

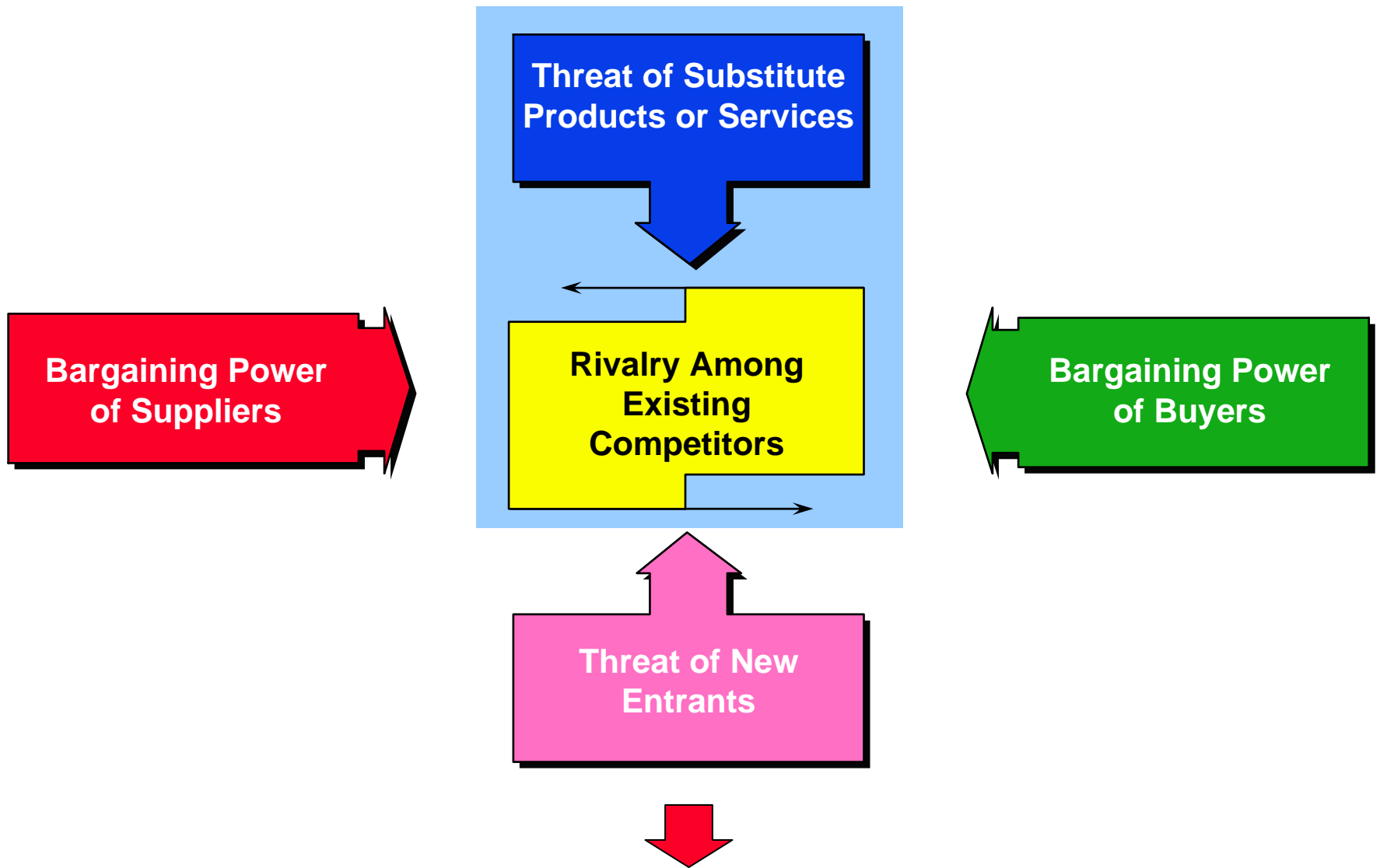
Strategy for Museums

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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.

