When Business Meets Culture

Ideas and Experiences for Mutual Profit

Edited by Beatriz Muñoz-Seca
and Josep Riverola

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Also by Beatriz Muñoz-Seca and Josep Riverola

THE NEW OPERATIONAL CULTURE: The Case of the Theater Industry

PROBLEM-DRIVEN MANAGEMENT: Achieving Improvement in Operations through Knowledge Management

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Preface

This is an unusual book: eight professors from IESE Business School have teamed up to write a book about the management of cultural institutions. The reader may well wonder what prompted them to do this and, in particular, what the world of culture can contribute to the world of business. Two of us started to take an interest in the world of theater, specifically opera, four years ago; we wanted to understand how people in the theater approach and manage their service delivery operations. It was a tremendously rewarding experience that resulted in a book entitled *The New Operational Culture*: *The Case of the Theater Industry*.

Encouraged by this first encounter, we brought together a group of colleagues to join us in our exploration. We realized that it was worth examining the cultural sector in order to assess what it has to offer and the problems it faces. This two-year effort has resulted in a specialized course in the management of cultural institutions, and this book.

Our aim has been to approach the world of culture from a business perspective. Coming to the field with the eyes of outsiders, we have highlighted the issues that we consider most important for improving the management of companies and cultural institutions alike. Studying a world so different from those we are accustomed to has opened our minds to new themes and stimulated new ideas. Our objective is to bring about cross-fertilization between the two worlds that will lead to improvements in management and economic development. Opening one's mind to new environments is always conducive to progress.

The book consists of case study chapters and conceptual chapters: the cases provide real-life examples from the cultural sector, while the conceptual chapters offer a structured view to help towards a deeper understanding of each topic. All the cases except one[1] are written by us, either with the cooperation of the institution concerned or based on public information. Each chapter is the responsibility of its author. As editors we have provided the frame of reference and brought some unity to the book.

This adventure would not have been possible without the participation of Elvira Marco Martínez, who introduced us to the world of

[1] The case Gran Teatre del Liceu: Rising from the Ashes.

culture. Elvira is the director of the Cultural Institutions program at IESE and co-author of three chapters of this book as well as of various technical notes written for the IESE program. Elvira has accompanied us on our expeditions into the world of culture and has proven to be not only an excellent traveling companion but also a prudent and knowledgeable guide.

We would also like to thank Marta Rodríguez Merinero for her efforts in coordinating the production of this book. Managing eight university professors is no easy task, and she has accomplished this feat with consummate skill.

As for our co-authors, we would like to thank them for their company on this journey. It has been fun, and nobody has suffered any physical harm, though we must admit there was the occasional urge to strangle a colleague. But the fondness and respect we have for one another proved stronger, and we all remain very good friends.

As coeditors, we must end by saying that any errors are solely the other's fault. Having written eight books together, we are used to passing the blame!

Beatriz Muñoz-Seca and Josep Riverola
Madrid, October 2010

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We would like to thank Serge Poisson-de Haro. Assistant Professor at the Department of Management, HEC-Montréal, Canada, and PhD in Management from IESE, for his contribution through the case *Gran Teatre del Liceu: Rising from the Ashes*.

1
Introduction: A Business Point of View

Beatriz Muñoz-Seca and Josep Riverola

Introduction

History has taught us that the early years of a century are often tumultuous. The first decade of the twenty-first century is no exception – we are living in a time of change and deep crisis, whether we choose to face it or not. Though many would deny it, the current upheaval is much more than an economic crisis – it is a crisis of values, of our understanding of the world. Financial institutions have come to play such a prominent role in society that their strategies can change the lives of ordinary people. The fall of the Berlin Wall in November 1989 marked the beginning of a sea-change in society. From our vantage point as business school professors, we have seen a change in our course participants. Many say that we are partly to blame for producing the managers who brought us to where we are now. Up to a point, they are right. Thirty years ago, the people who got rich were the ones who worked hard, took risks starting companies, and really created value. In recent years, however, we have seen many get rich by unscrupulously gambling with other people's money.

Many of us have made strenuous efforts to inculcate in our students a more comprehensive, more socially responsible vision.[1] We can only hope that we have helped, at least, to arouse sufficient doubts to prompt reflection and change. By constantly calling attention to the fundamental values of the world of operations – perseverance, attention to detail, and a job well done – we have brought the spirit of many of the twentieth century's great entrepreneurs back into our classrooms.

[1] We often entreat our students to change the world as it is today because we don't like it!

Perhaps paradoxically, we have found many of those values exemplified in the world of culture, particularly in the theater and in orchestras.

Crises are good if they lead to real change, but disastrous if they are merely painted over. How the present crisis will play out we do not know, but we do at least see some tentative efforts to rethink priorities.

The upheaval goes beyond the world of business: the world of culture, too, needs to change. The latter is specifically affected by two phenomena: on the one hand, the generation gap is widening. Young people seem increasingly alienated from cultural life. Yet culture should give them the inner harmony and esthetic sense that many of them currently lack. Man's capacity to convey states of the soul through the senses lends him a dimension of incalculable importance. Reaching out to the young generation is an urgent task that forces us to question everything about the way the cultural sector currently operates: this generation is a new type of customer and actions must be tailored to their needs.

On the other hand, culture cannot be conceived without reference to economic and social development; culture is society and must be understood as making an essential contribution. Many European cities, for example, are combining culture with tourism to generate a flow of visitors that brings economic prosperity and sustainable wealth for all involved.

Companies should be a vital part of this approach, playing a proactive role that goes beyond the conventional patronage model. In Brazil, for example, SESC (Serviço Social do Comércio),[2] an institution created with contributions from small and medium-sized enterprises, promotes community development through education and culture. In Europe, some large companies are beginning to channel their sponsorship through corporate social responsibility initiatives, giving priority to educational programs. They have come to the realization that the extravagances of the past are no longer socially acceptable and that, through actions channeled more toward social development, they can regain society's approval.

[2] SESC was established in 1946 as a result of the Social Charter for Peace. The funds come from compulsory contributions – 1.5 percent of payroll – from trade and services businesses. It focuses on education, health, leisure, culture, and welfare. Through education it promotes the means of achieving better living conditions. The activities of the SESC are primarily aimed at low-income workers in business and their dependents. It is subject to intense scrutiny by the Brazilian central government, both in the application of its resources and in its performance.

This whole movement has created a need for a closer understanding between the classic world of business and the world of culture. As we said in the foreword, our goal is to open each of these worlds to the other so that both benefit. To that end, we begin with a brief introduction to the world of culture. After that, we explain the conceptual framework we have used to help us understand the key issues involved in improving the management of cultural institutions.

A short walk through the world of culture

The word 'culture' comes from the Latin verb *colere* (from which we also get colony, colonist, colonize, and colonialism), the supine form of which is *cultum* and which means 'to cultivate.' It originates from the Greek root *kol*, originally meaning 'to prune' (possibly the mother of all cultivating activities, both in plants and in humans), shifting in modern times toward the cultivation of people. According to UNESCO, 'Culture should be regarded as the set of distinctive spiritual, material, intellectual and emotional features of society or a social group [...] it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs.'[3]

Culture has always been a marginal sector, despite being mankind's constant companion since the beginning. It was only in the nineteenth and twentieth centuries that culture began to take on the form that we now know. In Europe, culture was seen as the arts, which the elite should share with the common people, so culture was democratized, with the opening of museums and concert halls (see Box 1.1). In the United States, by contrast, the Boston Brahmins created the Museum of Fine Arts (1876) and the Boston Symphony Orchestra (1881) precisely to segregate themselves from immigrants and the more popular forms of culture (DiMaggio, 1982). These were two very different perspectives on the world of culture, and to some extent they still prevail.

In mid-nineteenth-century Europe, culture gave rise to new business opportunities. The role of direct patronage was in decline (Wolff, 1982), and this vacuum allowed a new form of business, the dealer–critic system, to replace the previous Salon system, and spawned a new class of potential art buyers. Some argue that this was the reason for the success of the Impressionists, as the new, rich middle class began

[3] Universal Declaration on Cultural Diversity, adopted by the General Conference of the United Nations Educational, Scientific and Cultural Organization at its thirty-first session on November 2, 2001.

Box 1.1 A brief historical introduction to museums

Although the first museums emerged in Ptolemaic Alexandria, the current concept of the museum dates back to the Middle Ages, when Western Christian churches began to exhibit their treasures (relics, military trophies, Greco-Roman remains, objects from the East, and so on) to the faithful. During the Renaissance, private, themed collections known as *chambers of wonders* were established, containing objects of intellectual and esthetic value. Previous collections had gathered together all kinds of things without any criteria whatsoever. The first art galleries, such as that in the Palace of Fontainebleau, emerged in France during the sixteenth century. At the beginning of the seventeenth century, collectors began to focus on the acquisition of artworks, and the *chambers of wonders* gradually disappeared. The chief patrons of this new type of collecting were the nobility and royalty, who set aside dedicated spaces in their palaces to exhibit these collections. The Ashmolean Museum in Oxford, the world's first museum in the contemporary sense of the term, dates from 1638. In the eighteenth century, the Enlightenment promoted the dissemination of knowledge and education. Collections were opened to the public and some of the world's great museums were established, including the British Museum in 1753 and the Louvre in 1783. A new conception of the ownership of a country's cultural heritage gained acceptance, in which the people were seen as beneficiaries. Throughout the nineteenth and twentieth centuries, various types of museums developed (art, natural history, history, and so on) and were visited exclusively by the socioeconomic elites. The art object acquired great importance in relation to the spectator, and the main concern became the conservation of the collections and the acquisition of new works. From the second half of the twentieth century, many collections were opened to the general public.

to view paintings as investments which might increase in value over the years (Wolff, 1982). Today, this role has largely been taken over by art galleries.

The disciplines that make up the cultural sector can be grouped into five areas:

1. *Visual arts*: activities that create 'works of art,' such as painting, sculpture, photography, and architecture.
2. *Performing arts*: cultural expressions carried out on a stage in the presence of an audience. These include theater, dance, opera, and music.
3. *Audiovisual arts*: mechanically reproduced cultural content such as cinema, DVDs, CDs, television, video games, and radio.
4. *Graphic arts*: the creation of cultural goods from individual creative acts such as books.

5. *Applied arts*: originating in the crafts, these have evolved, due to mass-production, toward designer goods.

Participation in cultural activities is limited to a relatively small, mainly middle-aged sector of the population and only a few cultural activities, notably movies, television, and visiting historic sites, can be said to be part of mass culture. In Europe, cultural activity tends to increase with income and level of education: in 2007 approximately 71 percent of adults had read at least one book in the past year. In the USA in 2008 nearly one third (31.5 percent) of adults had attended at least one jazz, classical music, opera, theater, or ballet performance in the past year,[4] while 23 percent said they had visited a museum or gallery.

The population group most difficult to attract is adolescents and young adults. By the age of 21, a typical young adult today will have spent an average of 10,000 hours playing video games, 20,000 hours watching TV and 10,000 hours using a mobile phone; only around 5,000 hours will have been spent reading (Prensky, 2006). Young people today are more accustomed to the world of images than previous generations, so are better at decoding images. This means there is enormous potential for applying new technologies to the world of culture. The use of technology in culture is at present concentrated mainly in museums, with about 80 percent of museums around the world having an Internet presence. However, technological resources are not traditionally part of museum discourse – many museums are still only timidly trying to integrate new media into their exhibitions. In a very few cases, technology is playing a breakthrough role that may attract new audiences. UCLA's 'Rome Reborn' project,[5] for example, is a virtual reconstruction of ancient Rome, complete with all its neighborhoods and most representative monuments.

Generally speaking, the cultural scene in continental Europe, Canada, and Australia is dominated by public funding, while in the United States, the United Kingdom and Japan nonprofit organizations receive substantial contributions from private sources. In Europe, culture has always been closely tied to national identity. For example, the United Kingdom has created a diplomatic post, Chairman of World Collections, to promote internationally the six leading British cultural institutions (British Museum, Tate, Victoria and Albert Museum, British Library, Natural History Museum, and Royal Botanic Gardens).

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[4] According to the National Endowment for the Arts' *Survey of Public Participation in the Arts*, last published in 2008.

[5] It will not be accessible online until 2020.

Box 1.2 Some macroeconomic data on the cultural sector

It is estimated that the total value of cultural industries represents around 7 percent of world GDP (Hinojosa, 2007). In Europe, the cultural sector in 2003 represented 2.6 percent of aggregated GDP, surpassing the contribution of the chemical, textile, beverage, and alcoholic drinks industries, with a turnover of more than €654 billion. The country with the highest cultural contribution to national GDP was France (3.4 percent), and the lowest was Malta (0.2 percent). In 2005 the sector employed 4.9 million people, equivalent to 2.4 percent of the EU-27's total workforce. According to UNESCO, the creative industries account for 3.3 percent of Australian GDP and 5.24 percent of that of the US. In 2008 cultural industries contributed $45.1 billion to the GDP of Canada, more than mining, oil and gas, and agriculture. In Latin America and the Caribbean, the average contribution of cultural industries to GDP is 2.05 percent. In Europe, culture represents 4.5 percent of average household expenditure (Eurostat, 2007). In the United Kingdom (2006) creative industries accounted for 7.3 percent of Gross Value Added (GVA) in 2005 and employed 1.9 million people.

The cultural sector plays an important role in the global economy and has great potential for wealth creation (see Box 1.2).

We hope that this brief overview has given the reader unfamiliar with the cultural sector a sufficient frame of reference. Our research is documented in four dense technical notes, which are available, on request, to any reader who is interested. Next, we propose a framework for studying the way in which cultural institutions operate.

$F^2 + B^2$: Focus, facilities, brand, and brain

When we started to look at cultural institutions, our first question was, can they be analyzed using the same conceptual model as for a typical company? The answer was partly yes, leading us to discover the following peculiarities:

- It is a largely inward-looking sector. With few exceptions, it has not opened up to other worlds. That makes it difficult to do new things, or to do old things differently (that is, to innovate). There is not much entrepreneurship or scope to introduce new ideas.
- The work of art 'for its own sake' takes precedence over the impact on society and becomes an end in itself.
- Although, in their planning, cultural institutions could anticipate events over a fairly long time horizon, there does not seem to be any

strategic thinking about the institutions' positioning, how they differentiate themselves, or their long-term goals.
- Customers are taken for granted. To some extent they are a nuisance that has to be tolerated. There is no active customer management, and institutions accept whatever customers they get. Proactive efforts to attract specific types of customer are almost unheard of; management is entirely reactive. Some institutions are asking themselves how they can engage with the younger generation, but there is no industry-wide effort or concern in this respect.
- The funding structure is in question. The subsidy model is disappearing and institutions have to find new sources in order to survive.
- Technology is used to facilitate cultural activities, but there is no serious discussion of how it might be used to transform customer service.
- Operations are the blank area on the map of the cultural sector. Almost nobody considers how the service is actually delivered, using an operational structure design, so problems continue uncorrected. Queues remain commonplace, for example.
- Although a few institutions believe firmly in the concept of 'brand,' most do not see it as a differentiating element in their work.
- Talent management and nurture is one of the biggest challenges facing the sector. There are anachronistic roles that should be abolished, and the human resource structure needs to be brought up to date.

Building on these reflections, we have identified four drivers of success – which we will call 'pillars' – that will help us analyze cultural institutions and how they develop. They encompass all the elements needed to describe the performance of such institutions. The four pillars are:

1. *Brand* – many cultural institutions have brands with remarkable revenue-generating potential. This pillar considers marketing and brand management as a critical asset.
2. *Focus* – the strategic focus of cultural institutions and how they develop their strategic vision over the long term. This pillar encompasses everything that has to do with strategy, focalization, and strategic development. Financial aspects also belong in this area of analysis.
3. *Facilities* – the design and implementation of operations, seen as a decisive factor in customer satisfaction. 'Operations' are all the activities involved in delivering a service to customers; they are at

the heart of all companies and institutions, from service providers to manufacturing firms.

4. *Brain* – in the twenty-first century, management is mostly about making the best use of brain power, not work force. Managing creativity is one of the main challenges currently facing the cultural world, making talent management a crucial function. This whole spectrum of abilities is what we call 'brain management' (Muñoz-Seca and Riverola, 2009), and as the fourth pillar, provides an interesting counterpart to the other three.

Business has much to offer in the first three pillars, but a lot to learn from culture when it comes to brain management.

The structure of the book

Our analysis of the cultural sector is based primarily on the visual and performing arts. There are chapters presenting case studies of individual institutions and chapters placing each institution's actions in a conceptual framework. The last chapter lists aspects which, in our view, from the business perspective, are the greatest challenges the cultural sector will face in the future.

We have structured our conceptual analysis using the four pillars outlined above, applied to world-class institutions. *Brand* is discussed in terms of the marketing of the arts, exemplified by the Guggenheim Museum in New York. *Focus* is explored through the strategy of the Prado in Madrid and the funding and financing of the reconstruction of the Liceu opera house in Barcelona. *Facilities* is analyzed in a sequence of chapters: operational structure, illustrated by Tate in the UK; queue management at a fictitious museum, La Cassette, amalgamating the operational problems experienced by various museums in Paris; customer management and changing customer profiles, seen through the experiences of a sophisticated museum-goer; and operations management, analyzed through the case of the 'la Caixa' Foundation in Catalonia. Last, *Brain* is discussed in terms of leadership style, as exemplified by the conductor José Luis López Cobos and the cardiologist Dr Valentín Fuster, Director of Mount Sinai Heart at the Mount Sinai Medical Center. Through the prism of the Teatro Real opera house in Madrid, we analyze the managerial and operational infrastructure needed for nurturing talent.

There were two criterias for selecting these institutions. The first was appropriateness to the topic. We have also taken geographical proximity into account, as this allowed us to interact more closely with the institutions. Another consideration was the essential character of the institution. Although we have written many other case studies on institutions in other parts of the world (Latin America, China, and Europe), for this book we have chosen, other things being equal, a sample of those closest to us in geography. We make no apology for not including the case of the Louvre (it proved impossible to write about, for various reasons) or the British Museum (we have a case study, but we have chosen not to include it, as the museum is going through a period of remarkable change). To all the institutions we have studied, whether they are included here or not, we offer our warmest thanks.

Part I
Brand

We start by analyzing Brand through the example of the Solomon R. Guggenheim Foundation. Marketing is a powerful tool; no company can embark on its daily commercial adventure without it. The marketing of the arts is becoming an essential consideration for any cultural institution, but we have discovered that its full potential is still unrealized. The Guggenheim experience and the conceptual ideas presented here should open new avenues and provide key action points.

2
The Solomon R. Guggenheim Foundation

Francisco Iniesta and Elvira Marco

Introduction

The Solomon R. Guggenheim Museum (SRGM) in New York, built by the Solomon R. Guggenheim Foundation (SRGF) over a period of 16 years to house its twentieth-century art collection, opened in 1959. It soon became one of New York's most popular cultural venues, attracting tourists and locals alike.

Given the limited size of the original gallery, efforts were made to improve the foundation's exhibition and collection model within the New York building. The museum had been very successful in terms of attendance and revenue, but further improvements were considered difficult to achieve. One way to overcome these limitations was to expand the museum through other sites around the city and through special projects (organizing exhibitions for other museums around the world, for example) that would benefit from the Guggenheim's unique reputation.

Another idea was to expand to sites outside New York: the opening of galleries and museums in Las Vegas, Bilbao and Berlin were examples of this. These initiatives proved difficult to implement, but the striking success of Bilbao and Berlin showed that it could be done. In fact, following the successful launch of the Guggenheim Bilbao, numerous cities proposed similar strategies to replicate the 'Bilbao effect,' yet very few passed the filters to become serious candidates, and only one was close to being opened (the Guggenheim Abu Dhabi, to be inaugurated in 2013). The SRGF's directors wondered if there was a 'correct' approach to these multisite initiatives. Were the existing openings special cases that could not be exported? Was there a limit to the expansion opportunities, or should they pursue other initiatives using the acquired know-how?

In addition, there was another major concern, as Thomas Krens, the visionary director of the SRGF for the past 20 years, left office to assume a new role as consultant to the Guggenheim Abu Dhabi project. Krens was the director of the museum from 1992 to 2002, and director of the foundation from 1988 to 2008. He was considered to be the father of the unique SRGF model, the one who had driven it to become a *truly multinational art institution*, and much of the museum's success in operations was attributed to his mercurial personality.

In 2008, as the museum continued to grow, achieving blockbuster attendance of 1.1 million visitors, Richard Armstrong was appointed director of the foundation. In one of his first interviews, he expressed his opinion that the museum had entered a new phase of growth, one in which its work thus far would be consolidated, and as far as possible, perfected.[6]

Brief history of the museum

The museum was founded by Solomon R. Guggenheim, a collector of twentieth-century art, with the help of his adviser, Hilla Rebay. Guggenheim acquired his collection straight from the easels of artists such as Wassily Kandinsky and Robert Delaunay, and further enriched the collection with great works by artists the likes of Pablo Picasso and Marc Chagall. In the 1940s he decided to build a space in New York to house his collection; the location he chose was 89th Street and Fifth Avenue, just opposite Central Park, within walking distance of the Metropolitan Museum. Another genius of the time, the architect Frank Lloyd Wright, was commissioned to design the building, which itself came to be considered one of the most important works of art in the collection and an icon of contemporary architecture. When the museum finally opened in 1959, Solomon Guggenheim had been dead for ten years and Wright for several months. The collection continued to grow through new acquisitions and in the 1960s received a very important donation, the Tannhauser Collection, consisting of 70 works of art, including 34 by Picasso.

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[6] Richard Armstrong on the future of the Solomon R. Guggenheim Foundation, quoted by Claudia Bodin, *art-Das Kunstmagazin*, November 4, 2008.

Expansion

Initially, the SRGF governed only the New York museum, but its domain soon grew, taking over the Peggy Guggenheim Collection in Venice from the founder's niece. Thomas Krens explained:[7]

> We are an international institution almost by accident. When, in the middle of the 1970s, my predecessor, Thomas Messer, convinced Peggy Guggenheim to donate her palazzo and her collection, the Italian government declared the Peggy Guggenheim Collection 'a national treasure,' which meant that the works couldn't leave Italy. So we became de facto an international institution.

In 1992 the SRGF built an eight-storey annex to the Wright building to overcome space limitations. That same year an extension in SoHo in downtown New York was opened, which operated until 2002. The terrorist attacks of September 11 put an end to the idea of a third venue in the Manhattan docks, near Wall Street. In 2001 the Guggenheim Hermitage opened at the Venetian Resort in Las Vegas but closed in June 2008. The definitive change in the vision for the Guggenheim came in 1997 with the construction of the Guggenheim Bilbao, designed by Frank Gehry,[8] whose philosophy was that a building is a work of art in itself. The regeneration of the city and the avalanche of visitors did not go unnoticed by many other cities, keen to imitate the 'Bilbao effect.'

Following suit, Deutsche Bank approached the SRGF to collaborate on a branch in Berlin, the Deutsche Guggenheim, a successful smaller gallery in Europe's new design capital.

This expansion activity reflects Krens' vision of the role of museums in the current century:

> I've always had a notion that the art museum is an 18th century idea in a 19th century box, that more or less fulfils its structural destiny

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[7] All quotations by Thomas Krens come from his interview on the Charlie Rose Show, 'Thomas Krens talks with Charlie Rose about the role of museums and the mission of the Guggenheim,' aired January 3, 2006. Transcript provided by the SRGF.

[8] Frank Gehry (Toronto, 1929) is one of the world's most famous contemporary architects. He received the Pritzker Prize, the most important award in architecture, in 1989. Architect of many renowned buildings, including the DG Bank headquarters in Berlin and the Weisman Art Museum in Minneapolis, he designed the new Guggenheim in Abu Dhabi.

> sometime in the middle of the 20th century. This idea of a treasure house – based on the notion of a more or less complete encyclopedia – is not very realistic. What evidence do we have for that completion? The Guggenheim, a small institution, is only 60 years old, but relative to its scale, its physical scale, it has a very large collection. What would the Guggenheim look like in another 50 years, another 100 years, another 200 years? What that suggests is that institutions have to think about their practices. What will it mean to collect contemporary art for the next 50 or 100 years? What will it mean to communicate the ideas that are embedded in this art? Moreover, how will this art be used? And where will it be used? And does it necessarily mean that it all must be used in one location, based in a region or a city or a metropolitan area? Can it be used in a different kind of context?

Thomas Krens and his team developed skills and methods for analyzing the potential of the many cities that approached the Guggenheim to host a new site. More than one hundred feasibility studies were proposed, but only a few cities received approval for the studies to go ahead, notably Guadalajara (Mexico), Rio de Janeiro (Brazil) and Abu Dhabi (UAE), due to open in 2013. The Guggenheim also exported its brand in the form of 'special projects' exhibitions, which were produced in-house for display at other museums and venues, in places such as Melbourne, Beijing, Shanghai, and Madrid.

The Guggenheim model

The SRGF was proud of its unique approach to museum practice. Eleanor Goldhar, Deputy Director, External Affairs, reflected: 'As in any big corporation, there are many products and divisions. For us, the different divisions are: the museums, the collections, and the special projects (these include feasibility studies and touring exhibitions). Touring exhibitions are special projects because they travel to other cities and other museums of the world but may never go to a Guggenheim museum. They are important for the brand, the collection, and audience development.'

The museums and special projects

The Guggenheim Museum had created, from its location in New York, a cultural multinational that had expanded globally via branches or by way of special exhibitions for other museums. This policy was not unique to the SRGM, as Krens pointed out:

> Museums are already operating in a collaborative way and sharing resources, sharing scholarship and ideas. What the Guggenheim is doing internationally is also being done by the Tate in Great Britain. Why? It is because the museum has an opportunity to use its collection and to reach a wider audience, and that's essentially what is driving us. The model is not new and French museums are adopting this practice [...] as a matter of national policy. The interest in using culture as a tool for communication, as a vital part of the urban fabric, is taking place all over the world.

The exhibitions

The Guggenheim team developed a style for the production of exhibitions that combined a high level of research with an innovative approach that attracted large audiences. While the museums in New York and Venice were governed by the SRGF, Bilbao and Berlin were both independent operations with distinctly different governance agreements. New York curatorial staff was responsible for the exhibition programs in all Guggenheim museums. The director of the SRGF received the curator's proposals but had the last word on the program. There were shows with big names like Kandinsky, Picasso, or Frank Lloyd Wright that were immediate successes, whilst other more experimental shows would normally get a lower level of response. Programming balanced many types of exhibitions in an attempt to fulfill the curatorial mission and visitor expectations. The New York team produced exhibitions some of the costs of which would be borne by sharing them with European venues, and managed the calendar for all of them, trying to avoid storage periods between venues.

The Guggenheim brand

The Guggenheim built a name for itself in urban transformation that made it famous globally and cherished by many. Eleanor Goldhar expressed this sentiment:

> I came to the Guggenheim because of its reputation. How do you value, or turn a reputation into a *business*? I think that's a very important question. For a cultural institution, you have to take into

> account two important factors. One is the mission statement: what do we want to do, what do we set out to do, and do we actually do it? The most successful non-profit organizations gain that success when they do what their mission statement says. When they live it, breathe it and it's part of the background in everyday operations.

The foundation, conscious of the value of the brand, had tight control over its use by sponsors or partner institutions and had a special department for licensing agreements. Both the name and the building were considered part of the Guggenheim trademark and were protected worldwide. As Eleanor explained:

> We're very strict on how our name is used because it's our trademark. Anything we do, anywhere in the world, that has our name – a product, image of the building, an exhibition – we're very diligent about supervising it and having the right legal agreements. We have a legal department to deal with that. No one can use the building's image without our permission and if they do, they infringe our legal trademark. And it's a worldwide trademark. We have a committee who considers every request that concerns our name or our building's image or any piece of the building.

The economic model

The museum was a private institution that received very little public funding (in 2006 it obtained less than US$1 million in federal and city funding). Most of the funds raised came from trustees and other individuals, admissions, and fees from special projects and traveling exhibitions. In 2007, 20 percent of the New York museum's revenue came from visitors (US$10m from admissions and US$6m from retail).

Thomas Krens commented:

> One of the things to recognize about any institution, whether it's an educational institution, a television studio, or an art museum, is that they're businesses. I mean, they're businesses that are very complex by nature, and they all require [...] different kinds of management skills. If you look at the economics of an art museum, you come to the conclusion very quickly that revenues from admissions will probably, at best, only cover about 20 per cent of an operating cost. So where do the other 80 come from?

> First of all and foremost, you have to get it from the private sector. Individual trustees raising endowments, and annual contributions at a very significant level – I mean, an extremely significant level [...]. So a bond of trust has to be established between a board of trustees, between your major donors, and the institution. People can be drawn to that institution by those ideas. They can be drawn to that institution for that particular vision. And the difference in vision of institutions also can be expressed in different characters of their constituencies.

The Solomon R. Guggenheim Museum had four major sources of income:

A. Entrance fees: these accounted for US$10m. According to Maria Celi, Director of Visitor Services and Retail Operations, admissions were priced as follows:
   - Entrance tickets: 'Our prices are US$18 for adults, and US$15 for students and OAPs (Old Age Pensioners); children under 12 are free. We also have a pay-as-you-wish (a US$10 donation is suggested) weekly night (5:45 p.m.–7:45 p.m.), where people pay what they want. If we could get sponsorships, we'd do it for free, like the MoMA, and we are working with corporate development on this.' Membership allows for unlimited visits to the museum for a year. Membership fees start at about US$75.
   - The City Pass was a tourist pass that allowed visits to six attractions in New York City for US$75. 'This year it's contributed US$1m to admissions revenue. Last year City Pass holders contributed to 9 percent of our attendance. We sell booklets on site and City Pass pays a commission to my staff – 25 cents on every booklet sold.'

B. Museum stores: there were two small shops that generated US$6m in 2006. There were no stores or franchises outside the museum and online shopping was available on only a very limited basis.

Maria Celi explained:

> The top ten items in the shop which generate funds are very consistent: exhibition catalogue, Rotunda t-shirts, followed by Doodle tops, which are US$10... it's all pretty consistent.[9] Exhibition-related

9 The Metropolitan Museum of Art has 19 shops in the US, as well as 17 franchised stores in Japan, Australia, Singapore, and India. These sales accounted for US$80m in 2007, 30 percent of the museum's budget.

products are often in the top ten. […] We don't follow the Metropolitan model because we are very different and do not have stores outside the museum. We have a web store, which we're expanding. Currently it contributes approximately US$250,000 in revenue per year.

According to Laura Miller, Marketing Director:

The museum store is very important for some of our visitors. Specifically, 30 per cent of them rated the importance of it as a 9, on a 10-point scale. The museum store, like probably many others, makes most of the income on a few items. At one point we had to cut our inventory significantly because we were making marginal money on some products. We try to avoid products that are not directly linked to our mission (by the way, these non-central products are taxed as commercial products).

C. The Board of Trustees: the trustees of the museum were selected by the foundation and were expected to make an important commitment to the institution, which included substantial economic support.

Eleanor Goldhar commented on the role of the board:

I think it's also about a board that's supportive and willing to take risks to allow these things to happen [...]. There are 25 trustees on the board. They are all kinds of people: business people, people from the media, and many of them are collectors. They are people with financial, intellectual and political resources who are capable of overseeing what is happening here and making sure it happens in a way that is consistent with our mission statement. They're also ultimately responsible for the finances of the institution, so they have to review the business model and audited statements. They actually have a legal responsibility: to be on the board of an NPO in the US you have a fiduciary responsibility, so if there were any financial or legal problems, they'd be accountable for that. The director of the foundation reports to the board.

D. Sponsorship: the Guggenheim had a strong Development Department, divided into Individual and Corporate/Institutional Grants. In line with their experience, in recent years corporations had decreased their contributions and individuals had become an important source of funding. John Wielk, Executive Director of Corporate and Institutional Development, expressed his view:

> The Development Department is a little unusual in the sense that it's non-traditional, like many things at the Guggenheim. We have two chief development officers, and our department is split into two divisions: one handling donations from individuals and another handling contributions from corporations and institutional donors. Within my division, I have a team that solicits foundations and government sources, and a team that solicits corporate contributions. In corporate, we solicit both corporate memberships and sponsorships. So, like many aspects of the Guggenheim that involve multiples – for example, we have multiple directors and multiple locations – the fundraising effort targets multiple sources of revenue.

This department was one of the largest in the organization: it employed 11 people for corporate and institutional development and two external lobbyists for city and state funding. Mr Wielk was responsible for private as well as for public institutional donations, in a country where public support of the arts had traditionally been viewed with suspicion:

> Government support is not at the level it is in Europe. We have to apply to a government agency for a competitive grant [...]. With foundations, it's a very competitive process. You identify one involved with arts or education. Then it's a matter of submitting a proposal and competing with other worthy proposals. Sometimes foundation board members include people that have a special interest in the Guggenheim and that can help give us a competitive edge.

Wielk was involved in museum fund-raising for many years and believed that the attitude toward corporate sponsoring was changing:

> Some time ago, people were simply interested in the association of their product with a prestigious museum. Now we have to quantify results much more, such as reporting how many people have seen the exhibition, how many we're serving, how many recognize that the sponsor is sponsoring the exhibition. If a sponsor's goal is client acquisition, that is, bringing along clients to the exhibition, then they will go back and determine how many clients they acquired as a result of the money they spent. The money we get from corporations is not necessarily philanthropy – it's often marketing money,

> advertising money. They might get fewer impressions by sponsoring a show at the Guggenheim, but there are intangible benefits – association with something very prestigious, bringing your clients into a behind-the-scenes tour, access to our curators and our network of other high-level donors.

The Guggenheim competed for funds in New York with other major cultural institutions such as the Museum of Modern Art (MoMA) and the Metropolitan Museum of Art. John Wielk put it like this: 'Why us and not the MoMA? What we have here is the *international* profile. We can run a program which is in Bilbao, Berlin, Venice and New York and – in five years – in Abu Dhabi. Also, the Guggenheim positions itself as a contemporary art institution [...]. We try to position ourselves therefore as international and contemporary.'

The SRGF accepted sponsorship from all kinds of corporations, as long as they were involved in a legal activity. In 2006 there were around 80 corporations, which contributed between US$15,000 and US$100,000 each. Smaller sponsors could use the Guggenheim space for an event, while larger ones could use their association with the museum to entertain their clients, show their sponsorship, or provide clients with exclusive access to the Guggenheim.

The Development Department was charged with obtaining funding for the exhibitions programmed by the museum in New York. The average sponsorship required for an exhibition was US$2.5m. While programming did not take into account sponsoring opportunities, the Department knew that cutting-edge contemporary art was more difficult to fund than more traditional shows such as Picasso or Kandinsky. Wielk explained:

> We look first at the program and then at the finance. The whole process is more art than science. The average coverage for a show with sponsoring is typically 50 per cent; other revenues, such as tickets and store sales, have to be taken into account. A difference with other museums is that the Finance Department has an overall view of funding. Any sponsoring is 'spread over' all the institution, thus compensating revenue from shows that are over-funded with exhibitions that come under budget. All fundraising together in 2007 was more or less US$15m. But I also have another aspect of my budget, which supports capital expenditures such as renovation, which is not reflected in the US$15m sum. Goals for this area depend on which projects we are undertaking year to year.

Marketing the Guggenheim museum

Laura Miller led the marketing team at the SRGM, with the help of one manager and a junior associate. As she put it:

> We're a very lean staff and all of us are multi-tasking. We are all strategic thinkers, planners, and spend time on partnership building [...]. I come out of a database-marketing background, but we don't have sophisticated business tools here, although we have a centralized database for fund-raising purposes that works very well. We haven't yet done market research on brand equity. I'd love to have about US$250,000 to do this, but we haven't had the opportunity to do so yet. [...] We do fairly well in managing the logos and the typefaces, but it would be nice to refresh the brand nomenclature and palette.

Speaking of SRGM's unique model, Laura Miller added:

> Thomas Krens and his team invented a new approach to museum management. They did a great deal of research and were open to visionary approaches. He pushed for building a global collection. It's not like a normal encyclopedic collection – we have a much more eclectic one, with a focus on select artists and a conscious desire to be open about how to learn and preserve (for example, to preserve digital artwork). Museums are now more focused on the visitor experience and how we serve different audiences – I am, as a marketer, very conscious of being continually on top of the trends.

The Marketing Department, with an advertising budget of only US$1m, had to use creative ways, such as bartering, to achieve coverage.

The Marketing Department has two major targets (New Yorkers and the tourist market), whom they address with targeted traditional tools and the opportunities offered by the Web. As Eleanor Goldhar explained:

> On the public relations and publicity side, our number one target is the New York publications because we want the big newspapers, magazines to review all that we do. After that comes the international market. The international tourists will come here whatever we do, but for New Yorkers the reviews make a big difference.

Laura Miller reflected on the importance of the Internet:

> More and more, online publications are important because a big chunk of our audience is reading only online publications. We're spending more time building our online communications and marketing as a result. We're working with websites, blogs, online reviews, social networks, and integrating this into the marketing mix.

Visitor profile

In 2007, SRGM's visitors consisted of 60 percent international visitors (mostly from the UK, France, Italy, Spain, Canada, Australia, Netherlands, Mexico, Japan, and Brazil) and 40 percent US citizens. Fifteen percent of the US visitors came from New York City. According to the visitor surveys conducted by the SRGM, the tourists came to New York to see the building, the collection, and the temporary exhibitions. New Yorkers came mainly for the exhibits.

María Celi commented on this:

> The largest age groups are the 25–34 year olds, representing 30 per cent of the overall attendance. Followed by the 18–24 and then 35–44 groups, which are much the same. The smallest is 4 per cent, which consists of children. Women make up 52 per cent. The majority of people in 2007 came to see the building, followed by the temporary rotunda exhibitions and then the permanent collection. We are conducting a year-long study for the first time. Beyond the anecdotal history of the museum, we've discovered that some conceptions are real but others are inaccurate. This has been an opportunity to quantify opinions.

Guggenheim and its critics

The expansion and exhibition policy received some criticism, especially from neighboring NYC museums and art critics. Thomas Krens openly addressed this issue in an interview with Charlie Rose. According to Thomas Krens:

> There is a competitive tension inside New York City among the various institutions for audience and identity. Clearly the Guggenheim does something that's different than the Museum of Modern Art. There's probably no institution in the world that rivals the Museum of Modern Art's permanent collection. On the other hand, one of

> the purposes of a cultural institution, or an educational institution, is to foster discourse, even to encourage controversy, within a certain framework. I don't think it's inconceivable that a cultural institution can at the same time be a force for preservation, pursue research, and present art to wider audiences [...].
>
> At the same time, a museum is a force for social change by engaging interesting ideas and by confronting history in ways that haven't been seen before. If you look at the museum as an institution, and you assume that it's not going to be frozen in time from this point on, that indeed it's going to change, you have to be thinking about the ways it can, or is going to, change [...].
>
> Most of the modern contemporary museums that we know of are focused on what I call the art of the North Atlantic – Western Europe and the eastern part of the United States. I think that's an obsolete conceit, to focus on those geographic regions in this contemporary world. Some of the greatest contemporary art is being done in Asia – for example, in China, in Japan, in India.

Other art critics saw the expansion of the Guggenheim brand as too commercial:

> The franchising of museums like the Guggenheim is of a piece with the franchising of other upscale commercial outlets (Starbucks, Gap) throughout the world. In this case, corporate economic globalization not only exploits weak labor and environmental standards in poorer countries, but also opens up new sites in low-rent cities for museum branches, or 'franchises' like the Guggenheim. Their low-overhead pre-packaged shows tend to steal audiences away from local institutions, while contributing to the global homogenization and commercialization of cultural exhibitions. Much like McDonald's has done, the Guggenheim's director Thomas Krens anticipates further international incursions, including branches in South America, East Asia, South Asia, the Middle East, and Africa.[10]

There was also praise for the museum and the role of the departing director:

> Krens recognized early that art needn't be confined to antiseptic rooms that mount every piece in lonely, worship-inducing splendor.

[10] S. Lewison, *The Journal of Aesthetics & Protest*, September 16, 2001.

> Encouraging art to engage with architecture, and vice versa, is another way of saying art and artists can engage with visitors. Symphony orchestras would love to have the audiences that museums enjoy these days. Krens's view is not for everyone. Yet, at its best, it's amazing how alive his approach to art can be.[11]

In a similar way, the staff of the Guggenheim was convinced of the uniqueness of their model and the value of Thomas Krens' leadership:

> 'In the end,' Laura Miller explained, 'we have a history of great works of art, and that includes the building. Given the difficulty to get consensus on what great works are, it's important to have great leadership in-house. Thomas had a vision that probably didn't make everybody happy, but he really thought outside the box [...].'

Eleanor Goldhar added:

> I think this institution was very instrumental in helping the museum community to think differently about what a museum could be, what it could offer, and the kind of responsibility one has to share the collection beyond the confines of one institution. Museums have been lending pieces of art for decades – that's not new – but the idea of having significant satellite museums, major exhibitions, permanent or touring exhibitions around the world was not something that was particularly well received in the beginning. Now others are doing the same.

[11] 'Guggenheim Loses Krens as His Splashy Style Thrives Worldwide', James S. Russell, February 29, 2008, Bloomberg.com.

3
Marketing the Arts

Francisco Iniesta and Elvira Marco

Introduction

According to the American Marketing Association, 'marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.'

For marketing theorists, the arts produce cultural goods; cultural organizations compete for consumer attention and also for limited public and private funds, so they need a marketing strategy. Thomas Krens, who for 16 years headed the Guggenheim Museum and Guggenheim Foundation, states, 'One of the things to recognize about any institution, whether it's an educational institution, a television studio, or an art museum, is that they're businesses. I mean, they're businesses that are very complex by nature, and they all require [...] different kinds of management skills.' Krens, who has an MBA from Harvard, clearly put what he learned in marketing classes to good use when he created Guggenheim as a global brand, one that could be exported to the rest of the world.

The role of marketing is to promote the creation of something of value that attracts customers. The process of creating that something of value is the defining element of the role of marketing in companies.

How do you create value around a name? Eleanor Goldhar, Deputy Director for External Affairs of the Solomon R. Guggenheim Foundation, asks, 'How do you value, or turn a reputation into a *business*?' For her the secret lies in accomplishing the institution's mission and attracting the talent to make that possible.

There are many examples of ways in which the brand is exploited. As Krens says, the Guggenheim is not the only museum to take this path, but has followed the example of many other internationally renowned museums, including the Louvre, which is about to open a branch in Abu Dhabi, next door to the Guggenheim, and Tate, which has several branches in the United Kingdom.

The curious thing about Tate's image is that it developed in parallel with the construction of the building on the South Bank of the Thames. The use of 'Tate,' rather than 'the Tate' or 'Tate Southbank' (as opposed to 'Tate Britain') as initially planned, adds to its distinctiveness (Hyland and King, 2006).

The Los Angeles Philharmonic has capitalized on the brand names of its facilities, the Walt Disney Concert Hall, built by Frank Gehry thanks to a $50 million donation from Walt Disney's widow, and the Hollywood Bowl. The number of subscribers at the Walt Disney Concert Hall has risen to 23,000, with average sales reaching 90 percent of the tickets (Tepavac, 2006).

On the literary front, the Hay Festival, held annually for the last 20 years in the small Welsh town of Wye, has emerged as a brand that can be exported to other countries. Hay Festivals are held each year in Cartagena de Indias in Colombia and in Granada and Segovia in Spain. The festival's fame has grown beyond the literary sphere, attracting leading figures from the arts and politics. As it is a literary festival, there is no need for the infrastructure investments required for museums or other cultural institutions.

The traditional approach to marketing, which, as we shall see, is also applicable to the arts, is to consider five areas of analysis prior to the value proposition. These areas are: customers, company, competitors, contributors, and context.

- Customers: What needs do we aim to satisfy? How are those needs detected and satisfied?
- Company: What skills or competencies must we have in order to satisfy those needs?
- Competitors: Who do we compete with in satisfying the needs we have identified?
- Contributors: Who will help us achieve the proposed objectives?
- Context: What cultural, technological or legal factors will affect us or impose limits?

Answers to these five broad areas of analysis will provide us with a description of the market we want to serve, in terms of the segments that are available or desirable, and the position we want to adopt in the light of the competitive alternatives from which we want to differentiate ourselves.

Once we have specified the market, we have the basis for presenting a value proposition. This is the task of the marketing mix. For convenience, we shall divide this marketing strategy into two blocks: value creation and value appropriation. Last, the value proposition must be sustainable over time. To ensure that it is, we will need to design strategies for acquiring, retaining, and growing our customer base. And so we come to the phase of achieving the company's purposes, one of which is economic profit.

For an exchange of value to take place, the customer must be presented with a distinctive value proposition. This distinctive proposition will be achieved by (a) selecting a target market to which to present the offer, (b) defining a package of benefits that delivers the proposed value, and last (c) developing a marketing strategy that implements the planned offer.

The sections of this chapter develop this framework in more detail.

Market selection and positioning

The task of developing the marketing strategy begins with the customer. The aim is to define what markets we will serve, before designing the strategy that will help us achieve the goals we have set ourselves. In an ideal world, our offer would be personalized for each individual customer. At the opposite extreme we could design a mass-marketing program to target as large an audience as possible. In practice we will try to group customers according to useful, operational similarities, to enable us to tailor our offer to homogeneous groups at the right time and in the right way, given our limitations in production and customer information.

In developing the marketing program we will need to answer two key questions. First, what customers do we want to serve? To answer this question we may find it helpful to group customers in homogeneous groups, which we must first define. This is known as customer segmentation. Second, to what extent do we want to tailor our offer to those customers?

At the Guggenheim, as in many cultural organizations, we find a variety of customers, including visitors, sponsors, foundations, and government, all with different tastes and preferences. One large, homogeneous group that appears in the Guggenheim's customer surveys is that of foreign tourists, accounting for 60 percent of visitors. Of the remaining 40 percent of visitors, only 15 percent are New Yorkers; the rest are from outside the city. The tourists have different interests from the New Yorkers; as Eleanor Goldhar explains, 'the tourists came to New York to see the building, the collection and the temporary exhibitions. New Yorkers went mainly for the exhibits.'

Once we have broadly identified certain segments in the target market, we must analyze the characteristics that determine the behavior of each group. Subsequently, we will have to choose the segment or segments that seem most appropriate. Last, we must tailor our offer to the chosen segments.

Factors to be considered when segmenting a market

As a rule, segmentation analysis starts with identifying the consumer variables that are most useful for predicting the way consumers purchase and use the product in question. These variables are the ones that determine whether an individual belongs to one segment or another and which segments offer the greatest sales opportunities.

Segmentation variables can be divided into two general categories: personal variables relating to the consumers themselves, and historical variables relating to their behavior in the market.

The personal variables describe the *consumer as an individual*. Sometimes, knowing a person's age, income level, personality, or tastes is sufficient to predict with some certainty whether that person can be considered a potential customer. At other times, the key to determining whether a person is a potential buyer is to analyze how that person has used or purchased this type of product in the past. The historical factors of consumer market behavior describe how the *consumer has behaved in the past* in relation to the target product or service or a similar one. Normally, we will need to use a combination of the two categories of segmentation factors, which are very often interrelated.

The success of the Guggenheim model is that it has attracted an audience that was not in the habit of going to museums. Even its strongest critics acknowledge that a large number of those who visited what is still the foundation's most successful exhibition ever, 'The Art of the Motorcycle' (consisting of motorcycles installed as works of art in a display designed by Frank Gehry and sponsored by BMW), were first-time visitors to the Guggenheim, and, more significantly, first-time patrons of an art museum of any kind. This exhibition, which ran from June to September 1998, received more than 300,000 visitors in three months.

Segmentation involves analyzing the variables that describe the consumer in order to:

1. *Define* the factors that determine the most significant differences in consumer behavior toward the product.
2. *Identify* and isolate the most important segments.
3. *Choose* the most promising segment.
4. *Specify* the characteristics of the chosen subgroup or subgroups.

The choice of variables to be used will depend on the type of problems we face and the information available. Some of the most important variables used in segmentation have to do with geographical, demographic and psychological factors, lifestyle, product use, product benefits, and purchasing decision process.

These factors can be observed and measured in the real world by carrying out a market analysis for the purpose of segmenting the market. Normally, the final structure of the various segments will depend mainly on the segment or segments that are most closely related to the possible purchase of the product or service. The other factors can be used to reinforce and enrich the profile of each segment.

Thus, the Pacific Symphony Orchestra, based in Orange County, has in recent years adapted itself to the predominant market segment. In Orange County, a culturally diverse area close to Los Angeles with dispersed communities and no clearly defined urban center, innovation is the rule and start-up companies abound. These characteristics prompted the orchestra, from the year 2000 onward, to build its programs around works by American composers, along with examples of Asian, Arab, and Latin music, seeking to engage with the community. The increase in its audience (with ticket sales up 42 percent over the last two years) and the results of quality surveys reveal a high degree of satisfaction with this innovation in its programming (Tepavac, 2006).

Choosing the right segment

Once a company has identified the main segments to which it can target its offer, it must decide whether it wishes to specialize in serving only one segment or several. If several, then it will need to decide whether it is going to tailor its products or services to each segment or present an undifferentiated offer to all of them, allowing it to set lower prices. The right decision will depend on most of the criteria mentioned earlier in our discussion of the choice of target market.

The opera market is a good example of a well defined segment, which has nevertheless been shrinking over the last decade. Programs are usually centered on the nineteenth-century repertoire, and most operagoers are in their sixties or older (the Metropolitan Opera estimates that the average age of its audience rose from 60 to 65 in five years). Having seen a general decline in attendance since 2000, opera companies have made numerous efforts to attract new audience segments. Above all they have tried to attract younger audiences by offering new products, such as opera in the movies and contemporary opera.

Another institution that has tried to address different segments is the Metropolitan Museum in New York, which offers 15 levels of membership, ranging in price from $60 to $20,000. A special Young Members profile has been created to serve the specific interests of members between the ages of 21 and 35 from any of the 15 membership levels, with parties and special events. MoMA offers visitors to its website a choice of 'perspectives' for customizing their visit: first-time MoMA visitor, returning MoMA visitor, filmgoer, doing research, and so on.

Box 3.1 shows some of the typical steps in segmenting a market.

Box 3.1 Typical steps in segmenting a market

1. the purpose and scope of the segmentation	– What are our marketing objectives? (for example, to increase our market share, create general demand, or react to a competitive move) – Are we looking for new segments or are we just trying to satisfy known segments better? – Will we use preexisting information or do we want to invest time and money in further research? – Up to what level of detail do we want to conduct our analysis?
2. Analyze the information available about the market as a whole	– What are the characteristics of the market? (size, structure, and so on) – Are there any basic differences between users of this class of product or service and nonusers? – Is there any factor that helps to distinguish the two? – What is our present competitive position? (for example, we are the market leaders, or we are not in that market, or we are small but have loyal consumers)

3. Prepare profiles of the segments	– What factors most clearly differentiate the consumer groups? – Is the profile of each segment really homogeneous? – Does the description of the consumption patterns and behavior of each group make logical sense?
4. Assess the segmentation	– What are the main similarities and differences between segments? – Should we increase or reduce the number of segments we have identified? – What variables is our segmentation most sensitive to? (competitive environment, market growth, and so on)
5. Select the target market subgroups	– Which segment offers the best opportunity? – What else do we know about its behavior? – If we do not have complete information about this segment, can we make reasonable assumptions? – Are we the only ones competing in this segment?
6. Design the marketing strategy for each target segment	– What type of product do these consumers want? – What pricing, promotion, and distribution tactics best fit their needs? – Are there other segments that might react positively to a similar strategy? If so, would it be worth combining them?
7. Conduct a final analysis of the segmentation	– Do we have the resources necessary for executing the strategy? – If at some later time we may want to broaden or change the segments we address, is our strategy flexible enough? – If we wanted to change an element of the strategy, how would this affect the segment we are addressing? – Is the segment chosen as part of our strategic plan in line with our goals, and does it complement the company's strengths?

The marketing mix

The term 'marketing mix' is used to describe the set of activities that make up a company's marketing program. As a rule, the first question is: what product and what markets? And then, what product lines will we present to the chosen market? The second question is price: at what price will we sell each individual product? At what prices will we sell different products in the same line? Will we offer discounts?

The next question is the choice of distribution channels to deliver our products or services to end users. These may include our own channels, independent distributors, wholesalers, agents, and others. The fourth question is communications, that is, how we are going to make the market aware of our offer. The possibilities include print, online, radio and television advertising (in the places and for the product categories to which each is applicable), direct mail, and so on.

Although these issues can be broken down into a long list (product, brand, channel, personal selling, advertising, promotions, service, market research, and so on), they are usually summed up in the four Ps: Product, Price, Promotion, and Place.

Developing a new product always entails a certain risk for the producer. According to Colbert (1994), the level of risk in the arts is higher than in other sectors because:

- products cannot be tested before they are launched as plays, concerts, or exhibitions, nor can they be adapted to audience tastes once they are on the market
- cultural products have limited life cycles, lasting a few months or a season at most
- products cannot be stored.

However, these are characteristics of services in general, not only of the arts. This goes to show how little solid information is available about art products. In the Guggenheim's field of contemporary art this risk is manifested in the factors we have already mentioned and is accentuated by uncertainty concerning the reactions of the public and critics to the end product.

Product policies

Choosing the product policy is critical when designing the profile of a company's marketing and sales effort. The term 'product' refers not only to the immediate (physical or intangible) dimension of the thing offered but also to the intangible services surrounding the act of sale, that is to say, the whole package of benefits received by the customer. The package of tangibles and intangibles is commonly referred to as the 'extended product.'

We can see how the Guggenheim's Director of Corporate and Institutional Development tailors the product to corporate sponsors: 'We used to have a very structured program – for example, the number of entry cards depending on the amount of their donation – but now it's more tailored to what the corporation wants and that way we can drive more business.'

Wielk also comments on the intangible value of sponsorship at the Guggenheim, which cannot be measured only in terms of immediate press impact, but must take into account the additional benefits a company obtains by associating its image with that of the museum: 'They might get fewer impressions by sponsoring a show at the Guggenheim, but there are intangible benefits – association with something very prestigious, bringing your clients into a behind-the-scenes tour, access to our curators and our network of other high-level donors.'

Product lines and product line planning

Companies can have various types of products in their offer. To decide what products, and how many products, to offer, it can be helpful to think what types of products there are and how they can be classified according to the kind of need they satisfy.

- Products can be classified, based on **consumer behavior**, as either *convenience*: purchased regularly, without long deliberation, and expected to be widely available (this category is rare in the arts world); *planned purchase*: more deliberation, more planning, and more comparison of alternatives before the purchase decision is made; or *specialty*: limited availability, sought for their special characteristics.
- Based on the **degree of involvement** of the buyer, they can be classified as either *high or low involvement*, depending on the amount of effort the consumer puts into the purchasing process.
- Based on the **benefit** they provide, they can be classified as either *functional–utilitarian* (where the benefits are rational or logical) or *emotive* (where the benefits are more expressive). Most art products belong to this class.

In assessing the above decisions it may be useful to consider, in general terms:

- How we satisfy the needs initially envisaged.
- Whether, taking all the product dimensions into account, the offer really allows us to differentiate ourselves from the competition.

- The impact each individual line has on the rest of the products: whether it is complementary to or potentially a substitute for them.
- The product's fit with the company (Does it strengthen the image? Do our customers understand the product?).

For instance, should institutions design their program to please their audiences or to meet the criteria of the artistic director? The Guggenheim's managers know that certain exhibitions are likely to be more successful with visitors and sponsors; in designing the program, however, they try to strike a balance between more established artists and new talents.

Wielk explains how, as part of its sponsorship strategy, the Guggenheim differentiates its product in the market for funds in New York, where it competes with institutions such as MoMA and the Metropolitan Museum of Art: 'What we have here is the *international* profile. We can run a program, which is in Bilbao, Berlin, Venice, and New York and – in five years – in Abu Dhabi. Also, the Guggenheim positions itself as a contemporary art institution [...]. We try to position ourselves, therefore, as international and contemporary.'

Distribution policies

The marketing channel can be defined as a set of mechanisms or a network through which a company goes to the market. The channel performs a number of basic functions, notably:

- generating demand for a product or service
- satisfying that demand
- providing ancillary services
- conveying information about the market from the customer base to the product supplier

Companies have very different means of bringing their products to market (own delivery centers, other centers, online, and so on). Some companies choose to use more than one distribution system, assigning different functions to each one depending on the service required, the nature of the product, or the type of customer. Different channels or combinations of channels may be used even within the same company, depending on the customer segments served. The two basic decisions with regard to channels are:

- *Design of the channel* (what functions will each person perform?). Until fairly recently the usual approach to channel design was very simple: it was a matter of reaching all the company's customers in the same way. A company that used distributors would give them power over the product, and the distributor would be responsible for generating leads, accepting customers, carrying out the sales process, closing sales, and delivering the product. Nowadays, however, as most companies have a fragmented customer base, working with just one channel is no longer feasible. Today's customers have a range of different information needs. At the same time, companies have more options for reaching customers. The first step in designing the channel is to ask ourselves what market segments we must take into account, and then, separately for each segment, what tasks we will have to perform and what options we have for performing them.

- *Channel management* (the policies to be adopted to govern the various elements involved in the network). Conflict between 'partners' in a distribution channel is inherent in the relationship. The partners must work together, but as both are 'independent' organizations, each will naturally try to preserve its independence and achieve its own particular objectives, which may not coincide with those of the other partner. Conflict arises as a result of lack of congruence in goals, lack of consensus as to the role each must play in the relationship, and perceptions that diverge from reality.

As a case in point, the Guggenheim has established a strict selection process for channel partners, using feasibility studies to assess candidates. Thomas Krens and his team have developed skills and methods for analyzing the potential of the many cities that approach the Guggenheim with regard to hosting a new site. As Eleanor Goldhar explains, more than one hundred feasibility studies have been proposed, but only a few cities have received approval for a study to go ahead. Based on this selection, the Guggenheim has created a distribution channel through its branches: Bilbao, Venice, Berlin and, from 2013, Abu Dhabi. Its products are the temporary exhibitions and the collection.

Communication policies

Customers reach their purchase decision through a process that begins when they are made aware that the product exists. Communication policies help us determine how best to approach customers in order to make them aware of our offer, how to present the characteristics of our offer, and how to give customers reasons not to forget our offer, making it more attractive to them, so that eventually they decide to go ahead and purchase it.

In line with the marketing tradition of creating lists of terms that start with the same letter, we propose here a useful model based on what we call the six Ms, which we will compare with the strategy pursued by the Guggenheim:

1. Market – Who do we target in our communications plan?

The Guggenheim Foundation has two types of communication actions, one for the tourists and one for New Yorkers. According to Eleanor Goldhar, international tourists will come to the museum whatever happens, but the local audience is more demanding: 'For New Yorkers the reviews make a big difference.'[12]

2. Mission – What are our communication goals?

Do we want to attract new audiences to our institution, consolidate existing visitors, or let our sponsors know that we have a rich, attractive program? Probably a combination of all or some of these.

