



Munich Personal RePEc Archive

## **Entrepreneurship - the key for a successful museum**

Coman, Adela and Pop, Izabela

University of Bucharest, Faculty of Business and Administration,  
Technical University of Cluj Napoca, North University Center of  
Baia Mare

October 2012

Online at <https://mpra.ub.uni-muenchen.de/67430/>

MPRA Paper No. 67430, posted 26 Oct 2015 14:11 UTC

# Entrepreneurship - the key for a successful museum

**Adela Coman, Izabela Pop**

<sup>1</sup>*University of Bucharest, Faculty of Business and Administration (ROMANIA)*

<sup>2</sup>*Technical University of Cluj Napoca, North University Center of Baia Mare (ROMANIA)*

*adela\_coman2003@yahoo.com, iza\_10pop@yahoo.com*

## Abstract

For many people, museums are institutions that exist solely to preserve in time and ensure the conditions for keeping alive the memory of its citizens regarding the historical elements that characterize the past of a society. As incredible as it may seem, in addition to this role, museums also have an important contribution both to the creation of a proper system of social values and to the increase of the regional economic development. Museums operate by the same rules as any other organization: they have certain goals which, in order to be achieved, require processing resources which have to be turned into outputs. Furthermore, the business functions such as research and development, production, marketing, personnel, finance and accounting are also found in museums. Given the existing similarities, some questions arise: should entrepreneurship be applied to museums as it is for private organizations, or should it not? Which are the particularities and the role of museum entrepreneurship? What would be the effects of an active, innovative and creative museum behavior, focused on opportunities and results? Starting from the socioeconomic roles of the museums, this article aims at analyzing the distinctive features of museum entrepreneurship. As a case study we chose to present some of the most important museums in Romania that fare remarkably well thanks to their entrepreneurship orientation and commitment.

Keywords: entrepreneurship, museums, market, society.

## 1 Introduction

Even if it is a relatively new concept, entrepreneurship has gone through a thorough analysis both in the commercial and in the social area. As regards social entrepreneurship, it has been noticed that, generally speaking, it is in its turn connected to the private sector, there being few studies which analyze the manner in which entrepreneurship could be applied to the public sector. Yet the mission of a significant part of public authorities and institutions, amongst which museums as well, is to satisfy the social needs of the populations. From this point of view, the management of public organizations includes certain elements that are specific to social entrepreneurship, what it lacks being the financial self-support of the organization's activities. Given the similarities in organizational structure, mission, and outcomes, the question that arises is the following: why could there not exist entrepreneurs in the public sector as well, following the model of social entrepreneurs? By adapting and implementing entrepreneurial concepts within every type of public organization, one could ensure the further carrying out of the social activity, as well as the self-generating of financial sources. In this manner, social entrepreneurship applied to the public sector could represent exactly the solution to the problems existent in many states, related to the high level of debts and budget deficit. As Klein et al. have already shown, public entrepreneurship does not substitute, but rather completes private entrepreneurship, thus contributing to the valorization of certain social opportunities by using a unique combination of public and private resources [1]. A certain entrepreneurial behavior of public organizations will generate benefits not only at macroeconomic level, but also at microeconomic level, because simultaneous with financial autonomy, institutions will also have greater freedom in terms of the projects they can carry out and the way they can perform their activity.

A barrier to a public organization's taking up of entrepreneurship is the misunderstanding of this concept by many managers. As Griffin [2] also notices, in certain situations, a more entrepreneurial museum meant that it was merely more commercial, namely it costs the government less. Thus, in many cases, there is a sign of equality between the concepts "entrepreneurship" and "commercial", yet things are not at all like this, as Klamer [3] himself states: "when the government abandons them, artists and cultural organizations are not condemned to become commercial, like for profit companies

are. Cultural entrepreneurship is about something else. A good cultural entrepreneur (...) is good at realizing financial as well as cultural values.” Other elements that hinder the development of public entrepreneurship (in museums as well) are: (1) rules, procedures and policies and their fastidious application; (2) restrictions in the area of human resource management (recruitment, dismissal); (3) paltry rewards and internal rivalry; and (4) lack of managerial autonomy [4].

