

# Strategy for Museums

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Harvard Business School

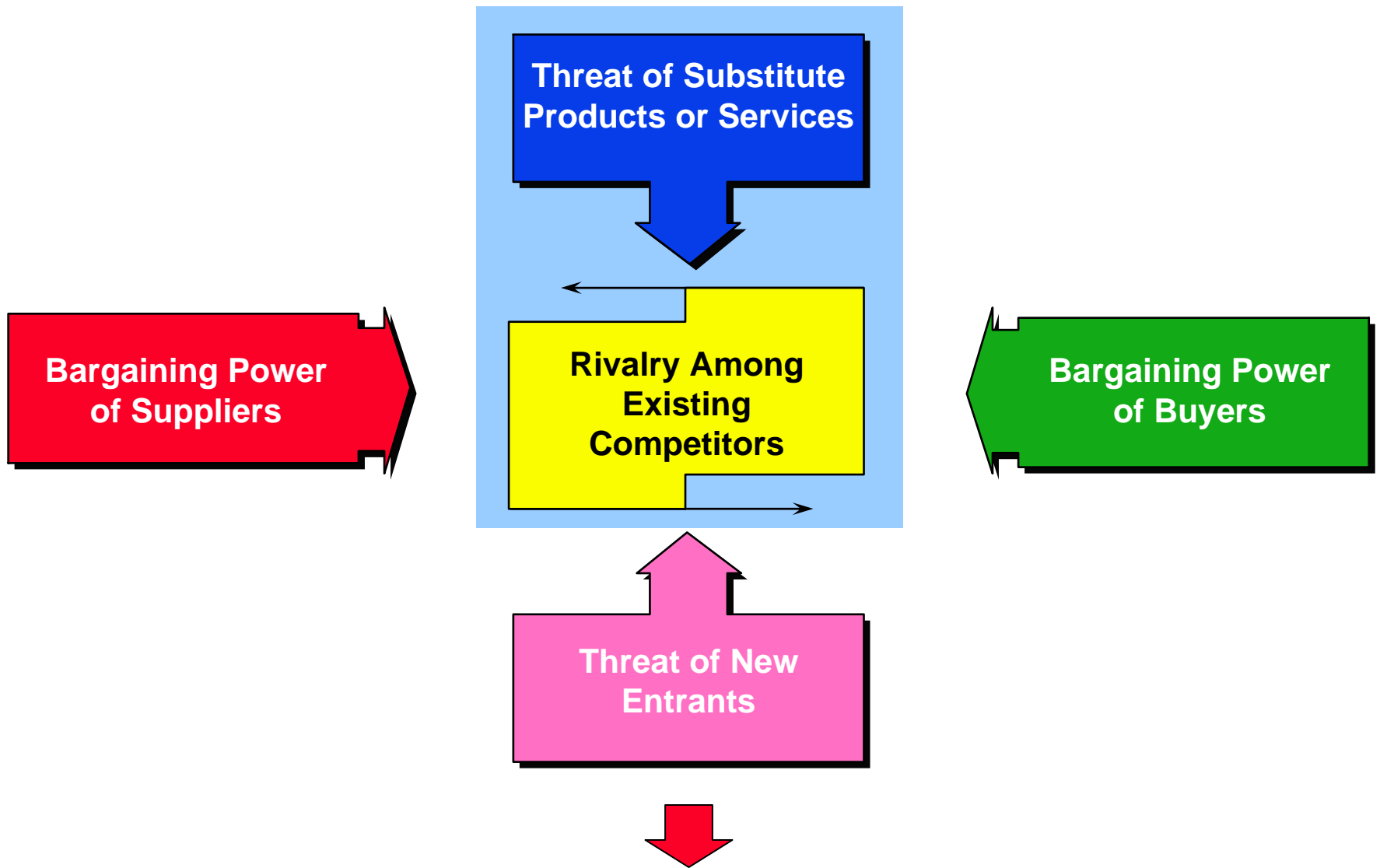
*American Association of Museums  
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This presentation draws on ideas from Professor Porter's books and articles, in particular, *Competitive Strategy* (The Free Press, 1980); *Competitive Advantage* (The Free Press, 1985); "What is Strategy?" (*Harvard Business Review*, Nov/Dec 1996); "Strategy and the Internet" (*Harvard Business Review*, March 2001); and a forthcoming book. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Michael E. Porter. Additional information may be found at the website of the Institute for Strategy and Competitiveness, [www.isc.hbs.edu](http://www.isc.hbs.edu).

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# How Museums Think About Competition



- The worst error in strategy is to compete with rivals on the **same dimensions**

# Flawed Concepts of Strategy

- Strategy as **aspiration**
  - “*Our strategy is to have one million visitors...*”
  - “*...double our endowment...*”
  - “*...grow revenue...*”
- Strategy as **action**
  - “*Our strategy is to expand the collection...*”
  - “*... build a new building...*”
  - “*... mount ten special exhibitions per year...*”
- Strategy as **vision / mission**
  - “*Our strategy is to serve our community...*”
  - “*...to advance science...*”

# Setting the Right Goals Corporations

- The fundamental goal of a company is **superior long-term return on investment**
- Growth is good only if superiority in ROIC is **achieved and sustained**
- Profitability must be measured realistically, capturing the **actual profits** on the **full investment** for each business