3. Message – What do we want to communicate?

How should the Guggenheim announce its brand? The same name has different meanings for different recipients, as Eleanor Goldhar points out: 'When the Guggenheim advertises, we get a lot of questions. Most people don't actually know fully what the Guggenheim does [...]. The very word "Guggenheim" carries a lot of weight, but I'm not sure people know exactly what it means. For the New Yorkers, it means the building sometimes more than what goes on inside. This in turn is a marketing challenge – to remind 60 percent of people that it's not just the Fifth Avenue building; it's also the collection, exhibitions, education programs, performing arts programs, scholarships and so forth. That's a big job: to remind New Yorkers that we're more than that.'

4. Media – What vehicles will we use to communicate our message?

For Eleanor Goldhar, 'On the public relations and publicity side, our number one target is the New York publications because we want the big newspapers, magazines to review all that we do. After that comes the international market.'[13]

Given that the Guggenheim's audience is predominantly young, with 30 percent of visitors aged 25–34, followed by the 18–24 and 35–44

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[12] Here poor segmentation reduces the efficiency of the communications measures; 'international tourists' is not even a moderately homogeneous segment.

[13] Even if it is their biggest market.

segments, the museum uses the Internet for its communication actions as a matter of preference. As Marketing Director Laura Miller puts it, 'More and more, online publications are important because a big chunk of our audience is reading only online publications. We're spending more time building our online communications and marketing as a result. We're working with websites, blogs, online reviews, social networks, and integrating this into the marketing mix.'[14]

5. Money – How much do we want to spend?

It is not always necessary to have a big budget to create a powerful image. According to the Marketing Director, the Guggenheim's $1 million advertising budget is very small compared to that of other New York institutions: 'We have tiny budgets compared to other institutions [...] being part of the cultural fabric of New York, that's especially true if you compare us with other entertainment activities such as Broadway.'

6. Measurement – How do we measure the impact of the campaign?

Audience response or specialized reviews may be one way of measuring it, but it is useful to carry out a specific impact study. Laura Miller remarks, 'We haven't yet done market research on brand equity. I'd love to have about $250,000 to do this, but we haven't had the opportunity to do so yet.'

Communication vehicles can be classified according to how selective they are in reaching the target audience (mass market or impersonal vs. personal). Advertising is particularly effective in creating awareness of a product, but less useful in actually closing sales, given the usual gap between the advertising impact and the act of purchase. Sales promotions in their different forms are a complementary way of generating a favorable attitude toward the product.

The ideal would be to adapt the message to each individual recipient. Mass advertising is still appropriate where customization is unnecessary or unprofitable. In any case, there is a general trend toward the use of more targeted media (specific television channels, magazines with limited geographical distribution, and so on), even in what used to be mass media, like television.

The Internet offers unique possibilities for tailoring the message to the user. A large number of cultural organizations have created their own channels in Facebook or Twitter, or have even set up virtual

[14] But we might add, what is the efficiency of those vehicles? Who knows...

headquarters in Second Life, as the Guggenheim has done. So far, these initiatives are thought to be having some effect, but the results are inconclusive.

Other media include direct marketing (mail, magazines, telephone, online mailing lists, and catalogs, which may be tailored to some extent, and so on).

The market/mission/message part consists, primarily, of designing the strategy and tactical objectives of our campaign of marketing actions, that is, who the campaign is supposed to affect, what impact is it supposed to have, and what specific message will be sent.

A useful way of approaching these first three points is by analyzing the consumer's situation in relation to the phases of the purchase and consumption process. The desired end result of all marketing activities, including marketing actions, is for an exchange (often of money in return for goods or services) to take place. The consumer usually goes through a sequence of phases that lead to that end result, a sequence known as the hierarchy of effects. In this hierarchy we can identify the following seven phases: (1) Ignorance of the product's existence, (2) Awareness, (3) Knowledge, (4) Liking, (5) Preference, (6) Conviction, and (7) Purchase. The first three correspond to the cognitive stage, the next three to the affective stage, and the last to the behavioral stage.

In the cognitive stage, actions must be aimed at introducing certain data into the minds of potential consumers. The first step consists of making the consumer *aware* that the product exists and then providing more information, so that the consumer has a certain amount of *knowledge* about the product. Thus, the cognitive stage lays the foundations for the affective stage, in which the consumer acquires certain feelings toward the new product.

To complete the affective stage, the prospective customer must go from *liking* the product to having a clear *preference* for it over others, before finally acquiring a strong interest or *conviction* that leads to purchase. The process ends with an action, that is, entry into the behavioral stage, with the *purchase* of the product.

There is no purchasing process model that can be applied universally. To develop an integrated plan of communication and marketing actions, we must first assess the consumer purchasing process in a given situation. Different market segments may follows different purchasing processes. A person going to the theater for the first time, for example, follows a different process from the regular theatergoer or theater critic.

The size of the budget for marketing actions is often the subject of intense debate. Generally speaking, the ideal budget for communications will depend on:

1. *The size and variety of the target audience*: The larger the audience, the greater the cost. How varied the audience is and how accessible it is through the available channels of communication is also important.
2. *Nature of the message*: Some messages are easy to communicate, whereas others are more complex. For example, a new stage production starring famous movie or TV actors will be easier to communicate effectively than one with unknown actors.
3. *Audience receptivity*: If the public is already alert to information about a certain category of product (or a specific product), the allocated budget tends to be smaller, as there is no need to first capture consumers' attention and overcome the mechanism that makes them reject unsolicited information.
4. *Size of competitors' budget*: The level of spending by the competition may also need to be taken into account when deciding the intensity of effort needed to get the message across.

Another important part of the marketing action plan is establishing a mechanism for finding out the effect that has been achieved. This is essential for future decisions on expenditure, budget allocation to the various media, and certain communication messages.

Besides marketing actions, there are many other factors that influence sales, such as product quality, price, and moves by competitors, so it can be difficult to isolate the effect attributable to the action program. Therefore, carrying out measurements of cognitive and affective impacts in the early phases can be a useful complementary tool for finding out how effective the actions have been and which are the best methods of communication.

Sometimes, even with precise objectives, it can be difficult to compare sales before and after a communication campaign, as the market is constantly changing. Unforeseen new competitive products may appear, or a consumer promotion may be unexpectedly effective in a time of recession. In any case, it can be useful to experiment, studying the effects of alternative plans in different areas or cities, and comparing the results with a control group.

In the marketing strategy it is essential to develop a holistic approach to communication, where the key lies in the perception that the relevant population segment has of the value contributed by the product or service. The communications plan will be more efficient and effective if a systematic approach is adopted to selecting the target audience and analyzing the purchasing process in detail.

The Guggenheim decided for the first time to carry out an exhaustive study of its visitors to find out their opinions, as Maria Celi, Director of Visitor Services explains. The study, which lasted one year, produced plenty of surprises: 'Beyond the anecdotal history of the museum, we've discovered that some conceptions are real but others are inaccurate. This has been an opportunity to quantify opinions.'

Pricing policies

Many activities in the field of the arts are free of charge, subsidized with public or private funds. Where a price is charged, it is not always at the institution's discretion, but may be determined by law.

The logic of arts companies is very different from that of commercial companies and may help us in our task. Companies generally try to set prices that bring in the maximum value. This requires a somewhat complex analysis, as the price is not independent of *demand*, *revenue*, *costs*, or *investment*.

In contrast, the price of cultural products has turned out to be inelastic to changes; neither cost reductions nor free admission has succeeded in increasing audiences. Nevertheless, in parts of the cultural sector considered more elitist, such as opera, efforts have been made to offer special rates to attract young people. The Metropolitan Opera, for example, offers $20 rush tickets for $100 orchestra seats. One-third of the buyers of these tickets have never been to the opera before and a large proportion are under the age of 30 (Elberse and Perez, 2008).

In marketing practice we find three commonly used methods for setting prices:

1. *Prices based on cost*. The price is based on (all or part of) the cost of producing the good or service plus a margin. This is the method most widely used by cultural institutions, seeking a balance between revenues and expenses, rather than profit.
2. *Prices based on the competition*. The price is based on what competitors charge for a similar product or service. It may be set at the same level as the competitors, on the assumption that rational consumers will not pay more for a comparable offer, or above or below the competitors, depending on the institution's goals and positioning or the image of its product or brand. With its $18 admission, at a time when

other museums such as the Metropolitan were free, the Guggenheim did not seem to take this factor into account and was New York's most expensive museum until the reopening of the MoMA, which charged $20.
3. *Prices based on value*. The price is based on the value the product or service has for each type of consumer, compared to other alternatives.

The added value provided by the institution's brand plays an important role here. The Guggenheim is especially careful to control the use of its brand, as Eleanor Goldhar explains: 'We're very strict on how our name is used because it's our trademark. Anything we do, anywhere in the world that has our name – a product, an image of the building, an exhibition – we're very diligent about supervising it and having the right legal agreements.'

Whichever method is used, there are five areas of analysis to be considered, in a coordinated manner, when deciding on the price:

1. Production costs.
2. Company's objectives.
3. Value of the product to the customer.
4. Prices of competing or substitute products.
5. Legal restrictions.

The cost of producing the good or service should be the starting point for any price-setting exercise. Only in exceptional circumstances can it be sold below cost (temporarily at product launch, for example, or as a way of establishing an initial positioning). Determining the cost will require some analysis. The minimum threshold is the variable cost, although in the long term we would have to consider the complete production cost (including distribution and other costs).

To determine the 'fair price' we must also consider what the company hopes to achieve with the product and in general. Given that one of the goals we have mentioned is to create value for customers, the next question will be, how highly do the target customers value our offer? The value to the customer will vary from one customer to another, and setting the price on the low side will allow the company to reach more customers, at the cost of unit margin.

The price paid is only part of the 'cost' to the customer, as there may be other costs associated with the purchase, whether in monetary terms or in sacrifices of some other type. An organization can therefore improve its offer either by offering a lower price or by offering greater advantages of another kind. To differentiate its offer from that of the competition, it can offer additional satisfaction in the form of functional or psychological benefits. This is what is meant by value-based pricing; it has the advantage of being centered on what the customer is willing to pay, rather than on the cost of what is being sold.

The consumer costs associated with cultural products are substantial: according to the Americans for the Arts survey (Arts & Economic Prosperity in the Arts III, 2005), the typical attendee spends more than $27 per person, per event, in addition to the cost of admission, on parking, food, accommodation, and other such items. All this must be considered part of the price customers pay to attend cultural events. In 2005 event-related spending by audiences in the USA totaled $103.1 billion.

Sustaining the value that has been created

An organization's ability to create and take for itself value depends ultimately on its ability to build stable relationships with its customers. Value is sustained through three processes:

(a) *Customer acquisition*: A company's greatest asset is its customers. To acquire customers efficiently it must invest effort and money, which will be rewarded by customer value in the future. Insofar as each customer or customer group has a different value for the company, it will be worth adjusting the effort put into acquisition in each case. The classic marketing mix was aimed at efficient acquisition. When studying the acquisition process it may be useful to ask the following questions: How many acquisition channels should we use? How much does it cost to acquire a customer? How much value does a customer acquired in each channel generate in the short run? And in the long run?

    One way cultural institutions try to retain customers is through associations of friends, partners, and subscribers. The size of these associations is not always determined by the size of the institution: the Friends of the Royal Academy, for instance, the association formed by the Royal Academy of Arts in London, an institution governed by 80 artists and architects, is the third largest such association in the world, with more than 90,000 members.

(b) *Customer retention*: Customers are valuable (they are assets), sometimes scarce, and also costly to acquire. It is often less costly to retain an existing customer than it is to acquire a new one. It is therefore crucial to understand the dynamics of customer retention, how to strengthen customer loyalty, and how to make the customer relationship more satisfactory. The following questions may be helpful: How can we retain more customers? How does customer satisfaction with the relationship affect retention? Do my satisfied customers repeat their purchase? How do dissatisfied customers behave? How do I collect and deal with customer complaints? How and when do customers abandon the relationship? Is it possible to recover lost customers?

(c) *Customer development*: Customer relationships may grow over time, becoming deeper, more lasting, more emotive, and more profitable. To guide us, it may be useful to ask ourselves the following questions: What customers should we focus on? What services should we offer each customer? What products should we offer to which customers? How can we add value to each customer? How does each customer value his relationship with us?

Listening to the voice of the market is often the best way to stay in touch and keep our offer fresh. This kind of active listening means being market-oriented, that is, having the capacity to understand and satisfy customers; generating, sharing, and using high-quality information about customers and competitors; and coordinating interfunctional resources to create value for the consumer. An inquisitive mentality is essential: Where are our customers migrating? What are the characteristics of the customers who leave us? Why do they leave? What attributes differentiate us from the competition? Why are some segments less loyal than others? What do inactive customers want? What do potential customers want?

Final remarks: The challenge of the new market

Various studies have shown that the profile of the arts visitor is changing and that numbers are falling compared to other leisure activities. A study of cultural consumption habits in the United States by the National Endowment for the Arts reveals that traditional cultural organizations have lost customers. The level of attendance at cultural events in 2007–8 was lower than in previous years.

In Europe, around 30 percent of the population participates in an average of one cultural activity per year; cinema and historical monuments are the only activities that exceed 50 percent.

The average age of audiences at cultural events has increased from 39 in 1982 to 45 in 2008. There is a group of younger users who consume cultural products through other media: 39 percent of daily Internet users used the Internet to listen to or download music, view paintings or sculptures, or publish their own artistic creations.

Besides age, another very important social factor in the segmentation of the arts market is the ethnic makeup of the audience. In a sector that aims to be inclusive and to shape society, social diversity should also be reflected in audiences. Yet judging by the observed trend, this is not happening. The American Association of Museums recently published the report *Demographic Transformation and the Future of Museums* (Farrell and Medvedeva, 2010), which explores the future of museum audiences. In 2008 non-Hispanic white Americans made up 67 percent of the total US population and 80 percent of museum visitors, while the remaining 36 percent of the population, consisting mainly of Hispanics/Latinos and African Americans, accounted for only nine percent of museum visitors. In 25 years' time these latter two groups will represent almost 50 percent of the total US population. Similar trends can be observed in Spain, which according to an OECD report is the world's second largest recipient of immigrants. Yet the figures for museum attendance and participation in cultural activities do not reflect the changing makeup of the population.

Part II
Focus

Our second pillar, Focus, is analyzed from two angles. First, the Prado provides an excellent example of the rediscovery of strategy and the need to define strategy more precisely. The conceptual chapter guides us through the essential concepts of strategy definition and outlines the main challenges to be addressed.

Second, the financial aspect is illustrated by the funding and financial endeavors of Barcelona's Gran Teatre del Liceu in the wake of the disastrous fire. The conceptual chapter walks us through the critical financial issues facing any cultural institution.

4
Museo Nacional del Prado

Elvira Marco, Beatriz Muñoz-Seca, and Josep Riverola

The Museo Nacional del Prado, created in 1819, is the tenth most visited museum in the world[15] and houses arguably the world's finest collection of Spanish paintings. Less than ten percent of the collection (some 1,300 of the most important works) is exhibited in the Prado itself. Around 3,100 works (known as the 'Prado Disperso,' or 'Dispersed Prado') are on display in other museums and official buildings (such as embassies and palaces), while the rest are in storage. To make the most of its large collection, the Prado frequently collaborates with other leading institutions such as New York's Metropolitan Museum or the Paris Louvre. In 2008 the Prado had a budget of €49 million and received a record 2.7 million visitors.

When Miguel Zugaza became Director in 2002, he set himself the task of opening up the Prado to a wider public. He realized that to do this he would have to completely change the institution's organizational structure and operations. He therefore became the guiding spirit of the most ambitious reform the museum has seen since its inception, while at the same time mobilizing all its resources to produce exhibitions that would earn the Prado a place among the world's top museums and fill it with visitors.

This transformation culminated in 2007 with the inauguration of the new extension, designed by Rafael Moneo[16] and incorporating the sixteenth-century cloister of the San Jerónimo monastery. At a cost of

[15] The first is the Louvre, with 8.5 million visitors.

[16] Rafael Moneo (b. 1937) is one of the most internationally renowned Spanish architects; winner of the Pritzker architecture prize, he spent part of his professional and academic career in the US, where he was Dean of the College of Architecture at Harvard (1985–1990).

€152 million, the new building increased the area of the museum by more than 50 percent.

In 2010 the Prado faces new challenges. Can the museum continue to attract new visitors and sponsors once the novelty of the expansion and refurbishment has worn off? Can management continue to improve the visitor experience and the museum's finances? Is there a limit to the Prado's growth? What is the maximum number of visitors the museum can accommodate while maintaining the quality of their visit?

The impetus for reform: The Prado law

The Prado, like other great museums such as the Louvre in Paris, the National Gallery in London and the Royal Museum of Fine Arts in Belgium, relies on public funding for its activities. Until 2002 funds came from the government and covered all the museum's needs. The Prado did not have its own budget, so revenues from admission and sponsorship went back to the Treasury. The museum was not legally permitted to hold its own accounts or charge for revenue-generating activities such as temporary exhibitions, all of which made it very difficult for it to take part in coproductions with other institutions. The Prado was governed by the same rules as other Spanish state-owned museums,[17] which meant, among other things, that its admission prices were decided by the government authorities and were identical to those of all such museums.

In 2003 a law was enacted regulating the Museo Nacional del Prado.[18] The Prado was made a partially independent body within the Spanish State Administration[19] and was given the power to create its own operating statutes. The key word was autonomy:

- *Financial autonomy:* The law gives the museum financial autonomy, with its own income and expenditure budget, distinct from the public funding model, and separates it from the accounts of the Public Treasury. The aim is for the museum to become self-financing, with a 40:60 ratio of private to public funding.

[17] Law 16/1985 on Spanish Historical Heritage and Royal Decree 620/1987, which regulate state-owned museums.

[18] Law 46/2003 of November 25, regulating the Museo Nacional del Prado.

[19] It is a public body, with its own legal identity and full capacity to act, publicly and privately, to fulfill its purposes.

- *Autonomy of action:* The law removes the requirement for prior authorization of the museum's activities and expenditures, though the audit requirement is maintained.
- *Autonomy in employment practices:* The law establishes professional standards for the museum's top management and skilled workers. The Prado is allowed to recruit staff on the open market, bypassing civil service requirements.
- *Modification of the relationship between the Board of Trustees and the Director*, concentrating executive power in the hands of the Director. The Board of Trustees is not a board of directors, although it does have power of approval over the museum's activities and charges, the annual accounts, and the appointment of the Director.

Organizational and staffing structure

The Prado has a Director and two divisions: Administration and Curatorial. Administration is responsible for budget management, staffing, and operations, while Curatorial is responsible for the permanent collection (study, restoration, cataloguing), temporary exhibitions, educational programs, and research.

The museum has 390 employees, plus contracted services staff (security, cleaning), bringing the total to 550–600 people. In 2002 most of the staff were unskilled, many of them working in security in the galleries, with an average of more than ten years' service. Most were union members, which meant that any dispute had a major impact: even if only 30 people followed a strike call, exhibition rooms would have to close, which naturally generated bad publicity. The rest of the staff consisted of a small body of curators, who were responsible for research and conservation; a team of restorers; and a variety of skilled craftsmen (such as carpenters and painters), as well as administrative and management staff.

The 2003 reform was designed to change the museum's relationship with its staff. A third of the direct employees (the most highly qualified staff, basically the curators and restorers) were civil servants. They were given the option of remaining as civil servants or becoming regular employees while retaining their status as civil servants on special assignment. Most chose the latter option.[20] This reform was accompanied by a significant increase in salary levels and a change

[20] The remaining civil servant posts will be eliminated when they fall vacant.

in the compensation structure, to provide a base salary with a comprehensive system of job-specific bonuses. The museum established a competitive salary structure for unskilled and semi-skilled employees. It also increased headcount in understaffed departments and services and created new administrative and management areas, including press relations and maintenance.

Another change was in the approach to staff training, giving priority to the needs of the museum over employees' personal preferences.

As part of the reform, the Prado established its own collective bargaining agreement,[21] which took into account the various tasks to be performed in the museum. The agreement classified all the jobs in the Prado and specified the functions and qualifications required for each position. It also allowed for the recruitment of European workers without requiring specific recognition of their qualifications, in compliance with the Bologna Accords.[22] This led to the hiring of the first German curator. Finally, as a result of a partial retirement plan affecting nine percent of the initial workforce and the increase in staff, nearly half the workforce was renewed: by 2009, 40 percent had been recruited since 2002.

The museum's sources of income

The Prado's budget for 2007 totaled €47 million, one third for staff costs, another third for building maintenance and temporary exhibitions, and the rest for general overhead. The museum's main source of income is admissions to the permanent collection and temporary exhibitions, which in 2007 generated €6 million, 85 percent of total income. Admission to the permanent collection costs €6, and is usually €8 for temporary exhibitions, with various concessions and discounts for students, seniors, and others.[23]

Other secondary sources such as catalog sales, merchandising (posters, t-shirts, and so on), space hire for events, and services such as the

[21] Until then it was governed by the general collective agreement for public employees.

[22] European Agreement to harmonize European higher education, adopted by 29 European countries (all the European Union plus Iceland, Norway, and Switzerland). It calls for common recognition of qualifications without national approval procedures. The deadline for implementation is 2010.

[23] The Louvre offers a combined ticket for the main museum and temporary exhibitions costing €13; admission to the permanent collection only is €9.

cafeteria and restaurant make up the remaining 15 percent of income. Revenue from temporary exhibitions is limited by their short duration (two or three months) and the limited capacity of the exhibition rooms.

At the same time, there are other significant sources of income:

(a) *The Benefactors' Plan.* This is a four-year commitment to the museum, aimed at large corporations, with an annual contribution of €625,000. The Prado also receives corporate and government sponsorship for specific activities.

The benefits for sponsors are largely image-related: presence at opening ceremonies, and inclusion of the sponsor's logo in the Prado's publications and high-profile advertising. Other benefits include private visits to the museum and use of museum space for annual events.

In 2007 the Prado earned €5.8 million through sponsorships, 34 percent more than in 2006.

(b) *Prado Itinerante.* Taking advantage of two very special circumstances of the Spanish financial system and the museum itself,[24] Prado Itinerante ('Traveling Prado') is a program of exhibitions designed for outlying provincial museums and exhibition spaces. It is based on a €600,000 contribution by the savings banks[25] for two exhibitions in the provinces in which they operate. These exhibitions bring works from the Prado collection to a wider audience, and in part feature works that are otherwise in storage or on loan to other cities in Spain and abroad. The exhibitions are often held in facilities belonging to the savings banks themselves, many of which own large cultural centers, or else in provincial museums and galleries.

(c) *Production of exhibitions for other museums.* Some large museums loan part of their collection, including pieces in storage, for temporary

[24] The so-called 'Prado Disperso' ('Dispersed Prado'), which are museum pieces deposited in the museums and galleries of many Spanish provinces due to lack of space in the Prado itself, and which today form a significant part of those museums' collections.

[25] *Cajas de ahorro*: regional or local credit institutions, characteristic of the Spanish financial system, which are required by law to spend 30 percent of profits on social programs (including the environment, culture, and welfare). They spend an average of €500 million per year on cultural patronage. Source: 'Annual Report of the Spanish Confederation of Savings Banks', 2006.

exhibitions in museums abroad.[26] This is a way of raising funds and of promoting the museum. The institution that receives the exhibits pays all costs, plus an exhibition fee; this investment is offset, however, by ticket sales, as exhibitions of this kind usually attract large numbers of visitors.[27] It is not the Prado's usual policy to organize such exhibitions for foreign museums. Nevertheless, in 2006, at the request of a Japanese company that bore all the costs, including the exhibition fee, the Prado produced 'From Titian to Goya. Masterpieces from the Prado,' which received more than 800,000 visitors in Tokyo and Osaka. All the works exhibited came from the Prado, which earned a rental fee plus all expenses. A similar arrangement had been made in 2001, under the Prado's previous director, at the request of the same company.

(d) *Prado Difusión*. Until the reform, the Prado had granted the rights to market its image inside the museum to an outside company, in return for a share of that company's profits. With the creation of Prado Difusión, a company directly owned by the Prado, this policy changed and the museum took direct control of its brand and productions. The goal of Prado Difusión is to maximize the profits that go directly to the museum, while respecting the museum's image in product design. The creation of this new company and the expansion of the museum building did not result in large spaces being set aside for shops and cafeterias; instead, priority was given to the collection.

Prado Difusión designs the exhibition catalogs, as well as notebooks, pencils, t-shirts, and so on, for each temporary exhibition, and for the permanent collection. Visitor surveys show a high level of satisfaction with the quality of these products. Prado Difusión's revenues

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[26] The exhibition 'Treasures of the World's Cultures,' produced by the British Museum for the Museum of Beijing, was seen by over 300,000 people in 2006. On the occasion of the 2008 Olympics, the exhibition 'The Ancient Olympic Games,' with pieces from the British Museum, was exhibited in Shanghai and Hong Kong.

[27] *The Annunciation* by Leonardo da Vinci was exhibited in the Tokyo National Museum in 2007. It was a single-piece exhibition, called 'The Mind of Leonardo. The Universal Genius at work,' provided by the Galleria degli Uffizi in Florence, which attracted 10,000 people daily, 800,000 in total. The removal of the piece from Italy – the last time it had left was during the Second World War in order to protect it – led to strong protests, which were joined by a large group of Italian intellectuals.

(approximately €1 million) account for one percent of the museum's income. Prado Difusión also controls the restaurant and cafeteria services, which are operated by another company under a concession agreement. Foreign visitors visit the gift shop the most, and also spend the most once there.[28]

The program for renting out space for events has been very successful, with revenues increasing tenfold in the last four years. The museum may be rented for any activity considered compatible with the facilities it has to offer; usually, such activities involve drinks and a private visit. The prices are not decided by the museum, but by law.[29]

The Prado's visitors

Visitors to the Prado are similar to visitors to other major museums in that they do not come to wander, but to see particular works. *Las Meninas* by Velazquez, for example, is the most viewed painting, followed by works by Goya, El Greco, and Hieronymus Bosch. The typical visitor is a young adult, under 35, with higher education, employed, and with an average income. There is a slight predominance of women.[30] Visitors also tend to have limited time for their visit, especially the organized tour groups, whose visits usually last one-and-a-half to two hours. There are two distinct types of visitor: those who visit the permanent collection (84 percent Spanish and foreign tourists, with a total of around two million visits) and those who visit the temporary exhibitions (predominantly Spanish residents).

In 2003, for the first time, the Prado received more than two million visitors. The number has continued to grow ever since, rising by 20 percent in 2007 (2,663,174 visitors) and three percent in 2008 (over 2,700,000). Approximately 57 percent of visitors are foreign tourists, yet the strongest growth has been among Spanish residents, especially from Madrid[31] (up 40 percent in 2007 compared to the previous year). This growth has been driven by the temporary exhibitions, and also by the inauguration of the extension in late October 2007 (the biggest increases in domestic visitors were recorded in the following November and December).

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[28] In 2007, 20 percent of visitors went to the cafeteria and shops, and nine percent to the restaurant.

[29] Law of Public Fees and Prices.

[30] 57 percent of visitors are women.

[31] Madrid residents are the museum's primary target audience (24 percent of the total, almost 600,000 visitors in 2007); 40 percent visit at least once a year.

Exhibitions

The vitality of a museum is measured in the quality and number of exhibitions it organizes. Major museums like the Prado do not 'rent' exhibitions;[32] each project is the result of research by Prado staff. There are two approaches, used simultaneously:

- *Own productions:* Exhibitions produced by the Prado on its own, using its own staff. The museum does not usually stage more than two solo productions per year, as they require a very considerable effort.
- *Coproductions:* Exhibitions produced in collaboration with other museums, which from the outset are designed to travel to various places ('touring'). Coproduction facilitates the loan of artworks by pooling the collections of different museums. An example is the Francis Bacon exhibition that toured London's Tate, the Prado in Madrid, and the Metropolitan in New York. Under its new statutes the Prado was able to start a program of coproductions with other prestigious museums. Of the three major exhibitions planned for 2009, two were joint ventures with other leading institutions (Tate, London, the Metropolitan, New York, and the Louvre, Paris). These coproductions are set up so that 80 percent of the works travel to all of the sites; the remaining 20 percent will vary at each venue, allowing the exhibition to be customized with works from, or linked to, each institution's own collection. Common costs (packaging, transportation, catalog, and so on) are shared, while the costs of on-site assembly, advertising, and so on are paid by each institution. The Prado is continually lending works (except for iconic paintings such as *Las Meninas*) as part of these sharing arrangements among museums.

The Prado's major exhibitions cost an average of €1 million each, and are partly financed by sponsors, who on average pay 50 percent of the costs. This means that ticket and other sales are a source of income for the museum, which can be invested in other projects. A very large percentage of the cost of exhibitions of original works is for transportation, which is entrusted to specialized companies. Exhibition costs do not usually include salaries and other internal costs, which are charged to the general budget.

[32] This applies, for example, to exhibitions of ancient Egyptian art, which are 'rented' for a fee. The Tutankhamun remains, exhibited in many countries, were seen by more than three million people in the US alone.

Prado Difusión produces a specific line of products for each temporary exhibition, including the catalog, where academic considerations take precedence over commercial ones: if the catalog stretches to 600 pages because it has been written by the world's top curators, it will still be published, even though it is then more difficult to sell.[33]

As a result, the production cost often exceeds the retail price, which is set at around €40 so as not to be too expensive. Even so, fewer than one percent of visitors buy it.[34] The Prado has adopted the practice, common among museums aiming to balance their accounts, of entering into copublishing agreements with specialized firms. The museum provides the content and sells the catalog in its gift shop, while the copublisher prints and distributes it through other sales channels outside the museum.

Facilities

The Prado, located in downtown Madrid, forms a triangle with two other major museums,[35] in what has been called the 'Paseo del Arte' – literally, the Art Walk. Prior to its expansion, the Prado occupied the 28,000 m^2 Villanueva Building, whose large central hall with rooms either side traced a chronological journey through the history of painting, mostly Spanish, Dutch, and Italian, from the thirteenth to the nineteenth century. Like most European museums it began as a repository of royal collections. Its collection grew so rapidly that by the end of the nineteenth century there was not enough space to house it, so it was divided between provincial museums and official institutions.

Besides there being insufficient space to display the collection adequately, the museum lacked the necessary facilities for the flow of visitors it received. The reception area was inadequate, there were no restaurants or cafés, and the gift shop was not big enough for such an important museum. Various options for increasing the floor area were examined, from building more floors underground, as at the

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[33] In the temporary exhibitions held in 2007 the catalog was the least purchased item, the most purchased being gifts and stationery. This customer behavior differs from previous years, when the catalog was the most purchased item.

[34] In most of the world's museums the percentage of catalog sales per visitor is not even one percent. The selling price is kept at a level considered reasonable, so as not to reduce sales.

[35] El Museo Nacional Centro de Arte Reina Sofía, devoted to contemporary art, and the Museo Thyssen-Bornemisza.

Louvre, to the solution that was finally adopted: linking the Villanueva Building with the former cloisters of the San Jerónimo monastery, facing the museum, via a new building connecting the two. This added another 15,000 m^2, increasing the original area by more than 50 percent. Furthermore, once some services had been transferred to the new extension, the Villanueva building recovered more than 3,000 m^2 of usable space for the permanent collection. The Moneo extension is part of a more ambitious expansion plan, which over the next few years will see the Prado take over two adjoining buildings to constitute what management has dubbed the 'Prado Campus'.

The biggest change brought about by the expansion, however, is that for the first time the Prado has specific rooms for temporary exhibitions. Until October 2007 it had to relocate pieces from the permanent collection to make room for temporary exhibitions, with the added difficulty that some of the best-known paintings must always be on display and cannot ever be put into storage. To organize such moves, weekly schedules were drawn up which established when certain rooms would be opened, when others would be closed, and which works had to be rehung and where. This had knock-on effects, such as changes in the circulation of visitors through the museum, changes to the printed brochures, changes to the information on the website, and so on.

With the extension, the process has been greatly simplified, as the museum now has dedicated spaces specially designed to house temporary exhibitions. It takes about four weeks to mount an exhibition, including preparing the space (painting, installing dividing walls) and hanging the paintings. Once a temporary exhibition is over, the rooms are emptied and returned to their original state, which takes approximately two weeks. The process can then begin again.

The new expanded facilities have four temporary exhibition rooms covering a total of over 1,400 m^2. Three of these are 400 m^2 in area and more than 5 m high, making them ideal for larger works, while the fourth is a smaller room, with 95 m^2 of floor area and a height of 4.6 m, suitable for exhibitions of smaller paintings, drawings, and sculptures. Often, a large exhibition will run run simultaneously with a small or medium-sized one. The Prado organizes around three large exhibitions per year.

Creation of new departments

1. Exhibitions

The Exhibitions Department was created in 2002. Previously it had been a small unit with no staff of its own. When the new department was created, its staff was increased and it was given its own budget, along with responsibility for all exhibitions – temporary exhibitions, the permanent collection, and traveling exhibitions ('Prado Itinerante'). It was created to work on large exhibitions, and in 2003 established a rolling four-year program, making it one of the museum's most important departments. The exhibitions are seen as essential for attracting new audiences and retaining regular visitors.

Between 2003 and 2007 priority was given to temporary exhibitions of great artists to mark the relaunch of the museum, culminating with the opening of the extension. 2003 marked a milestone in the museum's history, with exhibitions focusing on Vermeer (February), Titian (June), and Manet (September), all in-house productions.

2. Visitor Services

In 2003 the Visitor Services Department was set up with the objective of maintaining visitor satisfaction by ensuring the quality of the visit. One of the first steps in this area was the creation of the Visitor Services Center telephone service, operated by a specialized company. This center channels group visits, distributing them into time slots during the museum's off-peak hours, thus avoiding congestion at peak times.[36] Previously, groups, which account for 20 percent of the museum's visitors, could arrive unannounced at any time, making visitor management much more complicated.

The Prado's management also changed the rule, applicable to all state museums, whereby entry was free at weekends.[37] To make up for charging at weekends, the Prado offered free admission for the last two hours on weekdays and Saturdays, and the last three hours on Sundays. This made Sundays less crowded, brought in more visitors during weekday off-peak hours, and boosted revenue from admissions.[38] Even so, the hours of free admission still had an impact on revenue, especially in the case of temporary exhibitions, since 28 percent of visitors came during those free hours. Management therefore decided to exclude the temporary exhibitions from the free admission policy.

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[36] With the launch of this service, the Prado introduced a surcharge of €1.50 per ticket for groups.

[37] Admission was free on Saturday afternoons and all day Sunday.

[38] In 2007 the percentage of free entry fell to 46 percent from 53 percent in 2006, and in 2008 the weekend visits were 9.5 percent lower, despite the overall increase in visitors.

Except for three visitor information points, direct contact with visitors is through the security staff in the exhibition rooms. The security guards report to the museum's security service, which is partially outsourced. The head of security is a senior manager and employee of the museum, while some security guards are museum staff and others are contract staff. In a recent survey the guards received an approval rating of almost 8 out of 10 and the rate of complaints was very low (0.03 percent of visitors).

Access and circulation within the museum

The Visitor Services Department tries to ensure that as many visitors as possible come to the museum at an allotted time with pre-purchased tickets and enter without queuing. In practice, however, only two percent do this, as the general public continues to buy their tickets at the ticket office.[39] The tickets are bar-coded to provide comprehensive statistical information about the type of admission and time of visit.

The museum entrances have been greatly simplified, with the ticket office located in a separate area. Each entrance is named for the statue that stands in front of it: 'Goya,' 'Murillo,' and 'Velázquez,' and the new 'Jerónimos' door, which is the one most visitors use as it gives access to the temporary exhibitions and cafeteria.[40]

The management tries, by various means, to prevent queuing at the entrances, although queues do still form for several reasons:

- At the ticket office, because of the range of admission prices: not knowing what type of ticket they need, people first ask for information. Also, visitors who are entitled to a discount must present proof of their status as retirees, students, unemployed, and so on, and this has to be checked by ticket office staff.

[39] 46 percent of visitors know about the advance booking service, while more than 90 percent are unaware of the annual or tourist passes.

[40] 'Murillo' is the entrance for schools and cultural groups. The 'Velázquez' entrance, in the museum's main façade, is for individual visitors, privileged groups such as Friends of the Prado Museum or holders of the Art Walk tourist pass, and VIP tickets. This is also the door used for opening ceremonies in the main museum building. 'Goya' is for individual visitors. 'Jerónimos,' the entrance to the new extension, is the most frequented, as it is the access for temporary exhibitions; it is also where the shop, cafeteria and visitor reception area are located.

- At the entrances, because of security checks (walk-through metal detectors and X-ray systems for bags).
- Because the museum has reached capacity: the number of visitors inside the museum is monitored by cameras and the security guards, who are in contact with the ticket office and can give instructions to temporarily halt admissions. The ticket office supervisor monitors capacity in real-time, as the ticket office clerks have instant data on the number of tickets sold at any given time. The actual capacity of the museum is difficult to define, as visitors tend to concentrate in certain rooms, such as those housing the masterpieces by Goya, Velázquez, Murillo, and Rubens, while other rooms may remain relatively empty. Monitoring capacity is far easier in the temporary exhibitions, which have a fixed route through a specific space. When an exhibition reaches capacity (around 200–300 people, depending on the size of the space), the inflow of visitors is halted.
- During the hours of free admission: from 6 to 8 p.m. daily the museum can be visited free of charge, so at 5:30 p.m. queues begin to form.
- Because of group visits. The entry of groups and their movements are regulated to ensure the quality of the visit; up to four groups of up to 25 people each are admitted every 15 minutes. Groups may stay in the museum for one hour and 15 minutes, and are given stickers to wear, showing their arrival and scheduled departure times. Members of the group may stay in the museum after the group departure time, but must not move around as a group. Group visits are scheduled for the least busy times of day. Every year around 500,000 visitors tour the museum in groups.

The future of the Prado

For the Prado's management, the challenges the museum will face in the years ahead are rather different from those it has faced in the recent past. The changes already set in motion must be consolidated and the volume of visitors and revenue must be maintained, despite the economic recession.

The Prado's plans are to continue with its intensive exhibitions program, featuring works from its own collection and collaborations with other major museums abroad. In this new phase there will be a focus on the permanent collection, which will be reorganized to exhibit works long held in storage, such as the collection of nineteenth-century paintings now permanently on display in the galleries.

To boost its revenues and maintain the 40–60 balance, the Prado will expand the range of services it offers to visitors and develop the sales capacity of its new business division, Prado Difusión, which receives more than two and a half million potential customers per year in its gift shops. The use of online and external channels to sell the division's products is under consideration.

All these initiatives will have to be combined with other challenges that will arise over the next few years: a further expansion into a nearby building, the Salón de Reinos, where more rooms for temporary exhibitions will be built; the opening of the Casa de los Águila in Ávila to centralize management of the collections ('Prado Disperso'); and the Prado School, a project in which the museum's curators will be able to teach students from around the world.

5
Designing a Strategy

Adrián Caldart

In this chapter we focus on the strategic management of cultural institutions. Our research reveals an urgent need for sound strategic analysis to stimulate the development of novel ways of creating value, notably through stronger customer orientation. The purpose of this chapter is therefore to familiarize the reader with a set of concepts and frameworks that are usually employed at the time of designing a strategy for an organization. We start by defining strategy and characterizing the distinctive nature of strategic decisions. We then explain the steps involved in designing a strategy, using examples taken from both the cultural and corporate sectors.

What is strategy?

One simple way of defining strategy is as the best theory or plan that an organization can develop on *how* to achieve its fundamental purpose. Generically, we can say that the fundamental purpose of any organization is to create value by using its resources and capabilities to achieve certain socially valuable objectives. A business organization can be said to have created value once it has acquired long-term competitive advantages that result in a high return on capital invested. It is this high return that enables the organization to reward those who have contributed to creating value (labor, capital, and management) and reinvest resources in order to secure the long-term survival and development of the organization.

Assessing whether a cultural institution has created value is less straightforward, as high financial returns are hardly the fundamental purpose of these organizations. In the cultural context, value-creation results from the relationship between the multiple social benefits provided by an institution and the cost of the resources invested in achieving them. In the absence of a (more or less) objective value-creation measure such as profitability, the process of choosing and balancing a cultural institution's corporate objectives becomes a highly political one. Yet it is worth noting that recent years have seen a shift in the balance of objectives in favor of economic considerations. Cultural organizations around the world are increasingly being forced to reduce their reliance on government budgets and develop independent sources of revenue. The cases of Tate and the Prado illustrate the more market-oriented approach being adopted by cultural institutions today.

The distinctive nature of strategic decisions

As organizations act in their competitive environments, offering goods and services, they receive feedback in the form of customer acceptance of their products or competitors' responses to their initiatives. When an art museum launches an exhibition, for instance, it experiences a certain public response to that initiative and possibly a reaction from other institutions that compete for the attention of people who have an interest in culture and who, more broadly, want to find pleasant ways to spend their leisure time. The museum may also generate reactions from potential donors, who, depending on the quality of the exhibition, may be more or less inclined to sponsor the institution.

By processing the information embedded in this feedback, the organization generates new learning, integrates this learning in its knowledge base, and generates new actions out of its (confirmed or revised) set of hypotheses about how to conduct activities. Through recursive processes of this sort, an organization's actions in the competitive environment become the practical application of the organization's knowledge, which in turn had been informed by previous actions. In this way, thought (that is, the organization's set of hypotheses about what works and what does not work in its competitive environment) develops out of action, and action develops out of thought, in a continuous cycle of learning (Simon, 1969; Frischknecht, 1993).

It should be clear from the above that strategic decisions usually concern situations characterized by *complexity* – as they normally involve most, if not all, of an organization's activities – and *uncertainty* – as they are affected by the behavior of other organizations operating in the same environment.[41] In the absence of reliable knowledge about

[41] As we cannot read the minds of our competitors, it is extremely difficult, if not impossible, to strategize in a purely analytical way.

how this process of *interdependent rationality* between organizations will unfold, an organization can only hypothesize about the implications of different possible initiatives and learn more about them through interaction with other actors (Frischknecht, 1993). In these situations, managers face the extremely difficult task of making decisions that demand a long-term perspective and committing major organizational resources long-term in an environment that is unlikely to stand still, 'waiting for us to execute our plans.'[42]

The videogame console industry provides an example of how difficult it can be to manage the dynamics of a competitive environment, and how costly strategic mistakes can be for organizations that choose the wrong strategy. In this relatively young industry (less than 40 years old), big organizations such as Atari and Sega evolved from 'zero to hero and back to zero' in just a few years due to their unique strategic achievements and equally singular mistakes. More recently, price wars between Sony and Microsoft, both striving to establish their consoles as ubiquitous home entertainment platforms, led to poor performance for the contenders but benefitted customers, in the form of lower prices, and third-party developers of 'blockbuster games,' by offering them more attractive deals.[43]

The high level of uncertainty associated with strategic decisions may sometimes decrease as actors converge, in their interaction in the marketplace, toward a set of 'rules of the game.' In so doing, they stabilize the competitive situation, as the volatility of the variables that characterizes competition in the industry is reduced. For instance, when the price structure in an industrial sector converges around certain reference values or 'focal points,' typically established around the pricing policy of the market leader, the uncertainty regarding the evolution of these organizations' product prices is substantially reduced, at least for a period. Or in the case of oil organizations competing in the distribution segment (gas stations), it is common to find a situation where the market leader sets the price level and the remaining organizations react by adjusting their prices around it, following highly predictable patterns.

In the (unlikely) case that an organization faced an extremely stable environment, it could permit itself the luxury of assuming, at least for a while, that the environment was static. It could therefore isolate itself

[42] As Mintzberg humorously suggests in his criticism of the analytical approaches to the study of strategic management (Mintzberg, 1994).

[43] For a comprehensive analysis of the videogame console industry, see Hagiu and Halaburda, 2009.

from the 'nuisance' of having to worry about other actors' behavior and focus only on technical and managerial issues relating to the business. One example of a situation of this sort was the sugar industry in Europe before the regulatory changes that took place in 2008 due to pressure from the WTO. With output and price levels regulated by the EU, as well as generous export subsidies, incumbents in this industry lived a 'country club life,' focusing their efforts simply on managing their operations efficiently in order to minimize their conversion cost. An organization that has a natural monopoly, due to the extraordinary success of its value proposition, would find itself in a similar situation. Such would be the case of a museum with a unique collection: the British Museum, for example, or the Metropolitan Museum of Art in New York, or Madrid's Prado. It is very hard for competing museums, no matter how well endowed they are, to match a collection built by Spanish monarchs over the last five centuries, so the Prado benefits from a competitive advantage that seems too strong to be beaten. This explains the Prado's long-term success in terms of visitor attendance, even though, until specific new legislation enabled the museum to reorganize in 2003, its management practices and governance structure were far from dynamic and effective.

In essence, we can say that the ultimate accomplishment of a strategist is to achieve a competitive position of this kind, in which the organization 'isolates' itself from the forces of competition due to its extraordinary success in the marketplace, coupled with strong barriers that prevent competitors from challenging its position.[44] Other examples of very strong (though not absolute) market dominance leading to extraordinary long-term profitability are Microsoft in the computer operating systems market, with Windows™ and Microsoft Office™, and Intel in the microprocessor business.

Developing a strategy

The strategy development process can take different forms, ranging from completely informal, based on the thoughts of a 'visionary' individual, to fully explicit, based on a process of analysis and thought shared by several key members of the organization. Informal strategy development is typical of small organizations, in which the leader has

[44] In the case of the Prado, the main barrier to entry is the prohibitive cost of creating a collection of paintings that could rival the Prado's.

clear ideas about how to succeed but rarely makes them explicit. Fully explicit strategy development, by contrast, is characteristic of large organizations, in which the strategy development process is formalized in discussions at the senior officer level, frequently aided by analytical support and input from middle managers and external consultants. In its more formal version, usually regarded as the 'rational' approach to strategy making, strategy development follows the steps shown in Figure 5.1. In the rest of this chapter we will analyze these steps individually.

Mission and mission statement

The mission of an organization reflects its long-term purpose, as well as the main policy decisions or 'value premises' (Simon, 1997) that orient its action. A mission focuses and delimits an organization's business domain. For instance, if a company's mission is 'to be a logistics organization partnering with major organizations operating in the EU,' it should be clear to members of that organization that they are not expected to (and should not) engage in strategic initiatives in China or develop serv-

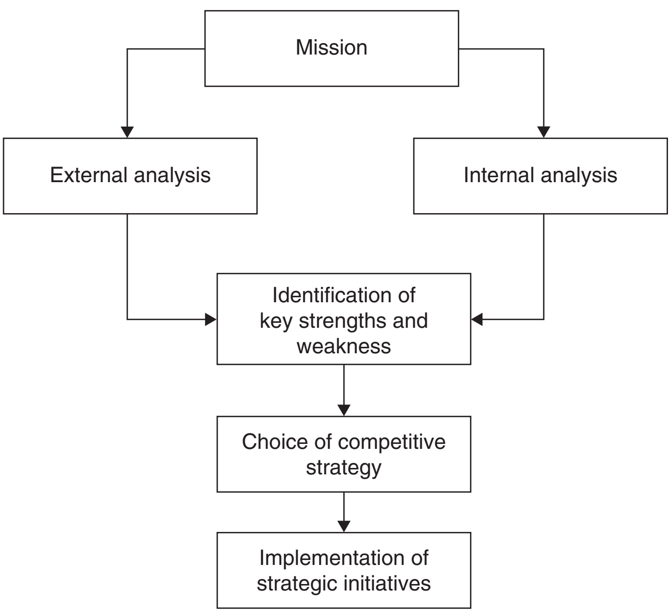

Figure 5.1 A 'rational' approach to strategy development

ice solutions tailored to SMEs. The acclaimed investor Warren Buffett stated several times that he only invested in organizations with a proven track record and competent and honest management teams. While this definition is broad in nature, it excludes the purchase of businesses that require a major turnaround or the appointment of new management (no matter how attractive the company may be).

Organizations craft their missions in the form of written sentences, known as 'mission statements.' Mission statements can be found on organizations' websites and in annual reports and institutional brochures. They are useful communication tools in big organizations. By stating basic premises such as what the organization's sphere of action is and what values are encouraged by the organization, effective missions give employees a broad framework to orient their action. In smaller organizations such communication can be achieved informally, making mission statements less necessary.

It is worth reminding ourselves that 'mission statement' is not synonymous with 'mission.' Organizations may have great, inspiring missions that inform everything they do without ever publishing a mission statement. Conversely, many organizations craft very elegant mission statements printed in glossy brochures, but actually behave in ways that contradict them. This lack of coherence can have devastating side-effects for the organization, in the form of employee cynicism, loss of motivation, or lack of trust on the part of business partners. To illustrate, let's take a fragment from the energy firm Enron's statement of values: '*Integrity: we work with customers and prospects openly, honestly and sincerely…*' (Enron, 1999). This mission statement was published at the same time as senior management was engaging in activities that defrauded investors, partners, and employees. Most large, well-run organizations, however, have mission statements because they are useful as a tool for communicating the organization's mission, and most are managed accordingly. Contains several examples of contemporary mission statements from corporations and cultural institutions.

Box 5.1 Examples of mission statements

Deutsche Bank (financial services): We compete to be the leading global provider of financial solutions for demanding clients while creating exceptional value for our shareholders and people.

Smithsonian Institution: 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.

Iberdrola (energy): We want to be the preferred organization for our commitment to the creation of value, people's quality of life, and environmental care.

Guggenheim Museum, Bilbao (modern art): To collect, conserve and study modern and contemporary art, to exhibit the art of our times from a variety of perspectives in the context of art history, and to reach a broad and diverse audience.

Sara Lee (consumer goods): To simply delight you ... every day. Vision: *To be the first choice of consumers and customers around the world by bringing together innovative ideas, continuous improvement and people who make things happen.*

External analysis

The purpose of an external analysis is to understand the opportunities and threats of both the environment and the organization. For analytical purposes, the external environment is usually divided into macro- and micro-environments. An outcome of the external analysis is the identification of opportunities and threats. Opportunities are situations that an organization can take advantage of in order to improve its position. For instance, cultural institutions from a particular city benefit from city council policies aimed at promoting tourism within the city. Other examples of opportunity sources would be societal or demographic trends that may benefit our activity, or the development of technology that can reduce the cost of our products or services or that enables the incorporation of valuable new features. Threats are situations that are likely to undermine our competitive position if we do not do something to mitigate or neutralize them. Threats may include the emergence of new competition, changing customer tastes, or novel technology that could damage our organization's ability to compete.

The macro-environment. An organization's macro-environment is the broad context in which the organization operates. Factors such as the national or regional economic situation, societal values, the political climate, and demographic shifts need to be well understood and monitored in case they affect the organization's short- and long-term strategic planning. The analysis of the external environment can be organized within the PEST (Political, Economic, Social, and Technological) framework (Box 5.2). The analysis of the external environment has implications, for instance, when assessing the scope that a particular region or country offers for carrying out certain business activities. Organizations aiming to implement business models based on local outsourcing of a

Box 5.2 A 'PEST' analysis of the macro-environment relevant to the museum sector

Political	*Economic*
Current legislation	Funding issues (public and private)
Anticipated future legislation	Taxation specific to goods and services
Government policies	Economic situation and trends
Stakeholders	Economic growth or contraction
International regulations	Museum sector
Employment laws	Consumer drivers
Regulatory processes	Interest and exchange rates
Lobby and pressure groups	Budget allocation
Ecological and environmental challenges	Distribution channels
Issues related to ownership of cultural artifacts	Insurance issues

Social	*Technological*
Demographics	Use of technology in museums
Lifestyle trends	Interactive multimedia exhibition design
Consumer attitudes and opinions	Website development
Consumer choice patterns in leisure markets	Consumer buying mechanisms and technology
Population growth rate	Innovation potential
Ethnicity/religion	Intellectual property issues
Ethical issues	Global communications
Advertising, publicity and public relations	Technology legislation
Media	Information technology
Income distribution	Internet

Source: Adapted and reprinted with permission from Museum Marketing and Strategy: Designing Missions, Building Audiences, Generating Revenue and Resources by Neil G. Kotler, Philip Kotler, Wendy I. Kotler. Wiley-Blackwell, 2008.

business process need to understand the market's technological base. The strategy they propose may be feasible in countries or regions with a rich industrial tradition but more difficult in those with a very poor industrial knowledge base. In the case of multinational organizations, the assessment of a particular country or region's sociocultural values will be critical in determining whether to approach that region with a 'one size fits all' strategy, based on replicating the value proposition of the company's core market (thereby gaining substantial economies of scale), or instead tailoring the value proposition to local tastes and idiosyncrasies (differentiating the offering). An example of the impact of macro political issues on business decisions is Google's highly controversial decision to go against its corporate values and accept censoring of search results for its portal in China, google.cn. At the beginning of 2010 the organization announced that it was 'no longer willing to continue censoring,' a situation that led to a major conflict between Google and the Chinese government. Finally, a consideration of economic factors, such as high market growth potential coupled with low labor costs, explains the massive flow of foreign direct investment (FDI) into emerging markets over the last decade.

The micro-environment. Analysis of the micro-environment focuses on the specific competition that an organization is facing in its market. Such an analysis demands an understanding of market trends (growth, specific regulation, and so on), the strategies, objectives, plans and resource endowments of the main competitors, the bargaining power of suppliers and customers, the objective likelihood that new organizations will enter the market, and the performance of other industries that provide potential substitute products. Figure 5.2 illustrates this analysis by applying to the museum sector the well-known Five Competitive Forces model, developed by Professor Michael Porter (1980). Following Oster (1995) a sixth force ('Donor Support') has been added, as it is especially relevant to cultural institutions and nonprofit organizations in general. Porter (1980, 1996) states that understanding the impact of competitive forces is critical in order to develop a defendable strategic position, that is, a position in which the organization can develop competitive advantages that are sustainable in the long run. In the case of a cultural institution, a defendable strategic position would be one in which the institution is able to create value in the long term by efficiently accomplishing its objectives in terms of social benefits.

Competitive rivalry is strong where there are many competitors of similar strength, as is the case among the big museums in New York or London, or where there are a large number of small cultural institutions. Competition is also strong when consumers perceive minimal differences in the offerings. Museums with strong donor support can create innovative offers and promote their activities in ways that their less well-off peers cannot.

It is worth noting a major difference between the micro-environment of business organizations and that of cultural institutions. The fiercest competition for business organizations comes from peer organizations operating in the same line of business. For example, telecommunication organizations face tough competition from other telecommunication organizations, financial institutions from other financial institutions,

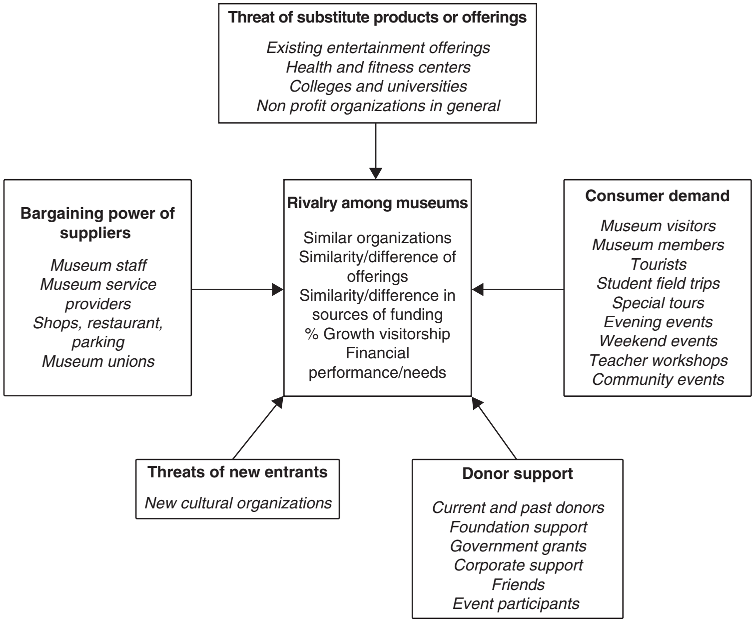

Figure 5.2 Porter's Five Forces Framework + sixth force (Oster, 1995), applied to museums

Source: Adapted and reprinted with permission from Kotler et al, 2008.

and so on. In cultural industries, however, while peer institutions engaged in the same activities do compete with one another, the toughest competition comes from what Porter calls 'substitutes.' For instance, a person or family looking for entertainment at the weekend has a range of cultural options, including concerts, films, plays in the theater, or dance performances, all of which compete closely with each other. Other activities such as playing sports, watching sports events, or simply staying at home playing videogames are also substitutes for cultural goods as sources of entertainment. There are of course consumers who would never substitute a dance performance for a football match or a pop concert, but as cultural institutions try to broaden the public they serve, competing against such a wide variety of ways to spend leisure time becomes increasingly difficult.

The analysis of the micro-environment should above all result in an understanding of the factors in an organization's competitive environment that determine its ability to survive and prosper, that is, its 'key success factors.' In the world of big art museums, for instance, key success factors include the size, quality, and uniqueness of the collection, the ability to organize important exhibitions, and the ability to raise money from stakeholders such as the government and, increasingly, private donors. Figure 5.3 presents a basic framework for identifying key success factors.

In order to survive and prosper in an industry an organization must meet two prerequisites: supply what customers want to buy, and survive competition. Analysis of customer preferences connects the field of strategic management with that of marketing, as it demands an analysis of the *basis* of customer preferences. Surviving competition, on the other hand, demands an analysis of the basis of competition in the industry. To analyze the basis of competition we need a clear idea of the intensity of the competition and its key dimensions. In the eyewear industry, for instance, there are two competitive segments, each characterized by different competitive dimensions: the high or premium segment is characterized by competition through differentiation, based on dimensions such as brands (mostly licensed), endorsement advertising, and design, while the low segment is characterized by 'cutthroat' price competition, based on economies of scale in manufacturing and distribution through nontraditional channels such as retail chains and fashion magazines.

