

Case Analysis: Museum XYZ, Major City, USA

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Key facts:

Several weeks after opening in a brand new building, a small museum in a major U.S. city has seen a drastic drop in patron visits. During an interview process by the current board president and two colleagues, 23 individuals analyzed the museum's current strengths, weaknesses, and future opportunities. The interviewees consisted of one former board member, five current board members, the former executive director, five executives of other local museums, a city official, two funders, three corporate leaders, three program partners, and two civic leaders.¹ The findings of these internal and external contributors were presented to the museum's strategic planning committee and the board. There was much agreement on certain themes of concern the organization faced including: the museum's absence of a defined role, no permanent leader/CEO, unorganized leadership in staff and board, unstable finances, and its overall lackluster image. Communicated amongst the concerns was a striking emphasis on the strength of the educational programming offered at the organization. When looking to the museum's future one interviewee stated that "There really is a unique role and special niche for them – it has to do with the study of and education about the region."² There is much hope for this museum. Through enlisting a new leader/CEO and a fresh strategic plan, the museum will be able to tap into its existing strengths and enter into a turning point through new goals and objectives.

Key issues:

1. Identity: The mission is unclear. Many of the interviewees expressed a great deal of confusion of the museum's mission and vision. Some individuals stated they had no idea what the mission was including: "What exists now seems totally disjointed," and "I don't see how this place makes a difference." Amongst the confusion there were others who had constructive criticism about how the museum could tap into its niche as a vital part of its community. One such person stated that, "This is one of the few institutions devoted to this region. Its strong educational component coupled with helping to look at ethical and civic responsibility in this region is exciting and important."³ It was stated repeatedly that the museum should have a local and regional approach.

2. Leadership: There is weak leadership from the staff and the board. It was stated that, "The staff members are highly unmotivated and are looking for new jobs."⁴ Along with unmotivated staff other interviewees expressed concern that there were few staff or board members with museum experience. The board's infrastructure is outdated and they tend to micromanage museum operations. A lack of civic engagement of the board was stated in this comment, "I am sure you will understand what I mean when I say we need more corporate people on the board...and not their wives."⁵ With a lack of diversity and community connection in the general makeup of the board it is hard to connect to the needs of the community and to obtain various avenues of support.

¹ Donnelly, Anne Cohn. "Museum XYZ, Major City, USA." *Kellogg School Of Management - Harvard Business Review* KEL550 (April 15, 2010): 1–5

²Ibid.

³Ibid.

⁴Ibid.

⁵Ibid.

3. Finances: Reliable Financial information is not easily accessible to the public and there is great need for unrestricted cash. One major concern of a participant in the interview process was: the museum needs to “address their debt-equity situation!”⁶ Others stated, “There is no endowment”, and “They need money now for ongoing operations.”⁷ With a brand new building it seems that the organization has capital assets but needs liquid assets to sustain mission-based activities. Another individual stated “In the museum business, we are in the entertainment business...other museums are competing with our local sports teams and major retailers...can they?”⁸ The museum needs cash to satisfy its debt obligations and with no reserves, a lack of a financial plan, consistently aiming low in estimating the budgeting of expenses, and a lack of access to accurate financial information it will be difficult to sustain their operations.

4. Image: Visitors are left feeling unexcited by the appearance and atmosphere of the museum. The museum’s image is dull and stale.⁹ Exhibits are left broken, with considerable empty space, and some are even unfinished.¹⁰ The brand and image of the museum need to be updated to draw in patrons. The building is ‘magical’¹¹; but there is a lack of image and brand to continually draw guests into their experience.

