

# Nema News

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## Museum Management and Money

*In this issue of NemaNews we have five articles on different aspects of museum management and planning. While few museum colleagues are excited by the topic of financial management we ignore the knowledge and tools available to us at our peril. Museums can borrow techniques from the commercial sector and apply them with the goal & focus of achieving the mission of our museums.*

### Assessment and Planning Using a Graphical Portfolio Approach

*by Laura Roberts*

Of all the management tools making their way from the commercial to the nonprofit sector, portfolio analysis is one of the most useful and easiest to adapt. In its simplest form it allows an organization to identify the contribution various activities are making and help it better manage the mix of activities. It is easy to understand, explain to others, and implement. Taken to its next step, it a great tool for planning and budgeting. In particular, it helps an organization figure out where to put its energies and answer the most difficult planning question: what should we *stop* doing?

The underlying tool is simple: a two by two grid, with each axis rated low to high. You could use this grid to chart any number of qualities; for this analysis, we'll chart two of the critical things museums are trying to accomplish:

- how well does an activity further the *mission* and goals?
- what is the financial or other *return*?

#### **About mission advancement**

It is critical to go beyond initial assumption that everything produced by the curatorial, education and exhibitions departments furthers the mission, just as it is essential not to discount the mission-relatedness of development and membership events. To make this work well, you need to ask hard questions about exactly how well an exhibition or program is furthering the mission. For example, an exhibition of a nature photographs from the southwest is probably not advancing the mission of a local historical society, while the same exhibition at a local art museum might rate high on mission advancement.

#### **About financial and other return**

Financial return should be measured on a *net* (not gross) basis. That is, how much did you actually make after expenses?

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A fundraiser which sells 100 tickets at \$100 but costs \$9000 to put on does not make much of a financial contribution. Put your "breakeven" point somewhere between "high" and "low" on this scale, depending on your museum's financial policies and expectations.

Return can include non-monetary benefits such as publicity or visibility, with the caveat that these are benefits *only if* the organization capitalizes on them or determines they are strategically important. Adding your museum to the benefits of membership in the local public television station is great if they'll allocate you good copy in promotional materials or trade their mailing list and your market research shows their members are good potential supporters of the museum. Buying an ad in the yearbook of a private school two towns away whose students are mostly out of state borders doesn't really capture much of a target market, although it may please a key donor to the museum who supports the school.

### Completing the grid

Putting "mission" on the horizontal axis and "return" on the vertical, you have a grid with four sections. The four quadrants can be characterized as follows:

- A: low return, low mission advancement  
- the *dogs*
- B: low return, high mission advancement  
- these are your organization's *sustainers*
- C: high return, low mission advancement  
- these are your *cash cows*
- D: high return, high mission advancement  
- the *stars* of your portfolio

Then take each of your activities or programs in turn and decide where they fall. To double check your assessments, look at the relative placement of various programs: does program ⑦, really advance your mission that much more than program ③? Does ④ lose more money than ⑧?

### Portfolio Analysis

Once you've completed the grid, use it to analyze your programs as well as the mix of programs. No organization lives with just cash cows and stars, but you can improve your performance by thinking about these designations and managing accordingly. In general, you work to move a program

"up," with better return and/or to the right, with higher mission advancement.

