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KATHERINE R. GRONINGER, PHD

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An Introduction to Museum Accountability

KATHERINE R. GRONINGER, PHD

University of St Andrews

Keywords museum accountability; third sector; public trust

Abstract This article provides a broad overview of the current state of accountability in the British and American museum sectors. The paper defines terminology, explores the *public trust*, and contextualizes accountability.

About the Author Dr. Katherine Groninger specializes in ethical standards and fiscal transparency in UK and US museums. She completed her doctorate on museum accountability at the University of St Andrews, Scotland, and holds degrees in art history from Princeton University and in arts administration from New York University. Kate has spoken at international museum conferences, published in museum journals and books, and worked in the US museum industry, most recently at the Art Institute of Chicago, the Detroit Institute of Arts, and the Solomon R. Guggenheim Museum.

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Introduction

Museums are complex organizations maintained on behalf of the public trust. Reliant on funding and community support to thrive, museums must be accountable for financial and ethical decisions to help secure that public trust. To demonstrate compliance with expected standards, institutions are compelled to report and explain their actions. Museum accountability requires institutions to establish an internal structure whereby decisions are made, while being held externally to account for those decisions. Continuous internal and external assessment links a museum's values to its conduct. Achieving accountability requires inculcating ethical codes and establishing controls throughout the museum. This paper examines the current state of nonprofit museum accountability in the United Kingdom and United States, including methods of achieving fiscal and ethical accountability and the factors that have influenced museum codes and policies to that end. The focus of sound museum governance practice now includes negotiating conflicts of interest, financial mismanagement, and ethical breaches of accountability. These concerns have developed as the museum community has steadily emerged as a professionalized industry.

Two broad, complex sectors dominate the social and economic landscape in the UK and US: the corporate (private) and government (public) sectors. The *third sector* consists of organizations working outside the market and the state, yet draw methods and ideas from both sectors. US third sector organizations are delineated by law, while Britain's framework is more flexible, not based in tax law or common law. Encompassing US nonprofit and UK charity organizations, the third sector is less conceptually understood when compared with the

private and public sectors (Salamon and Anheier 1999). Notably, even the terminology associated with the third sector can be misleading. The words *charitable*, *voluntary*, *tax exempt*, and *nonprofit* are misnomers since donated monetary gifts are needed for solvency, volunteers are professionalized, taxes are dependent upon national or regional tax systems, and nonprofits must have income to remain in business. Museums operate in the public domain, and are not directly subject to the market or the state. They do not act for the benefit of private individuals, but for communities at large. They also differ from private trusts that exist for specific beneficiaries. Museums, then, conduct their operations *on behalf of* the public, and maintain their collections *in legacy for* the public to provide a public benefit. To do so, museums rely upon knowledgeable individuals to resolve the complex tasks associated with executing museum functions.

An institution's *governing body* holds ultimate responsibility for all ethical, financial and policy decisions guiding the institution, regardless of the governing body's legal status or official title. Governing bodies take the form of management councils, committees, boards of directors, local councils, boards of trustees, and university trustees, among other governance models. *Governance*, then, refers to board oversight of museum efficacy through policy, strategic goals, ethical directives, and organizational transparency that comply with legal and discretionary regulations (Stone and Ostrower 2007). *Transparency* is a formalized process that balances the public's right to detailed information about an organization with the organization's right to privacy concerning its dealings. Transparency involves periodically disclosing accurate financial, structural, and ethical information that follows strict, complex guidelines and adheres to approved accounting and auditing standards. Filing accurate financial reports, disclosing governance and policy decisions, demonstrating museum-specific accountability through "best practice" procedures, and other internal controls are factors of museum communication that demonstrate professionalism and affect the public trust in UK and US museums.