Starting from the position museums hold in economy and society, we will further analyze what entrepreneurship is about when one refers to a public museum, and in the end we will present the level of development of entrepreneurship in a few Romanian museums.

## **2 The role of museums in the market**

The International Council of Museums considers that “a museum is a non-profit making permanent institution in the service of society and of its development” [5]. According to the Association of Art Museum Directors “museums, like universities, are intellectual enterprises. They provide an array of cultural programs and services, including the care, preservation, and conservation of collections, scholarship and library services, youth and adult education, publication, exhibition, public programming and other arts-related activities. Each of these “lines of business” is essential to the museum’s fulfillment of its mission.” [6]. The analysis of the outputs generated by museums has been a subject for many researches. These have proven that museums generate social, educational, artistic, and economic benefits [8], thus adding to the classical idea that the role of museums is only to preserve, document and research collections [9]. Economically speaking, museums contribute to the development of local enterprises, increase of jobs, improvement of productivity in the public/business community, development of tourism, attracting new resources within the community, improvement or increase of public facilities, improvement of the planning and design of public areas, reduction of public expenses, prevention of criminality [10].

Starting from the requirement of turning the museum’s potential into real outputs, it is necessary to define and study, within social entrepreneurship, the sub-category called museum entrepreneurship. As one can easily notice, entrepreneurship in museums is absolutely necessary so that it can achieve its goals to the highest degree. The fact that one of the outputs generated by museums on the market is related to the social component, as well as the fact that there already are several museums which have proven to exhibit a type of behavior which implies several entrepreneurial elements, justifies the classification and analysis of museum entrepreneurship as a sub-division of social entrepreneurship.

We can say that developing museum entrepreneurship will have two great effects: on the one hand it will allow the increase of the museums’ social contribution, and on the other hand, it will allow the increase of economic contribution by creating, in time, the means required for the financial self-support of these entities, as well as through the indirect effects generated within the economy, which could be amplified if entrepreneurship were applied more consciously.

## **3 Applying entrepreneurship in museums**

The vast majority of entrepreneurs are individuals, who, using the instruments and techniques offered by economics, management and marketing, succeed in identifying opportunities aimed at reaching a certain goal, in being creative and original in the process of elaborating solutions for valorizing these opportunities and in being willing to take certain risks for the practical implementation of the identified solutions. This portrait of the entrepreneur is perfectly valid not only for the private sector but for the public one as well (including museums), the major difference between the two sectors being related to the nature of risks taken and objectives pursued. Unfortunately, there is a widely spread idea among museum scholars; according to it, adapting museum resources in such a way that a large mass of people benefit from them is equivalent with a reduction of standards, the museum thus becoming a populist one. These scholars claim that museums are only for the elite and they should stay as such. Due to this situation, Linda Ballard considers that museum leaders have to “build the confidence of the scholar, assisting in achieving an understanding that to share knowledge in an accessible way is to add to, rather than to undervalue or undermine, scholarly authority” [11].

Similar to any other organization, museums need to take into account the factors of the environment in which they perform their activity. Indeed, unlike managers from the private sector, museum managers can choose to disregard the environment, but this will turn into a gradual degradation of the quality of the activities performed by the museum, leading to a flawed fulfillment of the museum’s mission, and in the long-run even to its closing down. No matter how much museum scholars despise the principles

