Here to stay.
The role of value creation, capture and exchange in limiting the liability of newness for new entrant museums

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Certificate of Authorship and Originality

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signature…………………………………………………………………

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Abbreviations

ACT	Australian Capital Territory
AIATSIS	Australian Institute for Aboriginal and Torres Strait Islander Studies
AMIC	Australian Mining Industry Council
ANU	Australian National University
ARC	Australian Research Council
ATSI	Aboriginal and Torres Strait Islander
ANMM	Australian National Maritime Museum
CSO	Community Service Obligations
EE	Earth Exchange
HHT	Historic Houses Trust
NMA	National Museum of Australia
MAAS	Museum of Applied Arts and Sciences
MMAPSS	Maritime Museums of Australia Project Support Scheme
NGO	Non Government Organization
NSW	New South Wales
USA	United States of America

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All photographs in this thesis were taken by the author

Abstract

This thesis examines the concepts of value creation, capture and exchange in limiting the liability of newness for nonprofit museums entering the sector. There has been considerable examination of cultural value in relation to museums. However, little is known about how value is created, captured and exchanged for stakeholders in new museums. It is posited that value creation, capture and exchange constitute a value cycle. Through this value cycle management in new museums detects and limits the liability of newness. The ability to detect and limit the liability of newness enables the continuation of the museum. If the liability of newness is not limited, it may mean that a new museum exits the sector or is transformed.

The concept of a value cycle is derived from an examination of the nonprofit management literature, aspects of the for-profit management literature and the arts and museum management literature. Value creation is a key concept in the three literature areas. Value creation in this context, is specifically defined as the worth of the physical manifestation of the museum. It resides in the building and the collection, services and programs within the building. It is suggested that this value needs to be transformed and consumed by a range of stakeholders. The transformation of value creation is denoted as value capture. Value capture is the appeal of programs, projects and activities. Value capture includes how well the products and services align with particular stakeholders, how accountable the managers are to stakeholders and how products and services are consumed by stakeholders. The measure of how managers have been able to capture value is in the realm of value exchange. Value exchange is the merit of programs, projects and activities. Value exchange is in the form of revenue raised through sponsorship; continuation of revenue investment by the principal stakeholder, the state; time and money transacted by visitors; and intangible exchange such as leadership and reputation enhancement through collaborations. A Value Cycle Framework of New Entrant Museums is then developed as a working analytical tool to assess how the value cycle operates and how the liability of newness is detected and limited by museum management.

The Value Cycle Framework is used to assess four cases. These case studies include the National Museum of Australia as a purpose built new entrant; the Australian National Maritime Museum as a purpose built new entrant; the Mint as a recycled new entrant; and the Earth Exchange as a refurbished new entrant. Each case is assessed discretely using secondary and primary source material and analysing qualitative data generated from interviews with key stakeholders. The cases are then compared in order to track similarities and differences in relation to value creation, capture and exchange.

The research findings suggest that a value cycle is operating in relation to new entrant museums. This value cycle is dynamic and non-sequential. Until value creation is floated for a range of stakeholders it is difficult for managers to know the worth of their content, location or their building. Value creation is a nominal starting point, signifying the arrival of a new entrant in the museum marketplace. However, value capture is the zone that is the most vulnerable and volatile for managers of new museums. Typically in these case studies value capture includes a disruptive episode, such as a review process that indicates the liability of newness. Managers within the museum who can respond and resolve contradictions between museological beliefs and the demands of stakeholders (and in so doing limit the liability of newness) are likely to continue museum operations. Senior executives who find such reconciliation more difficult, jeopardize the future operations of the museum to such an extent that the museums close or are transformed within the museum sector.

Through these four case studies a revised Value Cycle Framework is developed as an analytical device. This analytical framework can assist in understanding the processes involved in new entry for museums.

Chapter 1: Value and the new museum

What is the value of a museum? I have thought about this question over a number of years beginning with an investigation into Sydney's Museum of Contemporary Art and the value it delivered to the public and emerging artists in the early 1990s (Burton 1992).

I believe that the fundamental importance of publicly funded nonprofit museums is collecting and transmitting culture and knowledge. Yet I also know that only a quarter to a third of the adult population visit museums (Australian Bureau of Statistics 2003, p. 5). The disjuncture between the cultural value of museums and how they are viewed by the public has been the subject of other research projects with which I have been involved. These projects include looking at leisure activities and competition for people's time (Lynch, Burton, Scott, Wilson and Smith 2000; Burton 2003; Burton and Scott 2003); the social impact of local museums (Burton and Griffin 2006); and factors around incentives and packages that may enhance the visitor experience (Burton, Louviere and Young 2004). But this research has not given me an insight into the processes associated with value. Nor has it explored how the processes associated with value might work in the context of establishing a new museum enterprise or explaining how some new museums succeed while others fail.

What value is the state (and perhaps other stakeholders) seeking from new museums when it is known that only a minority of the population will directly benefit? While all new museums might contain cultural value, some museums perish while others survive. What distinguishes the survivors from the failures and how could managers of a new museum generate sufficient value (over and above cultural value) to maintain investment and interest in the enterprise? In essence, what does museum management do to limit the potential liability of a museum's newness?

The concept of value itself is complex. In the context of museums it is often related to ethical value whereby the museum and its contents are esteemed for their own sake (Hudson 1975, p. 13; Hein 2000, p. 9). Yet this is not an uncontested position and has increasingly been critiqued within the museum sector itself (Bennett 1995; Pearce 1995; Clifford 1997; Bennett 1998; Weil 2002).

Value in this thesis is a reciprocal investment that may be both tangible and intangible. In this context, value has three definitional elements: worth, appeal and merit. Worth refers to the cost of new, refurbished or recycled buildings and the political capital that the state may derive from such investment. Worth also refers to the perception of the quality and quantity of the collection, programs and services that a new museum offers. The initial perceptions of the collection, programs and services are those of the museum staff and stakeholders. Appeal refers to the use of the building, collections, programs and services by stakeholders. Merit is indicated by the amount of time and money given to a museum by stakeholders for the use of the building, collection, services and programs. Merit is also evidenced by the reputation enhancement the museum extracts from collaborations. Worth, appeal and merit are more concrete indicators of three key concepts in this thesis, namely, value creation, value capture and value exchange.

This thesis examines the trajectory of three new museums and one new satellite museum in different time spans. It explores what value museum managers created that led some senior executives to limit the liability of the museum's newness while other museums ceased to exist or were transformed.

Value creation, capture and exchange of new museums shifts the focus from the area of embedded cultural value within museums and notions of public good, a well ploughed area in museum management research (Hein 1998; Sandell 1998; Griffin and Abraham 2000; Hooper-Greenhill 2000; Heumann Gurian 2001; Throsby 2001; Weil 2002; Throsby 2003). Shifting the emphasis from cultural value may then allow for an understanding of how management of new museums negotiate the early lives of museum enterprises with stakeholders. While we know much about cultural value, we know little about what could be referred to as a value cycle and the value processes that surround cultural value, especially at the stage of new entry. The core business of museums in collecting, preserving, interpreting and exhibiting objects, developing related concepts, engaging the public in its programs and projects – that is, the museum's cultural value - is recognised. The focus of this thesis is on value creation and other attributes of value that surround fundamental museum activities.

This enquiry engages with issues of value creation in the context of research within the broader new entrant and nonprofit arena (Moore 2000; Chambre and Fatt 2002; Twombly 2002; Hager, Galaskiewicz and Larson 2004). It also examines relevant areas of value creation in relation to arts and museum literature but places this inquiry within the context of a nonprofit research agenda. It proposes that value creation is not an end in itself but rather needs to be refined and transacted in ways that have meaning to stakeholders. The research excludes theories relating to attributes of managers, their skills and behaviour in relation to new entry. It also excludes theories of organizational behaviour in relation to new entry.

This first chapter provides an outline of the thesis which addresses the following main research question:

How do new museums create, capture and exchange value in order to limit the liability of newness?

The subsidiary questions disaggregate the concepts of the primary research question in order to further explore the inter-relationship of the concepts and their role in new entry processes. The secondary questions are:

What are the different roles of value creation, capture and exchange for stakeholders?
What are indicators of value exchange and how do they contribute to further value creation in the value cycle?
What is the relationship of the value cycle in detecting and limiting the liability of newness?

1.1 Concepts explored

The five main concepts that underpin this thesis are: *value creation*; *value capture*; *value exchange; new entrants* and *liability of newness*. These concepts have been derived from an analysis of the literature. However, they have not been further developed in the literature or previously recombined to illuminate a value process of new entry. While value creation has been explored in different ways in the literature (Moore 2000, p. 186; Bozeman 2002, p. 146; Weil 2002, p. 31), concepts of value capture and value exchange are new in relation to museums and have been extrapolated from the process of value creation (Bowman and Ambrosini 2000, p. 8). The concepts of *value creation, value capture* and *value exchange* are used to chart how a *new entrant* museum is established and how museum management influences *the liability of newness*. The process of establishing a new entrant museum is related to tracking a value cycle from value creation, value capture and value exchange. Through tracking a value cycle, it may also be possible to identify when or if value begins to erode and identify the measures taken to realign value with stakeholders (Mitchell, Agle and Wood 1998, pp. 288-9). Erosion of value is arguably related to how a museum ceases to exist or is transformed. Maintaining or increasing value is arguably related to how a museum, once established, survives and continues the value cycle.

New entrant museums

Organizations set up under statutory authority by either a state or federal government (notionally called the state, but which disaggregates into government ministers, members of the bureaucracy and people involved in public policy development) and which have capital investment signifying their new status in the sector are called *new entrants*. The research does not deal with museums that are established as private entities. Nor does it deal with small nonprofit museums established solely with local government support.

The process of new entry, however, is not straightforward. For example, an organization may operate at a 'low level' (that is, have temporary accommodation, modest exhibition and research programs) while waiting for a political decision to be taken on capital investment that proclaims its new status within the sector (Piggott 1975). The Canberra based National Museum of Australia and the Sydney based Australian National Maritime Museum operated for some years as organizations without permanent accommodation. Re-housing the organizations in purpose built venues signified a shift in status and increased the potential level of competition with similar museum entities. Another process of new entry may relate to refurbishment of a building and management restructure. Refurbishment and restructure shifts the status of an existing organization in the sector – one that moves it from a relatively dormant state to a more competitive state. The Earth Exchange based in Sydney and forged from the

Geological and Mining Museum is an example of this type of shift. A third example may be where an existing museum creates a satellite product directly associated with its acquisition of a building. The latter also signifies a change in status for both its parent and the newly established product or satellite. The Mint, based in Sydney, serves to illustrate this path. The three levels of new entry are denoted as: *purpose built new entrant*; *refurbishment new entrant*; and *recycled new entrant*.

Value creation, capture and exchange

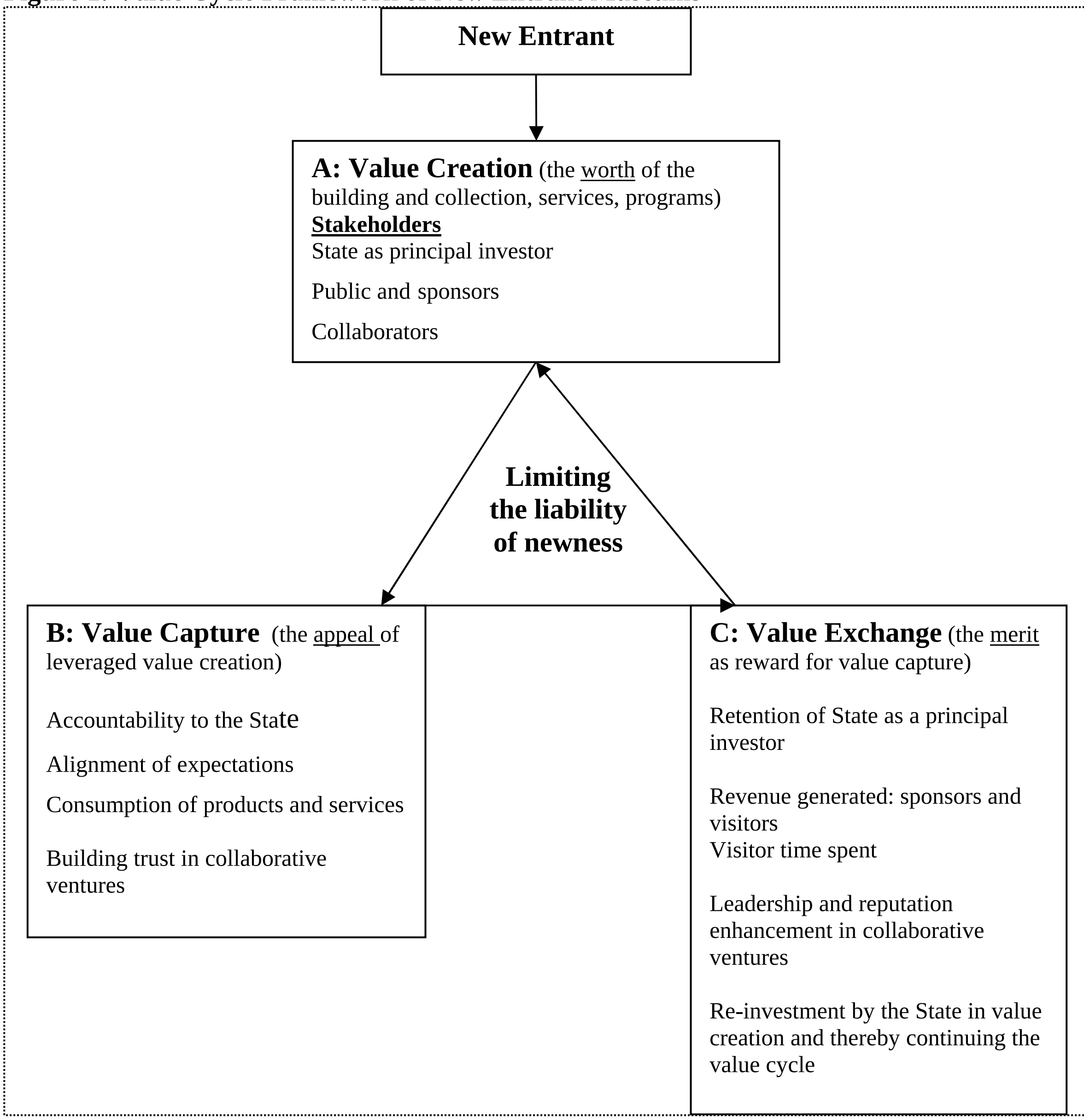
Value creation is the *worth* of the physical manifestation of the museum. The building that represents the physical presence of a new museum, the collection and related programs that signify the new museum's core business together constitute *value creation* (Throsby 2001, pp. 38-40). The presence of physical features of worth such as the building and the collection/programs gives museum managers a variety of ways in which value can be leveraged. For example, sponsors can 'buy' parts of the building and financially or in-kind support parts of the collection and related exhibitions (Australian Business Arts Foundation 2001, pp. 19-20, 26). The public can engage with museum curators through visiting temporary exhibitions or exhibitions of the core collection (Griffin and Abraham 2000, p. 339). Different segments of the population can also consume programs, events and specialist services developed by museum managers (Weil 2002, p. 74). Collaborative partnerships with other museums or tertiary institutions can be identified and trust established on the basis of mutual interest in specific topics related to the collection (Harrison 2005, pp. 199-200). Aligning value creation with consumption by the public, sponsors and collaborators is one way of 'proving' value has been leveraged (Basler and McClusky 2005, p. 311). Accountability to the state is a further check that value creation has been leveraged (Brown and Moore 2001, p. 573; Bryson 2004, p. 26). Leveraging value from the building and the collection in ways described above has been named *value capture*. Value capture then is the *appeal* of programs, projects and activities.

The revenue and benefits that are generated from value capture have been named *value exchange*. Value exchange is the *merit* of programs, projects and activities. Paying entry fees, purchasing at the museum shop and café and time invested in visiting a museum are examples of value exchange transacted by the public. Reputation enhancement associated with collaborative ventures with other museums or tertiary institutions involving research is an example of value exchange. Investment by sponsors either in-kind or in cash for promotion and other perceived benefits accruing to the sponsor is also an example of value exchange. Reinvestment (and the level of reinvestment) by the principal stakeholder, the state, is a measure of value exchange as well. Value exchange then, is transacted in a number of forms. It is in the form of continued state investment, visitor time and revenue, sponsorship revenue and intangible value exchange, such as reputation enhancement.

The relationship between the concepts

The unique framework developed in this thesis, called the Value Cycle Framework of New Entrant Museums (see Figure 1 below), shows how the elements of value creation, capture and exchange work in the process of museum new entry and in limiting the potential liability of newness.

Figure 1: Value Cycle Framework of New Entrant Museums



The framework posits *value creation* or worth, as a vital element in the process of new entry. This nominal starting point, constituting the building and the collection, programs and services is the obvious announcement of arrival in the museum marketplace.

The catalyst for value creation is that the state initially creates value for the museum. It does this by acquiring a building or investing in a building program that marks the museum's commencement and new status in the sector. It is proposed that because of the importance of the state in establishing the museum, value creation is necessarily reciprocal. The reciprocity of value creation from the new entrant manager's point of view is creating value for the state in order to maintain the state as an ongoing principal investor.

Value creation is also central to attracting other public/visitors and sponsor stakeholders, and in doing so reassuring the state that value has been created. Both sponsors and the public are linked to the state in different ways. The public is linked to the state because the state is ultimately accountable to it. Sponsors are viewed by the state as partners in investing in nonprofit cultural organizations, such as museums (Department of the Prime Minister 1999, no page number; Liberal Party of Australia 2004, pp. 21-2). When new entrant museum managers create value for the public and sponsors, and capture that value, then they indirectly benefit the state (Australian Foundation for Culture and the Humanities and Arthur Anderson 1999, p. 11).

As a new entrant, the museum joins an established cultural sector with managers and curators operating in normative collegiate and collaborative ways. Value creation in the collaborative relationship may also be reciprocal. Reciprocity may involve museum managers positioning their established museum or new entrant museum in collaborative relationships that mutually enhance reputation and leadership roles within the sector. The types of collaborative ventures established in relation to the value of the building and the collection/programs that results in the exchange of enhanced reputation and leadership in the sector arguably underpin an understanding of collaborative advantage (Huxham and Vangen 2005, pp. 187-8, 202).

Value capture or appeal, is the exploitation of value creation. This means that value created by museum management needs to be refined in ways that sponsors and the public can consume. Value capture also relates to how well value creation aligns with stakeholder and collaborator expectations. It also relates to how museum managers are accountable to the state.

Value exchange or merit, is the 'reward' for relevant value capture. This reward is in three forms. First, value exchange is in the form of revenue. Revenue is garnered from the state for on-going operations. Revenue is also garnered from the public by way of their spend on products and services in the museum and garnered from sponsors through programs and exhibition support. Second, value exchange is in the form of time invested by the public in visiting the museum. Third, value exchange is in the form of intangibles such as reputation enhancement or leadership in collaborations.

The framework (Figure 1) proposes that value creation is Point A of a value cycle and has the potential for value capture (Point B) and value exchange (Point C). This is not to suggest that the cycle is sequential. Indeed the cycle may fluctuate given the reciprocity that occurs between the museum and its stakeholders. These three points are simply established at the outset as part of a working tool that is evaluated through the field studies.

Limiting the liability of newness

Liability of newness is a concept derived from both for-profit and nonprofit research. Whenever a new business or institution commences operation there is a period of liability or uncertainty associated with a dependable supply of revenue, reliability of suppliers, generating and maintaining customers and the ability to continually deliver quality products and services (Bruderl and Schussler 1990; Chambre and Fatt 2002; Twombly 2002; Hager et al. 2004). It is indeterminate how this concept operates in relation to new entrant museums (Bowen, Nygren, Turner and Duffy 1994, pp. 149-153). As nonprofit organizations, there may be a general expectation that new museums will survive and that they are not subject to liability of newness (Bruderl and Schussler 1990, p. 545). However, survival may be a relative condition. It may include continuing operation, transformation or marginalization through to exit (Hager et al. 2004, p. 161). These states of survival are all conditions to which new museums are potentially subject. In searching for how a value cycle operates, this study inquires into attributes of newness and how and where liability of newness might be ameliorated or extended.

As a new entrant museum goes through a cycle of value creation, capture and exchange and through this process maintains or increases stakeholder investment then it can be said to survive (Bryson, Gibbons and Shaye 2001, p. 272). While the cycle may not be as sequential as this suggests and is tracked in the empirical studies, it is nonetheless posited that when value creation, capture and exchange are realised, then liability of newness is minimized. Minimizing the liability of newness creates a platform for the new entrant museum continuing to operate (Bruderl and Schussler 1990; Hager, Galaszkiewicz, Bielefield and Pins 1996).

Conversely, if there is degradation or misalignment in the value cycle at the stage of new entry, then the liability of newness may continue or increase. Continuing such liability jeopardizes a new entrant manager's ability to maintain operations and may result in gradations of survival from closure to transformation (Hager et al. 2004, pp. 160-1; Chopra 2005, no page number). Closure of a museum usually means that the building is disbanded and used for other purposes and that the organization ceases to operate – it is wound up and its collection dispersed. Transformation may mean that the building continues to operate within the museum sector but for functions other than curatorial.

1.2 Contribution to knowledge

The museum management literature and research has concentrated on a number of areas. These have broadly coalesced around marketing (Kotler and Kotler 1998; Kotler and Kotler 2000); collection management and creating meaning in museums (Vergo 1989b; Hooper-Greenhill 1992; Clifford 1997; Moore 1997; Pearce 1997; Pearce 1998; Hooper-Greenhill 2000; Kavanagh 2000; Heumann Gurian 2001); and education and visitor learning (Falk and Dierking 1992; Hood 1992; Hein 1998). Further research agendas have looked at the relevance of museums in a contemporary environment through the prism of leadership theory and entrepreneurial activity (Griffin and Abraham 1999; Griffin and Abraham 2000; Rentschler 2002; Weil 2002). An additional research agenda has emerged which focuses on the role of museums in delivering public policy objectives of social inclusion (Sandell 1998; Sheppard 2000; Evans 2001; Parker, Waterston, Michaluk and Rickard 2002).

Although this research agenda is varied and somewhat discrete in its area of study, arguably a commonality that links much of the research is the value it produces to society as a whole. Linked to this, a number of theorists have taken on the investigation of value from various standpoints (Hein 2000; Throsby 2001; Weil 2002; Holden 2004).

Hein (2000, pp. 9-13), for example, takes a humanist approach in questioning the contemporary value of museums in providing experiences for the public even as the museum object has become displaced in transmitting authenticity and contested in transferring meaning. She maintains that the value of the museum is in delivering meaningful experiences to the public through the complexity of understanding the object (2000, pp. 126, 145-8). She suggests that museums have a duty to ensure that this role is adhered to not for immediate stakeholders but for stakeholder generations to come (2000, pp. 38, 143).

Hein's position is connected somewhat to Weil's (2002), who re-positions the visitor as the focus of the museum. Weil maintains that the value of museums is not contained in 'things', but rather the value is contained in the purpose of the museum in serving the public (2002, pp. 49, 209-213). This shifts 'value' from Hein's notion of embedded intrinsic worth that must stay true to mission, to one that focuses on 'value' created for people. The value created in this scenario is linked to social entrepreneurship, whereby museums become accountable to the public (Weil, 2002, p. 39). Weil's position shifts an understanding of a museum from one that is a cultural repository and internally accountable to one that is placed within communities and answerable to those communities (2002, p. 38). In doing this, Weil also shifts the insularity of the museum operating in its own sector to operating in a broader nonprofit sector with associated accountabilities and measurable standards of effectiveness (2002, p. 49).

Throsby's (2001, pp. 35-8) investigation of value is connected to an economic argument of market failure, public good and option demand. However, he attempts to augment economic value arguments with cultural value arguments (2001, p. 26). He suggests that cultural value can be measured in terms of the building and objects contained within the institution. These measurements, he suggests are associated with the aesthetic criteria and critical assessment of the objects, the historical worth of the objects and the relationship of the objects to a broader society (2001, p. 39). In investigating cultural value, Throsby uses a number of economic methodologies to measure the value of culture to the public. Among these are contingent valuation methodologies (2001, pp. 25-6) and equating a notion of cultural capital with natural heritage capital or environmental sustainability (2001, p. 51).

Holden (2004, p. 10) is also concerned with value and how the enhancement of cultural value should be a fundamental criterion in cultural funding policy. Holden goes beyond museums to discuss cultural development as a whole. However, his general arguments about cultural value are intended to be valid for a sub-sector of cultural production, such as museums. He proposes that cultural value resides in areas of visitor experience, equity and fairness in public good distribution, strengthening the core business (and worth) of culture and integrating cultural and public policy (2004, pp.10-11). He suggests that this value is both quantifiable and non-quantifiable. However, quantifiable measurements have been in the ascendency because of ease of providing evidence of use and therefore worth to public government funders (2004, p. 21).

