Follow the Money to Community Success

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Conventional wisdom is that mission drives museum management decisions, and that a public nonprofit should be evaluated on how well it achieves its mission (Moore, 1995; Collins, 2005; Korn, 2007; AAM, 2012). The American Alliance of Museum's (AAM) *National Standards & Best Practices for U.S. Museums* includes an evaluation standard establishing the primacy of mission: “All aspects of the museum's operations are integrated and focused on meeting its mission” (Merritt, 2008, pg. 34).

This view ignores that money drives many decisions. Ostensibly, all these money decisions are mission-supporting, but some revenue streams take on independent lives, like a museum's special event or special exhibit rental business. Again, conventional wisdom is that this is selling out, often citing off-mission blockbuster exhibitions. I disagree. It is about increasing a museum's community success.

In 2012-2013, the Pacific Science Center (PSC) hosted 700,000 visitors to its exhibit *Tutantkhamun: The Golden King and the Great Pharaohs* (shortened to *King Tut),* and those visitors spent $16.2 M in admissions and audio guides alone, plus food and ancillary spending, and generated $78.2 M of economic impact and 905 jobs for Seattle (Beyers, 2013). This is big money.

But does *King Tut* “inspire a lifelong interest in science, math and technology” (from PSC’s mission statement, 2013)? Knowing the great team at PSC, I am sure that they integrated STEM learning into the experience and its programs, that they exposed visitors to PSC’s science exhibits, and that *King Tut’s* funds supported their more mission-central activities. Some may fault the science museum for deciding based on money over mission, but the reality is more nuanced.

I find that mission purity concerns limit a museum from being all that it can be, and I applaud PSC’s management for going beyond its self-imposed mission boundaries to make its public facility an open gathering place, embracing all disciples as well as all communities in an entrepreneurial venture. Clearly, the Seattle market approves, even if some purists cavil that the mission has been lowered in priority in decision-making. PSC is more valuable to its community because it hosts exhibitions like *King Tut,* than if it were limited to science topics.

Money as the voice of the community has huge influence on management decisions, particularly in American, mid-to-large urban *marketplace museums*. Once we admit to it, we will be much better off. So will the audiences, supporters and communities we serve. It turns out money is wise, is trying to tell us about success, and, in reality, is our boss.

What Does Success Look Like?

Let me start with some basics about success criteria and indicators of success. Stephen Weil defined success as the museum's performance, which is a factor of how effectively the museum achieves its intended outcomes and how efficiently it delivers those outcomes. (Weil, 2005).

A museum's success criteria are its evaluation framework. In theory, the museum decides its intentional outcomes, sets up its criteria for success, and then identifies *key performance indicators(KPIs)* that measure the success criteria. In this approach, more positive KPIs from year to year indicate an incrementally more successful museum. In reality, we are very far from systemized, much less shared, ways of measuring success.

Museum Complexity and the Challenges to Evaluation

It would be much simpler if institutional evaluation were simply measuring mission outcomes: “How effectively and efficiently did we achieve our mission?” However, institutional evaluation is not simple for major museums. These days, an American city's main art, history, science and children's museums have multiple revenues from multiple sources with multiple agendas – private donors, corporate sponsors, government agencies, and earned revenue from an increasing number of sources and customers. Effectively, these museums have multiple masters and a diversity of purposes.

Other sectors have simpler business models. Business is focused on their customers; government agencies are focused on public services; and philanthropy on impact. Many museums, however, have evolved business models that do all of these in a constantly shifting balance among funding sources. This is why measuring success has been so hard for museums.

Who Judges Success?

Who defines a museum’s success? Success to whom? Can museum staff and governance define and measure their own success, and will the rest of the world believe them? This soul-searching process is important internally, and it is worth trying to convince others, but for long-term survival, a museum must be judged externally as successful.

For many urban museums in America, there are five broad categories of success stakeholders, each defining success in its terms: visitors; program customers; public supporters; private supporters; and the authorizing environment, both external (the community) and internal (staff and governance).

The first four are also *revenue stakeholders,* as collectively they provide the museum’s operating budget. Visitors and program customers provide the earned revenue, and public taxpayer funds and private donations provide the support revenue. Without revenue stakeholders, the museum cannot operate, and its public facilities will no longer be public. To live, museums need paying audiences and cash supporters.

The *external authorizing stakeholders* are part of the museum's cultural, economic and natural ecosystem. This complex mixture of existing organizations, regional industry and resources, entrenched traditions and aspirations for the future is the museum's *community*. It contains the revenue stakeholders (audiences and supporters), as well as many other constituencies that may not provide the museum with funds, but do endorse its legitimacy and worthiness. External authorizing agents include the media, neighbors, academia, unions, politicians, special interest groups and the K-12 system. Without some degree of judgment of success from at least some of the external authorizing stakeholders, the museum has no legitimacy in the community.