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**

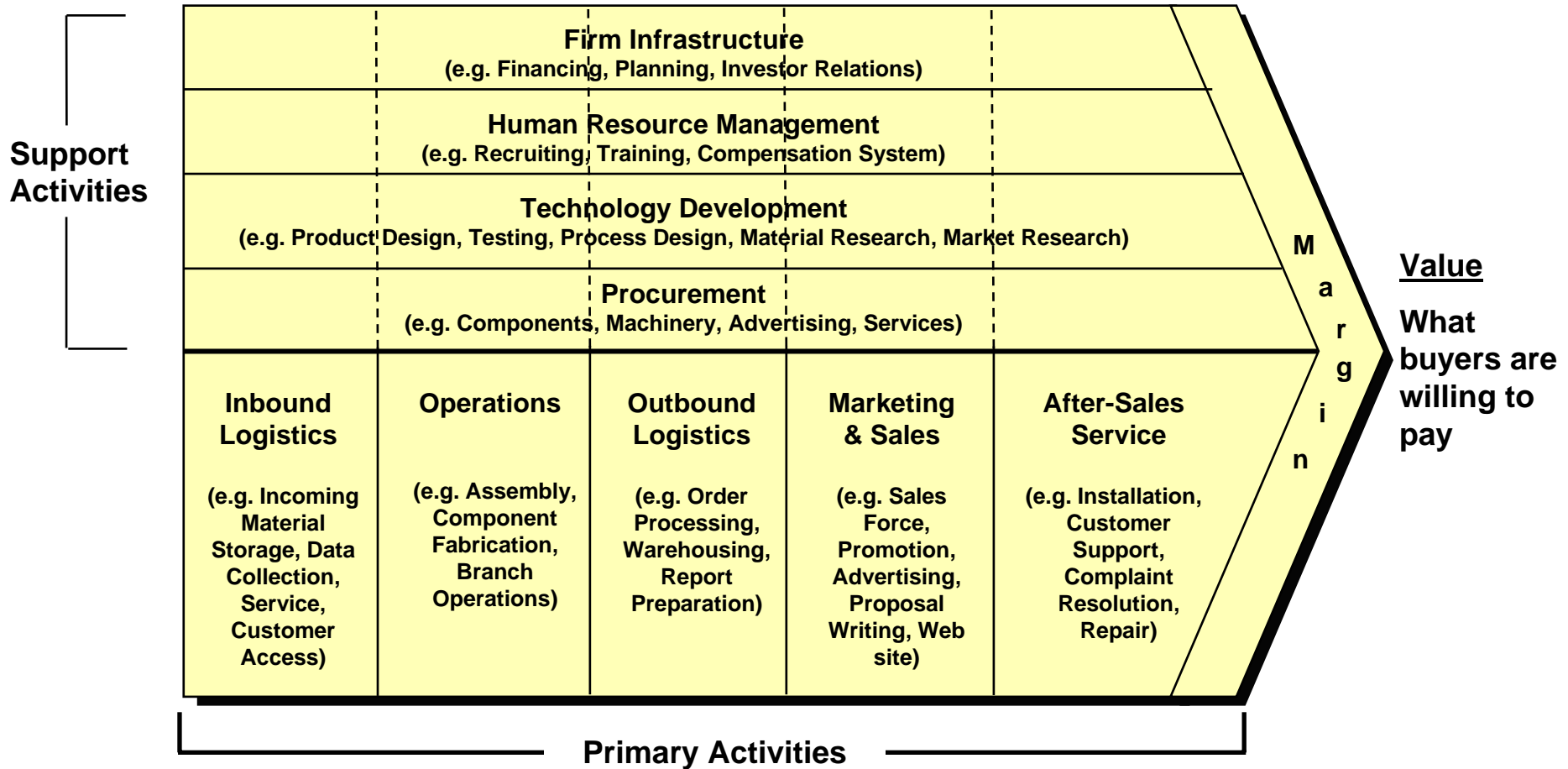
$$\text{Value} = \frac{\text{Social Benefits}}{\text{Resources Expended}}$$