# The Purpose of Museums

- The fundamental purpose of a museum or any other organization is **value creation**

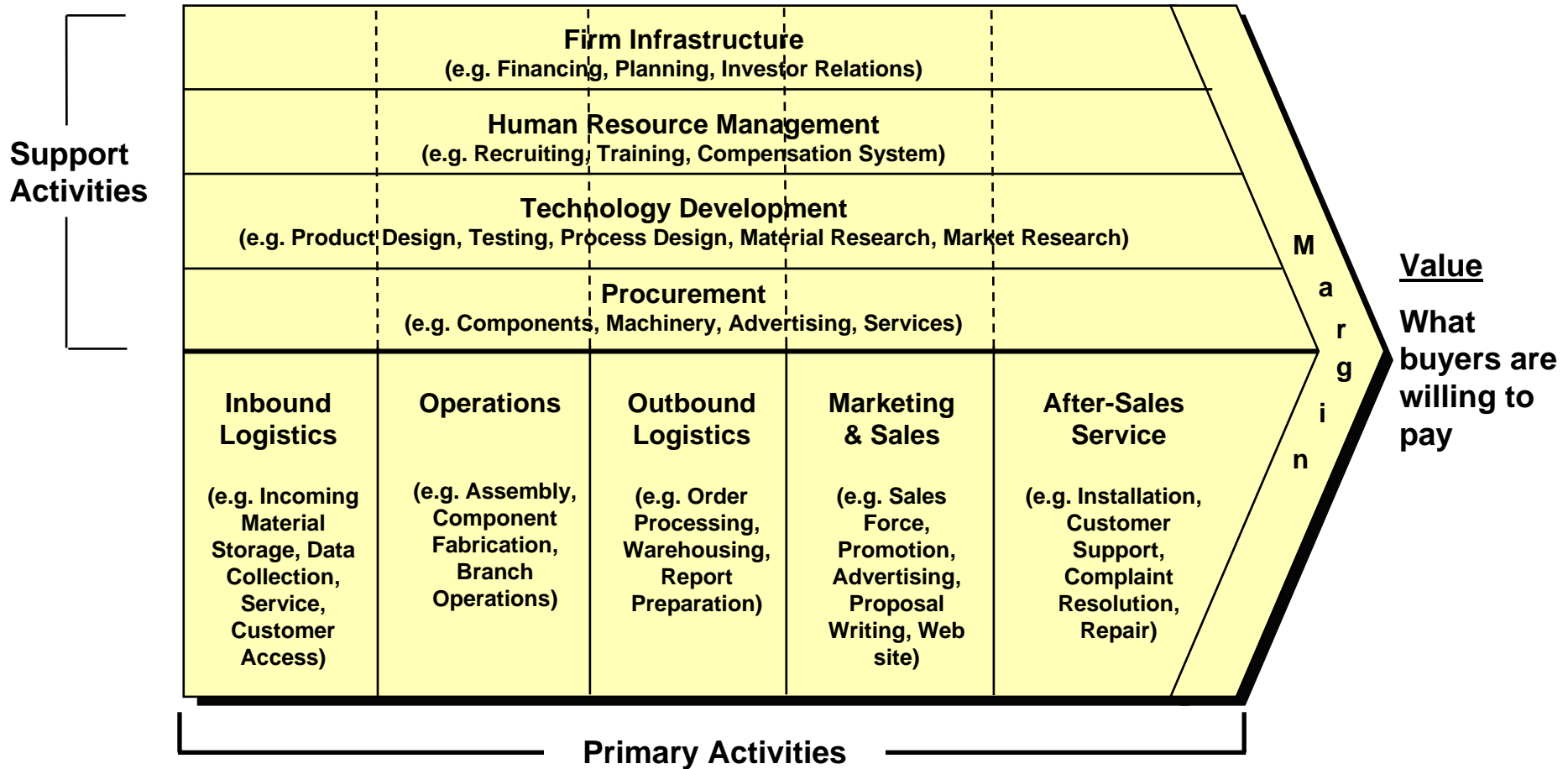
$$\text{Value} = \frac{\text{Social Benefits}}{\text{Resources Expended}}$$



- For museums, there are invariably **multiple social benefits**, which lead to **multiple goals**