and techniques of economics, they need to be aware that achieving their social, educational and artistic goals is in direct relation with obeying the rules that govern the market. Museums exist nowadays in an environment where cognizance of entrepreneurship and proactive marketing oriented management are critical to their future. Traditional sources of funding come from government, bequests, institutions and trusts, but, in many places of the world, traditional funding is diminishing or becoming inadequate to meet operational requirements [12]. In certain parts of the world museums were faced with the need to find financial sources by themselves, the governmental subsidies being very limited. Under the new environmental conditions, museum managers “had no option but to use entrepreneurial strategies to maintain sustainability” [13]. The good news is the researches had shown that the “museums closely associated with governments are less effective than independent ones” [2]. So even if self-financing may seem like a supplementary and impossible effort, this measure leads to the increase of the museums’ efficiency. As regards the shy attitude most cultural directors have towards adopting an entrepreneurial behavior, they need to understand the fact that “economics has to be an instrument for them in order to achieve cultural values” [3]. As regards entrepreneurship, it has to be viewed as a function “that enables an organization to remain effective and relevant as the world around it changes”. If by any chance nothing changes inside or outside the organization then entrepreneurship has the role of maximizing the value offered to the public and of generating the necessary resources for carrying out the organization’s activities [14].

### **3.1 Characteristics of museum entrepreneurship**

According to Klamer “a cultural entrepreneur is the character who is entrepreneurial in the realization of cultural values”. He considers that good cultural entrepreneurs have the following characteristics [3]: they are alert to opportunities; they are creative in terms of the artistic content but also of the manner of organizing the conversation and arranging the finances; the artistic content is their passion and commitment; everything else, including economics, is subsidiary; they are persuasive in the sense that they are able to convince good artists to work with them, bring about interest in the art, get people involved (e.g., volunteers), and are able to generate the necessary funds, including donations and the like; they are prudent and exhibit courage, hope, and faith in their actions. Rentschler [13] considers that “entrepreneurship includes government funding, philanthropy, and sponsorship.” In fact even the Association of Art Museum Directors [6] identifies a direct link between the “museum’s financial performance” and “its success as a public institution in providing specialized services to a highly diverse audience.” A more comprehensive approach considers that entrepreneurship in cultural institutions involves innovation in two areas: funding diversity and creative programming. Funding diversity is defined as obtaining funding from a variety of sources — government, sponsors, and audience activities. Creative programming is defined as leaders developing a market edge in programming activities such as performances, merchandising and so on, which allows a balance between elite and more popular outputs [7]. These activities involve: “adopting a mission to create and sustain social value; recognizing new opportunities; engaging in a process of continuous innovation, adaptation, and learning; acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies served and for the outcomes created” [15], reasons why we can state that museum entrepreneurship totally corresponds to the definition provided by Dees to social entrepreneurship.

Another point of view is that “the ultimate goal of entrepreneurship in museums must be the enhancement of the visitors’ experience of interaction with the authentic object and the increase in understanding and knowledge.” [2] Griffin considers that by applying entrepreneurship in museums, an increase in the value of services provided should be noticed. Through creativity and innovation one can identify means of using and valorizing the museum’s patrimony so that their goal of educating the public is achieved to a great extent. The author sheds a negative light upon that manner of applying entrepreneurship in museums whose only effect is that it becomes more commercial. Yet in order to achieve an increase of the social, cultural and educational services provided by the museum the commercial orientation is also necessary, but it should not be regarded as an aim but rather as a means of achieving the general objective, as it is well argued by the Association of Art Museum Directors: “these “business-like” practices have one purpose: to stabilize, support and make more efficient the museum’s development and delivery of cultural and educational services to the public.” [6]

In other words, applying entrepreneurship in museums means not only diversifying financial sources but also introducing/creating innovative programs, adapted to well-defined segments of the public. These programs are in fact the essence of innovation in any museum throughout the world. In order to offer them to the public one needs, of course, financial resources. Assuming that the state is interested in promoting such programs (since it is about the public welfare), museums should be at

least as much interested in directing their own income *especially* towards these, because on the one hand the museum fulfills its mission of educating the public, and on the other hand the revenue can be used as “working capital” which contributes with every “rotation” to the creation of a superior added value materialized in the economic and social context of the region itself.

