

Theoretical Considerations for creating competitive advantage for museums

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Abstract

The museum management literature reveals that the emphasis on research has been in the operational/functional side of management and in marketing, leadership and entrepreneurship. Research on strategic management or competitiveness has not been considered in any depth by researchers in the museum management field. By analysing the strategic management literature it is argued that an application of strategic management paradigms can be applied to understand the nature of the business of museums in a crowded contemporary leisure field and to understand how they compete and collaborate, particularly in the case of new entrants.

This research is based on three primary areas of investigation:

- An understanding of the nature of the business of museums
- Whether museums compete or collaborate with each other and with other industries
- An understanding of what it means to compete or collaborate in the museum sector through examining the case of new entrants

Keywords

Museums, competitive advantage, strategic management

Introduction

Theorizing about the nature and systems of competition has belonged to the for profit sector. The absence of concern about competition in the nonprofit sector is explained by the historical lack of urgency in generating diverse bases for resources (Radbourne and Fraser, 1996; Stevenson, 2000; Gibson, 2001; Rentschler, 2002). Generating a small or nil surplus has been considered 'better practice' in an environment that threatens to penalize larger surpluses by reducing grant aid (Nugent, 1999). There has also been an expectation that the public sector and governments will continue to aid the nonprofit sector based on arguments around market failure, public or collective good, national identity, enhancement of citizenship and social inclusion and equity (Throsby, 2001).

These arguments have become less convincing in an age of 'economic rationalism', privatization of public utilities and amenities, expectations of users paying for services rendered and a general diminution of government activity across the board in return for decreasing levels of taxation. The nonprofit cultural sector has been slow in responding to this situation, choosing to delay through lobbying governments to maintain or increase subsidy and through studies into the 'health' of the sector (Nugent, 1999).

Some nonprofit cultural organizations however, have been better positioned to adjust to this new environment than others. The performing arts in general have a greater capacity to increase and diversify their resource base than most other nonprofit arts and cultural forms (Mulcahy, 2001). Some countries, through historical precedence and practice have adjusted well. United States' cultural organizations operating in a

less public patronage environment have been more adept at risk-taking and entrepreneurial activity than those equivalent companies in Britain or Australia which have been more reliant on public patronage as their core source of income.

Even accounting for these national differences however, museums have always been the 'poor cousins' to the performing arts when it comes to reliance on the public purse (Burton, 2003). This scenario is changing rapidly and museums too will be expected to decrease their reliance on subvention.

The museum management literature has concentrated more on a resource based view of how museums should respond to changing external circumstances (Griffin and Abraham, 1999; Griffin and Abraham, 2000; Griffin, Abraham and Crawford, 1997; Palmer, 1997; Palmer, 1998; Rentschler, 1999; Rentschler, 2002). Most researchers in this field have investigated strengths and weaknesses of leadership and entrepreneurial activities within the organisation. Investigating opportunities and threats from the external arena has been dealt with by acknowledging the rise of an economic rationalist ideology as the context for the resource based view of museums. They have rarely delved beyond this to examine the nature of competition or sources of competitive advantage for museums in the external environment.

In developing a competitive advantage framework it is suggested that stakeholders and visitors are the 'sites' of the competition arena – in a simplified sense a tension between supply and demand. The struggle for market share of stakeholders (defined as public and private investors, colleagues in education delivery and research, staff and top management, suppliers) and visitors/customers (defined as frequent,

infrequent and potential attenders and non attenders) is the crucible for establishing competitive advantage or collaboration measured by the extent to which these stakeholders and customers provide resources and loyalty to new entrants.

Strategic Management Theory and the Paradigms of Competitive Advantage

Strategic management theory like management theory in general, has borrowed from the fields of social sciences, ethnography and sciences as frameworks for enquiry. (Frost and Stablein, 1992; Nalebuff and Brandenburger, 1997; Alvesson and Willmott, 1996; Reed, 1996).