Alternative Courses of Action & Evaluation:

1. Identity:

a.) Rewrite Mission Statement – To solidify the identity of the Museum, Museum XYZ must rewrite their mission statements. A mission & vision statement will form the museum’s identity. The mission statement creates a collective agreement on everything the organization stands for and who it will serve. All future decisions in leadership, finances, and marketing endeavors will stem from these statements. As “a written declaration of an organization’s core purpose”,¹² the mission should elicit causes. The vision then “is something to be pursued for that accomplishment.”¹³

The museum can either hire outside consultants to help with this process or rewrite its mission statement internally. The use of a consultant may be expensive, but these statements will shape and define the entire future of the organization. Rewriting the mission statement can also be done with no additional costs by getting input from community stakeholders’ thoughts and opinions from surveys. With existing input from the interview, the museum got feedback already about its possible niche and great educational programs. One statement included the opinion that the museum’s “niche should be issues of the region.”¹⁴ This can be a great first step in creating part of the mission statement. With a clear and concise mission statement, people will be able to emotionally connect to the organization and hopefully become investors.

⁶ Donnelly, Anne Cohn. “Museum XYZ, Major City, USA.”

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² “What Is a Mission Statement? Definition and Meaning.” *BusinessDictionary.Com*. Accessed February 28, 2016. <http://www.businessdictionary.com/definition/mission-statement.html>.

¹³ “What Is a Vision Statement? Definition and Meaning.” *BusinessDictionary.Com*. Accessed February 28, 2016. <http://www.businessdictionary.com/definition/vision-statement.html>.

¹⁴ Donnelly, Anne Cohn. “Museum XYZ, Major City, USA.”

2. Leadership

a.) Restructure Board & Staff- Achieving a better board & staff structure will be critical. “Good leaders develop the ability to read themselves – their strengths, skills, weaknesses, and current state of mind.”¹⁵ As the new CEO, I will look at my own strengths and weaknesses, and search for board and staff to fill in the gaps. Civic leaders with skills sets that would aid the mission of the organization should be chosen to represent the board. Staff members with experience in arts management and fundraising should be sought out. Longstanding board members and staff may be hesitant to change, but restructuring will lead to increased efficiency and competency. “Hiring and firing top managers are two of the key roles of the board members of a not-for-profit arts organization, and yet no one bothers to teach them how to do it and what to look for.”¹⁶

b.) Rework Bylaws & Board Manual–Bylaws regulate internal practices, duties, and define powers and limitations of power. “Like all other important documents, bylaws should be reviewed periodically and updated.”¹⁷ Continued training of all staff, board, and volunteers will stem from the bylaws. One specific change I would like to make in the board manual will be to add a mandatory fundraising requirement on the board. Collectively the entire board should raise 10% of the operating budget of the organization.¹⁸ For the first fiscal year of the my time at the organization, board meetings will be scheduled monthly. This will help the organization remain on track with its goals and objectives organizationally, financially, and towards its mission.

Employees can cost nonprofit organizations “anywhere from 50 to 80 percent of expenses,”¹⁹ the value of training and structure of governance is crucial. Enforcing the entire board to collectively raise 10% of the annual budget may seem like a large sum, but the importance of the board and their investment is crucial. Michael Kaiser, the former president of the John F. Kennedy Center of Performing Arts gave a great example for the importance of board members’ contributions to the organizations they serve. Deemed the “Turnaround King”, Kaiser worked closely with the Alvin Ailey Dance Company’s thirty-six board members as he implemented a new strategic plan to pull them out of financial ruin. Of the board, half gave less than \$500 a year to an organization whose budget exceeded \$6 million a year. After imposing a giving requirement of \$10,000 Kaiser stated that they lost half of their board.²⁰ Although the board decreased in size for a moment, new members were brought in. These new members brought a new energy to their organization. Enforcing a giving requirement in the board manual can increase funds, excitement, and engagement.

c.) Hire Volunteer Coordinator – If not already in place, a Volunteer Coordinator should be hired to train and organize all volunteer activity. Volunteers are some of the most vital partners in sustaining programming. They should be shown maximum appreciation for their work. The long-term benefits should outweigh costs. “Volunteers who invest time must feel important and useful and be shown that their contribution of time is valued and appreciated.”²¹

¹⁵ Maxwell, John C. *The 21 Irrefutable Laws of Leadership: Follow Them and People Will Follow You*. Nashville, TN: Thomas Nelson Publishers, 1998.