An organization's mission is realized in a set of strategic initiatives that the organization will carry out based on its assessment of the

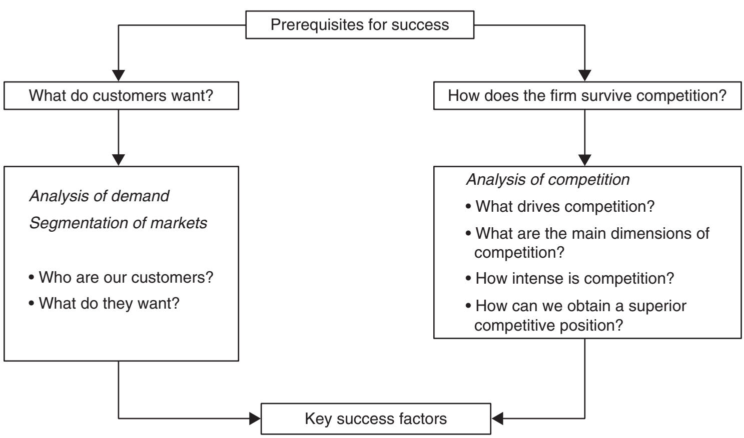

Figure 5.3 Identifying key success factors

Source: Reprinted with permission from *Marketing Management: Contemporary Strategy Analysis* by Robert M. Grant. Wiley-Blackwell, 2005.

external possibilities and its internal capabilities. Before we engage in such initiatives we need to estimate our competitors' likely responses to them. Ideally, we should launch initiatives that our competitors would be unwilling or unable to copy; otherwise, we could start a competitive war with unforeseeable consequences. Our competitors are more likely to respond aggressively to our moves if we challenge them by following the same strategy they are following, or by encroaching on areas that are central to their objectives. Going back to our example of the oil industry, Repsol is likely to respond more aggressively to moves by competitors in Spain, its core market, than to moves in Portugal (while Galp, the Portuguese incumbent, would do exactly the opposite). Knowing our competitors' assumptions about what is or is not important in the industry also helps when assessing their responses. By 2010, Citigroup was busy trying to restore its revenue and profitability, severely damaged as a result of massive recapitalizations and asset sales during the 2008–10 global financial crisis, by strengthening its presence in emerging markets. Its assumption was that, thanks to expected growth in markets such as Brazil and India, this bet would pay off much better than similar efforts in developed markets, where post-crisis growth rates were expected to be slim. Competitive initiatives by competing retail banks in European markets were therefore unlikely to elicit strong responses from Citigroup, whereas similar moves in Brazil or India would. An analysis of competitors' resources and capabilities is also useful in assessing their ability to respond to any competitive initiatives. An important part of the success of the Prado's strategic change process from 2003 onwards was due to a substantial increase in the museum's budget. This extra funding enabled the Prado to increase the size of its facilities, enabling more effective exhibition management, and to improve its workforce profile through strategic hiring, increases in key professionals' salaries, and early retirements. In the cultural sector, resources provided by donors can also decisively influence an organization's ability to engage in major competitive moves.

Internal analysis: Assessing the organization's portfolio of resources and capabilities

The internal analysis, which is performed simultaneously with the external analysis, looks at an organization's portfolio of resources and capabilities, and focuses on identifying the organization's internal strengths and weaknesses. It determines the resources and capabilities that are the best sources of competitive advantage and identifies the areas of the organization that require improvement or change. A very useful framework for accomplishing this internal analysis is the VRIO framework (Barney and Hesterly, 2006). VRIO (Value, Rarity, Imitability, and Organization) relates to four questions that must be asked about a resource or capability to determine its competitive potential:

The question of value

Does this resource/capability enable an organization to exploit an environmental opportunity or neutralize an environmental threat? If it does, the resource/capability is valuable and can be considered a *strength* of the organization.

The question of rarity

Is the resource/capability controlled by only a small number of competing organizations? Valuable resources (see the previous question) are only valuable if they are also scarce.

The question of imitability

Do organizations without the resource or capability face a cost disadvantage in obtaining or developing it? Valuable and scarce resources may be easily obtained or imitated by competitors. Only if this is not possible does the resource/capability have competitive potential.

The question of organization

Is the organization organized in such a way that those valuable, scarce and costly-to-imitate resources can be exploited effectively? Figure 5.4 gives examples of valuable capabilities deemed strengths of well-known international business organizations.

By analyzing an organization's resources and capabilities we can identify its relative strengths in different activities.

Figure 5.4 Capabilities associated with different business processes and business firms

Functional area	**Capability**	**Examples**
Corporate functions	Financial control	Exxon Mobil, PepsiCo
	Strategic management of multiple businesses	General Electric, Procter & Gamble
	Strategic innovation	British Petroleum
	Multidivisional coordination	Unilever, Shell ConAgra. Cisco Systems
	Acquisition management	Shell, Citigroup
	International management	

Continued

Figure 5.4 Continued

Functional area	Capability	Examples
Management information	Comprehensive, Integrated MIS network Iinked to managerial decision making	Wal-Mart Del Computer
R&D	Research Innovative new product development Fast-cycle new Product development	IBM, Merck Sony, 3M Canon
Operations	Efficiency In volume manufacturing Continuous improvements in operations Flexibility and speed of response	Briggs & Stretton, Coopers Toyota, Harley-Davidson Zara, Four Seasons Hotels
Product design	Design capability	Nokia, Apple Computer
Marketing	Brand management Promoting reputation for quality Responsiveness to market trends	Procter & Gamble Johnson & Johnson MTV, L'Oreal
Sales and distribution	Effective sales promotion and execution Efficiency and speed of order processing Speed of distribution Quality and effectiveness of customer service	PepsiCo, Pilzer Del Computer Amazon.com, Zara Caterpillar

Source: Reprinted with permission from *Marketing Management: Contemporary Strategy Analysis* by Robert M. Grant. Wiley-Blackwell, 2005.

Identification of key strengths and weaknesses and choice of competitive strategy

Combining the external and internal analyses discussed above, we can produce a table similar to the one shown in Table 5.1, which lists the activities of a museum and scores them in terms of the museum's relative performance and the relative importance of each activity in the marketplace (which is assessed during the analysis of the external environment).

Table 5.1 Audit of a museum's strengths and weaknesses

	Performance					Importance		
	Major Strength	**Minor Strength**	**Neutral**	**Minor Weakness**	**Major Weakness**	**High**	**Medium**	**Low**
Program								
1. Core product's quality (exhibitions)								
2. Interpretative quality								
3. Information orientation quality								
4. Volunteer services quality								
5. Facility services								
6. Educational offerings								
Audience development								
1. Visitorship level								
2. Visitorship diversity								
3. Repeat visitorship								
4. Visitor service quality								
5. Membership program quality								
Marketing								
1. Image positioning, branding, effectiveness								
2. Public perceptions of accessibility								
3. Promotion and communication effectiveness								
4. Pricing effectiveness								
5. Distribution effectiveness								
6. Product mix								

Continued

Table 5.1 Continued

	Performance					**Importance**		
	Major Strength	**Minor Strength**	**Neutral**	**Minor Weakness**	**Major Weakness**	**High**	**Medium**	**Low**
Finance								
1. Cost/availability of capital								
2. Cash flow								
3. Financial stability								
4. Fundraising effectiveness								
5. Government support								
6. Earned income support								
7. Corporate support								
8. Individual giving								
Organization								
1. Leadership								
2. Staff quality								
3. Entrepreneurship								
4. Innovativeness								
5. Responsiveness to public								
6. Flexibility in the organization								

Source: Adapted and reprinted with permission from *Museum Marketing and Strategy: Designing Missions, Building Audiences, Generating Review and Resources* by Neil G. Kotler, Philip Kotler, Wendy I. Kotler. Wiley-Blackwell, 2008.

The results of an audit such as that shown in Table 5.1 can be displayed in the form illustrated in Figures 5.5a and 5.5b.[45] The right-hand side of the matrix shows the resources and capabilities that have strategic relevance. The upper quadrant shows the resources and capabilities

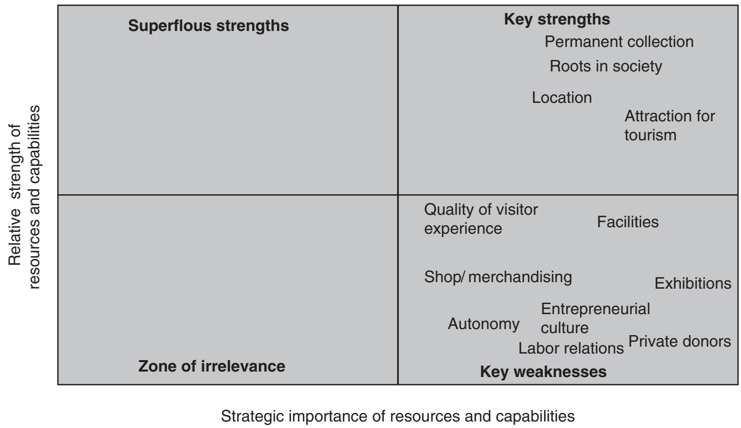

Figure 5.5a Key strengths and weaknesses of the Prado before 2003

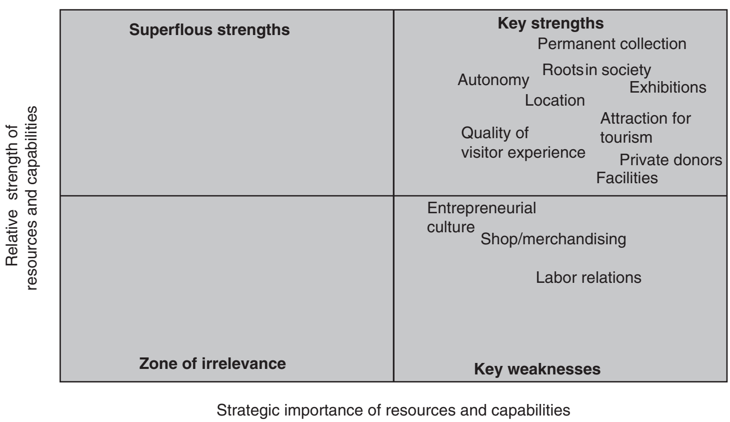

Figure 5.5b Key strengths and weaknesses of the Prado by 2008

[45] The analysis is based on the author's interpretation.

on which the organization can immediately build its competitive strategy, capitalizing on its strengths in strategically important areas. An integrated oil organization, for example, that wants to diversify its business in the area of renewable energies will also want to do so in the area of biofuels, because it will be able to capitalize on its oil refining and handling capabilities. However, it probably could not take advantage of these capabilities in operations related to other renewable energies such as solar or wind, for which it would need to develop complex new technical capabilities. The lower quadrant shows resources and capabilities in which the organization is competitively weak but which are important in the marketplace. If the organization considers that the implementation of a sound competitive strategy, in accordance with its mission, is dependent on any of these resources and capabilities, it should launch initiatives aimed at strengthening them through capital investments, R&D, acquisitions, or partnerships with organizations that possess those capabilities. In the case of the Prado we saw that, consistent with the museum's new mission of reaching a wider public, the director decided to pursue a competitive strategy based on the production of high-profile, high-quality exhibitions. To accomplish this, the museum was obliged to strengthen its relatively weak exhibition production capabilities by developing exhibitions based on the museum's collection and coproducing exhibitions with first-rate American and European art museums. It secured funds for these initiatives by strengthening its fund-raising from large private donors and took advantage of its increased autonomy to develop specific pricing policies for exhibitions.

In short, an analysis such as the one illustrated in Table 5.1 and Figures 5.5a and 5.5b enables an organization to understand its degree of fitness for competition and to arrive at a competitive strategy which will, ideally, be based on its current set of strengths. If that is not possible, the analysis will enable the firm to identify the key weaknesses it needs to overcome in order to be able to develop a consistent value proposition for its customers. The programs and procedures that enable the firm to put its resources and capabilities to work around an overall strategic logic, or that enable it to remedy its key weaknesses, are the firm's 'strategic initiatives.' It could be argued that the Prado still has a long way to go: recent strategic initiatives have enabled it to emerge from its previous, somewhat antiquated management style, but are still far from representing innovative museum management practice.

Strategic initiatives

Strategic initiatives are initiatives undertaken by an organization in order to establish a competitive position by building on its strengths or developing new strengths that will enable it to reinforce its competitive position in the future. They require financial, physical and human resources, clear leadership, operational objectives, time frames, and a budget. In more complex organizations these initiatives are coordinated through plans, usually known as strategic plans. Strategic plans normally have time frames of between three and five years, and detailed monthly budgets for the first year. Table 5.2 lists examples of strategic initiatives aimed at upgrading a museum's merchandising activities. Such initiatives link the organization's 'grand strategy' to the day-to-day running of its activities. They thus become the operational translation of the organization's strategic agenda.

Table 5.2 Strategic initiatives to increase revenues from merchandising activities

Objective	Action	Tasks	Person responsible	Deadline	Budget
Improve quality of goods offered	Develop new suppliers	Explore agreements with suppliers of different types of goods (books, prints, souvenirs, jewelry).	Manager A	June 2010	€
		Negotiate and close agreements with suppliers.	Manager A	September 2010	€
Develop online shop	Develop website	Get external advice to build website/train own staff.	Manager B	December 2010	€
		Train internal IT staff for website maintenance, management and development.		March 2011	€
Improve shop experience	Relocate facilities	Submit case for relocation to director/board.	Manager C	June 2010	€
		Coordinate transition related to relocation with affected areas.	Manager D	September 2010	€
		Upgrade new facilities before launching new shop.	Manager D	October 2010	€

Final remarks

In this chapter we have discussed how to develop a strategy in organizations operating in the cultural sector. The cultural sector presents specific challenges for strategizing. First, cultural institutions have more complex objectives than business institutions, making it more difficult to set strategic priorities. Yet cultural institutions face increasing pressure to become more market-oriented and to self-fund an increasing share of their activity. Second, cultural institutions face strong competition from providers of substitute goods and services. Such generic competition comes from activities as diverse as visual arts, clubs, sports events, music, and even home entertainment.

The outcome of a strategic analysis such as the one outlined in this chapter is a set of initiatives aimed at improving the match between the organization's internal situation, assessed in terms of strengths and weaknesses, and the opportunities offered by its environment. These initiatives translate the organization's strategy into its day-to-day activities.

Overall, our excursion into the world of cultural institutions indicates that most would benefit from sound, 'outside the box' strategic analysis. We believe that most cultural institutions still have a long way to go to adapt their unique resources and capabilities to the multiplicity of customer needs they could serve. In a world in which raging competition from alternative leisure options coincides with shrinking government budget allocations for culture, serving those needs is not an option but an urgent issue, which the cultural sector must address.

6
Gran Teatre del Liceu: Rising from the Ashes

Serge Poisson-de Haro

> On the occult front, it turned out that the Liceu had been built in 1847 on the site of a convent torn down in 1832. Mother Rafols, a nun, responded rather uncharitably by predicting that the opera house would be struck first by fire, then by a bomb and finally by a collapse.
>
> The fire arrived in 1861, burning out the interior in exactly the same way as this year's fire; etchings from 1861 and photographs from 1994 look eerily alike. The theater in those simpler days was rebuilt within a year, but in 1893 a terrorist bomb killed 14 people. Now the roof has collapsed, although it also collapsed in 1861. Actually, the entire theater didn't collapse at either time, and that, along with a pre-fire modernization plan, is Barcelona's biggest advantage when it comes to a prompt rebuilding of this city landmark.
>
> New York Times, May 31, 1994

> If the destruction of the Gran Teatre del Liceu by fire on the morning of Jan. 31, 1994, was a nightmare, the reopening of the legendary opera house was like awakening to find that nothing has changed. The red-and-gold auditorium looked much as it did when the Liceu was inaugurated in 1847 and when it was rebuilt after the last fire in 1861.
>
> New York Times, October 12, 1999

On October 7, 1999 the Gran Teatre del Liceu's new home was inaugurated by the King of Spain. Puccini's Turandot, which had been on the program when the 1994 fire erupted, was the opera selected for the grand reopening of one of Europe's most prestigious opera houses.

While on the surface nothing had changed, many things had indeed changed. This is the story of overcoming the devastating effects of the second fire in the history of the opera house, which was built in 1847 and rebuilt in 1861. The Liceu is one of the great symbols of Catalonia's economic and artistic achievements. From the ashes has arisen a new venue combining nineteenth-century tradition with state-of-the-art technology.

When the theater began to burn shortly before 10 a.m. on January 31, 1994, representatives from the city of Barcelona, the region of Barcelona (the Diputació), the Catalan government (Generalitat de Cataluña) and the ministry of culture gathered in the historic Rambla to watch the fire and set up a meeting for the following morning. Although from different political parties, all voted, during that meeting, for the immediate reconstruction of the theater. On February 1 a team of workers was already on the site assessing the situation with a view to reconstruction. Barcelona's love for its opera house left no doubt as to whether it would be rebuilt. The challenge for the general manager, Josep Caminal, was to find a way to finance the reconstruction and ensure the sustainability necessary to justify it. The total cost, €106 million, would be covered by the Liceu's many stakeholders, the insurance company (€11 million), various sponsors (€42 million), the budgets for 1995, 1996 and 1997 (€20 million), and government subsidies (€33 million). The mission of the new Liceu had to state that this was not only a place for the Catalan elite to gather but a place 'for all,' where new audiences could discover not only the spectacular gold ceilings of the Liceu but also the world of opera.

The new Liceu has 2,340 seats, slightly fewer than its predecessor, but in Europe second only to the Bastille Opera in Paris. The building's total surface is three times the original, with a 70-metre-high tower, four independent stages and the ability to suspend the sets for two operas. It also features a 550,000-litre water tank – to avoid the ravages of a possible third fire. Its foundations are so deep that, to prevent flooding, 50,000 liters of water a day must be pumped into a nearby tank – continually ... all day, every day. This is equivalent to the daily water consumption of a city of 5,000. And the building's electrical power, 9,000 kWh (requiring 400 kilometers of cable), is sufficient to light a city of 10,000. The volume of air moved by the air-conditioning system every hour is equivalent to the amount needed to change the air of a soccer stadium. The Liceu underwent no major renovations between 1861 and 1994. Now it went, directly from the nineteenth century to the twenty-first.

Under Caminal's leadership, a dedicated team was assembled and innovative ways were found to restore the Liceu's place in the cultural life of Barcelona. The groundwork laid during reconstruction (while performances were reduced in number and held in alternative venues) has contributed to the success achieved in the first several seasons of the new Liceu. This work was grounded in the company's 150-year history and in the transfer from private to public ownership. Management has made this rebirth possible by establishing and maintaining an open dialogue with key public and private stakeholders and creating the structures necessary to sustain these collaborative efforts over the long term.

Caminal was succeeded in February 2005 by Rosa Cullell, a top executive in the corporate arena (banking and publishing) and a Liceu enthusiast since childhood. Cullell took on the job to ensure the Liceu's continued success well into the twenty-first century. Upon assuming the position, she found a company that was in better shape than she expected. Her objectives were clear – they were all part of ensuring the sustainability of the Liceu's twenty-first-century business model: maintain artistic excellence to top international standards, ensure growth, implement the management tools necessary to improve efficiency in all areas, educate new Catalan audiences on a large scale, and promote the Liceu name in Spain and abroad through new technologies (the Internet, DVDs and High Definition – or HD). Given the fact that public subsidies would be adjusted for inflation only, reaching these objectives called for cost control and programs to raise funds from both corporate partners and individuals. It appears that all of Cullell's objectives will be met by 2009 – in time for the celebrations marking the 10th anniversary of the Liceu's reopening.

Historical background: A private initiative of the Catalan Bourgeoisie

The history of the Gran Teatre del Liceu is a complex one. It is at once a history of the institution itself and the legal issues arising from its peculiar form of ownership, an architectural history of the building (construction and reconstructions), a history of performance, and a history of the Liceu's audiences and its image.

The Liceu began life not as a great opera house but, rather, as a private club. Like many other venues before it in Barcelona, the Liceu offered theatrical, musical, and vocal performances to people who paid a membership fee. The catalyst for transforming this modest enterprise into a grand theater was its exceptionally large and sumptuous building – the pride of Barcelona in the nineteenth century. The man responsible for this ambitious structure on the Rambla, itself now a candidate for UNESCO World Heritage status, was Joaquim María de Gispert I d'Anglí.

In January 1844 Gispert I d'Anglí was commissioned by the Societat de Propietaris, an association of prominent Catalan families, to purchase the former monastery of the Trinitarian order in the centre of the Rambla, along with the adjacent premises, for the purpose of erecting a theater with all the attendant comforts and luxuries. The Liceu company received favorable treatment from the city council in the purchase of the site. In order to finance the venture, it adopted a system that would affect the theater for years to come. It would execute the project by transferring seats in perpetuity: up to half the total value of boxes and stalls for any shareholder who wished to buy them. This mechanism for attracting capital in return for the perpetual ownership of boxes and stalls was the basis for a system that would last for a century and a half. The system guaranteed annual contributions by members, by way of capital grants, thus ensuring the survival of a management body. However, it gave rise to financial instability, as many of the boxes and stalls – the best ones, in fact – were not managed by the company. This precarious situation would persist until 1980, when the financial crisis at the Liceu became public knowledge upon the death of Joan Antoni Pamiàs. The demise of Pamiàs, general manager for two decades, seemed symbolic, as he effectively represented the exclusively private system that had governed the company since its founding. The financial crisis could be resolved only through government intervention.

From private to public ownership: The collaboration of stakeholders

The Consorci (Consortium)

The year 1980 saw the formation of Catalonia's first democratically elected government, the Generalitat, which had exclusive powers in matters of culture. It was inconceivable that the Liceu, an institution cherished by Catalans, would cease to exist. The Generalitat stood ready to prevent the loss of an institution of such cultural significance, one that had brought worldwide recognition to Barcelona and Catalonia. On December 11, 1980 the Generalitat created the Consorci del Gran Teatre del Liceu, in conjunction with the city of Barcelona and the Societat of the Gran Teatre del Liceu (these bodies would later be joined by the Diputació and the ministry of culture). With the creation of the Consorci, the management of the Liceu effectively fell into the public domain.

The Consorci immediately set itself the task of winning back the Liceu's lost audiences. It made considerable improvements to the quality of the permanent staff, both technical and administrative. It produced works that appealed to the traditional public while also ensuring the survival of more recent traditions. Thus the programming was built around the preeminence of voice, with the return of mythic figures like Joan Sutherland, Mirella Freni, Renata Scotto, Raina Kabaivanska, Alfredo Kraus, Placido Domingo, Carlo Bergonzi, and Renato Bruson. The Liceu also witnessed the debuts of rising stars such as Eva Marton, Edita Gruberova, Ewa Podles, Dolora Zajick, and Roberto Alagna.

The next challenge was to ensure the upgrading of the infrastructure to expected standards of safety, comfort and technology. In 1986 Josep Maria Busquets, an engineer and opera enthusiast, took over as general manager, determined to oversee technical and structural upgrading. The Liceu's lack of space necessitated the expropriation of modest properties in the surrounding impoverished neighborhood of El Raval. This sparked a lively public debate, with the result that the much-needed plans would remain on the drawing board for several years.

Despite the efforts to have great voices create a palpable sense of excitement, which would be reflected in ticket sales, the Liceu faced a sizeable deficit. In 1990 Albin Hänseroth, a prominent German performing arts figure, was appointed acting artistic director. Subsequently, in March 1993, Josep Caminal was appointed general manager of the Corsorci del Gran Teatre del Liceu. The priority was to address the company's financial problems. The appointment of Hänseroth as artistic director led to the opening up of the Liceu to Central European and American trends, with innovative productions by Robert Wilson, Peter Sellars, and other prominent artists. Thus the Liceu was able to take part in the new trends in dramaturgy without abandoning its great vocal tradition.

The Fundació (Foundation)

The extraordinary emotional impact of the 1994 fire was a catalyst for a sense of solidarity within Catalan society that would lead the Liceu to rise from the ashes. At stake was not merely the institution's viability but its very survival. What was needed was reconstruction in a new climate, with the public unambiguously identifying with the Liceu and sweeping along the politicians and business leaders who wished to be associated with the rapid rebuilding. On the evening of January 31 the governing body of the Consorci agreed unanimously to rebuild the Liceu on the original site, on the basis of the prefire Liceu Reform and Extension project of Ignasi de Solà-Morales and Xavier Fabré. On September 5, 1994, in a solemn ceremony held in the Saló dels Miralls (Hall of Mirrors) and presided over by Jordi Pujol, President of the Generalitat, three protocols of great significance were signed. These transferred the Liceu to public ownership and constituted the Fundació del Gran Teatre del Liceu, in which the historical owners of the theater (formerly the Societat) were represented, along with the public bodies and select corporate sponsors.

The Consorci and the Fundació as distinct entities

Part of the difficulty with managing the Liceu in the old days was the fact that there were no separate accounts for the building and the opera company, so that an expensive production might leave no money for the repair of a leaky roof. Under the new arrangement, the building and the opera company are two separate entities. The Consorci, as owner of the opera house, receives the income from renting out the facilities and is responsible for all expenses related to the building. The Fundació manages the opera company on a day-to-day basis. It rents the building from the Consorci and pays the salaries of theatrical personnel. All the functions of the opera company fall under the umbrella of the Fundació.

Sponsorship council

Forty companies sponsored the first season of the reopened Liceu, each contributing some €120,000, and committed to doing so for the subsequent ten years. Today the sponsors number about 100, bringing the total corporate sponsorship to more than €7 million. The sponsors are Spanish companies or subsidiaries of large multinationals. The list includes La Caixa, Telefonica, Freixenet, AXA Winterthur, Iberia, Dragados, Siemens, Canal+, Seat, San Miguel, HP, Toyota, and Cercle del Liceu (donation in kind for the exclusive use of its spaces; the Cercle del Liceu is an exclusive club located in the historic part of the building, which miraculously survived the fire; it counts many of the Liceu's patrons among its members). These corporations reap many rewards in return for their generous contributions. They also voice their opinions and dispense managerial advice to the Liceu management team. The Gran Teatre del Liceu's pioneering model of public-private partnership has been replicated in other Spanish institutions, ranging from universities to museums.

Amics del Liceu (Friends of the Liceu)

Founded in 1987, the Amics del Liceu is a not-for-profit association with a membership of over 1,500 and growing. It is a founding member of FEDORA (Fédération Européenne des Associations et Fondations pour le Rayonnement des Opéras), established in 1992. The purpose of the Friends group is to support the multidisciplinary activities of the Gran Teatre del Liceu. Many of its members donate their time to assist with tours of the opera house.

The reconstruction period and beyond

The reduction to ashes of Barcelona's cultural icon dealt a devastating blow. An opera company with no house in which to perform could itself be threatened with extinction. 'The company must continue to exist and to perform while the house is being rebuilt,' declared Joan Matabosch, who was named acting artistic director in 1996 and artistic director in 1998. Following a review of all major venues in Barcelona, three were identified as suitable for operatic works. Teatre Victoria would be used for both fully staged and semi-staged productions, while the Palau de la Música, a UNESCO World Heritage building, and the Palau San Jordi would be the primary hosts for the Liceu opera company.

The experience of attending the opera is very much linked to the opera house, and the situation in Barcelona is no exception. Many people who were far from opera enthusiasts were eager to attend the Gran Teatre del Liceu to admire its sumptuous gold ceilings. Thus the absence of a house eliminated one of the attractions of going to the opera, and many people cancelled their subscriptions once the performances were no longer held at the Liceu. However, performing outside the house during reconstruction presented an opportunity for the company to experiment with some new ideas.

Tailoring the Liceu's mission to Catalan society

The rebuilding of the Gran Teatre del Liceu generated high expectations in the public and private spheres. The authorities demanded a detailed plan for the new Liceu, to justify the allocation of public funds, while the Liceu's private supporters were no less concerned with the plan for raising this 150-year-old symbol of Barcelona from the ashes. Such a plan was elaborated after consultation with the former owners, the Amics del Liceu, subscribers, and the media. The overall goal was to build on the Liceu's long tradition to create an opera house and an opera company for the twenty-first century renowned for both its artistry and its financial stability. One of the objectives of the plan was to make opera accessible to a wider public by retaining old audiences and attracting new ones. Another was to promote young singers in order to stage performances using younger and less expensive casts. The plan consisted of 18 points (see box below).

The basic aims of the Liceu, then, are to maintain its prized traditions, raise its profile internationally, introduce opera to ever larger segments of the population, and promote opera and the various arts associated with it such that the Liceu becomes a powerful stimulus to creativity and raises the level of culture nationally. Its more concrete objectives are to retain the great operas in its repertoire while also expanding the repertoire to include significant works in the history of the genre that have never or rarely been performed, to incorporate stagings that involve dramatic innovation, to include leading figures in contemporary opera – singers, conductors and directors – in its programming, and to favor the employment of local artists. In striving towards these goals, the Liceu does not simply repeat works, productions or choice of singers; it favors innovative ideas that identify opera as a creative, living art form that is open to new audiences.

Each season, the Liceu offers a series of performances and activities that complement the opera being performed in the main hall. These include a concert devoted to the composer of the opera being performed in the main hall, a presentation on the musical context (On the Occasion of…), which is held in the foyer, and a short presentation of the opera every day on which there is a performance (Prior Sessions), also held in the foyer.

The Gran Teatre del Liceu has no ballet company. However, like many other opera houses, it invites prestigious national and international ballet companies to grace its stage. Rounding out the program are a series of concerts devoted to a single composer or musical aesthete, usually performed by the symphony orchestra and choir of the Gran Teatre del Liceu, and a series of vocal recitals that showcase some of the leading international figures in opera.

Part of the Liceu's programming is devoted to children and teenagers, with the aim of introducing young audiences to opera in order to ensure a pool of future subscribers.

A single season at the Gran Teatre del Liceu represents more than 40 shows, which translates into nearly 300 performances and a total attendance figure of over 400,000. All of this activity allows the Liceu to uphold its 150-year tradition while extending it to include a variety of musical genres and audiences.

Internal and external stakeholders

The main assets of any opera house are its human resources – people with the skills needed to excel in their job, whether on stage, in the orchestra pit or in the offices. At the Liceu, establishing a structure was key to ensuring a strong sense of commitment at all levels, both internal and external, to facilitate the flow of information between the team at the Liceu and its support network. On the management side, skilled professionals were hired. On the creative side, the plan was to develop an orchestra and chorus that could compare with those of the leading European houses.

Approximately 40 percent of the Liceu's chorus members are new to the company. When new artists are required, whether musicians, chorus members, or actors, they are contracted on a freelance basis. The selection process is rigorous. Applicants for the chorus, for example, audition before a panel of eight judges. They first sing behind a closed curtain, then play a part, and last sing with the orchestra before an open curtain. In one audition for the chorus in 1999, 210 sopranos sang and six were finally hired! New members of the chorus serve a probationary period of six months. Interestingly, the number of chorus members hired depends more on the quality of the candidates than on the needs of the house. In other words, just because six people are needed it does not mean that six people will be hired – it could be anywhere from one to ten!

Three committees were formed to reflect the Liceu's new modus operandi. The Fundació del Gran Teatre del Liceu consists of patrons and the executive committee, including the general manager. It represents the city of Barcelona, the Diputació, the Generalitat, the government of Spain, the previous owners, and selected sponsors. The Management Committee represents all department heads under the leadership of the general manager. The Employee Committee represents the union.

Upon its reopening in 1999, the Liceu had 278 permanent employees (versus 424 before the fire). Today it has 416 employees, including 100 members of the orchestra and 90 members of the chorus.

Marketing

The marketing function was introduced in 1996, when reconstruction was underway and the priority was to create an image for the new Liceu and promote the upcoming season. The Liceu had to make the transition from a private theater with an elitist image to public theater for all audiences. Another objective was to secure sponsorships. A media campaign was launched under the theme El Liceu de Tots (The Liceu for All) to let the public know that the Liceu would soon be reopening, and would be for everybody. The campaign's objectives also included recognition of the sponsors for their special contribution. Appropriate media were used based on geographic targeting: television, newspapers, specialty press, the Internet, posters, subway advertising, and ServiCaixa ATMs. The campaign also included mailings, open-door days, and collaboration with opera associations, travel agencies, and tourist offices.

Since the reopening, the average age of audience members has dropped from 58 to 48. One of the key objectives of the reopening plan was to develop new audiences and ensure long-term growth by educating children. The Petit Liceu (Little Liceu – simplified operas for children) has been a tremendous success. The Magic Flute for children was performed over 500 times – an international record. Ticket sales for the Petit Liceu reveal that the number of performances in the main hall has reached its maximum, although there is still potential for growth both at the Liceu and through regional touring.

A priority of the new Liceu was to operate at full capacity. Flexible season packages have been introduced. Subscriptions to the Gran Teatre del Liceu go on sale in June, before the start of the season. Since 1999 three kinds of subscription have been available. The Season subscription has seven series, including most of the season's operas, dance performances, and some concerts and recitals. The Reduced subscription has two series, with operas, dance performances, and some concerts and recitals. Finally, the Popular subscription has five series, with staged operas performed by alternative casts. The Popular formula was successful the moment it was launched, while construction was still underway, and after the reopening it became even more so, since it provided access to the magnificent building at an affordable price.

The advantages of subscribing are many: booking priority; discounted prices; priority in extending the subscription to other performances; ability to change performances up to one week before the show; ability to pay in installments; ability to recover 80 percent on cancellations (for some performances); and purchasing priority for foyer presentations.

The subscription program has enjoyed great success (see Table 6.4). Subscriber loyalty is extremely intense. In the 2006/07 season, 25,000 subscriptions were sold, representing 232,000 tickets. In addition, 62,000 individual tickets were sold. These individual ticket sales are central to the company's Liceu for All policy. Non-subscribers will continue to have access to the theater in future, with subscriptions being maintained at their current levels so that domestic and foreign tourists and young people have ready access to performances. The Petit Liceu is an unqualified success, with 160,000 tickets sold in 2006/07 and significant growth expected. For performances included in subscriptions, over 90 percent of the seats were sold before the season had even begun (the remaining seats have an obstructed or no view of the stage and are not included in any subscription).

Several incentives make the opera affordable for younger audiences. Last-minute tickets for performances that are not sold out two hours before the show allow young people under 26 and students to save 30 percent. Furthermore, a limited number of subscriptions are available at more than 50 percent off to those under 26. Finally, a 'mini' subscription includes four operas, one dance performance and (optionally) one concert.

Corporate and community support

Two programs, Patron and Sponsor, were established during the reconstruction period with support from the business community, while a Benefactor program was introduced in 2007. Since the Liceu was a privately owned opera house for well over a century, there is a will in Catalan society, particularly among subscribers, to support the arts with private funds.

Patron program

The annual contribution required for a company to become a patron of the Fundació del Gran Teatre del Liceu is approximately €130,000. The privileges enjoyed by patrons include membership on the board of the Fundació; use of a box for performances; exclusive use of a room for meetings or during intermission; invitations to meet the artists and to attend rehearsals; limited opportunity to book seats and season tickets for the company's managerial staff; invitations to opening night, annual dinner and other events; use once a year of the theater's spaces – main hall, Saló dels Miralls, foyer, audiovisual room; access to the rooms of the Cercle del Liceu; a mention in all Liceu communications (brochures, posters, programs); public recognition on panels; recognition of contribution in Liceu publicity campaigns; option of using the Liceu image in company publicity; opportunity to arrange visits to the theater and book seats for international performances; discount on purchases in the shop; and tax benefits.

Sponsorship program

The annual contribution required to become a sponsor of the Liceu is approximately €33,000. The Sponsorship Program brings together companies that are leaders in all sectors of the economy and that wish to contribute both to the culture of Spain and to the quality of performances at the Liceu. Sponsorship allows a company to have its corporate image associated with the trajectory of the Liceu while enjoying a range of benefits: tickets to performances; invitation to attend rehearsals; limited opportunities to book seats and season tickets for the company's managerial staff; invitations to opening night, annual dinner and other events; use of the Saló dels Miralls and the foyer once a year; mention in Liceu communications (brochures, programs); mention on panel in foyer; public recognition of contribution in Liceu publicity campaigns; opportunity to arrange visits to the theater and book seats for international performances; discount on purchases in the shop; and tax benefits.

Benefactor program

Although Spain provides no tax benefits for individuals who donate to cultural institutions, the Liceu has introduced a program that offers individual donors access to the Cercle del Liceu, opening night tickets and non-subscription performances. Benefactors contribute a minimum of €3,500 annually.

The Liceu has other programs to attract corporate support. For example, Una nit d'Òpera (A Night at the Opera) enables companies to sponsor a specific performance. Companies can also sponsor a full production from the main repertoire or the children's repertoire, an exhibition, or even one of the Liceu's educational initiatives.

Financial matters

The main goal in any given year is to achieve a balanced budget while meeting the objectives set out in the 18-point plan. Table 6.5 provides income and expenditure data for 1999/2000 and 2007/08. The €29 million in public subsidies is divided as follows: 43.1 percent from the ministry of culture, 38.1 percent from the Generalitat, 12.5 percent from the city of Barcelona and 6.3 percent from the Diputació. Public funds remain constant, adjusted for inflation only.

During the annual budget planning process, the artistic director presents the Management Committee with a proposed program for the season and a decision is taken on each production. In order to ensure the financial security of the new Liceu, management focuses on the 18-point plan, in particular those initiatives that will make a strong financial impact. As we have seen, the plan's two main strategies are the subscription and donation programs. It should be noted that all educational activities are financially sound, since specific sponsors and ticket sales cover the costs of performances for children.

Technical services

The Technical Department oversees the maintenance of the building, which at 48,000 square meters is four times the size of the old Liceu. It is also responsible for essentially making a production happen. There are three possible scenarios: rent an existing production, finance a new production, or share the production costs with another theater (coproduction). The technical director must function within the limitations of the budget. In the case of coproductions, the technical specifications of the partner theater have to be taken into account. Any event staged at the Liceu must get the green light from the Technical Department. The stage administration comprises several functions: tailoring, staging, costumes, stage control, lighting, and media. The Technical Department oversees all logistics such as storage of instruments, costumes, sets, and lights. It also has control over all matters related to purchasing and transport.

Three strategies for the twenty-first century

Educating audiences

In 1998 all educational services were brought together under Artistic Management. This department is responsible for such educational projects as the Programació Infantil (Children's Program), Òpera a Secundària (Opera for Secondary Schools) and One Opera, One Emotion.

The Programació Infantil brings opera and other music to young audiences. The children are accompanied either by their teachers during the week or by their families on weekends or during school holidays. A key objective of any opera company is to develop future audiences, and many studies have found that people will be more sensitive to music if they are exposed to it early in life. The Liceu's experiences in bringing opera to elementary schools and children to the opera have thus far been positive.

With the Òpera a Secundària program, people leave the comfort of their seats, go up on the stage and sing – seeing and experiencing opera from within. Intended to have pupils participate in an opera production by joining the chorus, Òpera a Secundària is a project of the Institut Municipal d'Educació de Barcelona and the Gran Teatre del Liceu, in collaboration with the Centre de Cultura Contemporània de Barcelona and the Institut de Cultura de Barcelona. The work is spread over the school year, beginning in September with two days of teacher training and finishing in the spring with the performances.

Teenagers are a public more difficult to reach than children. With One Opera, One Emotion, teenagers participate in the chorus every two years – and some even sing solo parts. The schools selected are from socially diverse areas of Barcelona and the venues are Catalan public theatrical spaces such as Mercat del Flors and Teatre Lliure. One school per year has full access to the process of mounting a new production. The pupils attend the stage rehearsal, the piano rehearsal, the makeup rehearsal, the orchestra rehearsal, and the full dress rehearsal.

Strengthening the Liceu's international reputation

Twentieth-century composers are gradually becoming part of the Liceu repertoire. The operas of Leoš Janáček are a hit every time they are performed and also serve as a gateway to the works of more modern composers. Thus the Liceu's wide-ranging repertoire plays a role in educating its audiences. Although there is no question that the Baroque repertoire must also be represented, the vastness of this venue cannot provide the intimacy that is so central to Baroque music. There is talk of erecting a smaller, 800-seat venue. In the meantime, the Liceu's traditional repertoire will always predominate.

Coproductions

Coproductions bring an international flavor to the Liceu, reinforcing its ability to secure the top names in stage direction and world-renowned singers. Such major works as Benjamin Britten's A Midsummer Night's Dream and Ambroise Thomas's Hamlet have been adapted to the Liceu stage, to great acclaim. Coproduction combines the budgets and resources of individual theaters, as development costs are shared by the partners. It is very much in line with Liceu policies.

DVDs

All art forms, including literature, music, and painting, are protected by copyright. Opera is no exception. This is why it is forbidden to tape a performance or to photograph any part of it. Some Liceu productions are televised or broadcast on radio. The new theater is fully equipped for broadcasting, with state-of-the-art audiovisual facilities. The auditorium has a total of 60 audiovisual locations (22 of which are completely robotized), accommodating seven video cameras. Copyright, however, is a complicated matter. Each of the following artists and entities can hold copyright: composer, stage director, conductor, lead singer, chorus, and orchestra – the last three for both sound and image. Author royalties must also come out of each ticket sale. The Liceu nevertheless manages to produce about three DVDs each year by special agreement with TDK and Virgin Classics. Its catalog of operas lists some two dozen titles, ranging from the French and Russian masterpieces to the German and Italian classics. The range of productions attests to the Liceu's tradition of balancing the historical with the avant-garde. The catalog includes the reopening production of Puccini's Turandot, a restoration of the historic 1920s production of Verdi's Aida, Thomas's Hamlet starring Natalie Dessay, Massenet's Manon with Dessay and Rolando Villazon, and Wagner's Ring Cycle. Up to six operas are televised each season. Four of these are available on DVD in HD format prior to the broadcast.

Open Opera

A partnership with 50 universities in Spain and South America, Opera Oberta (Open Opera) is consistent with the strategic objective of promoting opera to new audiences. Admission to the Liceu is free for students enrolled in the Opera Oberta program at one of the participating universities.

Cultural Ring

Anella Cultural (Cultural Ring – an apparent reference to Wagner's Ring Cycle) is an initiative whereby 14 theaters located around Catalonia broadcast taped performances at the Liceu using HD technology.

Opera on the beach

For the first time in 2007, an opera was presented live on a gigantic screen on the beach. The production was Vincenzo Bellini's Norma. While 2,000 seats were installed and were available free of charge on a first come, first served basis, many more people watched the performance while enjoying a bocadillo and a cerveza on the beach. This event was also an opportunity for the Liceu to publicize the 100,000 seats available to non-subscribers at the opera house.

Implementing best management practices for financial sustainability

In order to ensure its place among the world's best-managed opera companies, the Liceu uses benchmarking of various industries based on the particular management issue. The entertainment industry (amusement parks in particular) represents the standard for customer service. The Liceu treats its audiences very well. However, there is room for improvement in terms of customer relations beyond the walls of the theater – before and after the thrilling experience of attending a performance at the Gran Teatre del Liceu. The banking sector serves as the example for sales and loyalty programs, since banks know well what their customers do and do not want. The use of telephone- and Web-based customer relations tools is being considered as a way of enhancing these programs at the Liceu.

The development of world-class artistic excellence puts pressure on costs. Since ticket prices can go only so high, these costs must be covered through fund-raising and cost-control measures, in addition to support from corporate and individual donors. The Liceu rents out spaces for special events and is also experimenting with outsourcing. Catering and the Liceu shop are now outsourced, bringing in annual revenues of €1 million. The shop, which opened in 2002, is home to a café, and in 2008 the box office was brought inside it as well. The shop is also a hub for the promotion of theater and opera. It is the starting point for tours of the Liceu, and it includes a media library and a small spherical-shaped auditorium where visitors can listen to music and watch operas on screen.

Conclusion

Catalonia has produced some of the world's top opera singers – names such as Caballé, Carreras, de los Angeles, and Aragall. Even if most Catalans never attended the Liceu before the 1999 fire, all were proud that these names, like those of other Catalan artists such as Gaudí, Dalí, and Miró, were known around the world. When the opera house was destroyed, therefore, a Catalan cultural icon was lost. A consensus on reconstruction was rapidly reached and the team that was assembled pioneered collaboration between public and private entities in Spain. Beyond the artistic quality of its productions, the Liceu's management practices are outstanding in the sector. In an environment of limited public funds and the need to ensure long-term viability, Liceu general manager Rosa Cullell and her team have launched innovative strategies for raising funds, educating future audiences and using new technologies. Because of Cullell's corporate background, multi-industry benchmarking is used on a regular basis. All the various initiatives of the past two years have combined to put the Liceu in the black. These results are encouraging, particularly in view of the objectives for 2009/10 when the opera house will be celebrating the tenth anniversary of its reopening to not only critical acclaim from an artistic perspective but also to praise for its management practices. The Gran Teatre del Liceu is poised to continue giving audiences within and beyond its walls highly memorable moments of opera.

Appendix

Eighteen-point plan

1. Maintain equilibrium between the diverse artistic orientations in opera and between opera, ballet, recitals, and concerts.
2. Present between eight and twelve performances per season, depending on demand.
3. Promote innovative staging of the repertoire.
4. Hire stars for the leading roles.
5. Favor coproductions over productions financed completely by the Liceu.
6. Encourage the participation of Spanish performing arts professionals.
7. Ensure quality of the Liceu's orchestra and chorus.
8. Aspire to a level of prestige enjoyed by leading European theaters.
9. Coordinate the Liceu's activities with those of other cultural organizations locally and nationally.
10. Ensure sound management in order to make the artistic project more viable.
11. Ensure optimal quality and distribution of human resources.
12. Increase and diversify audiences.
13. Make the theater accessible to diverse segments of the population.
14. Institute a policy of 'no dark nights' by making the theater available to other cultural organizations.
15. Improve relations with the media.
16. Enable the Sponsorship Council, composed of leading domestic and international companies, to participate in the management of the Fundació del Gran Teatre del Liceu.
17. Develop an education project for the purposes of training and creating new audiences for the future.
18. Optimize the use of space and equipment.

Table 6.1 Current and target audiences

	Current	**Target**	**Long-term target**
Age	45–54	20–45	8–9
Social class	Middle and upper	Middle	All
Geography	Barcelona and environs	Catalonia, Spain, international	Catalonia

Table 6.2 Petit Liceu ticket sales

	1998/99	**1999/2000**	**2001/02**	**2006/07**	**2007/08**
Number of tickets	5,700	23,200	40,000	160,000	200,000

Table 6.3 Number of performances per session

Season	**Opera**	**Dance**	**Recital**	**Concert**	**Other***
1993/94	67	19	6	7	0
2001/02	100	20	7	5	62
2006/07	101	16	7	9	185
2007/08	98	19	5	9	283

Note: *Children's events or performances given in the foyer.

Table 6.4 Subscription sales

	1993	**1999 (planned)**	**1999/2000**	**2000/01**	**2001/02**	**2006/07**
Number of subscriptions	7,000	10,000	15,000	18,000	21,000	24,500

Table 6.5 Income and expenditure, 1999/2000 and 2007/08

	1999/2000 (€ m)	**%**	**2007/08 (€ m)**	**%**		**1999/2000 (€ m)**	**2007/08 (€ m)**
Public subsidies	20	64	29	50.7	Operating expenses	18	n/a
Sponsors	3	10	7.4	13	Infrastructure expense	13	n/a
Ticket sales	8	26	18.4*	32.2			n/a
Other			2.4	4.1			
Total	31	100	50	100		31	50

Notes: * Estimated; n/a = not available.

7
The Financial Function in Cultural Institutions

Antoni Subirà

Before focusing specifically on the subject announced by the title of this chapter, we need to make a few distinctions, especially in the context of a crisis in the financial system. First of all, it needs to be recognized that at all levels – in business, politics, and the media, both during the precrisis euphoria and in the post-crisis gnashing of teeth – financial issues have been blown out of proportion. Neither the excesses nor the subsequent debacle had anything to do with the financial function as carried out in cultural institutions, nor (in any significant way) with the financial function as carried out in companies that are not strictly financial companies. I will explain what I mean, briefly, if only to put our specific topic in context. Under normal economic conditions these distinctions would probably be unnecessary, but I think they are useful in the present circumstances, given the prevailing sensitivity to financial matters.

Strictly financial companies

These are companies whose principal activity is the trading of financial products, that is, the trading of rights and obligations to receive or pay cash flows that have a certain degree of risk associated with them. The raw material for this activity is the flows of money associated with the economic activity and attendant risks generated by nonfinancial firms and individuals. In recent decades, however, using that raw material, the financial sector has developed a wide range of 'packaged' products, which are increasingly removed from the original flows. These so-called 'derivative' products are nothing more than combinations of the original rights and obligations and the risks associated with them. These derivatives have allowed the risks to be masked to some extent, leading to a spiral of overvaluation that resulted in the current crisis. It is this kind of financial activity – and its sponsors – that are now the object of harsh public criticism.

We will not talk any more about this type of finance. The finance we are interested in – the financial function in cultural institutions – is a much more modest affair. We will see what it involves in a moment, but for now suffice it to say that one of its goals will be not to be talked about: the important thing is the institution, and its mission and role in society, not its finances, which are geared to serving the institution's objectives, not to being the center of attention.

Normal companies

By 'normal' I mean companies whose purpose is the production and sale of goods or services for profit. Some companies of this type, from large movie production companies to small avant-garde poetry publishers, produce goods and services with a high cultural content. Financially speaking, however, if they have a profit motive and have shareholders or owners who, quite legitimately, seek an economic return on the capital they have invested, they are 'normal' companies, and their finances must be managed in accordance with the principles, and using the techniques, of corporate finance.

The theory and practice of corporate finance make up a vast body of teaching that goes far beyond the scope of this chapter. However, it is worth noting that the fact that a for-profit company publishes, let's say, avant-garde poetry does not mean that its owner need not consider the cost of capital (which is simply the expected return to the owner), nor the implications of financial leverage for risk and return, nor the cost of funds (capital and debt) when analyzing new investments, nor the need for precise and careful planning to avoid the risk of bankruptcy, and so on. In other words, the owner of such a company must use the full range of techniques and best practices of corporate finance.

I would also like to stress that a financial director of a for-profit non-financial company must always bear in mind that profit is not the company's *only* objective. Whether the company publishes avant-garde poetry or manufactures domestic appliances, its goal will be to satisfy not only its owners (stockholders) but also other stakeholders, including, of course, employees at all levels, and customers. This means that the profit objective is coupled with the objective of long-term future viability, which will depend not only on sound financial management but also on good strategy and good business practice in the broadest sense.

In some cultural environments, mainly in continental Europe, there is an ill-conceived but sadly widespread tradition that has led to the creation of cultural institutions that have the legal form of for-profit companies yet are curiously averse to profit-making, as if their making money were a clear sign of their having failed to fulfill their cultural mission. In the English-speaking world, this phenomenon, confirmed by observation, may cause surprise, as common sense suggests that such a mentality must inexorably lead to bankruptcy, collapse, and cessation of the activities conducted in this manner. This is not necessarily so, however, because that first tradition goes hand in hand with another, namely public subsidies, which merely perpetuate activities that serve only the ideological or political interests of the subsidizing authority. It is not our purpose here to discuss these maladies, although they are undoubtedly a matter of enormous cultural, ideological, and political interest, given their impact on the two types of cultural institution that I believe are completely legitimate:

(a) Those that have organized themselves as for-profit companies, for which profit is an important but not the only goal, as in any 'normal' business.
(b) Those that have no profit motive and pursue purely cultural objectives, serving the purpose of the individuals or private institutions that support them financially.

According to data from the Spanish Ministry of Culture, there are in Spain some 70,109 cultural undertakings, of which 40.3 percent are limited liability companies and 5.2 percent are public limited companies. That is to say, 45.5 percent have a legal form designed for for-profit companies. There is strong evidence that a high proportion of them survive to a greater or lesser extent on subsidies, which means that rather than serving the interests of some particular sector of society, they serve the interests of the general public that subsidizes them. This arrangement, which, as I said, is relatively common in continental Europe, is not necessarily bad if the subsidizing authority acts transparently and equitably; but there is no question that it lends itself to abuse, leading to confusion and perversion of objectives.

To conclude, the cultural sector is home to many for-profit companies. It is a very important sector in the overall economy; indeed, for many economies the movie, audiovisual, and publishing industries account for a substantial portion of GDP. The financial function in such for-profit companies must be managed in the same way as in companies in other industries, in accordance with the accepted principles, techniques, and practices of corporate finance (though naturally taking into account their peculiarities, given that no two sectors are alike, just as no two companies are alike).

Nonprofit cultural institutions

Having clarified the above points, we come to the question of nonprofit cultural institutions, which is the subject that justifies the inclusion of a separate chapter on the financial function. While I realize that there are many nonprofit organizations other than cultural institutions, some of them doing work that is extremely important to the population at large, our focus here is on nonprofit cultural institutions. It is certainly difficult to define the boundaries of the cultural sector with any precision, but for our purposes it is not really necessary to do so. From now on, by 'cultural institution' we mean 'nonprofit cultural institution.'

For the financial function, the absence of the profit motive is decisive, not – as managers in the sector know very well – because this stops cultural institutions from having to worry about financial results, but for the reasons set out below, which crucially affect financial management. Once again, I must stress that losses are not an unequivocal sign of success in cultural undertakings, as some (especially in Europe) absurdly believe. After all, a nonprofit motive is not the same as a loss motive! On the contrary, as we explained earlier, such attitudes lead to clear perversions of the original intent. The fundamental reason for the financial uniqueness of cultural institutions is that the entire edifice of corporate finance rests on the expectation of a return on the part of the providers of capital, that is to say, investors. In for-profit companies this expectation determines the cost of equity; and wherever there are expectations there are risks. These two – the expected return and the risk – determine the level of leverage that will be acceptable, which in turn will determine the average cost of capital employed.

In cultural institutions, however, there is no expectation of investor return. This means that the concepts on which corporate finance is founded simply do not apply. Even so, two issues remain: on the one hand, although the contributors of funds do not seek a financial return on their investment, they do have various objectives, which the cultural institution must satisfy. On the other hand, there is risk, which the cultural institution's financial manager must take into account, as it affects the institution's long-term survival.

We will analyze the financial function in cultural institutions from three angles: obtaining stable funding (the equivalent of equity);

financial risk management in relation to borrowing; and the financial management of day-to-day operations.

Obtaining stable funding

For cultural institutions, obtaining stable funding is the equivalent of raising capital for for-profit companies. It depends on the diverse objectives of donors, whether individuals or (usually private) institutions of various kinds. Mixed public and private funding is relatively common in Europe and gives rise to unique problems, to which we will return later.

The objectives of private providers of funds are not only very varied but also very complex. They range from pure altruism to image-building. Some donors will analyze the match between the image of the cultural institution and the image they wish to convey to their target markets very specifically and with great sophistication. For cultural institutions, this means they must deliver a good product (their cultural activities) that appeals not only to their own target audience but also to their donors. Ultimately, public appreciation of the cultural good or service provided by an institution is analogous to the dividends or capital gains that a normal company offers its stockholders: that is what the providers of funds to cultural institutions are looking for. Cultural institutions must therefore consider the consistency between their actions and the expectations of their providers of stable funds in a strategic perspective. Generally speaking, providers of funds look for stability in cultural activities (analogous to stability in dividend policy), both as regards core content and as regards projecting an image that is stable and continuous over time. A cultural institution that conveys a sense of fragility and instability will clearly not attract long-term funding, as the association would do nothing to strengthen (but rather might weaken) the donor's corporate image. Even altruistic private contributions no doubt reflect a desire that the institution continue to flourish in the long term.

All these issues clearly go far beyond the field of financial management, yet they are the framework of financial management in cultural institutions (rather than the usual references to the money market). Note that while the concepts of cost of capital and expected return are blurred, the importance of risk management emerges even more clearly, given the greater emphasis on stability in cultural institutions. This naturally means that the financial managers of such institutions must have a generally more conservative attitude than those of for-profit businesses.

The ability to attract stable funding is also heavily influenced by the environment in which a cultural institution operates. One particularly important issue from the financial point of view is the tax treatment of private and corporate contributions, which depends not only on the government of the day but also on tradition.

The finance minister of a southern European country once quashed an attempt to introduce more favorable treatment of donations to cultural institutions with the brainless argument that 'it would create a loophole.' This kind of attitude is only conceivable in an environment in which fiscal fraud has been the rule. Even so, in securing stable funding, cultural institutions need to use all the possibilities their particular tax system offers. They can also lobby for change in their country's tax system, which is another area where financial managers clearly have a role to play.

Risk management and borrowing

For-profit companies borrow in order to increase the return on equity (ROE), which they will be able to do if the cost of debt is lower than the return on investment (ROI). As ROI is subject to risk, borrowing increases risk, making a company's profits and equity value more volatile or risky.

In cultural institutions, by contrast, there is no expectation of a return on equity (what we have called their stable funding). One might naively infer from this that a cultural institution can borrow without limit, despite the impact this may have on volatility. Nothing could be further from the truth, however, as any cultural institution finance manager knows. Contributors may not expect a financial return on their investment, but they do expect the institution's image and the services the institution provides to meet their standards. Stability and continuity are essential, so, contrary to that naive inference, risk aversion among contributors of funds is actually much higher. Borrowing does not increase an institution's ROI, as cultural institutions do not have an ROI, but it does increase its level of risk.

Under what circumstances should a cultural institution borrow? Borrowing will sometimes be justifiable in the day-to-day running of an institution, and this is discussed below. When it comes to managing long-term funds, however, it is justifiable only as an advance on projected revenue in order to bring forward certain activities. Even then, a very cautious, very conservative view is advisable. This is a subject we cannot discuss further without going into specific situations or case studies, such as the one presented in the previous chapter.

A cultural institution may sometimes be forced to borrow because a public subsidy has failed to materialize or has been delayed (a common occurrence in some environments). A prudent financial manager will realize that political risk is greater than it seems. Policy changes, budget cuts or plain inefficiency in public management are problems that must be taken into account when managing a cultural institution's finances, because even though a quick loan may save the day, the additional cost it involves will be held against us.

To end this section, we stress that the financial management of stable funds and borrowing needs to be decidedly conservative, and borrowing should be considered only in anticipation of future income that is 'reasonably certain.' Stability and continuity should have priority because they are part of the 'return,' in terms of image and reputation, that investors expect.

Managing day-to-day finances

Security should also be the priority in a cultural institution's short-term financial management. To start with, it ties in with long-term capital management through the surplus of current assets over current liabilities, known as working capital, which must be sufficient to satisfy the risk aversion we mentioned earlier. In managing their cash flows, receivables, operating assets, supplier credit, and so on, cultural institutions must follow the same principles and use the same techniques as for-profit enterprises, with the difference that they must be more conservative. Some cultural institutions have receivables that are recorded as liabilities because customers have paid for something in advance (as in the case of subscriptions, tickets, and so on). This financing is naturally subject to provision of the product or service at some time in the future, or a refund, so these funds must be handled with proper care. Conceptually, there is nothing strange about this; we mention it only because it is relatively rare in normal companies.

In conclusion, the day-to-day financial management of cultural institutions is not substantially different from that of for-profit companies, except as regards the emphasis on long-term security and minimizing risk.

Final remarks

We have presented an overview of the financial function within cultural institutions and identified which parts of financial theory and practice are applicable and under what conditions. To summarize, we can say that:

- The techniques and practices of strictly financial firms are not applicable to cultural institutions.
- Corporate finance is relevant only to for-profit cultural institutions. If there are any differences between for-profit cultural institutions and other companies, they are no greater than the differences between firms in different industries or between different firms in the same industry.
- Nonprofit cultural institutions (the cultural institutions we have been discussing in this chapter) cannot manage their stable funds, investments, and leverage in accordance with the theory and practice of corporate finance because they do not have a cost of capital in any meaningful sense. In nonprofit cultural institutions only the most modest, short-term financial management techniques are applicable. In any case, such institutions must manage their finances with the most painstaking attention to minimizing risks.