Yet, to some extent strategic management theory has been both constrained and assisted by the very nature of management practice. Its constraints lie in the way management is seen primarily as an urgent and applied concern – how to get things done efficiently and effectively. This urgency and application has resulted in guru type manuals proposing a series of ‘one best way’ methods, rather than considering management more reflexively asking how, why or indeed whether things are as they are (Kanter, 1992, p. 5; Clarke and Clegg, 1998, p. 27; Alvesson and Willmott, 1996; Mintzberg, 1994). As a result, until recently, management theory has adhered to a positivist view of the world possibly because of the complexity of its context (internal and external) and the necessity to deliver optimal results to a number of diverse stakeholders. Believing that one pathway will deliver an ultimate ‘truth’ has given rise to an anomalous situation where relativist contingency theories, or organic perspectives on strategy are ironically seen as a one best way solution (Reed, 1996, p. 52; Donaldson, 1995, p. 215; Farjoun, 2002, p. 567).

The concept of Thomas Kuhn's scientific paradigms (Kuhn, 1970) has been enlisted in management theory to explain how theories evolve and change. (Reed, 1996, p. 32). But perhaps more importantly, paradigm development has been used to justify the ascendancy of one theory over another – of one best way even when that is an amalgam of a number of best ways (Burrell, 1996, p. 643).

Kuhn has suggested that there is such a thing as 'normal' science which gives way incrementally to change and ultimately results in a paradigmatic shift. This change occurs as a result of the failure of the existing paradigm to yield further explanation. A body of new knowledge then becomes the norm within which scientific investigation takes place. This norm is itself subject to incremental change resulting in further seismic paradigmatic shifts. A number of competing theories may be operating at the one time, but eventually they will be subsumed as part of the paradigm developmental process.

It can be argued that the resource view of competitive advantage representing one paradigm has incrementally changed to take account of new technologies and has placed a premium on knowledge and worker/organizational competencies and the volatility of the environment (Barney, Wright and Ketchen, 2001; Eisenhardt and Sul, 2001; D'Aveni, 1994). The market view of competitive advantage representing the other paradigm has incrementally changed to take account of internal factors posited by the resource view (Porter, 1985; Porter, 1996). Neither of these paradigms however approaches an incommensurability that Kuhn suggests needs to be present for one paradigm to give way to another. More postmodernist theorists might argue that management theory is capable of living with different perspectives that shed light

on different aspects of the same problem using different filters (Clegg and Hardy, 1996).

While it may be that one of these paradigms will ultimately subsume or merge with the other, or indeed both may co-exist more or less compatibly, the real test of either paradigm is to experiment with their concepts in the field. Deborah Mayo has suggested that experimentation should not be dependent on the existence of theories, but rather experimentation serves to modify or revolutionise existing knowledge conceived not as sacrosanct one best way theories or paradigms, but simply as contestable notions of truth.

Careful attention to the details of experiments and to exactly what they do establish serves to keep theorising in check, and helps to distinguish between what has been substantiated by experiment and what is speculative (Chalmers, 1999, pp. 205-206)

While according to Chalmers, Mayo is speaking specifically of scientific experimentation and believes that to some extent, experiments themselves can replace elaborate theory making, what is significant for strategic management and competitive advantage theories, is the extent to which theories can be subjected to testing.

The literature surveyed has concentrated on those theorists who have applied some rigorous empirical testing to both Porter's theories of competitive advantage and the resource based view of competitive advantage. This has resulted in a number of revisions on the part of Porter (who has also attempted further experimentation) and various shifts on the part of the resource based theorists. Yet in both instances the

paradigms have remained primarily intact, each 'camp' preserving and championing their position as a more accurate world view. The experiments have served to maintain the status quo.

It is assumed that competitive advantage is derived from a number of elements that result in superior performance of an organisation. These elements broadly include an organisation's competences drawn to some extent from a marriage of economic and organisational behaviour theory and positioning within the industry to maximise profits and/or market share, drawn primarily from economic theory. The importance given to competencies relative to positioning is dependent on believing that an internally derived competitive advantage is a better theory than an externally derived view to explain how competitive advantage is achieved. Conversely, the importance given to positioning is dependent on believing that an external view better explains how competitive advantage is achieved.