¹⁶Kaiser, Michael M. *The Art of the Turnaround: Creating and Maintaining Healthy Arts Organizations*. Hanover: University Press of New England, 2008.

¹⁷Pynes, Joan. *Human Resources Management for Public and Nonprofit Organizations: a Strategic Approach*.

¹⁸ Social Velocity Why Your Board Should Raise 10 of Your Nonprofits Budget Comments <http://www.socialvelocity.net/2013/06/why-your-board-should-raise-10-of-your-nonprofits-budget/>

¹⁹Pynes, Joan. *Human Resources Management for Public and Nonprofit Organizations: a Strategic Approach*.

²⁰Kaiser, Michael M. *The Art of the Turnaround: Creating and Maintaining Healthy Arts Organizations*.

²¹Blazek, Jody, and Jody Blazek. *Nonprofit Financial Planning Made Easy*. Hoboken, NJ: John Wiley & Sons, 2008

3. Finances

a.) Give Community Access to Form 990s on Website- Assuming the museum is a 501(c)3 tax-exempt non-profit organization, the public should be able to have full confidence in the financial dealings of the organization. A Certified Public Accountant should be hired to report a reliable Form 990 and previous fiscal years' Form 990 tax forms should be linked onto the museum's website for patrons, donors, and board members. After the Sarbanes-Oxley Act of 2002, Form 990s were required to be disclosed in a current and easily accessible way to the public.²² If the museum shares a PDF file on their website of the previous fiscal year form they will help rebuild trust in the finances of the organization. Donors will be more ready to contribute and providing accessible financial information will keep the organization on track with its mission. These forms can easily be attached to websites.

b.) Rent out Building & Increase Liquid Assets- Renting out the empty parts of the museum for educational groups, local businesses, or groups for conferences that align with mission can increase visibility and cash. "Nonprofit museums, arts centers and performance groups rent out their facilities regularly, and that income is not only tax-free, but is often vital to the sustainability of such organizations."²³

c.) Create an Annual Fund Catered to Already Existing Educational Programs – An annual fund campaign to bring in planned giving and major gifts should be created. Using the already strong educational programming, solicitations and events targeted to prospective donors can be implemented to bring in cash and build up the endowment. The U.S. Embassy stated in 2012 that 38% of a museum's operating funds come from the private sector.²⁴ This includes individuals, charities, foundations, and corporate sponsors.

Asking donors to fund educational programming will bring in funds. Because Museum XYZ's educational programs are thought of as being a strong asset in the community, they will have a large pull. The cons to creating an annual fund will be how time consuming the planning phases and follow up of solicitation and stewardship can be. If the organization does not have the staff or resources available this may have to wait. This phase should not be started until restructuring of the staff has been completed and there is a strong fundraising and development team ready to take on the process of an annual fund.

d.) Create & Start Budgeting Before the New Fiscal Year - The budgeting process should start well in advance of the next fiscal year. If the season starts in June, financial planning and budgeting should start no later than January. Estimated revenue, projected costs, and previous years' performance will need to be calculated. After analyzing the cash flow and projecting future expenses/revenue, cuts in unnecessary activity should be made. Creating a budget and planning with the mission of the organization in mind will help it accomplish its goals.

²²"Sarbanes-Oxley Act And Implications for Nonprofits | Independent Sector." *Sarbanes-Oxley Act And Implications for Nonprofits | Independent Sector*. Accessed March 1, 2016. https://www.independentsector.org/sarbanes_oxley.

²³"Good Ways To Make Money as a Nonprofit Organization." *Good Ways To Make Money as a Nonprofit Organization*. Accessed March 1, 2016. <http://yourbusiness.azcentral.com/good-ways-make-money-nonprofit-organization-2421.html>.

²⁴"IIP Digital | U.S. Department Of State." *You Asked: How Are Museums Supported Financially In the United States?*, 2012. <http://iipdigital.usembassy.gov/st/english/pamphlet/2012/05/201205155699.html#ixzz41wgk2vd4>.

