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## **Great, Sustainable Impact: Can Self-Sufficiency Help Us Advance Our Missions?**

**Dr. David E. Chesebrough, President & CEO, COSI - Center of Science and Industry**

### ***Self-Sufficiency -- A Dream or Realistic Goal to Support Great Impact?***

Admit it -- many cultural organizations struggle financially on a regular basis. Despite years of effort there is still a gap for many between resources and mission goals. COSI had been no different in that quest and struggle.

So we started to question our financial model assumptions. "Is it too crazy to try be operationally self-sufficient?" Could we serve our mission better with a different business approach? Could we become a more sustainable and differentiated great institution? And in the process create a stronger blend of operational self-sufficiency and successful, focused and strategic fundraising?

At COSI we surprisingly decided that the answer to those questions was, "Yes!" So operational self-sufficiency is not the end game -- but the discipline that comes with thinking that way could be a tool towards achieving a great and sustainable impact in our community.

I write this with the experiences of leading a wide variety of museums and a solid understanding of other cultural. The concepts I share should have broad applicability beyond the COSI case study.

### **RESPONDING TO THE CHANGING WORLD**

Why would we look at self-sufficiency differently today? The trend-lines and community dynamics I see offer a number of compelling reasons:

1. Social service and education needs continue to increase, potentially pitting cultural support more and more against compelling social priorities.
2. Corporate and foundation philanthropy continues to shift away from general operating support to project specific interests.
3. There is more need than ever for the services of museums and culturals to help create a literate, engaged and compassionate citizenry and workforce.
4. Many of our institutions have invested in facilities, program capacity and brand but we've failed to fully capitalize on those investments.

So *if* we could be self-sufficient, couldn't we control mission fulfillment even better? Thus, at COSI, we came to what might seem an audacious decision -- set a goal of being *operationally self-sufficient*. To achieve this we had to look at where we were and then project forward -- looking for adjustments in model, culture, organizational alignment and more.

## MODEL SHIFT

COSI's business model was very typical of most cultural organizations with a service mix between revenue based and free/discounted services. Looking at our model, it looked like Diagram 1.

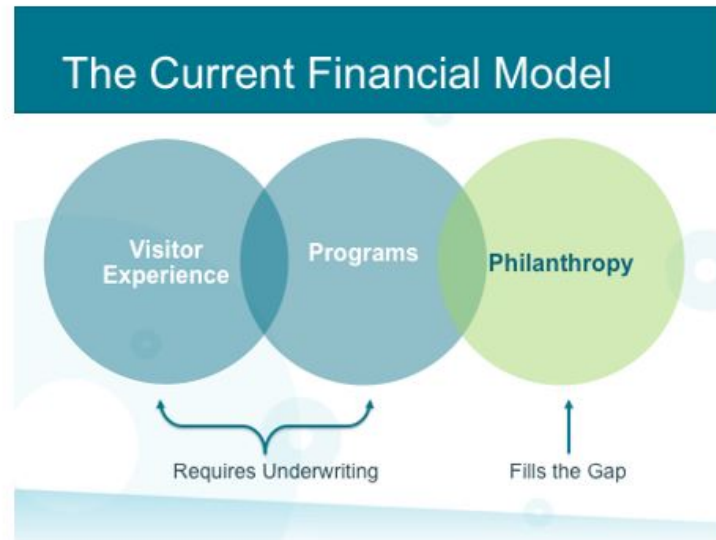


Diagram 1 - Typical non-profit cultural financial and service model

Unfortunately there is often a natural, silo based disconnect between staff designing and delivering our offerings/experiences and those in development filling the overall financial gap. As noted, the dynamics around philanthropy are changing significantly and rapidly. As development staff respond to the decline in operating support, they are often pushed into project proposals that may not be a high impact, high value use of the institution's resources.

At COSI we set out to rethink our approach with the following objectives:

1. Leverage **operational self-sufficiency** to
2. Create a **sustainable future**
3. With **greater impact**

This led us to ask - what would we look like as a self-sustaining business? We realized that we had to be clear internally. A market appealing program or experience based on fees needs to be run like a for-profit venture and be sustainable through earned revenue. An initiative or program that was mission oriented but not capable of earned revenue sustainability needed to have direct, dedicated strategy for funding. Nothing could live in the middle muddling along bleeding resources away. And what we did in each approach needed to be a differentiated, high quality effort.

Broadly, our "business" as cultural institutions must be built consistent with the hedgehog concept in *Built to Last* and *Good to Great* of finding the intersection of:

- "What is it we are deeply passionate about?"
- "What can we be best in the world at?"
- "What drives our economic/resource engine?"

Many culturals live in Quadrant 4 of Jim Collins' framework of Economic Engine in the Social Service Sector --high potential business revenues and low charitable donations and private grants (*Good to Great and the Social Sector*). We have buildings, specialized staff, brand, location and community goodwill to apply toward the ability to drive revenue as we work in sectors that society and the market deem are important. At COSI we felt that with the right approach and strategic partnerships we could be more impactful (great) while securing more earned revenue and/or dedicated funding streams (sustainable).

Chart 1 below shows the comparison analysis we used at COSI around the core question - *Are we just being good, or are we being great?*

<b>Good Services</b>	<b>Great, Sustainable Services</b>
Generic educational programs	Specialized programs tapping unique center/museum assets
Generic school field trips	School contracts for STEM services
General family and student access underwritten by institution	Targeted, high impact access programs with funding and strong partners
Specialized staff having variable level of internal work	Specialized staff earning revenue from contracts to supplement internal work

Chart 1 - Good versus Great with more sustainable services

### **THE NEED TO SYSTEMICALLY DIFFERENTIATE**

The concept of differentiation is critical. I ask, drawing on a previous technology career, "Are we Dell or Apple in our markets?"