# Strategy Foundations

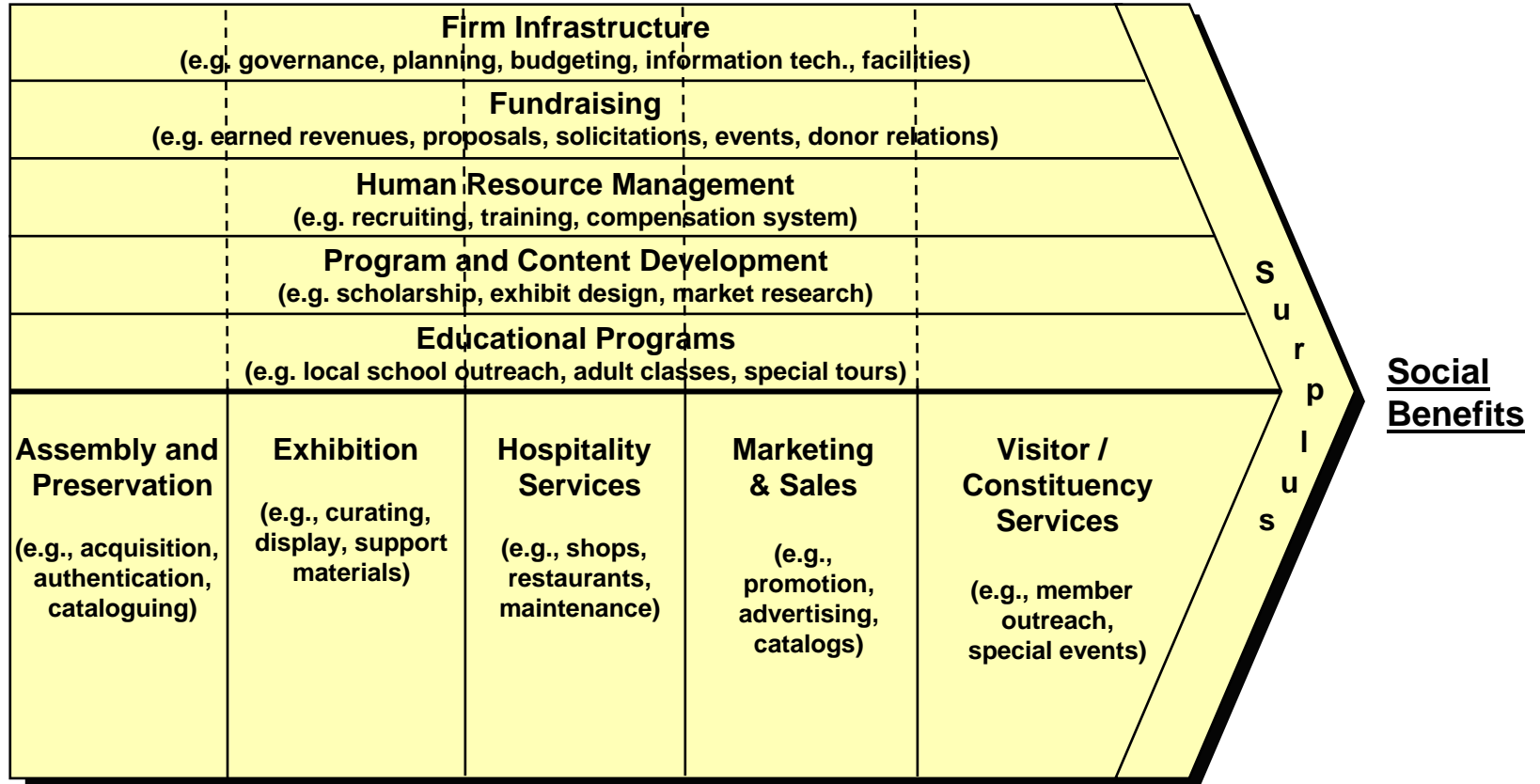
## Defining the Value Chain



- Competing in a business involves performing a set of discrete **activities**, in which **competitive advantage resides**
- The value chain is **unique** to each business

