at Lincoln Center who is prepared to change that dedication to the presentation of the highest standard of art. In all of this, lawyers play a very significant role.

I want to thank Linda for initiating the idea for this conference, and Lesley Rosenthal, my colleague at Lincoln Center, for participating in its organization.

One simple test of entrepreneurship is, Are we driving the lawyers crazy? Are we challenging them to think through the implications of unrelated business income? Are we looking at every asset and asking whether we can find untapped value in hidden assets? I have even tried to find oil on the sixteen acres of Lincoln Center. I have not succeeded yet.

But I have found air rights, and I have asked the questions, Why is it that New York State law appears to permit the transfer of air rights only when you build a new facility? Can we monetize those air rights? Can the dollar value of those air rights become part of an endowment devoted to scholarships for poor kids to pursue the arts? Why are the air rights sales always connected to new facilities, which in any given field arguably are not necessary? That does not make sense to me. Let us go out and find whether a statute needs to be changed or whether we can reinterpret the existing statute to transfer valuable air rights without increasing cultural facility supply.

Those are the kinds of questions, those are the kinds of challenges, on which lawyers at their best can be enormously helpful. At Lincoln Center, part of our entrepreneurship, and what Lesley has been doing, has been to create an extraordinary group of up to thirty of the best law firms and in-house legal departments in the country who contribute enormous amounts of pro bono work in helping us to sort out creative ideas and to execute them, and, as Lesley frequently reminds me, help us keep out of trouble.

I really look forward to the dialogue to follow. Thank you very much.

MS. POGREBIN: Clearly, we have come a long way from, even when I first started covering culture, the days when “money” was sort of a bad word and issue, and words like “branding” were not supposed to be associated with cultural organizations. It seems to me that there is still this fundamental tension, which Glenn alluded to: “You are not supposed to make money, you are a nonprofit, that is not supposed to be the goal.” But you need to make money to function and pay your bills and pay your people and you need to bring people in the door.

So I wonder if you guys could talk about what is “too far”? I mean, clearly, there is always this concern that at some point you cross the line where you are compromising the core of what you do. To whatever extent you have come closest to that or encountered it or had the most outcry from your constituencies, it would be interesting to hear.

What comes to mind is when the New York Public Library sells its art and there is a hue and cry; but then again, the New York Public Library is not really about art, so maybe you can forgive that. The Guggenheim does a motorcycle show; there are a lot of questions about whether that was legitimately qualified as worthy of an exhibition. Reynold put David Blaine in a tank on the Lincoln Center Plaza and not everyone was happy about it. I am sure there are other examples, and perhaps ones we do not even really know about, that might be more subtle or profound.

Can you talk about how much you are really confronting that line and how you have dealt with it?

MR. LOWRY: Let me just say a few words in general.

One, what Reynold was describing, from my perspective, was leadership and vision. I do not know whether you need to call it "entrepreneurship." What you heard was, from my perspective, a standard definition of a leader with a vision, someone who has a deep understanding of his institution, the culture at large, and a very clear sense of how to ensure its survivability.

I think the issue of what is "too far" is a shifting issue, Robin, as you know well and have been so thoughtful about in some of your coverage. Most of the time it is not black and white.

You know, unrelated business income tax (UBIT)⁷ is generally fairly clear, but what activities might put you in that situation are often less clear. I think back to thirty years ago, maybe a little more than that, when the first museum stores opened. I can remember as a young student that those seemed almost scandalous. It seemed shocking that museums would have stores that sold mugs or T-shirts or Lord knows what else. Today most of us enter a museum and expect that that is part of the array that will be there. It has taken many decades for that to settle down.

So I think it is very complicated. I think the harder issue is what Reynold described so eloquently, that most not-for-profits have an unsustainable economic model and you have got to find something to make it sustainable.

Just one last observation. The basic structure that has served individual institutions in this country well over the last century, that closes the gap, that puts the delta in the unsustainable model, has been endowment. When you really look at it, that is the piece that generally fills the hole.

MS. POGREBIN: But can you use that for operating money? Not that much, right?

MR. LOWRY: We can use 5% generally of the income. Of course, that is predicated on the notion that the delta above that will grow the endowment to keep pace with inflation. But yes, they are not highly efficient dollars in that respect, but I think they are vital dollars nonetheless.

MR. LEVY: Here is another example of an effort to alter the economic model. Lincoln Center is investing \$1 billion in its physical plant. Much of that money, a substantial amount, is coming from the City and the State and

7. See I.R.C. § 511 (2000).

the federal government; but the critical mass of it, 70%, as in Glenn's case, is coming from individuals.