The public trust

The *public trust* has a "narrow, legal definition" stating that organizations are held in trust for the public good, and a "broader concept[ual]" definition that encompasses the notion of trust as one of "stewardship and public confidence" in an organization. (MacDonald 1992, 63). The right to solicit tax exempt gifts, the grants, and the tax benefits that the government extends to nonprofits and charities oblige these institutions to answer to the public for the funds received. These are monies that would have benefited the public in other ways, so the use of public funds must be accounted for in a public manner. The law represents the public, yet public expectations and the public trust are vague concepts for the law to regulate. Specific breaches in the public trust, like fraud and embezzlement, are outlawed, but the public trust encompasses "extralegal" duties that individuals and organizations must fulfill in "an implicit obligation to the public one serves." (Jos 1993, 364) UK charities were traditionally little regulated, but are now closely linked with government goals. This shift occurred as charities began providing services to meet social needs. In the United States, public and private sector reporting developed during the 1920s-1930s and is entwined with events surrounding the 1929 stock market crash (Lee 2004).

Organizations can "succeed or fail on the notion of trust." (Sheppey and McGill 2007, 245)

Trustworthiness is predicated on complying with expectations, regulations, and codes of ethics. The public expectation of accountability affects the public perception of an organization. This perception is based in part on the public disclosure of accurate documentation including financial statements. Donors presume the accuracy of financial statements and the adherence to basic policies. Financial statements and policies “are the most public indicators of the state of a company” and the most transparent method for establishing the public trust. (Sheppey and McGill 2007, 79) Institutions that do not comply with established standards can face the perception of distrust and mismanagement, which will deflate an organization’s reputation. As the public trust in an organization increases, the public support of the organization will rise. If a museum’s reputation falters, individual, corporate, institutional, and government donations will evaporate. If standard ethical policies and financial procedures are not in place, it will be challenging for museums to convince grant-making bodies for financial support. The public trust in museums refers to more than the governance and financial aspects discussed in this paper. “To serve in a museum is to serve an ethos of responsible action toward both its collected objects and gathered human beings.” (Carr 2001, 29) To engender the public trust, museums must also engage in “active principles of fairness, multiple approaches to knowledge, and attention to the reflective trust of learners.” (Carr 2001, 79)

Overall, this paper conceptualizes museum governance as a preventative risk management tool. Museums have been affected by misconduct that occurred in the private, public, and third sectors, and as a result must comply with legislation, government-led recommendations, and expanded stakeholder expectations. Applying principles to museum governance developed from accountability concerns in the private, public, and third sectors, this thesis takes a reactive approach to accountability that posits museums as hybrid organizations with elements common to both corporate and state entities.

Contextualizing accountability

Governance accountability and transparency are molded by historical factors, driven by social and economic environments. From an institutional perspective (Bielefeld 1992), museums are a product of national cultures, events, legislation, and internal museum dynamics (Billis and Harris 1996). Scrutinizing museums from historical, legal, economic, and museum-based points of view demonstrates how those external forces have affected museum accountability. Both internal and external factors are examined to acquire the most comprehensive perspective of organizational change (Leavy and Wilson 1994). Deakin (2001) finds analyses of nonprofit organizations are incomplete if the researcher only focuses on third sector attitudes and activities. Both the public and private sectors have helped define third sector expectations (Deakin 2001), and the third sector should heed “the lessons of other sectors, if they are to manage ... emerging [governance] complexities creatively.” (Sandell and Janes 2007b, 3) Because the third sector is less well understood than the private and public sectors, it is vulnerable to impractical management solutions imposed by corporate and government entities (Malaro, 1994). It is essential for museums, functioning as trusted institutions in ever more competitive environments, to continue to form a credible industry within the third sector.

Examining museums through the lens of recent sociopolitical influences enables this sector to position itself within broader interdisciplinary contexts. The accountability standards of

other industries can be used to ascertain the relative accountability of museums. Methods to achieve accountability in the private and public sectors can be adapted and implemented in museums of all types and sizes. The museum sector can learn from private and public sector experiences to utilize best practices that benefit the museum. Best practice policies exist to maintain an organization's standards and to propel the organization forward securely. There is value in best practice methods because stakeholders outside the museum industry understand and respond positively to their implementation, as best practices have been demonstrated to protect institutions from financial malfeasance and ethical breaches.