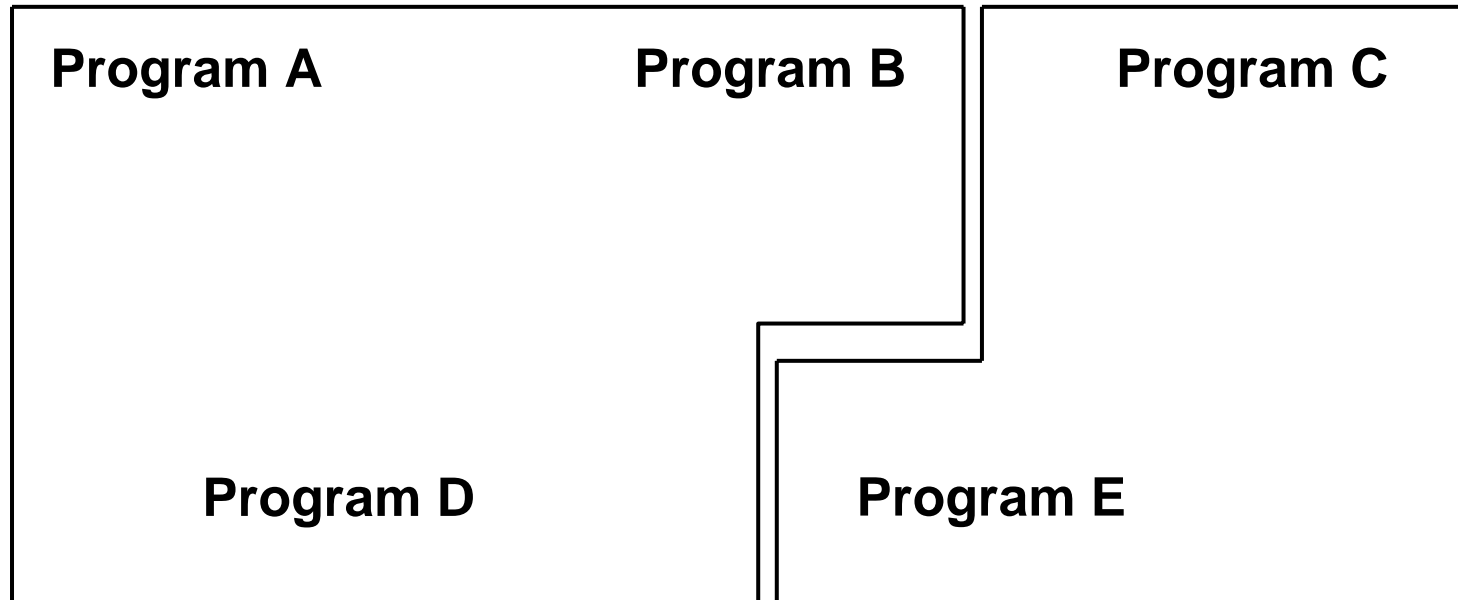
# Strategy Foundations

## The Museum Value Chain



# Strategy Foundations

## What are the Different “Businesses” in which the Organization Competes?



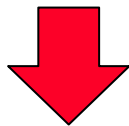


# Strategy Foundations

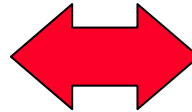
## Operational Effectiveness Versus Strategy

### Operational Effectiveness

- Assimilating, attaining, and extending **best practices**

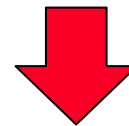


Run the same race faster



### Strategic Positioning

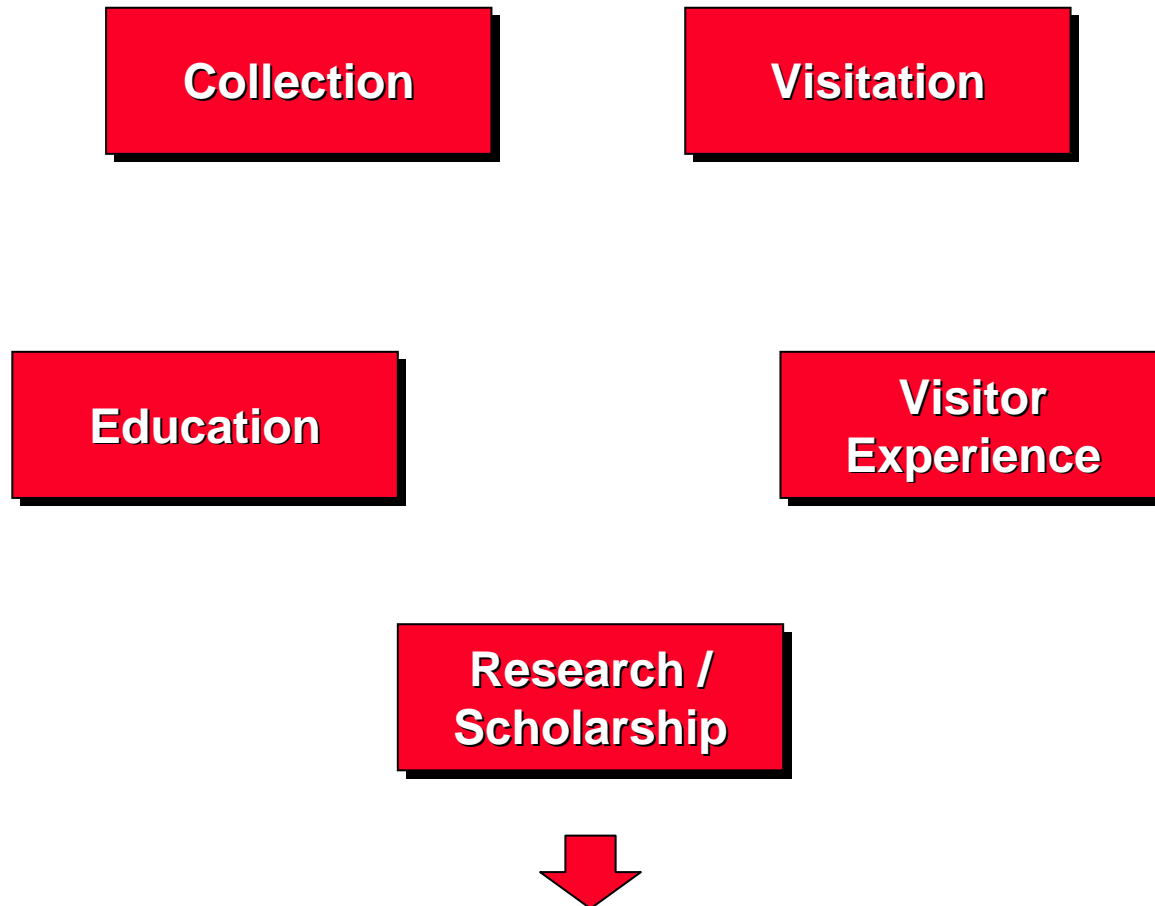
- Creating a **unique** and **sustainable** competitive position



Choose to run a different race

# Defining Value for Museums

- **Defining value** depends on **choosing, specifying, and weighting goals**



- **Measuring value** is central to any strategy

# Mission Statements

## Selected Museums

### **Guggenheim Museum, New York**

The mission of the Solomon R. Guggenheim Foundation is to **promote understanding and appreciation of art, architecture, and other manifestations of modern and contemporary visual culture; to collect, preserve, and research art objects; and to make them accessible to scholars and an increasingly diverse audience through its network of museums, programs, educational initiatives, and publications.**

### **Metropolitan Museum of Art, New York**

The mission of The Metropolitan Museum of Art is to **collect, preserve, study, exhibit, and stimulate appreciation for and advance knowledge of works of art that collectively represent the broadest spectrum of human achievement at the highest level of quality, all in the service of the public and in accordance with the highest professional standards.**