Who is benefiting from that investment? Well, clearly everyone who uses Lincoln Center is benefiting from it. But it is no accident that the most expensive private real estate in New York City is 15 Central Park West, and it is no accident that the most expensive commercial real estate is the Time Warner Center, and it is no accident that around Lincoln Center are dozens and dozens and dozens of new condominiums and new cooperatives whose property values have increased more than in any other zip code in New York City. Nor is it an accident that restaurant after restaurant and retail outlet after retail outlet continue to thrive in our immediate neighborhood. No one that I have met—no developer, no owner of any of those economic units—fails to give Lincoln Center some credit—some say causation, some say correlation—with the economic success that they have enjoyed.

So Lincoln Center is going to create a conservancy and say to all of those folks, "We are investing \$1 billion. We think that is going to bring added value to you, to your homes, to your retail shops, to your restaurants. We would like you to make a contribution on a continuing basis to help us to maintain this facility." That will be a new source of revenue.

So we are appealing to the ideals of those around us and asking them to monetize that recognition. We very much appreciate the thank yous and the expressions of appreciation. We would like it to come in another form. And we are prepared to offer benefits in exchange for that form.

MS. POGREBIN: Like what? Tickets?

MR. LEVY: Like something that New Yorkers really value: concierge service. You call this number and we will arrange to provide the best tickets available at any Lincoln Center venue from a twenty-four-hour to a two-week period, a highly valued benefit.

MS. POGREBIN: But you still pay for them.

MR. LEVY: You still pay for them, absolutely.

You know, it took about thirty to thirty-five years for the movie industry to discover that the profit was in the popcorn. The profit is not in the movie; the profit is in the popcorn. So, like a raving maniac, I walk around Lincoln Center at odd hours, assaulting our employees and saying, "What is our popcorn? Where is our hidden value?"

The reason I do that is because we want to try to avoid the choices that Robin poses. We want to try to avoid going over those limits of what might be regarded as inappropriate.

We do not mind the occasional comment about David Blaine. In fact, the more one comments about it as each year goes by, the more it demonstrates that there is less material to criticize about Lincoln Center. So ten years from now I hope David Blaine is still mentioned.

But it is part and parcel of the fact that we have sixteen acres of precious public space at Lincoln Center. We want to use it to the advantage of the public. We have great claims on it by the City of New York. We are

constantly called by the City to say, “We want to woo this big special event and increase employment and increase economic impact.” There are very few spaces on the dense island of Manhattan in which you can do things that attract filming of all kinds, conventions of all kinds. So we take a very entrepreneurial approach to the use of that sixteen acres of space.

But people also think of it as a sacred trust. People love that space and they want to protect it. And advocates do too. Some found David unsuitable for Lincoln Center. We heard it. We listen carefully.

But the use of that space is a potential source of offsetting revenue that can keep prices lower, that can have senior adults and students come to more programming, that can allow us to put the arts in more public schools. So part of the effort to generate these internal subsidies is to use them for things that the public often will not see and that often are not associated with Lincoln Center or any of the other large arts institutions in the city.

MS. POGREBIN: Since you mentioned the public space, Reynold, it also occurs to me that the tension is not just with the outside world over that space; it is with your own people inside.

To what extent do you guys find—I mean, clearly, both of you have always been sort of refreshed by the fact that you do not make apologies for the degree to which you are thinking in sort of entrepreneurial terms. But you clearly have curators, you have artists, who are not necessarily on board, and also do not have to be thinking this way. How much are you trying to bring your people along, and how much is that part of what you are doing?

MR. LEVY: Well, at Lincoln Center it is a large part because we are a consortium of twelve independent nonprofit institutions. So a large part of my job is finding the highest common denominator among us and forging consensus between us and looking for common ground. That requires conversation and that requires understanding the interests of each of these constituents.

When I got to Lincoln Center, I had heard all of this talk and read a great deal. In fact, I think *The New York Times* owes Lincoln Center a huge contribution for the amount of copy we have provided over the years. I could not figure out whether this was all personality, or what was going on.

I remember there was a critical moment, maybe two months into my tenure, when I gathered all the chief executive officers together. It was a little less than a year after 9/11. If you walked into Avery Fisher Hall, you had your pocketbooks opened and backpacks opened. If you walked into Lincoln Center Theater, you did not. If you walked into the State Theater when the ballet was performing you did, but when the New York City Opera was performing you did not. So, as the president of Lincoln Center, I said, “Can we have a common security policy?” and got everyone around the table and asked, “What is the problem?”

