The art of making culture profitable

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As governments slash public spending, cultural institutions are being forced to rethink their business models.

Besides their traditional role as a tool for progress and social integration, cultural institutions have become a key driver of economic development in their own right.

Since its grand opening in the year 2000, London's Tate Modern gallery has drawn close to 50 million visitors. It has served as a catalyst not only for the transformation of public attitudes to the visual arts in Britain, but also for the regeneration of the South Bank area of London.

But in the wake of the financial crisis, many cultural institutions are now struggling for survival. Granted, many long-standing museums and galleries have had to weather no less serious storms in the past: The world?s most visited museum, the Louvre, first opened to the public in 1793, one of the bloodiest years of the French Revolution.

This time, however, it is their very financial solvency that is under threat, as both government and corporate funding begin to dry up.

Against such a backdrop, curators and their staff have had to seek ever more creative ways to raise funding and streamline their operations.

A new book by IESE's Beatriz Muñoz-Seca and Josep Riverola draws on some of the sector's best practices to offer new ideas and insights on navigating the downturn.

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Five strategies to enhance performance

Here are five strategies that cultural organizations should pursue to enhance their business performance and gain a solid footing for the years to come, according to the authors.

1. Attract New Clients. A study by the National Endowment for the Arts has shown that the number of consumers of cultural products and services has declined in recent years, in comparison with other entertainment options. Just as worrying is the fact that the average age of culture consumers has risen.

To stem the tide, cultural organizations need to develop models that segment the culture market and allow for the development of a differentiated value model.

The authors cite the example of the Solomon R. Guggenheim Foundation, which succeeded in creating a strong urban transformation brand (New York, Bilbao, Berlin and Abu Dhabi) that has helped to attract different audiences.

2. Secure Stable Funding. The world's great museums can no longer afford to neglect the financial difficulties they are suffering. They must seek innovative ways of capturing new funding from a broad range of public and private sources - a strategy that enabled Madrid's Prado Museum to increase its visitor volume by up to 35 percent between 2003 and 2007.

Besides its size and the quality of its permanent collection, the Prado's recent success is based on its ability to stage top-flight exhibits and lure funds from private stakeholders. The museum has also raised its international profile by engaging in coproductions with other A-list museums such as the Louvre, the Tate or the Metropolitan Museum of Art.

3. Improve Their Customer Model. Cultural institutions need to view their customers not merely as visitors or spectators, but as people seeking to receive an all-round, high-quality service. After all, customer satisfaction depends not only on the cultural experience on offer, but also on seemingly more mundane factors such as the quality of personal interactions and wait times.

Exhibit organizers should follow "la Caixa" Foundation's example of seeking ways to improve the overall customer experience by, say, easing congestion problems, setting up proper pathways and further enriching their guided tours.

4. Galvanize Staff Around Business Objectives. Museums both large and small are beginning to see the benefits of encouraging staff to share and identify with their organization's mission

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and objectives.

The Tate recently reinvented its organizational structure to be more efficient and make better use of its human capital. Project managers and professionals from other sectors were brought in, and hiring practices were made more flexible. The gallery has also defined its staff roles and responsibilities more clearly.

5. Make Better Use of Internal Talent and Leadership. As orchestra director Jesús López Cobos puts it, management should be "transparent and leadership natural," so as to harness the skills and initiative of those being led.

Cardiologist Valentín Fuster, meanwhile, underscores the importance of mentors for developing talent within an organization. Leaders should facilitate fruitful moments of creativity, freeing up and coordinating talent.

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