The investigations by Hein (2000), Weil (2002), Throsby (2001) and Holden (2004) into value tend to be abstract in their arguments and exalt alternative ways of understanding value rather than investigating the ways in which value can be created, captured and exchanged in the context of specific cultural organizations. Defining and identifying value can be inferred from these studies. In all instances it may be defined as worth to particular constituents. These constituents are singly or in combination: museum staff and curators themselves; the public; sponsors; collaborators; and government funders. Value creation for these theorists resides in humanist intrinsic value (Hein), economic value (Throsby), management value (Weil) or public policy value (Holden). The primary gap in their understanding of value creation is how value can be tracked and assessed; how and where it can be increased or eroded; and how the interactions of managers and stakeholders can influence value creation, capture and exchange. Understanding what people or groups receive in return for a tangible or intangible investment may become sharply evident at the stage of new entry. There have been no investigations into how this kind of value or worth is created and then further developed through value capture or rewarded through value exchange in the area of museum management research.

The research contribution to knowledge presented by this thesis is four-fold.

First it explains the process of new entry limited to particular types of large, statutory museums: those that are purpose built; those that are refurbished museums; and those that are recycled museums.

Second through the case studies, it explores how value is created in a reciprocal way between museum management and stakeholders. It explains how value creation moves through a dynamic and non-sequential cycle of value capture whereby value is consumed by some stakeholders, is made accountable to other stakeholders and is aligned with the interests of particular stakeholders. The research explains how value capture is made apparent in the realm of value exchange. It suggests that value exchange is a transaction that involves financial and non-financial rewards.

Third it explores how new museum management recognizes the process of the value cycle and takes measures to salvage value at the new entry stage. It explains how museum management that has not recognized the process of the value cycle or has misunderstood the value cycle begins to erode value.

Fourth it explains how responses to elements of the value cycle by managers contribute to limiting the liability of newness or conversely extending the liability of newness. It explains that limiting the liability of newness contributes to continued operation. Where liability is extended, the research explains how this contributes to a museum either exiting the sector or being transformed within the sector.

There has been little research undertaken in this area in the museum sector. The nonprofit area and the for-profit management literature have examined aspects of new entry, value creation and limiting the liability of newness but this literature does not combine or extend these elements.

The framework developed from an extension and recombination of these elements is original. However, there are some limits to the research. While it explores how managers of new entrants detect and limit the liability of newness through the process of value creation, capture and exchange, it is not a focus on management theory or organizational behaviour theories as such. Further research areas in relation to this are suggested in the concluding chapter.

The value cycle discussed in this research runs parallel and at times intersects with well-rehearsed notions of the intrinsic cultural value of museums as well as more recent arguments around economic value. In doing this it re-frames museum management research as a suitable subject of scrutiny within the nonprofit management literature as well as the museum management literature.

1.3 Structure of the thesis

This first chapter provides an overview of the thesis. It locates the research in a context of nonprofit management enquiry and museum management enquiry. An investigation into the relationships between value creation, value capture and value exchange and their role in limiting the liability of newness for new entrant museums forms the basis of the main research question. The concepts of value creation, capture and exchange are defined as worth, appeal and merit. Value creation is the worth of the physical manifestation of the building and collections and programs; value capture is the appeal of value creation; value exchange is the merit of value capture. This shifts the emphasis of value away from cultural value and intrinsic understandings of the value of museums which have been explored by a number of theorists previously. In doing this it provides an introduction to the concepts to be explored through the development of a working analytical framework, The Value Cycle Framework of New Entrant Museums. This chapter also outlines the contribution to knowledge the study has made.

The Value Cycle Framework is based on a number of theories and concepts from research into new entry and the liability of newness, value creation, accountability and stakeholder theories primarily in the nonprofit and for-profit literature. It also draws on museum and arts management literature. Building the Value Cycle Framework from these theories is the subject of Chapter Two. It proposes that the Value Cycle Framework is a working analytical tool used to guide the field studies.

Chapter Three, Methodology, establishes the case study approach that is taken for the thesis and delineates the research process. Criteria used to select the cases are: size of the institution and state or national significance; new entry in different time spans; and inclusion of successful museums and those that did not succeed. Two cases are selected on the basis of their success and representativeness of new entrant national museums in different eras. Two other cases are selected on the basis of their connection to a state government and include one museum that exited the sector, while another was transformed within the sector. All cases allow an opportunity to learn more about the process of new entry and value creation. It explains that each case is treated separately but approached in similar ways to allow a further final comparability. This chapter delineates methods of data collection used for each case. Data collection and analysis includes secondary data such as museum policies and strategy documents, government documents and contemporaneous media reports. It also includes primary data generation and analysis consisting of face to face interviews with senior staff in each museum and interviews with other key stakeholders, such as board members, collaborators, policy advisers and government ministers of the day. The choice of qualitative methodology only is taken on the basis that the research is an exploration of process which includes perceptions of worth, appeal and merit. It is concerned with exploring how new entry occurs rather than an explanation of why it occurs.

The following four chapters (Chapters Four to Seven) constitute discrete case studies of the National Museum of Australia as a purpose built new entrant in a contemporary context; the Australian National Maritime Museum as a purpose built new entrant in an historic context; the Earth Exchange as a refurbishment new entrant in an historic context; and the Mint as a recycled new entrant in an historic context. The Value Cycle Framework is used as a working analytic tool in each case.

The final chapter (Chapter Eight) compares the cases and evaluates the usefulness of the Value Cycle Framework in understanding how managers of new entrant museums create, capture and exchange value in order to minimize the liability of newness.

Chapter 2: An emergent framework of value creation, capture and exchange

2.1 Overview

This chapter explores the literature in the nonprofit arena in relation to the key concepts of value creation, new entry and limiting the liability of newness. Key concepts of value capture and exchange are extrapolated from concepts of value creation in the literature. A thematic approach based on elements of value creation and associated elements of accountability, alignment and stakeholder theory is taken. A number of different nonprofit institutions are discussed to illustrate theoretical considerations. The chapter also draws on select for-profit theory and arts and museum management literature where appropriate. It seeks to show how the nonprofit arena of research in particular can be applied to 'deficits' in relation to arts and museum management literature to aid theory building.

The chapter is structured to look first at the concept of value creation and associated sub-themes of accountability and alignment, stakeholders and types of stakeholders from which the concept of value capture is extrapolated. It then examines the concepts of new entry and limiting the liability of newness. The concept of value exchange is also described in this section. Elements that researchers have identified in the three arenas of for-profit research, museum and arts literature and nonprofit research are extended and recombined to illuminate a new entry value cycle. A theoretical framework is built from this cycle as an analytical tool that is evaluated and modified through the empirical research discussed in the case study chapters. The framework developed from the recombination of elements is called the Value Cycle Framework of New Entrant Museums (see Figures 1 and 5). The chapter concludes with the major research question and subsidiary questions forged from the conceptual framework.

2.2 Value creation in the museum and nonprofit sectors

In this section concepts of value creation are examined in the arts and museum literature and nonprofit literature. This section also draws on aspects from the for-profit literature to augment concepts of value creation.

The research in all areas suggests that while there are attributes of value creation common within a sector, how managers develop these attributes and how they further interact with the environment distinguishes their ability to create specific value for their organizations.

Museums have rarely been situated in a nonprofit research context (Lyons 1998; Weisbrod 1998b; Anheier and Ben-Ner 2003; Anheier 2005). This section aims to place museums in juxtaposition to nonprofit literature in order to isolate factors that can usefully be combined to assist in theory building from discrete museum and nonprofit/for-profit literatures.

Situating museums in a nonprofit context

The definition of nonprofit companies has been broad ranging (Lyons 1998; Anheier 2005). The associated research agenda has covered studies into voluntary and third sector organizations as well as public sector institutions and corporations (Anheier, Toepler and Sokolowski 1997; Lan and Anders 2000; Considine 2003). When discussing the perplexity of defining nonprofits, Considine (2003, p. 64) suggests that 'purpose' and 'non-distribution of profits to shareholders' are two fundamental principles of nonprofits alongside the promotion of 'non-monetary value'.

Nonprofit professionally run museums are positioned as neither third sector nor public service, although they are often situated within public sector government bureaucracies. They adhere to Considine's (2003) nonprofit attributes of purposive, non-distributive of profits and promoting non-monetary value. Large museums are statutory authorities dependent on government funding but operate under principles established internationally for cultural institutions (International Council of Museums 2004). Their professional and curatorial staff are part of a larger collegiate of cultural professionals (Museums Australia 2002). Arguably, this makes museums hybrid institutions in relation to the nonprofit literature and the research agendas of academics studying nonprofit institutions[1].

[1] A broader consideration of museums is in Appendix 1.

Value creation and the museum sector

Value creation in the arts and in museums has been discussed in a number of ways. First, it has been discussed economically where notions of market failure and public good have been extended by cultural economists to include inter and intra-generational posterity, quality of life, national prestige and national identity (O'Hagan 1998; Throsby 2001). Second, it has been discussed in assessing the monetary worth of collections (Tyzack 1997; Hooper, Kearins and Green 2005). Third, it has been discussed in identifying value bundles for different stakeholders (Geursen and Rentschler 2003; Holden 2004).

Each of these aspects of value creation is discussed and a notion of value creation is developed based on these concepts.

Economic value creation

Throsby has been one of the main champions in arguing the case for the value of the arts from both an externality and public good economic position (Throsby and Withers 1979; Throsby 1984; Throsby 2001).

Throsby defines public good in cultural terms as:

- The contribution the museum makes to public debate about art, culture and society;
- The role the museum plays in helping to define cultural identity, either in specific terms or more generally in its representation of the human condition;
- The stimulus the museum provides to the production of creative work by artists, both professional and amateur;
- The value to individuals of retaining the option of visiting a museum, an option that they might wish to exercise at some time in the future either on their own behalf or on behalf of others;
- The sense felt by people that the museum and its contents have value as a bequest to future generations;
- The diffused community benefits of the educational services, both formal and informal, provided by the museum;
- The connection with other cultures;
- The benefit that people derive from the mere existence of an institution like (a museum) – that is, the satisfaction in knowing it is there as an element in the cultural landscape, whether the individual enjoying such a benefit actually visits the museum or not (Throsby 2001, p. 37).

Throsby maintains that these elements can also be measured economically through methodologies such as contingent valuation methods (CVM) or willingness to pay (WTP).

However, Throsby (2003) has identified some of the drawbacks in this form of methodology. These limitations primarily revolve around the level of information people may or may not have in order to make judgments or decisions; whether art and culture has intrinsic value; whether the value cannot be determined by individuals personally but may be regarded as having external value to a third party, collectively or individually and over time; and whether there is an impossibility of economically valuing art because the products and services can be inherently unstable, lack value consensus and are difficult to measure quantitatively and qualitatively (Throsby 2003, pp. 278-280).

Some of the elements of public good noted by Throsby have also been made problematical by the museum profession itself – particularly in relation to education (Falk and Dierking 1992; Hooper-Greenhill 1992), the nature of frequent and non-frequent or non-visitors (Hood 1992; Roberston and Migliorno 1996), the value/authenticity of the contents (Macdonald and Alsford 1995), the ability to ‘represent’ others (Bennett 1995; Clifford 1997; Bennett 1998) and the precarious position the museum sometimes finds itself in relation to public debate (MacIntyre and Clark 2003b; Sexton 2003).

Non-private benefits derived from the arts have been categorised by other cultural economists such as O’Hagan as:

- National identity, social cohesion and national prestige;
- Development of socially critical and other innovative/experimental work;
- Catering for an option demand for both present and future generations;
- The creation of economic spill over and social improvement effects (O'Hagan 1998, p. 22).

Intra-generational and intergenerational equity, the precautionary principle or the option demand may in some instances seem inconsequential. Does it really matter that objects or cultural institutions no longer exist for the present or future generations? The answer to this is clarified somewhat in times of extreme situations such as wars or revolutions. The evidence that the option demand matters is illustrated by the vehemence with which cultural objects are destroyed. For example Heumann Gurian (2001) points to Serb/Croat destruction of each other's historic sites as a priority even though ammunition was low (Ring and Elston 1999). The Taliban's destruction of the Buddhist statues in the Bamiyan Valley was also seen as 'cultural vandalism' (Editorial 2001). These are extreme examples and often serve as stark evidence of the enemy's barbarism in times of conflict.

However, even in more peaceful times, the option demand is not 'value free'. Some heritage acquires elements of significance at the expense of others and has been the subject of policy debate in recent years (Carroll, Jones, Vickers-Rich and Longes 2003; MacIntyre and Clark 2003b; Historic Collections Council n.d.).

Value creation in relation to economic value can be difficult to sustain theoretically. Nonetheless in a reductionist sense, Throsby in particular has highlighted two aspects around value creation which remain constant in a museum context. These are the museum building and the museum collection and related programs (Throsby 2001, p. 35). Although using the specific example of an art museum, his definition of value may be extended as well to all types of museums. Throsby suggests that the 'economic value of an art museum derives both from the asset value of its buildings and contents and from the flow of services that these assets provide' (2001, p. 35). Throsby suggests that the combination of these elements has both economic and cultural value. The buildings themselves have economic value as do the collections and these can be measured in terms of private goods, public goods and externalities (2001, pp.36-8). Throsby also maintains that the buildings have cultural value over and above economic value in becoming the vehicle through which architects can accumulate prestige through creating their own 'work of art' (2001, p. 40). The content of the building has cultural value derived from spiritual, aesthetic, social, symbolic and authentic value (2001, pp. 28-9, 39). Beyond this the content or collection also has additional value in being grouped together within a building which is operated as an institution. For Throsby this 'is the way in which an art museum can convey a sense of the purpose and significance of art and culture deriving from the museum's place in individual and social experience' (2001, p. 40). Throsby suggests that while there is a metric for the economic value of the building and its content, no such metric is available for its cultural value (2001, p. 40).

Assessing the value of collections

Related to economic value is the financial value of collections. There have been attempts to 'value' national collections as part of a micro economic audit of the worth of public assets in Australia and New Zealand (Tyzack 1997; Hooper et al. 2005). The Australian Valuation Office has carried these financial valuations forward (Byrne 2002; Morgan 2002). Valuing art collections may be easier than valuing objects associated with science, social history or natural history. There is a market for art and craft objects but no real market for non-art or non-craft artefacts although it remains a moot point as to whether any museum object could legitimately come onto the private marketplace. Most objects or whole collections are acquired under specific conditions, which may preclude de-accessioning. A marketplace can also be limited because of national significance of objects preventing them from leaving the country (Hooper et al. 2005).

While collections may have an economic value the actual value they represent may be more in the realm of an understanding of their worth in terms of a total package of the building and its content outlined above by Throsby (2001).

Creating value bundles

Economic theories of public good and the monetary worth of collections tend to mask the complexity with which value is created at a level which matters to the public and to stakeholders at different levels.

In order to shift the argument from the notion of public good/private benefit, Throsby and others have analysed the notion of cultural value as part of economic value theory (O'Hagan 1998; Weisbrod 1998a; Throsby 2001). Geurson and Rentschler (2003) have extended this analysis by adopting classic economic theory to develop a cultural value theory based on the utility derived from consumption of culture. They suggest that such utility is different for different stakeholders. Geurson and Rentschler argue that analysing the value chain, can yield a rich source of cultural ‘value packages’.

> …values that deliver or facilitate the delivery of products and services can be distinguished from those that generate revenue, those that facilitate the requirements of the organization itself, and those that facilitate corporate governance requirements. In the case of the cultural organizations, value is grouped around issues that affect audience generation and maintenance (which produce revenue) and issues that are important to the organization and to its aesthetic mission (as it is seen externally and internally). This in turn relates to values of accountability and control demanded by the legal requirements associated with governmental and quasi-governmental entities (Geursen and Rentschler 2003, p. 205).

Geursen and Rentschler identify four value drivers for museums:

- audiences which might use a number of different elements for example, public programs and cafes. They refer to these elements as ‘values bundles’ and understanding the utility accrued to each element by different segments will reflect the overall value assigned to the museum by its audiences. However, these values bundles or packages may not be constant over time;
- sponsors whose values bundles may be just as complex as audiences;
- government who seek value in terms of accountability, votes delivered, social outcomes;
- management which needs to entrepreneurially balance the various values bundles – Geursen and Rentschler refer to this as the ‘entrepreneurial value balance’, the nub of their theory (Geursen and Rentschler 2003, pp. 202-5).

Identifying how, where and for whom value is created may be a less complex exercise than determining the ‘what’ of value created. Holden (2004) considers the nature of value capture in a broad sense through extending public policy effectiveness in creating public value. He notes that indicators of value creation and even value capture occur around ‘historical, social, symbolic, aesthetic and spiritual values that lie at the heart of culture but which bureaucracies and organisations find hardest of all to articulate and defend’ (2004, p. 56). Value, he further maintains, is associated with legitimacy and increasing overall transparent public value (2004, p. 58). The latter areas of public value are also dealt with in the nonprofit section below (Moore 2000).

While Holden (2004), Geursen and Rentschler (2003) go some way to addressing what value has been created, measuring value tends to be 'advocacy' or outcome driven. It tends to be motivated by proving worth to a sceptical public or stakeholders. This leaves the question of *what* specific value is created *for/by whom* and the capture of that value within organizations in question. Much of the museum management literature also tends to be externally focused on the consumer as the end recipient of value (Hood 1992; Kotler and Kotler 2000; Hooper-Greenhill and Dodd 2002). Contrasted to this, Geursen and Rentschler (2003) focus more on the value chains and channels from suppliers to transformation within the organization to the end consumer and then how the end consumer and others may continue to effect and direct value. However, they have presented the problem rather than suggesting how such value is tracked.

The question of value also needs to be more broadly considered in other areas of the nonprofit management literature which has focused on value creation and strategy formation. A combination of nonprofit conceptualization of value creation could arguably be co-extended with museum conceptualization of value to generate an understanding of value creation.

Value creation and the nonprofit sector

Distinctions have been made between nonprofit and government delivered products and services in relation to welfare, health and education in the nonprofit sector literature (Young and Hammack 1993; Carson 2002; Christensen, Anthony and Roth 2004). The literature has concentrated on developing theories and models around resource creation, diversification, collaboration and service delivery, leadership, governance and evaluation (Abzug and Webb 1999; Frumkin and Andre-Clark 2000; Skloot 2000; Quarter and Richmond 2001; Inglis and Minahan 2004). Other research into the 'state of the public or nonprofit sector' suggests that there are competing paradigms within research and practice that make it difficult to single out a primary management theme (Lan and Anders 2000). It is suggested that this is a symptom of the complexity of public managers' field of operation and that apparently incompatible paradigms may strengthen managers' overall knowledge base (Lan and Anders 2000) .

More specifically, the strategic planning literature in relation to nonprofits suggests that there is an emerging conceptualisation of value creation, particularly in the public sector (Moore 1995; Smith 2004; Marton and Phillips 2005).

Although value creation has been linked to strategic planning the nonprofit area has been a comparatively late starter in examining the significance of nonprofit strategic planning (Stone, Bigelow and Crittenden 1999; Inglis and Minahan 2001). By comparison, the for-profit management literature has subjected strategic planning and strategic thinking to scrutiny, revisions and scepticism of its effectiveness (Mintzberg 1994). It has created a number of competing paradigms around sources of value contributing to competitive advantage. (Porter 1985; Kanter 1992; Miller and Dess 1993; Mintzberg 1994; Burrell 1996; Foss 1996; Barney 1997; Russo and Fouts 1997; Sanchez and Heene 1997; Clarke and Clegg 1998; Campbell-Hunt 2000; Haanes and Fjeldstad 2000; Barney, Wright and Ketchen 2001; Eisenhardt and Sull 2001; Farjoun 2002; Rugman and Verbeke 2002).

Inglis and Minahan (2001) suggest that formal planning has been initiated by nonprofits as a response to funding crises. The desire to be seen as 'professional' in emulating for-profit practice, and accountability to major stakeholders has also been considered (2001, p. 4). The imitation of for-profit planning practice continues, even as the for-profit sector has expressed difficulties in adopting strategic planning tools and notions of knowledge management and informal networking are emerging as more desirable strategic initiatives to enhance wealth creation (2001, p. 3).

Stone, Bigelow and Crittenden's (1999) analysis of the literature on nonprofit strategic planning from 1977 to 1997, reveals significant focus and gaps within the research. Segmenting research focus into categories of strategy formulation, strategy content and strategy performance, they note that nonprofits have adopted a variety of planning tools. Managers who adopt strategic planning tend to have organizations that are large in size, have boards which focus on policy rather than administration and ensure a base level of goal consensus has been reached among staff prior to the strategic planning process (1999, pp. 383, 389-390).

Nonetheless according to Stone and others (1999), significant knowledge gaps exist. The gaps include the difficulty in measuring outcomes following the implementation of strategic plans and the invisibility of users or clients of services as partners in the strategic planning process. They suggest that research has focused on the role of funding bodies in developing strategy. Finally Stone and others (1999, pp. 408-410) suggest that researchers have emphasized how competition and collaboration occurs between nonprofits and for-profits at the expense of research on collaboration and competition within the nonprofit sector itself.

> …although several articles acknowledged or assumed that competition exists, specifics about the competitive environment and its influence on strategic management are missing. Some elements can be inferred. Nonprofit organizations compete for funds, personnel, users, board members, and legitimacy (Greenberg, 1982). This suggests that nonprofits operate in multiple and complex competitive systems. For example, many nonprofits are likely to compete at local, state and national levels for government, foundation and corporate support. Within their communities, they are likely to compete for staff, board members and consumers or clients. We know little about how these competitive environments are structured, managed, or even perceived by nonprofits themselves (Stone et al. 1999, pp. 410-1).

Addressing the gaps within the nonprofit literature on competition and value creation, nonprofit strategic planning theory has adapted strategic planning theories from the for-profit sector (Nielsen 1984; Chaffee 1985; Drucker 1990; Oster 1995; Crittenden and Crittenden 1997; Steane 1997; Maranville 1999; Boardman and Vining 2000).

Motivations to establish concepts and theories around value and competition in the nonprofit literature have occurred in two ways. First, the perceived threat for-profits present in encroaching on traditional areas of nonprofit markets, particularly in the human services, education and health sectors, means that managers in the nonprofit arena are searching for ways to be 'different' from for-profit competitors (Ostrom and Davis 1993; Hirth 1998; Skloot 2000). Second, ways in which nonprofits and for-profits interact in the same market could have mutual stakeholder benefits (Abzug and

Webb 1999). The unique value a nonprofit creates is a feature cited by a number of researchers into nonprofits in analysing markets serviced by both for-profit and nonprofit companies (Frumkin and Andre-Clark 2000; Moore 2000; Young 2001).

The nature of the value that the nonprofit sector creates sets it apart from for-profit organizations (Crittenden and Crittenden 2000). The value created by nonprofit managers limits their ability to directly adopt strategic planning paradigms from the for-profit sector (Crittenden 2000, p. 165). Where strategic planning processes have been adopted, Frumkin and Andre-Clark (2000) warn, there is a danger of concentrating on operational strategies (efficiency) rather than effectiveness.

> Although the nonprofit sector still puts far less effort into improving operational systems than does business, its efficiency focus is clearly increasing, and the value-laden feature of much nonprofit activity – which might be a strong basis for strategy – is being neglected. (Frumkin and Andre-Clark 2000, p. 142)

The 'value-laden feature' or value creation, can be seen as a strategic advantage, but is complex to locate and measure. Where for-profit companies create value they do so in terms that are largely measurable – through comparative marginal utility for consumers and the creation of shareholder wealth. Value measurement in nonprofits has been primarily associated with outcomes of activities and programs which become complex in different nonprofit sectors. For example, measuring outcomes has been associated with the ability of an organization to reach its objectives based on mission, or simply to discharge its activities, or to track the extent to which a difference has been made both quantitatively and qualitatively (Putnam 1999; Easterling 2000; Richmond 2000; Poole, Davis, Reisman and Nelson 2001; Quarter and Richmond 2001; Wollebaek and Selle 2002; Hooghe 2003; Richmond, Mook and Quarter 2003). Tracking qualitative difference is the area that is the most important in arguing for value creation and least likely to be subject to measurement on the basis of complexity and resource scarcity (Stone et al. 1999).