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

Strategy Foundations

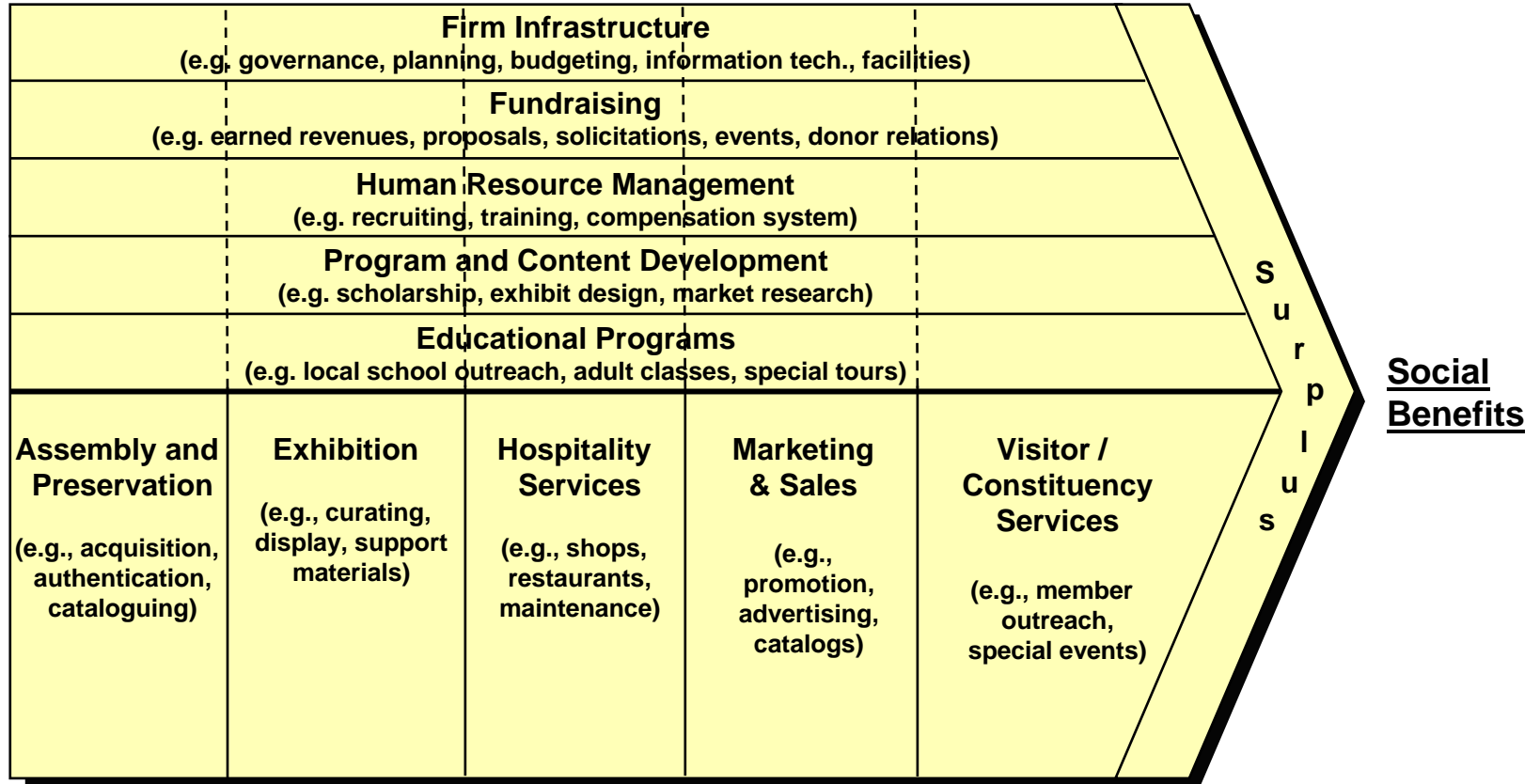
Defining the Value Chain



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

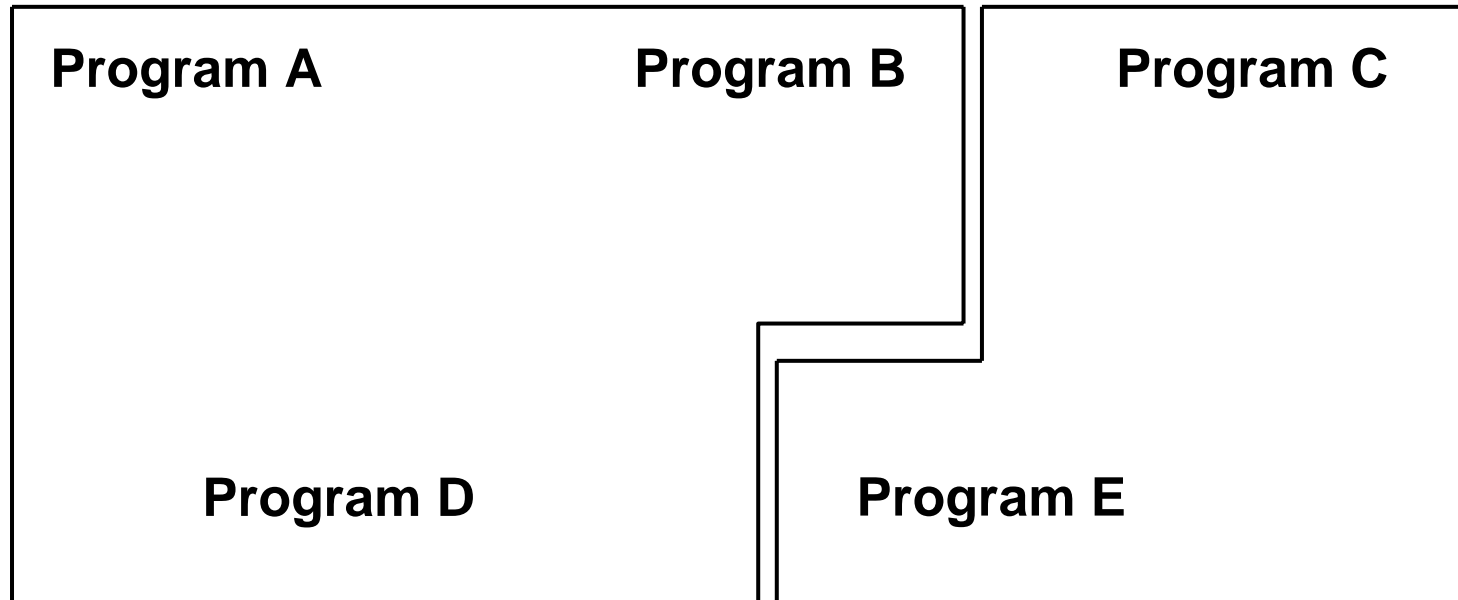
Strategy Foundations

The Museum Value Chain



Strategy Foundations

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