We cannot end without mentioning the situation in which a cultural institution receives regular funding from both public and private sources, a situation which calls for a delicate strategic and political balancing act (the case of the Liceu allows discussion of this issue in a specific situation). A funding combination of this kind may be essential for the initiative to be viable, but it certainly adds complexity and risk: complexity because it increases the range of funding providers' objectives to be met, and risk because it adds to the unavoidable political volatility. On the other hand, if the public sector has a hand in the day-to-day running of a cultural institution, there is the whole issue of subsidies and the associated risks and the temptation for the subsidizing authority to exert political control. This is an issue that goes well beyond finance, but it is extremely important in environments such as continental Europe.

We will not dwell on the importance of the tax treatment of contributions to cultural institutions, but it should be pointed out here, too, that at bottom this is not a financial debate but an ideological one, heavily influenced by historical experience. The question is whether a society prefers to make cultural decisions itself or to delegate the task to the public authorities; that is, whether it prefers that the government give up part of its revenue from taxes, so that citizens are able to pay that money directly to their preferred cultural institutions; or that the government collect, earmark, administer, and allocate funds for cultural activities. Given the general scarcity of resources we are likely to face for the foreseeable future, this is a debate of enormous practical and ideological importance, one that cultural institutions must take into account in their financial and strategic decisions.

The case presented in the previous chapter, 'Gran Teatre del Liceu: Rising from the Ashes,' raises many of the issues we have mentioned (not all of them, as we could not find a case that covered absolutely everything). Some issues, such as business strategy, new product and service development, and the positioning of cultural institutions in response to changes in target audience tastes and attitudes, determine institutions' future revenue stream and obviously also have great financial importance; but they are decisions relating more to an institution's overall strategy. These 'marketing' issues, as they might be termed, are also relevant to the case we have chosen, which we believe provides scope for rich and interesting discussion.

Part III
Facilities

Having analyzed Brand and Focus, we now start on Facilities. In other words, we now enter the world of operations.

The complexity of operations cannot be summarized in just these seven chapters, but the four authors who wrote them decided that the concepts set forth here provide the necessary foundations for any manager to grasp the basics. From there, we propose that the interested reader explores the subject further and, to that end, we suggest some texts in the bibliography that the reader may wish to consult.

These seven chapters should be viewed as a whole. The first (Chapter 8) walks us through one of the world's most prestigious museum clusters: Tate. Chapter 9 analyzes the components of the world of operations and introduces the idea that operations, whether in the conventional business world or in the world of cultural institutions, needs to reinvent itself. The models of the twentieth century are no longer useful and we need to understand the design of operations in a more comprehensive manner, with particular emphasis on the sustainability of its configuration. Chapter 10 presents the operational problems of a fictitious museum, based on the experiences of several Paris museums. Chapter 11 dwells upon the changing trends and needs of an art lover. The customer and his needs are introduced through an in-depth conversation with a very sophisticated customer; his views will help us understand the challenges facing many cultural institutions. Chapter 12 goes deep into an issue that we consider critical to any museum: analysis of the service in terms of waiting and queuing. Finally, Chapters 13 and 14 explain the importance of defining the service structure and the customer's role in service delivery.

8
Tate: Reinventing Operations to Become a Different Type of Company

Beatriz Muñoz-Seca and Josep Riverola

It was an unexpectedly warm and sunny day. 'July in London sometimes has pleasant surprises,' reflected Julian Bird, Tate's Chief Operating Officer. Julian, an energetic-looking man in his late thirties, stretched his long legs and looked into the distance. He had joined the Tate organization a year earlier, in July 2007. It was an exciting challenge: Tate Director[46] Sir Nicholas Serota had put him in charge of running all of Tate's operations, which meant that the day-to-day organization was now his responsibility.

The past year had been fruitful. Julian had initiated many changes, most of them focused on increasing operational efficiency and improving customer service. Plenty of new projects were under way, but he wanted more.

'Everything around us is in turmoil,' he told us. 'Government funding is going to be progressively more and more scarce. We have to look to our own money-making capabilities, including our efficiency, and probably into our customers' perception of service. This is an opportunity to create Tate's twenty-first-century operations. We must question everything we have been doing up to now, open new avenues and reinvent what an art gallery should deliver to society, and how to improve our service. To do so, I need to have all the organization on board. And we have so many different profiles – curators, information system specialists, catering employees, administrative personnel – all very different from each other. But everyone may have ideas on how to improve Tate! I feel the time has come for a fresh approach to our operations; I need to reinvent them. But I'm wondering how to do it.

[46] Equivalent to overall CEO.

'We need to develop an entrepreneurial spirit and make way for creating and implementing new ideas,' Julian continued. 'Is it possible to increase efficiency and have an entrepreneurial spirit? There seems to be a split between the world of curators and art, and the world of efficiency and financial results. We will be launching a project to foster innovation in the autumn. But is that it? Some of our people still have a slow, contemplative attitude, but we need to increase speed and take advantage of the external changes. We're not striving for perfection, but for incremental improvements. Should we create a debating organization? Do I need to consider other elements? How do I get everybody moving in the same direction? I remember a recent conversation with a member of the executive committee. He pointed out that we must never be complacent; life is lived in the future; we need to live for the challenge. He said that the day he doesn't have 60 percent of his tasks still to do will be the day for him to leave.

'And the sites, with different structures and approaches, pose a challenge as well as an opportunity. For instance, Tate Modern[47] is like a big organ – it can play lots of different notes and different configurations, it is a big instrument, a big space. But the harpsichord is small, and makes beautiful music as well. If you want to explore the possibilities of music, you need both instruments. Just as you need a Tate Modern you also need a Serpentine Gallery. You need broad, different approaches and scales. And the opening of the new Tate Modern 2 might be an opportunity to introduce this new way.'

About Tate

The original Tate Gallery, on Millbank in London, opened in 1897. Its official name was the National Gallery of British Art, but it became popularly known as the Tate Gallery after its founder Sir Henry Tate.[48]

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[47] Tate Modern is Tate's modern art museum. Located in a previously underdeveloped neighborhood of London, in an old power station, it has given fresh impetus to the area's development. It hosts avant-garde exhibitions, presenting new approaches to art. On one of our visits, for instance, a Colombian artist was holding an exhibition. As part of the exhibition the artist had requested that a crack be cut in the main hall of the gallery – and the crack was cut!

[48] Henry Tate was Tate's first benefactor. He donated his collection of British nineteenth-century art and provided funding for a building. His name was subsequently given to the Tate Gallery, as it was then. An industrialist who had made his fortune as a sugar refiner, Henry Tate offered his collection of art to the nation on condition that a gallery dedicated to British art be built.

Built on the site of Millbank Penitentiary, demolished in 1892, it was designed to house the national collection of nineteenth-century British painting and sculpture. At that time its official responsibilities were specifically to 'care for, store and display' modern British art, defined then as artists born after 1790. In 1917 the gallery was also made responsible for the national collection of international modern art and for British art going back to about 1500. The Tate became wholly independent from the National Gallery in 1955. Today, what was the Tate Gallery has become Tate, a family of four galleries: Tate Britain and Tate Modern in London, Tate Liverpool, and Tate St Ives. Tate continues to care for, develop, and provide public access to its national collections of British art and international modern and contemporary art.

The permanent collection has 65,000 items. Nearly 30 percent of the collection is on display at any one time. In 2007 Tate organized more than 60 major exhibitions, either on its own or in partnership with other institutions.

Tate is a Non-Departmental Public Body (NDPB). An NDPB is a body which has a role in the process of national government but is not a government department or part of one, and accordingly operates to a greater or lesser extent at arm's length from ministers. Tate is funded by Grant-in-aid from Parliament, provided through the Department for Culture, Media and Sport. Tate supplements this grant through other sources, including trading, admissions to temporary exhibitions, and sponsorship. Tate is less reliant on government subsidy than its peers; in the fiscal year 2006/7 it generated 66 percent of its general income from sources other than Grant-in-aid.

Tate is accountable to the public, via Parliament, for the services it provides and, as such, is required to demonstrate that it is conducting its operations as economically and effectively as possible.

Tate's mission

Tate's mission has been *'To promote the public's knowledge, understanding and enjoyment of British art from the sixteenth century to the present day and of international modern and contemporary art.'* Externally, Tate's values are focused on brand and on being a welcoming, challenging, and contemporary institution. Internally, Tate aims to be entrepreneurial, respectful, and enabling. The intersection of these two dimensions should promote art and artists, innovation, collaboration, and an open attitude. Tate's motto is: 'Always changing, always Tate, look again, think again.'

At the time of writing, the executive committee and the board of trustees are in the process of restating Tate's mission. The current proposal is: *'Tate's primary aim is to create distinctive programming which stimulates and inspires a larger and broader portion of the British population and engages an international audience.'* To accomplish this mission Tate must go much further than government support alone would allow. As one member of the executive committee put it, 'We have two options – we either do less, unsatisfactorily, and disappoint ourselves, or we get out, and do more. And in order to do that, we need to be business-like. So being business-like comes from an ambition that's written in art, that is absolutely critical.'

Tate faces many challenges, and a multitude of new issues need to be addressed. A first challenge is to move away from government funding. This means raising money from private sources and expanding the income from its own operations. The board does not want to increase the number of physical galleries; the most important task is to release the potential of each Tate. For instance, Tate Modern is due to be expanded by around 70 percent.

A second challenge is that the collection is constantly changing. When Tate Modern was designed, it had 40 large-scale installations in the collection; when it opened, it had 90; now it has 250. These works need different spaces, and different configurations. Traditionally, Tate's media have been painting and sculpture, but artists are now working in a huge variety of media, including audio-visual technology. Tate also has a passion for photography and has built up a photographic collection that needs space to be displayed.

A third challenge is online learning and having the spaces, physical and virtual, to create a fruitful interaction. Audiences' expectations about how they want to interact with art seem to be always changing. They seem to want a greater sense of debate about what choices have been made in presenting a particular work in a particular context, and to explore that in greater depth.

A member of Tate reflected: 'If you look at what we've done over the past eight years, I think we've been able to simultaneously differentiate ourselves and do things better, at the same time becoming more efficient and doing things at a lower cost. But I think we're approaching the outer limits of that. However, we're still pressing to do more and more things, and more interesting ones. There are some clear elements that differentiate Tate from a regular business. *Planning and forecasting* is not as easy and as straightforward as it is in a business. You can't always plan a program of exhibitions in terms of financial revenues. It's more volatile. There are also some *interesting tensions*. We want to be increasingly present outside of the gallery. And a lot of that depends on working differently. We should act very quickly to take advantage of physical opportunities to show something outside of London. We also have to be enterprising in order to take advantage of media opportunities. That's a very different way of working, and I think that the core of the institution is changing. It had a very academic, slow, contemplative approach to things. This is no longer possible.

'Finally, we haven't systematically thought about our *culture*. What exactly we are trying to create, and how to translate it to different types of people that we are recruiting.'

Customer satisfaction

In 2007 and again in 2008 Tate had 7.7 million visitors, aggregated across all its facilities. The Association of Leading Visitor Attractions (ALVA) reports that in the period 2004–8, while the total visitor market remained unchanged, Tate London increased its market share from 31.6 percent to 35.1 percent, the biggest increase among the big five London galleries.[49]

The latest Ipsos MORI Report (Spring 2008) on customer satisfaction showed that both Tate Modern and Tate Britain had a slight drop in their 'value for money' rating (Tate Britain going from a mean score of 1.73 to a mean score of 1.49 and Tate Modern from 1.65 to 1.56). Even so, overall satisfaction remained high in both galleries, with the proportion of visitors who rated the overall visit 'very good' reaching 77 percent in Tate Britain and 65 percent in Tate Modern.[50]

Julian wondered about the significance of the decrease in the 'value for money' rating. Outside his work environment, Julian was increasingly hearing concerns about the relevance and quality of museum visits, not specifically in relation to Tate but more in general. Young people were saying that visiting museums was boring and uninformative. And not only young people; some of his friends were saying things like, 'You get bored after so many works of art – The visits are flat, nothing stands out – Everything is good, so good that the

[49] National Portrait Gallery, V&A, National Gallery, British Museum, and Tate.

[50] Mean score Spring 2007 to Spring 2008 for Tate Britain 1.73 to 1.77 and for Tate Modern 1.60 to 1.61.

experience becomes forgettable – You never know the relevance of what you're seeing' – and also – 'What was the artist's idea? – How is this effect achieved?'

Tate's organizational structure

Sir Nicholas Serota is Tate's Director. The executive committee is made up of Sir Nicholas, Deputy Director Alex Beard and Chief Operating Officer Julian Bird. These three are responsible for the day-to-day management of the company.

The Director concentrates on fund-raising, representing the institution in the world, and curating the occasional exhibition. The Deputy Director focuses on long-term development projects and brand development. At the time of writing he is directing all the necessary activities for the opening of the Tate Modern extension, known as 'Tate Modern 2,'[51] right next to the original building. It is due to open in 2012 at a cost of over £200m.

The Operations Division comprises Visitor Services, Security and Health & Safety, Capital Expenditure, and Project Support & Estates and is also responsible for the maintenance of all the buildings. It runs Tate's day-to-day operations, overseeing Collection and Programme Services, and Tate Enterprises Ltd., and also manages all the resources (Human Resources, Information Systems, Legal, and Finance).

Different people for a unique interaction

Working with curators

A very important group in any museum is the curators. Curators are the artistic side of the operation, dealing primarily with art, although what they do also affects all the other functions. Their job is, on the one hand, to prepare and run the exhibitions, ensuring the desired artistic and historical quality. On the other, mainly for historical reasons, they are responsible for the overall quality of the museum and its displays, including the conservation of the collection and the documentation of all the circumstances surrounding a work of art and its period. They carry out historical and artistic research, which is published principally in the exhibition catalogs. Some catalogs are works of art in themselves,

[51] Designed by architects Herzog & de Meuron, who designed the original Tate Modern building and, more recently, the Beijing Olympic Stadium.

not only because of the quality of the printing, but also because of the graphic and literary content. A curator gains a sense of achievement from showing the world how much he or she knows about the topic of an exhibition.

The following is an excerpt from a conversation with Vicente Todolí, the director of Tate Modern and a world-renowned curator. Todolí is a Spaniard who was hired to put Tate Modern ahead of all other modern art museums. He has extensive experience and is an expert in modern art. Todolí wears two hats: first as general manager of Tate Modern and second as a renowned curator.

'In all museums the managerial side sees us, the curators, as the "care-free" money spenders. And we see them as people who know nothing about art. We feel that the only thing they care about is their balance sheets. Whether the program is good or bad is irrelevant to them, as long as the profits keep coming in. We are seen as "bad managers," not money-conscious, big spenders who will spend awful amounts of money if they let us.

'You could call our style of line management *the old English style*. Hierarchical – from the top, the head curator, to the young curators at the bottom. The head curator and I share the supervision of all new projects (exhibitions). When the project is an idea of mine, I have an active role. I advise them in detail on what to do. Do this or that, consider this or that, and so on. I manage them. No curator has autonomy. Before I came to Tate, they had a certain amount, but now they don't. They respect you because you are one of them and because they realize that you know more. Sometimes you have to be authoritarian and hardheaded, other times you want to be a colleague. This job is more about team building than about management. You have to mediate in conflicts and solve them, or at least prevent them from interfering with the artistic activity.

'Our curators should be able to do everything: research, curate exhibitions, do displays, help us research our acquisitions. The curators have a portfolio dedication system. Each year they'll have a portfolio of activities to perform and out of those key activities they decide what to do. For instance, if they're doing an exhibition that will take, say, 70 percent of their time, they still have 30 percent left for other activities. At any time in their career they'll be doing different types of activities – one year they might be focusing on an acquisition, another on a display, or on doing a research project. Our main criterion is developing and using their knowledge, their special field. And we do this by looking at what we already have in the team, then looking forward to see what additional knowledge we need; and finally, deciding what their subject area should do for Tate's mission.'

According to Julian Bird, 'Working with curators is a challenge, because each one has their own special and unique viewpoint. But most curators have as their priority to put on the best show they can, because this will develop their reputation as a curator. Sometimes this requires making difficult decisions because we can't afford what they want. As an example, a recent exhibition was very expensive, well above budget. Cutting out one item being shipped from South America, could save about ten thousand pounds and allow it to go ahead. And so we agreed to it. Not easy! So, we often have to make those hard decisions or encourage the curators to make them. The curators may argue, and occasionally I have to be the bad guy. But sometimes I can also be the good guy and find them money for new equipment.'

Being a curator at Tate

Putting on an exhibition is about managing a big project, pulling in people from across the organization who must work together. Tate is looking for curators who can do project management work, not just purely academic people. They should be able to work in teams, but they should also be people with a good reputation and network, who can bring other people and ideas into the institution.

Salaries have always been an issue for curators. Tate has been revising its salary scale in order to attract and retain the most talented people. In the past, a curator would usually come to Tate as a young person and work his way up. Nowadays the trend is different. Tate Modern brings in a lot of new assistant curators each year. But to make the jump from assistant curator to curator is quite difficult. Assistant curators tend to do the project management. On the artistic side, they only assist the senior curators. The senior curators' responsibilities are to curate, to have the ideas, and to orchestrate and put the ideas together. An assistant curator will not lead any show, or think about the contents of the show.

Curators at Tate obtain invaluable experience and get to know a rewarding network of people and exhibitions. Having Tate on your CV is a passport to the next job. Often curators leave to take better jobs outside Tate. Tate encourages this because it feels that it has a duty to society, that is, to develop museum professionals for their own benefit and for the benefit of the sector. The percentage of people leaving Tate each year is about 17 percent; for curators it is less than ten percent.

A member of Tate commented to the authors: 'Much of this is open for discussion. We have to think about the message we will be giving an assistant curator when they join us. What are we offering them? A career path? Or asking them to leave soon to go somewhere else, gain experience and then come back? Within the profession now it's much more acceptable to do that. People are realizing that the best way to develop their careers is to go somewhere else, and get more experience. It's difficult because it does sound like a negative message for the new assistant curators.'

Managing at Tate

Tate has a very broad range of different types of staff, with different skills and expectations. We have already discussed the academic group (curators, conservators, the traditional museum professionals), which 20–30 years ago would have been the bulk of the workforce. More recently there has been an increase in professionals from other fields: marketing, fund-raising, human resources, finance. These 'non-museum' types have very different backgrounds and expectations from the academic group and are very important in bringing the entrepreneurial spirit into the organization. Tate is now hiring people who may not have worked for a cultural institution before. This brings with it the enormous challenge of how to accommodate everybody. There is always a quest for a balance between not losing the value of the academic group and yet bringing in different types of people.

Reflecting on his own managerial work at Tate Modern, Vicente Todolí said: 'I believe a cultural institution should be managed with clear ideas and well-established objectives. I believe in results, and Tate is like a meeting with known a priori results. You have to manage with an ample smile, but with byzantine manipulation. Years ago I made decisions intuitively. Recently, we have put in place more formal processes of collaboration. I try to listen to everybody, and I end up doing what I consider is right. No democracy here! A program is never approved because of a majority. I could not come to work and see something I do not like. Therefore I decide. And that's that.

> I have been here for six years. I always say what I think, which is not the norm here. I know I am a destabilizing factor, but it gives them a shower of reality. It is also good for me, because I have to convince everybody that my ideas are good, and that makes you look closer at all the issues. Obviously, I accept advice. I just incorporate it into my own thinking.

Tate strives to create a culture of enquiry and constant questioning. They feel that they are not a business but an institution. Yet in order to pursue their institutional purpose they must be business-like, innovative, and challenging. Tate is looking for people who are really excited about being in an ambitious place that is demanding, but that provides a unique experience.

There are two facets to Tate's workforce. On the one hand, it includes many of the leading experts in the field, which makes it exciting and challenging. On the other, it has quasi-public sector status and because of the organization's size is somewhat bureaucratic, which generates frustration.

Selection

Depending on the time of year, there are around 750 Tate people working in the galleries, together with 500–600 people from outside contractors and trading companies, giving a total of 1,300–1,400 people.

The Human Resources department performs all the usual procedures for each position: checking job descriptions, defining core competencies, sharpening the profile to make the types of skills they are looking for very clear. Roles and teams are constantly being reviewed to make sure the organization has the right mix of knowledge and skills, especially in the curatorial area, where different programs can require very different types of knowledge.

Increasingly, even in the curatorial area, Tate is more interested in what people can bring in than where they come from. 'If we want to change, be innovative, be at the leading edge of things, then we need people who can bring in new ideas – it's not about just doing the same thing again and again and again,' says a member of the Human Resources department.

Compensation system

All areas of Tate, except the directors, are unionized. There is an annual collective pay bargaining round with the union. Tate must work within the constraints of public sector pay guidelines, which means that even if they have the money to invest, they are not allowed to do so.

Sometimes the salary scale does not allow Tate to recruit the best people. However, Tate runs a very strong brand and some people accept lower pay in exchange for working at Tate. One of the biggest benefits is the pension scheme. In recent years, however, this has lost some of its appeal, as people often do not stay long enough to make it worthwhile. Nowadays people come and go, and then come back again. To some extent Tate encourages this movement because it fits the organization's desire to keep bringing in new people with different types of experience.

Tate's remuneration system is a combination of pay scales and performance-related pay. Those on the lower end of the scale get an annual pay increase, while those at the top (about 100 people) are on a performance-related pay system, whereby as part of their annual appraisal they get a rating. There is an annual appraisal system which everyone in the galleries goes through around April each year.

Some areas will overspend, some under-spend. For those on performance-related pay, there is a surplus that is divided among the people working in the gallery. Human Resources conduct a number of discussions with the directors and line managers, and as a result a decision is made about the appropriation of the surplus. Human Resources manage the whole process. Julian Bird commented, 'When we put the performance-related management system in place, we deliberately focused the evaluation reviews on dialogue, with staff trying to create a coaching situation. Not just a checklist of tasks performed, but a conversation about what's going well, what could have gone better and what would have helped you be more effective. We want people to review where they are and what they could do differently. So we are trying to set our performance system as the employee's way to raise issues with his or her line manager. It takes an open place for this to work, and Tate allows it.'

Operations at Tate

The position of Chief Operating Officer was introduced in summer 2007. It is a new position, one that is not common in the art world. Julian Bird enumerated the key operational issues:

- 'Efficiency. For everything that we're doing, we are asking: is there anything we could do to either stop this or do it in a better way? We have a big process review going on and we're using external people to help us. Altogether, it's a real, proper, deep look at what's going on.
- The huge volume of different people coming through and engaging with Tate brings with it a huge number of people issues to be dealt with.
- That we can raise a lot of money in a given year is fantastic, but our challenge is to raise it every year. And this is even more difficult in an economic downturn environment.

- The Tate program varies year to year. We have the collection displays – the displays on exhibition at each place – and a range of temporary exhibitions. During the year we have five to six of these temporary exhibitions at each London site and about three in both Liverpool and St Ives. In addition, we refresh the collection displays. There's therefore a huge volume of activities that has to be done around all this (conservation, art handling, and so on).
- Cost of transport. Oil prices lead to increased airfares, and shipping a work of art has become a very expensive operation. This is now really starting to affect our exhibitions, with the risk that some exhibitions could become prohibitively expensive to put on in the future.
- Making the most of our services. For instance, our own catering company is a specialist caterer in the UK, also working for other galleries, museums and cultural institutions. How do you develop this line of business?'

Tate Enterprises

Tate Enterprises is a company wholly owned by Tate Trustees, and all profits go back to the gallery. It has two core businesses: catering and publishing/retail. Excluding the shop staff, the publishing/retail part has 40 employees. It is a limited company with two CEOs – one in charge of Enterprises, and one in charge of Catering – and its own board. People employed by Tate Enterprises are on different terms and conditions than the people employed by the gallery.

The publishing/retail division manages publishing programs, the picture library, product development, and business development. The last of these deals with connections with outside companies aimed at developing the brand. For example, Tate has a partnership with P&O cruises, whereby Tate provide Tate Talks on the cruises, and a partnership with B&Q (a big DIY store), with a range of Tate paints.

Tate does not exist primarily to make money or be commercial, and this sometimes clashes. At the moment, Tate Enterprises feels able to be reasonably risk averse and this stops it from taking chances.[52] In the last few years, however, the gallery's entrepreneurial attitude has grown a great deal. People want to take risks and do different things. A member of Tate Enterprises told us: 'I think Tate is always ahead of every other

[52] The biggest hit is an A3-sized felt carrier bag, which retails at £13.50. Very neutral, it sells to practically everyone who walks in the door.

museum in this country in that regard. So we have to negotiate again: do you want us to take risks and be entrepreneurial or do you need to get this amount of money back?' The two biggest areas of products are, first, art materials, consisting of good quality materials for enthusiastic amateurs, and, second, children's products, consisting of artistically designed, beautiful-looking children's books. This is a fast-growing part of the business.

Product design is handled by a four-person product development team: two product developers, one merchandiser, and the head of the team. They look at the exhibition program for all the different sites and think about building up the core sales. Their model is very different from, for instance, that of MoMA, where the product developers' role is just buying. Tate's product development is about developing lines that are particular to the Tate, selling quite unique products. This has its strengths and its weaknesses. The emphasis is on taking charge of the brand and choosing to develop things that are very worthwhile. In so doing, Tate is very profitable. The downside is that it is very time-consuming, very expensive, and involves holding substantial stocks. Stocks are a major issue for Tate Enterprises.

Publishing has two main strands. First, the catalogs, which deal with the exhibition program and, related to the catalogs, the guide for each Tate site. The second strand is non-exhibition-related publishing, which includes art theory, art criticism, and the children's list.

Tate Media: Tate online

Tate has almost all of its 65,000 works on line. Tate Britain and Tate Modern have interactive maps (www.tate.org.uk), where one can go into the map, click on a room, and read what is in the room, what the theme of the room is, and what can be done before and after the visit. All the texts on the gallery walls are available on the website, along with, increasingly, newly developed material, such as interviews with the curator or the artists in the show. In a good month the website can have about one and a half million visitors.[53]

There are two website teams. The first is a technical team, made up of designers, system developers, and database people, while the second is an editorial team.

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[53] Tate is first in hits within the UK, second is the V&A, and third is the National Gallery.

Tate Online began a new approach two years ago, addressing an audience who have grown up with the Internet, who have been using it for five or six years, and who like it. For this reason Tate Media is considering commissioning content specifically for the website.

The website has taken very much to heart the idea of talking about art. They feel that Tate's mission does not mention Tate's collection, its program, or the buildings. The website therefore takes art as its starting point. For instance, Tate Media is developing a children's website, because it sees a gap in the market. Research shows that if young people engage with art and cultural institutions when they are children, they are much more likely to visit them when they are adults.

This new approach could take the people from Tate Media to an artist's studio to shoot a piece of film, to be edited down to a short. This may then not just be used on the website but could also be offered for download, either to an iPod or to a laptop. Content can also be posted on YouTube (Tate has its own YouTube channel). A member of Tate Media reflected: 'How does Tate grow beyond its own website and have a presence beyond there?'

Tate's copyright agreements allow a very wide spread of content. So Tate hires new people to create these new things, bringing in new skills which the organization did not have. The department has doubled in size in two years. Now, they have a team of about 16 people.

One member of Tate Media told us, 'I think we're very lucky in that we do drive it forward. If you talk to other people in other museums, they say they don't. An example: a large section of the Tate collection is made up of Turner and his works on paper. But his sketches and water colors are not yet catalogued, and there's a very large-scale cataloguing project underway. This catalog will not be published as a book, because it would be a huge book. We're working with the cataloguers, traditional art historians and Turner scholars to produce an online catalog. They're producing the material and we're coming up with proposals for managing it. One can follow lots of different routes through that material. That expertise exists in our department and their expertise is Turner. So we work together.'

Tate Media is content driven, not technology driven. They believe technology is an enabler and they use it to articulate their message to different audiences. They have a three to four-year plan which entails, first, redesigning the website and, second, looking again at how the collection is communicated online. The web is no longer a 'publishing platform;' it is no longer read-only. People expect to be able to interact and leave comments. People want to interact with each other. Tate

Media is not just creating a way to respond to artworks, it is trying to create a space where people can discuss artworks with each other.

The spirit of this can be summarized in the following comment: 'At Tate we always want something back. So maybe a curator takes a look at a photo and says, "That's a fantastic photo – of the thousands that are in the group, that's one of the hundred best. Therefore I am going to put that in the book." This is a motivation to get involved with us. It should not feel that Tate is just taking things from the world, rather people should realize that we are always giving something back – offering an opportunity, a sort of service.'

Changing trends

Julian looked pensive. He had jotted down some of his final reflections. On the one hand, there were the changes in communication and technology. Tate wanted to work much more collaboratively by leveraging the interaction with audiences through media, working in networks, and considering ways to approach research, a core part of the museum.

'Art has always been our focus,' he reflected, 'but we need to learn how to manage art in this new scenario. We have to think about a "customer journey." And the journey starts with some interaction. For lots of organizations, including ours, it will be a continuous journey. Some will do the whole journey, some just part. Tate Modern opened in 2000. At that time it had state-of-the-art educational facilities. But now it's completely overrun and we need more space for different types of galleries – even for the schools that come to visit us!

'Clearly, one role of museums in the future could be the development of underdeveloped communities. Diversity in everything is key. We should consider the age of people coming, providing service to the different types of communities in the UK. We are now looking at ways of bringing different groups into different activities. Our Late-night-once-a-month at Tate Britain (a site which has always appealed to the more traditional art lover) is cutting-edge, with film, music, and a bar, and has a different audience, often one more focused on young people.

'On the other hand, internally, we need to focus on management. We've been investing a lot of time and effort in trying to increase the management skills of our managers, first by making sure we bring people in with the right skills. But most importantly, trying to up-skill people we already have. In the past, the culture was simply promoting the best person at their current job. But being the best curator does not mean you are going to be a good manager. In order to get more pay you had to move, which inevitably means you go into management. But, and that's a big "but," we do not want to devalue our specialists, just because they're not managers. That's an area we're trying to address with our reward structures – so we can allow senior specialists to receive higher rates of pay, even though they're not managers.'

Sometimes Julian felt frustrated. Things he had experienced in the financial sector seemed almost irrelevant when dealing with Tate's operations and service delivery. He felt he needed to go one step forward. 'Processes, innovation, entrepreneurship – everybody is doing that. Should we be the spearhead of museums and reinvent our overall operational model? We need to stand back, and consider the basic questions: What do we really want to do here and how will we do it? How should we assign people to the tasks needed to achieve these goals? How should we recognize the individual efforts and share results?'

9

Reinventing Operations

Beatriz Muñoz-Seca

Introduction

As a rule, 90 percent of a company's workforce will be employed in operations. Operations are therefore key to service delivery. The cultural institutions we have analyzed so far illustrate this fact. Julian Bird, Chief Operating Officer of Tate, is in charge of running all of Tate's operations, which means that the day-to-day organization is his responsibility. Customers come to Tate[54] for the artistic program, but their satisfaction depends largely on the service delivered by the institution's operations. Their expectations may be disappointed; in other words, their satisfaction may be affected by circumstances such as having had to wait in line for ages, having had to jostle to see the paintings, having received poor service at the cafeteria, or not having obtained a satisfactory response from customer service. Such 'moments of truth,' where customers come into immediate contact with the company's operations, have a decisive impact on customer experience.

Starting point: The structure of operations[55]

To understand the world of operations, we need to understand its structure and components. There are three basic components: the

[54] In 2009 Tate Modern was the world's fifth most visited museum (4.74 million visitors), according to the list published by the UK-based *The Art Newspaper*.

[55] Having worked together in this field for 25 years, my colleague Josep Riverola and I have produced, among others, two books that we recommend as further reading: *Problem-Driven Management: Achieving Improvement in Operations through Knowledge Management* and *The New Operational Culture: The Case of the Theater Industry*. The former is a more conceptual study, a book for 'serious students.' The second is an easier read, designed to give our students a break.

mission or promise, the customer, and the operations box. The *promise* a company makes (its 'mission') is the company's strategy stated in a nutshell. Tate's promise is to be a *welcoming, challenging, and contemporary institution*. Explicitly or implicitly, every company or institution makes a promise. No matter what the service is, there is always a promise. Whether you are filling up at a gas station or visiting a museum, there has to be a promise. There are differences, of course (when you go to a gas station, you expect efficient service; when you go to a museum, you expect to see your favorite work of art), but there is always a promise, and an expectation that the promise will be kept.

So to whom is the promise made? To the *customer,* of course. The customer is the second of the three components we mentioned. There is an extensive literature on customers and how companies must 'love' their customers. Our attitude is more down-to-earth.[56] In our view, managers should love their loved ones and give customers what they ask for. A manager's job is to solve his customers' problems and keep the promise his company has made. In an earlier book (Muñoz-Seca and Riverola, 2004) we suggested that customers are frivolous, fickle, vengeful, and resentful. But they are *our* customers – they pay our wages! So we must make sure they receive excellent service and come back for more. Above all, we want them to go out and advertise our services. A satisfied customer is worth his weight in gold, so we must seize every opportunity to create more of them. A customer once told us, 'I really ought to change branch, or switch to a different bank. Over the road they're offering better interest, but I know that my existing bank will solve my problems. They give me the solutions I need – for me that's crucial.' Ask yourself: could your customers say the same about your company or institution?

Whether a customer comes back or not depends on the service he has received.[57] And how is that service delivered? Through the last of our three components: the *operations box*. It is through operations, and only through operations, that the promise can ever become a reality. Customers pass through our operations and see what kind of service we actually provide. This is even more the case in a cultural institution than in a manufacturing company: both provide a service, but in

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[56] The reader may even find it slightly cynical.

[57] We have used the masculine form 'he' for readability; it is to be understood to refer to both sexes.

the world of culture customers see the service actually being produced. An orchestra displays its musicians, a theater invites the audience to interact in real time with the actors, a museum yields up its secrets in an exhibition. There is no time for reworks; if anything goes wrong, the customer notices it immediately. For the promised service to be delivered, everything must work perfectly 'out of the box.'

So what's in the box, you may ask. First of all, it is not a 'magic box;' there is nothing mysterious about it, even though many people find its behavior mystifying. Some CEOs describe it as a 'galactic black hole' or a 'minefield.' Such descriptions reflect the difficulty people have in understanding the relationship between the three components and the structure of the box. To a person who does not understand the logic of the system, the box's reactions naturally seem mysterious and obscure. Yet nothing could be further from the truth. As in the Middle Ages, when anything people did not understand was automatically attributed to witchcraft, today people see operating system behavior as unfathomable. In these chapters we hope to dispel any suspicion of alchemy and provide a simple framework for understanding operations.

Our first contribution is three components: they are like three actors in a play who must always enact their roles, whatever stage they happen to be on[58] (see Figure 9.1). All three actors are present in every organization, be it a software company or a theater company.

What makes the behavior of an operating system difficult to understand is the way the promise is translated into the specifics of operations. The promise must be *translated* into the operations box in an

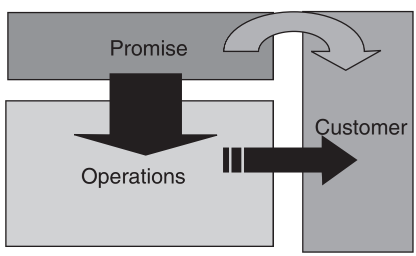

Figure 9.1 The three players

Reprinted with permission from Muñoz-Seca and Riverola, 2004.

[58] I trust the reader will pardon my dramatic license. It is not just that we are writing a book for a cultured audience; it is also my theatrical inheritance showing through: my grandfather was a well known dramatist and I am very proud of my genes.

operational manner in order for the promised service to be delivered. Vague hints or grand statements are no use; the translation must be concrete, specific, operational. Most of the time, however, that is very difficult to achieve. The more specific we are, the clearer we see; but it is easier to live in shades of gray than in stark black and white. Even so, an operational structure needs definition, so let's go back to the example of Tate to see how to proceed. Tate management promises an institution that is *welcoming, challenging, and contemporary*. Isn't that too ethereal to be translated into operations? Maybe, but first let's try to understand what it means. Every promise implies what we call an 'operational dream.' An operational dream is the intermediate step between a pure idea and its realization in operations.[59] Looking more closely, we see that Tate defines its operational dream as being *to stimulate and create internal debate, to release the potential of each of its museums, to be capable of adapting to constant changes in its collection, to create physical and virtual spaces that foment fruitful interaction, and to be business-like*. This clears things up somewhat, but it is still only a skeleton of a definition of an operational structure. Tate's operational dream gives us glimpses of how the institution envisages its operations, but it is not a sufficient basis for specifying the *design* of the operational structure.

To translate the dream into a design, we need a conceptual framework to guide us. In our book *Problem-Driven Management* (Muñoz-Seca and Riverola, 2004) we defined the following five dimensions for translating the promise into a specific operational structure: *cost, time, breadth, innovation*, and *consistency* (see Table 9.1). Specifying and prioritizing the promise in each of these dimensions gives us a simple framework for operations design.

Now let's apply this framework to Tate. Tate's management told us that Tate needs to *innovate constantly*: 'If you don't keep innovating, you're left behind,' one of its managers said. And it's quite true; just look at what has happened to Tate's educational facilities. To be a spearhead Tate needs to be continually changing. One manager even said,

[59] We define operational dream as 'the realization, in broad strokes, of the features that an Operational system must have as a function of the service that it is going to provide. That is to say, you can have the idea of the service you want to provide, but at some point you have to look at a bigger picture of how that service must be constructed. The Operational dream is, as the name implies, a dream. A dream of how you are going to construct a service. It is the intermediate step between the dream and the Operational reality.' See Muñoz-Seca and Riverola, 2009, p. 62.

Table 9.1 Translating the promise into a specific operational structure

Cost	**Criteria to do with the efficient use of resources in providing a service.**
Time	Criteria based exclusively on time measurements.
Breadth	Criteria to do with the planned variety of services.
Innovation	The company's capacity to implement changes that improve the services it provides.
Consistency	The dispersion of service attributes during the customer interaction relative to customer expectations.

'The day I don't have 60 percent of my work still to do will be the day for me to leave.'

On the other hand, the physical and organizational structure of Tate's operations must be capable of *accommodating and responding adequately to the needs of the artists*. The structure must therefore be adaptable, both physically (infrastructure) and functionally. A remarkable example of such adaptability was the huge crack we found, on one of our visits, running across the concrete floor of Tate Modern's Turbine Hall, made to the exhibiting artist's specifications.[60]

Last, Tate wants to *increase speed and take advantage of external changes*. The demand for speed of response clashes head-on with the academic, slow, contemplative approach said to have prevailed until recently.

Summing up these ideas and framing them as priorities, we see that Tate translates its promise into a capacity to implement new ideas (innovate), having an operational structure that allows any kind of change (breadth), and being highly responsive (time). Now we are in a position to establish priorities in the design of operations.

We propose six action variables: processes, capacities, flows or movements in the system (or times), the human resource profile, the information system, and rules of operation (Muñoz-Seca and Riverola, 2004). These six variables will be designed differently depending on the priorities of the promise. In other words, the operations box will be configured according to the priority the promise assigns to each dimension. The promise should be married to operations; divorce between the two is the main cause of dysfunction in operations.

[60] Although I am not an engineer, I feel that having worked with engineers for 25 years I have started to think like one. So when I saw the huge crack in the floor, my first thought was, how can the structure withstand it, and what effects might it have on the building? The artist's message, in contrast, was rather lost on me.

Translating the promise into operations does not end with the design of the organization and infrastructure of the operating system. The design must also be sustainable in the long run. In other words, we need another framework to help us ensure that the operating system *continues to operate over time*. Although designing the operational structure is a crucial task, we cannot make it our only concern; that would be the twentieth-century approach. If a design is badly conceived, nothing will work, so the design is an essential first step; but we also need to translate the promise into an operating system that *operates sustainably*. Hence the title of this chapter, 'reinventing operations.' We must be proactive and have an action framework that allows us to focus our actions on the weakest points, so as to achieve sustainability.

A framework for reinventing operations

Let's go back to Tate to see how its promise can be translated into objectives for the way its operational structure must operate. The objectives we have identified are: internal *collaboration,* an *open attitude,* a constant *entrepreneurial spirit*, and *accommodating different people with different priorities*. The next question is, how can these objectives be put into effect in day-to-day operations? First, we need to understand who will be affected by our actions to achieve sustainability.

On the one hand, there is operations management, comprising not only the two Tate Enterprises businesses, but also Estates, Visitor Services, Health and Safety, Project Support, Human Resources, Information Systems, and Planning. On the other hand, 'operations' also encompasses the Curatorial Department.

These various agents may have conflicting objectives. If management leaves them to their own devices, encouraging them to use their common sense, conflict is guaranteed. Our contention is that a 'common sense' manager is an incompetent manager. It is not safe to assume that people have common sense. After all, common sense is the product of experience and learning; without experience and learning there can be no common sense. Moreover, what counts as common sense in one industry may not be common sense in another. For me it was a real surprise to find people in the theater making decisions they thought were obvious and commonsensical, but which to me seemed outlandish.[61]

[61] The reader should not think that I lack common sense; it is just that I deeply disagree with the management approach that assumes everybody has the same knowledge and experience and that therefore there is such a thing as standard common sense.

Tate is making a great effort to bring in people from other industries, which may introduce even more noise into the system. The big risk is that management will be unable to focus and coordinate all this energy. That is why it is so important that an institution such as Tate has an action framework that helps it decide how it should operate, and that it can use to reinvent its operations.

To reinvent operations is to go beyond the design of the operating structure and consolidate the ongoing functioning of operations, based on three principles. First, the operating system must be designed for *efficiency*. Second, the agents must *learn* to seek not only personal enrichment but also the fulfillment of the promise. Third, the institution's day-to-day operations must persuade the agents to *identify* with the institution's core principles. An operating system will only be sustainable if it takes these three principles into account (Muñoz-Seca and Riverola, 2009). Sustainability depends on the ability to build an infrastructure that produces answers to the nine questions posed in Figure 9.2 below. The following nine questions, based on the work of our colleague Juan Antonio Pérez López (1991), are intended to assist us in our efforts to make operations sustainable.

Let's look at each column in the figure in detail.

The first column addresses *the object to be analyzed* and asks, What has to be done? What service do we provide? and What are our objectives? It covers what we might call the essence of the company's operations.

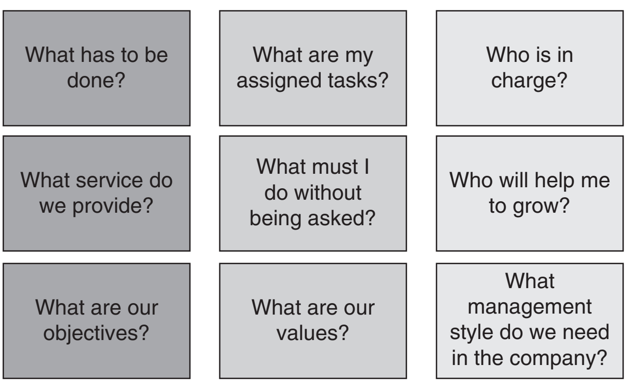

Figure 9.2 Nine questions to make operations sustainable

The second column addresses *the way the task must be approached* and asks, What are my assigned tasks? What must I do without being asked? and What are our values? It covers day-to-day operating activities and the rules of behavior at different levels.

The third column contains *the requirements of the agents* who must do the things described in the previous two columns. It asks, Who is in charge? Who will help me grow? and What management style do we need in the company? It thus covers the basic ideas of the structure of command, individual personal growth, and the desired management style.

Together the columns cover all that is needed to design an *efficient* institution, one that takes care of the personal *learning* and growth of each individual, looking not only at the individual's gain but also at the institution's growth, and that considers the need for the *integration* of the individual in its aims and objectives. Any company that is able to answer these questions fluently will display a smooth operational structure that requires very little control. In this setting, the role of management is focused on thinking about the future and becomes more preventive than corrective.

These nine questions require answers that become *action objectives*. They form blocks of actions that generate comprehensive synergies. These are goals that must be achieved to operate the system smoothly. Figure 9.3 enumerates the nine action objectives. They are described in more detail below.

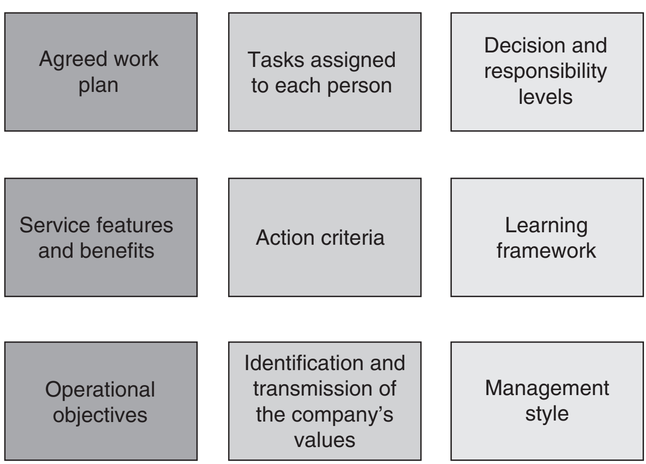

Figure 9.3 Nine action objectives

Let's start with the first column. Saying what has to be done means having an *agreed work plan*. For that, management must specify its annual objectives, which the operating units must break down into a work plan. This 'annual plan of operations' is based on the company's strategy, which the plan translates into operational objectives. Cascaded through the organization, it specifies the areas of responsibility of each unit. The goal is to ensure a coordinated deployment of actions aimed at achieving synergies and sustainable productivity. Each unit must therefore work out its own obligations and translate them into a work plan.

The next task is to identify the *features and benefits of the service*. In order to internalize the work plan, the organization must understand *how each individual action affects service delivery*. The work plan involves cascading the service features throughout the organization and translating them into individual job characteristics. Each member of the organization must understand the impact the service definition has on his daily work, and the priorities he must assign to different types of problems. The impact that each person's actions have on the whole is crucial and is only fully controllable if each person explicitly understands how he is expected to contribute.

Last, to persuade each member of the organization to identify with the agreed work plan, we must specify certain *operational objectives*. An operational objective is an individual realization of the specification of the promise. The operational objectives tell each member of the organization what the company expects of him. They are the goals that make it possible for each person's actions to contribute to fulfilling the promise.

As an example of these three action objectives, let's see what happens at Tate with the curators. Their goal is clearly not operational efficiency; their goal is art. But art in the abstract? Well, it shouldn't be, but it mostly is. A curator's actions affect the whole operating system and if his goals are different from those of the institution, there is tremendous scope for internal conflict. If a curator does not understand the impact his decisions have on the institution and does not take that impact into account in his work plan, the effect can be devastating. Vicente Todolí, the director of Tate Modern at the time of writing,[62] expresses it quite clearly: *'The managers see us as being unconcerned about efficiency.'* Curators obviously benefit from the success of their exhibitions, not from the efficiency of operations. A curator should be a one-man band who combines the two facets, art and efficiency; but most curators are

[62] Todolí left Tate Modern in the summer of 2010.

not. The culture industry has been very inward-looking. Curators work to build their own reputation. To open their minds to other approaches they would have to question their own role and the future of curatorship in the twenty-first century. What is their real objective? To glorify art or to fulfill the institution's promise? Clearly, no institution can afford to leave this to the discretion of a highly qualified curator who feels entitled to pursue his own ends. The equivalent in business would be a design engineer or a development engineer. Given free rein, he will research whatever interests him. It is the company's job to make what interests him coincide with what the company needs. Otherwise, the whole effort may be in vain, as the engineer's ideas may lead nowhere.

Now let's look at the second column. First of all, the work plan must *specify the tasks each person has assigned to him*. Each person must know what is expected of him. That means he must be told exactly what his functions and responsibilities are. This will be more difficult the more random the demand and the more uncertain the company's environment. But it has to be done in order to ensure that the job and the expectations are clearly understood. Tate is looking not only for academic qualifications but also for project management skills. It has chosen to bring in people from other industries and to 'widen the net,' so that new blood can experiment with new approaches. This recalls the reviled efforts in business to bring R&D people together with people from marketing, production, and sales. But there have to be clear areas of responsibility; otherwise we will have trouble on our hands.

Tate seems to go a step further, aiming to bring together not only different profiles but also different industry backgrounds. It is interesting to see the importance given to the selection process as a means of obtaining the right mix of knowledge among curators. This proactive attitude to acquiring the necessary stock of knowledge to accomplish the institution's objectives should make us think. Tate aims to translate its promise into operations by bringing diverse knowledge together in the same basket, believing that this will bring about change. What they are actually doing is injecting creativity by combining different perspectives in one group. Without realizing it, they have adopted a 'creativity through transformation' approach, bringing in people from other industries to change the way the institution sees certain problems. Inward-looking industries need this kind of injection. One consequence of opening up the institution is that roles are rethought. The role of the curator clearly needs to be brought up to date. Neither art nor culture can afford such a self-centered role. With institutions facing new customer needs and a new conception of culture, it is time these pockets of resistance were brought into the twenty-first century. Just as the R&D function in companies has been transformed as a result of being opened up to the rest of the company and the needs and demands of customers, the art world must do the same. Tate seems to understand this, but it needs to go one step further to bring about this transformation.

These actions must be accompanied by *action criteria*, which must faithfully reflect the priorities of the promise. As it is impossible to standardize behavior, people need to know how far they can go and what management expects their actions to achieve. Management must understand the importance of individual actions in order to get individuals to understand how their actions affect the company's performance.

Last, the second column states the need to *identify and transmit the company's values*. Aristotle[63] defined virtues[64] as core values. For him the cardinal virtues are prudence, justice, fortitude, and temperance. According to Aristotle, 'our character is the result of our actions.' We could translate this as 'our business tempo is the result of individual actions.' This *tempo*, in the form of *values*, needs to be transmitted to the organization as a whole. Working in a company means sharing values. If the values are not clearly stated, they may become distorted in the company's daily activities, with the result that different units operate according to different sets of values. For operations to run smoothly, the company's values must be a harmonious whole and each member of the organization must know what those values are, so that he can decide whether he shares them or not.[65]

The third column starts with the clarification of *decision and responsibility levels*. Clarity and consistency are essential to effective operations. People need to know who has authority over whom, and who holds delegated authority, so that they can act accordingly. In the interests of information transparency we must see to it that the decision structure and accountabilities are known. The sharing of responsibility allows the organization to mature, but it also presupposes maturity on both sides: the one who delegates and the one who is delegated to. The flatter the organization, the more important it will be to clarify who has final

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[63] Aristotle develops this framework and systematizes the doctrine of virtue in Book II of his Nichomachean Ethics.

[64] The word virtue, from the Latin 'virtus,' like its Greek equivalent αρετε, means *'excellent quality,' 'habitual willingness to do right in the moral sense."* Virtue is a quality of the will that entails a good for oneself or others. It is an acquired capability (acquired through exercise and learning) to do what is morally good.

[65] And if he does not share them, then he should look for another company!

authority (*'potestas'*) in the organization.[66] Gray areas cause confusion and lack of productivity. We must make the rules of the game clear, so that everybody acts consistently.

Our proposal is that the organization's efforts be concentrated on harnessing and channeling the power of learning, through creativity and innovation ('channeling' here means guiding, not constraining). Efforts to generate and implement ideas (innovation) must be directed toward the company's strategic and operational ends. We must issue tasks or challenges that guide the company's employees along a path that leads to competitive advantage – for them and for the company.

We argue that organizations should support *individual learning* and help each person grow. Tate has created the conditions for learning by setting up its catering and publishing/retail businesses. These two businesses have commercial objectives: to make money. This may clash with the spirit of the institution, but healthy internal tension of this kind can help to create problems. And creating or having problems is the first step toward entrepreneurship and innovation (Muñoz-Seca and Riverola, 2004). Adults learn by solving problems, so problems mean learning. By allowing internal conflict, Tate gives its agents the means to learn.

Complementing the previous point, reinventing operations entails implementing a new *management style*. This new style could be summed up in the statement that a manager's job is not to do things but to get things done. If we implement the previous eight action objectives, people will be able to work freely, as they will know their objectives and targets and their field of action. The infrastructure will support each individual in his efforts to accomplish his individual objectives, and will ensure that the achievement of individual objectives contributes to the achievement of strategic objectives. Forcing brains to follow orders merely leads to short-run efficiency, not to sustainable competitive advantage (Muñoz-Seca and Riverola, 2009).

Having analyzed the nine actions for reinventing operations, let's see how these actions can be implemented at Tate. To do that, we shall compare Tate's operational objectives, as stated at the start of this section (internal *collaboration,* an *open attitude,* a constant *entrepreneurial spirit,* and *accommodating different people with different priorities*), with our nine action objectives (see Figure 9.4).

The purpose of this cross-comparison is to design different actions, depending on the type of agent they are aimed at. For example, the

[66] *Potestas*: the authority that the structure of an organization confers on the holder of each position within the organization.

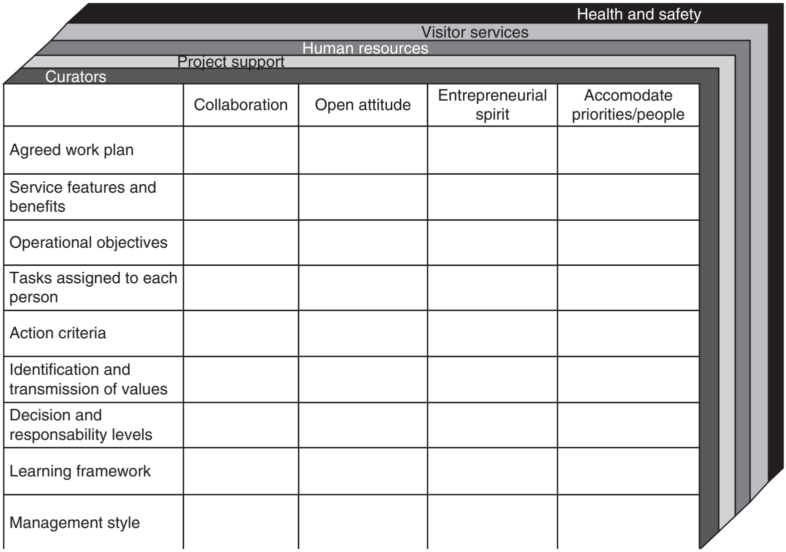

Figure 9.4 Cross-comparison between operational and action objectives

actions aimed at promoting *collaboration* and *entrepreneurship* that we include in the *agreed work plan* for curators will be different from those we might include for staff in Project Support or Visitor Services. This proposed conceptual framework can help formulate an operational action plan for achieving each of the desired objectives. Our aim is that this framework should help the reader reflect on the actions to be taken. It is not our intention to impose constraints, but we do believe that it is impossible to manage effectively without conceptual frameworks that help us think clearly.

An integrated framework for reinventing operations

We are now in a position to present the framework in its entirety (see Figure 9.5).

The framework starts with the definition of the promise, the operationalization of the institution's strategy. The promise must be accompanied by its operational dream. It was enormously revealing when José Luis Tamayo, the creator of the new Teatro Real de Madrid, confessed to us that his operational dream was encapsulated in two ideas: first, that trucks should be able to drive right up to the stage; and second, that all the bathrooms should have toilet paper. These are two representations

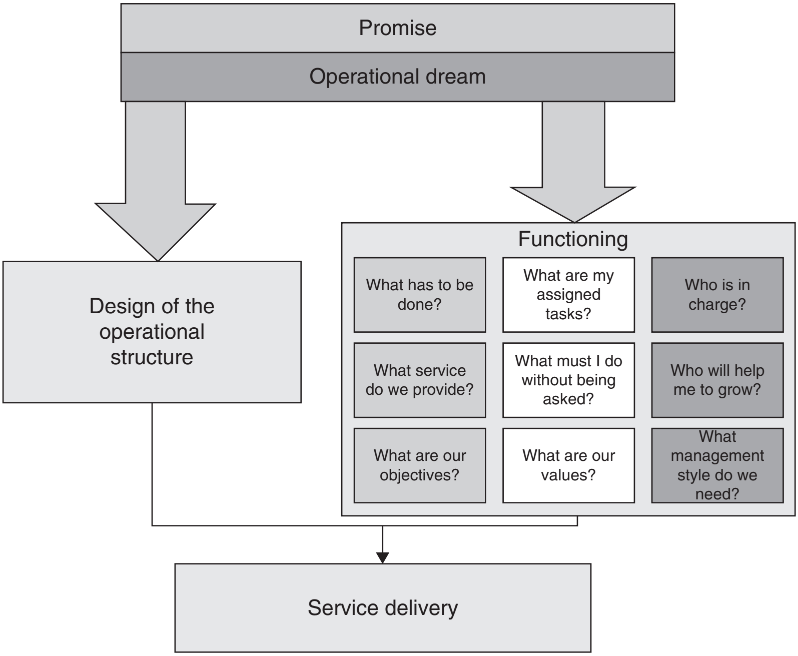

Figure 9.5 An integrated framework for reinventing operations

of an operational desire: on the one hand, the desire to create a structure that enables efficiency; on the other, the desire for a structure that supports attention to detail.

The operational dream and the promise must be translated into priorities for two structures. The first structure is concentrated on the design of operations. We have shown how to carry out this translation, based on five dimensions that allow us to identify its priorities. It is not the aim of this chapter to go in detail into the components of that design, for which we refer the reader to Muñoz-Seca and Riverola (2004).

The second structure is concentrated on the components necessary to ensure sustainability of operations. To do this we presented nine questions, which point to nine action objectives. Implementing these objectives will create a sustainable system that lasts over time. These objectives are essential precisely because it is impossible to specify the desired behaviors in perfectly structured protocols. People must have freedom, but freedom must not be confused with lawlessness. So there have to be guidelines, criteria and rules, which our framework provides.

Reinventing operations means proactively shaping these two structures, as both are necessary in order to deliver excellent service. A company or institution that fails to understand this approach is liable to act in an uncoordinated way that leads nowhere.

Final remarks

This chapter addresses the need to reinvent operations in any sector of today's economy. To create a competitive operational structure, two challenges must be met: the challenge of design and the challenge of sustainability. To help meet these two challenges, we have presented, one the one hand, a framework that addresses the configuration of the operational structure and, on the other, a guide to achieving sustainability in the implementation of that structure. To reinvent operations in cultural institutions, both these issues must be addressed and drastic changes must be made in some players. If these demands are met, new avenues will open up for improving their efficiency and competitiveness.

10
The Musée de La Cassette

Josep Riverola

Christine de La Cassette et Saint-Sulpice, director of the Musée de La Cassette in Paris, was worried by the results of a customer attitude survey she had commissioned not long before. The consultants' report showed that visitor satisfaction with the museum was remarkably high; for the first time, however, it also pointed to certain failings that had not been detected previously.

Some visitors, especially in the 18–30 age group, felt that their visit had been uninformative and uncomfortable, even 'a waste of time' and 'an ordeal.' Although the proportion of dissatisfied customers was small, Christine suspected it might signal a trend that had previously been masked by the quality of the museum's exhibits.