It can be argued then, that many nonprofits have relied more on the supply side of their value rather than proving that value creation has resulted in increased demand or even social betterment (Dees 1999; Stone et al. 1999; Heskett 2002). The demand for services measured by increased market share or membership involvement is an area avoided by many researchers (Crittenden and Crittenden 1997, pp. 94-96)

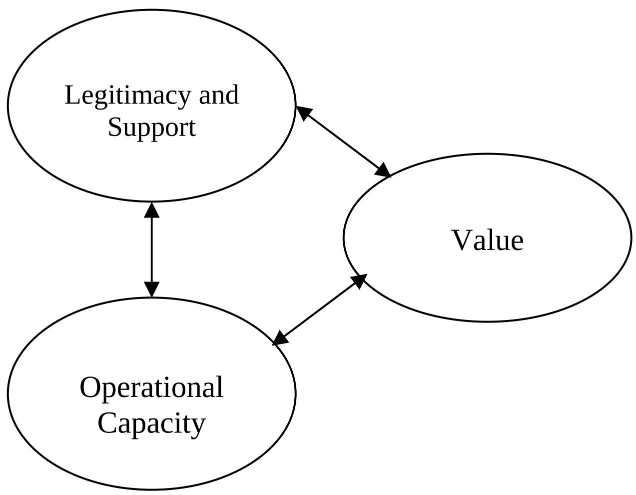
Carson (2002) analyses this dilemma in his description of the post September 11 charity drive to produce relief for victims of the attack. He contends that the professionalization of the nonprofit sector is not consonant with what citizens expect in times of crisis where costs associated with fundraising are expected to be born by the organization raising the funds (Carson 2002, p. 430-431). This is a paradoxical situation where increased value is expected from nonprofits but at little or no cost – the perception is that demand outstrips the ability of the nonprofits to supply in times of crisis because nonprofits are seen as voluntary not professional and therefore should be self-sacrificing, not self-seeking or self-preserving.

Yet others contend that nonprofits are now embedded within the 'ecology of a market economy' (Young and Hammack 1993, p. 402). They are seen as a vital niche complementing other sectors in producing services regardless of whether they are delivered by a nonprofit organization (Ostrom and Davis 1993).

These examples serve to illustrate the need to develop a differentiating factor which could conceivably revolve around value (Frumkin and Andre-Clark 2000).

Moore (2000) has explored concepts of value creation in comparing normative for-profit strategic planning aims with nonprofit aims. From this, he has created a model distinguishing the essence of nonprofit strategy (Moore 2000). Developed for the government sector, Moore maintains that this model is valuable as well in the nonprofit sector. The distinguishing factors are value, legitimacy and support, and operational capacity.

Figure 2: Strategy in the Public Sector
Source: Moore 2000, p.197



Value is defined as the 'story or an account of what…purposes … the organization is pursuing….a claim about the way in which the world would be made better through the operations of the enterprise' (Moore 2000, pp.197-8).

Legitimacy and support focuses on identifying sources of support from citizens, government, interest groups – the 'authorizing environment' (Moore 2000, p. 198).

Operational capacity is similar to factors identified by the resource school of competitive advantage in the for-profit sector (Hamel and Prahalad 1994; Barney 1997) and revolves around tacit attributes, knowledge and networking within and beyond the organization's boundaries (Moore 2000, p. 198).

According to Moore (2000, p. 198), the model although deceptively simple is difficult to operationalize. In applying it to the nonprofit sector, Moore suggests that nonprofit managers seek to create value through the organization's mission and goals, a public good notion that transcends a willingness to pay transaction (2000, p. 199). They seek to maximize their support and legitimacy by influencing 'upstream stakeholders' who provide resources and funding for the organization (2000, p. 200). The 'authorizing environment' is the market within which they compete - not a focus on competing for customers. However, capturing the 'authorizing environment' results in better client services (2000, p. 202). This in turn creates capacity for the organization which can attract volunteers and create additional commercial wings to cross-subsidize its core business.

Value creation according to Moore occurs at many levels in the operation's channels – from those who seek additional individual utility/satisfaction from donating to the organization, those who volunteer and those who are the eventual recipients of the services and products.

Moore's strategy triangle raises a number of issues. The most important of these is the ability to differentiate between the focus of strategy in the for-profit sector and nonprofit sector. However this is not straightforward. The emphasis Moore places on value creation alongside legitimacy and capacity heralds a new way of positioning nonprofit organizations within an operating environment.

Nonetheless the dynamics around managers in nonprofits seeking and offering value to upstream stakeholders still appears to be supply driven. There appears to be no mechanism in this model that accounts for how demand might operate or at least how there may be an interaction between supply and demand. A focus on demand and how this interplays with supply has been identified as problematic particularly in the cultural sector (Mercer 1998, p. 21).

In an earlier article, Moore (1994) does look at the relationship between managers and stakeholders. He suggests that many managers in nonprofits view stakeholders as equal when in fact some are more equal than others. Of these he suggests that the legislative overseers are of critical importance in their roles as 'board of directors', the 'bank' and the 'customers' (Moore 1994, p. 301). Moore further contends that the legislators are accountable to citizens and it is these two groups in combination for whom value is created. Analytical techniques and professional standards alone do not create value.

Moore's further concepts of the public value scorecard looks at a combination of stakeholders including customers who pay, clients who benefit and authorizers of the enterprise (Smith 2004, p. 70).

Moore’s analysis is a valuable contribution in isolating factors for strategy from the nonprofit viewpoint. It has been seminal in isolating the importance of value creation factors in the nonprofit management area (Smith 2004, pp. 69-72; Marton and Phillips 2005, p. 77).

Bozeman (2002) to some extent echoes Moore in stressing the need to theorize the processes of public value in nonprofit and for-profit enterprises. He contends that market failure does not always result in public value. Public value failure can occur where there is market success. For example, the 1950s tobacco industry he contends jeopardized public health. Public value failure can also occur where there is market failure. For example, he contends that public elementary and secondary education is evidence of both market failure and public value failure (Bozeman 2002, pp. 156-7). Bozeman’s abiding concern is not so much whether the latter is true or widely believed but rather thinking in terms of market success and market failure and its implications for public value creation deepens an understanding of ‘public good’ (Bozeman 2002, p. 157).

To re-cap the nonprofit strategic planning literature, it is noted that one of the most comprehensive reviews in the nonprofit sector was undertaken by Stone, Bigelow and Crittenden (1999) covering the period from 1977 to 1997. The paradigms they developed from this study focused on strategy formation, strategy content and strategy performance. Further contributions by Moore (1994; 1995; 2000), Crittenden and Crittenden (1997; 2000; 2000), Bozeman (2002) and Frumkin and Andre-Clark (2000) in particular highlight notions of value creation as a differentiating factor for nonprofit strategic planning in terms of formation and content. However, performance outcomes continue to be elusive but revolve around notions of accountability.

The rise of external threats has animated researchers into exploring distinctive attributes nonprofit companies offer (Frumkin and Andre-Clark 2000). This has focused primarily on identifying tacit and intangible elements such as creating and delivering value, developing networks, establishing trust with clients and ensuring information distribution. Value creation in this sense, has been seen as the solution to achieving sustainability and establishing competitive advantage in a mixed market economy (Alexander 2000; Moore 2000).

The response to external threats posed by new entrants has also resulted in a number of studies around mergers or collaborations between nonprofit organizations (Golensky and DeRuiter 1999; Stone 2000; Rich, Giles and Stern 2001). This has been extended to collaborations or ‘piggybacking’ between for-profit and nonprofit organizations (Nielsen 1984; Abzug and Webb 1999; Austin 2000; Skloot 2000).

Rarely has there been focus on identifying and establishing value creation solely for nonprofit organizations operating in the same marketplace (Stone et al. 1999). The cases in which this has occurred have been in relation to international and national non-government aid organizations and in relation to the performance of charitable foundations. The common explicit and implicit themes revolve around value creation, accountability and alignment. These themes are explored below and illustrated through empirical examples.

Creating distinctive values in the nonprofit sector: evidence from the field

Value creation has been noted as a distinctive feature of nonprofits in competition with for-profits operating in the same marketplace. It may also be a distinctive feature for distinguishing nonprofit organizations operating in the same marketplace. This has been explored empirically in the case of aid organizations described below.

CARE: A comparison of Moore’s Triangular Model and Porter’s Model

Using the theoretical counterpoints of Porter’s (1985) for-profit Five Force Field positioning strategy (which analyses industry rivalry through breaking down attributes of suppliers, new entrants, substitutes and buyers) and Moore’s nonprofit triangular model (described above), Lindenberg (2001) set out to establish how the international aid agency, CARE could understand and harness the distinctive value it created as a strategy for creating competitive advantage. Lindenberg’s objective was to deploy Porter’s and Moore’s models to see to what extent either model could assist CARE’s understanding of its unique assets and how these could be positioned competitively in the international aid arena.

Convinced of the usefulness of Porter's model, Lindenberg was surprised by the amount of resistance encountered to it by CARE staff. This was despite the model's ability to help senior managers understand competition dynamics and the role of suppliers, customers, competitors, substitutes and barriers to entry and re-positioning CARE from its 'stuck in the middle' strategy to a differentiator based on the 'household approach' of delivering aid (2001, p. 248).

He attributed staff resistance to their perception of mechanical and conceptual problems with the model. His substitution of the generation of social value as a substitute for generation of profitability –the hallmark of Porter's model – was difficult for staff to accept. But even with this substitution, staff believed it was problematical to compare aid organizations. They questioned that they engaged in the same services and products delivered to the same clientele as other aid agencies (2001, p. 250). In addition, in the nonprofit world, buyers and suppliers can be difficult to distinguish. In this case, donors could be either suppliers or buyers. But cultural resistance amongst the staff was also present:

> On the cultural side, NGO staff members often reject the idea that they are involved in competitive, market-based activities, and, for ideological reasons, they are reluctant to use market analysis. If one combines technical and ideological problems, one can see why potentially useful market analysis techniques might have a hard time finding their way into the NGO tool kit. (2002, p. 250)

What makes this case interesting is that it is one of the rare attempts to combine a for-profit strategic approach with a nonprofit strategic approach applied to a Non-Government Organization (NGO) and to compare the way each approach was received in the field. The researcher believed that the two models contributed to an understanding of how CARE might re-position itself as an international aid agency. The resistance from the staff does not necessarily mean that the models themselves were inadequate but may rather suggest cultural resistance within the organization regarding strategic approaches that involve competitor analysis for nonprofits. It also suggests that CARE believed that the distinctive values it created were self-evident and that value was created internally within the organization. An analysis of value in the context of stakeholders over and above the value of aid delivery remained elusive.

SAVE: Value creation and advantage

Understanding distinctive values is also a concern of Bryson, Gibbons and Shaye (2001) in their example of SAVE. SAVE is an international nonprofit organization based in the United States with a remit to provide humanitarian assistance targeted specifically at children (Bryson et al. 2001, p. 276). Rather than superimposing existing models derived from the for-profit and public sector onto an organization, Bryson and others developed an ‘enterprise scheme’ (2001, pp. 283-4). The enterprise scheme, they suggest, enables an organization to identify core competencies and uniqueness within the context of policy makers, stakeholders and sponsors expectations. Recognizing that organizations operate within a larger environment, a more dynamic and relevant set of goals can be established that ensures transparency and ongoing support for the organization. They posit that establishing appropriate relevant programs and enhancing legitimacy contributes to competitive and collaborative advantage:

> SAVE brings competitive and collaborative advantages to the new scheme. A key competitive advantage and prompt for collaboration is that, unlike in the past, UNICEF is no longer the only major player in making gains against the HDI (Human Development Index). A number of other NGOs and governments are now major players as well. In addition, SAVE has built up considerable legitimacy over the years as a trustworthy and effective development organization (that is, competitor) and as a valuable partner (that is, collaborator) (Bryson et al. 2001, p. 284).

Bryson and others see the attributes of trustworthiness, effectiveness and valuable partnerships as foundations of competitive and collaborative advantage. However, these attributes could also be seen as part of a paradigm of value creation, an a priori condition that distinguishes an organization from its industry competitors and collaborators.

Theory building around value creation

The Lindenberg (2001) and Bryson, Gibbons and Shaye (2001) examples illustrate two ways that value creation in the nonprofit arena can be conceptually viewed.

One view is that value arises from normative attributes of programs and projects that place a particular organization within a specific nonprofit sector – in this case the aid sector. While in some sense this means that organizations operating within a sector are isomorphic, managers working within specific agencies believe that they occupy niche areas and deliver niche products and services. It is the operations within their niche market and the products and services developed and delivered where managers believe value is created. Identifying value creation then, may involve identifying attributes and types of activities common to organizations operating in the same sector and then understanding how these attributes and activities are used by managers in ways that leverage specific and distinctive value. Leveraging value may shift value creation to an area of value capture.

The second way that value is created is in understanding how such value is perceived by the community that resources the sector and consumes its products and services. Responding to and revising value for disparate stakeholders within a sector involves two approaches. First, managers maintain fidelity to the unique value the organization may create. Second, managers attempt to shepherd demands that may be discordant within a complex web of stakeholders. The collision of fidelity to unique value and meeting discordant demands of stakeholders may jeopardize the internal value creation process. The process of refining value creation and responding to a range of stakeholders may also herald a shift to value capture.

In the museum sector, there are a number of issues that directly relate to a situation that seeks to set aside notions of public good in order to foreground what constitutes value to different constituents at different times. How museums create and sustain that value may be similar to what the nonprofit sector seeks to do.

Geurson and Rentschler (2003) have suggested the concept of value bundles which stresses the significance of stakeholders within the museum as recipients of value created. However, they have not declared what these values might be ‘attached’ to. Throsby (2001) suggests that value resides in the museum building itself and signifies the meaning of the assets contained within, that is the collection and programs which themselves have value.

The issues raised about value creation are particularly pertinent for managers of new entrant museums who seek to differentiate the new entity and to align and legitimize the organization within the museum collegiate. Values in this sense may need to be sufficiently normative to fit within a traditional museum value system however contested that may be. They may also need to be sufficiently different to attract allegiance from a declining visitor base and a sceptical stakeholder pool.

The duality of identifying value creation from common features that connect organizations within a sector while attempting to leverage additional value from these common features is a facet of value creation which has been identified by the nonprofit literature (Lindenberg 2001). Such duality could be applied to managers in new entrant museums. For new entrants in the museum sector identifying common features from which value can be mined, according to Throsby (2001), reside obviously in the building which denotes new entry. Collections signify value the museum holds. How a manager develops programs and services around the collections gives rise to the unique value that managers create. However value creation also needs to be judged by stakeholders in the organization a feature recognized by Bryson and others (2001) as well as Geurson and Rentschler (2003) and is discussed in Section 2.4.

The process of capturing value from value creation may then lie in the ability of managers to align their created value with stakeholders and to be accountable, an area that Holden (2004) alludes to in considering cultural and public policy alignment. The two sub-themes of accountability and alignment are addressed next.

2.3 Accountability and alignment

Museum accountability and alignment

Accountability in the museum sector occurs on a number of levels. Nonprofit museums operating in the public sector are established under statutory provision (Piggott 1975). This means that managers in museums are accountable to the state for complying with regulatory and relevant legislation such as equal employment, health and safety, producing annual reports that match outcomes with key input and output indicators, covering costs of collections, programs and services as well as appearing before Estimates Committees at federal or state level (Barrett 2000; Barrett 2004).

Carnegie and Wolnizer (1996) also suggest that accountability in museums covers more than financial accountability. They suggest that financial accountability alone is contentious for two reasons. First, the assets within museums may be monetarily valuable but have no ready marketplace. Second, assets are used to leverage additional benefits through attendant programs and services. Carnegie and Wolnizer (1996) contend that the latter is an area of accountability that involves concepts of viability and vitality, which are also alluded to by Rentschler and Potter (1996). Accountability in this sense has been seen by other museum researchers as museum managers being accountable to the public for providing services (Griffin and Abraham 2000; Weil 2002). However, in the broader nonprofit arena Moore (1994) suggests that even this relationship is moderated by the state, or ‘authorizer’ of the enterprise.

Accountability also arises in relation to professional ethics and membership of professional associations (Museums Australia 2002). This may influence the ways in which managers within organizations align with their stakeholders and are accountable to stakeholders (Boyd 2004).

While this is valuable in the specific context of museums, the nonprofit sector takes a broader and a conceptually more complex view of accountability and alignment and is discussed below.

Accountability, alignment and the nonprofit sector

Accountability has been conceptualised by nonprofit researchers in two ways. First, accountability may be contingent on the power position the stakeholder has in relation to the organization (Brown and Moore 2001). Second, negotiated accountability for multiple stakeholders may have differing levels of power over an organization (Ospina, Diaz and O'Sullivan 2002). These two concepts of accountability mean that managers in organizations orient towards the upstream, powerful stakeholders. They may also legitimize their activities through being accountable to those various clients they serve as well as powerful stakeholders. Alignment is related to stakeholder power and legitimacy as well and is discussed in more depth in Section in 2.4 below. Theorists have suggested that donors or sponsors are more likely to derive satisfaction from their support if the activities of the organization they support are directly related to the donor or sponsor's interests (Bilodeau and Slivinski 1997; Porter and Kramer 1999). The studies that follow show how these different forms of accountability and alignment work.

Aid agencies and accountability and alignment

Brown and Moore (2001) have segmented international non-government organizations into three categories. There are those that serve national welfare programs; those that focus on capacity-building within the host nation (for example, Oxfam); and those that influence international policy making (for example, Amnesty International). They identify *accountability* as an abstract, moral and legal notion that may have multiple, contingent and complex meanings. These meanings may become blurred depending on stakeholder relationships that fall between agent, principal or client categorizations. Accountability is a focal point for strategic planning (Brown and Moore 2001, pp. 573-4).

Accountability is made tangible through analysing how the organization is positioned and structuring that accountability accordingly (Brown and Moore 2001, p. 575). Using Moore's triangular formation for strategic planning (also used by Lindenberg), accountability is present in all areas but is contingent on the mission of the organization. Those organizations whose missions are based on service delivery or capacity building with communities will have different accountability goals to those organizations that have advocacy as their mission (Brown and Moore 2001, p. 585). Although not stated directly by Brown and Moore differentiated accountability structures and alignment with stakeholder needs may be a source of value capture: that is, refining value creation for different stakeholders.

Community based agencies and accountability and alignment

Contingent accountability as a potential source of value capture could also be useful for community-based and national organizations. This is implied by research into identity-based nonprofits or ethnically based welfare and advocacy community groups where accountability is complex and often conflicting (Ospina et al. 2002). Beyond financial health, internal controls and regulatory compliance, Ospina et al argue that accountability is a source of legitimacy which can be attained through negotiation. (2002, p. 8).

The concept of negotiated accountability contrasts with Moore's concept of the 'authorizing environment' where the emphasis on accountability is directed to the upstream stakeholders. Negotiated accountability in Ospina et al's research suggests that there are upward, downward and sideways pulls that demand different sets of accountability structures. The core relationship is with the community. How this is determined and how different power sets are identified and satisfied (even within the community) is not explored.

Moore's (2000, p. 202) concept of the 'authorizing environment' as a source of accountability may be more focused than an attempt to deliver account to all undifferentiated stakeholders or to set at centre stage a notion of community that may still be politically fraught and heterogenous, even within specific communities. Brown and Moore's (2001) further work in relation to international aid organizations segments accountability depending on the focus of the organization. Focus reinforces the alignment of the organization with its most powerful stakeholders. In a sense this encompasses notions of contingency and negotiation between different stakeholders which may have different calls on the organization. Customers as well as funders can then be part of the accountability mix and fit into an authorizing environment even though the state may be central to this environment. It is in this realm that value capture may be most apparent.

Charities and accountability and alignment

Bilodeau and Slivinski (1997) analyse how charities form and distribute resources. They argue that the alignment between what charities specifically target and the distribution of funds to those recipients ensures additional capital and allocation of funding. They develop a model that suggests that specialist nonprofit organizations (particularly in the area of medical research) are more likely to attract funding than more generic nonprofit organizations with diversified activities or programs. 'Donor designations' they suggest increases competition among charities and sharpens their ability to appeal to both generic and specific donor targets (Bilodeau and Slivinski 1997, p. 451)

Porter and Kramer (1999) have also looked at the effectiveness of foundations in creating value for social programs. Unlike Bilodeau and Slivinski (1997), Porter and Kramer lament the lack of strategic focus from the donor's point of view. Porter and Kramer (1999) suggest that foundations need to strive for superior performance in a chosen arena. They need to be prepared to measure the effectiveness of their programs, limit what they do, engage only in activities within the foundation's structure and with grantee organizations that enhance positioning and finally shed programs that do not enhance positioning (1999, pp. 128-9). Foundations also need to work closely with their grantee organizations to enhance the capacity to deliver programs and to invest more strategically for long term innovative programs, research, development and evaluation (1999, pp. 130).

What museum accountability and the nonprofit sector examples above collectively illustrate is that accountability and alignment is linked to stakeholders. How stakeholders are identified and differentiated in terms of their importance is contentious. This suggests that that accountability and alignment become complex for managers to understand. If value capture and ultimately value exchange is to be extracted then stakeholder analysis may need to be explored.

2.4 Stakeholders

Accountability and alignment imply the presence of stakeholders. The concept of stakeholders however is complex and has been the subject of debate and revision among a number of theorists in both the for-profit and nonprofit literature (Mitchell et al. 1998; Greenwood 2001; Friedman and Miles 2002; Phillips, Freeman and Wicks 2003; Bryson 2004).

Foremost among these debates has been the difficulty in identifying and analysing who or what a stakeholder is in any organization, what attention should be paid to different stakeholders and how policy should be implemented that benefits stakeholders (Bryson 2004, pp. 24-6). Indeed the definition of a stakeholder has evolved over time. Growing from the 1960s Stanford memo where stakeholders were defined as 'those groups without whose support the organization would cease to exist', Freeman defined a stakeholder in the 1980s as one who '…can affect or is affected by the achievement of the organization's objectives' (Mitchell et al. 1998, p.p. 280-1). In the 1990s, Donaldson and Preston's suggested stakeholders are '…identified through the actual or potential harms and benefits that they experience or anticipate experiencing as a result of the firm's actions or inactions' (Mitchell et al. 1998, p.p. 280-1). This range of definition has given rise to a profusion of stakeholder theories.

Concepts of stakeholders

Phillips, Freeman and Wicks (2003) argue that stakeholder theory is entwined with moral decision-making. The moral dimension implies that organizations exist to benefit more than shareholders (2003, p. 481). They suggest that stakeholder theory implies both procedural and distributive justice. This means that processes on how decisions or policies are developed need to be transparent and that the material or symbolic results of these processes need to be distributed equitably (2003, pp. 487-8). Phillips, Freeman and Wicks (2003) distinguish between normative stakeholders (for whose benefit the organization exists – 'financiers, employees, customers, suppliers and local communities') and derivative stakeholders (those for whom the organization has no moral obligation, but who can nonetheless effect the organization, such as 'competitors, activists, terrorists and the media'). They suggest that both normative and derivative stakeholders need to be taken into account in the procedural and distributive processes, but not necessarily equally (2003, pp. 489-90). Indeed even within the 'normative' stakeholder set, the authors imply that equitable procedures and distribution of benefits or negative results are problematic in relation to 'communities'. Even if communities or the government are effected by the results of an organization's activities, they may not always be regarded as stakeholders – an ambiguous notion that has been poorly explored (2003, p. 496).

Greenwood (2001) addresses the relationship between the organization and the community through developing a typology of narrow and broad notions of the community. She suggests that how a company orientates itself to the community depends on its size and its age. The larger, established organizations tend to view the community in a broad context, while small, newer organizations tend to segment the community into those parts that may be of benefit and orient themselves more favourably to those segments (2001, p. 42). However, the outcome of these 'community as stakeholder' findings tends to focus on philanthropy and company giving. It also encompasses a vague notion of corporate community responsibility. This term (first described by Altman), Greenwood calls 'integrative' stakeholder behaviour including 'employee ownership programs or involvement of the community in budget planning' (2001, p. 43).

Greenwood's (2001) research however conflates organizations that are both for-profit and nonprofit. This is highly problematic where there may be a genuine difference between the 'equity' that a community has in an organization depending on the organization's core business. For example, she includes service organizations such as local government who it may be argued have the community as a non-controversial 'normative' stakeholder as opposed to manufacturing organizations who may perceive the community as a 'derivative' stakeholder to use Phillips, Freeman and Wicks (2003) categories. In this sense the conundrum that the 'community' poses as a stakeholder in any organization remains unresolved.

Dynamic models of stakeholders

Arguments about the community's stakeholder status, and indeed the status of the state as a stakeholder, are highlighted when an organization exists to serve the public as a nonprofit entity. For example, Bryson's (2004) diagnostic approach to stakeholders is developed to assist nonprofit organizations identify and attune themselves to 'key stakeholders'. However, Friedman and Miles (2002) operating from a social realist position go further and attempt to categorise active relationship stakeholders to an organization.