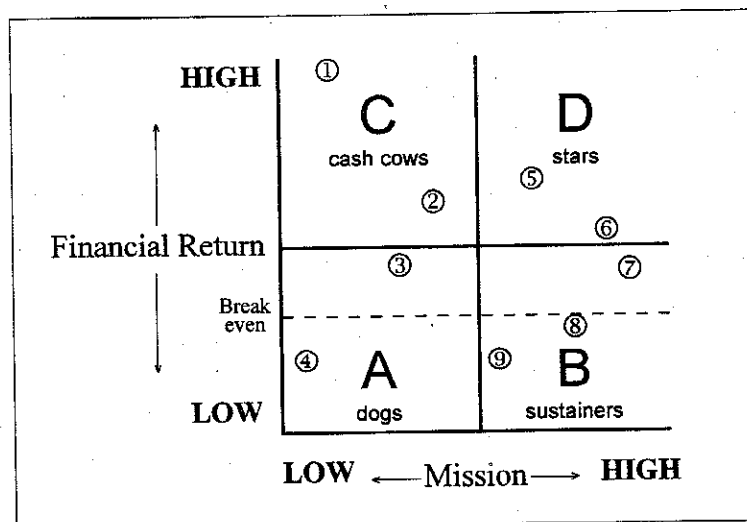
Start with the *dogs*. We all have dogs which don't do much for the organization except drain resources. They may be pet programs of strong members of the staff or board. Perhaps they were once profitable but no longer are. Maybe they advanced an older vision of the museum's mission, but are less relevant to new directions. You can either eliminate a dog or retool the program to return more and/or do more for your mission: raise the price or lower your expenses or change the focus or improve the quality. In the example below, program ③ is clearly better than program ④, which is costing money and doing almost nothing for the mission. Program ③ could be made more profitable and/or relate more directly to the mission; ④ is a prime candidate for elimination.

The *sustainers* are the heart of your organization: the programs to which you devote resources without requiring a significant financial return because they advance the mission. But that doesn't mean they are immune from management. You should still look for ways to improve return. Many museums make money on their annual symposium, for example, without compromising quality, while others lose money on theirs. If raising prices would undermine reaching a target audience, perhaps an underwriter might help reduce the financial burden of these critical programs. Also, make sure your *sustainers* are doing their

job: they should meet the strictest tests of mission. In the example below, program ⑦ does a better job on both mission and return than programs ⑧ and ⑨; if they are going to cost you money, they should work harder for the organization.

The *cash cows* are those successful money-makers which don't necessarily do much for your mission. The conventional wisdom is that you "milk" the cows. But managing a cash cow is tricky. Too often we let them dominate the portfolio, taking so many unaccounted-for resources that they aren't really returning much. Or we make too many mission demands on the cash cows, trying to make them stars and in the process, move a program from 1 to 2 on the grid. For example, your museum has an annual fashion show and luncheon which is fun and successful but completely devoid of interpretive content. You could add a curator doing a short slide show, which would disrupt the flow and change the feeling of the event, or you could add some historical costumes to the show (with consistent entertaining commentary), or you could just leave it alone.

And then there are the *stars*, the programs we all dream of. Stars are the most valuable part of your portfolio. You should expand them if possible or use as models for future programs, but above all, you need to protect them: shield them from competition and keep them fresh and attractive. Not all programs can or should be stars, but we need more of them in our museums.



### Using Portfolio Analysis

Portfolio analysis, used in conjunction with a strong set of goals and objectives, helps an organization consider its current programs and identify ways they could be improved. Done most accurately, programs are not placed as points on the grid, but circles, with each circle representing the relative size of the program. Managers not only think about moving the circles up and to the right, but growing or shrinking the circle. In particular, if you need to free up resources for other programs, take a hard look at the dogs and consider eliminating those programs.

Portfolio analysis is also valuable for the evaluation of potential projects. Every good

museum has lots of ideas and scarce resources. New projects should be begun judiciously, with a careful eye towards how far they will take the organization along its intended path. Using realistic budgets and clear program goals, place your new programs on this same grid. Are you creating yet another dog or birthing a star? If you have a choice between a sustainer and a cash cow, how will you decide?

Finally, this can help with decision making and assigning responsibility. Once you understand the place of a program in your portfolio – or have made clear plans to change its position – you can make smarter staff or volunteer assignments. Moving a dog to a sustainer? Give it to someone

who can beef up the content. Trying to grow a cash cow? Turn it over to the best marketer in the organization. Want to improve profitability by lowering costs? Switch responsibility from paid staff to volunteers.

The best tools are the ones which are simple to understand and use. This is one which should be in every manager's toolbox.

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