### **American Museum of Natural History, New York**

To **discover, interpret, and disseminate - through scientific research and education - knowledge about human cultures, the natural world, and the universe.**

### **Smithsonian Institution, Washington, DC**

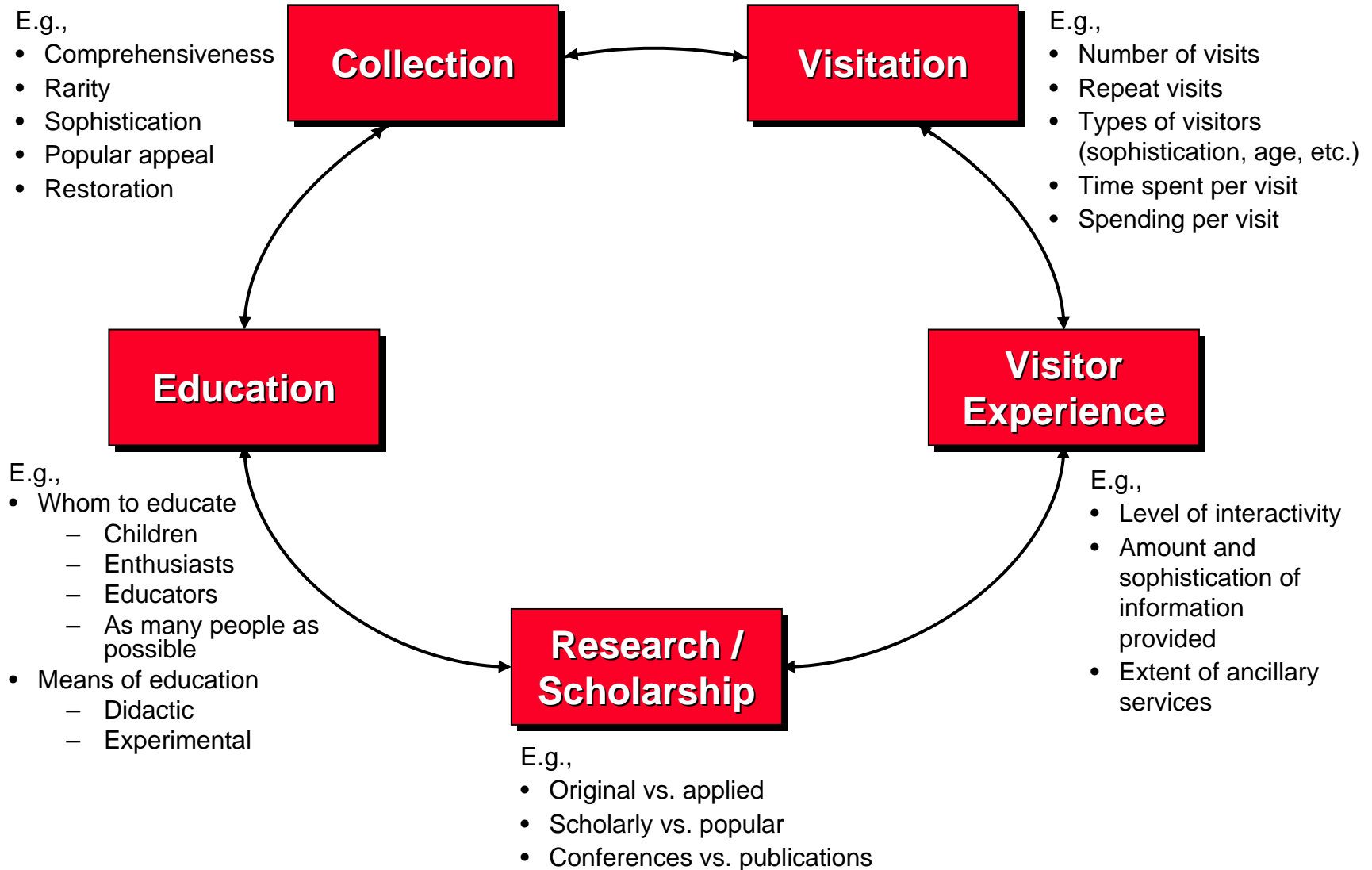
The Smithsonian is committed to **enlarging our shared understanding of the mosaic that is our national identity by providing authoritative experiences that connect us to our history and our heritage as Americans and to promoting innovation, research and discovery in science.**

### **MoMA (Museum of Modern Art), New York**

The Museum of Modern Art is dedicated to being the **foremost museum of modern art in the world... The Museum of Modern Art seeks to create a dialogue between the established and the experimental... in an environment that is responsive to the issues of modern and contemporary art, while being accessible to a public that ranges from scholars to young children. The ultimate purpose of the Museum was to acquire the best modern works of art. While quality remains the primary criterion, the Museum acknowledges and pursues a broader educational purpose: to build a collection which is more than an assemblage of masterworks, which provides a uniquely comprehensive survey of the unfolding modern movement in all visual media.**

# Defining Value for Museums

## Specifying Goals



# Five Tests of a Good Strategy

- A **unique value proposition** compared to other organizations
- A **different**, tailored value chain
- Clear tradeoffs, and choosing what **not** to do
- Activities that **fit** together and reinforce each other
- **Continuity** of strategy with continual improvement in realizing the strategy