Well, I learned something. When Bernie Gersten of the Lincoln Center Theater comes to work, he does not think of Lincoln Center; he thinks of

Broadway theater. So his question is, “What are the Shuberts and Nederlanders and the Jujamcyns doing about looking at pocketbooks?”

When Joseph Polisi, the president of Juilliard, comes to work, he doesn’t think about a common Lincoln Center policy; he says, “What is New York University doing? What is Columbia University doing?”

And Joe Volpe at the Metropolitan Opera would ask the question, “What is going on at opera houses?”

So I saw there was no antagonism. The difference emerged from the environments that they were in.

So if you are a full professor at Harvard Business School, you generally do not think when you get up in the morning of the president of Harvard. You think of other professors at other leading business schools in the country.

That helped me a lot to understand what the mindsets were and the motivations are of the leaders with whom we work.

I would say, Robin, that around the issue of entrepreneurship and finding funds to allow great artists to realize their dreams there is far more flexibility on that score than one might imagine. When we talk to our constituents about raising parking rates for patrons, or we talk to constituents about multiplying dining opportunities at Lincoln Center, or expanding our retail sales over our web site, we usually get an enormous amount of support and very little resistance.

MS. POGREBIN: As long as you do not change the fountain.

MR. LEVY: As long as we do not change the fountain. Certain things are very important, Robin.

MR. LOWRY: Let me drill into that a bit, because MoMA is not unlike a constituent at Lincoln Center. We have our own set of activities. We are not part of a larger organizational whole.

What I have found is that generally if you leave the research staff—curators, conservators, educators—out of the budget process and they simply see at the end of the day a set of arbitrary decisions that have been made, they are not going to understand why the institution makes certain choices. They are certainly not going to be able to contribute ideas about how to improve the situation.

What we have tried to do is really common sense: share the budget with the largest number of people on staff that we can, and certainly with the curatorial staff, walk them through it, and explain not just how it is constructed but to ask them to participate in constructing it. Interesting things happen.

I will give you one example because it is such a kind of “duh” moment. We were looking at the budget with a group of curators and trying to deal with the fact that our attendance has this kind of perfect rhythm to it. Year after year, it ebbs and flows in exactly the same way. It does not matter if it was raining or snowing. It does not matter if we have had the most important exhibition in the world or the least important exhibition. You can

tell that on the third Tuesday of March our attendance is going to be at a certain level just as it will be on the fourth Wednesday in April. So we started to look at that.

A couple of curators said, "Well, maybe what we need to do is reexamine the sequencing of our exhibitions." What we were discovering is that a lot of our troughs had to do with when we were down, when we had all of our temporary exhibitions closed in order to prepare for the next set. We tended—because that is just how we did it, and there was no reason to do it that way—to gang those changes together. So we would go through five or six manic weeks of changing three exhibitions and then, suddenly, we would have our season.

So he—I cannot even remember which curator it was—looked at this and said, "Well, what would happen if we just stretched it out and tried to create a situation where there was never any down time?"

MS. POGREBIN: You stagger the openings.

MR. LOWRY: Stagger the openings, stagger the installations. It was so obvious. But you have to look at it from the point of view of the people who are most vested in the success of those exhibitions, and that is going to be curators.

I could cite hundreds of other examples of opening up the dialogue, sharing the knowledge, and recognizing that budgets are actually an exercise. The more people who can participate in that exercise and who actually understand why sets of decisions are made, the more likely you are going to get fresh ideas and the ability to solve problems.

MR. LEVY: So, Robin, just quickly to complement that, Mostly Mozart concerts occur in Avery Fisher Hall from 7:30 p.m. to 9:30 or 9:45 p.m. Following that, in the Kaplan Penthouse, a solo performer or an ensemble drawn from that Mostly Mozart concert offers a program from 10:30 p.m. to midnight, with wine and beer, and the average age of the audience plummets by about thirty years. We have also tried starting events at 6:00 p.m., 7:00 p.m., or 7:30 p.m., integrating film in our offerings, increasing the amount of thematic programming we present. These are very simple steps to accommodate the realities of a changing public or to attract a new demographic.

Here is another innovation underway. It is easy to do a discount ticket facility for Broadway, although it was resisted mightily for a decade. It is easy, because you do not have subscriptions and you do not have corporate sponsors and you do not have trustees. These are all things the institutions at Lincoln Center enjoy. So to figure out how to do a discount-ticket facility when you have such complex considerations for twelve different institutions is a challenge. But, further to Robin's point, the will is there. And, we have reached an agreement to get it done, for the first time in Lincoln Center's history.