4. Image

a.) Data Collection to Find A Target Audience & Generate a Brand – Data should be collected in the form of surveys, questionnaires, and interviews to find a target audience. After identifying the needs and wants of the community, a marketing campaign and brand can be created that is pointed at drawing in that specific audience. Data collection can be cost effective if distributed online and recorded by volunteers. Although there are currently a small amount of visitors coming to the exhibits any information can be helpful. Data collection should include: customer name, address, phone, email, interests, subscription/single-ticket purchasing history, and point of purchase. “All of this data helps to create a focused set of targets for a given situation.”²⁵

b.) Create a Unified Brand/Improve Overall Appearance – After cleaning up the appearance of the museum a unified brand should be created. A brand could manifest itself in the form of a slogan or a logo that is exclusive to the museum. All programs, packages, mailers, brochures and facilities should have this brand attached for full impact. With the right brand, patrons can be influenced to return to the museum for a joyful and educational experience. Robert Janes wrote in *The Curate: The Museum Journal* about the importance of branding for museums. He stated the great potential that branding can give to a museum’s role in civil society. A brand, “is an engineered perception made up of the name of an organization, and its products, services and perceived attributes, the purpose of which is to create an identity that comes to be associated with your brand and no other.”

Creating a brand will influence potential patrons and create a tie to the mission. “Marketing is a philosophy, a process, and a set of strategies and tactics for influencing behavior – either changing behavior or preventing it from changing.”²⁶

c.) Use Innovative Marketing – After a target audience has been pinpointed, the museum should use all avenues of marketing to connect to different demographics found from survey results. Social media and email newsletters can be implemented to lower marketing costs. The workforce today is composed of “The traditionalists or matures (1925-1945), the baby boomers (1946-1964), Generations Xers (1965-1980), and the Millennials (1981-2002).”²⁷ Each generation has its own work ethic and values which will affect the exhibits they attend and the causes they donate to. Some generations may be open to different marketing tools than others. For instance, Millennials are comfortable with technology, and may more readily respond to email blasts or social media updates while Traditionalists may respond to direct mail. The marketing team will have to look at the demographics of the region and decide what innovative tools will work best. These marketing efforts will be tied to creation of the annual fund campaign and in drawing in donations.

²⁵ Egan, Brett E., and Michael M. Kaiser. *The Cycle: A Practical Approach To Managing Arts Organizations*. Brandeis University, 2013.

²⁶ Janes, Robert R. “Museums, Corporatism And the Civil Society.” *Curator: The Museum Journal* 50, no. 2 (2007): 219–37.

<http://onlinelibrary.wiley.com.ezproxy.uky.edu/doi/10.1111/j.2151-6952.2007.tb00267.x/epdf>

²⁷ Kotler, Philip, and Joanne Scheff. *Standing Room Only: Strategies For Marketing the Performing Arts*.

Best Course of Action:

As the new CEO of Museum XYZ, I believe the best course of action in turning around the future of this museum will be to combine a number of the discussed alternative courses of action. The best course of action will be: data collection, rewriting the mission statement, creating a unique brand, renting out empty spaces, and giving the public access to the Form 990s. Then, an annual campaign can be launched if staff and resources are available. These first steps emphasize understanding the community, solidifying the organization's identity, and finally building up the financial stability of the organization.

The first focus will be on data collection. Through online surveys and questionnaires, a target audience can be pinpointed. A mission statement will then need to be rewritten that is catered toward the audience. This mission statement should address the target audience as well as the needs and wants of the community. This will reshape the museum's identity and image. After the exhibits are repaired, a unique brand should be launched towards the target audience to market the mission of the Museum. Empty spaces in the building can then be rented out to local organizations connected with the museum's mission. As unrestricted revenue comes in, mission-based activities will be more sustainable. Previous years' Form 990s should be integrated to the Museum's website to foster trust. Finally, after the identity is re-solidified and more liquid assets are coming in, fundraising staff should work on creation of an annual fund campaign. Solicitations and events can be catered toward prospective donors to bring in major gifts and planned giving to build up the endowment. Through these efforts, the museum should then be at its first turning point towards success.

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