

GUIDELINES FOR MUSEUMS ON DEVELOPING AND MANAGING BUSINESS SUPPORT

Approved, November 2001, AAM Board of Directors

Introduction

A museum's ability to fulfill its mission and serve its public rests largely on the resources available. For many decades not-for-profits, charitable, educational, and scientific organizations and their communities have benefited from relationships with the business sector. By developing a variety of relationships with businesses, a museum can support its mission-related activities and better serve its public.

Businesses have likewise benefited from their relationships with the museum community. Through association with museums, businesses seek to positively affect their enterprise by showing their commitment to a not-for-profit's mission, generating goodwill within communities in which they operate and increasing the recognition of their business identity.

As museums become more advanced and sophisticated in their management and businesses become more competitive in their marketing strategies, relationships between the museum community and the business sector have become more complex. Faced with today's new and intricate museum-business relationships, the U.S. museum community and the American Association of Museums (AAM) have become engaged in discussions about ethical practice in this area.

The U.S. museum community and AAM are committed to identifying and implementing the highest standards of ethical practice. In November 2000, the AAM Board of Directors asked the AAM Ethics Committee to form a task force to study the issue of business support for museums and to recommend guidelines to help museums establish policies for developing and managing support from business. The task force was comprised of the AAM Ethics Committee, augmented by experts on the subject from within and outside the museum community.

These guidelines are intended to help museums develop and implement policies and practices that address their relationships with business. It is essential that each museum draft its own policies, appropriate to its mission, regarding its interaction with business. Policies provide a consistent position that can be articulated by trustees and staff and understood by the public; they are vital to a museum's public accountability.

As new models of business support develop and conventional models evolve at an ever-increasing rate, AAM and the U.S. museum community must remain committed to a continual review of ethical policies and practices and the development of new ones, as needed. Policies addressing business support should be reviewed regularly and updated as necessary. In addition, museums should remain current on all relevant statutory and regulatory developments related to the topic.

For the purposes of these guidelines, business support refers to any support, financial or in-kind, philanthropic or driven by marketing, advertising, and/or public relations, provided by a business (corporation, partnership, agency, family business, etc.), regardless of the nature and value of the benefit provided by a museum, and/or the tax implications of the relationship.

The term museum-business relationship refers to any business support arrangement, which may benefit both entities, directly or indirectly, or be categorized as a donation.

General Principles

- Compliance with Applicable Law

The *Code of Ethics for Museums* of the American Association of Museums states that compliance with applicable local, state, and federal laws and international conventions is a minimum requirement. Ethical standards often exceed these minimums.

- Loyalty to Mission

As a publicly accountable institution, any museum that operates according to current standards and best practices as identified by AAM has a formally stated mission and organizes its governing authority, collections activities, and programs to meet its stated mission. To ensure accountability and informed decision-making, individual museums develop written and board-approved policies and procedures to protect their assets and reputation and to guide institutional actions consistent with their mission. Thus, methods of developing and managing business support should be consistent with a museum's mission and with the policies and procedures that flow from that mission.

- Content Control and Integrity

The museum community recognizes and encourages appropriate collaborations with a variety of stakeholders including a museum's national, regional, and local funders. A museum's careful examination and control of the content and integrity of programs, exhibitions, and activities is essential to its public trust responsibility.

- Avoidance of Conflict of Interest

The *Code of Ethics for Museums* notes that where conflicts of interest arise—actual, potential, or perceived—the duty of loyalty to the museum and its mission must always be honored. Thus, a museum's governing authority and staff must ensure that no individual or business benefits at the expense of the museum's mission, reputation, or the community it serves.

- Transparency

A museum should take reasonable steps to make its actions transparent and understandable to the public, especially where lack of transparency may reasonably lead to an appearance of a conflict of interest.

Guidelines

1. Developing Policy on Business Support

A museum should formulate a written policy about business support—either standing alone or as part of another museum policy document. The policy should be approved by its governing authority, disseminated to staff, and made publicly accessible. Changes in a museum's policy should be consistent with its mission and strategic direction, not made solely in response to a specific situation. The following provisions were formulated to serve as guidelines to help a museum develop its policy. The policy should define the museum's position on these issues, even if its position is not to engage in certain activities.

A. Defining Statement

A museum should adopt a position defining its policy and goals about developing and managing business support and the importance of business support to the museum's ability to fulfill its mission.

B. Delineation of Process and Fulfillment of Obligations

A museum should outline the process used to make decisions about business support. The responsibilities of the governing body and key staff should be delineated. A museum should ensure that the human and financial resources needed to fulfill its obligations in any museum-business relationship are available.