Friedman and Miles (2002) suggest that Archer's model of stakeholder theory can be drawn on to distinguish four orientations for nonprofit companies. According to Friedman and Miles, these are necessary and contingent; compatible and incompatible (2002, pp. 5-7). In this configuration, shareholders, top management and partners are placed in the necessary/compatible quadrant. Trade unions, low level employees, government, customers, lenders, suppliers and some NGOs are placed in the necessary/incompatible quadrant. The public and companies connected through trade are placed in the contingent/compatible quadrant. Aggrieved members of the public and some NGOs are placed in the contingent/incompatible quadrant (2002, p. 7). Both necessary/compatible and necessary/incompatible are subject to some form of social or formal contract while contingent/compatible and contingent/incompatible are not.

The authors demonstrate how these relationships can change when dynamic situations occur. They use the example of Greenpeace's transformation from a radical organization challenging extractive industry activities in 1971 through to 1990s when Greenpeace evolved into a corporatized organization. In this reinvented light, Greenpeace offered to work developmentally with those organizations that had shifted their perceptions on environmental protection. Such shifts had come about as a result of previous Greenpeace activism, changes in public attitude and government regulation and legislation. Friedman and Miles saw this as an example of a structural stakeholder shift from contingent/incompatible to necessary/incompatible (2002, pp. 14-5).

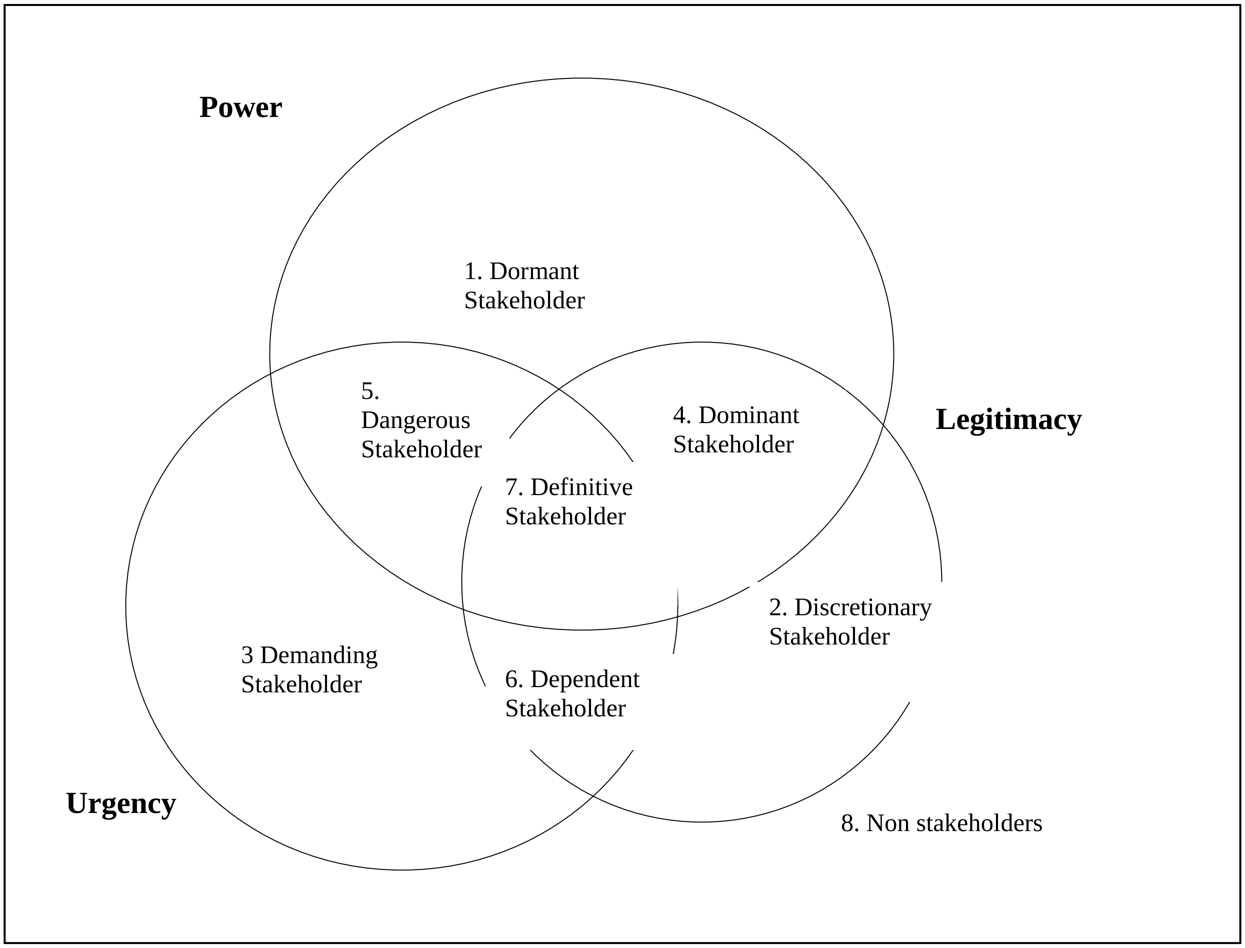
The strength of this model is that it allows for change over time and for stakeholders to shift their relationships to organizations and vice versa.

A similar dynamic model is proposed by Mitchell, Agle and Wood (1998). Using notions of 'legitimacy' and 'power' they add an extra dimension of 'urgency' as the ingredient that transforms stakeholder relationships (1998, p. 276). Legitimacy and power are also explored as mutually exclusive concepts which can coalesce to form a particularly authoritative stakeholder (1998, p. 290). This is a notion similar to Moore's (2000) 'authorising environment' and upstream stakeholders .

Mitchell, Agle and Wood (1998) suggest that power and legitimacy relationships are contested. Consequently they differentiate relationships of power and legitimacy. In relation to power, a simple relationship may exist between the firm and the stakeholder. The stakeholder or the firm may be dominant in the relationship (power dependence) or there may be mutual power dependence (1998, pp. 284-5). Similarly with legitimacy, there may be a contractual arrangement between the firm and the stakeholder. The stakeholder may have a claim on the firm or may have a moral claim or have something at risk (1998, pp. 285-6). The firm's ability to focus its attention on a stakeholder may depend on the perception of how urgent the stakeholder's demands are on the organization in combination with either the stakeholder's power or legitimacy or both (1998, p. 294).

In deploying this model, they have distinguished stakeholders thus:

Figure 3: Stakeholder typology: one, two or three attributes present
Source: Mitchell et al 1998, p. 298



Mitchell, Agle and Wood (1998) group these stakeholders into Latent Stakeholders and Expectant Stakeholders (1998, p. 298). Latent stakeholders include dormants, dangerous and demanding stakeholders and possess only one attribute of the typology. A dormant stakeholder is one that has power but no legitimacy and has ‘little or no interaction with the firm’ (1998, p. 299). Such stakeholders may be former employees who become ‘dangerous stakeholders’ if they choose to exercise their power by going to the media. Discretionary stakeholders are defined as those who are the recipients of the firm’s largesse, for example philanthropy (1998, p. 300). Demanding stakeholders may be those who make allegations and claims but have neither power nor legitimacy. An example might be a sole picketer of the organization (1998, p. 300).

There are four Expectant Stakeholder classes. Dominant stakeholders are one class that have ‘formal mechanisms in place which acknowledge the importance of their relationship with the firm’ (1998, p. 301). Dependent stakeholders are another class that have legitimacy but depend on others to act on their behalf, including dominant stakeholders (1998, p. 302). Dangerous stakeholders are a third class that have no legitimacy but possess power to disrupt the organization (1998, p. 302). The fourth class are definitive stakeholders who are the dominant stakeholders with urgent claims (1998, p. 303).

The strength of Mitchell, Agle and Wood’s (1998) model is that it allows for shifts between stakeholder status over time. It also acknowledges changing circumstances of both the stakeholder and the organization. In this way managers are able to identify when a stakeholder’s demands are sufficiently potent to warrant action.

Understanding the status of stakeholders and the need for action may be particularly relevant in the case of new entrants. At this stage of an organization’s life cycle, managers may be exploring and testing the quality of stakeholder relationships in terms of power, legitimacy and urgency for the first time.

2.5 Types of stakeholders: collaborators, sponsors, the public and the state

Stakeholders may be numerous in any organization. For museums it is arguable that the most consistent external stakeholders tend to revolve around collaborators, sponsors, the public and the state.

Museum Collaboration

Collaboration in museums has taken two forms. The first one involves museum programs developed in collaboration with the public or other museums (Haydon 2004; Harrison 2005). The second form involves museums developing a research agenda around objects in the collection and museum management practices (Anderson 2005). The latter is usually accomplished in collaboration with other museums and with the tertiary sector (Stanton 2005) .

Neither of these approaches is without controversy or constraints (Moore 1997; Trotter 1998). Collaboration in relation to museum new entry may involve community collaboration, museum collegiate endeavour and tertiary sector research programs. This is a much more applied than conceptual understanding of the nature of collaboration and collaborators. For a more comprehensive and conceptual understanding of collaboration, elements identified in the collaborative advantage literature may throw further light onto the nature of collaborative partnerships and how value is captured.

Theories of collaboration in the nonprofit and for-profit literature

Collaboration between nonprofit organizations has focused on the ability to adjust strategic planning development and implementation (Stone 2000; Rich et al. 2001). It has focused on capacity building of the organizations within the alliance and their ability to deliver additional benefits. The complexity of collaboration is dealt with in the for-profit literature or literature that takes into account both for-profit and nonprofit alliances within or across sectors (Huxham 1993; Kanter 1994; Vangen and Huxham 2003; Huxham and Vangen 2005). It also focuses on how ambiguities and tensions arise within collaborative relationships in the nonprofit and public sectors. Themes associated with this are explored below.

Creating value for collaborative partners

Kanter’s (1994) cross-cultural study on alliances calls for collaboration that yields benefits for each partner, creates new value, depends on interpersonal contact and organizational learning. She describes different forms that collaboration may take and the processes of the union using a metaphor of love, courtship and marriage. The implicit message is the fundamental importance of nurturing the relationship and recognising difference. Much of this is dependent on interpersonal relationships and the ability to create equal control for long-term ventures. Kanter’s work has raised a number of issues taken up by other researchers.

Collaborative processes

Huxham and Vangen suggest that creating successful collaborative advantage is a matter of initial serendipity rather than strategic or deliberative planning (Huxham and

Vangen 2005, p. 252). However ‘enhancing serendipity’ draws collaborative partners into a complex web of defining competing and multi-dimensional aims. This also includes understanding the nature of ‘episodes’ in negotiating tension around finding common goals. It covers building governance structures and building and sustaining trust. Understanding the sources of power and power management, identity formation and the nature of leadership are also part of the collaborative mix. Facilitative leadership (‘embracing, empowering, involving and mobilizing’) as well as engaging in directive leadership (‘collaborative thuggery’) are two forms of leadership that ebb and flow in the collaborative relationship (Huxham and Vangen 2005, pp. 254-5).

Huxham (1996) suggests that a definition of collaborative advantage involves capitalising on synergies between organizations. Her definition for the nonprofit sector is reasonably all-encompassing. Quoting from an earlier article she states:

> Collaborative advantage will be achieved when something unusually creative is produced – perhaps an objective is met – that no organization could have produced on its own and when each organization, through the collaboration, is able to achieve its own objective better than it could alone. In some cases it, should be possible to achieve some higher level…objectives for society as a whole rather than just for the participating organizations (Huxham 1996, p. 14)

Much of Huxham’s work revolves around public sector and social and economic benefits derived from nonprofit organizations (Huxham 1993; Huxham 1996; Huxham 2000; Eden and Huxham 2001b). It could be argued that museums might achieve “higher objectives for society” through the process of value creation through collaboration.

However, Eden and Huxham (2001b) also indicate that collaborative alliances are complex to manage and identify a number of confounding factors that can jeopardize the smooth flow of a collaboration. These include tensions and negotiations over goal ownership and identifying ‘episodes’ in the initiation, development and maturity of the collaborative arrangement (Eden and Huxham 2001b, pp. 378-9).

Governance

Huxham (2000) has also explored the complexities surrounding governance of collaborative ventures. She suggests that these too are subject to ambiguities. Individual cooption and membership can be inherently confusing for those serving on a number of collaborative committees. In addition, governments often set the agenda rather than the collaborating organizations resulting in the often ill-defined role of participants and what they represent. The dynamics associated with the external pressure of changing policy agendas and internal organizational priorities can also confound collaborative relationships (2000, pp. 341-6). These tensions and ambiguities can be played out within the collaborative arrangement but in sometimes hidden ways, disrupting the intention and goals of the collaboration.

Huxham (2000) suggests that collaborations begin because of the differences that each organization can bring to the arrangement and the synergies that arise as a result of differences. Herein also lies the problem. Differences, while being a source of advantage, can also be a source of procedural inertia, power imbalances between collaborating organizations (or power vacuums within the collaboration itself) or misunderstandings (2000, pp. 348-50). Huxham suggests that the issue of trust and trust-building is the key to finding the equilibrium necessary for collaborative relationship building and creating collaborative advantage. Counterposing this, Huxham suggests, is the paradoxical notion of 'thuggery' or single-mindedness and perseverance. Facilitative and directive types of leadership within the collaborative venture can be used in positive ways to achieve outcomes (2000, p. 353). 'Thuggery' or directive leadership, however is only for the reflexive practitioner rather than the brute force of the amateur who may not allow for dissent, participation or for others to take on leadership roles as circumstances arise (2000, p. 354).

Mohr and Sengupta (2002) also touch on the themes of managing relations and exploring outcomes produced by collaboration. They suggest that trust and relationship management is dependent on the ability of the partners to recognise the type of knowledge that is 'traded' within these collaborations (Mohr and Sengupta 2002, p. 283). Like Huxham and others above, Mohr and Sengupta suggest that issues around the transfer of explicit and implicit knowledge in a partnership can be controlled through governance principles. These governance principles uphold the competitive advantage that is embedded in an organization through its knowledge competencies. Protective governance prevents a partner internalizing competency knowledge and potentially creating an imbalance of power and competitiveness. Mohr and Sengupta have developed a typology covering partner intent (to access or to internalise knowledge) and types of knowledge to be traded (explicit or tacit). The duration of the relationship is dependent on the risk of valuable and hard to imitate knowledge being transferred. Structural and procedural arrangements are required to ensure collaboration without jeopardizing competitive advantage (Mohr and Sengupta 2002, p. 293).

Trust-building

Managing a collaborative relationship then is dependent on trust-building. Vangen and Huxham (2003) believe trust-building falls within a number of categories. This encompasses the mere existence of some trust through to the beginnings of trust-building, managing risk in relation to trust, expecting trust-building to continue and finally where trust begets trust (2003, p. 9). Looking at both the nonprofit and for-profit examples of trust-building in collaborative ventures, Vangen and Huxham flag the importance of balancing power and control. If elements of power and control are unevenly distributed between collaborative partners then trust-building relationship may be potentially jeopardized. In the nonprofit area this translates to ‘credit recognition’ and ‘territory control’ (2003, p. 14). The trust-building loop proposed by Vangen and Huxham is predicated upon partners agreeing on outcomes of the collaboration and a willingness to take risks. Partner identification, developing the structure of the partnership, establishing clarity of purpose and managing risk are precursors to trust-building.

Complex networks

Wilkinson and Young (2002) have considered the complexities of collaborations and networks in the for-profit sector. They suggest that networks/collaborative ventures tend to be ‘complex self-organizing systems…(where) the whole network is engaged in trial and error learning processes..’ (2002, p. 126). Touching on many of the issues outlined by Huxham and others above, but in a more abstract way, Wilkinson and

Young suggest that collaborating organizations engage in 'purposive and adaptive behaviour' (2002, p. 127). Their goals may be reached but these goals may also produce positive or negative unintended outcomes. Positive or negative outcomes may depend to some extent on whether the collaborating organizations are weakly or richly connected. If they are weakly connected the collaborating organizations may survive in less complex environments. If they are richly connected the collaborating organizations can survive in more complex environments. However, richly connected networks can be detrimentally effected by change, conflicts of interest, resistance and finally operate on the edge of chaos (2002, p. 128). Finding the balance between weak and rich connections and optimally exploiting and adapting individual resources for the mutual benefit of the group is the subject of further modelling and research (2002, p. 130).

In summary, the collaborative advantage literature implies that successful collaboration is dependent on a number of elements:

- Identifying appropriate partners to achieve particular goals;
- Understanding the difference between short-term and long-term collaboration, and implications of weak and rich connections;
- Understanding that the value created in collaborative ventures may not simply be for the benefit of end users but may also be of value to one or more of the partners. The more tacit the knowledge traded in these collaborations the more value is created for the internalising agency within the alliance;
- While informal, ongoing, interpersonal relationships between collaborators is important, knowledge transfer and value creation needs to be managed by procedures and structures agreed between the partners. This may allow adaptive self-organizing systems to emerge in certain conditions;
- Development of trust is the 'glue' that holds together the collaborative arrangement in the face of internal ambiguities and external pressures.

The nature of collaboration in the nonprofit sector has been reported in terms of capacity building and the impact on efficiency or effectiveness of service delivery. It has been analysed as a transactional system between agencies and the effect that such collaboration has on the each system. This latter approach has also been the province of the for-profit sector. Advantages and disadvantages of collaboration have been analysed in terms of the effect on each organization, the relationship between organizations and the consequences for maintaining an element of competitive advantage in the marketplace. Collaboration in these instances only makes sense if it advantages partners reasonably equally (or creates reasonably equal value); can be managed to ensure equity of value/knowledge transfer between partners; and jointly (and legally) allows for superior performance against other competitors.

In terms of museums, such collaborations may be seen to include trust-building and trading knowledge which implies a level of reputation and leadership within the sector. The ability to form collaborative partnerships and ventures falls within the realm of value capture and is predicated on the museum having value assets from the outset. These value assets may revolve around value creation located in the building, collection and programs which are leveraged for collaborative partners. Value capture and exchange for collaborators may reside in mutual enhancement of reputation and leadership based on trust-building and knowledge trading within the collaborative partnership.

Sponsors

Understanding the status of sponsors as stakeholders in cultural organizations has not been extensively researched. Nonetheless, encouraged by the state, museums and other cultural institutions are seeking sponsorship support (Australian Business Arts Foundation 2001; Cultural Ministers Council Statistical Working Group 2002). However, business sponsorship for nonprofits and cultural organizations has not been seen as a ‘natural alliance’ in Australia in the same way it may be elsewhere in the world. As a result, a general overview of the state of sponsorship and attitudes to sponsorships in the cultural sector is first presented here. This is undertaken in order to position sponsors as stakeholders within the value capture mix.

Sponsorship in North America grew from ‘$2.5 billion annually in 1990 to an estimated $8.7 billion in 2000’(Ruth and Simonin 2003, p. 19). Worldwide it is estimated to be $20 billion (Ruth and Simonin 2003, p. 19). In Australia sponsorship in 1996-7 was estimated $466.5 million of which $282 million was related to sport sponsorship and $29 million was related to arts and cultural sponsorship (Australian Bureau of Statistics 1999a, p. 4). By world standards this makes Australia a ‘poor cousin’ with arts and cultural sponsorship particularly lagging.

Sponsorship is both competitive and complex. Sponsorship has not been well theorized in the nonprofit and museum management literature although there has been extensive reporting of arts sponsorship interactions and the subsequent implications for the integrity of arts and cultural development (Martorella 1996).

What business stakeholders are generally seeking through sponsorship is enhancement of their reputation and greater sales (Australian Foundation for Culture and the Humanities and Arthur Anderson 1999). They seek reputation enhancement by supporting a ‘quality’ brand (Australian Business Arts Foundation 2001). They seek increased sales by connecting with specific market segments that cultural institutions can deliver (Australian Business Arts Foundation 2001). They may also be seeking supply-chain cohesion, rent-seeking through sponsorship and political lobbying and providing employee benefits through projects or events that are delivered by a cultural institution (O'Hagan and Harvey 2000, p. 209).

Of the number of theoretical perspectives identified by Cornwall, Weeks and Roy (2005) in relation to how consumers regard and recall sponsorship, congruence theory is particularly apt in the case of museums, their visitors and potential sponsorship opportunities. The complexity of congruence theory suggests that while ‘fit’ or complementarity between the sponsor and the sponsored is desirable in most arrangements, incongruity can sometimes lead to higher brand awareness (Cornwell et al. 2005, p. 38). Sponsor incongruity for museums has been seen as difficult. Incongruity may tarnish the museum brand, eroding the museum’s reputation and setting in place an uneasy relationship between exhibitions, sponsors and advertising (Editorial 1996). Fear of losing independence in face of sponsorship demands has also been signalled (Wu 1998, p. 48) . In addition reliance on philanthropy can be unpredictable (Burton 2003, p. 194).

How museum managers then leverage value from their assets (the building and collection) may be ambivalent for museum managers but necessary in terms of shifts in public policy sanctioning higher levels of sponsorship support (Cultural Ministers Council Statistical Working Group 2002).

The Public

The relationship of the museum to the public has been encapsulated in the area of visitor studies (Hudson 1975; Weil 1997; Hein 1998). Visitor studies as a phenomenon concentrates on understanding the profile of visitors and non-visitors, the motivations for visitation or avoidance, the meanings that visitors derive from their experience and monitoring these meanings (Falk and Dierking 1992).

Many of the researchers in this field have called for museums to re-think content and design of exhibitions, facility and amenity standards (Hood 1992). In many instances museums have taken on changes to appeal to customers at a micro exhibition level in order to expand the visitor base (Hood 1992). Yet the socio-economic and education visitor profile has remained by and large the same for the past thirty years (Griffin 1978; Australian Bureau of Statistics 2003).

Paradoxically then, the increase in higher education opportunities has not necessarily resulted in increased visitor numbers to social history and natural history museums whose visitor numbers have been in decline for the past ten years (Australian Bureau of Statistics 2003, p. 5). It would appear that visitor studies rather than being a catalyst for change and assisting the increase in visitor numbers have become ends in themselves. The visitor and non-visitor may simply have become objects under scrutiny and subject to differing interpretations in the museum mix.

Theories around cultural consumption have also been developed in the cultural studies sphere (Bourdieu 1984; Macdonald and Alsford 1995; Bennett, Emison and Frow 1999). These studies suggest that cultural consumers coalesce around a range of demographic and psychographic attributes.

Understanding how value is captured from value creation for the public may reside to some extent in testing attitudes and gauging the extent of learning (already well documented) but also analysing what is actually consumed by visitors. This then places visitors and the public more in the realm of stakeholders rather than objects to be studied.

The state

Given the reliance on government support for the establishment and maintenance of museums, this element may seem self-evident. The state may be the most influential stakeholder in the museum. However, the relationship between the state and museum management may be complex.

The state itself is not homogenous and may disaggregate into various constituents including levels of government (state and federal), government departments that have connections to the museum as an entity and federal and state Ministers responsible for the arts.

Museum managers may also respond to the state in different ways. The way managers connect to the state and maintain the state as a principal through the process of value capture may be explained through an analysis of resource dependency theory, agency and stewardship theory.

Resource dependency theory suggests that managers are dependent on the external environment for sourcing support (Erakovic and Wilson 2005). The extent of their dependence on a stakeholder in the external environment determines the actions of the manager. It also determines the extent of influence the stakeholder may have on the organization (Frooman 1999). The more reliant on an input (in the case of museums the majority of their financial base), the greater the concentration of the source of the input and the less ability an organization has to shift the resource dependency, the more likely the manager will be compliant to the stakeholder’s demands in times of conflict (Frooman 1999, p. 195). This reliance and dependency may extend to the stakeholder determining ‘technologies, goals, services and personnel’ within the organization (Erakovic and Wilson 2005, p. 309).

Anheier, Toepler and Sokolowski (1997) suggest that there is a connection between a manager's orientation towards the state if more than 50% of an organization's resources are derived from the state. This suggests that museum managers are state oriented given their institutions' resource reliance on the state at 70-80% (Australian Bureau of Statistics 2001, p. 4). However, this transaction may not be clear cut. Matthews and Shulman (2005) suggest that managers in public organizations delivering 'public good' and thereby creating wealth for a third party, need to juggle the 'salience and priority of those whose resources the manager is dependent upon' (p. 239). Given the various other stakeholder and professional pulls that museum managers are subject to, the idea that museum managers are state oriented may be complex. Agency and stewardship theories may illuminate aspects of this complexity (Davis, Schoorman and Donaldson 1997; Miller 2002; Van Slyke 2005).

Agency theory suggests that managers are self-seeking in maximizing their utility in relation to the institution they manage (Davis et al. 1997). Their actions therefore need to be monitored in so far as the interests of the principal and the agent diverge.

Some researchers have suggested that monitoring is difficult in the nonprofit sector where the concept of ownership of a company is indeterminate (Miller 2002). This may be less of a problem for museum managers, who see the state as a main source of income, even though the state as such does not own the museum in the same way shareholders may own a publicly listed company. Accountability processes explained above, however may place the state as a principal in relation to the museum.