The proof for either of these theories lies in the number of case studies or quantitative measurements undertaken by scholars and researchers into strategic competitive advantage. Most scholars begin by consciously testing the veracity of a particular proponent of competitive advantage. In a sense this adheres to either a positivist notion or falsification notion of scientific enquiry – it assumes that one proponent is correct and then goes on to partly prove or partly falsify the theory. Powell has shown how this can happen, rather controversially (Arend, 2003; Powell, 2001; Powell, 2003), through his analysis of competitive advantage and superior performance primarily using the resource view although touching on the external view as well. He states:

At the moment, there appears to be no falsifiable, unfalsifiable theory of competitive advantage, nor any competitive advantage propositions defensible without resort to ideology, dogmatism or faith (Powell, 2001, p. 883).

Using a Bayesian process of conditional probabilities (Chalmers, 1999, p. 175-177), Powell tests the proposition that competitive advantage is in a causal relationship to superior performance. Taking the position of the resource view, he suggests that an organisation can have elements of competitive advantage (for example, resources that are rare, valuable, in-imitable, non-substitutable) but still not possess superior performance (Powell, 2001, p. 879; Powell, 2003, p. 290). He raises the concept of competitive disadvantage (which he maintains is not merely the opposite to advantage but is independent of it) and that theoretically the sustained avoidance of competitive disadvantage could result in superior performance (Powell, 2001, p. 879).

Using Mayo's perspective and echoing Powell, competitive advantage (and aspects around that notion) is the problem: starting with Porter's theory or a resource or hyper-competition theory is to limit the ability to understand the problem.

Understanding the problem can only be achieved through experimentation and even though Powell is sceptical of the self-serving nature of some of this research, he suggests that through adopting pragmatism or abductive inference, valuable empirical work can be undertaken (Powell, 2001, p. 885).

Some other theorists have tried to side-step the either/or paradigm altogether, choosing instead to converge the dominant theories and testing these. In some instances this has served more or less to reinforce a dominant view. For example, Campbell-Hunt, through an meta-analysis of generic competitive strategy suggests

that although differentiation or cost leadership are indeed the chosen strategies for enhanced performance, contingency perspectives have a great deal to offer in explaining anomalous results in the research (Campbell-Hunt, 2000, p. 150). Others, such as Spanos and Lioukas have bravely attempted to create an all encompassing model to explain competitive advantage (Spanos and Lioukas, 2001). However this results in a perspective which suggests that everything is important – an undifferentiated view that ultimately is in danger of being meaningless.

Using New Entrants as a test of theory

One way of experimenting with competitive advantage is to take new entrants in an industry and chart the way in which they fail or survive, analyse their impact on existing organisations, their impact on stakeholders in the industry including customers and their capacity to create competitive advantage for themselves.

Examining the trajectory of new entrants has been a subject for the two major competitive advantage paradigms and it has been used in the service of proving one theory or the other. One side suggests that competencies make the difference in shifting profitability and market share or indeed re-shaping the industry itself; the other has maintained that inability of established organisations to set high barriers for new entry or the ability of new entrants to respond opportunistically to changes in the environment have resulted in the success or failure new entrants.

If new entrants were under the microscope and their progress charted then there would be no imperative to test or prove a Porter or a non-Porter perspective. Of course such ‘purity’ is unlikely to be achievable because ignoring existing knowledge

developed by both paradigms is impossible and probably undesirable while converging both paradigms is in danger of becoming meaningless (Arend, 2003, p. 280-1).

A further problem exists in theorizing competitive advantage in relation to nonprofit cultural organizations, particularly museums. Neither Porter nor non-Porter paradigms have been applied to this industry to analyse the extent to which museums compete or use collaboration as a source of competitive advantage. They are bereft of both a competitive advantage paradigm and a competitive advantage experimental base.

In theorizing about how new entrants enter an industry and succeed or fail, a number of notions derived from both resource and market paradigms must be explored. This can be expressed diagrammatically as:

Diagram 1 (ABOUT HERE)

Diagram 2 (ABOUT HERE)

These configurations represent the resource and market views from the perspective of both the new entrant and the established organisation using a Barney and Porter theoretical framework. In examining each of these elements and the strategies involved in challenging or defending territory within the industry a clear delineation of conditions for new entry or barriers to new entry emerges. From this it is possible to understand the conditions under which an organisation (whether established or new) competes or collaborates.

The Application to Museums in the Case of New Entrants

How can this configuration be understood in relation to new entrants in the museums sector? In addressing this, it is first necessary to look at what business museums are in and the museum management literature.