# Defining a Strategic Position

## Whole Foods Markets

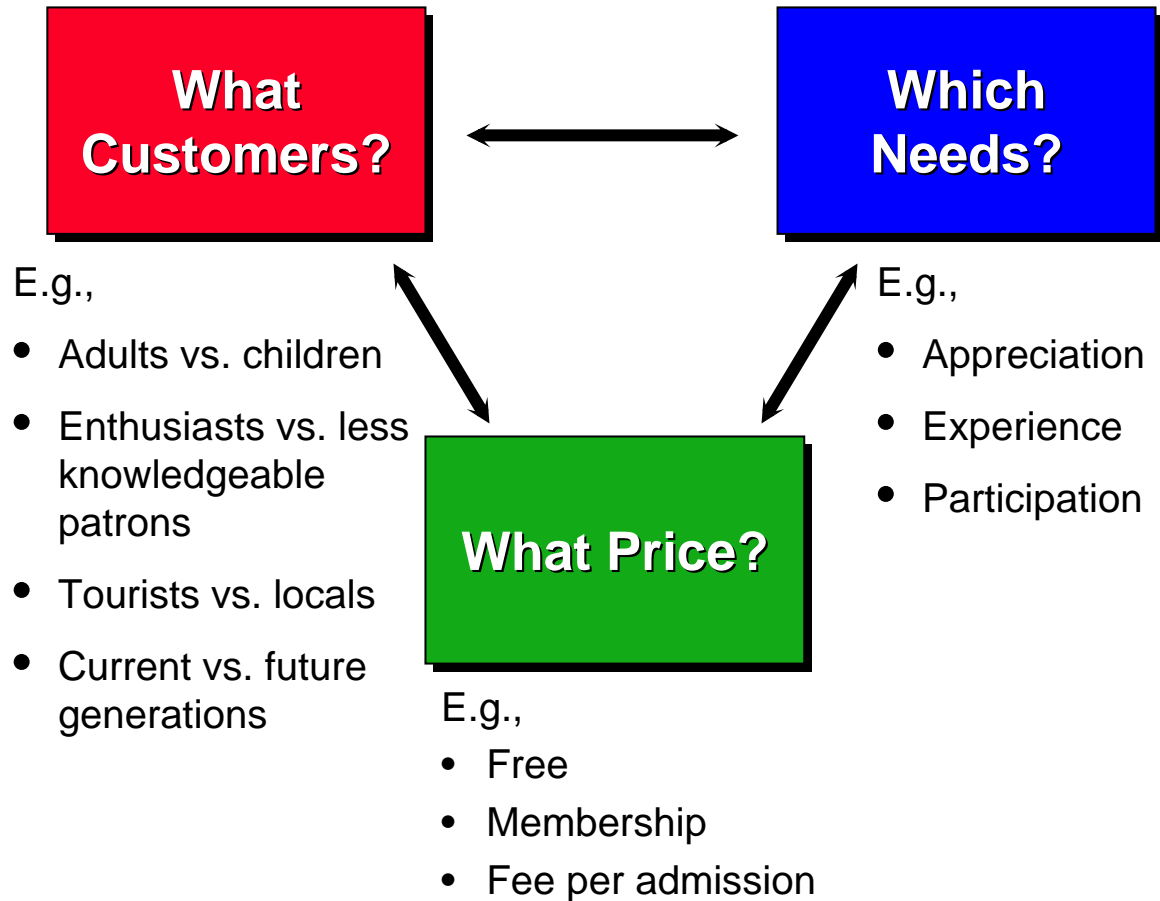
### Value Proposition

- Natural, fresh, organic, and prepared foods and health items with excellent service at premium prices
- Educated, middle class, and affluent customers passionate about food as a part of a healthy lifestyle

### Distinctive Activities

- Well-lit, inviting supermarket store formats with appealing displays and extensive prepared foods sections
- Produce section as “theater”
- Café-style seating areas with wireless internet for meetings and meals
- Each store carries local produce and has the authority to contract with the local farmers
- Information and education provided to shoppers along with products
- High touch in-store customer service via knowledgeable, non-unionized, highly motivated personnel
- Egalitarian compensation structure
- Own seafood procurement and processing facilities to control quality (and price) from the boat to the counter
- Donates 5% of profits to non-profits
- Each store has “green projects,” directed by employees to improve environmental performance

# Translating Goals into a Value Proposition



# Five Tests of a Good Strategy

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# Making Strategic Tradeoffs

## US Home Improvement Industry

### Home Depot

#### Value Proposition

- Predominately male, experienced customers and contractors
- Building material, home improvement, and lawn & garden products

#### Set of Activities

- No-frills, warehouse design
  - Merchandise stored in large racks and stacked on the floor
- All customers (including contractors) serviced out of same stores
- Bulk deliveries of products directly from vendors usually during the day
- Every-day low prices with volume discounts

### Lowe's

#### Value Proposition

- Female shoppers and casual do-it-yourselfers
- Extensive home decor, appliance, kitchen, and lawn & garden offerings

#### Set of Activities

- Appealing store layout
  - Wider aisles, brighter lighting, lower ceilings
  - "Stores-in-the-store" featuring fully-equipped kitchen & bath studios, lighting displays, etc.
- Contractors serviced by separate corporate division with different yards
- Hub-and-spoke distribution with just-in-time delivery usually after hours
- Every-day low prices without volume discounts