Stewardship theory suggests that managers are more complex than the utility maximisers that agency theory projects (Davis et al. 1997). Stewardship theory suggests that managers attempt to maximize utility as a collective rather than individualistic impulse. The interests of the organization are paramount and consonant with the steward's interests. The notion of collective interests may be extended in the case of museums to include not only the museum, for which the manager is responsible, but also the collegiate of museum professionals on a national and international scale. These dual collective interests at times may be incompatible.

Difficulty occurs when there is a clash between stakeholder accountability and alignment. Speaking from a for-profit perspective Davis and others suggest a scenario that could be equally valid for managers in nonprofit organizations:

> Given the potential multiplicity of shareholders' objectives, a steward's behaviour can be considered organizationally centred. Stewards in loosely coupled, heterogeneous organizations with competing stakeholders and competing shareholder objectives are motivated to make decisions that they perceive are in the best interest of the group. Even in the most politically charged environment, one can assume that most parties desire a viable, successful enterprise (Davis et al. 1997, p. 25)

The 'group' however, in museum management may not necessarily be the museum alone. It may not even be the state although it may be acknowledged to be powerful in relation to resources. The 'group' can also be the public or even the collegiate of the museum profession or other museums as collaborators.

Explaining a museum manager's behaviour in maintaining the state as a principal then may be complexly layered. When a museum manager identifies as a steward, he/she may fall foul of the state if the principal (the state) sees the manager as an agent (self-seeking) (Davis et al. 1997). In this scenario, the steward may see the state as acting opportunistically, frustrating and betraying the manager (Davis et al. 1997, p. 39). The opposite scenario occurs if the state perceives the manager as a steward, but the manager may be acting as an agent. The state will then see the manager as opportunistic and feel betrayed and angry (Davis et al. 1997, p. 39).

While not assigning resource dependency theory, stewardship or agency theories as a single most useful explanation of manager's behaviour in relation to the state, an awareness of each theory may assist in explaining how the state is maintained as a principal. These theories may also assist in explaining how managers behave in capturing value and affecting the liability of newness. Indeed all aspects of these theories may be operating simultaneously at new entry stage and may do so in complex ways.

For example, resource dependency theory as explored by Frooman (1999) suggests that resource seeking and distribution may be reciprocal:

> …a resource is essentially anything an actor perceives as valuable, whereas dependence is a state in which one actor relies on the actions of another to achieve particular outcomes (Frooman 1999, p. 195)

However, dependency may also have an element of mutuality. Pivotal in Frooman's understanding of resource dependency theory is the extent to which power can be exercised by the stakeholder over the firm or vice versa and will therefore determine the dispersal or withholding of valuable resources (1999, p. 201).

For museums, this may translate into the state withholding funds. It may also place museum managers in tension with other stakeholders whose value capture may be important to the museum but incompatible with the state. Reconciling the tension between value capture for various stakeholders may mean that a museum manager oscillates between 'agency' and 'stewardship' which may then mean further complications with their relationship to the state.

The movement from one position of agency to stewardship has been explored previously through the trajectory of nonprofit organization's relation to contractual agreements with governments. Van Slyke (2005) suggests that original new contracts display 'classic principal-agent relationship' but that over time alignment is reached. Managers in government agencies tend toward a stewardship approach in nonprofit contractual arrangement because this is how they operate within their own bureaucracies (2005, no page number). The overarching interdependence between the government and nonprofits ensures 'fewer instances of opportunism and moral hazard' (2005, no page number).

Of all stakeholders in the museum new entry process, the state may be the most complex and most significant. The maintenance of the state as a principal may involve managers simultaneously displaying attributes of agency and stewardship theory as well as resource dependency theory in capturing and exchanging value at new entry stage.

2.6 Value creation, value capture, accountability, alignment and stakeholders

Value creation has been identified as a fundamental element for nonprofits operating in a mixed marketplace and a nonprofit marketplace (Frumkin and Andre-Clark 2000; Moore 2000; Bryson et al. 2001; Lindenberg 2001). Related to value creation are notions of value capture associated with accountability (Brown and Moore 2001; Ospina et al. 2002) and alignment (Porter 1995; Porter 1996; Bilodeau and Slivinski 1997; Porter and Kramer 1999) based on dynamic concepts of stakeholdership (Mitchell et al. 1998) .

However none of this work combines these elements in ways that potentially explains how nonprofit companies can create and capture value. Researchers have concentrated on their specific area – identifying value and matching this to strategy as Lindenburg (2001) does, accountability and alignment as Brown and Moore (2001), Bildeau and Slivinski (1997), Porter and Kramer (1999) and Ospina and others (2002) do and identifying strata of stakeholders and their influence on the organization as do Mitchell and others (1998).

It is suggested that by extending notions of value creation and value capture an understanding of new entry and limiting the liability of newness can be reached.

The key concepts of new entry and limiting the liability of newness are explored next. New entry is the condition in which value creation and capture is examined, while limiting liability of newness may be related to value exchange and assist in continuing a cycle of value creation, capture and exchange.

2.7 New Entrants and limiting the liability of newness in the nonprofit sector

The conceptual framework adopted by the nonprofit literature around new entry, liability of newness and concomitant concepts of 'success' and 'failure' have their theoretical foundations in the for-profit sector. The for-profit conceptual framework for new entry is examined and then illustrated by examples drawn from empirical research based on nonprofit organizations. Elements of new entry pertinent to the nonprofit sector are then noted. A discussion on the concept of survival follows.

Concepts of new entry in for-profit research

Elements of new entry in the industrial organization and organization ecology literature focus on liability of newness and population density theories (Mellahi and Wilkinson 2004, pp. 22-27). Liability of newness suggests that the most salient factors for an early exit are associated with inexperienced management, instability in relation to customers, under-resourced capital reserves and unconnectedness or lack of social capital within their industry sector (Mellahi and Wilkinson 2004, p.p. 25-6). Population density theory suggests that managers in new entrant organizations find it difficult to accrue legitimacy for their organizations in a crowded marketplace. As competition intensifies in this crowded environment, managers of new entrants have difficulty in diversifying their business in the same way that managers in more mature firms can (Nickel and Fuentes 2004, p. 45).

Mellahi and Wilkinson (2004) suggest that there are also internal factors associated with organizational studies and organizational psychology theories that focus on top management idiosyncrasies and inadequacies within the firm and the subsequent inability to deal with external threats.

Bruderl and Schussler (1990) suggest that there is a linear progression and an inverted U shaped failure rate from newness to adolescence to obsolescence. Other researchers have critiqued the simplicity of age dependency and failure/success risk and suggest that age and strategy or management competencies are related to failure and success (Henderson 1999; Thornhill 2000).

Henderson (1999) suggests that it is not so much age alone that determines success or failure. Rather he suggests success is determined by age in the context of performance and how managers in an organization embrace change through capitalizing or minimizing internal contingencies or identifying external industry standards. Growth or failure may be jointly influenced by age and strategy.

Similarly, Thornhill (2000) suggests that undercapitalisation is one factor of the liability of newness. Equally important is a lack of competency in marketing management and general management skills. Older companies (beyond adolescence) tend to fail because of company inertia and the inability of managers to respond to changing environmental conditions.

The debate around the relative liabilities of newness or adolescence was first noted when Bruderl and Schussler's (1990) analysis of Stinchcombe (who first addressed the concept of liability of newness) suggested that liability of adolescence is a more serious risk in particular contexts. Echoed by Henderson (1999) and Chambre and Fatt (2002), Bruderl and Schussler suggest that newness is often associated with a honeymoon period where sufficient investment has been made to shore up against initial shocks of the marketplace (1990, p. 530).

The problems that newness face are associated with training, developing 'internal routine and establish(ing) credible exchange relationships' (Henderson 1999, p. 282). While no date is set on when an organization changes from being new to adolescent, a general 'several' years out is seen as the crucial stage of adolescence where initial resources and the goodwill associated with newness become more scarce. Depending on the scale of initial resource investment adolescence can be extended (up to 15 years) before mortality risks begin to be apparent. To some extent the largeness or smallness of an organization and the ability of managers to seek further investment also determines adolescence (Bruderl & Scussler, 1990, p. 530).

Yet what Bruderl and Schussler (1990), Henderson (1999) and Thornhill (2000) have in common is that liability of newness or adolescence is dependent on the type of organization under scrutiny within an industry context. They suggest that it is not simply newness or adolescence alone that creates a crisis, but rather what other factors compound these particular moments in an organization's life. For Henderson (1999) (following on from Bruderl and Schussler's suggestion) it is related to technology and the way in which managers embraced change; for Thornhill (2000) it is associated with a common failure of marketing and managerial competencies.

Concepts of new entry in nonprofit research

Analysis of new entry into the nonprofit sector has primarily revolved around the practical considerations of entry of for-profits into traditional nonprofit markets to create ‘major sectoral boundary shifts’ (Skloot 2000, p. 315).

The boundary shift has come about, according to Skloot (2000) as a result of lowering barriers to entry. To some extent, for-profits identifying the benefits gained by nonprofits in relation to access to capital and technology has also prompted collaboration, mergers or joint ventures with nonprofits (2000, pp. 317-9).

What this suggests is that the landscape has changed to the extent that both for-profit and nonprofits may be seeking a more desirable client base at the expense of those who were seen as traditional welfare recipients (Skloot 2000, p. 316). Serving more costly clients has become unattractive and nonprofits are now exiting the system (Skloot 2000, p. 316). In resisting take-overs both metaphorically and literally, Skloot (2000) suggests that nonprofits need to capitalise on their tacit attributes (particularly knowledge) coupled with investment in technology to benchmark their achievements as well as to nurture long-term employment opportunities for staff.

Twombly (2002). has linked the increase in new entrant human service nonprofit providers to the welfare reform at the US federal level and to the volatility of the sector where new organizations replaced ‘dead agencies’ Others have linked nonprofit new entry success and failure to

> …liability of newness and small size, the inability to reproduce commitment, intra-organizational conflict, inability to mobilise human resources, lack of legitimacy, inability to compete for scarce or depleted financial resources, lack of connections to other organizations, and the completion of the organization’s mission’ (Hager 2001, p. 795).

Of these the most significant factors were newness coupled with small scale and ‘competing in a sparse resource niche’ (Hager 2001, p. 795).

Liability of newness theories in the nonprofit sector resonate with for-profit research concepts which suggest that adaptation abilities, uniqueness of the organization's service, the ability to acquire resources and to become legitimate are the crucial factors (Chambre and Fatt 2002, p. 505). Indeed, on this basis, failure of new entrants may be delayed until 'adolescence'.

> The liability of adolescence argument posits that new organizations experience a honeymoon period. New organizations continue to exist because of an initial stock of resources…, including working capital, which takes time to be depleted, and the goodwill, trust and initial commitment that led to the conscious decision to create an organization. After a honeymoon period, failure rates increase because the initial stock of resources is no longer sufficient (Chambre and Fatt 2002, p. 505).

Chambre and Fatt (2002) suggest that a number of studies indicate that life cycle/product cycle are significant factors in the stages of demise of organizations. Of their study into the growth and contraction of AIDS organizations in New York over a twenty year period, Chambre and Fatt state that the failure of organizations is unsurprising given stress related to staff and board inexperience and lack of connections or networks, policy changes and resource scarcity.

However, they also state that these are not necessarily factors for failure – all new organizations may face these common attributes. The factor for survival appears to be the extent to which an organization harnesses the resources of the state to its cause. Surprisingly, those organizations which relied increasingly on private sources of income 'failed at a much higher rate than those receiving public funding' (Chambre and Fatt 2002, p. 521). This finding has been borne out in other research which suggests that diversifying the funding base through commercial activities, seeking sponsorship and donations potentially creates dissonance within nonprofit organizations and jeopardizes their autonomy, legitimacy and core reasons for existence (Froelich 1999; Inglis and Minahan 2001).

Hager, Galaskiewicz and Larson (2004) add to the Chambre and Fatt (2002) position in suggesting that while age may be a factor in nonprofit organizational failure, an added layer of embeddedness is also operating. According to Hager and others (2004, p. 160), this embeddedness is associated with social capital and neo-institutional theories. This foregrounds the extent to which a new entrant has established networks, exchange relationships (that is, mutual favours) and linkages within the environment that minimize their vulnerability (2004, pp.164-5).

The studies into nonprofit organizations in relation to new entry reflect a number of issues that are similar and different to more theoretical studies in the for-profit sector. Similarities include:

- Powerful, resource rich new entrants have the ability to change the nature of the industry in which they operate. The extent to which this is true is reflected by the behaviour of existing organizations to resist or to seek merger, collaboration, joint ventures or sub-contracts with new entrants;
- New entrants have a number of inbuilt liabilities around 'newness', inexperience, lack of networks and undercapitalisation.

There is no obvious placement of new museums in the frameworks presented by both the nonprofit and for-profit literature. Because state investment in new museums is proportionately high, there may be an expectation that museums would succeed. This does not necessarily mean that liability of newness is not operating. The complex way in which the state relates to a new museum, apart from investment, may mean that the state is seeking complex delivery of value. However, the value the state is seeking may not necessarily be explicitly articulated despite obvious forms of accountability and the transparency of performance indicators.

Similarly, the distinguishing factor for survival of a new entrant in the nonprofit sector is the ability to link the organization to the state as a customer. Yet despite this observation in the nonprofit literature, the relationship of the state to the organization is not simply in the role of 'customer' as Moore (1994) has established. The state can also be the 'board of directors' and the 'bank'. The multiple roles that the state plays links to the reciprocity of value creation at new entry. How value is leveraged for the state through a process of value capture may then illuminate liabilities around newness. The multiple roles the state plays and the response of museum managers to the state may become significant depending on the reliance on the state for resources (Anheier et al. 1997) which may be greater at new entry and which has been explored in 2.5.

Survival

The recurring theme that weaves throughout new entry and limiting the liability of newness is an understanding of survival. While survival has also been discussed as part of organizational theory generally it has had more prominence as part of a paradigm based on economic theory or a paradigm of organizational ecology theory (Mellahi and Wilkinson 2004; Chopra 2005).

Economic theory views survival as part of a complex economic environment of evolution and change brought about by natural selection (Valle 2002, p. 216). According to this perspective, Valle suggests that an organization is a conglomerate of internal routines that have been determined by past behaviours (2002, p. 216). Routines however, are not static and adaptation occurs in a variety of ways. Such adaptation can be generally characterized as falling into categories of either imitation (adopting successful routines from other organizations) or innovation (trial and error) (2002, p. 216). The external environment makes the selection of which routines, and therefore which firms, can best survive through the process of competition (2002, p. 217). These successful routines then form part of an organization’s genetic heredity but continue to be adapted and changed through continual evolutionary processes.

Organizational ecology views survival as part of a social perspective where population diversity determines the survival of individual firms within the sector (Valle 2002, p. 217). This perspective suggests that organizations are inherently inert and may only respond to environmental change after a period of delay. Inertia is overcome not necessarily by adaptation of particular routines within organizations to environmental change, but rather by ensuring diversity within the industry sector. Diversity is only brought about by processes of organizational birth and death which is determined by the environment, similar to the evolutionary theory, through a process of natural selection (Valle 2002, p. 217).

The main difference between evolutionary theory and ecological theory is that natural selection is based on resource scarcity – that is, when the 'total demand for (organizations) is greater than the available offer of resources in the niche occupied' (Valle, 2002, p. 217). Valle suggests that selection is made by the environment in favour of those organizations that compete best for scarce resources. The organizations that compete best are those which can adapt quickest (overcome inbuilt inertia) and are often associated with new entrants (2002, p. 218).

These stances reflect an emphasis on internal adaptability and survival (evolutionary perspective) on the one hand and an emphasis on external influences (ecological perspective) as a condition of change and survival on the other. Valle (2002) suggests that these two positions are not irreconcilable. According to Valle (2002), organizational demise or disappearance is brought about when managers within organizations cannot adapt routines and resources effectively or efficiently to respond to changes within the environment. Those leaders who can adjust routines and resources within their organizations to match environmental change ensure survival of the organization. However, such internal changes can also unsettle the organization, alter its position within the environment and can jeopardize legitimacy.

Considerations of evolutionary theory and survival have been broadened by researchers such as Smith and Saint-Onge (1996). They cover concepts of the learning organization and adaptive leadership. Smith and Saint-Onge (1996) analyse how managers develop mindsets that are difficult to shift contributing to the lack of adaptability within organizations (1996, pp. 7-8).

Understanding organizational change and adaptation to survive has been the subject of a meta-analysis of theories by Lewin, Weigelt and Emery (2004). The range of theories they discuss covering adaptation include population ecology, institutional theory, industrial organization economics, resourced based view, resource dependence theory, transaction cost economics, behavioural theory of the firm, evolutionary economics, organizational learning, strategic choice, contingency theory and punctuated equilibrium (2004, pp. 142-5). While they suggest that each theory is in competition with the others, collectively they ‘inform different aspects and levels of analysis relating to adaptation and to selection’ (2004, p. 148). Their concern is primarily with how existing organizations change either as a result of external or internal circumstances and pressures and how they adapt to resist new entrants. The phenomenon of new entry itself and how new entrants adapt and survive is not specifically addressed and is seen somewhat as a gap in the empirical research agenda (2004, p. 149).

One area that has been addressed to some extent is the nature of disruption that is associated with change and survival (Greiner 1972; Styhre 2002; Christensen et al. 2004; Dooley 2004; Poole and Van de Ven 2004; Pech and Oakley 2005).

Greiner (1972, pp. 39-41) suggests that organizations engage in a form of dialectic in moving from one phase in their development to the next. The catalyst for moving on from a start-up phase, for example, may be a crisis in leadership, whereby the creative and entrepreneurial skills of the founders of the company become increasingly inappropriate in maintaining the operation in a routinized and systematic manner for growth (1972, p. 42). This evolution/revolution pattern continues throughout the phases of the organization with seemingly no end-point.

Christensen, Anthony and Roth (2004, p. 20) suggest that disruption occurs at an industry level and is associated with innovation that occurs when new entrants produce simple, low-cost alternatives to existing services. These new entrants challenge the existing companies by providing sufficient value to overshot customers (those who are consuming a product but at reduced marginal utility), non-customers (those for whom an existing product is too expensive, inconveniently located or who do not meet requirements to consume the product, for example higher education seekers) and undershot consumers (those customers who are prepared to pay a premium for relevant improved service) (2004, pp.9-13). The disruption that new entrants provide to an industry is a means by which the industry itself shifts and forces existing providers to search for new markets or improving existing markets if they are to survive.

Using chemistry as a simile, Dooley (2004, pp. 367-8) looks at the ways firms are pushed from a state of equilibrium to such an extent that they are forced to reorganize in order to meet the new challenges. Dooley suggests that getting to a 'far-from-equilibrium state' can be deliberative and small but has complex consequences which generate self-organizational change (2004, pp. 357-8). However, Dooley suggests that organizations as complex adaptive systems are difficult to model and have not provided sufficient explanation to displace existing theories of adaptation and survival (2004, p. 371).

Similarly, Styhre (2002) uses complexity theory to explain how organizations change in non-linear ways. While still drawing on the simile of natural sciences, he also uses a combination of Deleuze and Guattari and De Landa to explain the way in which change and redirection occurs through interconnected flows of energy and information (2002, pp. 347-8).

Poole and Van de Ven (2004, p. 375) view adaptation, change and survival through an understanding of drivers or 'motors' for change. The ideal typologies associated with change are lifecycle (start-up, growth, harvest, terminate), evolution (variation and selection), dialectic (conflictual change) and teleology (intentional change through dissatisfaction) (2004, p. 376). They suggest that a combination of these four motors explains how and why organizations change and survive (2004, p. 388).

Pech and Oakley (2005, p. 674) also draw on the sciences as an explanation for disruptive events. They suggest that an injection of a toxic substance into an organic system can result in beneficial change to the organism, giving it a greater chance of survival in case of future threatening events. Using case studies they analyse a process of 'disruption of homeostasis, overcompensation, re-establishment and organisational adaptation' (2005, p. 681). If the organization does not overcompensate following a disruptive event, then they suggest that the organization will weaken and eventually succumb to the next disruptive event resulting in demise (2005, p. 683).

Internal flexibility and environmental change have been echoed in the nonprofit research by Bryson, Gibbons and Shaye (2001). Steering away from the evolutionary and ecological paradigms, Bryson and others (2001) suggest that survival is dependent on managers within nonprofit organizations understanding the systems within which they operate. This suggests that managers need to be adept at ‘addressing social and stakeholder concerns in ways that are self-sustaining for the organization in the long-run’ (Bryson et al. 2001, p. 272). Bryson and others echo resource dependency theory in suggesting that a way of ensuring survival and attracting resources is through producing things of value to stakeholders and ensuring this value is relevant through feedback loops.

Chopra (2005) attempts to understand the meaning of survival through examining theoretical paradigms of organizational ecology, demography and economic evolutionary theories. Chopra suggests that while the dynamic forces operating on survival as a phenomenon and processes associated with survival have been clearly articulated through theoretical paradigms, objects of survival and gradations of survival have been overlooked. Chopra elaborates:

> Though survival denotes continuation as well as sustenance, we believe sustenance – a condition of continued existence in the face of opposing forces is a better abstraction of the phenomenon. This belief stems from the fact that business survival is not a passive state of continuation but a result of withstanding opposing forces of the environment – competition and environmental change. To survive, an organization has to create value that more than covers the costs associated with its own maintenance (Chopra 2005, no page number).

He suggests that as a result, different levels of exit may be possible that still show signs of life. The taxonomy of exit events identified by Chopra includes *dissolution*, *sell-off*, *failure to be born*, *life support*, *halt in the organizations operations* and *marginalization*. Only the state of *dissolution* and *failure to be born* are absolute. This is also mirrored in the nonprofit literature where organizations may continue even though their ability to discharge their mission has been compromised or they have been absorbed by larger organizations (Hager et al. 2004, p. 161)

From the theoretical concepts discussed here ‘survival’ is a complex phenomenon. The for-profit literature has been instrumental in developing theories although borrowing from the field of natural sciences to metaphorically describe the forces that act upon survival and processes associated with survival (Valle 2002; Chopra 2005). In the nonprofit literature, it is associated with strategic planning through developing relevant missions, goals and value to stakeholder expectation to continue attracting resources (Bryson et. al. 2001). Chopra (2005) and Hager and others (2004) suggest that survival and non-survival is not always absolute. There are gradations of survival or exit that have not been accounted for in the literature.

In determining the phenomena of survival, elements drawn from a combination of factors identified by Chopra (2005), Valle (2002), Hager and other (2004) and Bryson and others (2002) is useful. Chopra indicates that value creation is fundamental to survival but as an output (profit making) rather than as an input. In the nonprofit sector value creation may be seen as an attribute of life - a reason for being. In this sense it is an input but not necessarily an indicator of the chance of survival. In reconciling these two positions in the museum sector, a concept of exchange value is useful. Exchange value is merit. It is the reward for value creation and capture. The indicators of exchange are both tangible (revenue) and intangible (time, reputation and leadership). Exchange value then is the output of value creation and capture and may indicate the 'state' of the liability of newness and chances of survival.

The Relationship between Newness and Survival

The concept of survival has been adopted from theories on survival based on organizational ecology and economic evolution. Routines for new entrants are based on normative activities of the museum sector. These include collection development, exhibitions and interpretation, programs and services, housed within a particular museum building. How and when these routines and practices are disrupted or adaptively changed by managers in the new entrant museum may contribute to detecting and limiting the liability of newness resulting in gradations of survivability. However, routines and practices may also be connected to a process of value creation and capture and stakeholder relationships.