### **3.2 Entrepreneurship applied in Romanian museums**

Without necessarily being aware of the name their behavior carries, many museums have started to adopt an entrepreneurial behavior. At international level, big museums have developed additional businesses such as cafes, renting spaces, specialized consultancy, whose purpose is both the increase of the customers’ level of satisfaction, and creating a support for the museum’s other activities which are less efficient economically but with high implications at social level. But how can one measure the level of entrepreneurship in a museum? Rentschler and Geursen use as gauge for social entrepreneurship the reports written by the managers of these institutions, and the percentage of own income in the total revenues. Starting from this model one can notice that in Romania there are significant differences in applying entrepreneurship even in museums of identical sizes. For example, Brukenthal Museum in Sibiu and Peleş Museum in Sinaia, even though in year 2009 they had a similar number of visitors (about 210,000 – 260,000 individuals), they registered significant differences in terms of the level of their own income and the state subsidy. Thus Peleş Museum generated its own income of 5,550 thousand lei (83% of their total revenue), as compared to only 1,163 thousand lei (14% of their total revenue) registered by Brukenthal Museum [16]. So from an economic and financial point of view, Peleş Museum seems to be administered in a more entrepreneurial manner than Brukenthal Museum.

One Romanian museum that succeeded to self-finance was Bran Museum. In 2009 it generated own income of 11,222 thousand lei, even though the visiting fees were bellow those of Peleş Museum. At the same time from the management report one could see that all measures required for the preservation of the patrimony had been taken [16]. What could be the explanation for the fact that this museum was able to generate revenues which would cover all maintenance and operation expenses, while others were not? Both Peleş Museum and Bran Museum are former houses of members of the royal family. Moreover, both are situated in the same touristic area. Despite all these, Bran Museum proved to be more “entrepreneurial” than Peleş Museum. Probably one of the most important elements which ensured its success was the entrance fee. An adult can visit the whole Bran Castle for 25 lei [17], while for visiting the whole Peleş Castle he/she would have to pay 70 lei [18]. Thus the management of Bran Museum identified that balanced price which would ensure the maximization of their income. If they had had a higher entrance fee the effect would have been a reduction of the demand which would have meant a decrease of their total revenue. If they had had a lower entrance fee, probably the demand would have been the same (given the number of tourists visiting the area), which again would have meant a decrease of their total revenue. Thus it is obvious that, by applying a purely economic strategy, Bran Museum succeeded to self-finance without reducing the museum standards, thus contradicting the ideology according to which through entrepreneurship the museum becomes commercial, popular, which equals to a lower quality of their activity [19]. Other elements which contributed to this performance were the visiting program (the last entrance is at 6:00 p.m. at Bran while at Peleş Museum the last entrance is at 4:15 p.m.), as well as the branding and positioning strategy, by associating the image of the castle with that of Count Dracula, the museum respecting Colbert’s [20] indication, according to whom “managers in the arts must take a leadership role in the development of branding and positioning”, because “competition from all sectors of the leisure industry puts tremendous pressure on consumers’ leisure time”. So Bran Museum succeeded in increasing the amount of their total revenues above the level they would have reached if they had been satisfied with the state subsidy. This proved that through entrepreneurship one can maximize the results obtained, which represents a clear indicator of the fact that an entrepreneurial museum does not mean a purely commercial museum but a museum which knows how to use its resources in such a way that its social, cultural and economic results are maximized. As regards all other Romanian museums of national importance, in 2009 their own income varied between 2.82% (The National Museum of the Eastern Carpathians) and 26.34% (The National Romanian History Museum in Bucharest) of their total revenues [16].

A very good example of an entrepreneurial museum is the Museum of Natural History “Grigore Antipa” in Bucharest. With the new programs marketed during the past year, it showed creativity, innovation, risk taking and orientation towards valorizing opportunities. After a long period of time during which the museum was closed for modernization works, it currently offers a wide variety of services addressing mainly children under the age of 15. Considering the educational offer of the museum and the way it is