Museum accountability in the UK

The definition of third sector accountability has been under debate since the 1980s, though public accountability is based upon stakeholder expectations (Rentschler and Potter 1996). Managing the perception of accountability and transparency is equally important to the considerations associated with actually executing organizational accountability. Traditionally, accountability indicated that financial statements demonstrated no unusual, inaccurate, or inappropriate transactions, accounting fully for museum finances (Weil, 2007). As the third sector and museums morph due to external expectations, accountability is coming to encompass an organization's ethics, efficiency, and effectiveness (Swords). In her 2002 keynote address to the INTERCOM Leadership in Museums conference, former director of the Scottish Museums Council Jane Ryder recommended "remov[ing] the legal distinction between profit and not for profit organizations, accepting that they are both operating to produce a return on capital and to account to stakeholders." (Ryder 2002, Lecture) While the missions of nonprofit institutions form the core of strategic decision making, nonprofits are no less accountable for their decisions and actions than are corporate bodies.

UK museums face public accountability expectations established by central government bodies, local authority councils, grant-making philanthropic groups, the museum community itself, and by individual museums' internal requirements and expectations. By the 1990s, public accountability was a concern amongst UK museums: "Museums have become public property, arousing the interest of the public at large. The question of who should run museums, and how, has moved 'from the professional domain to the public stage' (Cossons 1991b: 186)." (McLean 1997, 31) Twenty years later, public accountability continues to be at the forefront of museum governance and administrative concerns. Governance is no longer only a museum concern, "but is a social and cultural concept." (Ryder 2002, lecture) Now, accountability addresses more than fiscal transparency. Museum operations, museum-specific policy ethics and internal controls, and concerns like conflict of interest and whistleblower protections are under scrutiny. UK funding bodies, including central and local government, also assess programming or operational performance indicators. This paper does not address that type of museum accountability. Value for donated funds, however, is relevant to this study in as much as those funds are properly administered through financial controls that attempt to thwart fraudulent practices.

Comprised entirely of volunteer non-executive board members, UK museum boards differ from their for-profit counterparts that include both non-executive and executive directors. As the board is responsible for governance and plays a large role in the organization's management via executive directors, the corporate structure could be applicable to the

museum sector, which has demonstrated trouble balancing executive and non-executive duties. Museum board members occasionally disregard the Museums Association *Code of Ethics* in their decision-making, a practice with which museum professionals find fault. With board representation, museum professionals and managers could better guide and help non-executive board members who are not trained in specific nuances or requirements associated with running a museum. Similarly, the private sector has considered limiting the number of non-executive board members permitted to serve due to the position's demands and responsibilities. "It may well be time to apply this same principle to [museum board] public appointments on the basis that the risks and the obligations are equally demanding and arguably carry even greater responsibility in the accountability for public expenditure." (Ryder 2002, lecture) While the board's duty is to shape museum policy within legal and ethical frameworks, board members may lack the professional training or knowledge of sector-wide standards required to do so appropriately. This may be problematic given that "the range of issues and pressures confronting museums in the twenty-first century is equal to that of any sector of organized life." (Sandell and Janes 2007, 1)

As UK museum finances face pressures, museum boards are challenged to demonstrate their fiscal accountability and to verify that resources are utilized for the public good. Yet meeting these objectives can betray standard museum practices and ethics. In some instances, local authorities have sold objects from museum collections to cover costs not approved by the Museums Association. Yet even museum sector professionals "who think their institutions might not bear comparisons [with other museums] or meet standards easily, or do not care if they do, might be even less [interested to meet standards]". (Ames 1991, 59) This finding could have important implications for museum oversight bodies that aspire to raise standards in all museums.