Strategy Foundations

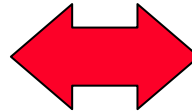
Operational Effectiveness Versus Strategy

Operational Effectiveness

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

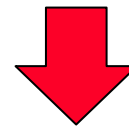


Run the same race faster



Strategic Positioning

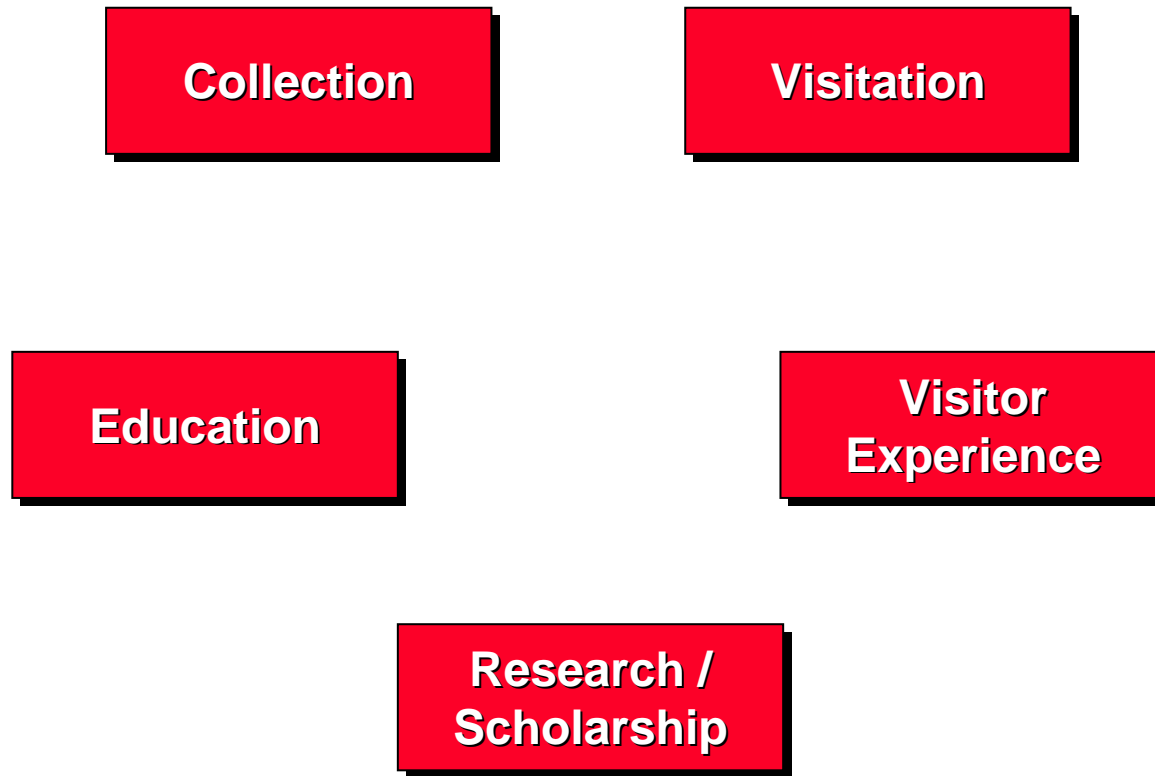
- Creating a **unique** and **sustainable** competitive position