presented, one can easily see the efforts of the personnel to apply the marketing principles and techniques. A few examples of educational products developed by this museum are: play and development workshops, imagination camps, course for "little sanitation officers", summer school, vacation ship, origami workshop, all of these under the slogan «Here comes the vacation with the "Antipa" train!», with prices between 150 lei and 1000 lei, depending on the number of hours and the complexity of the educational program [21]. With this extremely innovative and original approach of this museum, where the economic, social and educational benefits interweave, one can state that the museum has already touched one of the sides of entrepreneurship in cultural institutions, as they are presented by Rentschler and Geursen [7], namely the development of creative programs. Even though the museum has not yet published a report regarding its financial status in 2011, from the direct observation of its activities, of the prices of services, as well as of the high demand it registers, we can assume that it meets the second requirement of museum entrepreneurship, namely the one referring to the diversification of financial sources. This assumption is also supported by the fact that in 2007, before its modernization, the museum generated own income in the amount of 34.94% of its total revenue, above the percentage level of all other museums in Bucharest [16]. Considering that the museum modernized its permanent exhibition and, when reopening, re-launched itself on the market with a creative and at the same time diversified and attractive offer of services, its own income must have soared in comparison with the previous period.

From this short analysis one can notice that entrepreneurship has started to be felt ever stronger within the Romanian museums. Thus, there exist museums which make greater effort to generate own income, educational activities, in this case, coming in second (Bran and Peleş), but there also exist museums which succeed in creating an almost perfect balance between the economic and the social-educational component of entrepreneurship (Antipa Museum). One factor that influences the differentiated behavior of these two types of entrepreneurial museums is represented by the environment within which they function. Bran and Peleş Museums are in an area where the number of inhabitants is significantly lower than the number of people populating the capital city, environment within which the Antipa Museum functions. So even if they were to develop a diversified range of attractive educational activities, these museums would not be able to attract a significant number of participants (because of the low number of local population), and would not be able to cover the costs generated by these activities. In exchange, the area where these two museums are located enjoys a high number of tourists, which represents an opportunity for the economic development of the museums. This does not mean a complete lack of the educational component, but only the fact that it is performed in the classic way (for example at Peleş Museum all visitors have a guide, this service being included in the admission fee, thus becoming compulsory). So because they have proven to be flexible to the environment where they function, through originality, risk taking and valorizing different opportunities, these three museums are a clear proof of the fact that entrepreneurship can and must be applied in museums as well as in private organizations.

## 4 Conclusions

In this article we have shown that museums are very similar to private nonprofit organizations, reason why, similar to the latter the former need to permanently adapt to the environment in order to be able to fulfill their mission. Given the fact that museums contribute to the development of society [5], as well as the fact that they operate according to the same principles as any other organization, we can argue that entrepreneurship applied in museums will lead to a maximization of social, cultural and economic results. Since an entrepreneurial behavior of museums can have a positive influence upon every individual, such an approach to the museums' activities can only be ethical. Moreover, strict limitation to the basic activities and the lack of openness towards the public can be considered a "crime" of museums to society because through such a behavior they only consume available resources and at the same time block the development of the community. For this reason it is recommended that museums from all over of the world should increase their efforts in being entrepreneurial.

We have also demonstrated that an entrepreneurial behavior in museums, i.e. active, innovative, creative, oriented towards opportunities and results, generates positive effects for the entire collectivity wherein it functions, both economically and socially and educationally. An entrepreneurial approach allows for a more efficient use of the available resources, which materializes into and generates more powerful economic effects. At the same time, one can identify – through entrepreneurship - new and original methods of reaching the museum's social and educational objectives. The superior economic effects allow the implementation of the solutions identified in the area of social opportunities, the museum thus fulfilling its mission entirely. On the other hand, innovation in the area of the social

services offered by the museum has as effect the increase of the number of beneficiaries, which implicitly leads to the increase of the economic effects. So there exists a direct mutual conditioning link between the two sides of museum entrepreneurship – developing financial sources and developing the services offered in different segments of the market.

As regards the Romanian museum entrepreneurship, it has been noticed that, while a few decades ago the principles of economics and marketing were almost entirely disregarded (improvement of the services offered to the public being by no means a priority), a significant change in attitude and behavior is making its way to success. Thus, the idea of adopting an entrepreneurial behavior has been proven to be a key for success not only for the famous museums of the world, but for the Romanian museums such as Bran, Peleş and Antipa as well.