Financial controls are now generally accepted norms across the UK museum sector, as "the fiduciary duty of trustees and the outward accountability of museums require the demonstration of sound business practice ... and 'cocoa-tin accounting' [is] no longer acceptable because museums, whether they like it or not, are 'in business'." (Defries 1991, 76) Accountability standards, however, are imposed on UK museums by numerous sources, including diverse funding bodies. These funders have varied requirements and many request proof of internal control standards before donating grant monies. In so doing, "[t]hese bodies dictate policy, and individual museums react accordingly to obtain grants and to obtain status as a museum." (McLean 1997, 31) Due to funders' varied policy requirements, the challenge for acquiring one-time government grants, and the differences in accountability each funder demands, Janes (2009) recommends forming a centralized museum consortium fund to distribute grants for which "[a]ccountability would be essential, but so would a wide tolerance for mistakes and failures [for meeting grant goals]". (Janes 2009, 69) Assessing the value of this type of program would require significant public and government scrutiny.

Current state of museum accountability

Despite oversight regulations, recommended ethics and accountability policies, and museum standards, neither the UK nor the US has a unified sector based upon internal administrative policies or ethical patterns relating to public accountability. In many cases, British and American museums do not conform to sector-wide standards. Groninger (2011) demonstrates

specific gaps prevalent in museum governance, including internal control implementation and conflict of interest management. These gaps highlight the range of accountability concerns that affect the museum sector, including the low percentage of UK museums with codes of ethics, and the few US museums with whistleblower protection policies. While varied oversight bodies and the museum sector itself have established rules for governance consistency across the disparate museum types, a distinction remains between having standard policies in place and the act of actually fulfilling those standards.

Accountability concerns in the UK reveal themselves to fall primarily within the realm of professional ethics, while US accountability wrongdoing stems from monetary concerns like fraud and embezzlement (Groninger, 2011). Research results further demonstrate that numerous museum professionals do not understand terminology like governance, best practice, or conflict of interest. Many individuals who were queried, particularly those in volunteer-run or small museums as defined by budget, do not understand or recognize the applicability of codes, policies, and ethics to the museum sector or to the museum with which they were associated. These challenges, however, offer a significant insight: many individuals working as museum administrators or board members know little about their accountability duties (Groninger 2011).

Individuals critical of museum change or unaware of accountability measures are as vocal as museum professionals eager to implement contemporary governance ideas. Ethical codes and standard practices threaten many museum employees and volunteers who find little relevance in museum accountability. Data also suggest that though numerous accountability policy recommendations exist for UK museums, there has been little direction to guide the actual implementation of accountability practices (Groninger, 2011).

Summary

Museums do not exist in a vacuum and the recent development of museum accountability is complex. Couched in corporate culture, government influence, and public expectations, museum governance is an interdisciplinary concern. Yet museum professionalization, including codes of ethics, conflict of interest management, and agreed-upon standards within the museum industry, has received little attention from researchers. An analysis of UK and US museum accountability reveals inadequacies in the museum accountability systems in both Britain and America (Groninger 2011). Case studies demonstrate that opportunities for financial and ethical misconduct remain that directly damage the public trust in museums, and recent controversies exemplify that organizations with accountability fissures can face challenging scenarios. Transparency failings in museums have harmed museum reputations and capacity to fundraise. Accountability is an urgent need that can minimize financial strife, aiding a museum's viability and solvency. Assessing how and why the museum sector is currently governed can point to the locus of museum accountability failings, the first step to improving museum governance, ethics, and accountability.

This paper advocates that museums fulfill their responsibility to demonstrate accountability and transparency. Continuity has yet to exist, however, across the diverse sector in either Britain or America. The range of accountability policies, codes and standards that *have* been implemented have not destroyed museum traditions. Rather, these policies fit unobtrusively

within the bounds of daily museum management, serving the public trust and liberating museums from numerous risk management concerns. Museums not only look to the past, they also seek to improve their futures. To do so, museums must become increasingly accountable, fulfilling the public trust.

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