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

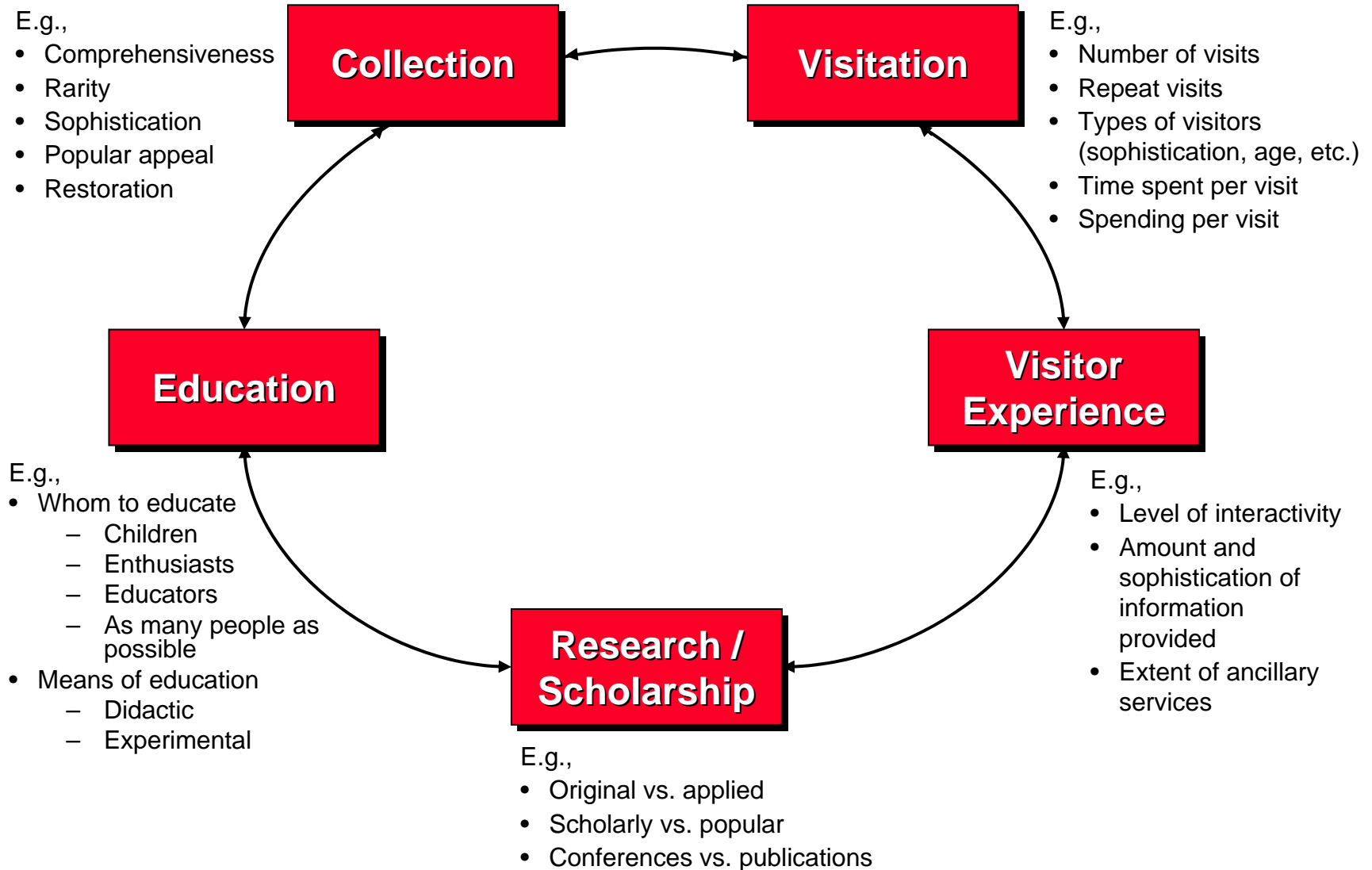
The Smithsonian is committed to **enlarging our shared understanding of the mosaic that is our national identity by providing authoritative experiences that connect us to our history and our heritage as Americans and to promoting innovation, research and discovery in science.**