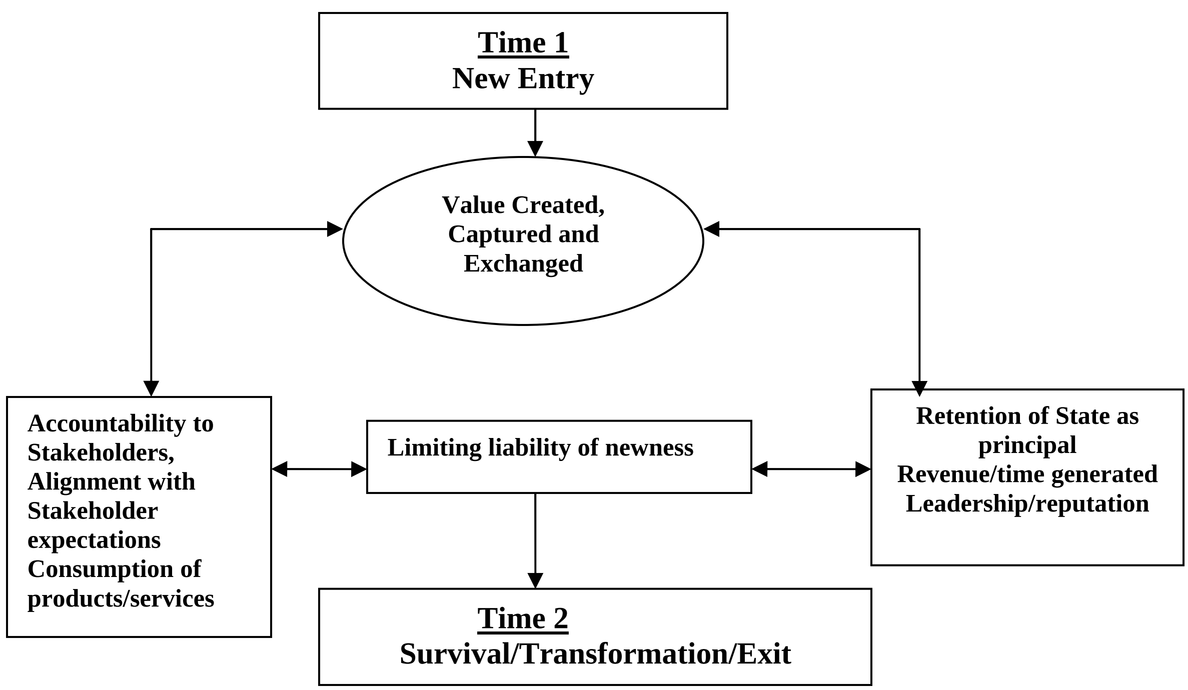
Similarly, diversity within the sector may contribute to limiting the liability of newness. How a manager positions the new entrant organization within the sector that differentiates it from a normative understanding of museum activity may also affect the liability of newness. The position of the museum within the sector may also be a process of value creation and capture and the relationship of the new entrant to potential collaborators.

Survivability is not always an absolute and it may be that some museums survive while some exit or are transformed during the period of new entry. Examining the trajectory of museums within case studies may also throw light on attributes of value creation, capture and exchange and the relationship to gradations of survival.

Survival in the cases of new entrant museums revolves around the ability of a new entrant to continue operations – that is, to keep the doors open and to continue offering programs and services. Where there is dissolution, halt in operations, life support or marginalization, then a new entrant museum may be either closed (dissolution, halt in operations) or transformed (life support or marginalization).

This process may be illustrated thus:

Figure 4: New entry time span - elements of value and survival, transformation or exit



In this illustration, *survival* or *transformation* or *exit* are variables. It is asserted that for survival to be achieved then value must be created (and at some stage captured and exchanged). This value needs to be recognised by those to whom the museum is accountable and by those with whom it wishes to align itself through collaborative ventures or continuing stakeholder investment. Value must also be created, captured and exchanged in order to limit any liabilities associated with newness. In other words, the raw value needs to be converted into refined value and consumed by stakeholders who then provide resources for the museum's survival. Survivability gives rise to indicators – growth (defined as resource investment by stakeholders) and market share (visitors).

Growth and market share may determine where a museum then sits in terms of survival, exit and transformation as a further indicator of how the manager has responded to adapting routines and attracting resources – that is, in limiting the liability of the museum's newness through a value cycle. Growth and market share are the 'performance indicators' of limiting the liability of newness – the manifestation that value has or has not been created, captured and then exchanged for a variety of stakeholders

2.8 An emerging framework

The framework developed in this section incorporates a number of elements from the literature discussed in the previous section. However, it recombines these elements in ways that have not previously been suggested. There are other frameworks which explain value creation and new entry and these are explored below. It is then proposed that a new framework encapsulating concepts of value creation, value capture and value exchange may be more useful in explaining the process of new entry for museums and in detecting and limiting their liability of newness.

Situating the Framework

There have been a number of alternate frameworks that describe links between new entry and value creation. Located in the for-profit literature this has been associated primarily with competitive advantage that have fallen generally within two paradigms: the Resource Model (Barney 1997; Barney et al. 2001) and Porter's Positioning Model (Porter 1985). The Resource Model seeks to explain new entry success in terms of choosing a position (differentiation or cost leadership) through analysing the internal structure of the new organization and building its core competencies based on rareness and non-imitability. This is done through analysing the value chain, capacity to invest and the ability to redefine the competitive scope of the industry. For Porter (1985) conditions of new entry revolve around market analysis, establishing a position (differentiation or cost leadership), developing strategy and then defending the new entrant's position – it is an outward view of the marketplace rather than an internal view of capacity and competency building.

These models have been tested and built upon in the for-profit literature where further strategic management and competitive advantage paradigms have been suggested (Pol 2005). One of the fundamental outcomes of value creation and competitive advantage theorizing is to model how increased value of a for-profit firm can be established. The form this value takes may be increasing profitability, increasing competencies and trading knowledge within a firm or sector, increasing growth or market share. Except for increasing profitability, these concerns are also common to the nonprofit sector. However, profitability is a critical concern of the for-profit sector. This may then be a point of departure in discussing commonalities between the for-profit sector and the nonprofit sector, particularly in relation to museums, and may limit adaptation of for-profit models to the nonprofit sector.

The need for a framework which locates value creation as critical to new entry survival in the nonprofit sector does not necessarily over-ride concerns for market positioning associated with differentiation or cost leadership. Nor does it deny the importance of value creation adopted by the for-profit sector.

As suggested, value creation itself in the for-profit sector is a complex notion which Bowman and Ambrosini (2000) have attempted to analyse as use value created through the transformation of resource inputs into a firm. They maintain that value can be tracked in the supply chain from products/services which realise exchange value and after purchase the same product/service is then given additional use value for further on-sale (2000, p 8). This additional use value results from the input of heterogeneous labour and entrepreneurial activity rendering the new or transformed product/service as worthy of increased use value and consequently exchange value (2000, p. 10). What is interesting about this proposition is the extent to which value creation and value capture is associated with entrepreneurship and by implication the quality of productive labour in a successful organization.

Museums are not in the business of making money. They are however in the business of making value and occupy a classic externality or public good economic position (Weil 1997; O'Hagan 1998; Stevenson 2000; Throsby 2001). However, as financial sustainability within a market economy becomes increasingly important, the arguments for public good benefit, market failure or externalities become increasingly fragile (Bozeman 2002). The value that museums deliver needs to be seen as sufficiently deep and broad to justify continued public investment and to grow the industry through new entrants.

Similar to suggestions put forward in the for-profit sector by Bowman and Ambrosini (2000) value creation only becomes 'valuable' in the nonprofit museum sector when it is captured and exchanged – when it is recognised as 'valuable' for a variety of stakeholders and exchangeable through stakeholder investment (grants, sponsorship and donations), stakeholder consumption or trade (visitors attracted and sale of products and services) or joint ventures (collaboration). Although not dealt with in the nonprofit literature in relation to value creation, value capture and exchange are added elements to an emerging conceptual framework. These elements are based on an extension of value creation – the consumption of value creation becomes the process of value capture and rewarded through value exchange.

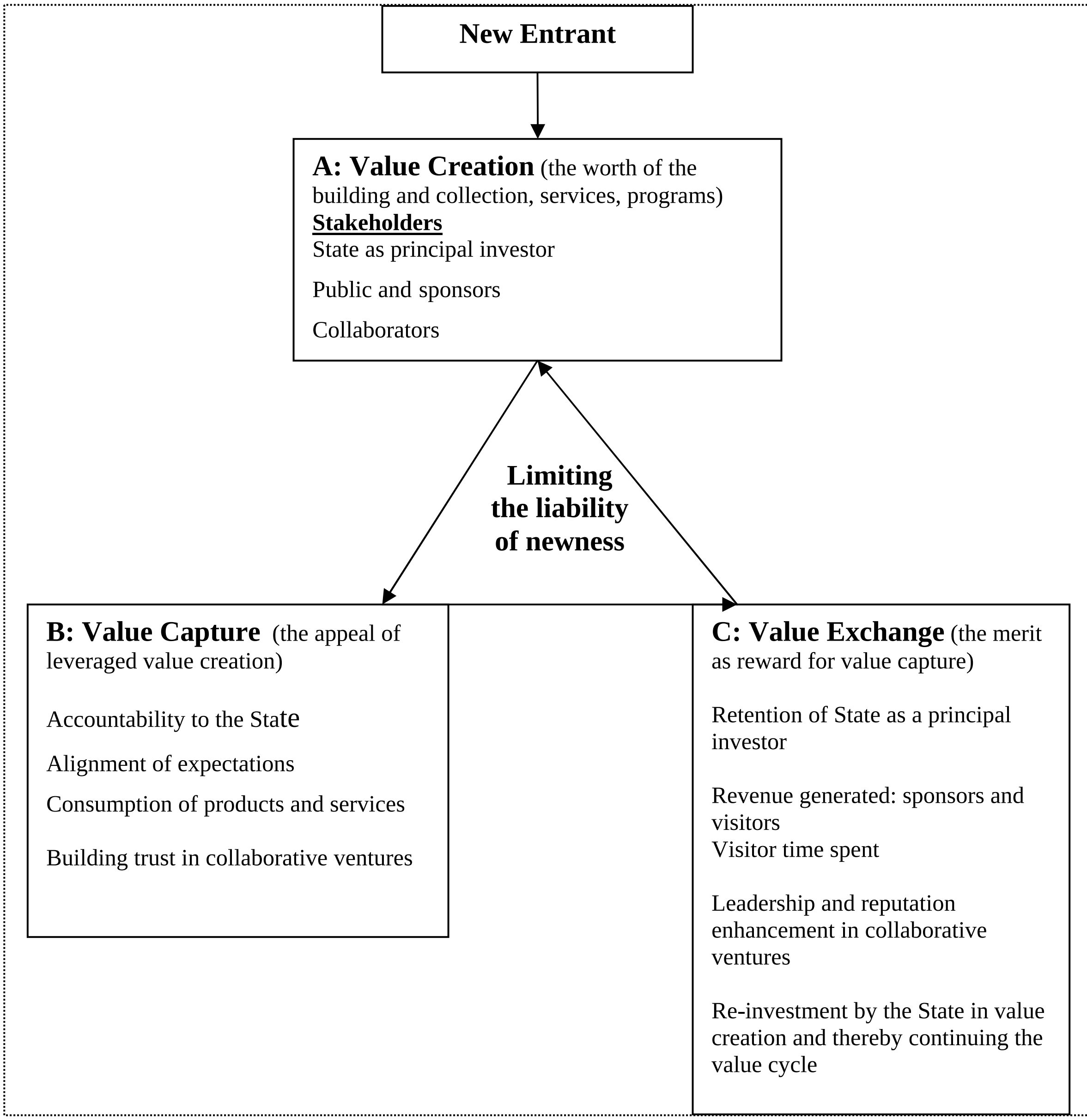
Value exchange involves both financial and non-financial elements. There is increasing pressure by the state on the cultural sector to boost earned income from the value they create (Australian Business Arts Foundation 2001; Cultural Ministers Council Statistical Working Group 2002). However, this value cannot always be assessed as a commercial transaction (Carnegie and Wolnizer 1996; Anheier and Toepler 1998). For example, Hamp (2006) has explained how value exchange has been fundamental to the sustainability of the Henry Ford Museum. Although run as a foundation under the auspices of the Ford Motor Company, the museum management has articulated the value they seek and the value they provide as part of a transactional process used to measure how well the museum meets its strategic goals. The value they provide is not necessarily financially accountable, for example 'gracious and informed hospitality' or 'collaborations for enhanced quality of life in our community context' (Hamp 2006, p. 48). The value they seek is also not simply financial and includes 'collaborative partners', 'opportunities for expansion and extension' (Hamp 2006, p. 48).

Analysing financial and non-financial activity becomes the mechanism or transformative action through which value creation is changed into value capture and value exchange (use value becomes exchange value).

The suggested Value Cycle Framework of New Entrant Museums (Figure 5) seeks to explain how these elements interact. The ability to create value is one of the most important factors in museums, similar to a for-profit company creating profits or wealth. The relationship between value creation and all other factors may then be the lynchpin that determines how new museums limit their liability of newness.

Value creation therefore is worth and becomes the gauge through which accountability and alignment to stakeholders and collaborators takes place. It is given form and meaning through value capture – the appeal of products, services and activities. Value exchange is the merit of value capture. It is the transaction through which value capture is assessed – that is how value capture has been rewarded by various stakeholders. It is proposed that the realm of value exchange allows a museum manager to detect that liability of newness has either been limited or extended. If liability of newness has been limited then the value cycle continues. If it has been eroded, then an analysis may need to be undertaken in the value cycle to ascertain where this erosion has occurred.

Figure 5: The Value Cycle Framework of New Entrant Museums



The Value Cycle Framework depicted above is a working analytical tool. However, as it is deployed in the field, it becomes a more dynamic instrument taking into account changes that occur in new entry over time (see Figure 4).

Table 1 below defines the elements within the Value Cycle Framework of New Entrant Museums. It also indicates that creating value is reciprocal at new entry stage. The state is responsible in the first instance for providing sufficient capital to invest in a building and a collection. The managers within the museums are the custodians of this value and seek to exploit this through value capture. Value capture then becomes the means through which value exchange can be transacted and if this contributes to limiting the liability of newness then the cycle continues.

Table 1: The elements of value creation, capture and exchange and limiting the liability of newness

Term	**Definition**
Value Creation	The worth of the physical manifestation of the museum and political capital that may be derived by the state. The perceived quality and quantity of collections, services and programs.
Stakeholders	Public funding bodies (the state); sponsors; visitors; collaborators such as tertiary institutions and other museums.
Value Capture	The appeal for stakeholders of the building, collection, programs, projects and activities. This is related to consumption of activities, services and programs; demand for collaborative ventures; alignment of sponsor expectations; accountability through formal and informal mechanisms to provide evidence to the state that value creation has been turned into value capture for other stakeholders.
Value Exchange	The merit of programs, projects and activities. Merit is made known through the recompense for value capture and an indication that liability of newness is abating. These indicators include retention of the state as a principal investor; revenue generated or time spent by visitors; leadership and reputation enhancement in collaborative ventures.
Limiting the liability of newness	A condition that means the museum can continue (and build) value creation, capture and exchange.

2.9 The Research Question and Subsidiary Questions

The Value Cycle Framework of New Entrant Museums is a working analytical tool and is used to guide an empirical examination of new entrant museums in different circumstances. It stems from the primary research question:

How do new museums create, capture and exchange value in order to limit the liability of newness?

The primary research question gives rise to a number of definitional issues and subsidiary research questions rising from the Value Cycle Framework of New Entrant Museums and its meanings. These are:

What are the different roles of value creation, capture and exchange for stakeholders?
What are indicators of value exchange and how do they contribute to further value creation in the value cycle?
What is the relationship of the value cycle in detecting and limiting the liability of newness?

Table 2 below shows the way in which the primary research question and subsidiary questions are addressed.

Table 2: Concepts and questions

	Subsidiary Questions	Further Inquiry
Value Creation	***How is value created***	
		What is the role of the state in value creation? What normative and non-normative values do managers in new museums form around the building and the collection and associated programs at the formation stage of a museum? Do values link to or align with different constituents, internal and external to the new organization? If so, how? How are normative and non-normative values seen by various stakeholders and collaborators in the formation process? How are normative and non-normative values reconciled within and outside the museum? How does a new museum identify and differentiate between its stakeholders? What value does the new museum believe it delivers to various stakeholders?
Value Capture	***How is value captured***	
	Accountability and Alignment	What accountability mechanisms exist in new entry? How are stakeholder relationships managed through accountability? How do managers align values to sponsors? How do managers align products and services to visitors for their consumption? How do new museums identify collaborators? What value do they believe they deliver to collaborators and what value do they receive? How are collaborative relationships managed?

Value Exchange	*How is value exchanged*	Further Inquiry
		What are the results of visitor consumption of programs and services? What are the results of sponsorship developments? What are the results of collaborative ventures? Has the manager of a new museum retained the state as a principal investor and what have been the results of this investment?
	What are the indicators of value exchange and how do they contribute to further value creation in the value cycle?	Has the organization increased its resource base following a value cycle? Has the organization grown market share following the value cycle?
	What are the different roles for value creation, capture and exchange for stakeholders	How do managers in new museums differentiate stakeholders and tailor value to each stakeholder? How do they reconcile incompatible values?
Liability of newness	***What is the relationship of the value cycle to detecting and limiting the liability of newness***	What is the resource base of the new entrant at new entry and subsequently? What is the commitment of stakeholders to the new entrant? What is the status of the new museum in partnerships? How powerful and committed are these partnerships in short, medium and long term protection? Under what conditions do stakeholders and partners continue to commit resources to the new entrant?

2.10 Conclusion

This chapter has looked at value creation from a number of angles drawn primarily from literature in the nonprofit sector, the arts and museum sector and the for-profit sector. In looking at value creation a number of sub-themes have also emerged from this literature. These sub-themes have included accountability and alignment, stakeholders and specific types of stakeholders in relation to museums. The key concepts of new entry and limiting the liability of newness have also been examined. An examination of key concepts and sub-themes alongside relevant theories and fieldwork examples has enabled an integrated framework around value creation, capture and exchange to emerge. This framework may be particularly apt in the case of new entrant museums and explain how a value cycle contributes to detecting and limiting the liability of newness.

The major research question in relation to museums is:

How do new museums create, capture and exchange value in order to limit the liability of newness?

The framework called the Value Cycle Framework of New Entrant Museums has five key concepts: new entry, value creation, value capture, value exchange and limiting liability of newness. Within these components, the framework combines a number of elements identified from the nonprofit, museums and arts literature and for-profit literature in new ways. The Value Cycle Framework of New Entrant Museums suggests value creation is a critical component. The framework proposes that value creation – the tangible foundations of a new entrant museum such as a building, a collection and relevant programs - is captured through aligning value with stakeholder interests, ensuring accountability to stakeholders and forming collaborative ventures. The conditions under which a new entrant exchanges value include maintaining the state as a principal investor, growing reputation and leadership attributes through collaboration, garnering income from sponsors and income and time from visitors. The chapter concludes with the development of further research questions which inform the methodology chapter.

Chapter 3: Methodology

This chapter describes the methodological approach undertaken for the research. It first re-caps the primary research question and the underlying conceptual framework developed in Chapter Two. It proposes a case study approach and explains why this approach is the most suitable for this type of research. It then outlines the definition and operationalisation of concepts associated with the research question and the concepts developed as part of the working analytical tool, the Value Cycle Framework of New Entrant Museums. Details of case selection and how data were gathered and analysed are presented. Constraints and limitations of the study are also noted. A flow-chart illustrating how the research proceeded for each case is presented. A pattern-matching chart for the primary research used to code interviews and interview guidelines are included in Appendix 2.

3.1 The Purpose of the Research

The purpose of this research is to explore how value creation, capture and exchange are related to limiting the liability of newness in the case of new museums. In the previous chapter a conceptual framework was established which identified value creation as a pivotal concept which gave rise to further key concepts of value capture and value exchange. In addition sub-themes were identified: accountability and alignment, stakeholders and types of stakeholders pertinent to museums. A further two key concepts were identified and examined: new entry and limiting the liability of newness. All of these concepts were derived from an examination of three areas of literature: nonprofit research, arts and museum management research and selected for-profit research areas. Each area built on ‘deficits’ in the other areas to develop the Value Cycle Framework to be used as an analytical tool for the case studies. This chapter develops the methodological approach used for the empirical phase of the study.

The primary research question is:

How do new museums create, capture and exchange value in order to limit the liability of newness?

This research is not aiming to establish a causal link between value creation, capture and exchange and new entrant survival in a museum marketplace. Rather this research explores the process of value creation, capture and exchange and the relationship to limiting liability for new museums. Denzin (1989, p. 26) suggests that causal relationships tend to be associated with *why* things occur rather than *how* which emphasises 'process, and not … a preoccupation with antecedent causal variables'. In keeping with Denzin's approach, this research identifies how value is identified and how this value is leveraged to assist in limiting the liability of newness.

While key features of new museums may include elements covering staffing, physical presence, stock and resource allocations of museums, additional features beyond the physical presence of a museum will also be explored. Those key features were identified through the literature and further developed and reflected in the Value Cycle Framework of New Entrant Museums (Value Cycle Framework). The aim of the research is not to 'prove' that the framework is correct but rather to use the framework as a starting point from which to track how new entrant museums either reinforce or deviate from this framework and then to further develop and extend the framework. In this sense the approach is both inductive and deductive. The Value Cycle Framework is used throughout the research stage as a working analytical tool and then evaluated and refined as a result of the research findings.

3.2 Situating the research

Addressing phenomena associated with value creation, capture and exchange at new entry stage is achieved through four case studies. The primary reason for using a multiple case study approach is to strengthen the overall findings. A number of theorists have been used to situate a case study approach and to discuss issues around case studies as reliable sources of theory development (Denzin 1989; Stake 1995; Stake 2000; Eden and Huxham 2001a).

According to Stake (2000), case studies are often approached in a holistic manner to analyse and interpret complexities using qualitative methodologies. Again, rather than seeking causality, Stake suggests that qualitative research

> …often tends to perceive…events not simply and singly caused. Many find the search for cause of little value, and dramatize instead the coincidence of

> events, seeing some events as purposive, some as situational, many of them interrelated. They favour inquiry designs that seek data describing diverse operations of the case (2000, p. 440).

This approach is also echoed by Denzin (1989, p. 3) who sees theory development as emerging from 'the experiences and interpretations of those studied'. Drawing on Simmel and Goffman, Denzin (1989) argues that 'formal theory' can be developed when different cases shed light on a common concept. In other words underlying a mass of differences are commonalities which are empirically identified through 'interrelated interpretations' and which can be ordered so that some interpretations are more specific than others (Denzin 1989, p. 15-16).

Other researchers such as Eden and Huxham (2001a) reinforce this sentiment. They suggest that action research (which can form part of case study analysis and is by nature interpretive) can contribute to theory building and concept testing. This is achieved through the systematic evaluation of existing theory or conceptual frameworks against actual practice within the organization (Eden and Huxham 2001a, p. 80).

3.3 A Case Study Approach

Stake (1995; 2000) identifies three different types of cases . The first is intrinsic case study which looks at the particular case (Stake 2000, p. 437). The second is instrumental case study which is used to refine a theory or provide insight into an issue (Stake 2000, p. 437). The third is collective case studies which he describes as the 'instrumental case study extended to several cases' (Stake 2000 p. 438).

Stake (2000) acknowledges that these classifications can be limiting and not truly reflect the processes involved in case study methodology in practice. In understanding particular concepts in more depth, he suggests it may be necessary to delve deeply into a case which in turn may not shed light on the abstract concept for some time. To illustrate, he quotes and explains Peshkin's purpose in researching a single case, the Bethany Baptist Academy:

> 'I mean to present my case so that it can be read with interest in the case itself, but I always have another agenda – to learn from the case about some

> class of things'…The methods Peshkin used centred on the case, not intentionally on his abiding concerns about community, freedom, and survival (2000, p. 438).

The purpose of the case study is not generalization but rather understanding particular phenomena in relation to a specific case or class of cases.

Like Stake (1998, p. 91), the approach to cases in this thesis includes the contextual environment (system within which museums operate), products and services developed (the subset of the system) and groups associated with the case (stakeholders). What is learned from the case may be further placed within the context of how it is similar to and different from other cases, although Stake suggests that this occasionally 'diminishes (the) opportunity to learn' (1998, p. 94). He believes instead that what is achieved through the unique case study assists in the construction of knowledge itself (1998, p. 95). In ensuring that knowledge has been created and transferred, Stake (1995; 2000) relies on a 'triangulation' approach which ensures the study of the phenomena from different angles, using multi-method or multi-interpretation approaches. A multiple approach, he suggests, gives rise not so much to replication as confidence and validity in the ensuing results.

Triangulation is also an approach recommended by Denzin (1989) in order to ensure as much as possible that multiple interpretations around particular phenomena have been sufficiently addressed. Eden and Huxham (2001a) also suggest that the use of triangulation is more than simply validation or cross-checking. It forms part of a dialectical process, resulting in incremental knowledge, accumulation and theory building.

Different approaches to internal methodologies surrounding case studies, also gives rise to the place of comparative case studies. For example, Stake (1998) is adamant that comparison is a dangerous route. Knowing a particular case in depth (in what he says Geertz calls 'thick description') is the only way that knowledge emerges.

> Readers examining instrumental case studies are shown how the phenomena exist within a particular case. Seldom is there interest in how a case without

> the phenomena is different because there are too many ways to be different. Generalizations from differences between any two cases are much less to be trusted than generalizations from one. Illustration as to how the phenomenon occurs in the circumstances of the particular exemplar can be valued and trustworthy knowledge (Stake 1998, p. 98).