So I am finding, in general, at Lincoln Center an openness to change. The cause and the consequences of it have been this unprecedented participation in this massive redevelopment, which required the

strengthening of relationships between and among professionals and trustees. We now can build on them to take initiatives of the kind that Glenn mentioned and the kind that I cited.

MS. POGREBIN: On the subject of the redevelopment, both of you are in the midst of or have completed major capital projects.

If you saw the special museum section of the *Times* recently, there is just so much going on in the country right now. Some of it sometimes seems like everybody wants a new building by a sexy architect. They definitely get attention. They definitely attract donor dollars.

So, as candidly as you guys can, talk about why you should do this, because, on the other side of the coin, they raise your operating expenses inevitably, they are a big headache, they always take longer and cost more.

Let us start with Glenn, who has been through it. This seems to have brought a lot of other issues to a head. I mean Lincoln Center's renovation has become a metaphor for really changing how this place is perceived—it does not want to be an ivory tower; it is kind of coming down to the people and opening up.

MoMA definitely had to deal with growing pains around it as well. But also MoMA has taken a lot of criticism—in fact, the only criticism I really hear—that it is “too corporate.” What does that mean to you? Is there any ground for that criticism? How do you defend against it? And also, if you can just elaborate on why this was worth doing. You did use to tell me you would go to sleep agonizing about it every night.

MR. LOWRY: Well, I still do, but maybe in a very different way.

All very good points. Let me try and take them in the order you posed them, Robin.

Why do it? I think in our case there were a number of very compelling reasons. When I say compelling reasons, these were reasons that had been percolating at the museum for several years before I arrived, and certainly before the project got underway, and then they began to coalesce and crystallize into a very clear mission.

One clear reason was that the size and the quality of the museum's collection had clearly outgrown the spaces that it had. I do not think there are very many people who would have argued with that. Even if we had not gone on a massive expansion, we were going to have to do something to deal with an extraordinary collection that literally could not fit in the existing walls.

Parallel to that, and to my mind actually even more interesting, was a sense among the curatorial staff, which was really broad based, that the way in which the museum was presenting its collection, which was essentially along a pretty clearly demarcated linear narrative—you began with Cézanne, and you progressed to Van Gogh, and then you moved to Cubism, and then to Futurism, and then to Matisse, and so on and so on—in a way that was compelling as a story but perhaps not particularly reflective of the complexity of modern art and its origins, not to mention the present. To that degree, there was a real sense that we had the wrong architecture—I do

not mean what the outside looked like; I mean what the internal layout looked like—for the way in which the curatorial staff wanted to tell the story of modern art.

In addition to that, we really had no space to show contemporary art. We originally had space to show contemporary art in the 1984 expansion, but ultimately that space was gobbled up by the need to show more of the collection, more of the historic collection.

So we had all of these pressures, along with a very clear recognition by us and others in this city—and I think it is partially why Lincoln Center is also going through its renovations—that it has become really competitive. Other institutions are stepping up the game with better facilities, better buildings, more thoughtful architecture, a greater capacity to welcome a larger public. We realized that if we wanted to be well positioned going forward we had to address our own internal intellectual needs, our physical needs, and of course the need of a growing collection and a growing public.

Our public had been surging, to use that terrible word that's now part of the military. We had been seeing the growth of our public year after year, and realized that by 1997 coming to MoMA was not a particularly pleasant experience most days of the week because it was so cramped and crowded.

So we took on this big expansion, with the clear recognition that it had to involve growing our revenues and a real commitment to making this a sustainable and viable project.

I think the results were absolutely spectacular. Obviously I am partial to them, but I think that Yoshio Taniguchi delivered for the museum a remarkably beautiful building that answered the needs of the curatorial staff and found a way to engage a wider and more diverse public.

But it was a very different museum when it was finished in a number of ways that I think come to the corporate issue. I think about it because I take criticism very seriously, but I am not entirely sure what is meant by that. Let me give you my thinking about it.

If by “corporate” one means an institution where the individual departments that had been very separate in the past and did not talk to each other and did not think about creating installations or relationships between their collections as part of their responsibility but rather acted utterly independent, then I suppose we have become a corporate institution, because the working process is for the curatorial departments to be in dialogue with each other, to recognize that from a visitor's point of view moving from drawings to prints to photography to painting and sculpture is not going from one country to the next but it is part of a single continuous experience within the museum. If by “corporate” one means—I don't know I don't know that I would say “cold.” I do think that Yoshio's opening up of the museum to light, to the city, making it a place where people feel very comfortable, has been one of the reasons why our attendance grew from about 1.6 million to well over 2.1 million. It was actually over 2.5 million in our opening year, and we always expected that to settle down to about 2.1 to 2.2 million.