Arts management and trends within the arts sector over the past twenty years indicates that museums like many mature industries are at a crossroad (Weil, 2002; Trotter, 1998; Schouten, 1993; Oliver, Burton, Lynch and Scott, 2002; Lynch, Burton, Scott, Wilson and Smith, 2000). Subject to scrutiny through the lens of contemporary management practice which calls for flattened organisational structures, entrepreneurial leadership, strategic thinking, sustainability, increased use of digital technologies and networks and incisive understanding of core competencies and how to grow these in innovative ways (Clarke and Clegg, 2000), museums have found it difficult to adapt through their history. Museums have been constrained by their governance and organisational structures and their reliance on publicly funded resources to meet these new management challenges (Conforti, 1995). Where they have attempted to become more entrepreneurial, they have done so at the risk of

losing government support and the uncertainty of surviving the marketplace (Griffin and Abraham, 1999; Rentschler, 2002). This makes for wary organisations, carrying their complex historical baggage, shifting focus from education to entertainment to leisure in terms of core values, ideologies, purpose and competencies (Hein, 2000; Moore, 1997; Prior, 2002; Macdonald and Alford, 1995; Goodman, 1999; Falk and Dierking, 1992), object based but multiple and ambivalent stakeholder centred (Bassett, 1997; Clifford, 1997; Pearce, 1997; Pearce, 1998; Lovatt, 1997) and attempting to take on additional social enterprise objectives for which they may be poorly qualified (Evans, 2001; Parker, Waterston, Michaluk and Rickard, 2002; Sandell, 1998; Sheppard, 2000) Under these circumstances how do museums collaborate and compete?

Positioning Museums

Porter suggests that positioning is one of the most difficult strategic decisions. Because it involves trade-offs and delimiting the scope of an organisations activities, it can tie the organisation to a particular customer base which may not always be desirable. To overcome this potential disadvantage Porter suggests that organisations need to reconsider the notion of 'fit' in terms of matching organisational activities to enhancing performance, products and services; enhance product awareness diffused to different potential customers; and enhance communication capabilities particularly through customer participation in these processes (Porter, 1996). This strengthens an organisation's focus on differentiation or cost leadership because shifting this focus is both costly and potentially dissonant.

The resource view would contend that positioning is also about fit and integration between activities but suggests that this is derived through analysis of core competencies, including determining strengths and capabilities within the organisation, cultivating rare capabilities and ensuring they cannot be imitated and enhancing core competency development through appropriately structuring the organisation.

How do museums fit within these two paradigms? In the past thirty years museums have been rocked to their core about what they do. This has involved criticisms of processes and philosophies around collection building (Vergo, 1989b; Stocking, 1985; Prior, 2002; Pearce, 1995; Clifford, 1997; Crimp, 1985); their inability to prove educational worth (Falk and Dierking, 1992; Hein, 1998); and their attempt to reinvent themselves through technological innovation to compete with theme parks and other like attractions that appeal to authentic experiences (Hein, 2000; Rojek, 1993; Sorensen, 1989; Teather, 1998; Tramosch, 1998; Weil, 1997; Witcomb, 1998). The markets in which they compete - leisure and education - have resulted in a decline in market share (Australian Bureau of Statistics, 1999; MORI, 2001). While leisure attractions such as cinemas and theme parks have focused on developing either differentiation or cost leadership strategies and informal education services have enhanced their products and services through a particular focus on differentiation and competencies, museums have attempted to be all things to all people – to Porter, ‘a recipe for strategic mediocrity’ (Kotler and Kotler, 2000; Porter, 1985, p. 12). How then can museums, in particular new museums, position themselves within the market based on either Porter’s notion of fit or the resource view of developing non-imitable competencies in order to achieve a differentiation focus or a cost leadership focus?

Theorizing museum competition and collaboration: new entrant perspective

The decision to enter a particular industry segment, according to Porter, is based on an analysis of the 'attractiveness' of that industry. Attractiveness is defined primarily as profitability. Translated to a non-profit sector, market share may be substituted for profitability. An analysis of the museum sector indicates that this is not an attractive industry based on decline in market share, although within the industry, market share is higher for art galleries than museums.