Background

The Musée de La Cassette was founded in the late nineteenth century to house the collection of M. Matthieu de La Cassette, Marquis of Lombardy, a prominent French nobleman and avid art collector. M. de La Cassette had prospered in business and had invested some of his vast wealth in works by emerging artists. As astute a collector as he was a businessman, he had purchased works by the schools most in vogue in Paris at the time, led mainly by young painters who would go on to become major figures in the art world.

De La Cassette had also started to acquire works by other painters and so had built up an eclectic but highly attractive collection. The museum's Impressionist series was especially well known, featuring a considerable number of works by Monet. Surrealism was also well represented, mainly through works by Dalí, Escher, and Magritte.

The museum was housed in an old palace on the Rive Gauche, facing one of the Seine's many bridges. The building had belonged to M. de La Cassette and had been adapted to exhibit the paintings from the permanent collection. Spacious rooms on several floors allowed the museum to display more than 200 paintings, representing the cream of its collection of around 800 works. The rest were stored in the basement, under carefully controlled conditions for conservation and study. One wing of the building was set aside for temporary exhibitions, which had earned the museum a high reputation. A pavilion in the garden housed the shop and a small restaurant. In the attic were the offices of the museum's various employees.

At the time of writing, the museum had recently completed a Manet exhibition, which had brought together, for the first time, many of the artist's most famous masterpieces, including *Olympia*, *Le Déjeuner sur l'Herbe (The Picnic)*, and *Monet Working on His Boat in Argenteuil*. The show had been a great success, surpassing expectations, with an estimated 250,000 visitors.

During the exhibition, congestion in the museum had increased markedly, probably due to the knock-on effect on the number of visitors to the permanent collection. Suspecting that customer service standards were slipping, the museum's management had commissioned the survey whose findings had alarmed Mme. de La Cassette.

The Manet exhibition

Visitor traffic

The Manet exhibition, comprising some 50 paintings by the artist together with some additional works by contemporaries, was located in the wing devoted to temporary exhibitions, which had its own entrance. For reasons of space, visitors could not be allowed to queue inside the building, so if there was a queue, it had to be outside in the cold and damp of Paris in February. From the statistics gathered by the consultants it appeared that, at mid-morning on a weekday, the average number of visitors arriving at the museum to see the exhibition was around 17 per minute, or one every three seconds. The arrival rate could triple on weekends and holidays, or drop by 75 percent at off-peak times.

Attendants positioned at the main entrance would prevent further visitors from entering until numbers in the exhibition rooms fell below what the attendants guessed was an acceptable level. A number of visitors would then be allowed inside, after which the attendants would once again restrict access.

Like many previous shows, the exhibition was concentrated in two rooms, with entrances and exits at the ends of each room. The far door of the first room gave access to the second room, which led directly to a small gift shop selling items related to the exhibition.

The pictures were not hung on the walls of the rooms themselves but on movable partitions, which were arranged to form small spaces, interrupting the linear flow of the exhibition. Accompanying the paintings were panels containing explanatory texts.

The duration of the visit was considered difficult to predict. It ranged from around 20 minutes for the casual visitor, who would simply take a quick look around (a tourist, perhaps, keen to add the Musée de La Cassette to his Paris trophies), to three hours or more for the art enthusiast, who would study individual pictures at great length. The organizers were keen to reduce the length of stay and, as they put it, 'get more visitors in and shorten the queues.'

Once inside the exhibition, visitors would move from painting to painting. A number next to each canvas indicated the recommended order, and a brief label on the wall gave the date of the painting and where it was painted, along with a few details about the artist's situation and the social context at the time. On entering the exhibition, visitors would generally join the queue next to the first painting, and then slowly advance with the throng. How long a visitor remained standing in front of a picture also varied greatly, from 25 seconds to several (maybe two) minutes.

When the visitor flow was light, there were never more than one or two people standing at any given painting, so a new arrival could usually start looking at it immediately, if necessary by standing behind those already there. When the flow was heavy, though, observers would be standing two or three rows deep in front of every picture, which naturally impaired viewing.

Interestingly, all this depended greatly on the size of the canvas. The bigger the picture, the more space there was to view it head on and the better it could be seen from a distance. Conversely, the smaller the picture, the smaller the viewing area. Moreover, with small pictures visitors tended to want to get closer, further reducing the viewing area.

Another issue was the text on the labels and panels accompanying the pictures.[67] The labels were often in relatively small print and so

[67] There were two types: labels giving technical details (artist, title, date, media, owner), and larger panels giving background information for each section of the exhibition and for individual works that deserved closer attention.

could not be read from more than a meter away. This meant that before entering the viewing area for any given painting, visitors had to get close to the wall to read the text and then move away again to look at the canvas. Generally speaking, the labels could be read from within an area about 50 cm wide by 70 cm deep. Any visitor outside this area had to wait until the person in front stepped back to look at the picture itself.

At the entrance, visitors could rent an audio guide, so as to hear the texts spoken, instead of having to read the labels or panels. People with audio guides could therefore go straight to the painting, overtaking others who had arrived ahead of them but were busy reading the text on the wall.

At one stage, to expand the viewing area, railings were installed in front of the paintings, at a distance of about three feet, so that visitors could not stand any closer. The railings were naturally placed at different distances, depending on the size and popularity of the painting. *Olympia* (painted in 1863), for example, measures 130 x 190 cm, while *The Fife Player* (1866) measures 190 x 68 cm. *Olympia* therefore required a viewing area about three times that for *The Fife Player*. *Olympia* probably also had a stronger appeal than *The Fife Player*, so viewing times were likely to be longer and the number of viewers greater.

The railing did not actually increase the viewing area, but it did allow viewers to stand in rows and still get a fairly clear view, unobstructed by the rows in front.

Aesthetic concerns aside, one disadvantage of the railing was that it was quite low, so a visitor could trip over it and damage the picture. It had been suggested that the railings be replaced by alarms that would sound a warning whenever a visitor entered the protected area, which would be marked out on the floor.

Eventually, the railings were retained only for the major works, such as *Olympia*, and were withdrawn from the other paintings.

The consulting firm that conducted the customer analysis observed how the system worked and wrote in its report: ‘Many visitors bypass certain works, either because they are not interested or because congestion makes it difficult to see the painting. Visitor interest declines as the exhibition proceeds, so that, on average and all else being equal, the later pictures have shorter viewing times than the earlier ones.’

The sequence of the paintings

The pictures were ordered chronologically, starting with the early works and moving on to the later ones. The pictures toward the end of exhibition were therefore better known and generally more interesting. *A Bar at the Folies Bergère* (1882), for instance, was the last picture, while *Olympia*, one of the best known, came just before *The Fife Player*, around halfway through. The survey reflected visitors' opinion that *Olympia* was the highlight of the exhibition, which they felt 'went downhill' after that.

The texts accompanying the paintings were written by contract writers, under the direction of the exhibition curator. The curator thought that this exhibition was a unique opportunity to study the complete works of Manet in the context of his time and place and that the catalog should therefore be a compendium of research that would become a standard work of reference for specialists and art lovers in the future. He therefore commissioned scholarly commentaries on each subject and painting, from which he built a comprehensive and monumental catalog. In fact, the unit cost of the catalog was twice the selling price.

The audio guides (small individual audio players on which visitors could listen to explanations of various aspects of the exhibition) simply reproduced the label and panel texts, read by actors. They were available in four languages, but some of the translations were frankly poor, in places comically so. The rental for an audio guide was €8 for the duration of the visit.

The catalog texts were described by some visitors as 'erudite,' 'boring' and 'pompous,' although others thought them 'intelligent,' 'sensitive' and 'refined.' Until recently, the latter reaction had been the norm. What was new was the negative responses, which could perhaps be attributed to people simply disliking the overall design of the exhibition.

Needless to say, following universal practice, there had been no attempt to find out in advance what visitors wanted to see in the exhibition; everything had been done as the curator saw fit.

Other environmental conditions

The number of visitors was very unevenly distributed over the museum's opening hours. Especially at weekends, there were big crowds in the mornings. It soon became apparent that the air-conditioning was struggling with the frequent adjustments this entailed. It also transpired that, at peak times, to avoid having people queuing outside in the cold, the attendants were allowing more people in than recommended. At certain times during the morning there were simply too many people in the rooms, which was dangerous, as the ambient heat and humidity could damage some of the delicate works of art. The queue of people waiting outside in the street could be up to 40 long at times.

The permanent collection

The permanent collection comprised works of different styles, qualities, periods, and sizes. It was organized chronologically, but with special areas devoted to individual artists. The Magritte area, for example, showed all the Magrittes. The information accompanying each picture was similar to that of the temporary exhibition, but with the additional disadvantage of the sheer number of pictures and the subsequent volume of information.

Visitors tended to fall into three broad categories. First, there were the tourists, who strolled past the pictures, plugged into their audio guides, oohing and aahing in various languages (though mostly in English). Groups of 30 to 40 tourists would wander through the exhibition rooms, blocking the way and stopping from time to time to listen to their guide. Second, there were those who visited the museum to follow a particular route, in which they would try to interact with a particular artist or theme, in order to 'soak up' the art. Third were the specialists, who came to see a particular picture and ignored the rest. The percentages for each category were roughly 50, 30 and 20 percent.

The tourist groups created congestion and localized delays as they moved through the exhibition. In the Monet room, for example, there would be an average of 15–20 visitors, but at peak times they could be joined by up to two groups, which would mean around 80 people trying to see the same 20 paintings. This congestion could prevent the paintings from conveying their 'message' to the observer, as the message could only be captured through quiet contemplation.

Visitors did not move through the rooms of the museum in strict sequence. Instead, they followed random patterns, where a certain percentage of visitors might gather at a particular painting without having seen the previous ones, or might even have started the tour at the end. It was difficult for visitors to plan their route through the museum, as there was no readily available information about the works on display or where they were located. To find a particular painting, visitors often had to ask the museum guards, who unfortunately were not always very helpful, mainly because they distrusted any attempt to distract them from their surveillance duties. Moreover, the random nature of visitors' routes caused criss-crossing currents, which in heavy traffic could lead to jostling and collisions, sometimes literally.

For the best-known works the same ergonomic adjustments were made as in the Manet exhibition. The little-known works, in contrast, were easier to view, as demand was low. In fact, some of the areas set aside for individual artists were always half empty, such as the cubicle dedicated to the Brazilian painter Tarsila do Amaral, who, with a dozen paintings on display, still failed to attract the attention she deserved, probably due to lack of popularity among visitors.

Natural light on its own is usually insufficient for painting exhibitions. In La Cassette the problem was exacerbated by the fact that the building had not been designed as a museum. Spotlights sometimes interfered with one another, creating reflections that made it difficult to see the pictures properly, especially the larger ones. The building itself limited the options and tended to cause lighting difficulties.

Generally speaking, going to the Musée de La Cassette was not a very rewarding, nor even a very pleasant, experience, especially on busy days. Visitors complained that they did not learn much and that the uncertainty and congestion were stressful.

The future

'Are the negative reactions an isolated incident or the first sign of a trend?' wondered Mme. de La Cassette. The temptation was to ignore them. After all, the museum was fulfilling its mission to research, document, preserve, and display the collections entrusted to it. And most visitors did not understand much about art, so their opinions could hardly be considered decisive.

What could be done from an operational point of view to improve the museum experience? How could the exhibition experience be anticipated and planned? The permanent collection could gradually be adapted to the new market conditions by changing the position and surroundings of the pictures, but with temporary exhibitions there was no time to optimize conditions before the exhibition had to be dismantled, leaving the whole process to be started again.

It was late. Pausing to take off her glasses and lay them on her desk, Mme. de La Cassette walked to the window, with its magnificent view of an illuminated Nôtre Dame. 'I need illumination too,' she thought with a smile.

11
Javier López-Gil Antoñanzas: Art Lover

Josep Riverola

Javier is from Burgos. This needs to be said up-front because in a way it marks his personality. His pure Castilian is direct and forceful. He uses his voice with relish, and even pronounces the punctuation: when Javier speaks, you hear the commas and full stops! He emphasizes the key points of his message with clarity and precision.

I have known him for decades. We knew each other as children and teenagers. He has tremendous common sense – but not what usually passes for common sense, which is what is left after everything else has been forgotten. No, Javier's common sense is highly uncommon: a great analytical capacity to examine and dissect problems and discover aspects that would escape most mortals. He is passionate, satirical and caustic, when he wants, but genial and even confiding when he feels at ease. He is 60-something, and wears it well. Tall, slim, in excellent physical shape, with an aquiline nose and graying hair, when speaking he gesticulates moderately but effectively to convey his meaning. During our conversation he got up and paced around excitedly, emphasizing his words with almost theatrical gestures.

He is an industrial engineer and a lawyer, of the kind who studied law in his mature years and so was ready to grasp its deeper meaning. He is truly a man of culture; I have sometimes envied his knowledge of fine art, music, history, and philosophy. But it does not stop there; he also knows physics – quantum mechanics, for example, to which he and I were introduced a few centuries ago! In fact, he still has a book on the subject that we bought together due to budgetary constraints.

For several years he has worked as a teacher, and his students consider that they learn from him in an hour what one learns with others in a day. A born teacher, with untiring dedication and curiosity, he never lets slip an opportunity and never gives up on a poor student.

He has written a book about art (López-Gil, 2007), *which is a delight and, at the same time, a display of intellectual prowess. The selected thoughts he has compiled, all of them profound, together form something like a short history of art, told through the mouths of its protagonists.*

For me he was the ideal person to judge the world of fine art from the outside. He is not a professional in the field, but a great dilettante in the best sense of the word. Perhaps in the same sense as used by the great Venetian Marcello, 'he who loves something.' And Javier certainly loves art; he is truly an art lover.

He welcomed me at his home in Barcelona, an attractive apartment looking out onto Avinguda Diagonal. We sat and chatted peaceably, like the old friends we are. And we enjoyed ourselves.

The interview was unstructured; we just let our ideas flow, exploring the topic.

Javier, tell me, how did you get into art? I remember you in your youth, when you started to take an interest in music. But how did you get into it in all its breadth?
By taking advantage of circumstances. Everyone has favorable circumstances in their life; you just have to take advantage of them. As you know, we've liked music since we were small, and back then it pushed our lives in new directions, leading us to discover horizons and break away from the ordinary. What a child brings from home often withers at school. Unfortunately, education today is making culture wither.

Music was something I grew up with. My mother was a great lover of music – and of painting too, and fine art in general. So I had seen things, some I liked, others I didn't. But I had one of those opportunities you just have to seize. During my early student days I had the chance to be in Madrid, on a scholarship, at the famous Residencia de Estudiantes.[68] I found the people extremely interesting; I was just 20 years old and some of them were professors and lecturers in Humanities. I was captivated by that whole world; so I went to dinner and drinks with them and abandoned my fellow students. They accepted me as the 'interested youngster' – I certainly had a lot to learn. And really that was what prompted me to take advantage of the circumstances, the fact that I had a lot to learn. I instinctively knew that this was an effort worth making in my life. And so I took advantage of it, and that's when I became interested in philosophy and art. I also had the decisive good fortune to be staying

[68] The Residencia de Estudiantes was Spain's first cultural center, founded in 1910.

with my uncle, the architect José Luis Fernández del Amo, who was director of Spain's first ever Museum of Contemporary Art. Just imagine, in the middle of the Franco era! Later, things opened up slightly, with Joaquín Ruiz-Giménez at the ministry[69] and with his *Cuadernos*.[70] But back then there was no formal budget for anything. In fact, that first museum of contemporary art was installed in the basement of the National Library, almost without a budget, relying on contributions and donations from friends, many of whom were fine artists, especially those in the El Paso group: Saura, Millares, Rivera, Canogar, Farreras. I was lucky enough to go to some of their studios, and they were patient enough to enlighten me. At that time they were just starting out, they weren't selling yet. Later they achieved the recognition they deserved.

So I became interested in contemporary art, abstract art. I had always liked classic art, but now I tried to focus on the art being made at that time. My uncle educated me in these subjects and I absolutely made the most of it. I remember one of his comments after visiting a museum of abstract art: 'What do you think?' he asked. I said, quite sincerely, 'I find it interesting.' And he banged his fist on the table. 'That's not good enough!' And he went on banging the table, saying, 'Finding it interesting is not enough!' All this in the most vehement tone! Clearly, he meant that one has to steep oneself in it and get to the bottom of it, not just say 'it's interesting,' as if the perception of a work was no more than an intellectual concern, a mere concept. No! It has to engage you, satisfy you, draw you in, and immerse you in the feeling. Of course, this requires development, training, and open-mindedness. So I set about reading books on the subject. Some have left their mark on me. I established a framework, to help make sense of new things that came along. And I spent a lot of time investigating on my own account – I started flying solo.

And to end this story, which has probably gone on too long already, a few years ago, I think it was in 2001, I tore my ankle ligaments playing tennis. So there I was, on crutches, asking myself, 'What the devil am I going to do now?' Some months earlier, a friend, a former math student of mine, had suggested I give classes in art history, because he knew it was something that interested me. But I said no, because there were things I knew well enough to teach and others I didn't because I wasn't that interested. But after the accident, when I suddenly found

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[69] The Ministry of Education.

[70] *Cuadernos para el Diálogo*, a cultural magazine founded in 1963.

myself like that, out of action, I decided to give it a try. I knew it would take enormous discipline, but I could put in the hours and I was ready to do it. So I wrote up detailed notes on everything; I had to see what I could hope to achieve in the teaching time available and select what was most important. Because if you're going to teach something, you have to know a lot about it. If you're going to say more than three people would, you need to know more than ten would, otherwise you're a fake and the students realize it. I took notes from dozens of books, and I started teaching. It was a training that enabled me to appreciate art more deeply, because you learn by studying, and also by giving good lessons.

How did you come into contact with art that was not immediately accessible through your friends?
With Kandinsky and Klee, it was through their works and their writings! As I said, books – text and images – have obviously been essential to me. The pictures in a book are clearly only an approximation to the real thing. So I went to lots of exhibitions, having done my homework beforehand. It's something I started during my time in Madrid and I've continued ever since. I would start the day at ten in the morning, with the first exhibition, and leave the last one at nine in the evening. I practically only stopped to have a bite to eat and a beer. One hour after another, with tremendous discipline. With the right training, you can do it – carry on hour after hour for up to ten hours, eight shows in one day, once every three months.

When you go to an exhibition, do you plan what you want to get out of it, or do you just go to lose yourself and be absorbed by it?
When I go to an exhibition, I always know who it's by and what it's about. If the artist is not well known, I will have read some reviews. And if I know the artist reasonably well, I will refresh and expand my knowledge of his life and work. I go to learn and enjoy. Most times I enjoy it, out of curiosity; sometimes not. But I almost always learn something, and always from the acknowledged masters, however often I see them. In my plan there is always an expectation of enjoyment, which is never disappointed. It usually comes when I let myself be carried away in a second viewing of the essentials of what I've seen. But I must be able to see the work for the necessary length of time in silence. That's extremely important. A picture speaks to you, but for it to speak to you, you have to take it on its own terms. In some cases I go to see the same exhibitions three or four times, sometimes with students. But

I always go on my own first, because I want to be alone with the work. Having another person there distracts me, so I never go in groups. I don't want to hear other people's comments. Of course, informed comments by someone who knows a lot more than I do are always worth listening to, especially because afterwards I can go back to the painting and see it more clearly, in greater depth. But the first encounter has to be direct and on my own.

Do the pictures always have something to say?
It depends on each person's sensitivity and knowledge. Sensitivity and knowledge are intertwined. But certain conditions have to be met: internal (personal sensitivity) and external (having the right environment).

For example, I can't stand large ladies pushing or squeezing in front of me! Of course, they always apologize, but that only makes things worse, because it means they interrupt you yet again. You have to stand up for yourself and not let them spoil it for you.

When you go to see an exhibition, do you go to see specific paintings or do you see everything?
What I usually do is follow the order that the curators have chosen. Presumably, the pieces are displayed in a logical order, whether it's chronological or by style, theme, or gender. So I usually follow the prescribed order, unless, of course, a group gets in the way. When that happens, I go in reverse order to avoid the crowds. And I see everything, though naturally paying particular attention to the works that affect me most strongly. When I get to the end, I go back to have another look at certain paintings. I always allow myself a lot of freedom in the time I allocate to each item. I spend very little time on some, and a lot on others. That's another reason not to go with other people – so I don't bother them and, more to the point, they don't bother me!

If I go to an exhibition for a second or third time, I enjoy company more. Maybe because I can talk at the other person's pace, and am happy adapt to their way of looking. But when we're finished, I always go around again, stopping, as I said, at the things I liked best.

I'm horrified when I hear people say, 'Oh, I've already seen it.' If you like a piece of music, you don't just hear it once in your life! You listen to it again and again, because each time it says something different as you get to know it better or discover new aspects. When you're talking about an exhibition, you can never say 'I've seen it,' unless you're only interested in keeping a tally of how many exhibitions you've seen. Though that's quite common.

As a teacher I feel an obligation to analyze the work as if I had to explain what makes it good, and sometimes I do try to explain it – it's a good exercise for learning to see more. Other times I say to myself, no, I'm not going to explain anything, I'm just going to enjoy it, as it is, as a whole, a holistic view, which is the essential thing. After that, going into the details and making the effort to explain why I like it – that, my friend, is a different matter! Because my loving a work of art is one thing, but asking myself exactly why I love it is a completely different matter. Of course you can try. Natural language is sufficient, despite its shortcomings. After all, words are metaphors for feelings, and the act of explaining is an exercise in rationality. Turning this artistic language into a more accurate but more limited natural language is, I think, difficult; but it's something we can and should try, accepting that we will always have to sacrifice something in the quality of the result.

What if there's a crowd?

Maybe they should – in fact, they do – set limits to the number of people they allow in. Above all, they should tell school groups and art school teachers not to speak too loudly. Sometimes you see them, spouting nonsense at the top of their voices, or pointing with their fingers, almost touching the paintings! As for the children, they can't put up with long exhibitions, and it's a mistake for the parents to drag them around for hours on end, if nothing else because you can make them hate art for the rest of their lives, the way schools have managed to make children hate reading by giving them boring set books to read. The way museums deal with groups leaves a lot to be desired. And let's not talk about the tourist groups. You need to know what days to avoid, and when the tourists are likely to be having lunch! Some exhibitions are better organized than others, but generally there's very little attention, if any, to these kinds of details, which really affect what visitors get out of their visit.

The order in which the works are displayed is important, and not all exhibitions get it right. The pictures that are going to be included and their size are known well in advance, so there's plenty of time for the supposedly expert organizers to plan out the actual exhibition space, paying attention to aesthetic criteria as well as the need to avoid overcrowding, queues, and conflicting flows of visitors. This is a job for the curators, but I doubt they pay much attention to it, as they have other issues to deal with, more pressing issues – for them, that is! Curating is in fashion. There's actually a book called *The Painted Word*. It's a wonderful book about three great critics of the late 1940s in America. Two of them, Greenberg and Rosenberg, raised action painting to the category of 'genius.' These two great critics agreed: 'This is interesting, this is good.' But – and this is the great irony – it came to the point where the works of art were no longer the reason for the exhibition, but simply an illustration of the critics' essays. Exquisite! But then they both came to the conclusion that this abstract art was too intellectual, so they proposed a radical U-turn: 'We have to return to consumer art.' And so we had pop art, shepherded in by the other great critic, Steinberg. Wolfe, the author of that book I mentioned, referring to the sudden explosion of pop art brought on by this trio of critics, has a perfectly devastating, ironic phrase for it: 'In one night, these critics performed cataract surgery on the whole of society.'

As you see it, does all this contribute to the value of the experience of art?

It depends. A good curator organizes the exhibition so that visitors can appreciate the conceptual and esthetic message of the exhibits and the relationship with the mind of the artist and the time in which he lived. The curator is a professional who should get the most out of the resources he has at his disposal.

But sometimes the reality is very different. Many (like the critics I mentioned) set themselves up as heroes and demand to be in the limelight. But I always try to see the work from the artist's point of view. Once the opening ceremony is over, the curator should stay out of it. It's something to add to his CV! Above all, he shouldn't overact. It's terrible to see an exhibition overshadowed by its 'great officiator.' The curator is not the star of the show – his job is to see to it that visitors to the exhibition get the most out of what they see. Let me give you an exceptional example. There was an exhibition, one or two years ago, called 'Under the Bomb.' It was a big exhibition, with some extraordinary works, hardly ever seen here, by artists from the 1940s and 1950s belonging to the schools of Paris and New York. It was extraordinary. I also remember the display cases contained some essential texts. But that title, what point was it trying to make? 'Under the Bomb'? Of course the works coincided with the 1945 atomic bombs. But to insert them in that context was to do a disservice to art, introducing a foreign body. It also trivialized the horrors of war and the consequences of the bombs. The fact that New York has overtaken Paris in art ever since and that the victors were in New York can be said perfectly well without all that 'noise.'

Art criticism could be extraordinarily useful, but only if it helped to show what the work really is. And that requires intense learning, conceptually and emotionally. You have to know the work. The better you know it, the more you feel it. What can you do to get to know it? Use your initiative! Through books, art magazines, whatever, and preferably with someone to guide you. A good critical review may help. Spain has some excellent critics, very well versed, whose opinions are food for those with ears to hear (I cite some of their ideas in my book). Many others are mere mercenaries, who hide their ignorance behind a veil of unintelligibility.

As for educating the viewer, to me that seems absolutely essential, a *sine qua non*. It should start in the home! Schools must play a part, too. The situation we have now is absolutely deplorable, not only in the visual arts, but throughout the whole field of culture. That's another issue, but it's still depressing. Standards are so low it seems impossible they could sink any lower, and yet they do. They're still falling, and I'm basing myself on totally objective modules from other areas, such as science. Needless to say, the people who actually control these things deny it, some flatly denying the evidence, others twisting the statistics to suit their purpose. And they're dragging the homes down with them.

Schools, which should be teaching their pupils to see, not what to see but how to see, are a dead loss. Street gossip, playground life, is the only thing that matters. And so is the obligation to pass exams on subjects that are irrelevant and pointless but made to sound important. I keep telling my students: 'Don't concentrate on passing! Passing is just a consequence of liking the subject, and I'll do my best to make you like it. That's the challenge for me.' At first they don't believe me, but in the end they realize it's true.

Let's talk about museums. What kind of experience do you get from visiting a great museum, such as the Prado?

When it comes to a great museum with an outstanding permanent collection, one that I can visit several times, such as the Prado, I plan visits around particular schools of painting. But I can't help it, I keep stopping here and there – and in the end I spend half the time on other things! I just don't have the willpower not to look at what's on either side. Generally speaking, I think that when you go to a museum like that, you need to go to see something in particular, let's say, to compare seventeenth-century Flemish and Dutch Baroque. You know what you're going to find, and you'll enjoy it again, better than the first time. You see more. A work of art speaks to you more clearly every time you look at it again. You see more, there's no doubt about it! You see it differently and you see different things. Assuming the work is good, of course. If it's trash, you'll just see trash and always the same trash!

Then there are the temporary exhibitions in the medium-sized museums, like some in Barcelona, or small museums, such as the Centro de Arte in Burgos. They're always changing. So there's a bit of everything. A lot of small museums have been opened recently, showing contemporary or recent art. And there's fierce competition between them. In Castilla-León, for example, this has been noticeable in the museums in Valladolid, Burgos, Segovia, Salamanca, Palencia, and the one in León, which is magnificent. There's a certain rivalry among them and the results are inevitably uneven.

That brings us to the question of how you evaluate a museum. How do you measure the excellence of a museum of this kind? Apparently someone decided that you can measure the excellence of a museum in the same way as you measure the excellence of a scientist: using the Citation Index! You know, by the weighted number of citations in major journals. The method is unfair, but crucial because it determines project funding. Your career is at stake. That naturally creates a secondary market in citations. 'You cite me and I'll cite you!' and so it goes. The equivalent of citations for museums is the number of visitors, so that's how you evaluate a museum. This has tremendous consequences. If you get a lot of visitors, we'll give you money. It is very easy to measure, extremely easy, and very clinical. But it's the basis on which you'll be rewarded and given higher positions and budgets, and on which your management will be judged. If your visitor index is not good enough, you may lose your job, because you're not connecting with the public. It's terrifying! A real problem. So you can understand all the advertising games and pseudo-intellectual pushing of trivia. They'll end up offering free gifts to visitors, just like the newspaper stands, with their bubble packs of plastic junk. There has to be another way, but that's the way it is now. It's a disaster for society.

The museums talk a great deal about their research. What does museum research contribute?

I'm not sure how much they research in general. I suppose it's what they have to say, that they do lots of research. I doubt it, but the results of that research, if they exist (and they must), hardly ever reach the public. I imagine that most of their research is in attribution and authentication. It's a more or less global thing. There are researchers who say, 'This seems to be, or seems not to be, by so-and-so.' There are strong vested interests. Recently, it seems that Goya's *Colossus* is not by Goya. For research like that you need an art expert who is extremely well versed in the topic, because it's not easy. For example, Rubens had a huge studio. He might have added a touch to some of the paintings, but most came out of the workshop. Are they Rubens because they were created in his studio? Or aren't they? Obviously, the difference in value of the painting could be 100 to 1. The value of the museums' collections is at stake, and also the prestige of all the experts, conservators and pseudo-experts who issued certificates of authorship, not to mention the interests of the auction houses. The expert has to judge the composition, draftsmanship, geometry, rhythm, perspective, brushwork, color, lighting, and other painterly resources. And he's under all sorts of pressure.

You mentioned auction houses. Do things happen?
I have no firsthand evidence, but I'm positive that things happen. 'Yes, this picture could be by so-and-so.' 'OK, but you have to understand that I'm going to put it up for sale at such-and-such an auction house and the price depends on whether it is or not – so maybe we can come to an agreement.' These things have happened and do happen, as everyone in the art world knows. But of course, nobody's going to say so, or who or how. Of course, as in all walks of life, there are honest people who make honest mistakes. But there are also people who are quite willing to see how much others will pay, provided it's believable, obviously. Sometimes it's a fine line, so that with the right incentive, a person can be easily persuaded to say one thing or another, and the price will be completely different as a result. That's why there is this drive to use new nondestructive technologies to authenticate works. Raman spectroscopic analysis of pigments is very important, for example.

And what about the catalogs? What do you get out of them?
I get a lot out of them. Articles written by specialists, with new information, and acceptable images in a monographic study. My book is based on catalogs; perhaps half of the things in there are from catalogs. By the way, buying catalogs is the cheapest way to buy art books, because very often, though not always, they're sold at cost. There are also some relatively inexpensive publications by two major publishers, who flood the markets with their huge print runs, and the books are very well produced.

The catalogs must help you organize your visit.
Of course, I go through the exhibition in the catalog, either before or after but never during the visit. I study it, I don't just read it, so as to

really take it in. Skimming is a waste of time, unless it's to gather anecdotes. And I read in silence, with nobody around. I may take notes or I may not, but I need to concentrate. After reading, I long to go back to the exhibition to see if I can see something I hadn't spotted before, which I usually do.

In 2000 I came across a beautiful catalog, with some excellent articles in it that helped me get to grips with artists I had known about but not in any depth. They were the Russian Symbolists and later movements, up to the emergence of the avant-garde. I love the Russian avant-garde, Cubo-Futurism, Suprematism and Constructivism. They're original and extraordinary, as works and as exponents of life, of new life. And the catalog had some notable contributions discussing the lives and works of these generations. Now I have several catalogs on the subject, focusing particularly on the six Russian 'Amazons,' extraordinary artists. But it could be ten, not six, without any loss of quality.

So it's not enough to just exhibit a painter's work – you have to surround it with items that somehow reconstruct the artist's time or the social situation?

I generally find it rather puerile to put on a display of contemporary events. What I do appreciate are the information panels, which situate you in the artist's life and the social circumstances. Many of the texts are very good, very restrained.

In fact, when you talk about the picture, you're talking about the artist. The thing is that the picture is not expressed in words; it's a different language. Both the work and the artist are speaking to you, the two are one. There's a wonderful thing I put in my book, something Chagall said when he was looking at a painting by Rembrandt. Seized with emotion, he said, 'Rembrandt loves me.' That just encapsulates his ecstasy when looking at a Rembrandt painting. Of course, he was someone with an artist's sensibility, and the seed fell on fertile soil. But what soil? The soil you cultivate, of course! If you don't read or study, or just want to read superficially, then don't say 'I'm bored.' Of course you're bored! It's no wonder with the stupid life you've been leading. Now you're paying the price in boredom! I know I'm being a bit passionate about it, but I think I'm being realistic, too.

As for including complementary exhibits from the period, it's a good idea, but it has to be done really well, because if it's done poorly, it gives a terrible impression, it's just a distraction. Let me tell you about one typical case, one that I worked up for some students who asked me for help. It was the 14th Viennese Secession Exhibition in 1902. It must have been the most wonderful thing I can imagine. There was an exhibition about that exhibition at the Fundación March gallery in Madrid a couple of years ago. And an authorized copy of Klimt's *Beethoven Frieze* was on display. Its themes are timeless: the longing for happiness, hostile forces, redeeming love…This monumental frieze surrounded the Vienna exhibition, as the greatest example of the total work of art. In the center was a bust of Beethoven, by Max Klinger, and they played his Ninth, conducted by Mahler. That's context for you! That's the real thing, unique, a total work of art, with its echoes of Goethe, Wagner and Nietzsche, and Schiller of course. And yet historically that is exactly how it happened; it was an extraordinary time for humanity! It's not the same as displaying the precious stone or the little necklace worn by whoever. If you're only going to include trifles, it's not worth it.

And to top it off, if I may add, the title given to the Madrid exhibition was 'Creative Destruction.' Or 'The Struggle for the Freedom of Art.' The artist, Klimt, at the height of his fame, chose not to live out his life in comfort. Instead, he destroyed in order to create. As did Goya, and Picasso when he took a new lover. All of them at the pinnacle of their fame. That is the moment for provocation. What you cannot do is start out provoking, seeking only to provoke.

Tell me about a memorable experience you've had and why it affected you.

Umm. Yes! It was in a gallery, not even a large museum. There are some extraordinary ones here, such as the Barbier galleries. They have a few works by the six Russian women I mentioned. It's worth recalling their names: Popova, Goncharova, Exter, Rozanova, Stepanova, and Udaltsova. But there were others who were also very good. It's difficult to see these artists here in Spain. There are some on the ground floor of the Thyssen, but not much else. I'm talking about the years 1910 to 1925, or an even shorter period. When I saw the exhibition, I thought, this is incredible, six women who were allowed to work freely in a passionate, creative environment. There were no more than three or four small paintings, they don't have much space, but I was amazed. Since then I've accumulated more catalogs, more books, more of everything, and whenever I can, I go to see them again. The more I know about them, the more I see and the more pleasure I get out of them.

12

A Practical Approach to the Design of Visit Systems: Application to the Musée de La Cassette

Josep Riverola

The Musée de La Cassette case raises the question, how must a service system be designed for it to deliver a good service? Specifically, the system we are considering is a *visit system*, in which a stream of customers moves among a number of service stations, receiving service from each one. A typical example of a visit system is a hospital, where patients go from one department to another to obtain specialized services. An art exhibition is also a visit system, with the exhibits acting as service stations.

A visit system is a particular case of a job shop operating system. Orders (each accompanied by a customer) arrive at the system and must be fulfilled by workstations specializing in different functions. It is a system that is well known (but difficult to optimize) in the world of manufacturing operations. However, a number of approximate methods are available. In service operations, however, things are more complicated, as one very important property is missing: whereas in manufacturing the production scheduling is usually done by the company (within limits, the company can organize the flow of its operations for maximum efficiency), in service operations the scheduling is done by the customer (the customer decides the arrival time, length of stay, and route taken through the system).

In what follows we present a simple method for solving the case in hand: a method we have adapted from the manufacturing sector. We will also present a number of ideas that may be helpful when designing a visit system such as that of the Musée de La Cassette. We hope that the discussion will alert the reader to the possible dangers of ignoring, or taking for granted, a subject as important as Service System design.

The service to be provided and the service criteria

A customer who visits an exhibition hopes to achieve certain results from the visit. As discussed in the Javier López-Gil interview, every customer comes with different expectations, which translate into different requirements. We have asked a large number of people what they expect to get out of their visit to an exhibition. The answers cover a very broad spectrum, broad enough to encompass most human needs. To deal with them systematically we can use Maslow's pyramid, which represents the hierarchy of human needs graphically. An adapted version of the pyramid can be seen in Figure 12.1.

In cultural experiences the emphasis is on the upper three levels, but Maslow suggests that human needs are satisfied in strata: if the lower strata are not satisfied, satisfying a higher-level need will add little to the overall experience and may even be counterproductive. Clearly, a service that has such a variety of deliverable experiences is very complicated to design, effectively reinforcing the idea that every customer represents a separate order to be fulfilled. The reader will find it useful to consider Maslow's pyramid in relation to the Javier López-Gil interview.

Once we have identified the experiences our museum aims to provide, we must study the success criteria for each experience and rank those criteria in order of importance. In a visit system it is often the

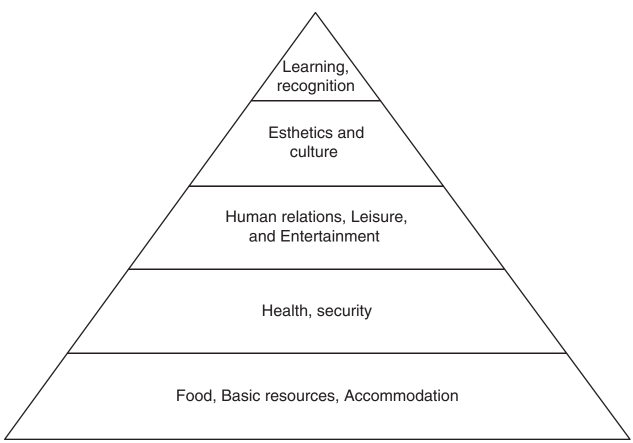

Figure 12.1 Adapted version of Maslow's pyramid

Source: Adapted from Maslow A. H. A' Theory of Human Motivation', *Psychological Review*, 50(4), 1943, 370–96.

case that the whole experience can be summed up in a small number of criteria, or even a single criterion. The interview with Javier López-Gil highlights one widely shared criterion of visitor satisfaction, namely congestion or overcrowding. A visit with too many badly organized waits, too many people, too much noise, and no oases of calm, is generally a rather unpleasant experience. We therefore start by considering the degree of congestion that occurs in an operating system as a result of the system's design and parameters.

The degree of congestion is not easy to study or measure. But it has to be done because if we cannot measure congestion, we cannot remedy it. Quite a large part of our methodology is therefore devoted to analyzing congestion, in terms of analyzing the waits that occur in the system. Let's see how.

Congestion and its logic

Queues are a feature of all service operations, whether it is a painting we want to see, a museum we want to visit, a fast food restaurant, a freeway, or a dressmaker. There are queues everywhere! Some are queues of people; others are queues of orders (at the dressmaker's), products (in a machine) or information (in a computer). What all these examples have in common is that there is a system, made up of service stations, which are filled by customers (items) and then emptied again after a certain time to let in new items from those waiting patiently in line (all very civilized!).

The main reason why queues form is that the demand D (that is, the number of items – people or orders – requiring service per unit of time) is sometimes greater than the maximum throughput, P_T, again per unit of time. Maximum throughput is the maximum speed at which a given service station can output items, assuming the station is always fully occupied (it is the maximum because it is measured at 100 percent occupancy).

A queuing system may have one or several servers. A server is a production unit that is capable of serving one, and only one, customer at a time. A server receives a customer, retains it for a while, and then sends it back into the world it came from. In general, in systems with more than one server, each server will have its own maximum throughput. If the servers are identical (which is a acceptable assumption most of the time), the maximum throughput of all the servers combined will be equal to the number of servers multiplied by the maximum throughput of one server. In symbols, if you have n service stations in parallel and each has throughput P, the maximum total throughput is $P_T = n\ P$. For the time being we shall continue to focus on P, the individual throughput.

Note that 'throughput' does not necessarily involve any 'processing.' An item may spend time in a service (looking at a painting, for example) just 'because it feels like it.' If S is the average service time ('the time an item wants to be there'), then simple proportionality tells us that the maximum throughput will be $P = 1/S$, everything measured in consistent units.

So far, so good. Moving on, we can already state a basic property of these systems: IF demand and service time are constant and exactly known in advance, so long as demand D is less than the station's maximum throughput P_T, there will be no waits. Notice the big 'if.' Why do we need it? Because if the condition is not met, the statement is utterly false! Where either demand D or throughput P is random (with throughput possibly inheriting its randomness from the service time S), a curious phenomenon is observed: even if D is *lower* than P_T *on the average, there are still waits and queues.*

This is because D's being lower than P_T *on the average* allows the possibility of its being greater than P_T at some given time. This happens because either D or P_T (or both) are random quantities. At such times, demand will accumulate and a stock of waiting items (a 'queue') will form. Figure 12.2 shows the result of simulating a queue with an average arrival rate of four items per minute, a single server, and maximum server throughput of five items per minute. When arrivals are deterministic, the queue is zero, whereas when they are random, there

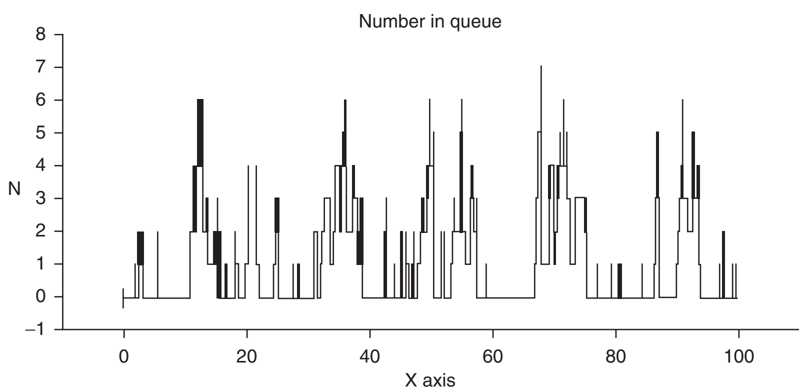

Figure 12.2 Average number of items in the queue

are up to seven items in the queue (though only for a brief period of time, of course). Note the strikingly irregular number of items in the queue, due to the random behavior. The simulation can be used to calculate the average number of items in the queue, which happens to be 3.2!

So queues will form. But how long are they likely to be? It is difficult to say. This is a complex problem – logical, but complex. Which means that we can work out a result, although we will need to bring out the big machinery. But, after all, that is what science is for, isn't it? To accumulate knowledge in a form we can use without having to understand all the intermediate steps. In our case, the accumulated knowledge is represented by certain formulas, discovered by the experts, that allow calculation of waits using the basic system parameters, namely D, P, and n.

In the remainder of this note I shall provide approximate formulas for estimating waits. These formulas are very handy as a guide to intuition, but they cannot be expected to exactly match reality at any given moment; that is not their purpose. Basically, all of them are valid 'on the average;' and some of them even, 'on the average and in the long run.'

The steady state

Let's start with the case where the service system has just one service station. The key point is that the system can serve only one customer at a time, which makes things simpler. You may argue that any system with n servers (one in which n customers can be served simultaneously) can be approximated using a single-server system that operates n times faster. I would retort that it's not the same thing, even though it can be (and in real life often is) done in certain circumstances.

But it's not the same thing, no siree! If you have ten people making omelets and each person takes ten minutes to make an omelet, as long as all ten people are working, the system will effectively output one omelet per minute. When only three people are working, however, the system will output one omelet every three minutes at the very most. With one cook working ten times as fast, the system will always output one omelet per minute!

Where $n = 1$, demand divided by maximum throughput (D/P) gives us the percentage of server utilization. So if demand is four per minute and maximum throughput is five per minute, the server will be fully occupied only 4/5, or 80 percent, of its time. In other words, server *occupancy* will be 0.8. If there is more than one service station, D/P no longer gives us the occupancy rate but the *average number of busy servers*, that is, the average number of servers needed to meet the demand. For brevity, let's call this number ρ. As a rule, ρ will have to be less than n, the actual number of servers in the system. If not, you have a problem.

Obviously, if n is different from 1 (that is, if there is more than one server), the average occupancy of each individual server will be ρ divided by the number of servers: ρ/n. That makes sense: I need ρ, I have n, so occupancy is ρ/n. To distinguish this number from ρ, let's call it something different, say ν. (Why not? After all, ν is 'n' in Greek.) Note that when $n=1$, $\rho=\nu$ by definition. From now on, to make things consistent, we shall let ν be the star of the show!

Service station capacity

In the case of the Musée de La Cassette, with an arrival rate of 17 customers per minute and a service time of 30 seconds, the first thing we need to know is how service stations must be designed for ν to be less than 100 percent. If occupancy were greater than 100 percent, the system could not possibly absorb and process the stream of visitors, even allowing for long waits; output has to be greater than input for the system to be able to operate in the long run. Since the waits depend on occupancy, they will depend on the individual service station design. The main decisions in service station design thus concern the arrival rate, the service rate per server, and the number of servers.

The arrival rate is exogenous, but we can try to reduce it by somehow restricting the input stream. Some museums adopt a strategy of limiting visitor access at the main entrance, but this does not help much. It merely creates a queue at the main gate. In the case of La Cassette, unless people get impatient and leave the queue, sooner or later everybody will get in and the load will be 17 items per minute. All we will have done is reduce congestion temporarily. However, this strategy obviously smoothes demand, in that it transfers demand from peak times to lull times by making customers who arrive at a peak time wait until the next lull. If the wait is too long, customers are likely to be dissatisfied and leave the queue. But, and this is a key observation, the only way to reduce the input stream is by forcing some customers to give up and leave.

Analogous considerations apply to service time. Each customer decides for himself how long he spends looking at each picture. We can make an assumption, such as an average of 30 seconds, but obviously it will depend on the customer: a customer who goes into ecstasies will spend more time, whereas one who gets bored will take a quick glance and leave. You can try to reduce service time by force, but usually customers do not like it and complain! So the only satisfactory way to reduce service time is indirectly. We must somehow encourage customers to spend less time in service. How we do that will vary from case to case, but it will not be easy, especially if we want to keep delivering good service. Certain types of stimuli may be offensive to some customers, making the cure worse than the disease.

So let's concentrate on working out the maximum number of customers that can view a painting and how they need to be positioned. It is immediately apparent that for ν to be less than 1, the actual number of servers must be more than the average number of busy servers ρ. In our case, $\rho = 17/2$ because each server (each viewing position) can output two customers per minute, while the arrival rate is 17 per minute. So $\rho = 8.5$. That means there have to be at least nine viewing positions for the system to be stable. How can nine visitors stand and look at Manet's 'The Fife Player' simultaneously? With great difficulty. First, they must all stand at a certain distance, because if they are too close to the painting, people will not be able to stand side by side. Then, the viewers must stand in rows (three rows of three, for instance). Imagination is required to solve the riddle. For instance, it might be possible to build a small amphitheater, so that the people in the back row can see better.

In any case, congestion on the scale seen at La Cassette clearly cannot be tolerated. Someone needs to do the necessary analysis, before reality turns our dream exhibition into a nightmare.

Waits at a server

Having gathered all this information, we are now ready to estimate the wait. If we give the system enough time to stabilize, that is, if we allow it to reach a *steady state*, then the average number of items in the queue, that is, waiting, in a system with n servers is[71]

$$N_{Queue} = \frac{\nu^{\frac{n+3}{2}}}{1-\nu}$$

Granted, it's not pretty. But it's not as bad as all that either. The 'least pleasing' part of the expression is the numerator, which is a 'strange'

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[71] This is an approximate expression that coincides with the actual value when $n = 1$, and works reasonably well in most other cases.

power of ν ('strange' meaning the $(n+3)/2$ power of ν). But so what? Excel can cope with 'strange' powers!

The formula calculates the *number of customers in the queue*. To find N_S (the number of customers in the system), we will obviously need to add to the number computed by the formula, the average number of busy servers. In other words, $N_S = N_{\text{Queue}} + \rho$. No, you didn't read it wrong; it's a ρ, not a ν. Think about it for a moment and you'll see it has to be a ρ.

To get a more direct feel for what the above formula is saying, it may help to consider the case of a single-server system ($n = 1$). Here you have it.

$$N_{Queue} = \frac{\nu^2}{1-\nu}$$

Much more pleasing, I'm sure you'll agree.

Of course, I realize that as the server occupancy ν approaches 1, this expression grows without limit. If occupancy were 1, the server would be, on the average, fully loaded for the foreseeable future. But as the random fluctuations spoil everything, if the server were ever to become idle, it would never recover (on average). And the load would continue to accumulate for ever.

So you see how with this humble little formula you can estimate the average number of people waiting to see a painting in La Cassette, assuming, of course, they all wait patiently in line.[72] For example, if each person stands in front of the painting for two minutes (and only one person can stand in front of the painting at a time), the server's maximum production would be $60/2 = 30$ people per hour. Now, if there are 20 people per hour wanting to see the painting, average server occupancy (again, equal to the average number of busy servers) will be $\rho = 20/30 = 0.66$. In this case, since $n = 1$, the average number of busy servers coincides with the utilization of the server, ν. So 33 percent of the time there will be nobody in the queue; and the average number in the queue will be: $N = 0.66^2/1–0.66 = 1.33$ people.

Using the figures in the case, average server occupancy with nine servers is $\nu = 8.5\ /9 = 0.94$. If n were equal to 1, this would be a high rate of utilization, meaning that a lot of people would have to wait. By

[72] Assuming also that only one person can be 'served,' that is, be looking at the painting, at a time. If not, read on.

applying the formula above, you can see that in this case the average queue size would be 14.72 persons. But if you look closely at the formula, you can see that the wait depends on n and that, all else being equal, the wait decreases as n increases. According to the formula, the number of customers in the queue in this case is $0.94^6/(1–0.94)$, which gives 12 people. Still high, but feasible. If instead of nine stations we had ten, ν would be $8.5/10 = 0.85$ and the number waiting in line would be $0.84^{6.5}/(1–0.84) = 2.51$. That's quite a substantial reduction in queue size, just by adding one more viewing position.

The intuition behind the formula

To get a more intuitive grasp of the phenomenon, we can graph N_{Queue} from the above formula. Here it is, as a function of ν:

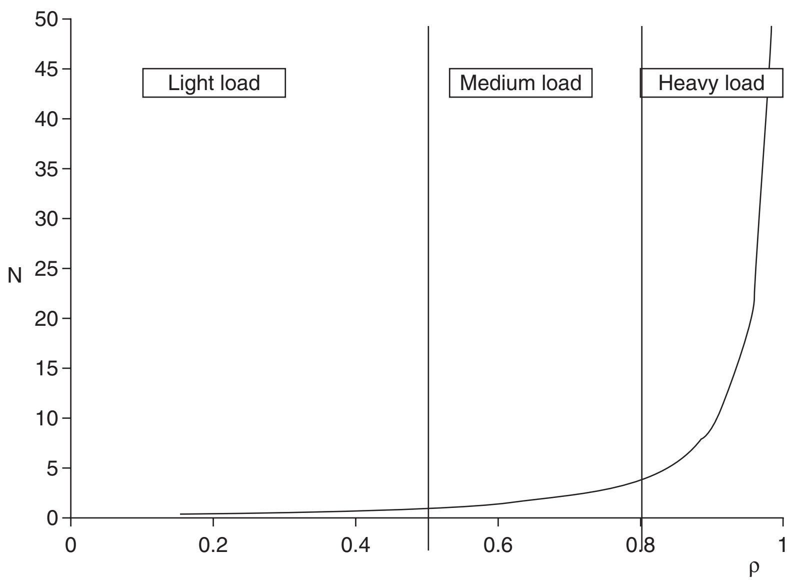

Figure 12.3 Graph for N_{Queue}

The main thing to notice is that the phenomenon is not proportional! There is no proportionality between server occupancy and the number of customers in the queue. On the contrary, the phenomenon is highly nonlinear; small changes in occupancy can result in dramatic changes in the size of the queue. Actually, Figure 12.3 can be divided into three areas.

(a) *Light traffic area*. Between $\nu = 0$ and $\nu = 0.5$, N_{Queue} is practically independent of ν. Increases in ν have hardly any effect on congestion
(b) *Medium traffic area*. Between $\nu = 0.5$ and $\nu = 0.8$, increases in ν result in markedly proportional increases in N
(c) *Heavy traffic area*. For $\nu > 0.8$, increases in ν have dramatic effects on congestion, until, at around 0.95, the effects become extreme.

The consequences for managers who design and operate systems such as exhibitions are profound. Consider a station that operates at $\nu = 0.9$, with very high server efficiency. A small increase in demand will result in a large increase in waits and also – if the server is part of a larger system – in total time spent in the exhibition as a whole.

Networks of service stations

We have seen how to estimate the waits at a given service station. Now we shall consider the spatial distribution of service stations and their mutual effect.

The stations of an exhibition are not independent. Items (people) leave one station and head for another, so the departures from one station are the arrivals at others. This connects the stations and establishes a close relationship between them. The arrival rate at any given station is the result of the station's upstream process and the way items distribute themselves among stations, because of the route they follow.

Generally speaking, a service station network consists of a number of service stations and certain routing rules. Once a customer has been served at one station, he quickly (or within a fixed time) moves on to another station, determined by the routing rules.

The simplest case (and the one considered standard in exhibitions) is sequential routing, where stations follow one another in the order specified by the exhibition designer. In practice, this routing is rarely adhered to, as, depending on the level of congestion, customers will choose alternative routes that alter the relative arrival rates at the different stations. Even so, analyzing the simple case can help us understand more complex cases, so we shall consider a simplified case of a sequential route in an exhibition with three paintings (simpler, but essentially similar to, the Manet exhibition described in the case) (Figure 12.4).

Note that if the arrival rate is still 17 items per minute and the maximum throughput of all the stations is greater than 17 items per minute, the exit rate from the system will be 17 items per minute on the average.

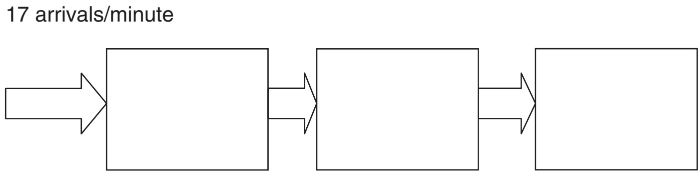

Figure 12.4 Arrivals per minute

That is because as the maximum exit rate is higher than the entry rate (on the average), the entry rate becomes the exit rate. All the stations in the chain will therefore have the same input, namely 17 items per minute. So far, so obvious. Each station in the chain can therefore be analyzed in complete isolation as if the others did not exist, with its 17-item arrival rate and the service speed given by its own configuration.

The important point, however, is that it does not matter whether all the visits follow the same sequence or not. So long as nobody gets impatient and leaves the system, and so long as each visitor visits each station only once, then it does not matter what route visitors take: the arrival rate at each painting will always be 17 items per minute. This is simply a consequence of the conservation of flow and the uniqueness of the visits.

General visit systems are easy to analyze using the conservation of flow idea. Consider the following more general example. Figure 12.5 depicts a network of stations, with five individual stations (A, B, C, D and E) shown by circles.

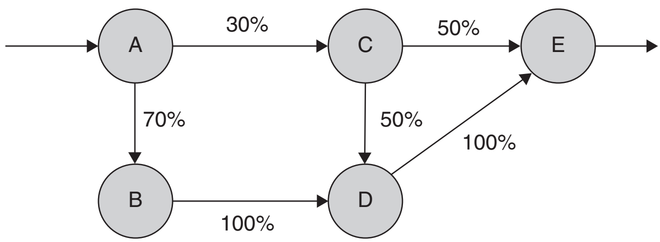

Figure 12.5 Network of stations

Once an item has been served at one station, it moves on to another station, as indicated by the arrows. The percentage of items that on leaving a given station follow the path indicated by the outgoing arrow is indicated in each station. On leaving station A, for example, 30 percent of items go to station C and 70 percent to station B.

How can we analyze such a system? If all the stations are only related by the flow of items (which is the basic assumption used in the standard ERP systems currently on the market[73]), then the analysis is very straightforward. As each station can be analyzed in isolation, all we need is the actual arrival rate at the station (its demand *D*), which is the result of the departures from other stations.

In many cases, especially in the absence of back flows, the calculation is very simple and can be done incrementally. Let's do it for the network shown in the figure. As we are in the steady state, each station has already had time to load its successor stations. Let's say that external arrivals at station A are 100 units per hour. Given that 70 percent of all units leaving A go to B, and that the number leaving A is the same as the number entering it[74], the arrival rate at station B will be 70 units per hour. Proceeding in cascade, we can calculate the arrivals at station D. The number of units arriving at D from B is 70 (100 percent of 70). Added to that is 50 percent of the units leaving C (50 percent of 30). Arrivals at D therefore total 85. Continuing the calculation in this way, we find that arrivals at E total 100, which then leave the system.

All we need to do now is analyze each station, statically or dynamically, based on the demand at each one. If the problem is dynamic, the calculation of the flows in the network will have to be repeated for each time period, but in general that's no problem.

The sequence of the visit

There is one important aspect that defies logical analysis. Every visit to an exhibition is intended to meet some of the criteria presented in Maslow's pyramid. Most of these criteria are not met simply by visiting. Other, complementary aspects are also important, especially toward the upper levels of the pyramid. In what follows we shall study some examples to see what kinds of issues are raised.

Let's start by considering the 'entertainment' criterion. What entertains and how? This is a difficult question, to which there is no easy

[73] This process is known, onomatopoeically, as a 'BOM explosion.' Have no fear, though, it's not a terrorist attack. BOM stands for Bill Of Materials.

[74] This is where the steady state matters!

answer. But if we turn to the classics for clues, we learn that for an artistic performance to entertain, it must have the elements of a good comedy, that is to say, it must have an introduction, a climax, and a dénouement. Alternatively, we could say that an exhibition must be paced to harmonize with the visitor's pace and to arouse the greatest possible interest. Let's say our job is to decide the order of the paintings in La Cassette. The question is, where should we put Olympia? Should Olympia go at the beginning, in the middle, or at the end? More generally speaking, what is the best way to order the paintings in the exhibition?

A typical rule used by exhibition curators, driven by their concern for historical accuracy, is to hang paintings in chronological order. By this rule Olympia should be in the middle of the exhibition. But is that the best place? From the historical or educational viewpoint, certainly. It displays the works according to the evolution of the artist's style and thought, so that visitors can follow the development. From the entertainment point of view, however, it leaves much to be desired. Olympia is probably the work visitors know best. It's like in the Louvre, whose most famous treasure is probably the Mona Lisa. Or the Prado, where Las Meninas is far and away the work that most people recognize. If an exhibition's best-known work (Las Meninas, for example) comes first, the climax is reached far too early. We effectively skip the introduction and jump straight into the climax, almost the dénouement.

For the normal visitor, after you've seen Las Meninas it's all downhill; interest wanes and anticlimax takes over. Presumably, that is not what we want. More likely we want a steady increase in emotional tension, culminating in the viewing of the masterworks. By this criterion Olympia (or Las Meninas) should come at the end of the exhibition. And yet it is important to graduate the pace of the crescendo. Too much crescendo can be tiring, even tedious. Once you have seen 30 El Grecos, the thirty-first may not add a great deal, even if it is the Nobleman with his Hand on his Chest. This is a well-known property of museums, and also of exhibitions, though it is rarely taken into account in exhibition design.