The *internal authorizing stakeholders* include the paid staff and volunteer governance of the museum, along with regular contractors and suppliers. In a large museum with many departments, I find a diversity of success definitions in even the most mission-focused museum. This is not a management fault, as much as it is a characteristic of passionate, creative museum professionals. Staff and governance are *authorizing* in both senses: They are the authority approving operating choices, and they are the authors producing the museum's content and activities. The internal authorizing stakeholders are on the expense side, responsible for spending the revenues in ways that generate both valued outcomes and next year's revenues.

Returning to the question 'Who defines a museum's success?', the critical judges are the museum's revenue and external authorizing stakeholders. The museum has to keep providing value to its revenue stakeholders and it has to keep earning its legitimacy from its community. It <u>must</u> be successful in their eyes. What does success look like to them?

Indicators of Success with External Stakeholders

We can, and should, use traditional evaluation and research techniques to ask a museum's external stakeholders how they define success and to describe the value they get from the museum. We can also measure how much they spend on the museum, and how that compares with last year or with their other spending on alternate choices. Both ways of measurement – what do you find valuable? and, how much do you value it? – are meaningful, given the usual caveats and weaknesses for any measurement methodology. In the case of expert revenue stakeholders, such as the annual totals from grant-awarding foundations and from professional teachers, repeat spending is evidence of success in the eyes of the experts.

What measurements are meaningful? For the revenue stakeholders, the annual operating revenue from each stakeholder sector is a measure of their cumulative transactional value. Museums are complicated because they are transacting different values for different revenue sectors: a museum's private and public supporters value the public impacts, and its visitors and customers value the personal benefits. Following the subjective theory of economics, the marketplace value of the museum's public value to its funders is measured in total annual support revenues; and of its personal value to its audiences in total annual earned revenues. Changes in the balance and amounts among these revenues may be indicators of changes in how the museum's revenue stakeholders currently evaluate the museum's value and its success.

Alignment between Mission and Money

First, whose mission is it? Does the community need that mission? Ideally, a museum should have among its funders at least some who are funding its mission work. Without that tangible validation, staff and governance are on thin ice, perhaps following an internal, unfunded mandate. A museum needs funders, particularly board members, who believe enough in the mission to actually give the museum money to pursue it.

Museums with a single or dominant revenue source, like university museums, corporate museums and government museums, can align mission with what their funders value, so success looks the same to both sides. Marketplace museums are not so simple, as they must pursue multiple missions given multiple definitions of success and value.

The challenge for a marketplace museum is to align its mission and intentions to those of its community, in particular to those in the market for buying or supporting museum services, such as advancing learning, bridging cultural divides, offering quality leisure experiences and generating economic impact. Museum staff and governance may have strong opinions about what needs the museum should be addressing, and, ideally, they can find funders to support those opinions, but museum managers also need to listen carefully to the opinions of their revenue stakeholders, including government, private donors and customers. One meaningful way to improve alignment is to respond to trends in their actual spending, of course factored for mitigating circumstances. In the long run, a museum’s purposes and activities are determined by the people who pay for them, like any other marketplace venture.

The Money Influence Exposed

No one likes to admit the influence of revenue, or more crudely, money, on our decisions, but once we admit to it, we can learn a great deal about our stakeholders’ changing values and needs. Recurring revenues from expert buyers of our mission outcomes indicate mission success. When the revenues are from experts who are seeking values different from our intentional outcomes, well, then perhaps we should at least consider expanding our intentions. Success in the eyes of our revenue stakeholders is often expressed by increased spending, and so, growing revenues can indicate success with them.

My wife and I are soon heading into the Boston Museum of Science (MOS) to see *The Dead Sea Scrolls*, because we have an interest in the human origins of sacred texts. We don’t expect science learning; however, we trust the MOS to deliver a museum-quality experience in the Roger L. Nichols Gallery that is one of Boston’s few venues capable of fitting the *Dead Sea Scrolls.* Even if it is not a science show, we trust that the historical and religious content will be presented objectively, accurately, and even scientifically. Boston is richer because the MOS has followed the money to greater community success.

Once we agree to study money as an indicator of success, we will find that money has lots of wisdom to impart, and many indicators and measurements of success. Perhaps money does not measure the success of all a museum's public values, but it does indicate success in the eyes of the people who pay the museum's bills.

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