Competition occurs for scarce resources. In the non-profit sector this is concentrated on the ability to compete for public funding and sponsorship – both scarce resources. In addition, in a declining market, visitor frequency and diversity also become sites for competition not only as evidence for demand but as evidence which makes the case for continued public funding and sponsorship investment.

Collaboration occurs in areas of information sharing, joint research, travelling exhibitions and lobbying for the continued support (if not growth) of the museum sector to various stakeholders and the public.

In lobbying for continued support from stakeholders (which include funding authorities and sponsors) there is an implicit paradox – this kind of collaboration also embeds competition for the scarce resources these stakeholders disperse.

This paradox becomes explicit in cases of new entrants. In adapting the Porter model and resource model from the perspective of new entrants, a specific museum model can be developed.

DIAGRAM 3: ABOUT HERE

In examining each of these phases in the case of new entrants it is suggested that it may be possible to identify where competition consciously develops and over what elements, how new entrants position themselves within the marketplace (using either a market perspective or a resource perspective or a combination) and where collaboration may develop and over what elements. An understanding of these processes and issues may determine whether and how museums compete and/or collaborate and assess the veracity of either the Porter or resource model in relation to cultural organisations and competitive advantage.

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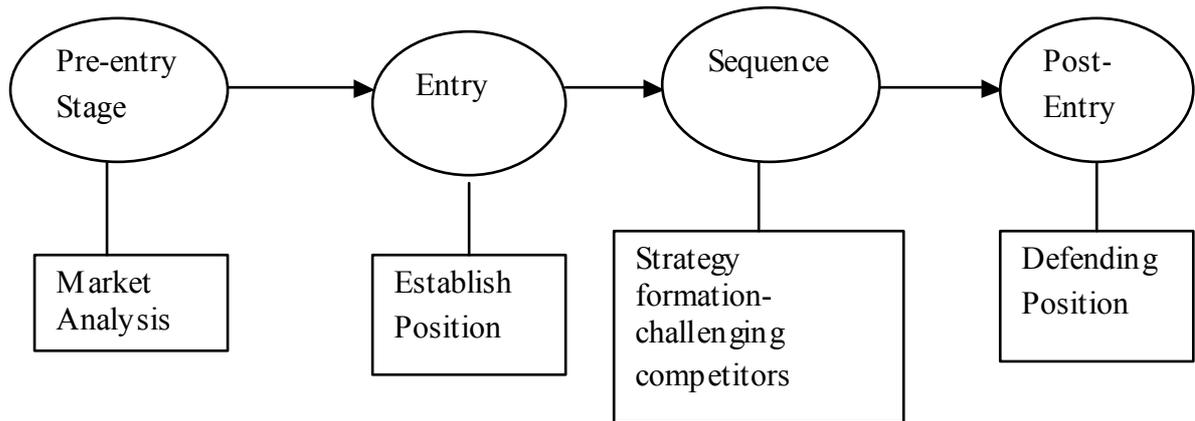
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Diagram 1: PORTER DERIVED MODEL: EXTERNAL ENVIRONMENT –