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

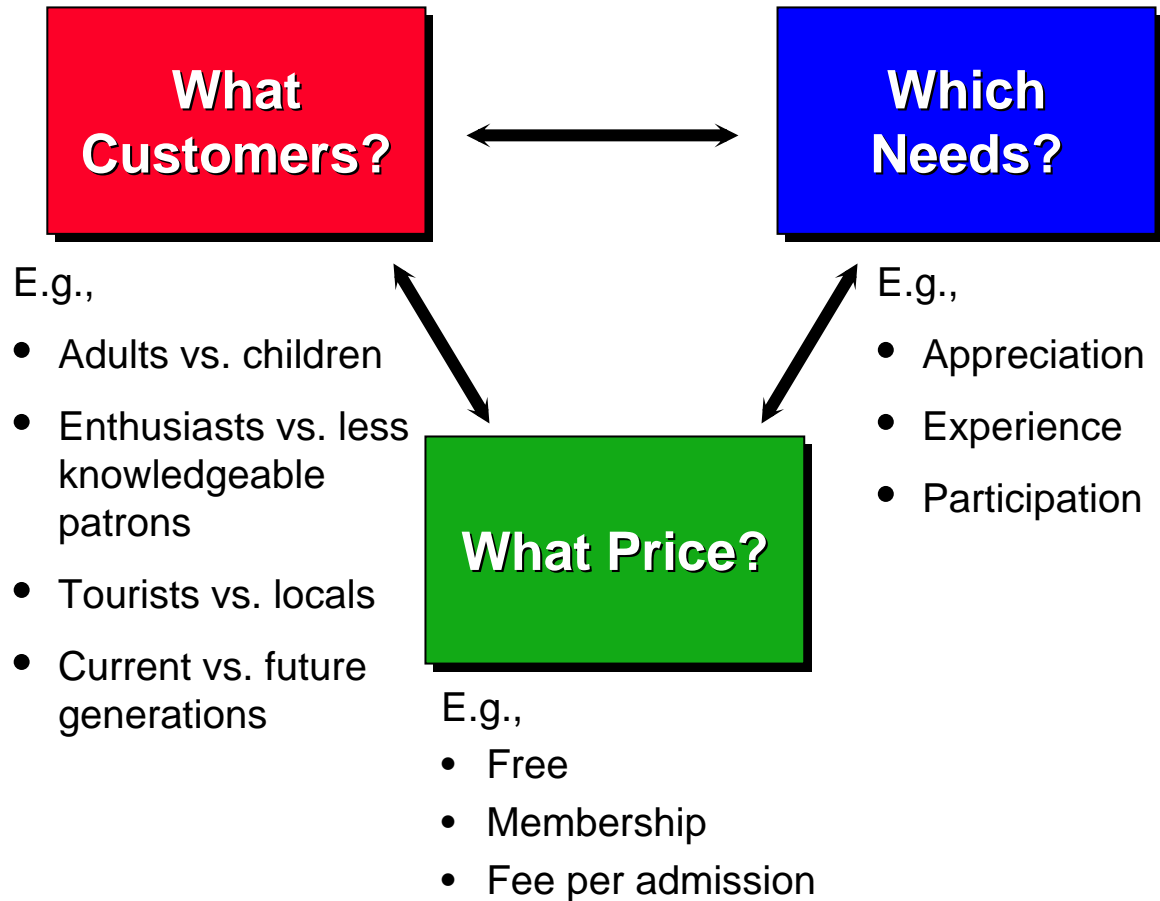
Value Proposition

- 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



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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