## REFERENCES

- [1] Klein, P., G., Mahoney, J., T., McGahan, A., M., Pitelis, C., N., “*Toward a Theory of Public Entrepreneurship*”, DRUID Working Paper No. 10-07.
- [2] Griffin, D. (2002). “Entrepreneurship in the Arts: Entrepreneurship in Museums”, *The Kenneth Myer Lecture* by the George Fairfax Fellow in Arts & Entertainment Management.
- [3] Klamer, A. (2011). “Cultural entrepreneurship”, *The Review of Austrian Economics*, no. 24, pp. 141-156.
- [4] Hood, C. (eds.), Bernier, L., Hafi, T., (2007). “The Changing Nature of Public Entrepreneurship”, *Public Administration Review*, pp. 488 – 503.
- [5] ICOM code of ethics for museums (2006), <http://icom.museum/>, retrieved on August 20<sup>th</sup>, 2012.
- [6] Association of Art Museum Directors (2001), “*Revenue generation: an investment in the public service of art museums*”, <http://aamd.org/papers/> , retrieved on August 16<sup>th</sup>, 2012.
- [7] Rentschler, R., Geursen, G. M. “*Entrepreneurship, Marketing and Leadership in Non-Profit Performing Arts Organisations*”, <http://web.ewu.edu/>, retrieved on August 9<sup>th</sup>, 2012.
- [8] Coman, A., Pop, I. (2012). “Why do museums matter?”, *The International Conference in Economics and Administration, Bucharest*, pp. 121-133.
- [9] Feldstein, M. 1991. *The Economics of Art Museums*. Chicago: Chicago University Press.
- [10] Scott, C. 2007. “*Measuring Social Value*,” in *Museum Management and Marketing*, Sandell, R. and Janes R.R. (eds), London: Routledge.
- [11] Ballard, L., (2002), “Scholarly Symbiosis”, Paper presented at the *INTERCOM Conference Leadership in Museums: Are our Core Values Shifting*, Dublin, Ireland, October 16 – 19, 2002.
- [12] Rentschler, R., Geursen, G. M. “*Marketing and entrepreneurship in the third millennium: the case from art museums*”, <http://anzmac.info/conference/>, retrieved on August 9<sup>th</sup>, 2012.
- [13] Rentschler, R. (2001). “*Entrepreneurship: From denial to Discovery in Nonprofit Art Museums?*”, Deakin University, Melbourne, Australia, <http://eprints.qut.edu.au/>, retrieved on August 9<sup>th</sup>, 2012.
- [14] Durel, J., W., (2009), “Entrepreneurship in Historical Organizations”, *History news*, pp. 20 – 25.
- [15] Dees, J.G, (2001). “*The Meaning of Social Entrepreneurship*”, [http://www.caseatduke.org/documents/dees\\_sedef.pdf](http://www.caseatduke.org/documents/dees_sedef.pdf), retrieved on August 6<sup>th</sup>, 2012.
- [16] Ministry of Culture and National Heritage, *Management Activity Reports*, <http://www.cultura.ro/>, retrieved on August 17<sup>th</sup>, 2012.
- [17] Bran Castle, *Ticket price*, <http://www.bran-castle.com/> , retrieved on August 19<sup>th</sup>, 2012.
- [18] National Museum Peleş, *Visiting fees*, <http://peles.ro/>, retrieved on August 19<sup>th</sup>, 2012.
- [19] DiMaggio, P. (1982). “Cultural entrepreneurship in nineteenth-century Boston. The creation of an Organisational Base for High Culture in America”, *Media, Culture and Society*, 4, pp. 33-50.
- [20] Colbert, F. (2003) “Entrepreneurship and Leadership in Marketing the Arts”, *International Journal of Arts Management*, vol. 6, no. 1, pp. 30-39.
- [21] National Museum of Natural History Grigore Antipa, <http://www.antipa.ro/>, retrieved on August 15<sup>th</sup>, 2012.