An argument against putting Olympia last is that it encourages a 'rush' for the high point of the visit. Enjoyment of the earlier stages may be diluted by anticipation of the best-known work. Where we put Olympia clearly depends not only on Olympia but on the whole set of paintings in the exhibition. The ideal sequence will vary depending on how representative a particular painting is and how well known it is to the target audience; and it will not necessarily be chronological.

The reader may draw his own conclusions. The important thing, however, is not to agree on a solution, but to recognize the problem and take it into account when designing the visit, so as make the visit as satisfactory as possible.

Now let's consider the criterion of 'learning.' Obviously, for an exhibition to be a learning opportunity, learning must be a design criterion. It is not enough to put fine-sounding texts on the wall, giving viewers all manner of details. Nor is it enough to produce an erudite catalog, full of dates and references, which unfailingly ends up in the trash. That is not the way people learn; at best they might gather some information. In Operations we know that adults learn when they are actively engaged in problem-solving. So problem-solving should be a part of the visit. Clearly, it is not (or is it?) a matter of asking visitors to solve puzzles. Rather, the idea is to recreate the situation before the painting existed, so as to bring to life the problems the artist faced and see how they have been resolved.

Although the author is no art expert, he cannot help being convinced that Goya, when he set about painting the family of King Charles IV, thought a lot about how to do it. It was no small challenge for a convinced Republican, such as Goya, to paint the Spanish royal family without being fawning, and show them as they were, warts and all, without being too obvious (so as not to fall into disgrace). But he found a way to do it. One has only to see the painting on two levels to realize how. Overall, it is like so many other affected portraits of royal families, produced to the greater glory of their members. If you examine each character more closely, however, ignoring the context, Goya's (subliminal?) message is clear. Look at the queen, for example. What does the portrait suggest? A humble and devoted wife? A woman of character? A domestic tyrant? A debauchee? I leave it to the reader to decide. But this perception, this message, is the product of the solution Goya found to his problem. By highlighting this aspect and helping visitors discover it, an exhibition can create an environment in which people learn.

We can analyze the complete pyramid in the same way. This method is simply a starting point for addressing an issue that has received relatively little attention in the design of visits systems. Yet it is an important issue to consider if we want to satisfy our visitors, beyond any erudite (or pompous) considerations.

Impatience

What happens if a customer arrives and, seeing a long queue, decides not to wait and leaves? Specifically, what percentage of customers will we lose if all our stations are busy?

Remember how we said there was always the possibility of customers getting impatient? In a system such as an exhibition, any departures from a queue are either arrivals at another queue or exits from the system. We therefore need to know roughly what percentage of customers abandon a particular queue and move on to another service station.

A common assumption is that, at any given time, an arriving customer will join the queue with a certain probability; or, equivalently, that only a certain proportion of customers will join the queue. Based on the results of empirical studies, we usually assume that the proportion varies inversely with the length of the queue at the time of arrival. Specifically, experimental evidence shows that the proportion of customers who join the queue can be assumed to be b/N, where N is the average number of customers in the system and b is a constant, interpreted as the customer's propensity to join the queue, which has to do with how attractive the service is to the customer.

Another extreme, but very common, assumption is that a customer will not join the queue if on arrival he sees that there are already (a given number) m customers waiting. A desirable effect of this policy is that it *tends to distribute the load among the servers more effectively*. The customer, however, may not receive the service he expects and may have to wait much longer than expected to be completely served.

Impatience is a multifaceted phenomenon. On the one hand, the presence of impatient customers seems to degrade the service. On the other, impatience balances the loads on the different stations better and gives customers the opportunity to choose their route, which may enhance their satisfaction. Impatience can have a significant impact.

One thing for sure is that we must plan for impatience. If we want to allow for impatience, we need to have the means to ensure that it does not become an exercise in dissatisfaction but is a welcome complement to the visit. Wide corridors, capacity to deal with back flows (streams of visitors moving against the normal flow), mixed streams – these and other aspects are all part of system design. Very (perhaps most) importantly, the information provided to visitors must be as sequence-independent as possible. This seemingly obvious property is not easy to design for. Every text typically presupposes a knowledge of the texts that come before it. Because of impatience, customers arrive with different knowledge of what came before. Impatience turns a flow system into an (almost) random one. While this explains the improvement in queue balancing, it creates other problems, which have to be dealt with.

A general methodology for the analysis of a visit system

Having taken a closer look at the behavior of an isolated single service station, when either demand or service time is random, we can now formulate the general method we spoke of at the beginning of this chapter.

To do that, let's think how these ideas can be applied to a situation such as that of La Cassette. The following method is appropriate:

1. Estimate the visitor arrival rate. If the arrival rate depends on the time of day, break it down into hourly intervals.
2. Measure, or estimate, the average time customers spend looking at each artwork. Remember that this time is random.
3. Estimate the number of visitors that can comfortably look at the same artwork at the same time.
4. Establish typical routes for visitors and estimate the percentage of visitors that will follow each route at each station.
5. Calculate the effective arrival rate at each station.
6. Calculate the wait at each station using the above formula.
7. Identify the impatience and estimate the percentage of visitors that will bypass each station. To this end, use the formulas in Annex B, below.
8. Change things to give better service.
9. Continue until you are happy.
10. Stay happy!

Appendix

A) The transient state

What happens if the system is not in the steady state? This may be because it has not had time to reach steady state, or because average demand or average service time changes over time and the system has inertia and does not stabilize.

It is easy to make an approximate calculation when $n = 1$. First, we must remember that we are talking about a stock of items (people, orders) waiting in line, with average arrival rate D, and maximum throughput of the service station of P.

Let's take a fixed time increment – one day, one hour, whatever we like – and call it *dt*.[75] Basic inventory logic tells us that

$$N(t + dt) = N(t) + \text{total arrivals} - \text{total departures}$$

Total arrivals is *D dt*, but what about total departures? Total departures depends on the probability that there is nobody in the system. We shall call this probability $\sigma(t)$. There can only be throughput if there is someone in the system; otherwise throughput is zero. The *average* throughput rate is therefore $\sigma(t)\ 0 + P(t)\ (1\text{–}\sigma(t))$. And as anything multiplied by zero tends to be zero,

$$(*) \quad N(t + dt) = N(t) + D(t)dt - (1 - \sigma(t))\ P(t)dt$$

A treacherous-sounding expression, but actually quite simple (the reader should interpret it based on what we have said so far). There is still the 'minor problem' that we do not know $\sigma(t)$. So far, everything we have done is perfectly rigorous. Now we are going to fudge it with an approximation.

We shall assume that for every *t*,

1. The probability that there is someone in the queue is equal to the percent processor utilization; in other words, $\nu(t) = 1 - \sigma(t)$. While this is true in the steady state, it is not exactly true in the transient state.
2. The stock passes from one more or less steady state to another more or less steady state, adapting swiftly to fluctuations in demand and throughput. Moreover, this adaptation is much faster than the fluctuations in demand or throughput.

So, bringing the heavy artillery back to bear, it can be demonstrated that the number in the system is given approximately by the formula

$$N(t) = \frac{\nu(t)}{1 - \nu(t)}$$

which is not the same as the steady state formula for $n = 1$ on account of the 'minor' detail that the quantities are now a function of time *t* and are not in the steady state. It does seem reasonable, though, doesn't it?

[75] Why not? I just make up the names to save the effort of writing…

From this last expression, simply solving for $\nu(t)$, we obtain the relationship $\nu(t)=\dfrac{N(t)}{1+N(t)}$. Substituting in (*), we are left with the expression

$$N(t+dt)=N(t)+\left(D(t)-\frac{N(t)}{1+N(t)}P(t)\right)dt$$

This expression can be used to compute $N(t)$ for all t, starting from $N(0)$, and incrementing time by dt at each iteration.

B) Computing the percentage of customers who choose not to enter the service because of impatience

Here are some graphs for the percentage loss when no queue ever forms because customers choose not to wait, that is, when they become impatient on anticipating a queue on arrival. Obviously, a customer leaves whenever the number in system is n, that is, when all servers are busy.

The percentage of customers that refuse to enter the queue can be read from Figure 12.6. ν is the average server utilization (the same ν as before) and p is the percentage (expressed as a decimal fraction) of customers who leave and are lost. There is a separate curve for each number of servers.

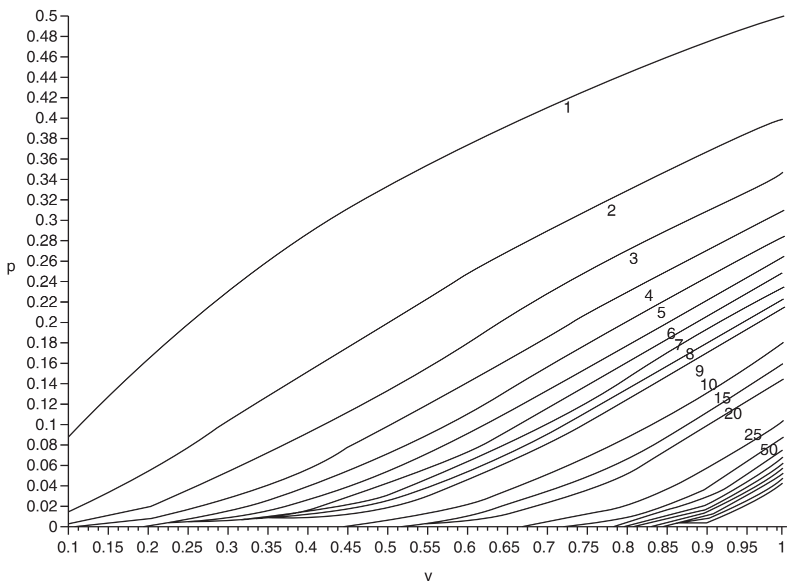

Figure 12.6 Probability of loss

There is a curve for each value of $n = 1, 2, \ldots 10, 15, 20, 25, 50, 75, 100, 125, 150, 175, 200, 250$, and 300 (in the last few curves the value of n is omitted because the lines are too closely packed). Server numbers as high as 300 or 350 are usually found only in call centers.

For instance, if the average server utilization is 0.8, and there are ten servers, we see in curve 10 that $p = 0.087$, approximately. In other words, 8.7 percent of customers will leave when they arrive and realize that they have to wait.

13
The 'la Caixa' Foundation: Art exhibitions

Philip G. Moscoso and Alejandro Lago

The attendees at the weekly meeting to coordinate cultural activities of the 'la Caixa' Foundation (FLC) understood quite clearly that they definitely had a problem. After nearly two years of preparation, the exhibition on painter Joaquim Mir, a twentieth-century landscape artist, at the CaixaForum center in Barcelona, had been a great success since its opening on February 3, 2009. But, as had been noted by the FLC's deputy director of production, if the Mir exhibition ended as planned on April 26, there would not be enough time to prepare the space for the following exhibition of Andrea Palladio, a famous Renaissance architect. As he explained, he had met with the various contractors used by FLC, and the conclusion was clear: the physical preparation of the rooms required more time than was currently available between the closing of the Mir exhibition and the scheduled opening for the Palladio exhibition. Either they had to close the Mir exhibition sooner or delay the opening of the Palladio exhibition.

But all who were at the meeting knew from previous experiences that both options could prove problematic. This was highlighted by the other two deputy directors present: the deputy director of the cultural department and the deputy director of the regional action area. Bringing forward the closure of an ongoing exhibition would create a major stir, both within and outside the foundation, and especially for an exhibition of Mir's prestige. The issue was further complicated because the Mir exhibition was scheduled to travel immediately afterwards to the Museum of Fine Arts in Bilbao for an exhibition there in May. If disassembly in Barcelona was brought forward, this would require organizing storage, not only of the 80 works, but also all the supplementary material of the exhibition, or bringing forward the opening in Bilbao. Advancing or delaying the opening of any exhibition requires working out many details. For example, to start with, one needs to consult the calendars of the invited authorities, as well as those of FLC's senior management. Even more difficult is changing the agreements with all the lenders of the collection's pieces. Agreeing that they had a major problem, the meeting attendees left to analyze the possible options in detail and to meet again soon to make a decision.

The 'la Caixa' foundation

With a budget of €500 million for 2009, the *Obra Social 'la Caixa'* was one of the three major private social action groups in Europe.[76] It was funded entirely from the Savings and Pensions Bank of Barcelona ('la Caixa'), whose strategic plan established that at least 25 percent of recurring annual income should be allocated to social work during the following year. The current regulatory framework in Spain also demanded that the budget banks allocate to social work in each of Spain's autonomous regions should be proportional to the level of the bank's business activity there. This social work of 'la Caixa' was mostly managed by its foundation (FLC).

The founding objective of the FLC was to finance and promote social, educational, cultural, and scientific activities. During 2008, the FLC promoted around 50,000 initiatives throughout Spain, which benefited over 24 million people through a very broad range of activities. For example, the social department, the institution's priority department with a budget of €309 million for 2009, had recently included new programs aimed at caregivers of dependent people, and drug prevention. In the areas of education and research, they had extended postgraduate grant programs in Spanish universities, and introduced training programs for prison inmates. In the field of environment and science, initiatives were aimed at improving the environment, for example through the care of nature reserves and the conservation of marine biodiversity. Many of these activities were undertaken in the FLC's two 'CosmoCaixa' centers in Madrid and Barcelona. Finally, cultural activities include art exhibitions, concerts, theater, and lectures series.

The FLC usually tried to deploy its activities through two complementary procedures. First, it promoted its own programs aimed at areas of society where they had identified the greatest need unmet by other institutions. With the advice of experts in the field, they studied the

[76] According to data from the European Foundation Centre.

requirements in detail (the 'what'), and designed an action plan (the 'how'). Then, for the realization of the planned activities, public contests were convened to allow the participation of third sector agencies and to attract the active cooperation of the authorities. Second, the FLC worked with projects designed and developed by third sector agencies. To ensure maximum objectivity, an external jury was responsible for assessing and selecting projects. In all cases, they sought to establish links with relevant authorities to ensure the validity, continuity, and complementarity of programs related to public policy.

Reorganization of the 'la Caixa' foundation

The foundation, chaired by the president of 'la Caixa,' Isidro Fainé, had on its board distinguished representatives from many different spheres of society. During the course of 2008 the FLC underwent a major reorganization, completed in 2009, going way beyond a new organizational structure. Previously, each of the main areas (for example, environmental or science) was headed by a department director, and each department was responsible for all main functions required for its activities, such as production, budgeting, and coordination with the savings bank branch network. This allowed action with a high degree of autonomy within each area, but in many cases it meant that possible synergies between various areas were not optimally leveraged, in terms of both social impact and costs.

For example, authorities might be contacted by one department to organize an activity in a particular city, and on that same day the same authorities might be contacted by another department for other activities. Sometimes exhibitions were organized in the FLC's own centers and opportunities were missed to have an itinerant exhibition in other cities. There was even a case where a contractor had been paid different amounts by different areas for the same type of work.

Therefore, during 2008 and 2009, the FLC was reorganized with the main objective of improving the coordination of activities and initiatives undertaken by the various areas. The decision was made to define a more matrix-style operational structure. On one side, grouped under general management, were the 'activities' areas, which include content-generating areas (social, cultural, environmental, and science) and cross-sectional areas dealing with the planning and operation of such activities, whether in FLC's own centers or in the various territories where the FLC was active (the areas of own centers, regional action, production, and social marketing). A new 'regional action' area was created to manage the coordination of the various 'content' areas with the regions in which activities were performed. It was headed up by a former director from the savings bank branch network, who therefore brought with him a sound knowledge of branch operations. In addition, there were the general management of resources and services (budget management, organization and general services, legal, information systems) and the general management of strategic development. In addition, the FLC also had support departments, such as communication and protocol.

This reorganization, in practice, had greater implications for the development of activities than in the organizational structure itself. The reorganization had not involved so much a redefinition of employee's jobs as a definition of how to execute them, and above all, how to coordinate with other divisions of the FLC. This task of coordination and alignment of objectives, in practice, obviously extended to all organizations and institutions that collaborated with the FLC in some way during the course of their activities. Besides the public authorities, who played an important role in many programs, there were typically very different entities and agents involved. They might be, for example, other third sector agencies, the curators of the exhibitions or external companies providing many different professional services, such as security, infrastructure maintenance, transportation, printing, and so on The FLC was trying to operate with a small number of own employees, and relied to a large extent on other companies and outside experts. The objective was to achieve the most efficient use of available resources while maximizing the results, trying to strike the right balance between outsourcing and internal management, so as not to compromise the future of the institution through excessive outsourcing causing a loss of know-how, or an excessive internal structure, causing a loss of flexibility or driving up costs.

Cultural programs of the 'la Caixa' foundation

For 2009, the cultural department had a budget of €79 million. Their philosophy was to develop activities with a clear social dimension. The idea was to bring culture to all audiences, especially people who couldn't or didn't usually enjoy cultural events. The aim was to break down barriers that separate the public from culture and to make each facet of art a tool for personal growth and social integration. The main areas of activity of the FLC's cultural department were art exhibitions, music, theater, and humanities.

The philosophy of the various cultural programs was based on four main principles that steer both 'what' programs were undertaken and 'how' they were carried out.

1. Complementarity: creating programs that fit between those of the public authorities and those of private promoters.
2. Offer culture with added value that goes beyond mere entertainment, and which is characterized as educational, social, and accessible.
3. Strive for excellence in the content offered, applying effective management models.
4. Efficiency of programs and activities: maximizing the number of activities and their beneficiaries, while minimizing the resources needed to achieve these objectives.

Much of the FLC's cultural agenda was staged in its own cultural centers. In 2008 they had renovated the sociocultural center model exemplified by the new CaixaForum in Madrid, inaugurated by the King and Queen of Spain. They had also begun the transformation of the 'Sala Girona' into a new CaixaForum center. In recent years, the FLC network had reequipped these centers, which hosted increasingly broad and diverse activities, open to all types of visitors. Each center maintained a steady program of exhibitions, concerts, lectures, series of screenings, debates, and multimedia activities; constantly renewed and appealing to the mainstream.

The art exhibitions covered a wide spectrum of formats. First of all, the FLC had its own art collection, which was on display during 2008 in various galleries in Spain and abroad. Created in the mid-eighties, the collection had become a benchmark for international collectors, with more than 700 works that showed the evolution of national and international artistic creation over the last 25 years. Additionally, the FLC exhibited many other collections that did not belong to them and which, therefore, had to be assembled first, such as the Mir and Palladio exhibitions mentioned earlier, and the 2009 Aga Khan collection. During 2008, the FLC organized a total of 161 art exhibitions in 32 provinces of Spain, which received a total of nearly 3.2 million visitors. These took place both in the FLC's own centers and in third-party museums and galleries.

Complementing these exhibitions of more traditional art, the FLC also had a program called 'Art on the Street.' Its objective was to bring art to as many people as possible, especially those who did not usually visit museums. To achieve this, they developed a program of 15 exhibitions in strategic streets of certain cities. These exhibitions featured sculptures by famous artists, such as A. Rodin and M. Valdés, whose work was exhibited in Seville, Valladolid, Cordoba, Valencia, and Palma, among others. The 15 exhibitions were visited by several million people.

With regard to the humanities programs, the objective of the FLC was to go deeper into the roots of culture and foster debate on the great social transformations of our time, through lectures, documentaries, films, literature, readings and poetry sessions, and family workshops. The humanities program addressed classic and contemporary thought, literature, poetry, history, film, performing arts, and activities associated with art exhibitions.

The cultural program of the FLC also included activities related to theater. In 2008 the theater initiation program 'CaixaEscena' was rolled out throughout Spain. It was directed at secondary schools with the objective of being a meeting point between theater and education. During that first year, 591 secondary schools across Spain were enrolled, with the participation of 23,291 students.

Production of an art exhibition

Typically, an art exhibition begins to take shape about two years before the opening date. The genesis of the exhibitions can be very varied; in some cases, an exhibition might be promoted by an expert who even offers to act as curator. In other cases, the trigger could be the requirement of some institutional authority, or an interest in collaboration by other cultural institutions. It can also be the case that an exhibition had already been developed by others, who then offered the opportunity to bring it to Spain. The staff of the FLC's cultural department analyzed the interest and feasibility of the proposals, and, if viable, submitted the plans to an executive committee for conceptual approval. Of the hundreds of projects that they studied each year, only a fifth were finally approved and went ahead. The aim was that the proposed new offering was complementary to the existing activities, while adding value to the social work of the FLC as a whole. Of course, given the private nature of the FLC, they closely monitored the effectiveness of their programs. All of this was undertaken in close collaboration with the branch network of the savings bank. Summing up, the FLC differentiated internally between three basic types of art exhibitions: 1) own productions, 2) coproductions with other institutions, and 3) taking an established exhibition to other cities.

Once the concept of the exhibition was approved, the proposal's timeline was planned. This was done in close cooperation with the regional action area and the FLC's own centers, with the plan drawn up on large (A3) calendar pages. The reorganization of the FLC already mentioned also reviewed the procedures and processes followed during the development of art exhibitions. Given the large number of activities carried out and the large number of people to coordinate, these procedures were defined in great detail.

The first major milestone was to develop a 'green file' for the exhibition, and publish the first information on the FLC's intranet. The green file was a standardized Excel document, comprising six worksheets, which brought together the key elements and parameters of the exhibition management, such as, for example, the goals to reach, the target audience, a preliminary budget detailed by sections, and a schedule. The green file had to be approved by the general management and general secretary of the FLC. Given the large number of people who had to provide information and review the approach, the development of the green file used to take an average of almost 60 days.

With the green file completed, the exhibition project could begin with the definition of the catalog or contacting the lenders of the works. In the case of the Mir exhibition, for example, most of the paintings came from individuals, but some had been lent by institutions such as Fundación Aena, the Pau Casals Museum and the Museo Nacional de Arte Reina Sofía. Before signing contracts with the lenders, however, there were still many details of the exhibition to be resolved, such as, for example, insurance, preparation of the exhibition space, packaging, transporting and installing the works, security and, obviously, the rental fee. Some lenders were more demanding than others, and their demands could extend to the type of lighting or temperature of the room, or they might require the use of their own security or transport personnel. The negotiation of terms could take several months, as it often involved many different lenders, each contributing their own works. Once the loan process was under way, the selected exhibition curator met the various departments of the FLC to coordinate work in progress.

Six to twelve months before the scheduled opening, the exhibition catalog was produced. In addition to writing articles, this required requesting or taking photos of the works. Also, in many cases, the FLC needed to produce a whole range of additional contents for the exhibition, such as audiovisuals, educational programs, and lectures. All these activities had to be perfectly coordinated along the planned development of the exhibition, in terms of content, time and budget.

About six months before the opening, an interdepartmental meeting was scheduled as a milestone to ensure that everyone involved had the required information. The last phase of production then began with corresponding updates to the green file in all sections (dates, budgets, and so on) At this point the file became 'blue.' Departments proceeded with their tasks, but increased the level of detail and coordination of the preparations. The cultural department, for example, wrote the promotional material and the texts for the exhibition. The press and protocol department of the FLC began to prepare the press conference and opening event in detail. The opening events of large and important exhibitions were attended by FLC and the bank's senior management, as well as public representatives such as mayors and regional presidents. The marketing and advertising department developed the advertising campaign and, if necessary, any additional merchandising products. The production department, in turn, completed final design elements of the exhibition. These included the planograms, museum fittings, transport and reception of the works, and printing the catalogs. The regional action department contacted schools and other institutions to organize visits to the exhibition and to provide the content detail and timing of additional programs that might be of interest.

For many activities, the FLC departments subcontracted the work to others. This included key roles such as the curator of the exhibition, where they looked for a world-class expert for each subject, as well as providers of more routine services such as wiring an exhibition hall. Internal coordination was therefore further complicated by the need for coordination with these parties. The company contracted to manufacture the panels for mounting artwork, for example, not only had to meet the budget and quality, but also (and especially) the deadlines. The company contracted to organize school visits, for example, had to ensure the optimal distribution of the visits during the exhibition's duration. And, despite the large number of exhibitions in a year, each one was in fact unique, with consequent particularities in many details.

Despite the protracted and detailed preparation of each of the exhibitions, the weeks before the opening were always especially busy. There were always plenty of details to finalize, and many last minute-problems to solve. At this point the blue file became red, and this was when the last necessary adjustments were finalized. Thanks to experience gained in so many exhibitions, the strict control of activities and the major interdepartmental coordination effort, the final exhibition budgets did not usually require too many variations in the course of developing the exhibition. But given the complexity and unique nature of the activities, from time to time some unavoidable overspending that required adjustment did take place.

In any case, regardless of the number of incidents, all work had to be completed for the grand opening day. And this had to be achieved for each of the nearly 200 exhibitions every year. Of course, once an exhibition had been launched, the work was obviously not over. The exhibition had to be constantly monitored in collaboration with other stakeholders. Every week visitor statistics, incidents, press coverage, and many other data were studied, although visitors and costs were considered the main success indicators.

Solutions to the problem

After the coordination meeting that morning, and back in her office, the deputy director of the cultural department kept thinking about how to solve the timing problem of the Mir and Palladio exhibitions. It was going to be difficult, as always in these cases, to find a solution that didn't generate new problems elsewhere. There was no denying that changing plans had become increasingly more complicated as the level of activities had grown and a higher degree of coordination was required. As they made efforts to improve the impact of FLC's programs while making a better use of resources through the reorganization process, work plans were becoming more and more of a juggling act. What was worse, like the popular Tetris game, things were getting increasingly complicated with the approaching date of the inauguration.

For this reason she was almost more worried about the fact that the Mir exhibition problem had not been discovered earlier. It was true, she thought, that since the new operational organization had been established the FLC was getting better at exploiting synergies in both costs and impact. It was certainly a positive development that the Mir exhibition would now travel to Bilbao and they could take advantage of the work performed to date. But it was also true, however, that the new organizational model had greatly increased coordination complexity. Too often during the development of an exhibition, unexpected issues still arose that should have been resolved much earlier, and they caused real headaches in the final phase. The regular coordination meetings between the various departments had proven useful, but these meetings were probably not enough. Perhaps the definition of the procedures needed to be improved and detailed even further? Or perhaps a further adjustment in the organizational structure was required? Perhaps they should also try to reduce the average development time of an exhibition, given that so many things could happen in the course of two years. These and many other questions swirled around in her head.

14

A Service Perspective of Cultural Entities and Their Customers

Philip G. Moscoso and Alejandro Lago

Introduction: The nature of services

This chapter ends the part of the book devoted to operations management. In it we focus on cultural institutions as service providers and on the important role played by customers and employees in providing the service. We complement the matters discussed in previous sections by giving a view focused primarily on the design, rather than the ongoing management, of a service. We therefore do not limit ourselves to *Facilities* but also include the other three dimensions, *Brand*, *Focus*, and *Brain*.[77]

Delivering good service in the context of art and culture is critical, yet complex. Here, service means the whole 'experience' through which we satisfy customers' needs and create value for them (Moscoso and Lago, 2008). This experience includes not only the 'product' we offer but also the entire delivery process and experience, in which the customer is an active participant. The 'la Caixa' Foundation (FLC),[78] for example, is concerned not only with the artistic value of its exhibits (the 'product') but also with the overall visitor experience, which starts the moment a visitor takes an interest in one of the foundation's exhibitions.

Virtually all cultural institutions – museums, theaters, festivals, foundations, and so on – are organizations whose value proposition tends to involve direct interaction with customers. It is precisely this active participation in delivery that characterizes service management (Sampson and Froehle, 2006). Understanding the key aspects of the nature of services is therefore of great value to managers of cultural institutions.

In this chapter we address the conception and design of services, as applied specifically to the management of cultural and art institutions.

[77] See Chapter 1 (Introduction) for an overview of the four dimensions.
[78] See Chapter 13 for a description of the FLC's operation.

We are aware of the very different types of organizations, missions, and management models in this industry, and therefore of the limits of any generalizations. However, we believe that there are a number of concepts, principles, and tools that are applicable to a broad range of institutions in the cultural field. It is up to each manager, however, to adapt the concepts to his own situation as required.

First of all, three service delivery factors should be highlighted: (1) delivery is made up of a combination of tangible elements (those that are 'objective' and 'measurable' by the customer) and other more intangible and subjective ones; (2) the customer participates in a direct and interactive way in the service 'production' process; and (3) the 'production' and consumption of the service almost always occur simultaneously or the 'production' and consumption of the service almost always occur *simultaneously* in time and space (i.e. one immediately after the other).[79]

The characteristics of intangibility, interactivity and immediacy have important implications for service management (summarized in Table 14.1). They also make growing and managing service companies more complicated, and make it harder for service companies to leverage economies of scale than for companies that produce goods or equipment. This is the cause of many of the difficulties of growing an operation like the FLC, which over the years has considerably increased its volume of activities.

Table 14.1 Summary of the characteristics of services and their management challenges

Characteristic	Challenges for management
Intangibility	• More subjective customer evaluation of the service (experience, trust). • Difficult to control quality. • Difficult to measure customer satisfaction. • Difficult to define quality standards.
Client–process interaction	• Heterogeneity of service provision (culture, gender, age, personal aspects). • High degree of personalization. • Need to design a more human interface. • High impact of employee satisfaction on customer perceived value. • Danger of inconsistency in provision. • Possibility of self-service.

Continued

[79] We call these characteristics the three I's of services: intangibility, interactivity and immediacy.

Table 14.1 Continued

Characteristic	**Challenges for management**
Immediacy	• Demand–supply matching (capacity, queue management). • Difficult to centralize production (limited economies of scale). • Difficult to manage growth. • Quality control 'after the event'. • Importance of waiting times and inefficiencies in the process.

Service design: Developing a strategic service model

Over the last few decades, as services have become more important in developed economies, a variety of strategic models have emerged, aimed at guiding managers in designing their service model. Among those which have had the most impact on the academic and professional world are the Service Profit Chain by Harvard Business School (Heskett et al., 1997) and the EFQM's European Quality Model, the latter applying to companies in general, not specifically to services.[80]

Though they differ in their details, almost all the models support a basic premise: *'Delivering a good service leads to customer satisfaction; this satisfaction, in turn, is the basis of customer loyalty, which, managed well, allows the value of customers to be increased, which ultimately will provide growth and profitability for a company'* (Reichheld, 1996 and Huete, 2003). This logic reveals the challenge of successfully managing the tension between costs and income (profitability) by adjusting the service level. A company has to decide what improvements to services (normally involving cost) it wishes to carry out and how the improved service will result in increased income (and higher profitability) for the company.

In the world of cultural institutions, however, the relationship between better service and higher income is not always so straightforward. While it probably holds in the case of an opera house (which will be interested in achieving a high level of repeat sales of tickets and subscriptions), there are other cases, such as a temporary exhibition organized by the FLC, where only some of the traditional loyalty levers will apply: although satisfied visitors may recommend the exhibition to others, they are unlikely to repeat the visit, no matter how much they enjoyed it. Moreover, in the FLC's case the source of funding is

[80] For more details see www.efqm.org.

'la Caixa'; customers do not have to pay anything for the service they receive.[81]

Figure 14.1 summarizes the four basic steps involved in developing a strategic vision of a service (which we will consider in greater detail in the following sections). The first step is to define the target customers of the service to be offered. The second step is to specify a value proposition for these target customers, which can be done using different value levers. The third step is to ask how we can generate value for the stakeholders[82] in the most efficient way by selling our value proposition to our target customers. Finally, the fourth step focuses on the design of the delivery system itself.[83]

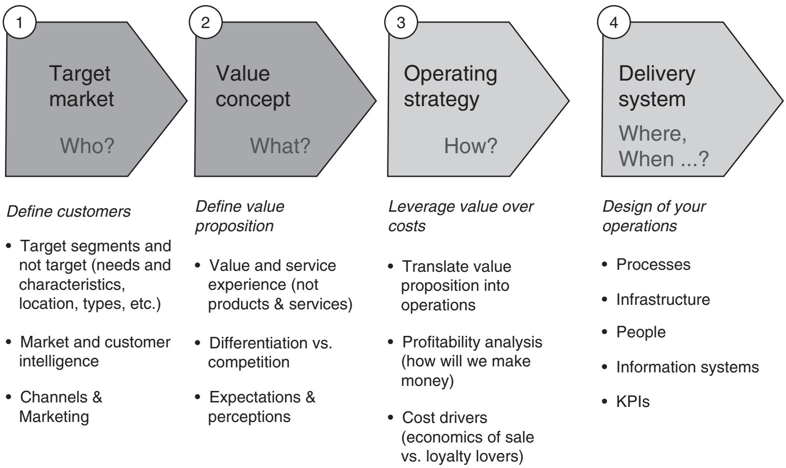

Figure 14.1 Key steps in developing a strategic service model

Source: Adapted and reprinted with permission from 'Lessons in the Service Sector', by James L. Heskett, Harvard Business Review, March 1987. Copyright © 1987 by Harvard Business Publishing; all rights reserved.

[81] 'la Caixa' obviously has economic interests and financial objectives, and so is concerned with making its social program 'profitable' in some way, albeit indirectly, both in terms of impact on its own business and in terms of the efficiency of the activities carried out by FLC.

[82] By 'stakeholders' we mean all those groups to which the institution wishes to provide value, whether economically, financially, or otherwise, including customers, employees, society, public authorities, and so on.

[83] In parallel, we can use the same scheme to help us understand the employee dimension (employees and customers are the two fundamental pillars of any service system). We have to decide what kind of employees we want, what value proposition we will offer them, and how they are going to carry out their work in the service delivery system. For these and other personnel management issues, see Chapter 17.

External vision: Positioning and value proposition

The first phase of service model design covers two fundamental steps, focused on the external vision of the operating system.

Defining the type of customers and the target market

It is important to carefully define the customers to whom we wish to deliver our service. We should understand that there are different types of customers, and that good service design requires proper customer segmentation, given that the more broadly defined our target market is the harder it will be for us to provide an excellent service, since customers' needs and assessments will be very disparate, even contradictory. A key point here is to carry out the segmentation not only in commercial or marketing terms, but also in terms of the service delivery system. Consider, for example, something as simple as a guided tour of an exhibition: the more mixed the tour group (in terms of knowledge, interests, age, and so on), the harder it will be for the guide to satisfy everyone. Thus, it is often useful to also ask who we do *not* want as a customer, as this forces a first broad segmentation.

The service expectations and experiences offered to each of the chosen segments should be taken into account when designing the service model.[84] Relevant characteristics of the target market, such as size, psycho-demographics, and so on, should be analyzed.[85] In practice, data on target markets is often not readily available and so has to be collected through focus groups, surveys, or other methods.

In the case of the FLC, for example, the target market will be defined differently depending on the type of art exhibition. The target audience of 'Art on the Street,' for example, is precisely the kind of people who do not usually visit museums, which is why the exhibitions are held in the street and are by well-known artists. Other FLC exhibitions, in contrast, are aimed at more specific audiences who are interested in particular types of art but would normally not have access to it, due to geographical distance, for instance.

The task of defining the target markets for cultural institutions is further complicated by the fact that such institutions have certain critical customers, besides ordinary consumers. For example, who do

[84] This demonstrates the importance that the dimensions of *Focus* and *Brand* have in service design.

[85] See Chapter 3.

the management of a major art museum think its key customers are? Clearly, consumers or the mass audience (visitors, members, and so on), but also the government agencies or foundations that have subsidized their service offering, and also art critics, who can significantly influence visitors' expectations (see Table 14.2 for possible customer groups).

Table 14.2 Examples of different groups of customers of major art museums

Group	**Customer type**
Public authorities	Often contribute a large proportion of the institution's funding. They have their own criteria for judging a museum's success. In some cases they even have the authority to appoint the museum's management.
Art critics	Typically play a significant role as opinion leaders or recommenders through, for example, the media. An exhibition's artistic quality can be difficult for the general public to assess, leading them to base part of their expectations on critics' opinions. But critics' assessments are often based on more technical aspects of the exhibition, which may be less important to ordinary customers.
Curators	They may not formally belong to the institution hosting the exhibition, even though they play a decisive role in creating it. The institution has to manage their needs correctly, but at the same time ensure that its own objectives are met.
Expert visitors	Customers who know the product and demand a different type of service from the mass of visitors.
Tourists	Often attracted by other people's recommendations or by the reputation of the museum itself. Their assessment of the service is based largely on the service delivery process, in terms of comfort, information, catering, and so on Besides the amount of time they have available, they may be influenced by other factors outside the museum's control.
Art donors	Above all they often worry about the safety of their property, as well as various other issues relating to the gift of works of art, which the institution should manage carefully.

Defining the value proposition

Once the target market has been identified and its characteristics outlined, the next step is to design the value proposition.[86] Given that the goal of any service company is to generate value for the customer or user, the design of a cultural institution should be based on a definition of what the customer (target market) understands to be a 'good cultural service or experience,' that is, what is generally referred to as the 'value proposition.' However, understanding what each type of user of our service expects from it is far from easy, especially since the customer himself may not know.

Additionally, we must differentiate our offer from that of the competition. The positioning of the FLC's cultural offering is summarized in Figure 14.2. On the one hand, the FLC's value proposition is clearly built around adding value in the social and educational fields. On the other hand, the FLC clearly wants its service to be complementary to other existing services (provided by public bodies and private promoters) and specifies objectives for service delivery, in terms of excellence and efficiency.

When managing the various elements that create value for customers, it is important to understand that customers' assessments will be determined by their expectations of the service and their perception of the service actually received. Only if their perception is better than

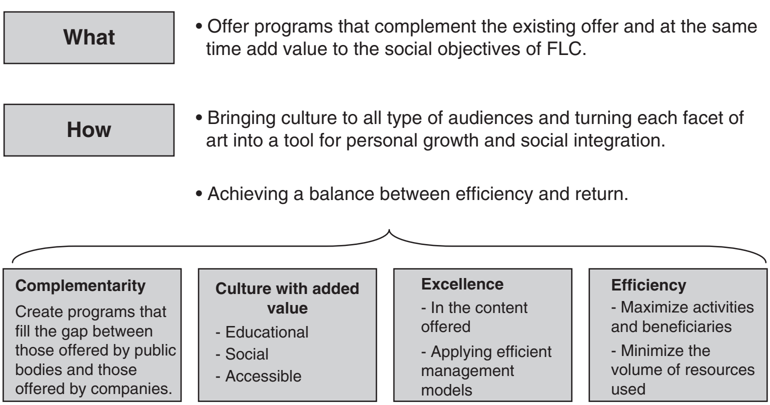

Figure 14.2 FLC's value proposition for cultural activities

Source: 'la Caixa' Foundation.

[86] See also the concept of the *promise* made to the customer, outlined in Chapter 9.

their expectations will their level of satisfaction be positive. In service management research this relationship is known as the First Law of Services. One way of expressing it is as follows:

$$\text{Satisfaction} = \text{Perceived Value} - \text{Expectations}$$

It should be emphasized that both the perception and the expectations are subjective and depend greatly on the individual. For example, most visitors have a prior impression of an institution such as the Prado Museum in Madrid. Even without any direct experience of it, an impression will have been gained from comments made by friends and acquaintances, information in the press or guidebooks, prejudice, or information about the industry or the nature of the institution itself. The equation shown above also reflects a common danger: in order to attract visitors, organizations tend to generate the highest possible expectations, but then have to meet or exceed those expectations in actual service delivery (similar to the trailer vs. the movie).

Moreover, even where the service provided is the same, the perceived value will vary depending on the individual customer, since perceptions are always quite personal. The perception may be based on objective aspects, such as the time spent waiting to get in; yet it is not the objective value (say, ten minutes) that really counts but the subjective one (whether the wait *seemed* long or not). The manager of the service can and should actively manage these subjective factors (perceptions and expectations) and must pay special attention to them when designing and controlling the service interface, as will be explained later.

To schematize the aspects that add and subtract value for the customer and that therefore affect the customer's perception, some authors use the following value equation (Figure 14.3).

In the numerator is everything the customer 'receives,' that is, the things that add value from the customer's perspective. Conceptually,

$$\textit{Value perceived} = \frac{\textit{(Results + Process + Emotional value)}}{\textit{(Price + Inconveniences + Uncertainities)}}$$

Figure 14.3 Customer value equation

Source: Adapted and reprinted with permission from *Clienting*: *marketing y servicios para rentabilizar la lealtad*, by Andrés Pérez Ruiz and Luis María Huete Gómez, Ediciones Deusto, Bilbao, 2003, p. 54.

this can be separated into three elements: first, the *results* the customer hopes to achieve by consuming the service (for example, seeing certain paintings or listening to a quality opera). Second, the positive aspects of the *process* of service delivery; in a concert this might include the waiting times, the temperature in the hall, the angle of view, and so on. Finally, in some settings there are emotional aspects associated with the service, such as the family enjoyment of a good show or the feelings aroused by a particular sculpture. The latter play a fundamental role in the enjoyment of culture, which tends to be very emotional.

In the denominator are the aspects where the customer believes he 'incurred a cost' in order to enjoy the service: first, obviously, the price; then any inconvenience and personal costs arising from the service process; and third, the customer's uncertainties. Inconveniences are all the things that entail a personal 'cost' to the customer in order to access and enjoy the service (not including the price); examples might include traveling, parking, finding out about the service, waiting, and so on. Uncertainties, on the other hand, are the 'cost' of the customer's not knowing whether what he is going to receive is what he really wants (as in the case of going to the cinema to see a movie, for example). This is why money-back guarantees are attractive to some customers: they reduce uncertainty by offering financial insurance. Summing up, consuming a service typically entails important non-monetary costs for the customer, which should be taken into account in the service design.

Internal vision: Operational strategy and delivery system

Once we have defined the target market for our service and have specified the elements of the value proposition we wish to offer that target market, the next two steps in the scheme shown in Figure 14.2 focus on defining the operational strategy and designing the delivery system itself.

Defining the operational strategy

Operational strategy is the field of strategy concerned with how a company can generate competitive advantage from its operations. Simplifying somewhat, it can be summarized as how we generate value for stakeholders in the most efficient way through selling our value proposition to our target customers. To do this we must decide how to manipulate the different business levers at an operational level to ultimately succeed in selling the service to the customer for more value than it costs us to produce it.[87]

This question is obviously closely related to how we plan to compete against other value propositions in the market, since the value generated by an institution will always be in some way influenced by the alternatives available to stakeholders. In the case of a theater, for example, we can compete by having excellent actors, the best programming or a unique building, but we can also offer tickets at lower prices than the competition in order to promote access for different social groups. In general, however, all the options can be summed up in two main lines of action: (1) increase the value generated for customers (their perception), through personalized service, higher quality, better schedules, more employees to serve customers, and so on; and (2) reduce the costs of providing the service, by making operations more efficient, reducing the supply of services, or reducing capacity, and so on, always provided the cost savings outweigh the decrease in perceived value for customers (or other stakeholders).

Indeed, this was the main objective of the reorganization of the FLC. On the one hand, the foundation aimed at improving collaboration between departments, so as to better leverage synergies; on the other, it wanted to exploit synergies in terms of the impact of its activities. As we shall see, it is difficult to square this circle (reduce costs while increasing value), but there are approaches that can sometimes make it possible.

Value curves: Translating the value proposition into the service model design

Given the trade-off between quality of service, costs, and customer perceived value, we will have to appropriately 'translate' the fundamental elements of the value proposition into the design of the elements of the service delivery system.[88] We will illustrate this through a practical example that is a benchmark for value innovation: Cirque du Soleil. We will use what Kim and Mauborgne (2005) call value curves. Figure 14.4

[87] Here, we could talk about economic profit and pricing, but we prefer to talk about value, since in the cultural field the objective very often is not to make money, and the customer often does not pay for the total value generated; rather, other 'stakeholders' (for example, public bodies) have to be satisfied.

[88] See also Chapter 9.

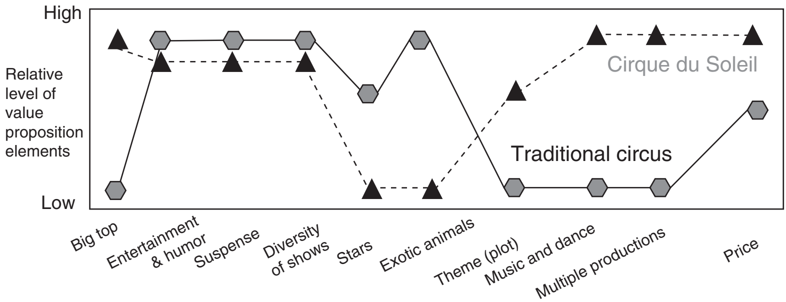

Figure 14.4 Value proposition of Cirque du Soleil

illustrates how the value proposition of Cirque du Soleil is positioned compared to that of traditional circuses. Instead of offering yet another circus, just trying to be a little more attractive on all fronts (but also more expensive as a result), Cirque du Soleil opted to develop the elements of its value proposition very differently from those of its competitors.

When translating the value proposition into an organization's operating model, the following four types of decisions can be made (see also Figure 14.5):

- Raise certain value attributes above the standards set by competitors (in Cirque du Soleil, the big top, for example).
- Add new elements to the value proposition that are not offered by other competitors (in Cirque du Soleil, dance or a storyline for each production).
- Reduce attributes of the traditional offering that the target audience does not value sufficiently to justify the associated costs (for example, well-known stars).
- Completely eliminate certain elements that do not fit with the proposition for the target audience or that are not valued highly enough to justify their costs (for example, animal numbers).

The first two options are focused more on increasing the value perceived by the customer, while the last two are focused on reducing the costs of providing the service. Cirque du Soleil thus succeeded in increasing perceived value for the target segment (as reflected in higher admission charges than the competition) while significantly reducing some of the costs that tend to burden a circus. Well applied, this approach can resolve the tension between costs and good service, always accepting

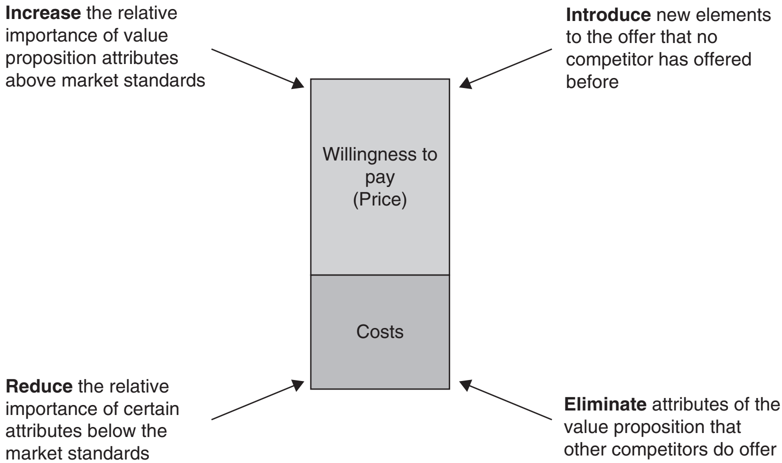

Figure 14.5 Fundamental options for redefining the value proposition

that there is no 'best service' for all audiences, but rather that an attractive model can only be designed for certain segments (hence again the importance of Step 1 of our scheme, defining the target market).

Operational strategy paradigms in services

Once the value proposition has been decided upon, perhaps by using value curves, the next step in defining the operational strategy is to decide on the strategic approach to the design of service operations. In line with the aforementioned trade-off between costs and service quality, here we will merely present four basic approaches that can guide the strategy for designing the service delivery system:

- The first approach centers on the *industrialization of services*, emphasizing the role of processes and standardization. It is therefore highly focused on the efficiency (cost) of the service.
- The second approach, *empowerment* or delegation of authority to employees, concentrates on making the best possible use of employees in providing the service. This approach is therefore centered more on increasing the value perceived by the customer, focusing on the moments of employee–customer interaction and giving employees more power to decide (within limits) how best to serve the customer in each service interaction.

- The third approach is *self-service*. The basic idea is to directly involve the customer in service delivery activities previously undertaken by employees. Well implemented, this approach can help both to enhance perceived value and to reduce service costs.
- The fourth and final approach, the *use of technology*, cuts across the other three, as, depending on how it is applied, it can be a tool for improving the way the other three are implemented.

Industrialization of services

The industrialization of services requires the application of industrial organization techniques to the service sector. Its key elements are: the *displacement of activities to an area which is 'invisible' to the customer* (the back office); the *application of process standardization methods*; and the *use of technology* as a substitute for personal contact whenever technically possible and economically attractive.

Industrialization approaches are becoming more common in the field of culture and the arts. Institutions are tending not only to move activities away from customers, but also to outsource these activities to suppliers that take a more industrial approach, in terms of volume and specialization. Examples include call centers, scenery production, and electrical installations in exhibitions.

A second important area of industrialization, often applied in conjunction with the displacement of activities to the 'back office,' is the standardization of work methods. The idea is to apply the industrial concepts of process improvement studies to services. The goal is to standardize the services provided and the processes and equipment used to provide them. Many cultural institutions are turning to this formalization of processes whilst incorporating a greater degree of technology. Analyzing the case of the FLC, we can see that they have applied aspects of both these areas to their exhibition production model, acquiring a significant level of standardization in their processes and a high level of outsourcing of their activities.

The industrialization approach is more appropriate for areas of culture that do not require extensive personalization, such as theaters and major exhibitions, and areas where resources are scarce and customer price sensitivity is high.

Employee empowerment

Empowerment is particularly suitable when the service is considered to be of high added value, either because the degree of personalization has to be high (because the service is very specialized) or because it has emotional components. In this case, pure standardization of processes is difficult or even inappropriate. The basic idea behind empowerment is that the service should satisfy every customer but, as no two customers or situations are alike, the employee should have discretion to act according to the perceived needs of each customer. Under this approach the employee has the very important task of continually assessing customers' needs, while at the same time taking actions based on that assessment. The approach enhances the intelligent use of employees' skills and abilities. Duties that otherwise would be reserved for managers are transferred to frontline employees: specifications for achieving operational objectives, monitoring the progress of projects and processes, redefinition of the service, and so on.

An extreme way of understanding this relationship is to consider the employee as a franchisee or freelancer who works independently within the organization. In some cases this is already very well established; an example is exhibition curators, who may have no direct affiliation with the museum they work for.

The success of this approach is based on three fundamental operational pillars: all employees, in all positions, must clearly understand the service *priorities* (in order to be able to make decisions in real time); every professional must be sufficiently *trained* to make decisions correctly and consistently, which means training must be continuous; and there must be a learning and feedback system such that employees are able to learn from their mistakes and are rewarded for improvements.

Self-service models

Self-service is a third approach that can be applied in addition to industrialization or empowerment. It has become increasingly popular in service design (Frei, 2006). Its 'primitive' version is based on the transfer of certain awkward tasks to the customer so as to save costs (as seen in supermarkets and petrol stations, for example). There are, however, other hidden benefits of self-service which, when well channeled and well communicated to the customer, may be very attractive to both the institution and the customer.[89]

In general terms, in a cultural institution the advantages of 'putting the customer to work' are:

[89] Consider, for example, something as simple as a breakfast buffet at a hotel. The hotel requires fewer members of staff waiting tables, and customers may also reap benefits, such as faster service, the opportunity to inspect the food first, make their coffee the way they like it, and so on.

- It sometimes allows *significant cost savings,* especially in personnel. These savings are often greater than the perceived decrease in service quality due to the customer serving himself. In particular, self-service is a good way to reduce costs in the context of *variable demand*, as companies often have to plan for surplus capacity to meet unpredictable demand peaks. A *museum,* for example, can either have large numbers of guides on hand or have long waiting times during peak hours or peak season. In contrast, when customers are in control, using audio guides, demand peaks no longer have the same effect. Not only does the museum save costs; some visitors will be more satisfied with this alternative.
- If the customer takes charge, the level of *personalization* of the service is likely to be optimal. In the audio guide example, the customer himself decides which pictures he wants to learn about and when.
- It facilitates design for quality and direct quality control by the customer. This direct quality control also helps to *consolidate improvements*. In the world of television, for example, it is common to use focus groups to discuss product improvements.
- Bringing the customer into the process gets the customer emotionally involved. In many museums, repeat customers are recruited to act as informal guides; and increasingly, in theatrical shows, members of the audience are made to take part in the show to create the effect of 'contributing to the common cause.'
- Finally, our customers may become our best *promoters* or recommenders. Consumption of a cultural good is above all an experience, so people who have already consumed a good often have the most credibility when recommending it. Moreover, they often act as customer acquisition filters, as they know well who will enjoy the offering. Some organizations go even further than using customers as referees and get them to inform and educate other customers. Consider, for example, the product recommendations in Amazon's online book store. In these cases the aim is to elicit a discretionary effort on the part of the customer: the customer makes the effort because he feels he is contributing to a good cause.

There are no foolproof recipes that guarantee these kinds of 'self-service' advantages for companies, but we can suggest some guidelines. The first thing is to look at the activities which either cannot be automated or else require high levels of personalization and labor intensity. The second is to reconsider these activities in such a way that they have a direct effect on customers' positive perception and minimize customers' discomfort. Finally, it is critical to note that passing activities on to customers requires that the company actively manage its customers. Appropriate control mechanisms will need to be established, such as instructions for customers or means of avoiding mistakes, and above all clear emotional incentives.

Use of technology

The use of technology, the fourth operational approach, cuts across and complements the other three. The application of technology can be a practical tool for increasing the degree of industrialization. It also allows an increased level of customer interactivity with the service and facilitates self-service (computer kiosks, for example, providing information for visitors, such as the location of rooms, descriptions of exhibits, and so on) (Ostrom et al., 2010). Similarly, technology enables a greater degree of empowerment and personalization in highly complex environments: making more information available to employees who are in contact with customers enables them to resolve customer issues, make decisions and solve problems without having to resort to their supervisors.

The incorporation of new technologies into cultural activity environments such as museums has helped to attract more visitors, especially by bringing in a younger audience that is more accustomed to new technologies and can identify with them (Carreras, 2005). The use of new technologies in museums and other cultural spaces has made it possible to enrich the exhibition discourse and offer new possibilities to visitors, inviting them to participate more actively. In this case, the purpose of combining technology and the self-service model has not been so much to reduce costs as to facilitate access for certain groups and optimize their use of the institution's services, while also increasing the chances of generating good service experiences. There are archaeological museums, for example, whose facilities include interactive databases, virtual reconstructions of digs, and so on. Technology has also made cultural content accessible remotely, whether via completely virtual museums, virtual guided tours, or concerts broadcast via the Internet.

Despite the advantages of applying technology to service delivery, managers must be aware that the use of technology also entails significant challenges for organizations. To begin with, investment in technology involves a cost, which must be paid. Beyond this, however, it must serve a purpose; in other words, the technology must adapt to our service model, and not the other way around. Technology typically is a service enabler, not an end in itself.

Designing the service delivery system

Any service proposal must be backed by the necessary operating system, in which there are three key elements: the service *processes*, the nonhuman *resources* (equipment, infrastructure, and so on), and the operational contribution of *employees*.

As a guide, we recommend that the design of the service system be centered on what we call the 'customer corridor,' that is, the service delivery process as the chain of activities and events through which the customer passes. The reason for taking this approach is as follows:

Every process has an (external or internal) customer, and it is the customer who decides what is required and what adds value. Therefore, the features that are critical to quality of service must be defined from the customer's point of view and the customer's experience of the service.

In the customer corridor there will be moments of direct interaction between the customer and the company's service system (often employees), which we call *Moments of Truth*.[90] This term highlights the fact that everything the employees have prepared and all the resources the company has deployed must 'work' correctly at precisely that moment, as that is when the level of customer satisfaction is determined. Lovelock (1994) proposes an interesting analogy for putting customer corridor analysis into practice, namely to imagine the customer corridor as if it were a play or an opera. Figure 14.6 sums up the idea as applied to a customer taking a guided tour of a science museum.

In each moment of truth there are always several factors to be considered, which makes managing such moments a challenge: (1) personal interactions; (2) waiting times; and, as already mentioned, (3) customer expectations and perceptions. We will now look at these issues and their implications, not only for designing the service but also for managing it.

The modeling of the customer corridor as a play or opera which is watched by the customer can be approached as follows:

- In a first step, the play is divided into various acts, and within each act, a number of scenes (moments of truth) should be defined, which our protagonist, the customer, has to go through in order to be served. These can start as early as when the client comes into contact with the service (for example, looking for a center's telephone number or

[90] This terminology was introduced by Jim Carlzon (1987). See also Chapter 9.

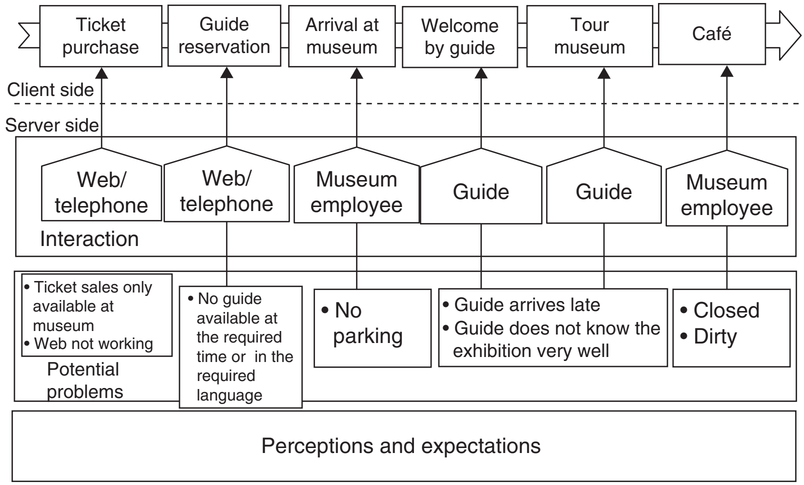

Figure 14.6 Customer corridor and moments of truth (example of museum visit)

information on the web) and may end after the client has left the system (for example, when he purchases something in the shop or visits the café). Each of these scenes should be mapped and divided into interactions between the customer and the employees.

- Once these main scenes have been mapped out in terms of the customer corridor analysis, it is interesting to consider everything that could go wrong and reduce customer satisfaction. To do this we should imagine all possible *'ways to annoy the client.'* This exercise is very creative and makes for good team-building among those responsible for service design (some examples are included above).
- For each scene and its corresponding list of ways to annoy the customer, *the ideal service profile setting* should then be described. The objective is for the service design to be subject to a definition of an ideal service profile, from which, based on the value proposition, it must be decided how we wish to bring the whole service delivery system together and which opportunities to annoy the customer we wish to avoid at all costs (service gaps).

Operational management of the service and measurement of service quality: Gaps in service delivery

The difference between customers' expectations and perceptions, which we discussed in the First Law of Services, should be managed throughout the delivery of the service ('customer corridor'). In practice, it is the result of a whole sequence of potentially insufficient actions throughout the service provision. Figure 14.7 shows one of the most commonly used models for understanding the chain of mismatches or gaps that lead to service quality problems (Parasuraman et al., 1985). From an operational standpoint, these gaps must be dealt with separately because they have different causes and can therefore be handled in different ways (and typically by different people).