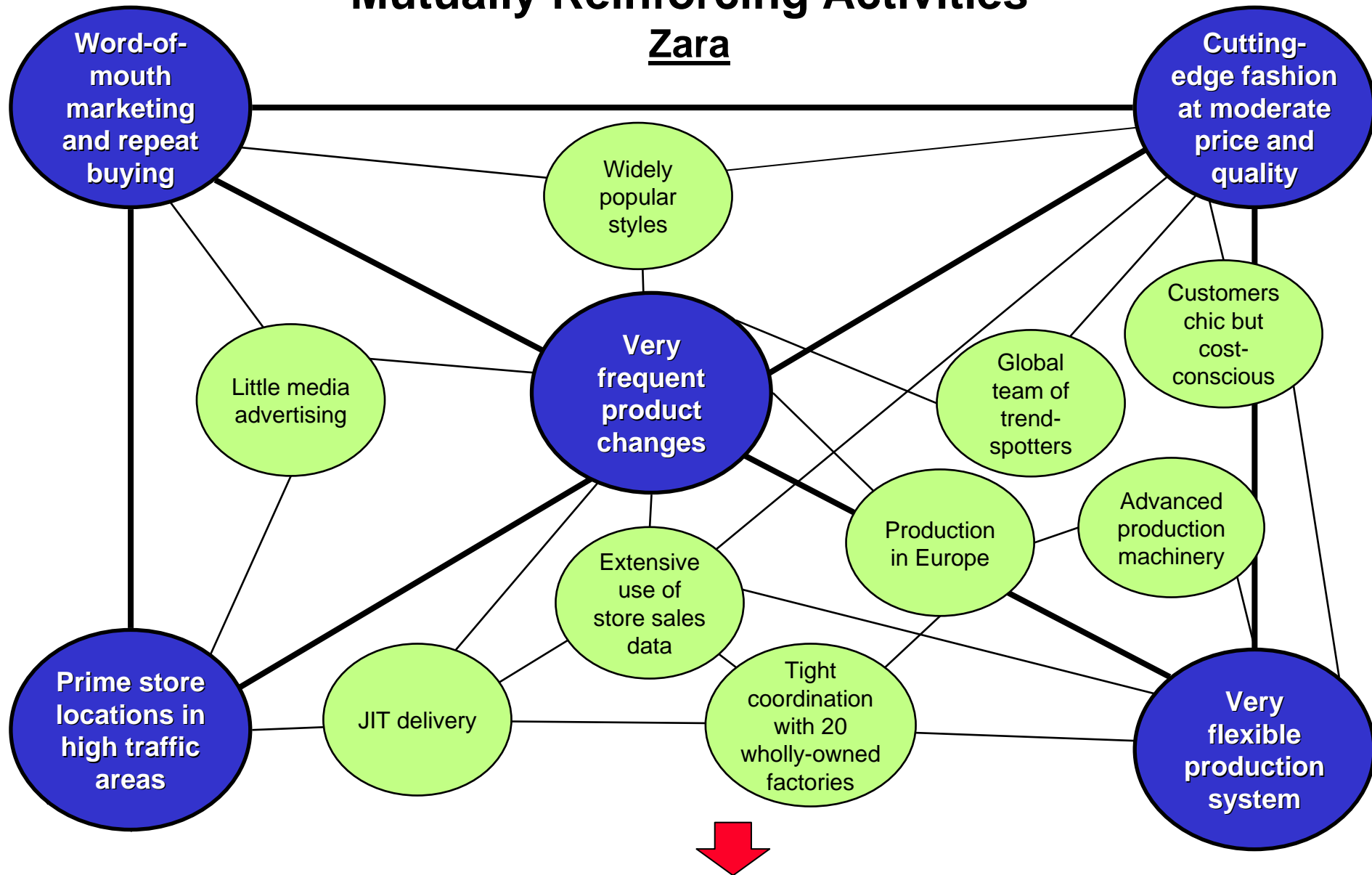
- 
- Home Depot is at risk of undermining its strategy through imitation