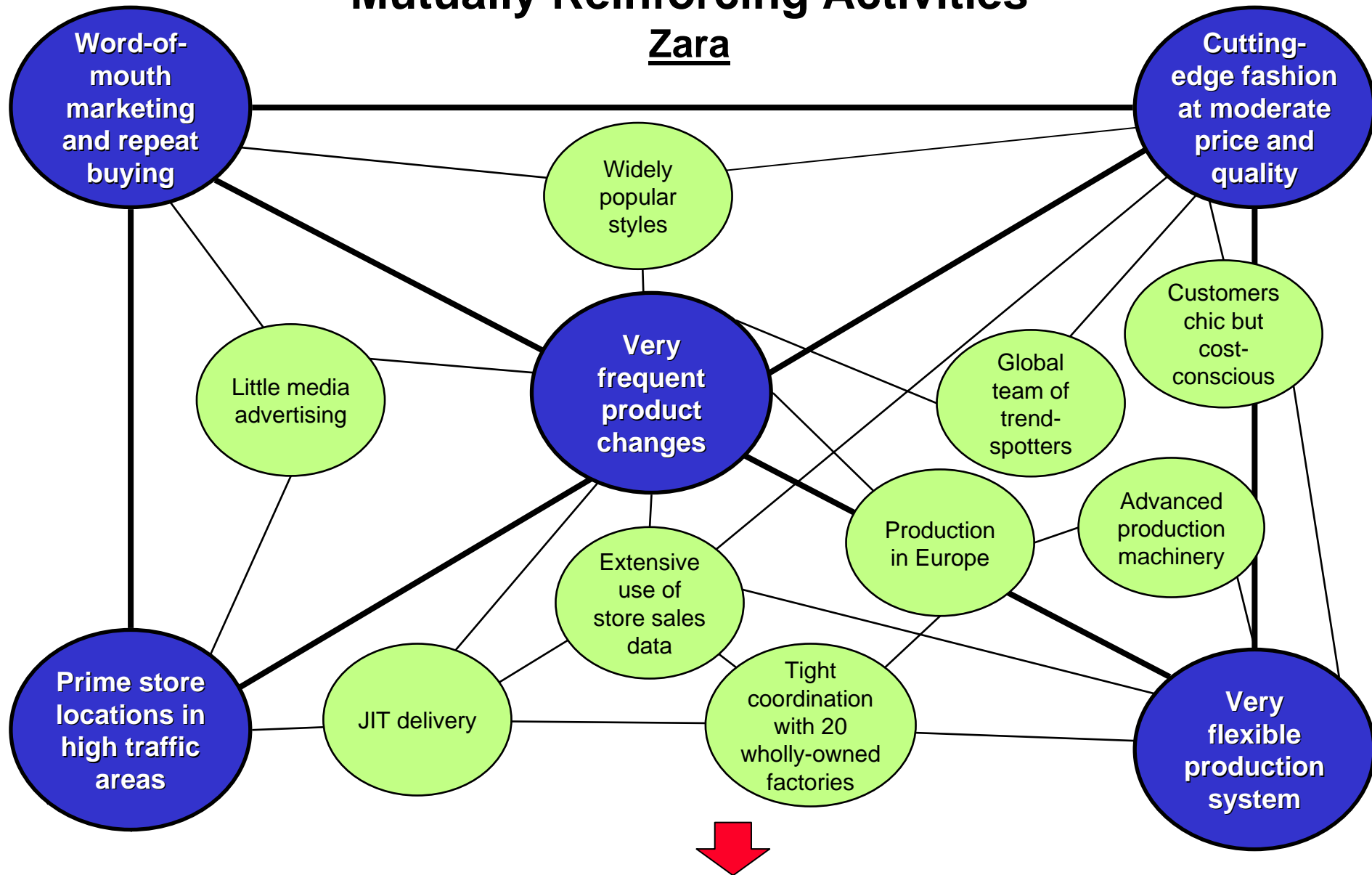
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- Home Depot is at risk of undermining its strategy through imitation

# Five Tests of a Good Strategy

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# Mutually Reinforcing Activities

Zara



- Fit is leveraging what is different to be **more** different

# Continuity of Strategy

- Allows the board and the staff to **understand and embrace the strategy**
- Builds truly **unique skills** and **assets** related to the strategy
- Establishes a clear **identity** with patrons, funders, and other outside entities
- Strengthens **alignment** of activities across the value chain



- Successful organizations **continuously improve in realizing their strategy**

In contrast,

- **Reinvention** and **frequent shifts in direction** are costly and confuse everyone

# Barriers to Defining Goals and Setting Strategy for Museums

- Multiple, conflicting, or unclear goals
- Lack of board consensus on goals
- Donor / funder desires and priorities
- Unpredictable or limited revenue streams lead to program proliferation or short-term focus
- Legacy collections and facilities constrain future direction
- Tactical problems consume managerial attention