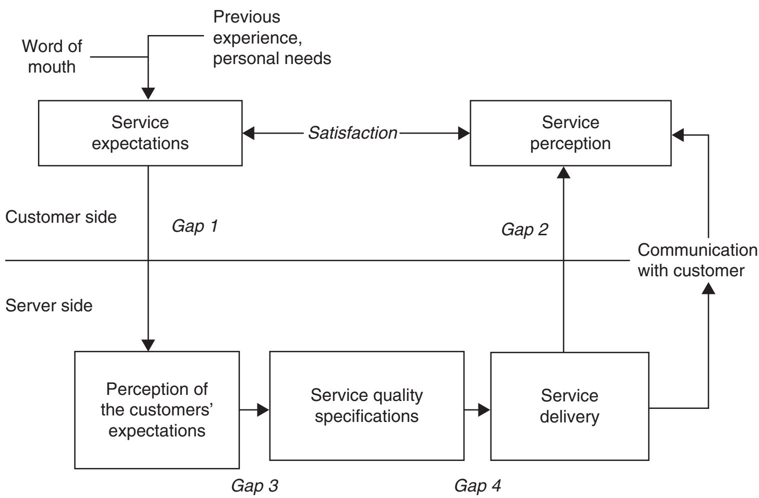

Figure 14.7 Gaps in service provision

Source: Reprinted with permission from *A conceptual model of service quality and its implications for future research*, A. Parasuraman, Valarie A. Zeithaml and Leonard L. Berry, published by the American Marketing Association, Fall 1985/ Vol. 49, p. 44.

Managing perceptions and expectations: The external view

Understanding and managing customer expectations (*Gap 1*) is perhaps where most mistakes are made in service delivery. Many organizations are unaware of what their customers really expect of the service they provide, or mistakenly assume that customers prefer or value certain attributes above others. These errors have to be overcome by listening to customers' needs and suggestions (either through employees or through mechanisms such as customer satisfaction surveys, online forums, and complaint forms[91]). Beyond simply understanding

[91] See the section 'Defining the value proposition.'

customer expectations, good service management should be focused on intelligently managing expectations and adjusting them to what the institution can realistically deliver.

On the other hand, organizations must also manage the final perception (*Gap 2*). Where the services offered are intangible, as in the case of cultural experiences, customers very often cannot fully assess the quality of the service they have received and tend to attach more importance to the attributes they have been able to observe and understand. In an art museum, for example, it is easier for the average customer to judge how crowded it was, the length of the queues, or the lighting, than the quality of the exhibition itself. The artistic details that are of such interest to experts and critics can sometimes go unnoticed by the average visitor. It is therefore important that the museum make these details more perceptible to visitors by pointing them out and helping visitors to discover them.

Quality control and customer recovery: Internal vision

Apart from the management of the more intangible aspects, there may be gaps in the physical service provision because the service has not been designed with customers' needs in mind (*Gap 3*). This potential error is typically associated with strategic decisions. A manager may deliberately decide to offer a 'one size fits all' service to a very diverse group of customers, with the result that the service meets nobody's expectations. This is the approach adopted by many museums, aiming to provide a service at a reasonable cost (price) for the entire population. The opposite mistake is to focus the proposal too narrowly on the needs of very specific customers (art critics, for example).

Even when the process has been well designed, the level of service may vary and a customer may not receive the service as intended or as expected (*Gap 4*). In a manufacturing company, such variations would result in finished goods that fail to meet quality specifications and so never reach the end consumer. In services, however, as production and consumption are simultaneous, customers perceive any such variation directly and the company has no opportunity to anticipate it.

In conclusion, a good quality control system in services should be preventive rather than reactive. In fact, there is a Second Law of Services, complementary to the first:

> *Second Law of Services*: *It is much more difficult to restore a bad perception than it is to maintain a good perception in the first place.*

In other words, the cost of bringing customer satisfaction back up to its level before the negative incident occurred is usually much greater than the cost of preventing the drop in satisfaction in the first place. In practice, however, it has been found that a good recovery after a negative incident can sometimes result in a very high degree of customer satisfaction. As customers, we understand that companies make mistakes; the important thing is whether we feel they are trying hard enough to fix them. The end result can range from a feeling that the organization simply does not care, to a newly strengthened tie with the organization, based on successful recovery.

Final remarks

Some final guidelines for improving the physical service delivery system

In summary, when designing a service delivery system, managers should take the following steps:

- Analyze the service provision diagram from the customer's point of view (customer corridor).
- Understand the value added at each moment and all the potential ways of annoying the customer (linked with this, another very interesting exercise is to try to design a 'service guarantee,' so as to identify the phases of the system that are not under control, potential failures the system may generate, and the costs associated with such failures).

Once the service process has been clearly analyzed:

- Define the 'visibility line' for all processes (which tasks should be carried out with the customer *in situ*, or even by the customer, and which should be relegated to the back-office, to be standardized).
- Define the degree of standardization, and the degree of empowerment necessary for the employees associated with each activity.
- Make an inventory of potential gaps between customers' expectations and their perception of our system.

Part IV
Brains

This last section addresses one of the most crucial challenges of the twenty-first century: how to manage talent. Our world is changing, and brain power, not work force, is now the key to survival and competiveness. In these chapters we present two singular and exceptional people who provide a vivid image of the difficulties involved in managing talent. We also show, through the world of opera, how the cultural sector has resolved these difficulties over the past 27 centuries. These four chapters constitute our proposal for a new management style. Whether you come from the world of business or culture, or neither, enjoy and reflect upon them. We believe there is much food for thought.

15
Jesús López Cobos: Managing Artists

Santiago Álvarez de Mon

Jesús López Cobos, renowned Spanish conductor, received his degree in Musical Composition in Spain in 1966. He then continued his musical studies in the United States with the help of a grant from Banco Urquijo, a Spanish bank. He made his acclaimed debut as a conductor at La Fenice in Venice in 1969 and since then has conducted some of the world's greatest orchestras, including the Berlin Philharmonic, Vienna Philharmonic, Boston Symphony, and New York Philharmonic. He has conducted opera productions at La Scala, the Metropolitan Opera in New York, and Covent Garden in London, among others.

López Cobos was awarded the Prince of Asturias Award for the Arts in 1981. From that year until 1991 he was music director of the Deutsche Oper Berlin. From 1984 to 1990 he was director of the Spanish National Orchestra, and artistic director of the Cincinnati Philharmonic from 1986 to 1994. For ten years he was music director and principal conductor of the Lausanne Chamber Orchestra. Since 2003 he has been music director of Madrid's Teatro Real.

Your father worked for the postal service, your mother was a housewife – what have you inherited from them?

Half and half. My father's family was very fond of music. My paternal grandfather was a very well-known doctor in Madrid; he founded the Maternity Hospital there. He was a close friend of Gregorio Marañón. Unfortunately, he died very young, when he was only 39, of stomach cancer. My grandmother became a widow, with five children. The eldest

Interview conducted in A Coruña by IESE professors Santiago Álvarez de Mon and Josep Riverola on October 28, 2008.

was my father; he was seven at that time. He had to start working when he was 15; he could never afford to go to university. I was his compensation for that – he was very proud that I studied at university. My father had two hobbies, philosophy and music. All his family was fond of music; it was typical of doctors in the late nineteenth and early twentieth century. I was a late arrival in the family; when I was born (1940), my father was 45 and my mother was 41. I was always hearing music at home. My mother came from a Madrid family, from the district of La Latina; she liked *zarzuela*.[92] I spent my entire childhood listening to German music and *zarzuelas*. My mother had a very nice voice and sang very well. As there was no television or radio, I saw my first orchestra when I was 18. I always say that children must have the opportunity to hear music. Get them used to hearing music; everything in this life is a question of sensitivity, and that is something you can practice. Some people 'have no ear for music,' as they say, but a very large percentage do, and it needs to be cultivated when they are young. The fact that I had contact with music from a very early age, almost since infancy, was fundamental for me. If I hadn't, I would never have had the opportunity to be a musician.

You went to school in Málaga. What do you remember? What images come to mind – sports, schooldays? What subjects did you like best?

I always liked the arts subjects. I wasn't hopeless at mathematics by any means, but science didn't appeal to me. After that, I went to a seminary and that was where I learned music. I used to sing Gregorian chant every day, starting in the morning. I went to the seminary in Málaga because my father realized that I wasn't going to get as good an education in a normal school as I would in a seminary. At that time, the seminary provided a very good humanistic education. When I was seven or eight, I would go to the cathedral every Sunday with my father. We would listen to the seminary choir; it was an incredible choir, with a hundred and something men and boys. I was very impressed. I said to my father that I wanted to study where these boys sang. Nothing to do with any religious calling. I was ten and my father said to me, 'You've no idea what the seminary is, but I'll take you there, so you can see for yourself.' Being a post office employee, my father could not afford an expensive school. I have to admit that the six years I spent there were decisive for

92 A traditional Spanish theatrical production combining operatic and popular songs and dance.

my vocation. There, I learned Latin, Greek, humanities, philosophy and music. They didn't give us music classes; what we did was sing. I wasn't taught sol-fa, 'do, re, mi, fa, sol.' Instead, we sang in the choir, always in the second part. I was never a soprano, I sang as a mezzo, and then as a second tenor when my voice changed. They gave you a score and you started reading it, like when children learn to speak or read. The way to learn music is by singing. I was very fortunate to have this daily practice; I learned music by absorption. Later on, it was easy for me to read any kind of music; it had become a highly developed habit.

Where did you study?
In Granada and Madrid. After a while, the entire family moved to Madrid. My father had already retired; he was over 60. He decided to return to Madrid because he was by then quite ill; he died when I finished university. And my mother missed Madrid. I had a brother 18 years older than me who had left to work in France. There were just the two of us. Unfortunately, he died a few years ago.

What did you do when you completed your Philosophy degree?
That was a big dilemma. My father loved music, but he always discouraged me from thinking about earning a living from it. He saw that I was becoming more and more keen on it. In Granada, the university's amateur choir was suddenly left without a conductor, so I took on that responsibility, for the first time in my life. As soon as I arrived in Madrid, I joined the university choir, the St Thomas Aquinas Choir. I had only been there for a short time when the choir's conductor, a fairly elderly conservatory teacher with health problems, encouraged me to conduct. I conducted by intuition; it was not something I had studied. The choir was made up of people from all faculties; it was marvelous practice for me. My father saw my passion for music and always told me, 'Just remember you can't earn a living as a musician in Spain. Stay at the university.' So I got my degree and stayed on to train as a teacher. I taught philosophy at the Ramiro de Maeztu School, with Father Mindan, until 1966. At the same time I was studying at the conservatory; I spent five years studying counterpoint, fugue, and composition. Around 1964 I started to travel outside Spain during the summer. I took a course in Italy with a very well-known Italian teacher, Franco Ferrara.

When did you start to think about studying conducting?
Around 1965. I knew I had to leave Spain, as it was impossible to study conducting here. There were no orchestra- or choir-conducting courses

in Spain at that time. I knew I had to leave the university. My father had died, my brother was still in France, and my widowed mother was living alone in Madrid. It was not an easy decision. I remember saying to Professor Ferrara, 'I have to make a decision. I just want to ask you if you think I have talent.' Obviously, nobody can tell you, 'You're going to be a success;' that's a different matter – your career depends on circumstances. But if there is no talent to begin with, it's better to have someone tell you at the outset; somebody who can say, 'Forget it, you've got no talent.' There are certain basic things which either you have or you don't; they cannot be acquired. It's a question of having the gestures – the ability to convey what you want to say through gesture. This is something that can be practiced, but if you're not born with it, you'll never acquire it. That's the way it is and always has been. All the great German conductors say, 'A conductor is born, not made.' And in a way, it's true. I'm not saying it's an absolute truth, but there is a lot of truth in it. It's not something you can put your finger on, but one day you see a lad in front of an orchestra and you say, 'He might as well forget it; no matter how hard he tries, he'll never be able to do it.' Others come along and have a natural way of expressing themselves physically through gesture. After all, gesture is a language that everyone understands, and what's more, it's international. I asked him straight out, thinking, if he tells me I have no talent, I'll go back to Spain, I'll go back to university (I had already done the training) and I'll get my professorship in Philosophy. He said to me, 'I think you've got what it takes. I can't guarantee you'll be successful, but I think it's worth a try.' So I made up my mind and applied for a grant, which fortunately I got.

Who do you remember with gratitude and affection?

First of all, my teachers. Without them, I could not have developed. Especially the teacher we had in Vienna. As an orchestra conductor, he did not have much charisma, but he was a wonderful teacher. There are conductors such as Celibidache, Bernstein, or Igor Markevich, who also teach; great conductors with a very strong personality, a very personal gesture. The problem is that their pupils imitate them, and that's terrible; each person needs to develop his own personality, find his style. Each conductor has a way of expressing himself in gesture. One may be tall, another short, one may have long arms, another short arms – all this has a major influence, it's very important. At the Vienna Academy we had an orchestra to practice with, for three hours three times a week. It was fantastic: nine hours of orchestra practice with retired musicians who knew the entire repertoire. They were paid by the academy. For us it was fabulous. The teacher spoke very little about technique, maybe once or twice a year at the start of the year. He would talk about style, analysis, repertoire, especially the huge Central European and Austrian repertoire – Mozart, Haydn, Brahms, Porchac – everything he had learned in Vienna. He had been a pupil of Richard Strauss. More than a musician, he was a great thinker. He would start to talk about Brahms, or Wagner, and would expound on the philosophy of the time, the esthetics, the painters, everything. His name was Hans Swarowsky.

Is he the person who has influenced you most?
From the theoretical viewpoint, yes. But, in practice, life has its funny twists and turns. I would always return to Italy; it had a strong pull for me. In 1968 I spent a summer studying with Franco Ferrara. He fell ill and a Swiss conductor called Peter Maag came. When I met him on the course in Siena, at the Chigiana Academy, he chose me to conduct the final concert. Later, when I completed my studies in Vienna, he said to me, 'Now you need to practice. You need to go to the opera house and experience it from the inside.' Being at the academy is one thing; being at the opera is quite another, very different. That is where you really learn; you learn the trade in the orchestra pit. All the great conductors have been opera conductors. I spent almost two years with Peter Maag, in Italy, Switzerland, and South America. When he was in Italy, in Venice, at the end of 1969, conducting *The Magic Flute*, he caught a terrible flu. When the doctor said there was no way he could conduct, they notified the theater. He said, 'My assistant can conduct, I know he can do it.' I saved that performance – it went very well. The general director proposed that I stay. I spent two years in Venice, until I went to Berlin. I was 29 when I conducted for the first time at La Fenice in Venice. Everyone wanted to help me, I'll never forget it.

Ferrara's opinion aside, when did you suspect you had talent?
In 1968, when I was doing the course in Siena. The year I met Peter Maag, I went to Besançon to take part in the conducting competition. It was Europe's best-known competition, and it still is, going back 60 years. I went there and won first prize. That makes you think, 'I can't be that bad.' You feel more confident. In 1969 I conducted my first concert in Prague. That season, I had already accepted a grant from Banco de Urquijo to go to the Juilliard. I didn't want to return to Madrid. I said to myself, 'If I go back to Madrid, that will be the end of it.' In Spain there were only four orchestras at that time: the National Orchestra, Bilbao, Valencia, and Barcelona. I was very aware that if I went back, that would

be it; I had to build a career outside Spain first. Through Banco de Urquijo, thanks to Don Luis – a great music lover, a great patron (it was he who launched the careers of Victoria de los Ángeles, Teresa Berganza, and others) – I worked as assistant to Peter Maag in South America. Then he sent me to the Juilliard, where I took a one-year postgraduate course. When I got back from America, I went to live in Italy.

In addition to being a musician and conductor, you are also a philosopher and have a way with concepts. So how would you define the concept of talent?
In the case of an orchestra conductor, talent has to do with the physical, gestural aspect, the ability to convey a musical idea. The conductor himself does not speak, he speaks through many other people. As conductors we need to be able to convey our ideas to those who will then express them. The conductor does not make any music; other people do that. It is vital to remember this simple fact. This ability or aptitude comes easily and naturally, it comes of its own accord, it isn't taught – although you do have to work on the 'how.'

Use it or lose it. Clearly, work, discipline, constancy are necessary ingredients, but sheer effort can never make up for lack of natural gifts.
Quite so. In our profession, we often say that it takes years to make an orchestra conductor. A pianist or a violinist can practice at home. I cannot – I need an orchestra. That's why we say that you start to get an inkling of how to do it when you're 50. When you're 60–70, that's when you really have experience. Also, by that time, you're accepted, so you don't have to assert yourself continuously. At my age, it is much easier for me to stand up for my ideas, even if they're not shared by the musicians in front of me. Nowadays, a young conductor has a hard time trying to convince an orchestra. Compared with when I was young, the conductor's relationship with the orchestra has changed completely. There are many reasons for this. First, the musicians are much more highly educated, so there is a lot more competition. Second, the repertoire has changed. In my day, and even more so in the previous generation, an orchestra conductor would be conducting musicians who had never played the piece before. At least 80 percent of the repertoire was modern, and 20 percent old. Now, it's the other way around: 10–20 percent is modern and 90 percent is old. So you find yourself having to conduct an orchestra that is thinking, 'This guy has come here to gain experience, when we've been playing these pieces for twenty years,' whether

you're talking about Mahler, Bruckner, Richard Strauss, Stravinsky, or whatever. Recorded music has also had a considerable influence. Fifty or sixty years ago, not everyone had listened to records; many people had only ever experienced live music.

Did you ever have any doubts that your talent was for conducting? Did you ever consider the possibility of learning to play an instrument – piano, violin, cello?

No, unfortunately I had not learned to play an instrument when I was a boy, I never had that opportunity. As a conductor you have doubts; uncertainty accompanies you wherever you go. Having said that, I have always had a big advantage over many opera conductors who come to opera through an instrument, not through their voice. My good fortune is that I have always felt very comfortable since I was a child because I have always sung. It's the same with Plácido Domingo: he has sung all his life, so for him it is very easy to conduct opera because he feels comfortable; they see him as one of their own and, what's more, one of the best. Many choir conductors never become orchestra conductors. The technique is different. I found it very hard to adapt. I didn't use a baton. Also, I had grown up with Gregorian chant, which is even worse because it has no meter. But it gives you incredible flexibility in your gesture.

A common issue in management, in business management, within the complexity inherent in human capital, is the difficulty in managing certain types of professionals: doctors, university professors, architects, lawyers, consultants, musicians, and so on. Do you agree that this is a major challenge?

Things have changed a lot compared with previous generations. Old-school tyrants like Toscanini are a thing of the past. They might have been justified back then: the musicians didn't know the repertoire, they were much less highly qualified. When I was a young boy, there were orchestra musicians in Spain who didn't know how to read or write. The only requirement for entering the conservatory was the primary school certificate, so the intellectual level was much lower. So along came the conductor and got what he wanted out of them by shouting, and they accepted that. Conducting styles have changed dramatically. Now an orchestra musician has taken advanced studies; many can play several instruments. When they go to the top academies, they need to know music theory, history of art, and so on, they cannot just see the world through the narrow window of their instrument. It is much more difficult to impose your authority on musicians like this; the only way you can do it is through moral authority, which you gain by convincing them that what you are proposing is only one of many different possibilities. The top people in music know, particularly with the masterpieces, that there is no one way of playing them. You cannot pretend there is one right way of playing Beethoven's Fifth, that's absurd, and it's not true. The masterpieces are like high mountains, which can be climbed by many different routes. You will never master them all. Nowadays, the style is much less dictatorial. Our job is to get each musician to give his or her best, without feeling that you are imposing on them. They must see your style as an invitation, a suggestion, a learning opportunity. That way, they can bring out all their talent without feeling dominated or manipulated. The same thing applies to soloists; and even more to singers, because with them you have to bear in mind that each has his own voice. Orchestra conducting entails getting to the essence of each individual; there is no standard or preestablished procedure. It demands constant dialogue, both as a group and individually, particularly with the singers.

The other day, I was working with an executive and he confided in me, 'Santiago, I'm worried because all the managers who report to me are much cleverer than I am. They know much more than I do in their respective disciplines.' I said to him, 'You're a lucky man, then. You must have done something right.' How do you feel, conducting Beethoven's Fifth with specialists in the various instruments who know much more than you?
That is the great challenge we face. You are conducting an orchestra in which there are approximately 20 to 25 different instruments that you don't play. On the one hand, you need a strong theoretical knowledge of each instrument's possibilities, which you learn in orchestration classes. In other words, I can't play the violin, but I must know what a violinist can do, what I can ask from him, even though I cannot do it myself. They might say, 'You play it.' And you must say to them, 'I'm sorry, I can't.' However, you can also say, 'But I do know that *you* can do it.' That is one of the keys to conducting. It is either a place of friction and insecurity or finding common ground and mutual learning. As the conductor, you see the whole picture, while they are looking through a small window. I design and create an entire building with 50 to 60 windows and between all of us we must build a community. As in life itself, each plays a role, each needs to know what role he must perform at any given time. Here, right now, I take the lead role and my colleague falls

into the background; and then, in the next bar, it's his turn and I must give up my place. The great orchestras play chamber music; what they are doing is listening and talking to each other. It is absolute dialogue, it is the ideal to which we all aspire. The better the orchestra is, the more flexible it is. The worst thing is when you find yourself with a mediocre orchestra that has already decided how it is going to play a particular piece. It is extremely difficult to change it – pretty much impossible. Just like a poor singer, who isn't going to budge; there's no room for magic or novelty. There is nothing better for us than when someone comes along and says, 'I'm playing this for the first time.' I think to myself, 'Great! That's wonderful, it's going to be so much easier for me to explain it to him and propose changes.' I have just done the *Ballo in Maschera* in Madrid with a fantastic singer called Violeta Urmana. She's an incredible soprano, and she also plays the piano. This woman came to the rehearsal and said to me, 'Tell me everything you're thinking, everything I can do differently, everything you think I can improve.' An attitude like that is marvelous. On that basis, we can start a dialog that benefits both of us.

That is the sign of genius: confidence, openness, flexibility, humility, and the ability to unlearn.

Exactly. You should never get into a rut and think, 'Oh, I've already done that, I'm going to repeat what I did last time.' Nothing in life is the same. As you grow older, you listen to pieces differently, even ones you have listened to several times. When I lost my first wife, I saw music differently. The music that interested me before her death no longer appealed to me, while other music, which I didn't like, I suddenly found enormously appealing, simply because of the pain of the loss. The six months she was ill (she had liver cancer) changed my life. I was 46 at the time and she was 41. I spent three months not moving from the hospital. I saw tremendous tragedies at firsthand – young people dying, families broken up. That experience changed my outlook on life – what was worthwhile, what was superfluous – and also, of course, my understanding of my profession. Works which until then had said nothing to me started to whisper things in my ear, while others that had always appealed to me left me cold. My repertoire was directly affected.

Maestro, correct me if I'm wrong. Let's say you have talent, you work hard to develop it, you are disciplined, methodical, you rehearse, you learn from your mistakes, you try again. Then comes the moment of truth, the concert. Three or four thousand people

in the hall, God knows how many more watching on television. What does it mean to have mental strength? Is it a matter of calming the mind, so that you think so clearly and so deeply that it seems you are not thinking but feeling? Dante said, 'Thinking feels, feeling thinks.' Is it like a catharsis – time stops? Or am I way off track?
Not at all, that's exactly it. I have conducted operas that lasted for six hours; the *Götterdämmerung*, for example. Yet it seemed to be over almost before I had started. It's a question of concentration. You are so tied up in what you're doing that you no longer distinguish between thinking and feeling. It's a way of feeling by thinking, thinking by feeling. It's strange, one day you arrive, you start to conduct a concert or an opera and, you don't know why, but that day nothing goes right. You ask yourself, 'Why has it gone wrong today, when yesterday everything went fine?' The difference is in your concentration: you have no energy, you're more tired, you're thinking of other things. You realize that you're losing control of the orchestra, the choir, the stage – there's no connection with the audience. Sometimes you feel the audience is rapt, in complete silence; other times you start to hear coughing, throat-clearing everywhere. Concentration, serenity, and balance take you to a point where everything is more flexible, everything seems to flow naturally.

What are the most serious management problems you have encountered?
Being an orchestra conductor and preparing a particular performance in a few days' time is not the same as being a principal conductor. As principal conductor you're one step higher. You have a direct, daily relationship with all the musicians. It means you have to know whom to demand more from, whom to be more yielding to; you have to be fair to everyone. You cannot have your own little group of favorites. That's something we all tend to do. You bond closer to those you get on with and stay away from those you don't. It's human but it should be avoided. You have to deal fairly with everyone, but without getting too close to anyone. There's also the matter of selecting musicians. I have a say in selection; any conductor worth his salt has a veto. Nobody has ever forced a musician on me for my orchestra.

What are the assessment criteria for your job? Who assesses you?
In reality, it is the audience who assesses you, although the press can have a lot of influence, too. Obviously, if you regularly get poor reviews,

you've got a serious problem. Everything is very subjective. For us, as conductors, the only review that interests us personally is that of the orchestra, and we see that very quickly. If an orchestra is with you, you're a success. I have always said that the best review I ever had in my life was in a gentlemen's restroom. Two musicians came in; they didn't know I was there. One was Spanish and the other was foreign. I was going to come out of my cubicle when I heard, 'So what do you think of this conductor?' That is where I heard the best review of my life. I stayed a while until they had gone because if I had come out then, the poor guys would have had the shock of their lives. That is the review we are interested in, because they will give it to you the way it is. Musicians aren't impressed by your reputation or your success. They only see whether they learn with you, whether they play well, whether they like what you ask from them.

What criteria do the board of trustees and the managing director use to assess the conductor?

That's a difficult question. In Latin countries, I feel it is too politicized and this is harmful. After all, the people who are deciding are not professionals, they're amateurs. They've got to where they are through politics and influence, and that's where the problem is. That has happened an awful lot in the Italian opera houses. All of them have declined, except for La Scala, which has always been preserved artificially, because it is La Scala. I knew opera houses in Italy that were fantastic – Bologna, Florence, Rome, Venice, Turin. Now, when you go to Italian opera houses, you come out appalled by the poor quality. Why? Because politics interfered with everything; the trade unions got involved and made the professionals' work impossible. Germany has always been saved by its strong cultural tradition; politicians do not interfere.

I spent 20 years at the Berlin Opera, ten of them as principal conductor, with a general director who was also the artistic director. During the years I was there, there were at least three or four changes of government in the Senate, the government of Berlin. During a period that saw the fall of the Wall and constant changes of government between CDU and SPD, the general director stayed on for 20 years. He was a great professional; whichever politician came in simply renewed his contract. That doesn't happen here, of course. As soon as there is a change of government, the winning party brings in its own people. But it's basic: politics should not interfere with culture; culture should remain independent.

16

Valentín Fuster: Manager and Researcher

Santiago Álvarez de Mon

Valentín Fuster received his degree and doctorate in Medicine and Surgery from the University of Barcelona. In the 1970s he moved to the United States, where he has worked in some of the nation's leading hospitals, including the Mayo Clinic in Minnesota and the Mount Sinai Medical Center in New York.

Dr. Fuster is currently Director of the Cardiovascular Institute at the Mount Sinai Medical Center and Director General of the Centro Nacional de Investigaciones Cardiovasculares Carlos III (CNIC) in Madrid, Spain. He is Past President of the American Heart Association and of the World Heart Federation.

His extensive research covers many areas related to the heart, and he has published over 800 articles on coronary artery disease, arteriosclerosis, and thrombosis.

He holds honorary doctorates from the University of Murcia, the European University of Madrid, the Polytechnic University of Valencia and the International University of Catalonia. In 1996 he was awarded the Prince of Asturias Prize for Scientific and Technical Research.

I would like to start with a few questions about your background. We share a common passion, tennis, and I understand you played it very well when you were younger. You were also very keen on everything related to farming and the environment. So how did you end up studying medicine? Was it your family background?
I wanted to be an agricultural engineer, as I'm very fond of nature; it's more of a poetic than a scientific attitude. On the other hand, doing research into nature had always appealed to me too. But there was no

Fieldwork performed at the CNIC, in Madrid, Fall 2008.

Faculty of Agricultural Engineering in Barcelona. There was one in Valencia, and another in Madrid; but at that time, in the 1950s, nobody left home to study. Things have changed a lot since then. I was also a very keen sportsman and at one time I thought that I could perhaps play tennis professionally. There was one critical moment, when I was preparing to take part in the Orange Ball tennis tournament. I hadn't trained that summer, for a number of reasons, and I lost. That day, I set aside my racket and started to think about what I should do. There was already a medical influence at home, but my father was a very demanding person and told me that I could only study medicine if I intended to be the very best. I wasn't thinking along those lines at all, quite the contrary, but that was his message. So it was in that kind of environment that I started my medical studies at home, with an excellent teacher, Dr Farreras Valentí, a highly competent, meticulous professional and a wonderful person. Guided and encouraged by him, I threw myself into my studies. I worked and studied day and night, following my father's guidelines. So that is basically how I started. Looking back, I can see that I have always been interested in research, and biology aroused my curiosity. The family atmosphere and tradition had an influence, but there's no doubting that there was also a personal desire and ambition.

Did Farreras have anything to do with your going to London and Liverpool? I understand you also spent three years in Edinburgh.
Dr Farreras is a perfect example of how important it is for a young person to have a good mentor. I trusted him implicitly, and he guided me. First I went to London, then to Liverpool, and later to Edinburgh University. He was one of the top researchers, one of the leading medical authors in Spanish. He always used to say to me that cardiology was the field he liked best. Then, while I was at Edinburgh, Farreras had a heart attack. He was only 52. His heart attack is what made me choose this specialty.

At the talk you gave the other day at IESE, I was very interested to hear what you said about talent. In your last book, you invited the reader to 'know himself,' as this is fundamental for achieving happiness. Following this line of thought, a person needs to discover his talents. What is talent for you? When did you realize that you have talent? Or did someone else see it first?
It is fundamental to find out who you are. But it is a delicate process, in which we usually need help. Without help, on your own, it isn't easy. You are helped by mentors, your family, the people who know you well

and love you, who can see whether you really have certain qualities. For me, that is the best investment. In life, many things change but there is one decisive factor: your natural makeup stays the same. That is why I think it is so important to think about who you are and what you're good at – where you can give most to society. This is a fundamental issue, an indispensable guide to life. Those of us who have been lucky in this quest have a duty to serve society. We will only be able to give back to the community we're part of if we understand and use our talent properly. I cannot come and tell you what needs to be done about the economy because that is not my field. But in areas that have to do with the individual, the integration of mind and spirit, areas I experience and study on a daily basis, I can try. Talent is simply a clear awareness of an ability you have that can be transposed to a professional activity. By this I mean a natural ability and disposition to practice your profession. Talent allows you to discover what you find easy and simple. What for others is difficult, obscure or complicated just flows naturally for you – that is talent.

You have pursued a range of interests within your profession. You are a researcher, a renowned scientist, you run the Cardiovascular Center at Mount Sinai Hospital, you teach, and you are president of the World Cardiology Association. What do you consider to be your distinctive talent?
I think that above all else I am a researcher. I research a very specific field, the field of integration. That is, I'm continually trying to make connections. I study the relationships and possible connections between the spirit, life, the meaning behind the things we do, and biology. For example, what link is there between the molecular genetic level and the clinical presentation of myocardial infarction? If I think where my talent lies – and I don't want to sound arrogant – I would say that where I feel most 'at home,' where I experience the simplicity we were talking about earlier, is really in the whole spectrum that goes from the most basic human biology to questioning our mission in the world. That is where I really feel I am a researcher. Starting from biology, studying and integrating what goes beyond it, exploring the less tangible layers of the individual – that is what I do, that is what motivates and inspires me.

Without going into great detail, what are the main qualities of a good researcher? What do you ask from the researchers who work with you?
First, to be willing to take risks. A researcher deals with working hypotheses, which may be correct or not. That is, you have a hypothesis, you

play with it and run with it. Later, you find out whether it is correct or not. This is very different from merely describing, where you're not actually risking anything. The magic and appeal of research is the risk. You may be wrong, and in practice you often are. Second, a researcher must be a person with no other special interest or predisposition; you cannot have preconceptions: such lack of humility, of open-mindedness, does not sit well with research. Third, a researcher must be naturally obsessive, meticulous, a perfectionist. By that I mean very dedicated; you need a lot of concentration. I don't think you can do research five days a week, stop for a couple of days, and then pick up from where you left off. Research is thinking continuously, never completely switching off. The basic requirements are modesty, humility, courage to accept the risk inherent in the hypotheses you have chosen, and last, constancy and discipline to work very hard.

Why did you go to the States? Was Europe too 'small' for you?
I was very frustrated with the way medicine was taught here in Spain. Sure, there were eminent professors with impressive résumés, whatever you want; but I'm not sure they had the intellectual capacity to convey anything more than just notes. A lot of theory, pure memorizing, all very frustrating. I left intending to come back straight away. I wanted to see something different. I did the whole degree course using English books. Farreras instilled in me a very Anglo-American attitude, with a lot of emphasis on practice. Once I'd left Spain, I wanted to go to the States for a year or two. But once you're there, it's very easy to stay because you get hooked on the system and the resources you have available.

Have there been any key moments, milestones or turning points in your life?
Research is trial and error, advancing hypotheses, proposing, testing, correcting. A lot of work, effort, discipline. As I said, it's almost obsessive. Then, suddenly, one morning you wake up and you see something you hadn't seen before. I believe very strongly in these moments of revelation, of pure contemplation. At a given moment, you get a flash of insight, but you don't know where it came from. My life is full of these eureka moments, these surprises.

In one of your books (Fuster and Rojas, 2008), you talk about 'fruitful vacuums.'
Yes, exactly. These ideas tend to come to you, curiously enough, when you're emerging from a bad patch. There are times when you ques-

tion the meaning of what you're doing, where the thing you're devoting so much time to is taking you. Then a light comes on, a stimulus, an excitement. I have experienced it many times. I don't think I am a depressive person, I honestly don't, but you do go through periods when you wonder if what you are doing is worthwhile, whether it isn't just a waste of time. Do you know what I mean? Strangely, it is after these crises, precisely then, that new ideas come to you, and you see everything more clearly.

You've prepared a subject, you've studied it, you've considered the pros, the cons, the criteria. You search and search again and then, suddenly, your thinking acquires a new depth and clarity. You are thinking at a level very close to feeling.
Yes, that's right. The boundaries dissolve and you find yourself thinking and feeling at the same time. For me, reflection is not just an explicit mental searching activity. I believe strongly in contemplation as practiced by the mystics. They think on a level where you don't have to be active, you just soak up and absorb what's around you. That is why calmness and serenity are so important. In my case, I work all week in a very organized fashion; I'm very methodical. When Friday comes, I relax and do something different. I still work a lot, but at weekends I switch into a contemplative mode, which is vital for me. It can be extraordinarily productive.

One last biographical point. What traits did you inherit from your parents?
I have my father's methodological rigor. My father was what we usually call a self-made man. He was a good psychiatrist, but self-taught – it was pure passion, effort and energy. I think I got that from him and also from the Jesuits who educated me. My mother gave me my more spiritual and artistic side. She was enthusiastic and optimistic, and always took strength from adversity. That I owe to her.

As director of Mount Sinai Heart, you run a team of 800 professionals, including clinicians, cardiologists, researchers, administrative staff, technicians, and nurses. What is the essence of your job and how do you view your position?
The job involves a lot of psychology. I would say that the most important thing is to ensure that every one of these professionals feels important. They are, but they must feel it too. I believe that is the basis of everything else. When I come to the hospital, I feel I am dealing with a

family, and they see me as part of the family. This has a lot to do with giving individual attention, the same as with your patients. Every professional and every patient must feel special. That is rule number one.

People talk a lot about how difficult it is to manage professors, architects, physicians, scientists – these sorts of professionals are thought to be difficult and contentious. In your experience, how much of this is myth and how much is true?
As in everything else, I think that we need a little common sense. For example, does it make sense to force a professional to retire simply because he's 65? What message are we sending by doing this? In business, as in life, we need to have, and abide by, certain rules, the norms of the community, but we cannot let rules take the place of common sense. For me, creativity – success – means going ahead of the rest, challenging convention. Rules are no use for that. I personally have not had any difficulty managing the kind of professionals you mention. The most important thing is to surround yourself with good people, professionals who are highly competent, who trust you and whom you trust. On that basis, it is much easier to find common ground and work together. What you cannot do is micromanage; that's a very common mistake. If you do, you leave no room for these professionals' potential to flourish in an atmosphere of responsibility and empowerment. I know what's going on, I have an overall view of the work we are doing, but I don't necessarily know all the details. Apart from being impossible, it would hamper people's development. I have 20 people reporting to me directly and I delegate a lot to them.

This has a lot to do with the classic distinction in Roman law between *auctoritas*, which is the ability to generate trust, the strength of personal credibility, and *potestas*, which is very different, the mere exercise of power.
Yes, indeed. There is no argument about that. The word 'power' has no meaning for me. I believe in horizontal systems. Hierarchical systems should be grounded in trust. Without trust, power as such has no legitimacy.

Farreras showed great sensitivity in detecting your talent.
Do you have a feel for discovering other people's talent?
How does one detect talent?
I have a talent for psychologically detecting who's who. Do I have a facility for deciding who will be the best researcher in a particular field?

I cannot say. What I can say is that it doesn't take me long to size up the person I'm talking to. That has been a great help. It has saved me from wasting too much time pondering and deliberating; you just make a decision. I've been wrong sometimes, there's no doubt about that, but generally I feel comfortable making decisions. I observe, analyze, quickly grasp the situation, and then act.

We lay people often associate research, the great scientific achievements, with the lone genius. But, the other day, you gave an impassioned tribute to teamwork. The Sistine Chapel is the product of teamwork.
The researcher has a gift, which is to see something that others do not see. That is the personal, nontransferable essence of the researcher. Nowadays, however, a researcher without a team behind him is doomed to failure. You may have a hunch but you will get nowhere on your own. I cannot tell you how many sublimely talented people I have seen fail to fulfill their promise because they were unable to pull together a team of people capable of carrying out the mission. Today, research is teamwork. So when we talk about horizontal systems, we are talking about team systems, where each individual has a particular function. This is absolutely critical.

In my view, a good team leaves plenty of room for individual uniqueness.
Absolutely. We have to respect individuality, but within a collective structure that is moving in a particular direction. Let me give you an example. If in a particular part of Madrid we have a problem with cardiac mortality, the challenge will have to be tackled from various angles: from the quality and purity of the drinking water in that area to the genetic profile and medical history of the families who live there. It's a job for a multidisciplinary team, in which nobody is superfluous and everybody is needed.

In keeping with the idea of earning the trust and respect of the people you lead, you continue to be on the emergency call roster.
That's true, it's vital to set an example. Otherwise you'll never win people's trust.

It also keeps you in touch with the real world.
Of course. It keeps you in touch with what we call the fighting line. You cannot make decisions if you don't see or hear what's going on. You can

understand what your people are talking about if you're there, if you experience it at firsthand. Otherwise, you're cut off. The time I spend in the emergency room keeps me in touch with patients, my colleagues, my profession, and with what's happening on the street.

In your book (Sampedro and Fuster, 2008), you talk about seeing health as a balance between the emotions and the body. Our physical and emotional condition has a big impact on our health, doesn't it?
Absolutely. If when you talk about health, you only address the physical, bodily side, you're leaving out 50–60 percent of the problem. That is why exercise, meditation, reflection, and contact with nature are so important. Some of the neuroses people have come from doing a job they do not identify with, from not being able to express their talent. The other day, I talked to you about the four T's: time to reflect, talent to discover, transmitting positivity and optimism, and being a teacher to young people. Selfishness, envy and an egocentric attitude do not help people get better. Happy, outgoing people who give to others enjoy an emotional stability that I, as a doctor, view very positively.

What is wisdom?
Basically, what cannot be quantified. I'm a scientist, but at the same time I believe that science is very limited and always will be. I strongly disagree with the idea that science will explain everything. That is absurd, because there are many things that are not scientific; things that are intangible and have more to do with the spirit, with love, with dignity. These are completely different concepts; they belong on an emotional or spiritual level. That's where the difference lies. For me, wisdom is knowing yourself, understanding yourself, finding meaning in life, and learning to live with others.

As a scientist, you clearly feel comfortable in the presence of mystery. Do you enjoy reflecting on such things?
I believe in man, I believe in the human substance. Above all, I believe in each person's individual responsibility. This gives you inner strength. If I did not believe in the individual or his inner freedom, everything would seem very chaotic. Based on my personal understanding, my innermost reality, my duty is to serve society. At least, that's how I see it.

17 Managing Talent

Santiago Álvarez de Mon

Uncertainty, a manager's natural habitat

If leadership is the process of transforming some aspect of reality (a country, a company, a team), then clearly a leader must be in permanent contact with reality. It is materially impossible to govern reality if one turns one's back on it and ignores its requirements and challenges. Although this is conceptually self-evident, many managers and professionals find it puzzling and difficult to understand. Without our realizing it, we fall into the grip of ideas that blind us, intellectually and emotionally, so that we cannot see clearly. An objective, limpid, curious, aseptic, attentive, and humble gaze, willing to be astonished by a reality it cannot fully grasp, is the first prerequisite of a leadership that aspires to serve society. In this respect, it is interesting to hear what Dr Valentín Fuster has to say about the qualities of a good researcher. 'A researcher must be a person with no other special interest or predisposition; you cannot have preconceptions: such lack of humility and open-mindedness does not sit well with research.'

What can an observer who is alert and open to a permanently changing world conclude? 'Uncertainty' is the word that best describes the cultural, social, political, entrepreneurial, and personal landscape of any person who has management responsibilities. The tardy but welcome entry of women into the workforce; immigration, with all the diversity and complexity it entails; the inexorable aging of the population in Western countries; the new work ethic, which gives priority to quality of life, to living, over any other consideration (even with the new-found realism and prudence that any crisis instills, the new generations are unwilling to work without knowing what they are working for); the influence of the new technologies on the way we relate to one another and share our lives: all these factors paint a picture dominated by change and uncertainty. This is a manager's natural habitat, one of the universal laws that characterize human existence. Jesús López Cobos, from his standpoint as an experienced conductor, confirms this natural setting. 'As a conductor you have doubts; uncertainty accompanies you wherever you go.' These are paradoxes of life: he who has convictions, doubts; he who knows, questions further; he who is aware and wants to learn, is wary of making mistakes. More mediocre and insecure minds, fearful of the unknown and the uncertain, cling to their dogmas and certainties. Man looks for answers and finds questions. Fuster, too, confirms the rules of the art of living, an adventure that takes place in a constant state of movement and renewal. What is the first requirement for being a researcher? 'To be willing to take risks. A researcher deals with working hypotheses, which may be correct or not. That is, you have a hypothesis, you play with it and run with it. Later, you find out whether it is correct or not. This is very different from merely describing, where you're not actually risking anything. The magic and appeal of research is the risk. You may be wrong, and in practice you often are.'

Self-management: The role of the mentor

In this turbulent, unsettling context, human beings search for a badge of identity. Far from finding it in standardized, collective phenomena (tribalism or group belonging has appeal in the short term, offering warmth and company), they learn that only by looking inside themselves can they find the keys to a life well lived. The profession of management has a great deal to do with self-management, the ability to follow one's own compass. As humans we live and work from the inside out, and anyone who inverts this natural order may find himself trapped in the society of clones. Fuster sees this very clearly: 'It is fundamental to find out who you are. But it is a delicate process, in which we usually need help. Without help, on your own, it isn't easy. You are helped by mentors, your family, the people who know you well and love you, who can see whether you really have certain qualities. For me, that is the best investment. In life, many things change but there is one decisive factor: your natural make-up stays the same. That is why I believe it is so important to think about who you are and what you're good at – where you can give most to society.' So it transpires that the advice of Thales of Miletus – 'know thyself' – is crucial to a leader who sets out to encounter the 'other.' The role of the mentor in this ongoing process of self-discovery is decisive and momentous.

López Cobos recalls one of his maestros, Peter Maag: 'He said to me, "Now you need to practice. You need to go to the opera house and experience it from the inside". Being at the academy is one thing; being at the opera is quite another, very different. That is where you really learn. [...] When he was in Italy, in Venice, at the end of 1969, conducting *The Magic Flute*, he caught terrible flu. When the doctor said that there was no way he could conduct, they notified the theater. He said, "My assistant can conduct, I know he can do it." I saved that performance – it went very well.'

Aptitude, attitude and opportunity are the magic triangle within which human intelligence and personality unfold their enormous potential. Opportunity comes to us from someone who detects unsuspected potential amidst a jungle of mediocrity. Fuster, too, was lucky. In his case, the bearer of opportunity was Dr Farreras Valentí. 'Dr Farreras is a perfect example of how important it is for a young person to have a good mentor. I trusted him implicitly, and he guided me. First I went to London, then to Liverpool, and later to Edinburgh University. He was one of the top researchers, one of the leading medical authors in Spanish. He always used to say to me that cardiology was the field he liked best. Then, while I was at Edinburgh, Farreras had a heart attack. He was only 52. His heart attack is what made me choose this specialty.'

The mentor is a turning point, after which life is marked by hope and the enthusiasm of growing, learning, and building a career that will allow a person to discover and develop the talent that he, like every human being, has inside him. 'In life, many things change but there is one decisive factor: your natural make-up stays the same. [...] Talent is simply a clear awareness of an ability you have that can be transposed to a professional activity. By this I mean a natural ability and disposition to practice your profession. Talent allows you to discover what you find easy and simple. What for others is difficult, obscure or complicated, just flows naturally for you – that is talent.' Elaborating on this crucial factor, Fuster is more specific. 'If I think where my talent lies – and I don't want to sound arrogant – I would say that where I feel most at home, where I experience the simplicity we were talking about earlier, is really in the whole spectrum that goes from the most basic human biology to questioning our mission in the world. That is where I really feel I am a researcher. Starting from biology, studying and integrating what goes beyond it, exploring the less tangible layers of the individual – that is what I do, that is what motivates and inspires me.'

'Natural aptitude,' 'finding it easy,' 'facility,' 'simple,' 'comes naturally,' 'inspiration' – these are the kinds of phrases Dr Fuster uses. As the

Spanish proverb goes, what nature does not give you for free you cannot borrow from Salamanca.[93] If Salamanca refers to education, this means that education should build on each student's basic makeup, developing his natural strengths and skills, while still ensuring a minimum of knowledge and ability in weaker pupils. Talent is the natural gift or aptitude to perform certain tasks. Our two guides, Maestro López Cobos and Dr Fuster, show a striking affinity of ideas.

'I remember saying to Professor Ferrara, "I have to make a decision. I just want to ask you if you think I have talent." Obviously, nobody can tell you, "You're going to be a success." That's a different matter; your career depends on circumstances. But if there is no talent to begin with, it's better to have someone tell you at the outset; somebody who can say, "Forget it, you've got no talent." There are certain basic things which either you have or you don't; they cannot be acquired. It's a question of having the gestures, the ability to convey what you want to say through gesture. This is something that can be practiced, but if you're not born with it, you'll never acquire it. That's the way it is and always has been. All the great German conductors say, "A conductor is born, not made." And in a way, it's true. I'm not saying it's an absolute truth, but there is a lot of truth in it. It's not something you can put your finger on, but one day you see a lad in front of an orchestra and you say, "He might as well forget it; no matter how hard he tries, he'll never be able to do it." Others come along and have a natural way of expressing themselves physically through gesture.' Curiously, because it is so easy and 'comes naturally,' talent can go unnoticed, especially by its owner. Hence the strategic importance of the mentor. Acting with the detachment, objectivity, and sense of perspective that come from experience, the mentor is qualified to detect, at an early stage, the talent and intelligence of men and women who are searching for a trade or profession that will allow them to realize their full potential.

The battle for talent in a competitive, global and interdependent world is much talked about. No institution can win this battle, or cast its net in the richest, most fertile waters, unless it truly understands the essence of talent. One of the keys lies in the plural, 'talents.' We all have talents, to a greater or lesser degree. Why reduce so critical a factor to a castrating, binary singular that says either you are intelligent or you are not? I propose a multiple theory of intelligence, according to

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93 '*Lo que natura no da, Salamanca no presta*.' Salamanca here refers to the University of Salamanca, one of the oldest in Europe.

which we are good at, and have a gift for, certain activities (music, sport, physics, writing, mathematics) but are ill-equipped for others (advertising, chemistry, finance, engineering, accounting, languages). Part of Fuster's and Cobos's undoubted success is attributable to the consonance between the work they do and their natural talent. In them, vocation and profession join hands – for the benefit of musicians, patients, and the public in general.

The essence of leadership

What constitutes management talent? Having the feel or intuition to coordinate the efforts and talents of a team of professionals, setting each team member the tasks for which he is best suited by reason of his knowledge, aptitude, and specialty. 'That is the great challenge we face. You are conducting an orchestra in which there are approximately 20 to 25 different instruments that you don't play. On the one hand, you need a strong theoretical knowledge of each instrument's possibilities, which you learn in orchestration classes. In other words, I can't play the violin, but I must know what a violinist can do, what I can ask from him, even though I cannot do it myself. They might say, "You play it." And you must say to them, "I'm sorry, I can't." However, you can also say, "But I do know that *you* can do it." That is one of the keys to conducting. It is either a place of friction and insecurity or finding common ground and mutual learning. As the conductor, you see the whole picture, while they are looking through a small window. I design and create an entire building with 50 to 60 windows and between all of us we must build a community.'

Given the complexity of the environment, the high qualifications of many professionals, and the gravity of the challenges, it is important to distinguish between power and leadership. Leadership is not a place, or stronghold, from which a person exercises a certain power conferred on him by his position. Following the classic distinction drawn in Roman law, that would be *potestas*. We talk about the powers attaching to a particular position (authority to recruit, promote and dismiss, for example). Leadership, by contrast, attaches to the person, to a person's ability to evoke commitment, instill trust, win consent, and inspire enthusiasm, which greatly facilitates the assigned task. López Cobos is fully aware of this fine dividing line. 'Old-school tyrants like Toscanini are a thing of the past. They might have been justified back then: the musicians didn't know the repertoire, they were much less highly qualified. [...] Conducting styles have changed dramatically. Now an orchestra musician has taken advanced studies, many can play several instruments. When they go to the top academies, they need to know music theory, history of art, and so on; they cannot just see the world through the narrow window of their instrument. It is much more difficult to impose your authority on musicians like this; the only way you can do it is through moral authority, which you gain by convincing them that what you are proposing is only one of many different possibilities. The top people in music know, particularly with the masterpieces, that there is no one way of playing them. You cannot pretend there is one right way of playing Beethoven's Fifth – that's absurd, and it's not true. The masterpieces are like high mountains, which can be climbed by many different routes; you will never master them all. Nowadays, the style is much less dictatorial. Your job is to get each musician to give his or her best, without feeling that you are imposing on them. They must see your style as an invitation, a suggestion, a learning opportunity. That way, they can bring out all their talent without feeling dominated or manipulated. The same thing applies to soloists; and even more to singers, because with them you have to bear in mind that each has his own voice. Orchestra conducting entails getting to the essence of each individual; there is no standard or preestablished procedure. It demands constant dialogue, both as a group and individually, particularly with the singers.'

Authority versus power: A credibility premium

In perfect consonance with the words of López Cobos, leadership is a conversation with a person – a supplier, customer, employee, colleague, member of the public – in which one tries to influence the way the other thinks, feels, and acts. To have credibility, contributions to this conversation must be sincere, to the point, constructive, stimulating and honest, evincing complete congruence and complementarity between the public discourse and the inner dialogue that every person carries on with himself. The actions of great leaders are imbued with this unity and consistency; therein lie the energy and the powers of persuasion they possess in such abundance. In this respect, the art of asking, of listening to what the other is thinking but not saying, what the other is feeling, everything that lies below the surface, is a distinctive leadership art much called for in dealings with our intricate human family. Fuster agrees with López Cobos that 'The most important thing is to surround yourself with good people, professionals who are highly competent, who trust you and whom you trust. On that basis, it is much easier to find common ground and work together. What you cannot do is micromanage; that's a very common mistake. If you do, you leave no room for these professionals' potential to flourish in an atmosphere of responsibility and empowerment [...] The word "power" has no meaning for me. I believe in horizontal systems. Hierarchical systems should be grounded in trust. Without trust, power as such has no legitimacy.'

Curiously, the more competent, mature, and humble a professional becomes, the more he realizes that he is not self-sufficient, that he needs the energy and synergy of a close-knit team, all rowing in the same direction. This is one of the slipperiest paradoxes in the management of institutions. On the one hand, the team gives each professional the intellectual and emotional space to act freely and responsibly. On the other, the professional becomes a member of, and gives himself to, a team that enables and obliges him to transcend his own ego and achieve objectives that he could never achieve on his own. According to Fuster, 'The researcher has a gift, which is to see something that others do not see. That is the personal, nontransferable essence of the researcher. Nowadays, however, a researcher without a team behind him is doomed to failure. You may have a hunch but you will get nowhere on your own. I cannot tell you how many sublimely talented people I have seen fail to fulfill their promise because they were unable to pull together a team of people capable of carrying out the mission. Today, research is teamwork. [...] We have to respect individuality, but within a collective structure that is moving in a particular direction. [...] It's a job for a multidisciplinary team, in which nobody is superfluous and everybody is needed.'

The leader's character: A muscle that needs to be exercised

What we respect and admire in some of the professionals we know is not exceptional intelligence but the character and strength to persevere against all odds. The ability to endure the solitude of the decision-maker, assume whatever responsibilities arise from the chosen path, learn from mistakes, correct the course and march on has more to do with the leader's character than with his talent. Character is crucial for practicing (not preaching) sublime, universal values, for clearly defining the company's mission, its reason for existence, and for having a vision that allows us to live and work in accordance with our deepest dreams and convictions. At the philosophical frontier of leadership, the leader shows his true moral stature, his emotional and vital strength. While others despair and resign, effort and constancy prompt us to persevere in the project we have embarked upon. 'The person as the ultimate reason for the practice of medicine, team work, learning together – these are the values that will be central to our profession, while technology will occupy the instrumental role it deserves,' says Fuster. Setting an example for our collaborators is thus an additional source of motivation and commitment. Fuster continues, 'I'm still on the emergency call roster. It's vital to set an example, otherwise you will never win people's trust. [...] it keeps you in touch with what we call the fighting line. You cannot make decisions if you don't see or hear what's going on. It's easier to understand what your people are talking about if you're there, if you experience it at first hand. Otherwise, you're cut off. The time I spend in the emergency room keeps me in touch with patients, my colleagues, my profession, and with what's happening on the street.'

Continuing this reflection on the moral substrate of leadership, López Cobos places special emphasis on humility, the hallmark of an open mind that thirsts for knowledge. 'When egos get in the way, work becomes more stressful and tiring, and it is difficult to establish a climate of collaboration and harmony. As regards the top performers, people always say, "Big opera stars? What a headache!" Yet the big stars are the humblest, most inquiring people I know. A real star knows that not once has he got it completely right, that he can always do better. Also, as he has colossal talent, he is open to surprises, more receptive and ready to adapt to proposals that are worth exploring. When you have a false star, with a superficial, insecure ego, there is no easy solution. Basically, the ego is a shield they use to hide their own weaknesses. "You do it this way because I say so" is the typical expression of a weak mind. They merely show how ignorant and arrogant they are; they don't realize they're not real stars yet – they still have a lot to learn.'

Thinking and feeling: The two strokes of the leadership engine

Assuming that the exercise of leadership traverses and embraces all dimensions of the person (intellectual, emotional, spiritual) and that a leader can make us think and feel on a different level, in this last part of the chapter we reflect on the peaks and summits of our life experience, the sublime moments in which our performance scales previously unimagined heights, time stops, and our mind simply flows, in a state in which thinking and feeling are one and the same. At such moments our capacity to reach out and touch others, to influence and change their behavior, to provide singular experiences and learning opportunities, to engage in lofty conversation, emerges in all its splendor and with all its possibilities. López Cobos has firsthand experience of concerts in which talent and the human spirit conspire to bring forth something magical. 'I have conducted operas that lasted for six hours; the *Götterdämmerung*, for example. Yet it seemed to be over almost before I had started. It's a question of concentration. You are so tied up in what you're doing that you no longer distinguish between thinking and feeling. It's a way of feeling by thinking, thinking by feeling. It's strange, one day you arrive, you start to conduct a concert or an opera and you don't know why but that day nothing goes right. You ask yourself, "Why has it gone wrong today, when yesterday everything went fine?" The difference is in your concentration: you have no energy, you're more tired, you're thinking of other things. You realize that you're losing control of the orchestra, the choir, the stage – there's no connection with the audience. Sometimes you feel the audience is rapt, in complete silence; other times you start to hear coughing, throat-clearing everywhere. Concentration, serenity, and balance take you to a point where everything is more flexible, everything seems to flow naturally.' A person does not reach these heights by chance; luck does not favor you for nothing. No inspiration without perspiration! These things do not happen without intensive study and work; intuition is no guide in areas that we have not first analyzed and researched in depth.

If aptitude and attitude come together, if talent and effort join forces, if discipline and perseverance prepare the way for innovation and creativity, then the unease and doubts expressed by Dr Fuster are perfectly understandable: 'Research is trial and error, advancing hypotheses, proposing, testing, correcting. A lot of work, effort, discipline. As I said, it's almost obsessive. Then, suddenly, one morning you wake up and you see something you hadn't seen before. I believe very strongly in these moments of revelation, of pure contemplation. At a given moment, you get a flash of insight, but you don't know where it came from. My life is full of these eureka moments, these surprises. [...] These ideas tend to come to you, curiously enough, when you're emerging from a bad patch. There are times when you question the meaning of what you're doing, where the thing you're devoting so much time to is taking you. Then a light comes on, a stimulus, an excitement. [...] but you do go through periods when you wonder if what you are doing is worthwhile, whether it isn't just a waste of time. Do you know what I mean? Strangely, it is after these crises, precisely then, that new ideas come to you, and you see everything more clearly. [...] I believe strongly in contemplation as practiced by the mystics. They think on a level where you don't have to be active, you just soak up and absorb what's around you. That is why calmness and serenity are so important. In my case, I work all week in a very organized fashion; I'm very methodical. When Friday comes, I relax and do something different. I still work a lot, but at weekends I switch into a contemplative mode, which is vital for me. It can be extraordinarily productive.'

Creating the conditions for such fruitful moments to occur and reoccur in healthy and intelligent organizations is the Herculean task of a leadership that is committed to releasing and coordinating the talent and energy of men and women who dream of dedicating their work to the service of a noble and edifying cause. Given that doing this brings one face to face with the ineffable and unrepeatable mystery of each individual, it is more of an art, intimately linked to one's own life experience, than a profession, practice, or science that can be reduced to theoretical rules or formulas. The life stories of Fuster and López Cobos contain many of the ideas and intuitions that explain this delicate and elusive phenomenon. In their way of coordinating the work of physicians and researchers, or musicians, we find some of the answers to the enormous challenges raised.