C. Potential Conflict of Interest

No individual may use his/her position in the museum for personal gain or to benefit another at the expense of the museum, its mission, its reputation, and the community it serves.¹ A museum should adopt procedures to address business support opportunities in which a member of the museum's governing authority or staff may have an interest. This should be consistent with any existing conflict of interest policy. Such a policy should include an individual's obligation to disclose any interest in the museum-business relationship under consideration. In creating such a policy, a museum may wish to consider:

- a) requiring that the individual recuse him/herself from any discussion and/or action regarding decisions to accept support from a business with which he/she is associated or has an interest
- b) requiring that the individual's inclusion in any discussion and/or action regarding any other aspect of the project or program to be supported by that business be disclosed publicly

D. Exclusions

A museum should determine whether it will exclude any business or category of business because of the business's products and/or services, taking into consideration the characteristics, values, and attitudes of its community and audience, discipline, and mission. Whether or not a museum chooses to make exclusions, it should be prepared to state and justify its policy. In creating any policy of exclusions, a museum may wish to consider:

- a) products and/or services provided
- b) business practices
- c) whether to associate certain exclusions with particular activities (e.g., children's programming)

¹ *Code of Ethics for Museums*, 2000, American Association of Museums.

E. Business Use of Museum Names and Logos

A museum should state clearly the parameters for the use of any of its names and logos. In creating such a policy a museum may wish to consider:

- a) the contexts in which it will permit the use of its names and logos
- b) its responsibility to approve all uses of its names and logos
- c) specific prohibitions on the use of its names and logos
- d) conformity with its policies for protecting intellectual property (e.g., trademark, copyright)

F. Business Promotion of the Museum-Business Relationship

A business may wish to promote its relationship with a museum in its marketing, advertising, and public relations activities. In its policy, a museum may wish to consider:

- a) any limits on the scope of how and extent to which a business may promote its relationship with the museum
- b) the responsibility of the museum to approve any promotion of a business relationship with a museum

G. Recognition

A museum should consider the range of recognition it may offer a business supporter. In doing so, it may consider:

- a) general standards for recognizing business support, such as those relating to the use, placement, size, etc., of the business's logos, names, signage, etc.
- b) standards for recognizing business support based on the level of support received

H. Exclusive Arrangements

A museum should consider whether or not it is willing to enter into a relationship with a business that restricts the museum from receiving support from the business's competitors and/or from using a competitor's products and services.

I. Support from a Museum Vendor

A museum should ensure that any current or potential relationship between a museum and a vendor providing goods or services is not contingent upon a contribution from the vendor.

J. Documentation

A museum should ensure that all museum-business relationships are a matter of record. A museum should require that all documents relating to the development of business support be maintained.

K. Application of Policy

A museum should identify clearly all entities, such as friends groups, components of a museum system, etc., that must comply with its policies about business support.

2. Procedures for Documenting Business Support

A museum should establish procedures for documenting museum-business relationships. Documentation should reflect the nature and complexity of the relationship; some agreements may be documented with standard forms or form letters while others may require contractual agreements or memoranda of understanding. A museum may consider developing the following components in its documentation of business support:

A. Scope of the Relationship and Term of the Agreement

B. Forms of and Parameters for Recognition of Business Support

C. Procedures for Approval for the Use and Placement of Each Party's Names and Logos

D. Parameters for Promotion by the Business of the Museum-Business Relationship

E. Parameters of Any Exclusivity

An agreement should clearly define the category, scope, and term of the exclusivity

F. Procedures for Terminating the Agreement

A museum may consider including a provision for canceling an agreement. Grounds for canceling an agreement may include:

- a) engagement of a business in an activity that is counter to the museum's policy and mission
- b) changes in the ownership of a business or changes in its products and services that is not consistent with the museum's mission, standards,

values, and reputation or is not in the best interest of the community the museum serves

- c) inability of either party to carry out its responsibilities as outlined in the agreement due to unforeseen circumstances

G. Signature Page, including date and approval by legal counsel, if required

3. Legal, Tax, and Accounting Issues

A museum should be familiar with applicable legal, tax, and accounting principles before engaging in a museum-business relationship. A museum should seek appropriate legal, tax, and accounting advice, as needed, when developing and managing museum-business relationships.

A. Legal

A museum should be aware of and comply with applicable state and local laws as well as the body of general legal principles regarding solicitation, acceptance, and use of business support, including contributions. Particular areas of attention include contract law and laws regulating charitable contributions.

B. Tax

A museum should be aware of and comply with applicable federal, state, and local tax laws. A museum should pay particular attention to IRS corporate sponsorship regulations. A museum should be aware that the structure of its museum-business relationships might determine the taxability of the resulting income. Appropriate tax reporting of exempt and taxable income is mandatory.

A museum also should be aware of special tax rules that prohibit individuals or businesses from inappropriately benefiting from a museum-business relationship, as well as the general tax rules governing charitable contributions and business support.

C. Accounting

A museum should comply with generally accepted accounting principles relating to accounting and crediting of revenue, including contributions.

4. Public Accountability

A museum should respond to all public and media inquiries about its support from business, including allegations of unethical behavior, with a prompt, full, and frank discussion of the issue, the institution's actions, and the rationale for such actions.

A museum should avoid agreeing to requests for anonymity where such anonymity conceals a conflict of interest, real or perceived, or raises other ethical concerns.

Commitment of AAM

As part of its commitment to identifying and disseminating best practices, AAM will allocate resources to:

1. disseminate these guidelines widely and frequently along with other references that exist on the topic;
2. collect and disseminate examples of best practices and policies from the museum community on business support for museums.
3. make the above information available to the museum community through reports, conference sessions, and other appropriate mechanisms; and
4. provide electronic links from AAM's Web site to resources in these areas.

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