Dell built its success offering the very best combination of decent and customizable features on a computer with the best cost/benefit product price. Apple has focused on building unique, desirable and differentiated products that hold a high value perception and therefore an ability to price at a high profit margin.

I suggest that with the inherent expensive nature of most culturals we cannot afford to price our services like Dell because we can't drive the lowest costs. (Although we should always seek operational efficiencies.)

Hence, if COSI or any cultural is going to be more sustainable with our cost of overhead, we have to adopt more of an Apple approach---a differentiated selection of products and services we could deliver passionately with greatness and with the ability to be paid/funded with a high value perception. (The concept of a differentiated approach for *strategic positioning* to our businesses was presented by Harvard economist Michael Porter in a keynote speech at the 2006 AAM national conference and is broadly applicable.)

Chart 2 shows the types of questions culturals should ask.

What are our special strengths and assets (i.e. expertise and physical)?
Where and how can we have special impact in an area of community need more than any other organization?
Where are revenue streams in our areas of strength and potential impact?
What partners would be important to achieve impact, access to audiences and access to funding streams in a mutually beneficial way?

Chart 2 - Questions to help decide your sustainable differentiation

Answering these questions will help identify areas of strategic advantage that can be *differentiated and financially sustainable* through earned revenue or through partnerships and steady funding streams. Critical strategic programs and initiatives need to be pulled away and focused on while dropping the rest.

At COSI we started with an intensive, multiple week, open forum approach to generate possibilities, quickly test an idea against a potential market and position it for further decision making. This matches what Collins and Hansen, in *Great by Choice*, denote as "firing bullets" to create empirical data from small tests -- that inform if an effort is worth continuing, investing in further and/or scaling up. We all need to build a culture of continual pilot testing and program review against market demand and delivery excellence. Constantly look to "trade up" a service to one with a higher, more sustainable price point with identified funding sources--be it earned revenue or targeted giving.

What we now strive for at COSI are experiences, events and replicable programs that can serve hundreds or even thousands on a regular basis, or smaller audiences in a comprehensive, multi-engagement approach. High impact with net positive revenue.

### **SUSTAINABLE COMMUNITY ACCESS?**

Mission is about outputs of impact, not inputs of revenue. Our team is passionate about making a difference. Our communities expect us to be accessible for all. Consequently, many culturals keep their admission, ticket or program fees low for accessibility -- starving the overall institution of the resources to provide great service in a sustainable fashion.

In considering ways to assure COSI's special ability to inspire, engage and support individual, school and family learning for all who have interest we now seek to:

1. Separate out access and specialized programs that cannot generate sufficient earned revenue for a separate sustainability strategy.
2. Identify key partners who can help access large numbers of individuals, schools, and families who would normally not be able to use COSI. We then seek systemic relationships and approaches that give us the highest impact with the partner's constituents and strongest fundraising case.
3. Leverage and manage our brand better as a great and unique learning environment with an array of services to reinforce that COSI is an agent of change *worth supporting* to help address priority community needs.

## HOW DO YOU LEVERAGE YOUR BRAND?

Brand is important.

Jim Collins has modified the flywheel concept in his *Good to Great and the Social Sectors* monograph. He notes that a great social institution has pervasive qualities -- not a killer app, program, or opportunity. Focusing on his hedgehog principle builds results in a way he describes as:

*"Success breeds support and commitment, which breeds even greater success, which breeds even greater success, which breeds more support and commitment--round and around the flywheel goes. People like to support winners!"*

That is the brand strength you can create and leverage. It supports the selection of differentiated products with clear community value that secure fees or funding that are at sustainable levels. Our goal should be to create a desire to associate with us by setting a high and beneficial bar for what it takes to be affiliated with our brand - be it admission/ticket prices, sponsorships or funding.

## THE COSI NEW BUSINESS PORTFOLIO

At COSI our ongoing improvement process now has a very different looking business approach. We continue to migrate toward financially sustainable, high impact experiences and programs, monetizing and leveraging our experiences, staff expertise, building and brand. Our development strategy is shifting from a general operating support emphasis to a mix that has more targeted alignment with our impact areas and access.

COSI has improved from earning 58% of our budget as a struggling institution to a strong and well positioned science center now earning 75% of a larger \$17 million budget. With those resources we are delivering services with greater, more focused impact helping address community priorities -- yielding *improved return of value in social benefit on community investment* (Porter).

Non-profit is still our mission core and our tax status, but not our mentality.

Each institution's mix of assets, potential partners, and revenue sources are likely different. But I suggest that other culturals can make significant strides toward **Great, Sustainable Impact**, just as we are at COSI.

***Dr. David E. Chesebrough*** has been a museum leader across disciplines for over 25 years, the last 10 as President & CEO at the Center of Science and Industry (COSI). He can be reached at:

COSI – Center of Science and Industry  
333 West Broad Street  
Columbus, OH 43215  
614-629-3230 (office direct)  
dchesebrough@cosi.org

## **NOTES AND REFERENCES**

The following are references that have provided guidance and insights into my thinking, including all resources mentioned in this article. (Note that the misspelling in accessing Porter's piece is as it is in the Harvard Business School website).

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