When we survey our visitors, what we always get is this sense of incredible pleasure of being at the museum. If they complained about it being cold, we would try to address that. By inclination, I respond to spaces that are physically comfortable and warm.

Now, Renzo Piano said something, and I think it is really true. He was talking about the Morgan Library. I do not know if any of you read it. Was it Wednesday or Monday that the *Times* published it?

MS. POGREBIN: A special section.

MR. LOWRY: Renzo was talking about a situation at the Morgan Library and Museum where it was well praised by critics, but the public had talked about it as being confusing and cold. He said, "Let us not worry right now. It takes two or three years for everybody to get used to change, for your members, for the public, and for critics."

I would say we are a better institution today, a more thoughtful institution about the way we are displaying our collection, about the efforts we are making to ensure that it is as warm and accommodating a place as possible, than we were even two years ago when we opened up.

So I take the criticism very seriously and hope that we will keep adjusting until everyone is satisfied.

Sorry that was a long-winded answer, but it is one of my favorite topics.

MR. LEVY: Mine will be shorter because we are not done yet. I would say three things.

One, Lincoln Center is the oldest performing arts center in the country. In 2009, we will celebrate the fiftieth anniversary of when President Dwight Eisenhower put a shovel in the ground in what was then a slum on the Upper West Side of Manhattan.

There were many skeptics—many, many, many skeptics—about moving the Metropolitan Opera and the New York Philharmonic and other institutions to Lincoln Center, and Lincoln Center incubating still others, the latest of which is Jazz at Lincoln Center. Sixteen years ago, Jazz at Lincoln Center was twelve concerts of jazz presented by Lincoln Center, and today it is a \$30 million-plus institution, the largest jazz organization in the world, that has its own \$138 million facility consisting of three fabulous venues in the Time Warner Center, which has helped to redefine the geography of Lincoln Center.

Over these fifty years, audience, patron, and artist expectations have changed enormously. As the artists come to Lincoln Center and then go out across the country and across the world, they recognize those differences. They recognize them in their backstage facilities, they recognize them in their rehearsal facilities. Literally, our capacity in a competitive world to attract those artists is somewhat dependent upon the environment in which they work. We needed to change that environment.

We needed to address issues of deferred maintenance. We had a central mechanical plant that served those 22,000 seats, and it was forty years old. It needed to be renovated. It needed to be expanded. It is not dramatic. I

count myself a reasonably good fund-raiser. If any of you can find someone interested in naming a pipe, let me know.

MS. POGREBIN: Me too.

MR. LEVY: I have not been able to find someone yet. But we had to address issues like the central mechanical plant.

I think the third is realizing artistic dreams. Lincoln Center Theater's André Bishop, who came from Playwrights Horizons, has been working in two relatively large theaters at Lincoln Center. He wants to go back to spending part of his time nurturing dramatists and young writers and new actors, and he needs a black-box theater at Lincoln Center to make that happen.

The Film Society of Lincoln Center has been operating in the Walter Reade Theater with 300 seats. They want to work with smaller groups of individuals dedicated to intensely viewing films of a certain genre, films from a certain country. So they wanted a 150-seat theater and a 75-seat theater.

The Chamber Music Society of Lincoln Center finds Alice Tully Hall often too large for some kinds of chamber music. They wanted an installation that would enable us to move that stage so that you could have 1000, 850, or 650 seats, in different configurations, which we will make possible.

When I first got to Lincoln Center, I was asked by the board after ninety days to sort of offer de Tocqueville-like observations based upon my experience at Lincoln Center. I offered two.

To the question "What does Lincoln Center need the most?" my answer was "a chiropractor." Our parts were powerful but not aligned properly and we needed some corrective therapy.

My second observation was that, having looked at the operating statements of all of the constituents, I could not figure out what century we were in—and I did not mean twenty-first or twentieth; I meant twenty-first or nineteenth—which is to say that Lincoln Center, like most, if not all, of the performing arts organizations in the world, was struggling to learn how to apply twenty-first-century technology to our work. This set of installations at Lincoln Center, this redevelopment, will apply twenty-first-century technology in deep and enduring ways to our audiences in terms of the content we provide, in our web sites pre- and post-events, in terms of the ability of audiences to access the experiences of Lincoln Center, which is another important motivation for our redevelopment efforts.