The challenge is to identify which cases to select that strongly reflect the phenomena of interest. By eliminating a number of factors which are of little interest to the researcher, Stake (1998) suggests the cases become self-revealing. Such self-revealing cases are those which might appear typical of the phenomena and give opportunities to learn more about the phenomena. Of these two criteria, Stake maintains that it is better to select the case which gives rise to learning rather than typicality.

This is contrasted to Yin's (1994) approach. Stake (1998, p. 446) suggests that Yin seeks to select a case 'to gain the best possible explanation of phenomena', that is, a case that may in some sense be representative or typical of the phenomena under study. For Stake (1998, p. 446) the researcher selects cases which may display 'some typicality, but (leans towards) those cases that seem to offer opportunity to learn'.

For researchers such as Yin (1994), pattern-matching within cases and across cases becomes an important tool in establishing verification and validation of results while eliminating rival theories. However, for researchers such as Stake (1995; 1998; 2000) the aim is not comparison or cross-case analysis but rather understanding phenomena by using individual case analysis. The aim is not replication or generalizability but rather creating the environment for confidently asserting that in *this* case under *these* conditions *this* is what happens. Finally Stake suggests that:

> The purpose of case study is not to represent the world but to represent the case (2000, p. 448).

In this thesis, the case studies have been selected on the basis of their ability to shed light on the phenomena and process of new entry and value creation, capture and exchange. Based on the approaches presented by both Yin (1994) and Stake (1995;

1998; 2000), the cases selected in this study fulfil a number of criteria. One criterion includes relative largeness of size within the sector. This means that the museums must operate at a state or national level so that the phenomena of new entry, value and survival matter to a range of stakeholders. Another criterion that allows for an understanding of the phenomena is to examine how the phenomena and processes of new entry occur over time. A third criterion is that not all museums should survive, but that those that fail must have failed in conditional ways. This means that cases are selected on the basis of survival, exit or transformation within the sector.

On this basis, two national museums were selected as cases that are survivors and in keeping with Yin (1994) have some representativeness of new entry at a national level over two time spans. Two other museums were selected operating at state government level where one failed and exited the sector and another was transformed within the sector. All cases present an opportunity to learn about the phenomena of new entry and gradations of survival and exit. Three of the museums operated contemporaneously in the late1980s-early 1990s. One museum operated as a new entrant from 2001. While each case is treated discretely in keeping with Stake (2000), there is also an opportunity to compare phenomena across all four cases in keeping with Yin (1994).

Qualitative methodology and the use of triangulation

Liddell (2002) uses Patton's approach of methodology as strategy whereby qualitative or quantitative methods form part of a 'paradigm of choice' (p. 59). In this way, Liddell (2002) approaches her research as exploratory and therefore open to the use of a number of techniques combining both quantitative and qualitative methods. She maintains that multi-method triangulation supports verification:

> The use of multiple sources of evidence enables a wide range of issues to be addressed and ensures the development of converging lines of inquiry, hence methodological triangulation…This means the findings in the research are likely to be more convincing and accurate, thereby increasing its validity, as the research has been based on several different sources of information. (Liddell 2002, p. 61)

Case study approaches have been used in museum management research, notably by Rentschler and Griffin and Abrahams (Griffin, Abraham and Crawford 1997; Griffin and Abraham 1999; Griffin and Abraham 2000; Rentschler 2002). These studies involve a number of participating museums of similar type (that is, national, state or regional). The research methods use a combination of a survey instrument and in-depth interviews with specific stakeholders or key organizational personnel, such as museum directors. They involve analysis of secondary data including annual reports, and specific policy and strategic documents.

The primary research in this study is based on qualitative methodologies only. The qualitative approach emerges from the nature of the research. Many of the concepts under scrutiny – such as value creation, value capture and value exchange are better understood using qualitative methodologies because much of the value generated and consumed is about perceptions of stakeholders. Similarly phenomena surrounding accountability and alignment, building collaborations, relationships with the state, sponsors and visitors are better understood using qualitative approaches. However, generating primary qualitative data and using documentary sources need to be sufficiently rigorous to allow for confidence in the results. Silverman (1997) notes:

> If there is a 'gold standard' for qualitative research, it should only be the standard for any good research, qualitative or quantitative, social or natural science. Namely, have the researchers demonstrated successfully why we should believe them? And does the research problem tackled have theoretical and/or practical significance (Silverman 1997, p. 25).

Similarly, Lincoln and Guba (2000) note:

> Are these findings sufficiently authentic (isomorphic to some reality, trustworthy, related to the way others construct their social worlds) that I may trust myself in acting on their implications? More to the point, would I feel sufficiently secure about these findings to construct social policy or legislation based on them? (Lincoln and Guba 2000, p. 178)

However, qualitative enquiry may need more than believability or trustworthiness noted by Lincoln and Guba (2000), Silverman (1997) and Stake (1995; 1998; 2000). It may need to demonstrate ‘rigor’ in the same way that quantitative researchers have claimed for themselves.

For example, Morse, Barrett, Mayan, Olson and Spiers (2002, p. 2) critique Lincoln and Guba for replacing ‘reliability and validity with the parallel concept of trustworthiness’. They assert that Lincoln and Guba use trustworthiness of the results of their qualitative research as evidence of rigor rather than using reliability and validation to establish verification as a test of rigor (Morse et al. 2002). Rigor strategies, for Morse and others (2002, p. 9), include ‘investigator responsiveness, methodological coherence, theoretical sampling and sampling adequacy, an active analytical stance and saturation’. This approach allows for interpretation and knowledge to emerge from the data.

Case studies and the qualitative approach

Four case studies are undertaken for this research. Following discrete description and analysis the cases are compared. This approach proposes that some generalizability may be inferred from these studies. It also proposes that an understanding of how value creation, capture and exchange is developed at the new entry stage and forms a cycle in detecting and limiting the liability of newness can be derived from each study. Ultimately the cases individually and comparatively test and modify the conceptual framework and the working analytical tool, the Value Cycle Framework of New Entrant Museums.

Starting with concepts and analytical tools (such as the Value Cycle Framework of New Entrant Museums) about phenomena under study in a qualitative enquiry has been seen as risky by Morse and Mitcham (2002). They suggest that frameworks tend to veer toward a deductive rather than inductive approach. Contrasted to this, induction has also been seen as inherently problematic. No phenomena are without some level of preconception based on the characteristics of the phenomena and the focus of inquiry (Morse and Mitcham 2002, p. 4).

Where this becomes particularly problematic is when the preconceived framework becomes the only explanation available rather than searching for different ways that explain how characteristics under scrutiny are related or unrelated. This is what Morse and Mitcham (2002, pp. 4-6) describe as the 'pink elephant paradox' and the 'conceptual tunnel vision'.

Their way around these dilemmas is to first 'deconstruct' the existing literature and 'implicit assumptions'. They then construct a skeletal framework from a broad enquiry which encompasses a number of factors linking topics through a matrix process to other topics (2002, p. 8).

> …a skeletal framework serves to sensitize the researcher and facilitate focusing the inquiry at an early stage. It provides internal structure to the study, thus enabling observations, interviews and analysis to proceed. As an archaeologist tries to piece bones together, the inductive puzzle of inquiry is maintained, and, as inquiry proceeds, falls into place, the skeletal framework is padded, and provides the emerging model with indices of purpose and function…Data collection proceeds inductively, with the investigator seeking new insights, verification and saturation (Morse and Mitcham 2002, pp. 9-10).

In keeping with Morse and Mitcham's approach, the Value Cycle Framework of New Entrant Museums has been conceived and further developed from analysing a combination of existing literature in the nonprofit, arts and museum and selected for-profit arenas. As a working tool, the Value Cycle Framework of New Entrant Museums itself is a skeletal framework and can be modified through the field case studies using triangulation of data sources and developing a criss-cross comparative pattern. Thus it is both a deductive and inductive approach.

Stake's (1998; 2000) approach of criss-crossing, iteration and triangulation although not articulated as clearly as Morse and Mitcham (2002) echoes a validation and reliability approach. A combination of Stake's criss-crossing and Morse and Mitcham's sampling and saturation approach is undertaken in this study. In this way, comparative analysis between cases occurs to shed light on institutions across a time period and to shed light on differences and similarities that occur. Internal to each case is a notion of triangulation of sources and data.

A triangulation approach has been used by Rentschler (2002) in her research into creativity and arts leaders' orientation to entrepreneurship. The main thrust of her research was based on analysing annual reports, in-depth interviews with arts leaders, staff, volunteers and others. Specific case studies where chosen on the basis of various attributes such as whether the organization was new, older, well resourced or struggling.

Rentschler's (2002) aim in undertaking the research was to be close to sources and informants of the study and to allow the arts leaders themselves to give voice to their concerns and suggest insights into how policy directives effect creative management and entrepreneurship. This allowed her to conceptualise aspects of the total environment of the organization. What Rentschler was concerned about in her approach was to provide empirical and robust evidence for the framework developed through the study. She used both an inductive and deductive approach. While she concluded that the research is more exploratory than confirmatory, she suggests that her use of statistical analysis through a survey instrument provided some evidence for particular trends and validated the qualitative and content analysis component of her research.

What Rentschler (2002) is suggesting by this empirical approach is a pattern-testing and saturation approach. Primary quantitative methods in this research are not undertaken because the phenomena under scrutiny focus on processes and perceptions. Appropriate quantitative data are sourced from existing secondary quantitative data, for example visitor study surveys. The case study approach here analyses primary and secondary source material and generates primary qualitative data in order to understand a process of new entry and perceptions of that process.

3.4 The Study Design: Case Selection

The empirical phase of the research evaluates key elements identified from the literature. These elements are extended and recombined as the Value Cycle Framework of New Entrant Museums. The Value Cycle Framework is not intended to be static nor illustrative of the nature of limiting liability of newness in the case of new museums. Rather it is seen as an analytical working tool - a starting point for further scrutiny and can be modified as a result of the empirical findings.

The nature of new entry in the cultural sector can involve a long lead time from initial inquiries through to feasibility studies and finally capital building programs as evidenced by the recommendations in the 1975 Piggott Report and the eventual development of both the National Museum of Australia in 2001 and the Australian National Maritime Museum in 1991 (Piggott 1975). Long lead times appear to be the 'norm' in museum new entry rather than, as in other sectors, an opportunistic, social/welfare demand or market led new entry criteria.

In order to understand the nature of new entry and value creation, capture and exchange in the museum sector a number of new entry permutations have been explored. Rather than simply exploring a 'norm' or what Denzin (1989) would describe as 'regular' action, irregular and deviant actions need to be explored as well.

> These three classes of actions - regular, irregular and deviant - must be detailed in the behaviour specimens, and they must be theoretically taken into account…Such cases also open up unexpected areas of inquiry and may lead to the refinement of research instruments (1989, p. 92).

Case selection was based on criteria outlined above: the cases needed to be sufficiently large for stakeholders to care about their survival or failure; the cases needed to occur in different time periods so that the elements could be observed across eras; and the cases had to incorporate both success and gradation of exit. More specifically, the cases selected were done so on the basis of museums with similar normative or regular attributes. They all have long lead times; they all have a number of stakeholders in the enterprise and operate within a collegiate professional environment. They are all nonprofit organizations that have been created by public authorities in the form of a state government, federal government or a government department. Their governing structures are similar. The members of the board or council of the organization are appointed by a state authority. They are all in the business of creating value through regular attributes in the form of building amenity and content development for stakeholders as clients, colleagues, investors (including sponsors) or consumers. They are different in relation to a type of new entrant category denoted as ‘purpose built new entrant’; ‘refurbishment new entrant’; ‘recycled new entrant’.

Denzin (1989, p.92) suggests that regularity is relatively easy to identify. What the researcher is striving for are ways in which regularity is challenged through the evidence of irregularity or even deviancy. The identification of irregularity and deviancy adds or detracts from theory building. Denzin (1989) suggests that identification of irregularity challenges the theoretical concepts and phenomena under study and assists in ensuring that the study has rigor.

The basis of regularity is developed for all cases under scrutiny. As well, searching for attributes of irregular and deviant actions is undertaken. The combination of regular, irregular and deviant actions forms the basis of pattern-matching. The patterns are formulated as tables comprising key elements of value creation, capture and exchange for every case. This allows for pattern matching and tracking of irregularities or deviancy within each case and finally across the four cases.

The selection of cases is based on a number of elements identified by research theorists (Denzin 1989; Yin 1994; Stake 1995; Stake 1998; Stake 2000; Rentschler 2002):

- the ability of a case to be sufficiently significant in order for its success or exit to matter;
- the ability to compare historical and contemporary notions of new entry;
- the ability to track museums that have survived and those that have exited or have been transformed in the sector

It is anticipated that through this process exploring ‘classes of actions’ associated with ‘regularity’, ‘irregularity’ and ‘deviance’ will emerge which challenge, change or modify the theoretical foundations of the analytical tool, the Value Cycle Framework. Tracking regularity, irregularity and deviancy potentially adds to the framework giving rise to an understanding of the nature of value creation, capture and exchange and limiting the liability of newness in this particular sector at particular times.

On the basis of national and state significance, time span and success and gradations of exit, four cases have been chosen:

- National Museum of Australia (NMA); Purpose Built New Entrant
- The Australian National Maritime Museum (ANMM); Purpose Built New Entrant
- The Mint (originally part of the Museum of Applied Arts and Sciences and then transferred to Historic Houses Trust); Recycled New Entrant
- The Earth Exchange (part of the Department of Mineral Resources): Refurbishment New Entrant.

Two of these cases – the Australian National Maritime Museum and the National Museum of Australia – are national museums. They are included here as historical comparators – the ANMM was established in 1991 and the NMA in 2001 – and typical of a class of national museums. Both were identified in the 1975 Piggott Report as national cultural requirements, although it was some years before that vision was enacted. They are categorised as Purpose Built New Entrants.

The Mint was part of the portfolio of products managed by the Museum of Applied Arts and Sciences (MAAS). The Mint operated as a new entrant product in two eras. The first from 1982-8 was as a specialist decorative art museum. The second from 1995-7 was as a new specialist gold and coin museum. It remained within the museum sector but in 1997 was transferred to the Historic Houses Trust (HHT) of New South Wales. The HHT management declined to operate the Mint as a museum. It is categorised as Recycled New Entrant.

The Earth Exchange was reincarnated from the Geological and Mining Museum within the New South Wales (NSW) Department of Mineral Resources and opened in 1991. It was administered by a Council appointed by the government with investment from corporations drawn primarily from the mining and extractive industries. The Earth

Exchange closed against expectation within five years of opening. It exited the museum sector in 1996. It is categorised as Refurbishment New Entrant.

A brief background of each museum is provided below.

Case 1: Purpose Built New Entrant: The National Museum of Australia (NMA)

The National Museum of Australia (NMA) was established in Canberra in 1985 but did not operate at a national level until physically built in 2001. It was the subject of two national reviews: one analysing to what extent it met its aims; the other less public review investigating its resource base. This case has been chosen because it represents a contemporary new entrant museum of national significance.

Case 2: Purpose Built New Entrant: The Australian National Maritime Museum (ANMM)

The ANMM was legislated in 1984 and opened in 1991. The ANMM is the only national cultural institution outside Canberra and its construction formed part of the revitalization of Darling Harbour and the Pyrmont peninsula precinct in Sydney. The ANMM received support from both the Commonwealth and NSW state governments.

This case has been chosen on the basis of its historical comparability with a contemporary national new entrant, the National Museum of Australia. It is an opportunity to understand the new entry process in one era and how this is different or similar to a more contemporary new entrant of similar stature.

Case 3: Recycled New Entrant: The Mint

The New South Wales Museum of Applied Arts and Sciences (MAAS) operated a number of properties including the Powerhouse Museum, the Mint, the Barracks and the Observatory. The Mint operated as a museum of decorative arts adjacent to the Barracks in Macquarie Street, Sydney. In the late 1980s, the New South Wales Minister for the Arts approached Historic Houses Trust (HHT) to take over the Barracks, the Mint and the Observatory. HHT resisted taking over all three properties and only acquired the Barracks which it ran as a museum of convict and early settlement history.

The MAAS re-branded the Mint as a Museum of Gold and Coinage (its original purpose as the first Mint outside Britain with a coinage factory). However, the property was eventually transferred to HHT in 1997 under the conditions set by HHT that it did not run it as a museum. It maintained it as a holding operation which housed a members' lounge, café and small exhibition. The Mint site was redeveloped and re-opened in October 2004 as the administration offices of the HHT.

This case is chosen because it represents a new entry product that was recycled in 1988 and again in 1995 by its parent entity. It failed to succeed as a museum but remained within the museum sector. The case is an opportunity to understand the trajectory of a museum product developed by a successful organization. It is also an opportunity to understand what elements emerge that jeopardize the ability of the parent organization to retain the product. The Mint represents a transformative case in so far as the building and its identity remained within the museum sector, although not operating as a museum.

Case 4: Refurbishment New Entrant: The Earth Exchange

The Geological and Mining Museum had been operating since the 1880s as a specialist museum in Sydney's Rocks area and as part of the New South Wales Department of Mineral Resources. In 1991, the museum was given a complete re-brand and re-fit as an interactive museum open to the public and re-launched as the Earth Exchange.

The Earth Exchange needed to attract significant sponsorship from the mining industry as well as generate income through its visitor base. It was structured as a nonprofit company with the ability to trade, rather than as a statutory entity reliant on state funding similar to other museums. It is a model that rejected the traditional museum approach and projected itself as entrepreneurial yet specialist, while simultaneously appealing to the public through state of the art exhibition design. It closed in 1996 and its collection was dispersed. The Earth Exchange represents an opportunity to understand how an alternative museum model, with a fundamental mission of value creation operates within a normative understanding of museum models.

The Four Cases

Each of the cases potentially embodies all elements of the phenomena under study but in different ways. Each case represents a new entrant either in historical or contemporary terms. The first two represent two national museums at the beginning of their lives historically and contemporaneously. The third case is one which did not survive as a museum although remained within the museum sector. The fourth case is one which constituted itself as an alternative model to normative notions of museums, faced a critical fight for survival and exited the museum sector. The four cases form instrumental case studies that are both discrete but collectively comparable.

Sample Selection and the Research Question

How does each case assist in answering the primary research question and where do they fit in terms of the elements of value creation, capture and exchange and the conceptual framework developed?

On the basis of the literature review in Chapter Two, it is contended that limiting the liability of newness for new museums may be dependent upon the ability to create, capture and exchange value in different ways for different stakeholders.

Within this conceptual arena, each case exhibits particular characteristics. For example, creating, capturing and exchanging value and then limiting the liability of newness for the NMA, the ANMM and the Earth Exchange may have been conditional on the ability to align with stakeholders and to be accountable in both contingent and negotiated ways to a number of stakeholders. For the Mint, limiting the liability of newness through value creation, capture and exchange may be dependent on its future non-museum status even though it remained within the museum sector. These assumptions have been derived from a reflection on the state of each museum and the challenges each faced at a particular time in their development.

3.5 Concept Definitions and Operationalisation

According to Denzin (1989, p. 56-7) ‘real definitions’ are the elements and relationships that signify concept. On this basis, concepts within the Value Cycle Framework of New Entrant Museums are clarified and de-limited in order to give them a workable meaning. This coincides with Denzin's (1989, p. 53) suggestion of concepts as designating 'a plan of action towards some social object'. These 'plans of action' throw light on a point of view or new orientation, translate perceptions into meaningful dialogue and embed anticipation of new experiences or perceptions. To demonstrate this, an operational definition is provided which consists of the process by which the concept will be studied (Denzin 1989, p. 57; Veal 1997, p. 44).

The definitions concentrate on those concepts critical to the research question and the framework only. The operationalisation of the research focuses on value creation, capture and exchange as central to the conceptual framework for new entry – the focus of the research. This is illustrated in Table 3. Following on from that in Figure 6 is the data collection and analysis process for each case.

Table 3: Definitions and operationalisation of the research question

Concept	Definition	Operationalisation
New Entrant Museum	Specific cases that have just arrived in the marketplace either as new buildings or as reinvented entities. These cases may be contemporary or historical. These are categorised as Purpose Built, Refurbishment or Recycled New Entrant Museums.	National or state organizations that have been in an incubator state for some years prior to significant capital investment or organizations/products that have been purposively reinvented by a parent organization.
Value Creation	Worth in terms of the new, refurbished or recycled building and the political capital derived by the state in such an investment. The perception of quality and quantity of the collection, programs and services. This can be defined relationally as amenity and comprises the physical venue, core and ancillary programs, services and programs, such as collections, exhibitions, public programs.	Perceptions of the venue's adequacy, perception of programs, services. This perception is initially made by staff, and then by visitors, funders and sponsors. Perception by staff of barriers and opportunities to develop, promote and deliver core and ancillary programs and services.
Value Capture	The appeal of programs, projects and activities for stakeholders. This can be defined relationally as interactions and comprises: Programs and services created for stakeholders such as sponsors, visitors and collaborators. Collaborations entered into. Sponsorship alignment with products. Accountability to the state for products and services associated with other stakeholders.	Number and type of programs and services created for specific target markets. Visitor numbers associated with particular core and ancillary programs and services. Forms of reporting to stakeholders of services, programs and impact on the marketplace. Response of upstream stakeholders to programs, services and engagement of negotiated stakeholders.

Value Exchange	The merit of programs, projects and activities indicated by time spent, money spent and invested, reputation/leadership enhancement. This can be defined as external relations and comprises: Reputation enhancement and leadership in collaborative ventures. Visitation and frequency rates and revenue generated. Establishment of medium to long-term resource commitments from sponsors and funders.	Perception of benefits (such as leadership and reputation enhancement) accrued as a result of association with the museum or support of its activities. Costs and revenue from visitors and proportion of market share. The amount of re-investment by upstream stakeholders.
Accountability	Formal and informal reporting mechanisms that provide evidence of value creation for upstream and negotiated stakeholders.	Types of reporting and communication mechanisms prepared for various stakeholders.
Alignment	Development of products and services that complement, are congruent or 'fit' with the aims, objectives and mission of the museum and stakeholders. Were there is a mismatch a process of re-alignment may take place.	Examination of new entry policy and program documentation and revised planning and policy documents.
Stakeholders	Upstream Stakeholders: Public funding bodies; specialist private investors; the governing board/council. These entities possess both power and legitimacy over the organization and the organization may have little discretion on acting on their demands or claims. Negotiated Stakeholders: Visitor market segments; like organizations (collaborators); staff, general sponsors. These entities possess either power or legitimacy in relation to the organization, but the organization may have more discretion to act on their demands or claims.	Perception of how the museum creates, captures and exchanges value. This includes evidence from the stakeholder's point of view of the worth of the museum in value creation; the appeal of the museum through consumption of services and approaches for sponsorship and collaboration; the merit of the museum through a willingness to exchange time, revenue or increase reputation/leadership.

3.6 Conducting the Study

Each case is unique. However, to ensure rigor and ultimate comparability, each case is approached in a similar way. Access to primary document sources, contemporaneous secondary sources, primary data collection through in-depth interviews of key personnel and stakeholders of the time is undertaken for all cases. Morse and other's (2002) framework for verification is used. This rests on a continual process of checking and questioning reliability and establishing validity in order to achieve rigor. For example, a common and overarching approach consists of methodological coherence (matching the qualitative instruments developed and data to the research question), sampling sufficiency (identifying informants who are the most knowledgeable or representative in the specific case and in combination with other data achieving saturation), and concurrently collecting and analysing data to form an iterative process.

In all cases an examination of types of documents such as annual reports covering the period under study is undertaken. Other types of documents also include internal organizational policies on sponsorship, collection development, education policies and strategic plans. Minutes from meetings of governing bodies and various operational and strategic reviews are also inspected. In addition, secondary and contemporaneous sources are examined, including public and government reports, reviews and newspaper articles.

The value of analysing these sources is complex. Contemporaneous media reporting may reflect (and in some instances may guide) public perception and attitudes towards the organization at various new entrant phases. Internal documentation presents ways in which the organization sets priorities for its development. Annual reports and other public documents act as sources of accountability but also act as publicity and vehicles through which the museum can report both good and bad news. Organizational reviews by independent consultants can symbolically reflect a crisis of confidence within stakeholder circles and herald new directions for the organization.

The concepts common to all cases revolve around identifying value creation, capture and exchange and their attributes. Based on Throsby (2001), value creation or worth is associated with a process of amenity. While it may be possible to identify other markers of value creation, the tangibility of the building and products and services developed is an unambiguous way to track two essential ingredients of new entry. From this form of value creation, value capture can be logically tracked to 'end users' of created value.

Value capture or appeal, was associated with interactions or how the value created was received by stakeholders – the alignment of value creation with stakeholders. It covers areas of visitor consumption, collaborations formed, sponsorships developed and accountability to state investors. Value exchange or merit, involves external relations or how capture is converted to measurable indicators such as revenue accrued and less measurable indicators such as reputation and leadership enhancement.