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Fundación del Teatro Lírico: Teatro Real

Josep Riverola

In November 2003, Inés Argüelles, general director of Madrid's Teatro Real opera house, was wondering how the style of the theater's operations affected the service provided to customers. Assuming that the ultimate goal of a theater, and especially an opera house, was to create works of art – ephemeral works that last only as long as their performance – then operations were the means by which the talent and knowledge concentrated in the Teatro Real and its artistic environment were recombined and integrated into the final package delivered to audiences at performances.

Not unrelated to this question was the structure of the theater's financing. At that time the Teatro Real had a budget of around €45 million, of which 25 percent came from ticket sales, 25 percent from sponsors, and the rest from contributions made by the Ministry of Culture and the Madrid regional government, each in proportion to its share of ownership.[94] The average admission price was around €60, clearly aimed at the more affluent members of society, who nevertheless received a subsidy from the public purse amounting to more than twice the price of their ticket. To use this money to best effect, Argüelles considered it necessary to clarify which aspects of the theater's current operating policy added value to the service, and how.

Background

The Teatro Real is housed in a historic building that was refurbished in the 1990s. The auditorium is relatively small, with 1,700 seats that

[94] Like most of the world's opera houses, the Teatro Real operates at a loss and needs official financial support to fulfill its purpose.

vary in price depending on their location: although the acoustics are excellent throughout the auditorium, the horseshoe layout means that some seats have a restricted view of the stage.

The Teatro Real belongs to a foundation, the Fundación para el Desarrollo del Teatro Lírico, whose capital is held 75 percent by the Spanish Ministry of Culture and 25 percent by the Madrid regional government. The foundation's board, made up of dignitaries, meets twice a year. It decides the general characteristics of the service to be provided and approves the budget. According to the foundation's bylaws, the primary purpose of the Teatro Real is to develop and disseminate Spanish music. This involves not only producing and performing the Spanish opera repertoire, but also commissioning new works from Spanish composers.[95] Within this line of activity, the Teatro Real occasionally ventures into minor genres such as *zarzuela* (Spanish operetta).[96]

In the past 15 years opera has become fashionable again, resulting in a huge surge in demand for tickets. Subscriptions for parts of the season sell out as soon as they go on sale, whatever the program. The Teatro Real's 2003–4 season comprised around 120 performances, of which 60 percent were operas and the rest concerts and song recitals in more or less equal proportion.

The Teatro Real is one of the most modern opera houses in the world and has numerous sophisticated artistic and technical facilities, including surtitles in Spanish, shown on a screen above the stage.

An opera production

An opera[97] is a complex performance that can involve a large number of people, all of whom must act with great precision. Most of them

[95] In 2002, for example, it staged the opera *Merlin* by Albéniz, a virtually unknown work that had lain forgotten for many years. And for a special evening with royal patronage, a short opera was commissioned from a local composer.

[96] For example, the *zarzuela El dúo de la Africana* was staged for Christmas 2003.

[97] Curiously, the dramatic quality of many operas is quite poor by twenty-first-century standards. Medieval knights, hunchbacks, courtesans, gods, and other 'normal' people are engulfed in impressive tragedies and succumb to their destiny, all the while bellowing at the tops of their voices. As the musical content limits the time available for action, the characters' feelings cannot be expressed indirectly through their interactions with one another. For this reason they are usually presented very overtly, in high-flown declamations which the magic of music transforms into beautiful arias. Without the music, most operas would be unwatchable.

must ensure that their presence 'goes unnoticed,' all to the greater glory of the principals and the conductor (who receive all the applause).

To stage an opera you have to have 'a production.' A production comprises all the elements that go to make up a performance, most notably sets and costumes. The person ultimately responsible for the design of a production is the stage director, who is normally a hired professional.[98] Stage directors are famous people in the entertainment world, and each has his idiosyncrasies and style.

There are three basic ways of obtaining a production. The first option is to rent an existing production. The sets and costumes are the material basis of the rental agreement, although the rental also covers the participation of the people who created the production. The average price of a rented production ranges between €7,000 and €12,000 per performance. This procedure has the advantage of lower cost, but it also has significant disadvantages. First, the opera house forgoes any artistic originality; and second, the sets and costumes usually have to be extensively adapted, as not all people, nor all theaters, are the same size.

The second option is to prepare an in-house production. This can take from four to six months and typically costs around €600,000. The cost of an in-house production cannot possibly be covered by the performances given in the theater that created it, so it can only be justified by the production's artistic value, its impact on the theater's reputation, and subsequent sales.

Certain key decisions in the production process greatly affect a production's cost and subsequent sales potential. Large-scale productions cannot be sold to small theaters, for example, whereas a production designed for a minimalist set, relying heavily on lighting and projections, can be staged in any theater and be widely sold, though obviously not at the same price as a big production.

Finally, the third option, which is probably the one most widely used today, is coproduction with other opera companies.

A production culminates in a number of performances, typically between eight and sixteen, depending on how well known the opera is. During the Teatro Real's 2004 season, for instance, there were 15 performances of *Tosca*, a very popular work.

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98 A stage director is analogous to a film director; he is the one responsible for the quality of the performance. He works independently and has creative freedom.

Management structure

An opera theater must reconcile artistic demands with financial constraints. Popular myth has it that artistic excellence must take precedence over everything else, which would mean planning productions with a generous budget. It is the duty of management to balance these two demands in a coherent program that satisfies the demand for artistic quality without accumulating an unsustainable budget deficit.

In the organization chart of the Teatro Real there are several key positions:

Vicente Salvador is the general manager, responsible for all the theater's finances and administration. He has some 60 people working for him, covering human resources, IT, accounting and financial control, contracts, and other matters relating to the day-to-day running of the theater.

Daniel Bianco is the technical (or operations) director. Bianco is a man of the theater, having previously worked in stage design. He was hired for his present job just as work began on remodeling the Teatro Real and was there throughout the seven years the work lasted. He was in charge of selecting and hiring all the current operations staff. Operations is the Teatro Real's largest department, with a staff of some 250 people. Bianco knows them all by name and prides himself on knowing what each person is working on at any given moment.

The technical department takes care of all the operations to be carried out during performances and also the stage preparation. It designs the details of the processes involved in performing each production and carries them out. The Teatro Real normally opens from 8:30 a.m. until midnight, which means that Operations works three shifts. Operations staff are highly qualified and experienced professionals; they include many skilled craftsmen, such as carpenters and electricians. Historically, jobs in Operations have been passed down from father to son, so there are not many university graduates in the department.

Emilio Sagi is the artistic director. He has extensive experience of directing and staging high-level artistic productions. Sagi is in charge of designing the season, working closely with the music director. He proposes the plan of productions for each season to the general director, mainly based on artistic demands. The artistic director has complete independence in this respect.

Jesús López Cobos is the music director. López Cobos is an internationally renowned conductor with a deep knowledge of the opera world.

He works with Sagi in defining the season's program and selecting singers and guest conductors.

All the senior managers of the Teatro Real have comfortable offices on the building's fourth floor. Screens in the offices connected to a network of CCTV cameras allow managers to monitor, at their discretion and without restriction, the work being done elsewhere. During our visits we saw how managers followed the various rehearsals and practice sessions under way in different parts of the building.[99] No record is kept of this surveillance and it does not appear to be resented by the employees, as it is done regularly and quite freely.

The customers and the programming of the seasons

It is difficult to say exactly who the Teatro Real's customers are. Nevertheless, customers are those who attend the performances, so it is important that they be satisfied.

Part of the audience is made up of occasional guests, as many companies, especially sponsors, have permanently reserved boxes at the Teatro Real, which they use for corporate hospitality. And there are other customers: as far as management is concerned, the government is a customer; it subsidizes the Teatro Real in order to have a cultural spearhead, presenting Spain's modern face to the world. Management believes that the government wants the Teatro Real to offer a wide range of shows, and sometimes even to swim against the tide by including in its program underappreciated works considered to have great artistic potential.

A theater's reputation in the international media is built largely by word-of-mouth. News of the success – and especially the failure – of its productions spreads like wildfire through operatic circles and reaches music lovers through the specialized press. Music lovers tend to be avid readers of music magazines, so it is important that such publications, specialized or not, speak highly of the theater.

Steering a course through this world is difficult. Sagi, who has the job of planning each season, bases his decisions on his own personal perceptions, gathered through his many contacts and relationships with the world's premier opera houses.

Each season's programming is decided some four years in advance. Sagi keeps an overall three-year plan, conceived as a whole. This long

[99] For example, in one of the rehearsal rooms, lighting tests were in progress, while in the orchestra rehearsal room Mstislav Rostropovich was rehearsing the intermezzo from *La boda de Luis Alonso*.

planning horizon is needed in order to allow for coproductions, because if the Teatro Real joins a coproduction that is already in development, it will have little say in the end product, whereas if it is involved from the outset, it will be able to make its mark. The lead singers, too, are booked years in advance, but a theater needs to be very flexible in order to be able to bring in new talent as it emerges. If all the casting is done too far ahead, there will be no scope for signing up new talent.

When planning the season, Sagi knows roughly, but not exactly, what a given production will finally be like. The structure of the production will be determined largely by the choice of stage director.

The other two key roles in shaping a production, after the stage director, are the conductor and the singers. There are therefore three key decisions Sagi must make for each production, which are, in order of importance: stage director, conductor, and singers. After that, in the words of Caesar, *alea jacta est*: the die is cast.[100]

The structure of operations at the Teatro Real

The casewriter had the chance to go backstage at the Teatro Real the day before a dress rehearsal. The scale of the building is breathtaking. The stage covers an area of 1,430 square meters and opens onto the auditorium through a proscenium arch 18 meters wide and 14 meters high. And yet the stage itself is perhaps the least spectacular part; it is where everything happens, but from close up it seems extremely plain. It is not immediately obvious that the floor is, in fact, an enormous platform, which can be shifted horizontally and lowered 14 meters.

Surrounding the stage, and invisible to the audience, is an astounding array of equipment. Above, almost out of sight at the top of the building, is the fly tower, where the scenery is hung, ready to be lowered into place at the right moment during the performance. The tower is much higher than the stage itself, as it has to hold all the scenery. The roof, 50 meters above and hidden by the gridiron, is invisible from the stage.

Below and behind the stage are five empty spaces, each roughly as big as the stage itself, all connected and open-plan, with areas of the same height. In each of these spaces, a complete set can be assembled, so that it can be lifted onto the stage as a unit, for the final details to be added. Set changeover time is calculated in great detail. The technical director

[100] The reader will forgive us, but as we are in the world of culture, we wanted to show a little learning of our own.

proudly told us, 'By stretching our resources to the maximum, we have managed to cut the set changeover time from 1 hour and 11 minutes to just 31 minutes.'

Needless to say, all this machinery cannot be operated manually. To coordinate all these operations, the theater is fully networked with optical fiber. A number of computerized control centers allow operations personnel to control the various events remotely. Switching a spotlight on or off is a simple matter of pressing a button in the control center. More complex operations, such as lighting transitions, are executed by a computer program that controls every element involved.

In the wings, walkways at different levels allow stagehands to move around unseen, without interfering in the performance. During our visit, we spoke to a stage manager, who proudly showed us his computerized control cabin. The desk looked like something you might see in an airport control tower. 'We call it the Popemobile,' he told us, 'because it's a sort of cart, with all the computers and me inside, that can be wheeled around and positioned in the most appropriate spot at any given moment during the performance.'

The technical facilities also include a number of spaces for use in performances or rehearsals. Most notable are the rehearsal rooms, which replicate the surface of the stage itself. They allow the performance to be 'laboratory tested' before it goes on stage for real.

All the theater staff are young: the average age is 35, and most are around that age.

On a more operational level, the theater has workshops for making props, wigs, and costumes. The prop-making workshop, staffed by four highly skilled young craftspeople, produces the furniture and other pieces used in performances. They fabricate a wide range of objects, from injection-molded medieval armor that looks just like the real thing to sheaves of Egyptian spears. According to Bianco, 'You've got to get the details exactly right.'

The hair and wig shop makes made-to-measure wigs for every singer whose role requires one. The Teatro Real keeps a file containing the vital measurements of all potential cast members (this is the job of the production manager). All the wigs are made from natural hair, never synthetic fiber. 'It's more expensive, but it's more realistic, and people can tell the difference,' Bianco explained. The wig shop employs around ten people.

The costume workshop makes last-minute alterations to costumes. Mostly, costumes are subcontracted to outside suppliers, based on the designer's drawings. They are generally made from high-quality fabrics, such as velvet or satin, and are built to last, which is important if the production is to be sold to other opera companies. The costume department has around 15 employees, including the laundry and ironing departments, who prepare all the costumes for the chorus as well as the soloists before each performance.

The Teatro Real does not have a set-building workshop, nor at present anywhere to put one. Sets from past productions are stored in containers in the theater's own warehouse in Valdeiglesias, just outside Madrid. All set-building is outsourced.

Operations

A performance is a project, a set of activities that have to be very precisely managed and synchronized. Everything from stage movements to scene changes and transitions is carefully rehearsed and planned and must be accurate to within a few tenths of a second.[101]

In fact, conceptually speaking, the Teatro Real is a project company. At any given time there will be a certain number of projects under way, at different stages of their life cycle. However, there are two essential characteristics that set the Teatro Real apart from other project companies:

1. The projects end at a preset time; project completion cannot be brought forward or delayed. On opening night the curtain rises, whether the project is ready or not.[102] In an expensive show in a first-class opera house, nothing can go wrong; if it does, the performance will be considered a disaster by critics and audience alike.[103]
2. When planning the season, the Teatro Real chooses the projects it will undertake, based on the artistic message it wishes to convey and the available budget.

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[101] The reader can imagine the disastrous effect of a one-second delay in the movement of a spotlight following the soloist, about to sing her big aria, with the rest of the stage in darkness. In fact, it is said that a lighting engineer at the New York Metropolitan deliberately inflicted such a delay on a conceited prima donna who had been rude to him in rehearsals.

[102] And it had better be ready!

[103] This extends to the singers. Many a performance has been spoiled when the singer's voice has cracked on a high note. Even if the singer has played his role perfectly, the mistake is what will be remembered.

Daniel Bianco likes to compare his role to that of a manager of a five-star hotel:

> The mission of this theater is to be an artistic flagship. Therefore, it must be a five-star performer. When you go to a five-star hotel, you expect every detail to be just right. Even the tiniest thing must be resolved expertly and elegantly. Here, it's the same. Every detail must contribute to the artistic product, the work of art we are creating. For that to happen, all our talent must be deployed and channeled towards the result. I try to understand my artists; and I'm not just referring to the set designers and the costume designers. I'm surrounded by talent. The people in the prop-making workshop, the wig shop, and the costume department are all highly skilled craftspeople. All that talent needs to be absorbed into the final product, so that it shows. Otherwise, we are wasting time and money, and we might as well buy everything in.

When asked how he organized his people, Bianco answered:

> Basically, I organize their relationships with one another and the actual process of preparing a production. But I don't organize their work as such. I leave them to sort out their problems for themselves. I'm there if they need me, I walk around, I join in their working sessions, and I ask questions. Basically, I help them to find problems, although if necessary I may also suggest solutions. After that, everybody reports to me on how they are solving the problems, and we see if there are any shared problems or synergies. Sometimes, I work alongside them, but only very rarely. I think my job is to make the most of their talent, and I can't do that if I prevent them from using it.
>
> Of course, organizing the whole process of preparing a production is a very different matter. There are lots of things to be coordinated, and I've put in place clear and precise mechanisms for that purpose. The process is tightly controlled. I have a work plan, which shows all the activities to be carried out in the coming month and who is responsible for each one. Everybody has access to the plan over the local network, so they know what they have to do to be ready on time, and when I expect them to be ready.

Bianco went on:

> I often watch the preparations for a production, either *in situ* or via the CCTV monitors. I don't go to the performances, but I always

go to the dress rehearsal (which is actually the final version), just to give support and see how it turns out. By the time we get to the performance, everything has been said and planned for, and they are perfectly capable of dealing with any problems. If I went on the night, I'd just be in the way. They would look at me and come and ask me things. They get on very well without me.

It is through the production process that talent is incorporated into the final service. Everything I've said so far is all very well, but it's just words. The difficult thing is actually getting it done. And in operations, that is something we do as a team. Obviously, it all starts with the process of preparing a production.

Designing a production

The main stages in the process of producing an opera, from the idea to the actual staging, are as follows:

1. Choice of artists (stage director, conductor and singers). These are the three decisions Emilio Sagi must make in consultation with management. They are usually made three years before the opening night.
2. Budgeting. This is done by the budget department, working together with the production manager, one year in advance.
3. Presentation by the stage director of the design drawings and models. The stage director who has been commissioned to produce the opera submits a proposal to the theater, which includes drawings, models, and audiovisuals, so that the proposed production can be fully understood.
4. Discussion of the feasibility and the value/cost analysis of the stage setup, with the technical director, stage director, and set designer, who ideally converge on a solution that fits the budget. The discussion centers on how each element of the proposal contributes to the whole and on how costs can be reduced without damaging the artistic outcome.
5. Preparation of the tender documents for ordering the sets. The tender documents are prepared by the operations director and must follow the basic rules for government contracts, as the Teatro Real is a public body.
6. Decision as to who will build the stage sets. The contract is not simply awarded to the lowest-cost bidder; other circumstances are taken into account, such as the ability to achieve the desired result, capacity to contribute to the success of the project, and many other factors.

7. Set building. The stage sets are built and partly assembled in the subcontractor's workshops. Assembly progresses until it is clear that there are not going to be any problems completing the sets. Sets are not usually assembled completely in the subcontractors' facilities, which are rarely adequate (20-meter ceilings, for example). The theater's technical and artistic directors visit regularly to check progress.
8. Costume design and ordering. Some three months before opening night, while the sets and scenery are being built, work starts on the costumes for the chorus. Once this process is complete and the singers are in Madrid, the principals' costumes are made. As already mentioned, the Teatro Real keeps a database with the measurements of all those who have ever performed at the theater. The in-house costume workshop only makes changes to existing costumes in response to changes in the measurements of their wearers.
9. Hair and wigs. All the wigs are made in the Teatro Real's wig department.
10. Properties. All the props and accessories used in the production are ordered from the in-house workshop, which may subcontract if it does not have the tools or the batch size is beyond its capacity.

The cost of a production

For a new production, the building of the stage set accounts for a very significant part of the design cost. In the Teatro Real's production of *Macbeth*, for instance, the budget for the set was around €240,000.

The cost of costumes can also be substantial. In the case of *Tosca*, the Teatro Real made around 250 costumes. If the average cost of a complete costume is €150, the total cost would be €37,500.

The cost of props is very variable, and depends on the production. In *Tosca*, for example, the production included reproductions of famous artworks, such as a fiberglass replica of Michelangelo's *Pietà* (at a cost of €30,000) and an almost life-size reproduction of *The Last Judgment*.

The biggest variable cost is the singers' fees. The Teatro Real introduced the idea of setting a maximum fee of €18,000 per performance (a level earned only by the world's top opera singers). Travel and accommodation are at the singer's own expense. This amounts to a substantially lower fee than that offered by other opera houses that are less attractive to singers.

With this setup, the variable costs depend on the type of opera. A simple opera, such as *Tosca*, which has just three principals, is much cheaper than *Don Carlo*, which has seven. Similarly, a double-bill of *Pagliacci* and *Cavalleria Rusticana*[104] is extremely expensive, as each singer earns his or her full fee, regardless of the length of the opera; in this case, the opera house needs two world-class tenors, at full cost, one for each opera. This is therefore a major consideration when deciding on the season's programming.

The rest of the personnel, excluding the orchestra, chorus and ballet, which we shall discuss later, are not very expensive. For instance, a supernumerary is paid around €180 per performance (including rehearsals).

Implementation

When the sets are ready, the Teatro Real arranges for them to be shipped. Usually, the sets for a production amount to 13–14 trailer-loads, to be delivered to the center of Madrid. The sets are unloaded into storage facilities near the stage, although some vehicles are driven right up to the stage itself.

Once the trailers with the sets have arrived, the implementation or staging work starts, culminating in the actual performances. While work begins on assembling the sets, two other processes get under way: staging rehearsals and orchestra rehearsals. Eventually, they will converge in a single process. Staging rehearsals consist of 'blocking,' or preparing players' entries, exits, and movements while on stage, for the entire performance. Orchestra rehearsals, on the other hand, consist of developing a cohesive musical presentation.

The phases of the complete process are listed below:

1. *Rehearsals*. There are two types of rehearsals: staging rehearsals and orchestra rehearsals. Before any casting takes place, the people in charge of stage operations (usually the senior stage manager and the assistant stage managers) meet regularly with the stage director. Using preliminary information about the production, under 'laboratory' conditions (rehearsal rooms), they gradually work through the blocking – where the singers will stand and how they will move about the stage at each moment of the performance. All these activities are carefully planned and documented, recording the exact times at which each event must occur. In Teatro Real jargon, each such event is known as a *Top*. Each *Top* is assigned a number, which is then used to identify it.

[104] Two short Verismo operas that are normally performed together.

The process of defining *Tops* is gradually polished during rehearsals, until the principal singers arrive. By the time of the stage and orchestra rehearsal, all the *Tops* have been planned out in detail, and each one has had an exact time assigned to it in the plot or score.

2. Meanwhile, intensive *orchestra rehearsals* continue with the music director. Orchestra rehearsals start with the orchestra but without the singers. The singers begin to take part around one month before opening night, and tend to stay on for one month after opening night, giving performances. From the moment they arrive, the singers start rehearsing with piano accompaniment (the répétiteur). In the end, everything comes together, with everybody taking part.
3. *Stage rehearsals*. In the stage rehearsals, the company performs the complete opera, but with everybody in casual dress and using only a mock-up of the set. This is where the blocking process is finalized. Every single event, from the entry of a particular character to a change of lighting, is given a specific code number and a specific person is given responsibility for it. Each person has a worksheet for each of the *Tops* assigned to him or her, describing exactly what has to be done. An opera such as *La Traviata* may have as many as 300 or 350 *Tops*.
4. *Piano dress rehearsal*. At piano dress rehearsal the participants wear full costume and rehearse with music, but only piano. From this point on, the stage director ceases to have any say in the production. As far as the staging is concerned, his work is done. At piano dress he merely watches the result.
5. *Stage and orchestra rehearsal*. Here, the cast is joined by the orchestra and chorus. In the stage and orchestra rehearsal only the conductor is allowed to interrupt and comment – but only on the music, not on the staging, which has been finalized in the stage rehearsal.
6. *Dress rehearsal*. The dress rehearsal is a complete run-through of the opera, in some cases with an invited audience. The singers usually sing their part from start to finish, though in exceptional circumstances they may be excused the most difficult notes.

Once the dress rehearsal is complete, and normally after two days' rest, the production opens.

During performances the senior stage manager is responsible for organizing the sequence of events. Sitting at a desk facing an array of monitors that show what is happening on and off stage from every angle, the stage manager follows a reduced version of the score which has all the *Tops* marked on it. A few seconds before each event is due to occur, he will signal to the appropriate member of the stage crew, usually saying something like '*Tops* XXX, stand by, in XX seconds.' When the moment arrives, the stage manager gives the order, with a simple command of '*Tops*!' Nothing is left to chance. All communications are via an internal wireless network which transmits orders to stagehands working in perfect silence.

As a result, the pace and sequence of events is determined by the conductor, who sets the basic tempo. As the music unfolds, events occur one after another, as planned, building up to create the performance. Curiously enough, the annotated score is not included in the deal when a production is sold, which means that an opera company that buys the production has to work out the sequence of events for itself. The reason seems to be that the sequence of events depends a lot on the technology that each opera house has at its disposal.

Production management

In an operation such as the Teatro Real, management commonly have to deal with people who have outsize egos: singers, conductors, stage managers, and others may have all kinds of fads and special demands.

All of this generates a steady stream of incidents and events, which interrupt the normal flow of operations but which must be dealt with. To minimize their impact on the process of preparing a production and so reduce randomness, the Teatro Real has a member of staff in Operations whose job is to handle incidents: the production manager.

Reporting (not very directly) to the artistic director (and in practice reporting to practically everyone), the production manager prepares budgets, hires supernumeraries, prepares and signs all contracts, procures additional materials, deals with incidents involving artists and staff, and coordinates the use of the opera house facilities.

This whole task involves separating what can be controlled from what cannot. To keep things as clear as possible, the production manager prepares a work schedule, on spreadsheets, which anyone in the company can consult. The schedule shows what is going on at any given time in each space within the Teatro Real building. It shows exactly when and where the sets and scenery are to be delivered, the rehearsal schedule, any absences of cast members, and where all the outside participants are lodging.

The production manager's greatest skill, however, is problem-solving. He has a team of four assistants, three assigned to individual productions and the fourth providing general support.

Subcontracting

Most of the world's opera companies have a fixed body of employees, usually comprising an orchestra, a chorus, a ballet, and front-of-house staff (ushers, ticket clerks, and so on). The basic idea is that the fixed staff contributes to a company's reputation, on the assumption that the average artistic quality of a performance depends above all on the orchestra. The singers are not so important: a show with good singers and a poor orchestra will be much less satisfactory than one with mediocre singers and a good orchestra. By carrying the singers along and lifting their voices, the orchestra helps them realize their full potential and enhances the performance of less accomplished artists. For this reason some people consider the orchestra to be the heart and soul of any operatic performance.

Neither the chorus nor the ballet play such an important role, although high standards are considered essential.

Ushers and ticket clerks are, in a way, the theater's collective memory and a channel of communication with customers. The theater interacts directly with its customers through its front-of-house staff almost as much as through the performances themselves.

In the Teatro Real the orchestra, chorus, ballet, ushers, and ticket clerks are all subcontracted. The theater hires the Madrid Symphony Orchestra for a certain number of hours a year, along with a number of instrumentalists. The names of the musicians are not specified in the contract, so the orchestra's management decides who will perform and in which performances. The choruses, too, belong to the orchestra; the Teatro Real books them for a certain number of hours a year.[105]

The ballet is somewhat different. When a ballet is to be prepared for a particular opera, dancers are hired specifically for that ballet.

The Teatro Real has no singers on its payroll. All the singers, from the principals to the fillers, are hired specifically for each production.

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[105] Some of the world's leading opera houses do much the same, the most famous example being the Vienna Opera, which uses the Vienna Philharmonic as its orchestra.

The ushers are provided by a supplier company, which has an agreement with the theater's management. The ticket clerks, too, are hired from an outside company, although they are the same people year after year. This is important, as it takes time to learn about the different types of performances and the seating arrangements in the Teatro Real; staff continuity makes everything easier.

19 Insights from the World of Culture

Beatriz Muñoz-Seca

Introduction

Chapter 17 gave us an introduction to talent management and all it involves. Guided by Maestro López Cobos and Dr Valentín Fuster, we identified certain people-management issues that are crucial to the cultural sector, just as they are to business in general.

Now it is time to bring all this down to a practical level, making it tangible and operational. If you are a genius, like some of the people we saw in the previous chapters, there will be nothing new here, so you may prefer to skip this chapter and dwell instead on my colleague's reflections on talent management. If you are a 'normal' manager, however – one who finds managing people a constant puzzle and senses that something is changing without knowing exactly what, while the traditional approaches to human resources, which have worked reasonably well until now, seem to be failing – then stay with us and read through this chapter. We hope it will give you some ideas about how you can change your style of operations management. In it we share with you the conclusions we, as outsiders, have derived from our incursion into the world of opera on a mission to understand how it works and its unique characteristics.[106]

As we said in the introduction to this book, in business enterprises and cultural institutions today, we do not manage a workforce, we manage 'brains' (Muñoz-Seca and Riverola, 2009). Managing brains is completely different from managing a workforce. Brains behave differently

[106] For more details, see Beatriz Muñoz-Seca and Josep Riverola, *The New Operational Culture: The Case of the Theater Industry* (Palgrave Macmillan, 2009).

from labor. They have to be challenged to make them grow; they have to be brought to fruition. This involves treating them in a way previously unthinkable in companies, though standard in the world of the theater. Brains need to be constantly challenged; and challenges and learning go hand in hand. Challenges mean problems, and adults learn from solving problems. So when you challenge a person, you give him or her an opportunity to learn (Muñoz-Seca and Riverola, 2004). The challenge must always be proportional to the person's stock of knowledge. If it is far beyond him, he will be frustrated; if it is far below him, he will learn nothing. So it is crucial that the challenge is matched to the person's ability to solve problems. We need to know what level of knowledge a given challenge requires, how to match the challenge to an individual's stock of knowledge, and then bring the two together, fostering a new kind of management dynamic.

Though unknown in the business world, this dynamic is commonplace in the theater. Problems arise all the time, but people intuitively know who can solve them. The theater never went through the Industrial Revolution, so preindustrial, crafts-based ways of doing things have survived. It has been modernized, of course; technology has brought new ways of doing things (for instance, now you never see the ripples[107] you used to see in the main curtain when it was lowered by hand), but the basic management approach has been retained. Each person is an expert in his field. In Spain, orchestra musicians are still known as 'maestros.' The various trades form separate castes: lighting riggers, technicians and programmers; sound technicians and engineers; makeup and hair artists. Each of them knows what he has to do and is able to do it independently. They are 'brains' who fully assume their status as brains. They are given challenges, they meet them, and they learn from them. They work independently, but in a coordinated way. And then everything comes together and the curtain rises when it is supposed to rise. No excuses, no delays – end of story. It is a great lesson for the business world.

That is what this chapter is about. Throughout the book we have presented concepts that can improve the management of cultural institutions. We have tried to draw conclusions that are as valid for the world of culture as they are for the world of business. But we believe that the business world has a lot to learn from the theater world on the subject of

[107] When the curtain is lowered by hand, it tends to hit the stage, causing ripples, known in Spanish as 'glorias.' When technology took over, the drop could be calculated so accurately that this no longer happens.

brain management. There is a path that connects the two; each should learn from the other. Let us now raise the curtain on a way of doing things that originated in ancient Athens, somewhere between the fifth and sixth centuries bc, but that gives us food for thought in our quest for a five-star service. To do this, we first examine the basis of operations that makes it possible to deliver a perfect service. After that, we offer some reflections on certain components of the management style that is needed in this setting.

Aiming for a five-star service

How does the Teatro Real manage to deliver almost perfect service every time? To find out, we shall first look at the components of its operating system.

Operations start with a *planning* process that spans seven years. Given singers' busy agendas, singer availability is the scarce resource, making long-term planning essential. That is why managers at the Teatro Real know all the events that are going to take place well in advance and in great detail.[108] In a planning process carried out on this scale there is plenty of scope to break down activities, responsibilities, and milestones. Everything is specified and has a person responsible for it. This kind of planning is common in the opera world; the Teatre del Liceu in Barcelona, for example, has the next five years completely mapped out.

The *processes* through which the activities are executed are simple yet sophisticated. The stages, the platforms, and the logistics make up a complex (yet easily manageable) technological *infrastructure*, which supports the Teatro Real in successfully delivering its service.

Orders are clear and concise. The Teatro Real has created its own code, known as *Tops*. *Tops* are a simple form of communication and the epitome of one of my favorite operating rules, known by the acronym KISS ('Keep it simple and stupid!'). The simpler and stupider an operating system is, the fewer opportunities there are for error. *Tops* are clear and unequivocal: each number represents an action, and actions are called out in sequence, with a warning for the next to be ready: '*Top* 24, stand by 25!' Each *Top* is associated with an action but is announced by a number; the number

108 I have to admit that the planner in me was delighted by the sheer beauty of this process: everything is planned, ordered, and perfect. Although I have been assured that a very high percentage of the plan is put into effect, I cannot help being skeptical and thinking that it cannot be that beautiful in real life. As a starting point, though, it is sensational.

conveys the entire message. There is no scope for misinterpretation that might lead to error. A similar type of language is used in other sectors such as aviation (when you say 'Charlie Bravo,' everybody understands C and B). This simplifies things and makes for smooth operations.

Another smoothing factor is the standardization of the process by which an opera is staged. One could say that in theater the *innovation process* is standard. Why do we call it an innovation process? Because every production is an innovation and means doing something different. The type of innovation varies, depending on whether it is an own production or one rented from another theater. An in-house production is completely new, so the uncertainty is greater. There are liable to be more changes in the set and unforeseen situations that nobody knows how to deal with; and the in-house team will have to learn how to solve an endless stream of new problems. Every new production means new problems, more uncertainty, and less structure to perform.

A rented production comes ready prepared and put together, although all kinds of adaptations may be needed. There are no standard specifications for stages in opera houses, so they are not all the same size, which can make the job of adapting and adjusting a rented production quite substantial. Even so, the problems are structured, known, and anticipated. If a scenery wagon[109] is such-and-such a size and the piece of scenery is such-and-such a size, it will simply have to be adjusted to fit.

Whether it is a new production or an adaptation, the steps are the same: you will always have to design the movements and the structures; you will always have to design the costumes and the lighting. These are standard steps. Lighting, for instance, is one of the major components of a performance, part of the harmonious combination of sight and sound. The artistic director has an idea of the atmosphere he wants, and lighting is the means of creating it. Lighting design is crucial for putting the idea into effect. Naturally, the lights will be different for *La Bohème* and for *The Barber of Seville*, but the sequence of activities to produce the lighting will be similar; what changes are the specifics of each production. That is what we mean when we say that the process of innovation follows a known sequence. This makes it much easier to continuously innovate.

Similarly, everyone knows what he has to do and what his responsibilities are; and everyone has the tools to do his job. Each person *owns his process* and understands perfectly the *impact his work has on the*

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[109] Platforms on castors, on which scenery is moved onstage or offstage as the action requires.

service that is delivered to customers. In the theater world, mistakes are obvious; the audience sees them in all their nakedness, and this has a critical impact on the way the service as a whole is understood. There is no time for reworks, so rework requirements have to be anticipated: possible errors must be detected five minutes in advance. And each person understands the impact of his actions: the slightest mistake can cause the whole service to collapse.

So how does the Teatro Real's management get everybody to understand this? By giving them *problem-solving responsibility*. In *The Barber of Seville*, the tenor had to sit on a chair and then fall to the floor – that was the artistic director's idea. But how to actually do it was the responsibility of the props manager, and nobody told him which way the actor had to fall, or how it was to be done. His job was to produce a chair the tenor could fall off without hurting himself; he just had to pick up his tools and get on with it. The prop manager was given an objective, but it was up to him to find a solution. He could be as creative as he liked and use whatever resources he had to hand, on the understanding that the tenor had to fall and not hurt himself. What he had, therefore, was: a clear objective, decision-making capacity, and a creative process framed by comprehensible milestones, plus, of course, a perfect understanding of what would happen if he did not deliver, namely a limping tenor who would be unable to serve the opera productively or efficiently. The end result was a perfect fall that left the singer's performance unaffected.

Now we come to another essential factor in delivering a five-star service: the problem-solving capability of each individual agent. A problem, in our definition, is an unpleasant situation that we need to resolve (Muñoz-Seca and Riverola, 2004). To do that we must have the necessary knowledge, or at least be able to ascertain what type of knowledge is required. The process of creating a performance is beset by problems, so it is essential that these problems be addressed with clear criteria and specific objectives. Everybody knows the deadlines and the milestones to be achieved; everybody knows when things have to happen. So the important thing is to deal with events – expected or unexpected – as they occur. Note that there is no negative connotation here; this is totally positive. Problems are solved because having problems is natural. For people not to be stressed by problems, they need to have the necessary stock of knowledge for tackling them. And in the theater they do.

Thanks to this problem-solving capability, feelings are translated into solutions. An artistic director may ask a supplier to build a set that conveys a 'feeling of cold.' The message is understood and the resulting piece of scenery makes you shiver. But how is this achieved? Through the use of a *common language* by all involved, both in-house and outside. Words reach beyond each person's specialist field to clearly convey abstract thoughts, and clearly they succeed.

Note that we have been talking about a subcontractor, that is, someone outside the Teatro Real – but not outside the world of theater. In the theater there are codes of communication, as there are in many sectors, but the level of involvement of suppliers and customers is much higher in the theater than elsewhere. The theater sector illustrates the notion of the *extended enterprise* (Moss Kanter, 1999) and how the service a company provides consists of the activities performed by the company itself in conjunction with suppliers, distributors, and even customers: it is this integrated whole that delivers the final service. A customer at a restaurant buffet is performing activities that are part of the service, just as baggage handling at an airport is done by a subcontractor, although the company ultimately responsible for the service is the airline. All these players together make up the service.

At the Teatro Real, an opera performance is the result of the work of the theater's employees but also of subcontractors, from the members of the orchestra or chorus to the ushers, or the set builders or costumiers, none of whom are on the Teatro Real's payroll. They all work for outside companies, yet are perfectly embedded in the theater's operations. What we see is an extended enterprise, in which everybody knows his responsibilities and has a clear idea of what to do. Everybody has the same objective: to raise the curtain on a particular day at a specific time. This is not to say that the technical department does not have to monitor progress – far from it. The department monitors progress in minute detail. Problems are solved in a collaborative process which ensures that the stipulated milestones are met, using the first person plural 'we' (not the most common pronoun in business). Problems belong to everybody, not just to one person. And because everyone sees it that way, everyone feels responsible for solving the problems. Daniel Bianco, former technical director of the Teatro Real, says he speaks 'in the plural.' That is to say, he regards the service as a set of responsibilities of all the people involved, be they employees or subcontractors.

There is an *overall service owner*, who unifies the service or opera, namely the stage manager. The stage manager is in charge, there is no doubt about that. He can read music and understands the repercussions of every little detail. From start to finish, he has primary responsibility for the performance and has the power and authority to tackle any eventuality, as well as the perseverance to be there throughout and understand what is going on.

The artistic director describes his ideas during rehearsals, but it is the stage manager who accompanies him and helps him translate those ideas into workable solutions. Lluís Pascual, a renowned theater director, told us that his job was focused on translating and doing, so that he could then disappear. At the start of rehearsals his name was the one you heard most, but by the end of rehearsals it was no longer mentioned; what was left was the performance – and the stage manager, who stays on until the production finishes. It is his responsibility and he feels that it belongs to him. This ensures a clear flow, with no hidden surprises, and provides reassurance. Individuals are free to perform their tasks, but there is always someone who keeps an eye on the overall shape of things, on the service as a whole. To understand how this is achieved, we need to look more closely at the rehearsal itself, that is, the testing that is carried out to see whether things will work as planned.

Rehearsal and practice are two magical concepts. Rehearsals are the source of learning, the starting point for practice. Aspects of the performance are tested and problems are resolved. The performers rehearse their movements, they rehearse their singing with the piano, and they rehearse with the orchestra. Over and over again. The artistic director's idea is translated into reality as rehearsals proceed. I remember a rehearsal of *Don Giovanni* where the artistic director had the idea that the singers should sing standing on a table. The table was supposed to move, but when it did, it wobbled, throwing the singers off-balance and making them lose their concentration. They went on trying out different possibilities, until it was discovered what was causing the wobble. As a result, in the dress rehearsal the singers were able to sing with complete confidence. It had taken several rehearsals but the problem had been solved.

Details such as this may seem trivial, yet nothing could be further from the truth. Delivering a five-star service requires paying close attention to all the little details and resolving them in a satisfactory manner. The great pianist Arthur Rubinstein once said that 'God is in the details' (Muñoz-Seca and Riverola, 2009), but I suggest a variation: 'A five-star service is in the details.' If a chain clinks when it is lifted, the noise will be a distraction to the audience and will bring them back to reality, breaking the spell.[110] An opera is made up of singers, an orchestra, and a

[110] I feel sure I am not alone in thinking that the ability to transport us to another world is one of the great virtues of the theater; it makes the whole experience unforgettable. When it does not work, for whatever reason, an opera becomes just a group of people singing.

choir, but all enveloped in a production that transports the spectator to another world. This harmonious whole, the union of sight and sound, is the result of the translation of the artistic director's ideas into the reality of the performance. And this can only be achieved by knitting together thousands of details.

The notions of rehearsal and practice have generally been forgotten in the business world. There are some sectors, such as nuclear power, where they are still very important; but in the real world of day-to-day business, rehearsal and practice are likely to be seen, mistakenly, as a cost. Yet the opposite is the case. We contend that they are one of the greatest investments a company can make and are essential to delivering a five-star service. Needless to say, we are not suggesting that with rehearsal and practice everything will work perfectly. The world is uncertain and however much we rehearse and practice there will always be some residual uncertainty, due to the randomness of events (Muñoz-Seca and Riverola, 2009). At the Teatro Real, however, they manage to reduce 'random events' to a minimum. There is a theatrical saying that 'If the dress rehearsal goes perfectly, you'd better start worrying,' the fear being that the imperfections will come out on the first night. The message here is that mistakes make us learn and progress. The only tool we have for guarding against randomness is our ability to solve problems and have clear ideas, which brings us back to the beginning of this section.

To summarize, we list here 12 points that should help deliver a five-star service:

1. A detailed planning process that is known, understood, and accepted by all.
2. The right service infrastructure, both in terms of the physical layout of the facilities and in terms of technology, supported by the right operational structure, the right capacities, accurate process times, and an appropriate information system. These are the lifeblood of a good operating system; without them difficulties multiply.
3. Simple processes, using the KISS concept. Life is complicated enough without having convoluted processes. Simplicity is beauty and beauty leads to harmony.
4. Full understanding on the part of each member of the team of his responsibility for his portion of the task, and full ownership of the process, coupled with freedom of action and accomplishment of specified objectives.
5. An understanding of the impact that each individual's performance has on the final service. Delivery of the final service cannot

be something remote from people's daily activities; it has to be an integral part of their jobs.

6. An overall service owner: someone who understands the repercussions of the tiniest details, identifies the synergies, and sees the big picture.
7. Standardization of the innovation process in a sequence of activities, providing stability and suppressing uncertainty. To innovate is to change, but having a clear, predetermined sequence makes for a smoother process.
8. A common language shared by all the agents, as a means of translating ideas into reality. Sector- or business-specific dictionaries can assist fluent translation.
9. A concise, plain, and simple code of communication. There is a difference between a language and a code of communication: a language is used for understanding, a code for operating. Having a code simplifies service delivery by making everything clear and specific.
10. Ability of the agents to continually solve problems. Service delivery is accompanied by uncertainty. However hard we try to standardize things, the possible problems associated with demand are so many and so complex that we cannot conceivably have them all classified. That is why it is essential to have agents who are capable of solving problems for themselves.
11. Rehearsal and practice to bring problems and eventualities to light. They are a source of learning and a way of preventing potential flaws in the service.
12. An extended enterprise that operates with parity of ideas and objectives. This enterprise is an integrated operating framework in which all participants understand the portion of the service assigned to them and know their responsibilities.

These 12 points should be accompanied by a specific management style. Let's look at some of its main features.[111]

Reflections on the management style observed in the Teatro Real

In this section we do not intend to give a comprehensive account of the management style we have observed in the theater world, as we have

[111] For a more in-depth analysis we refer the reader to our book *The New Operational Culture*, Palgrave Macmillan, 2009.

already done this in a previous book. The following reflections are a combination of thoughts gathered from class discussion with our students[112] and insights that emerged from our conversations with theater directors such as Lluís Pascual and Frederic Amat.

The common thread in this management style is the effort required to inspire and maintain enthusiasm. But how do theater directors achieve this? First, by seeing the whole team as a constant dialogue, based on open communication. One striking device is the weekly meeting focused on prevention (the idea of detecting errors 'five minutes in advance'). Their meetings are not about what has happened, but what is going to happen. Instead of falling into the cycle of 'remorse' that is so common in the business world, they pursue the cycle of error prevention. They anticipate difficulties and so find solutions for possible mishaps. This dialogue is based on maintaining a win–win approach, not out of altruism but for purely selfish reasons: if the job is well done, everyone will gain and be better off.

They all know their profession very well and have the necessary stock of knowledge, so they all trust each other to act professionally. They do not seek only their own benefit, because they know that if they did they would make somebody else fail and everybody would suffer. There is a real professional pride in seeing what each person has achieved – they can see it right there on stage. And that is where something different happens, something that arouses and nourishes enthusiasm: applause. Applause is a direct form of feedback; it keeps the level of enthusiasm high and is palpable. There can be booing, too, of course; anything can happen on the first night. But however the audience reacts, it is a direct way of knowing whether the service has been a success or a failure: a direct feedback loop. In our book *Problem-Driven Management* (Muñoz-Seca and Riverola, 2004) we argue that this feedback loop from reality, from the service actually delivered, is a critical factor in learning. In the theater we see it in its purest form.

Nevertheless, it is impossible to spread this enthusiasm without an environment in which people feel helped and supported. The management style we have seen in the theater world allows freedom of action, but if the problems are too much for somebody and he cannot solve them, there is always someone there to help. Managing becomes letting people know that 'I'm here for you if there is something you

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112 During the last five years I have discussed the Teatro Real case with more than 1000 corporate managers, mainly from Europe and Latin America.

can't solve' (Muñoz-Seca and Riverola, 2009). The backing that people have is complete, creating an environment of trust. According to Daniel Bianco, in the theater world 'You don't need to worry, you need to stay busy.' It is not a world of empty words, but of deeds and realities; a world in which everyone is united in the pursuit of a successful opening night; a world in which people have a common goal and faith in each other's ability – faith, that is, in its purest form; faith in each other's professionalism and capacity to find satisfactory solutions to any problem that may occur.[113]

There also has to be faith in the outcome. In an interview with us, Frederic Amat, a renowned painter and stage director, used the word 'faith' repeatedly: faith in other people's professionalism, their ability to provide alternatives, their creativity, and their perseverance. Faith and trust are thus essential for maintaining enthusiasm.

And where does all this enthusiasm lead us? It leads us to seek perfection, a five-star service. Enthusiasm makes humans insatiable. We have all seen it many times: the cabinetmaker who loves his work and spares no effort to ensure that the furniture he makes is perfect; the cook who spends hours experimenting with new flavors and textures. We could reel off more examples, but they all have one thing in common: people can see the tangible result of their efforts. It is the pride of seeing the plan made a reality: nothing generates more enthusiasm than seeing with one's own eyes the material result of one's work. This pride and this enthusiasm still exist in the theater and in the crafts; in business, however, they have largely disappeared. Isn't that a shame? Shouldn't we be trying to rekindle enthusiasm in our people?

Accompanying this enthusiasm, we see another resource that is rarely used in management: seduction – understood here in the sense of 'drawing attention' and 'winning over.' We have seen directors and conductors seduce the soloists, the chorus, and the costume designers by explaining everything in detail, showing them how things have to be done, involving them in decisions, showing them how each one of them is needed for the service to be delivered successfully. And once everyone has learned his role, it is time for the director to disappear,

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[113] We have observed this phenomenon in other settings, including our own as authors of this book. As we write, we trust one another implicitly, both on a personal and, above all, on a professional level. We know that each of us will do an excellent job and that between us we will create the book. Of course, we have been working together for a long time and know what each is capable of, which is why we decided to embark on this project.

unshoulder the burden, and join the audience. This is what we mean by 'getting others to do things,' a basic managerial function.

To achieve this result, however, people must have a very thorough knowledge of the jobs they do and be capable of enjoying them. Here, then, we would like to issue an appeal for the restoration of enjoyment at work. When a person does something he likes, he enjoys himself. In the theater we have seen people who love their work and enjoy it. That makes them generous, says Frederic Amat, more understanding and more willing to adapt to the tastes and wishes of others, out of generosity. To achieve this is to successfully meet the great challenge facing managers this century: *you should not* 'do' *but rather have other* 'do.' When we are enjoying ourselves, we are productive; when we are happy, we are productive. Too many enterprises are blighted by boredom.

Summing up, we have identified seven key factors:

1. Enthusiasm as the main guide for management. In practice, this means making people realize how a job well done benefits and enriches everybody (knowing that the slightest mistake can ruin the service) and making sure that people feel supported.
2. Managers who know their profession or trade and understand the repercussions of each decision.
3. Direct recognition, in the form of applause, as the main nutrient and sustenance for pride in work.
4. Trust, based on the recognition that each person is a professional in his field, leading to a particular way of managing, supporting people, and getting things done.
5. Management that seduces employees by explaining everything in detail, involving them, and making them see that each one of them is indispensable for successful service delivery.
6. An understanding that managing means educating and translating, and then disappearing once this task is done.
7. Instilling a love of work and attention to detail, and getting what people want to do to coincide with what the company needs them to do.

How often does one find this in the business world? Seldom, we would imagine. We propose that companies recover these ideas and transfer them to their own environment. This is the sort of management that talent requires; otherwise it withers and does not become productive. Bringing 'brains' to the point of fruition means understanding all the ideas set forth in this chapter.

Final remarks

Throughout its long existence, the theater has contributed many important ideas to society and will continue to do so. In this chapter we consider what the theater has to teach the world of business. We have learned from the world of culture, and we have shown that there is great potential for cross-fertilization between the two worlds. Madrid's Teatro Real is the perfect 'stage' for reflecting on a different managerial approach. We have highlighted some of the key features of this approach, and we have summarized the main conclusions for the business world. The classes in which I teach the Teatro Real case are among the most rewarding in my timetable. In every single session I have managers coming to me saying, 'This has been really thought-provoking. It really challenges the way I manage my service.' This is therefore the perfect final conceptual chapter for this book: new ideas for two worlds – culture and business. The world of business needs new ideas, and where better to look for new ideas than in the world of culture?

20
Fifteen Challenges for the Cultural Sector

Beatriz Muñoz-Seca and Josep Riverola

Introduction

This chapter sums up the authors' ideas on the challenges facing cultural institutions in the near future. We have organized and combined them to provide a list, by no means exhaustive, of issues for further reflection. From our business perspective, we have detected some obvious dysfunctions that should motivate efforts to bring about improvements. In today's world, institutions must face up to change and move with the times. This list provides food for thought and new avenues of inquiry in the constant quest for competitive advantage.

Fifteen challenges

1. *Cultural institutions face strong competition from providers of substitute goods and services*. Competition from alternative ways of spending leisure time – including visual arts, clubs, sport, music, and home entertainment, especially television – is intense and increasing. Cultural institutions need to face this challenge and find new ways of attracting customers.
2. *Cultural institutions are under increasing pressure to become more market-oriented*. Many cultural institutions do not even like to think of the target users of their services as 'customers;' instead, they call them visitors or something similar. It is time they recognized that cultural services have customers, and that the purpose of the services they provide is to keep those customers happy in the long run. This is typical of services that provide learning experiences, as learning is a deferred benefit of the service delivery process. Moreover, the challenge is to cater to the needs of individuals, rather than of the

'average customer.' Most cultural institutions still have a long way to go to adapt their unique resources and capabilities to serve the full range of customer needs. Those that persist in neglecting customer strategy and management are at serious risk of failing to attract audiences while remaining profitable, and thus ultimately of losing their very *raison d'être*.

3. *Cultural institutions should define customer segments and prioritize them, developing differentiated value propositions for each segment.* As we have noted, there is no such thing as the average customer. All customers are different and want to be treated differently; they want acknowledgment of the characteristics that make each one of them unique. The desire for differentiation is all-pervasive, especially in the arts. It would be impossible, or extremely costly, to deliver an excellent universal service. Once they have segmented their customers, cultural institutions should make effective use of the known levers of customer capture and retention, adjusting them to fit their own situation.
4. *The field of arts and culture should embrace the general trend toward greater interaction with customers and customer involvement in the provision of services*. Interactive museums, productions with audience participation, and exhibitions where visitors can interact with the artist are examples of formulas that can help cultural institutions compete with other forms of entertainment. Many young people would rather play video games than go to the movies, because in video games they can participate and influence the script. Cultural institutions need to offer environments and services that offer a similar level of participation; otherwise they will find it increasingly difficult to attract visitors.
5. *Cultural institutions do not cater for sophisticated customers.* As we have seen, customers feel special and want to be treated differently; sometimes they actually are special. The initially undifferentiated mass of customers is splitting into segments, each of which must be treated according to its characteristics. On the one hand, cultural events are attracting mass audiences, whose members have only a very elementary knowledge of history, art, and culture. On the other hand, a select nucleus of patrons is becoming increasingly sophisticated and demanding special treatment. This means that institutions must be proactive, especially in terms of *Focus* and *Brand*. Cultural offerings today are generally insensitive to the needs of the sophisticated art lover; paradoxically, they are not designed for the average visitor either. Unlike the average visitor, who cruises through the museum

taking a quick glance at a few 'must see' pieces, with a 'box-ticking' attitude, the sophisticated amateur is determined to spend quite a long time exploring the details of specific pieces, which may not be the most popular ones.

6. *The service delivery process must be carefully designed.* This enhances the perceived value of the service to customers and optimizes delivery costs. Cultural institutions must embrace and adapt the tools and techniques used by commercial companies to improve their customer service management. This could be done through operations design or through the application of commercial or complementary processes peripheral to the main service. In any case, unless the service delivery process can cope with mass audiences, the effects of previously marginal variables could spoil an otherwise pleasurable experience.
7. *Cultural institutions need to discover imaginative new applications for their existing capabilities.* The cultural sector has many underutilized capabilities. One example is the extensive knowledge and experience of museum and gallery curators. Museums use curators' considerable capabilities to take care of their collections, design exhibitions, and edit publications, but not to interact with their visitors. Curators are a source of knowledge that could be used to produce new services. However, the curatorial role is clearly a relic of times long gone, where the oracle spoke to the common people from above. The superior attitude of some curators needs to be tamed. A curator is an expert, not a magician, and should be treated as such, in much the same way as an engineer, lawyer, or designer would be treated. A good knowledge of art and history is obviously a requirement, but such knowledge can be acquired fairly easily by reading books or working in the right institution (as the Tate case indicates); it is not rocket science[114] and therefore does not require a great deal of brainpower to master.
8. *Art and efficiency need to be combined.* To do this, cultural institutions need to change their conception of operations. This cannot be done by trial and error; it requires the use of conceptual models to provide a structure that will increase the efficiency of resource use. The sector needs to be open and receptive to these ideas. The great danger is that the sector's inward-looking attitude will prevent

[114] Compare it with advanced physics, for instance, or any other of the hard sciences.

the introduction of new ideas. Elementary management techniques cannot be ignored for the sake of art: lack of money, for instance, is no excuse for not measuring customer characteristics (though it is sometimes used as such). Similarly, naïve segmentation can cripple an institution's marketing approach and render the museum–customer relationship inefficient.

9. *The role of technology should be redefined*. Technology is now available to deliver artistic experiences in surroundings far more comfortable than those of today's cultural institutions. This poses a great challenge in an area previously considered relatively unimportant: that of the physical design of exhibitions and the general environment of the visitor experience. We all have experience of crowded galleries, poorly designed itineraries, noise that interferes with the cultural experience. Remote audiences do not have to put up with such nuisances. Technology therefore has the potential to cause great disruption in the cultural sector. What can a museum do to survive without physical visitors? Technology already has the power to create such a scenario, which would lead to innumerable changes. Burying one's head in the sand and dismissing this as an absurd example leads nowhere. The cultural sector needs to think big and break out of the straitjacket of existing structures. The world will not wait, and enormous changes loom ahead. Cultural institutions must keep moving forward, so as not to be left behind, like dinosaurs. Appropriate use of technology is one of the sector's great opportunities.
10. *Technology can broaden the scope of service*. Tablet PC-type guides in museums would be an example. Unlike normal audio guides, such 'premium' guides would allow visitors to create their own customized visit plans, using a search engine that suggests itineraries based on visitors' search criteria. Paintings could be shown on the guide's touch screen, offering in-depth descriptions and analyses of particular details by the museum's curators, accessible simply by touching a spot on the screen. Visitors' appreciation of works with complex meaning and imagery, such as Hieronymus Bosch's *The Garden of Earthly Delights*, would be greatly enhanced by the use of such a device.
11. *Developing internal leadership*. Nowadays, given the obsolescence and limitations of hierarchy and status, authority is at the core of leadership. Only on the basis of authority can a professional inspire conviction, enthusiasm and confidence. Managers must become mentors and developers of possibilities. Bringing perspective, dis-

tance, and experience to bear, a mentor facilitates and speeds up the process of inner discovery. Starting with the person as he is, the mentor sees potential and nurtures it; he is dealing with a personality under construction. Talent attracts talent: guided by natural talent, vocation and profession converge and work together to produce a fruitful career. These are challenges that every manager faces, and those working in the cultural sector are no exception.

12. *The genius must work for the team*. Human experience reaches dizzy heights when the head thinks with such precision, clarity, and focus that it begins to 'feel.' Only 'in the zone' are you able to play and win life's great contests. Star and team form a happy paradox: the genius, knowing himself to be limited and vulnerable, works for the team, while the team gives the genius intellectual and emotional space for his uniqueness and mystery.
13. *The techniques and practices of the purely financial sector are not applicable to cultural institutions*. Nonprofit cultural institutions cannot use the general body of corporate financial theory and practice to guide them in managing their stable funds or deciding their levels of investment and leverage. Only the most modest short-term financial management techniques can be applied in cultural institutions. In any case, cultural institutions must manage their finances with the most painstaking attention to minimizing risks.
14. *Corporate finance is relevant only to for-profit cultural enterprises*. If there are any differences between for-profit cultural institutions and other companies, they are no greater than the differences between firms in different industries or between different firms in the same industry.
15. *There is a pressing need for a logical, evidence-based approach*. Many companies use managers; they chew them up and spit them out. Managers come and go at the whim of some hotshot executive. Such behavior is common in industries where companies' strategy and operations are based on hindsight, rather than evidence. Hindsight reflects personal opinion and so generally escapes logical analysis. In such environments, disagreements are clashes of egos rather than opportunities for objective problem-solving. Nowhere is this problem more acute than in the cultural sector. The myths and traditions of an ill-defined field answering to the name of culture are not the most solid ground on which to build a logical way of operating. Curators, managers, marketers, and other self-proclaimed experts cling to preestablished positions that make compromise impossible. As a result, the rule of 'addressing

the issues, rather than defending positions' becomes empty and irrelevant. This would not matter were it not for the inefficiency it causes. Inefficient use of resources is the result of a priori estimates based on naïve thinking instead of hard facts.

Final remarks

The aim of this book has been to provide ideas for making cultural institutions more competitive and more productive. Cross-fertilization of ideas with the business world has helped to identify many areas for improvement. These are a starting point, and they should lead to better results and economic growth. However, the culture industry needs to find allies in other sectors, such as tourism, to generate new growth models. Clustering of cultural institutions and firms from other sectors could help create new models of development, interweaving culture with other industries. Cultural institutions need to reinvent themselves, and to do that they need to build and cross many bridges – bridges that will lead to a clearer understanding of customers' needs, more effective leveraging of synergies, and a more balanced society. Economic growth through culture will bring progress to the regions and to coming generations. In this book we have made some bold statements and raised some difficult questions. Our proposal is clear: here are two worlds which need to meet and learn from one another in order to promote greater economic development and social harmony. It is our sincere hope that we have made a contribution to this approach, and we thank you for your patience in reading our book.

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