Robin, I am eager to hear from the audience.

MS. POGREBIN: Yes, me too.

Before we turn to the audience, I want to ask one question that I know is sort of pressing today. This is the age of cultural organization oversight. We have Barry Munitz at the Getty stepping down. Larry Small at the Smithsonian stepped down because of financial improprieties. Is the reaction to those kinds of examples going to be too great? Are we in a time

where there is too much oversight or is there too little? Is this an example of boards who were not sufficiently engaged? And how do you guys feel operating in this climate?

MR. LEVY: Let me take that first. I would say beware of the glittering generalization. We are talking about a nonprofit sector that represents one out of every seven white-collar jobs in the country. The nonprofit sector is 7% of the gross domestic product. The nonprofit sector has literally millions of organizations in it.

And it generates \$260 billion a year in philanthropy. The American people gave away more money every year for the last seven than they saved. We have a negative savings rate in this country. We have a positive contributions rate in this country, which has been growing in excess of inflation almost without exception, except for small recession periods, over the last two decades. And it is the fastest-growing part of the economy. So it is very tough to generalize.

Having said that, in the institutions that I am familiar with, I find governance practices tightening, becoming more rigorous.

At Lincoln Center, I insist that my performance be evaluated annually in a fairly rigorous way, and it is. It is the best-attended executive committee meeting we have at Lincoln Center because the evaluation of the chief executive officer is a proxy for "how is the institution doing?" So my performance is evaluated based upon some standards and some expectations agreed upon year by year, and it sets a standard, I hope, for annual appraisals of performance of all other staff at Lincoln Center.

We have a very strong audit committee process. We have a very strong financial review process. Immediately after our board meetings and our executive committee meetings, there is a summary prepared of those sessions that runs some four or five pages. It is sent out that day to every member who was not present. I take the occasion to put a handwritten postscript on it, to tell absentees that they were very much missed, and to make them feel a little guilty for not having been present.

MS. POGREBIN: Can you send me a copy of those, Reynold?

MR. LEVY: She has been trying for five years without success.

But it is part of our responsibility to communicate what our key messages are and what our key reported findings are to our board. So in that and many, many other ways I think our practices have been pretty rigorous.

This is during the time when we have added a net twenty members to our board. Our board was forty-two when I arrived at Lincoln Center five years ago, and it is now sixty-two, which means we have added about thirty members to the board because we have lost eight or nine to moving or to a change in a corporate position. So, especially when you are changing governance that dramatically, attention to what your trustees know is critical.

I would say it is critical for an affirmative reason, not a negative reason. I do not see this defensively at all. The most important part of the work that leaders at nonprofit institutions do is to strengthen their board structure and

strengthen their staff structure. That is what leads to enduring change in these institutions. It often does not get in the box score. People often do not see it, because many of these, both board members and staff members, labor in anonymity. But they are the strength of Lincoln Center, make no doubt about it.

So to the degree that they are maximally informed and passionate about the institution, we can tap not only their financial resources but, most importantly, their intellectual firepower and their networking resources. If we can find the intersection between Lincoln Center's need and their passion and capability, we unleash an extraordinary amount of energy that radiates out into communities of interest that support our institution in enduring ways.

So I do not look at the governance issues from a defensive perspective. I look at them as an enormous opportunity to strengthen the institution and extend its influence.

MS. POGREBIN: Glenn?

MR. LOWRY: I agree obviously with everything that Reynold has said.

I think that, certainly in the museum world, governance is like a work in progress—you hope it gets better every year, year after year. I think most museums are—and certainly we are—committed to trying to maintain best practices.

Those change, those evolve. We have certainly a much stronger audit committee today than we had twenty years ago, and I am sure it was stronger twenty years ago than it was twenty years before that.

I think Reynold is right, that it is not about a defensive position, it is about being at the forefront and recognizing that, at the end of the day, institutions can only be as strong as their trustees and staff. I think it is something that has been thought about a great deal in the museum world and continues to be thought about a great deal. I think most boards that I know of are constantly working to ensure that they have the best possible governance structure they can.

Reynold had a point that is really very true. Especially for institutions that undergo large capital campaigns and grow their boards, you are dealing with bringing into the mix a lot of new people. They have great ideas, but they also need to come up to speed with the values, direction, and appropriateness of their trusteeship. It is a kind of two-way street.

Notes & Observations