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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

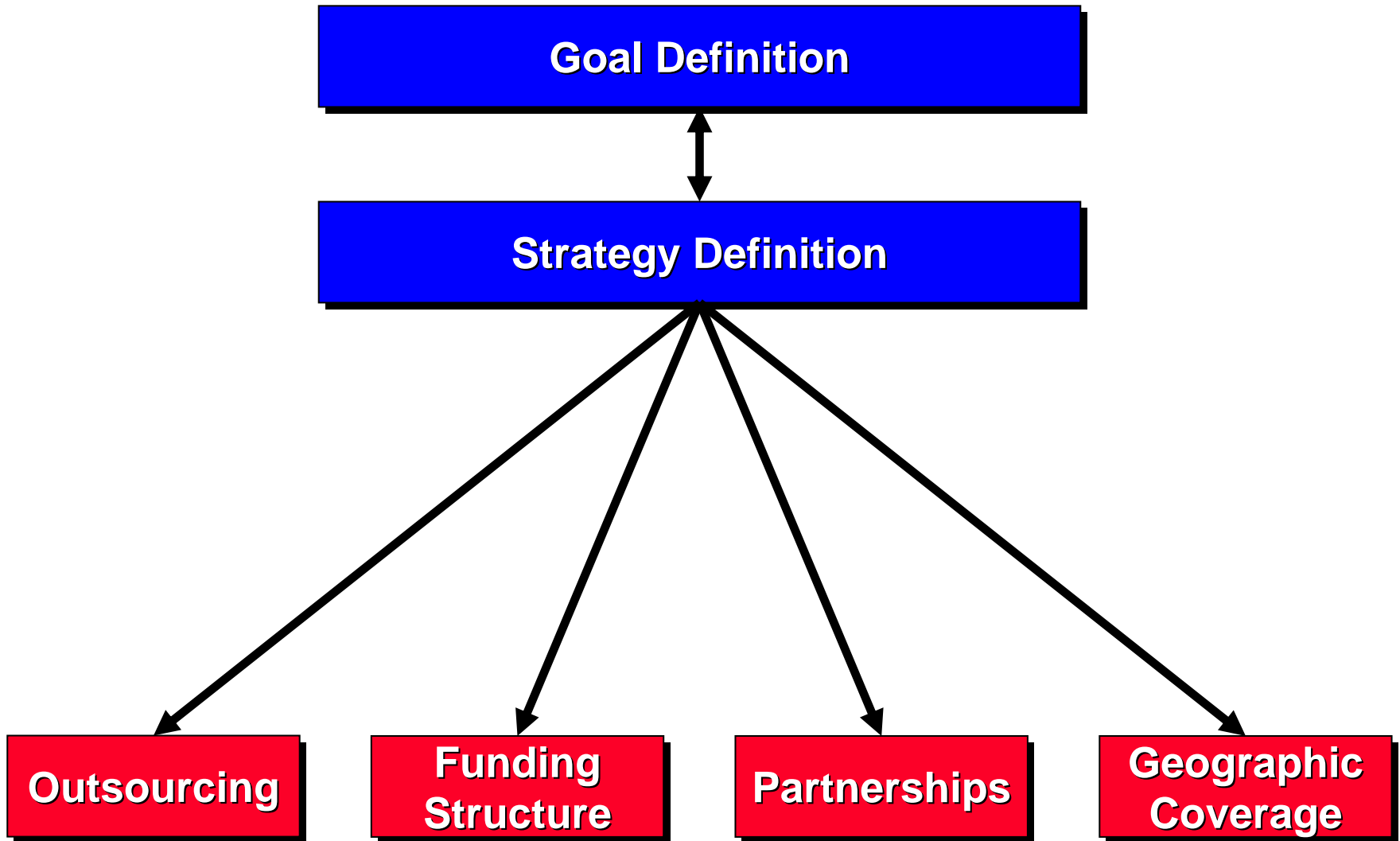


- No clear way to measure performance
- Limited cost information at the activity and program level obscures value




- 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
- 
- Commitment to strategy is **tested every day**, especially in non-profit organizations