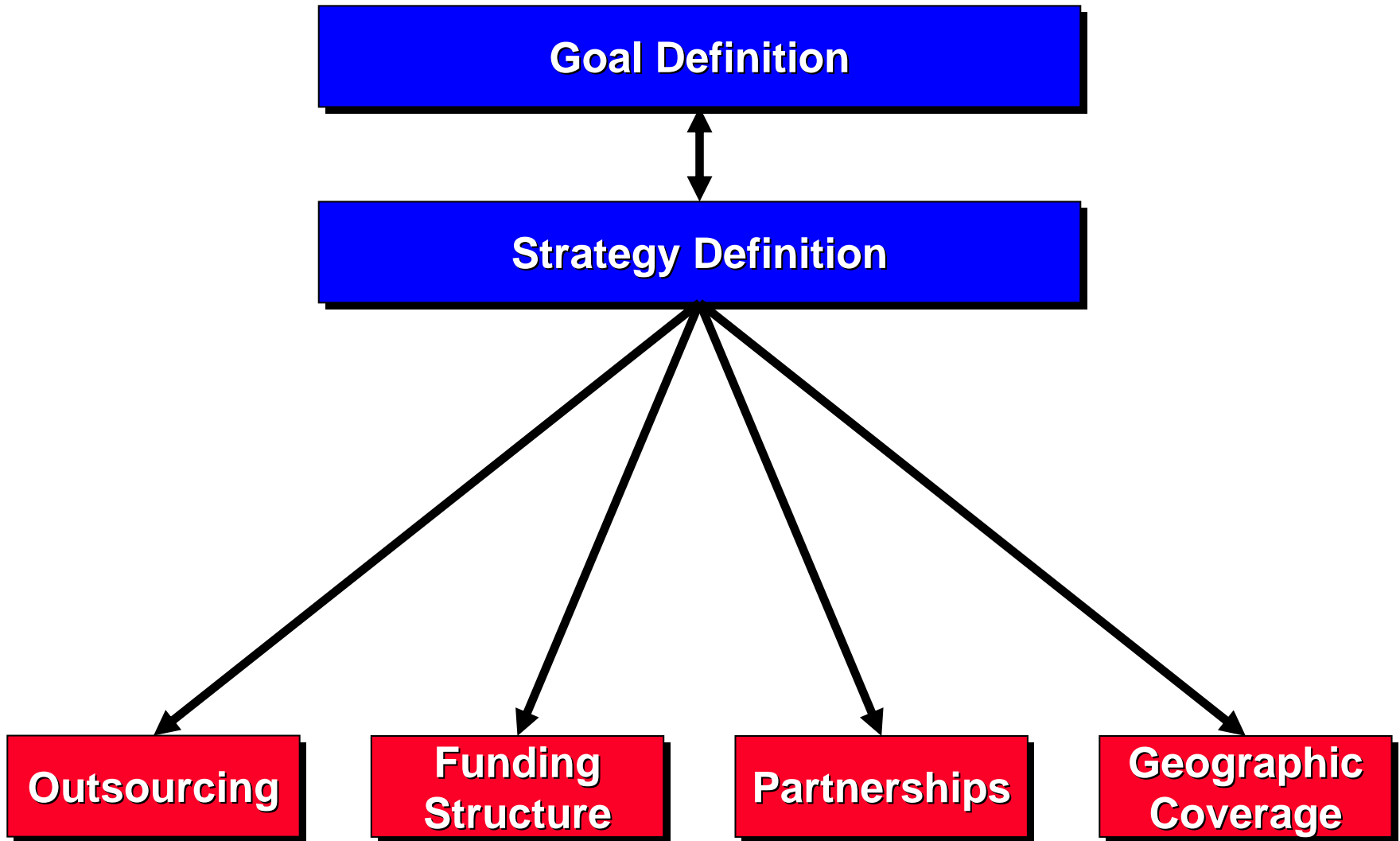


- No clear way to measure performance
- Limited cost information at the activity and program level obscures value




- Severe risk of agenda / program proliferation

# Strategy Should Drive Other Choices



# The Role of Leaders in Strategy

- Lead the **process of choosing** the organization's unique position
    - The choice of strategy **cannot** be entirely democratic
  - Clearly **distinguish** strategy from operational effectiveness
  - **Communicate** the strategy relentlessly to all constituencies
  - Maintain **discipline** around the strategy, in the face of many distractions.
  - Decide **which** “competitor” changes, technologies, and customer trends to respond to, and how the response can be **tailored** to the organization's unique position
  - Measure **value** and **progress** against the strategy
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- Commitment to strategy is **tested every day**, especially in non-profit organizations

Creating a strong digital strategy for museums helps ensure that collection access and visitor experience continue to align with the museum's mission and its technology resources. This digital strategy for museums blog series will provide insight into creating a strategic digital plan, how your plan may work with your institution's other strategies, and how some Gallery Systems clients handled their own digital strategies. What Does It All Mean? Museums are best known for their one of a kind art pieces or artifacts that they carry. The Louvre in Paris was visited 9.6 million times in 2019 solely for viewing the iconic Mona Lisa. They focus on design strategies that help prevent the spread of infection. They incorporated visual diagrams showing how galleries and exhibition spaces can be redesigned to follow current health and safety protocols and how virtual showcases can be incorporated into the museum. Floor Demarcation System © Isometric Studio. Most museums occupancy rates are set at 15 to 30 sq. ft. per person. Currently the CDC's social distancing recommendation is four plus times this space needed per person. What does that mean, practically, for our spaces? To accommodate that kind of change, we need to reevaluate the museum experience and reimagine our exhibits. Bottlenecks. A walkthrough with your floorplan is imperative.