STAGES OF NEW ENTRY

NEW ENTRANT PERSPECTIVE



ESTABLISHED ORGANISATION PERSPECTIVE

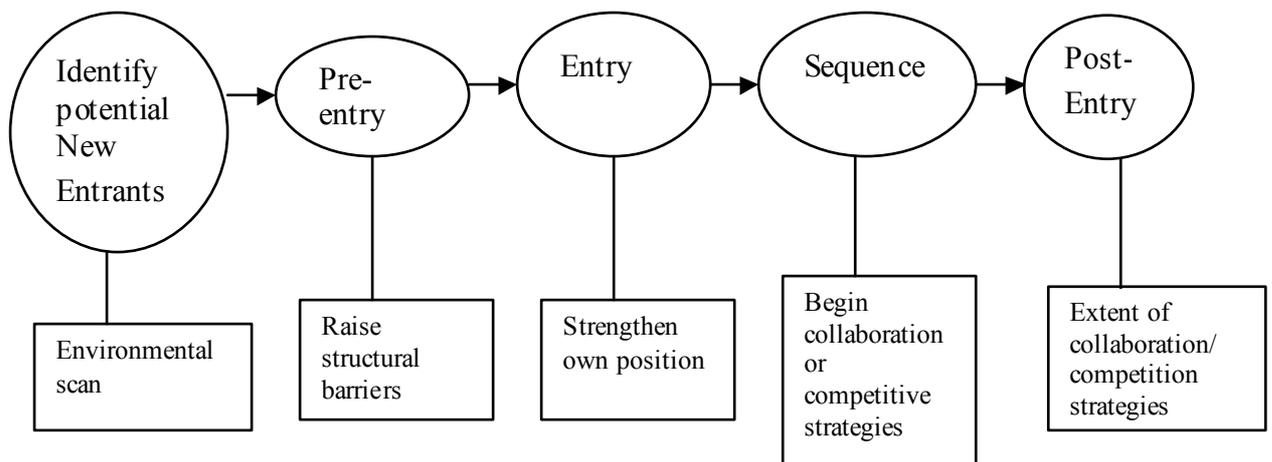
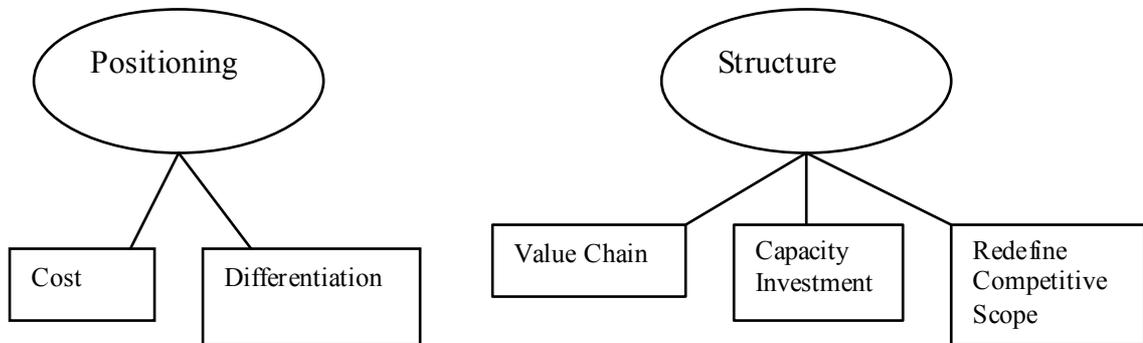


Diagram 2: RESOURCE (BARNEY) DERIVED MODEL: INTERNAL

ENVIRONMENT – STAGES OF NEW ENTRY

NEW ENTRANT PERSPECTIVE



ESTABLISHED ORGANISATION PERSPECTIVE

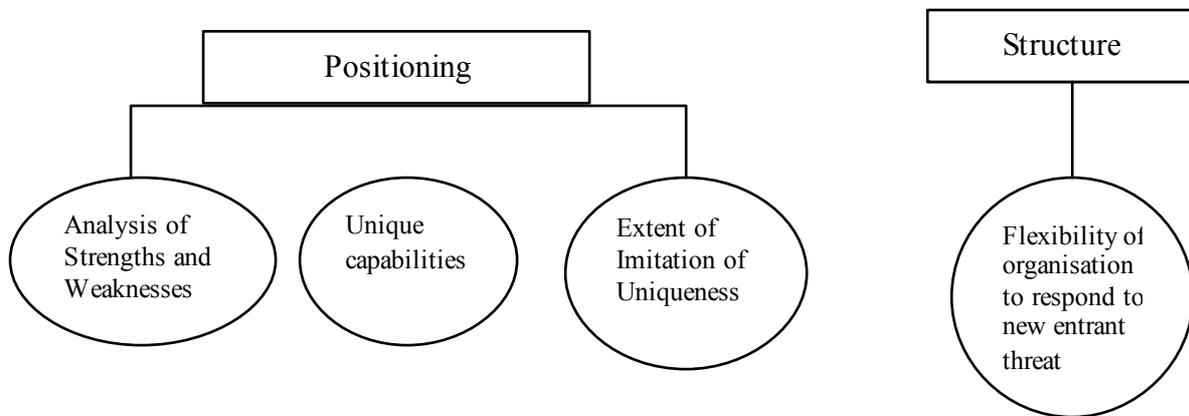


Diagram 3: EXTERNAL/INTERNAL VIEW: MUSEUM NEW ENTRANTS