The elements of value creation (amenity), value capture (interactions) and value exchange (external relations) form the basis of a pattern-matching table developed for each case as a unit of analysis. The individual pattern-matching tables were then collapsed in the final chapter to provide a track by which commonalities and differences (regularity, irregularity and deviancy) can be identified and theorized.

Informants for the interview process were selected on the basis of their key relationship to the organization. The informants were drawn from senior management of the institutions at the time of new entry, Chairs or Trustees at the time of new entry, collaborators at the time of new entry, government policy makers at the time of new entry and government ministers at the time of new entry. The interviews covered their perceptions and illuminations on aspects of value creation, capture and exchange; collaborations and stakeholder status; and aspirations each informant held for the organization when it entered the museum marketplace. Confidentiality of interviewees was assured and each interviewee is cited only in terms of their relationship to the organization.

Table 4 indicates the type of interviewee selected for each case.

Table 4: Types of informants for each case study

Case Study	**Type of Informant**
National Museum of Australia	Three Senior Executives (Divisional Directors) The Chief Financial Officer Sponsorship Manager Chair of the Council Senior Policy Adviser, Department of Communications Information Technology and the Arts Two representatives from collaborating institutions
Australian National Maritime Museum	Deputy Director (at the time of new entry) Director of Sponsorship and Commercial Enterprises (at time of new entry) Senior Curator (at time of new entry) NSW Minster for the Arts (at time of new entry) Council member (at time of new entry)
The Mint	Director, Historic Houses Trust NSW Minster for the Arts (at time of new entry) Senior Curator (Powerhouse Museum at time of new entry) Director, Ministry for the Arts (at time of new entry)
Earth Exchange	Three Directors covering the period 1990-1995 Chair of the Board of Trustees 1989-1991 Education manager prior to new entry NSW Minster for the Arts (at time of new entry) Adviser to the Minister of Energy and Mines (at time of new entry) Administrator of the Earth Exchange (at time of new entry)

Nine interviews were completed for the National Museum of Australia; five interviews for the Australian National Maritime Museum; four for the Mint; and eight interviews for the Earth Exchange. All interviews were conducted by myself and transcribed by a professional transcriber. The interviews were completed over a 12 month period from September 2004 – August 2005. A common interview guideline was developed for each type of informant (see Table 4 above). These were semi-structured interviews that ensured topics and issues were covered. Semi-structured interviews also allow for sufficient flexibility to pursue areas deemed important by the interviewee and any follow up information required by myself as the interviewer. An interview guide is included in Appendix 2.

There are some disparities around the number of informants secured for each case which were constraints on the research. Sensitivities around the perceived ‘failings’ of a particular case or how a key informant perceived their role resulted in fewer interviews for the Mint. However, this was compensated to some extent by access to the full records held by the Museum of Applied Arts and Sciences and records held by the Historic Houses Trust.

Based on coding approaches developed by qualitative researchers, interviews were coded by constructs/concepts from the Value Cycle Framework (Erlandson, Harris, Skipper and Allen 1993; Miles and Huberman 1994; Ritchie and Spencer 1994; Huberman and Miles 1998; Ryan and Bernard 2000; Eisenhardt 2002; Van Maanen 2002). Further constructs were identified as emerging constructs and accounted for in the analysis phase. All interviews were analysed using Nvivo. A full list of concept constructs is included in Appendix 2.

Key concepts associated with value creation, capture and exchange, accountability and alignment and impact on the sector are identified and compared with other sources of data. For example, concepts covering accountability and alignment of interests with collaborators are identified through itemising and assigning comparative value to types of collaborations. Value assignment was established through analysing their impact on the sector or related sectors, the number and types of collaborations developed and resulting financial or prestige value.

Information derived from one data source is cross-checked with others. For example, annual reports are cross-referenced with the organization’s other data sources such as policies and plans, secondary sources such as formal reviews and newspaper reports and primary data sources such as informant interviews.

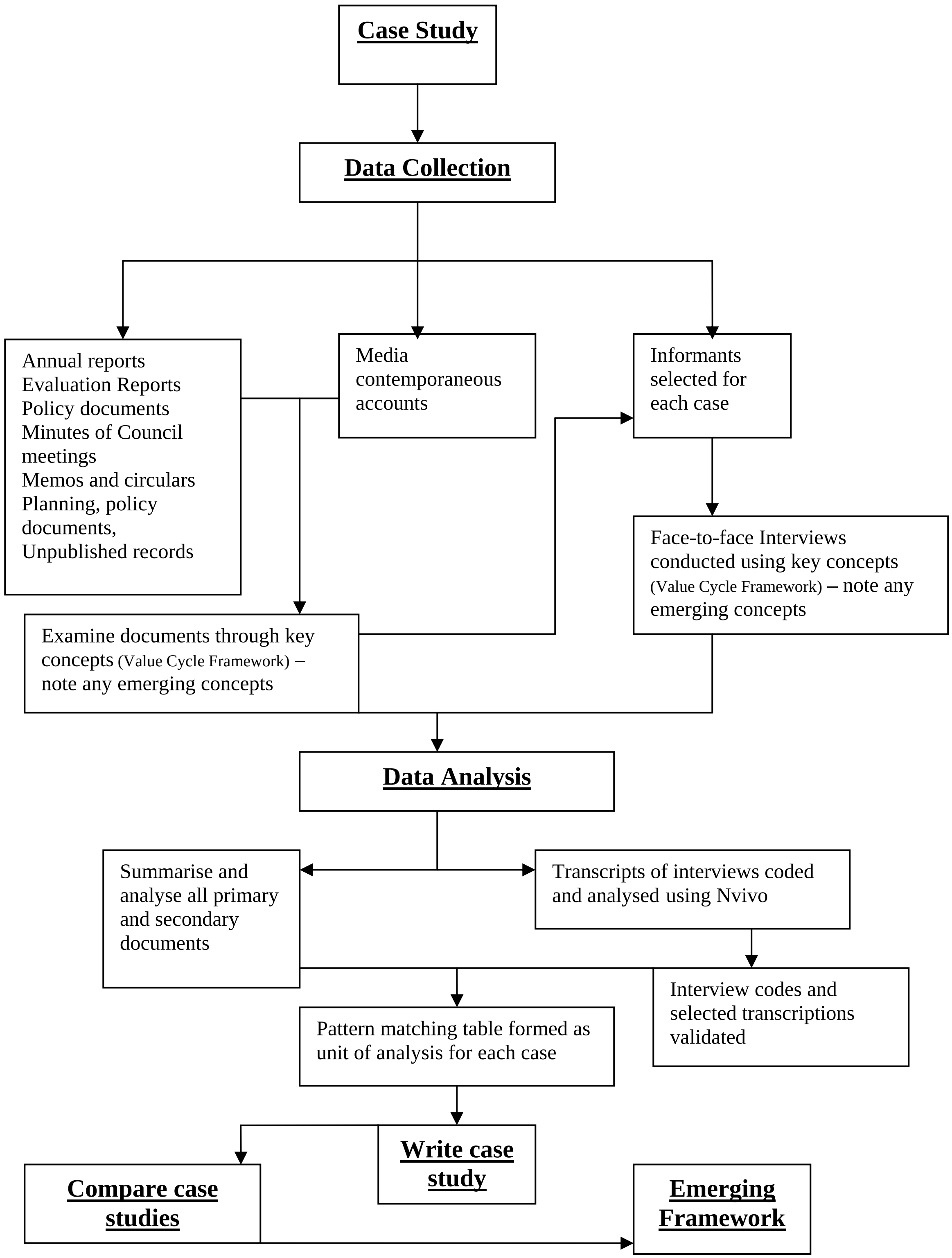
A circularity of identifying, checking and validating is established for all concepts first recognized in particular data sources and then cross-referenced with other sources. This approach is particularly useful in validating informant perspectives, particularly those that are retrospective. However, some informants believed with hindsight and distance, they could more readily identify critical moments in the organization's trajectory.

The converse of this is that there is a danger that some informants were, in some instances, rationalising what happened in particular circumstances. To address potential rationalisation, a number of different viewpoints were explored and analysed and further compared with written primary and secondary sources of data. Inconsistencies arising from this are then identified and evaluated through a process devised by Van Maanen (2002) which differentiates 'presentational and operational' data. This suggests that the interviewer's perception may be coloured by her/his relationship to the organization over time, or may include aspirational goals or hindsight justification. The presentational and operational notation is included in the concept/construct table attached in Appendix 2.

Each case study is structured in a similar way in order to finally compare results between and across cases. The intention of this methodological approach is to test the reliability of the working analytical tool – the Value Cycle Framework - and to adjust this tool based on the outcome of the research.

Conducting each case study took the following approach outlined in Figure 6.

Figure 6: Case study research diagram



3.7 Conclusion

The aim of this research is to show how limiting the liability of newness for new entrant museums may be related to a value cycle consisting of value creation, value capture and value exchange for a range of stakeholders. In doing this, a conceptual framework has been developed using elements of value creation derived from both the for-profit, arts and museum management and nonprofit literature. An analytical working tool, based on key concepts and sub-themes, called the Value Cycle Framework of New Entrant Museums has been developed to assist the empirical case study research process.

The most useful methodology in answering the research question is the case study approach. In taking a case study approach, Stake (1996; 1998; 2000) and Yin's (1994) emphasis on what case studies constitute and Morse and others (2002) on concepts of validation is used. For Stake a case study is the vehicle through which particular phenomena can be better understood. For Yin (1994) it is the representativeness of the case that is paramount. In this research, discrete cases are undertaken and then compared. The concept of case studies using "criss-crossing" or pattern-matching, triangulation and testing has been used by Morse and others (2002) and by Rentschler (2002) in her research into arts leadership, entrepreneurship and organizational change under the influence of state policy initiatives. Triangulation using a number of different primary and secondary written sources and generating primary qualitative data through face to face interviews has been used to ensure a multiplicity of issues and viewpoints are covered.

The case studies are chosen on the basis of their scale, the phenomena of new entry in different eras and the examples of museums that survive or experience gradations of exit. As representing a *Purpose Built New Entrants*, *Recycled New Entrant* or *Refurbishment New Entrant*, they present an opportunity to understand how concepts of value creation, capture and exchange are related to limiting the liability of newness in the case of new museums.

The chapter also outlines the operationalisation of the methodology. It suggests that value creation for new entrants focuses on areas of the building and its content (collections, exhibitions and programs). These key elements are deployed for value capture and exchange and used as the basis for developing a pattern-matching table as a unit of analysis for each case. Denzin's (1989) concepts of regularity can be identified through the pattern-matching table as well as tracking any irregularity and deviancy that can then assist in theory building in the final chapter.

There are certain constraints and limitations on the research. This is particularly evident in relation to qualitative data generation for the Mint where a number of key informants were reluctant to participate. In lieu of this, more focus was placed on contemporaneous primary and secondary written data sources in this case.

The following chapters form the case studies themselves and empirically analyse how limiting the liability of newness is related to a value cycle through using the analytical working tool, the Value Cycle Framework of New Entrant Museums.

Chapter 4: Case Study: The National Museum of Australia

The case study of the National Museum of Australia charts the new entry process and identifies where it located and exploited value creation for upstream and negotiated stakeholders. Stakeholder concepts are taken from an amalgamation of Moore's authorizing environment combined with the notion of upstream stakeholders (Moore 2000); Ospina, Diaz and O'Sullivan's concept of negotiated accountability (Ospina et al. 2002); and Mitchell, Agle and Wood's theory of power, legitimacy and urgency of expectant and latent stakeholders (Mitchell et al. 1998).

In analysing value creation, capture and exchange for upstream and negotiated stakeholders, accountability processes are examined, alignment with stakeholders are evaluated for 'value fit' or congruence, an assessment is made of the impact the new museum had on the museum sector and an analysis of the liability of newness is undertaken through the ability to respond to significant review processes. An evaluation of how elements in the Value Cycle Framework contribute to an understanding of limiting the liability of newness is undertaken in the conclusion.

This case study is based on an analysis of annual reports, policy documents, evaluation reports, government reports, Council minutes and newspaper articles. Of these documents the most relevant are the annual reports covering the period 1982 -2004, the *Review of the National Museum of Australia* 2003 (the Carroll Review), the *Collections and Gallery Development Plan 2004-2008*, the *Strategic Plans* developed in 2001 and 2004-7, *Sponsorship Plan* and *Audience Research: Year in Review* produced annually from 2001-2004.

Interviews[2] were also conducted with a range of stakeholders including five senior staff members, the Chair of the Council, a senior bureaucrat in the Department of Communications and the Arts at the time of new entry, and two collaborators from the Institute of Aboriginal and Torres Strait Islander Studies and the Australian National University. The latter two were also former staff members and acted both as staff and collaborator informants.

This case study is set out in four parts.

Part One charts the birth of the National Museum of Australia. This foregrounds the museum's key stakeholder, the state, and suggests that the relationship between the museum and the state is one marked by unequal power relationships and potentially conflicting value creation.

Part Two describes stakeholders involved in the case prior to opening and the early years of operation 2001-2004/5 and the kind of value each was seeking.

Part Three disaggregates value creation, capture and exchange into various attributes and analyses how this operates in the context of stakeholders. It then assesses the impact value creation, capture and exchange has on the museum's aspirations of surviving as a leading national cultural institution.

Part Four summarises the new entry process in terms of value creation, capture and exchange and looks at how liability of newness has been limited in the early years of the museum's life.

4.1 The National Museum of Australia: the story of new entry

The Piggott Report of 1975 envisaged the creation of a national museum for Australia located in Canberra. The vision for this museum was Aboriginal history in Australia; settlement post 1788; and the interaction of the Australian people with the environment (Piggott 1975, p. 71). Five years following this report an act of Parliament brought into

[2] Direct quotes from informants are indented and italicised.

being the National Museum of Australia as a statutory authority operating as a visitor centre in Canberra's Yarramundi.

The construction of a purpose built national museum was subject to a number of political decisions and delays (National Museum of Australia 1988; National Museum of Australia 1989; National Museum of Australia 1991). The potential value of a fully realised national museum was unrecognised by every federal government from 1985-1992 (Bonyhady 2001, p. 10).

In 1992 approval was given for the early stages of building plans for the new museum. (National Museum of Australia 1992, p. ix). Political decisions prevented its construction when Australia's first national cultural policy, *Creative Nation*, indicated that the national museum would be 'networked' throughout Australia by use of communication technology, outreach through existing cultural venues and travelling exhibitions (Department of Communications and the Arts 1994).

Significantly *Creative Nation* reinforced the close association with the Australia Institute of Aboriginal and Torres Strait Islander Studies (whose collection the museum had taken over), the ACT Aboriginal and Torres Strait Islander Cultural Centre and the proposed Gallery of Aboriginal Australia. This would be achieved through co-location on the relatively small Acton peninsular in Canberra rather than the more expansive Yarramundi site (National Museum of Australia 1982, pp. 14-15; National Museum of Australia 1995, p. 1). The national museum then was downgraded to a Gallery of Aboriginal Australia representing only one aspect of its enabling legislation. (National Museum of Australia 1995, p. iv)

The 1996 Federal election was contested by a struggling Labor government seeking re-election for a fifth term and the Liberal Opposition under the leadership of John Howard, a veteran of Australian politics. *Creative Nation* clearly demonstrated what the Labor Government stood for in terms of cultural development (Department of Communications and the Arts 1994). And it was not for a national museum, described by the then Prime Minister, Paul Keating, as ‘yet another massive mausoleum’ (Meade 1994, p. 8).

This was an area where the Liberal Opposition could demonstrate a clearly differentiated strategy to re-focus arts and cultural development in the regions rather than in capital cities and to ‘neutralise the arts and artistic community in the campaign’ (Grattan and Mangan 1996, p. 9; Turner 1996, p. 17).

The commitment to build the national museum was consolidated following the election of the Liberal National Coalition to government. Political considerations held sway with suggestions that this commitment was an economic ‘sweetener’ for Canberra resulting in the creation of 1,000 jobs, land swaps between the Australian Capital Territory and the Federal Government (Acton for Kingston and the museum community’s preferred Yarramundi site), unlocking sites for further development and as part of a by-election strategy (Wright 1996; Clack 1997; Nicholson 1997).

Of the $1billion announced for projects leading up to the Centenary of Federation, $900m were allocated to Federation Major Projects. The completion of the capital development of the National Museum of Australia was seen as symbolically pivotal to this program. (Armstrong 1997; Luff 1997; Australian National Audit Office 2001).

The new entry of the NMA as a physical presence then was closely allied with the value it could create for the newly elected government as part of a revitalisation program for Canberra and a symbolic national gift for the celebration of the Centenary of Federation.

The original budget for the construction of the National Museum at Yarramundi had been $92m at 1982 prices (National Museum of Australia 1983, p. 2). Some sixteen years later, the NMA and AIATSIS together were built at a cost of $151.9m, which represented just over 15% of the total Centenary of Federation Fund. Despite some early over-runs this was seen as good value for money (Caine and Lewis 1999) and as the Chair of the NMA Council commented, rather excitedly:

> *But that building only cost, the actual building, about one hundred million dollars. Someone built a house in Melbourne; they allege, between thirty and forty million - a house! You get a whole museum, a contemporary museum, for about $100 million. It's fantastic and you've brought it in on budget and on time, it was a huge feat* (Council Chairman: NMA 2004)

Similar projects such as Te Papa Tongarewa, New Zealand's national museum which opened in 2000 was costed at $A285.77m and the Melbourne Museum which opened in October 2000 was costed at $A300m ("Museum's Gift to the Past, Present and Future" 1997; DiGirolamo 2001; National Museum of Australia 2001, p. ii).

The actual capital program itself at new entry stage created value for the government in two ways: economically and politically. The first, economically, in providing value as a percentage of the special funds for celebrations of nationhood; in providing direct and indirect economic benefits for a regional centre, albeit the nation's capital, Canberra; and as a reduced cost unit compared to earlier estimates of building and compared to similar projects in other countries and Australian states. The second, politically, insofar as it wrested the cultural development 'high ground' from its political opponents; proved that the Coalition government was committed to arts and culture; and staked a claim in how history might be portrayed as part of the Centenary of Federation nation building.

However, both the economic and political value that the new entrant provided by its birth also gave rise to liabilities of newness in its first few years of operation. This is explored further in Part 2.

Management personnel changed over this period as well. The guiding Chair, Jim Service appointed in 1997, resigned in 1999, (National Museum of Australia 1997; National Museum of Australia 1999) and was replaced by the Hon Tony Staley, a former Liberal Government Minister and former President of the Liberal Party. Career public servant, Dawn Casey who was the Chief General Manager of the Construction Coordination Taskforce of the NMA was confirmed as the Director in 2000 (National Museum of Australia 1999).

The themes of the museum were entrenched in the legislation which was informed by the Piggott Report. Annual Reports until 1992-3 reflect this ‘genesis’ quoting from both the Piggott Report and the enabling act which outlined the scope and aims of the institution (National Museum of Australia 1982; National Museum of Australia 1983; National Museum of Australia 1988; National Museum of Australia 1989; National Museum of Australia 1990; National Museum of Australia 1991; National Museum of Australia 1992).

By the time of opening the themes remained the same but were pared back and re-branded as ‘land, nation, people’ (National Museum of Australia 2000; National Museum of Australia 2001; National Museum of Australia 2002). This reflected a contemporary and evolutionary understanding of new museology, which sought to re-interpret accepted notions of white settlement, interaction with indigenous communities and the environment. To some, this meant that the curatorial policies placed a more conflictual and post-colonial interpretation at centre stage (Casey 1999; Casey 2002b; Casey 2002a; Casey 2003). Such a bold re-evaluation later became the subject of debate and government review of the purpose of the institution in its first two years of operation (Carroll et al. 2003; Kremmer 2003b; MacIntyre and Clark 2003b).

Although the National Museum of Australia had been operating for over 20 years, the permanent building itself in 2001 marked it as a new entrant on the cultural landscape. The process of the birth reflected the new value that its major stakeholder derived from its very existence and its survival at least was guaranteed.

It operated as a cultural institution with temporary and permanent exhibition space, amenities and ancillary facilities (shop, cafes, restaurants, meeting rooms, auditoria and a broadcast studio) appropriate to a state of the art museum. As a new entrant, it was in competition with many older and more established cultural institutions in Canberra and in Australia: competing for visitors, government funding, sponsorship, professional staff, volunteers and material objects for collection development.

However, the NMA was also embroiled directly, indirectly and publicly in debates and controversies about new interpretations emanating from the right and countered by the left of Australia's academic historians. These were designated 'the history wars' and there is some speculation that this culminated in the non-renewal of the director Dawn Casey's contract in late 2003 (Casey 2003; Kremmer 2003a; Kremmer 2003b; MacIntyre and Clark 2003a; Safe 2003a).

The Chair, had anticipated the problems:

> *I hoped it would be authentic – at the very beginning we recognized that there were going to be matters of considerable controversy and they turned out to be over the interpretation of Australian history* (Council Chairman: NMA 2004)

A *Review of Exhibitions and Programs* (the Carroll Review) was undertaken in 2003 following a number of criticisms about the balance of the museum's displays, interpretation and public programs (Carroll et al. 2003). The Review represented a milestone in the new entry process of the NMA publicly reflecting on the successes and failures of this national social history museum and recommending a pathway forward focusing on collection building, exhibition and interpretation, collaboration, physical improvements and research priorities.

Although the Carroll Review (2003) generally endorsed the direction of the NMA, it also indicted inaccurate, non-verifiable and speculative interpretation of historical sources and recommended less reliance on oral histories and anecdotal evidence of Aboriginal and non-Aboriginal contact and conflict (2003, pp. 67-8). The credibility of non-written and oral sources was one of the fundamental arguments between the right and left of the 'history wars' which began to surface at the same time (Attwood 2002b; Attwood 2002a; Shanahan 2002).

The Review panel recommended developing a collections policy that enhanced the ability to tell Australian stories from the nineteenth and twentieth centuries, but also covering early European contact and settlement (Carroll et al. 2003, pp. 69-71). The

Review panel also recommended developing and strengthening collaborative relationships with other cultural institutions and universities (Carroll et al., pp.54-55) as well as physical improvements to the building including wayfinding and acoustics.

Alongside the significance of the Carroll Review in the new entry process were the ideological positions adopted by some members of the Council and the Director, Dawn Casey, in light of the ‘history wars’ (MacIntyre and Clark 2003a).

Divisions within Council on Casey’s effectiveness and loyalty to the government agenda appeared to have surfaced at this time (Morgan 2003, p. 3). In the climate of the ‘history wars’ many were suspicious of the composition of Council members which appeared weighted more to the right than the left (Kremmer 2003a). Council members were appointed by the government (the Federal Minister for the Arts) and in this sense can be seen as their de facto agents, although not always compliant to the government’s every wish and not necessarily always representing a singular viewpoint.

> *I don’t think there is a single government view, I’ve found that there are multifarious views as you would expect from members of the government about the museum and about how it handles content, ranging from those who think it is warped, that there are areas of bias…Contrary to popular myth it’s not as if they’ve been leaning over our shoulder trying to correct the portrayal of Australian history, that doesn’t happen, it’s just nonsense.* (Council Chairman: NMA 2004)

This viewpoint is contrasted with a subsequent collaborator of the museum and at the time of new entry, a senior curator:

> *They were constantly looking over our shoulder. Dawn’s in particular…The specific instance came as everyone knows …from David Barnett and Pearson. They both referred explicitly to their privileged relationship with the Prime Minister* (Collaborator 2: NMA 2005)

In addition, controversy surrounding the Director Dawn Casey and her relationship with some Council members culminated in the failure of her contract to be renewed, although the Chairman of the Council stated that this was a government not a Council decision.

> *You know we do not hire and fire…I think it would be honest to say that most of the Council would have given Dawn two years not one more year - there was a sense that she had been a fantastic builder…* (Council Chairman: NMA 2004).

The endorsement of Casey needs to be seen within the context of another Council member, David Barnett, whose submission to the Carroll Review called into question the appropriateness of Casey as Director:

> It is my view that the senior echelons of the Museum should be staffed by academics with experience in running Museums, a love of learning, and with reputations in appropriate areas…It must not be a dumping ground for public servants who are not wanted in their departments, and who are relocated simply because it is simpler than sacking (Barnett 14th March 2003).

The Council was however successful in arguing the case for additional resources (Liberal Party of Australia 2004, p. 17) to implement some of the Carroll Review's recommendations, with the assistance of the Chair.

> *Right now I'm in a very good mood because the Government has provided an extra $15 million to underpin the modification that will be made to the exhibitions* (Council Chairman: NMA 2004)

A new Director Craddock Morton, who, like his predecessor, had also been involved in the construction phase of the museum within the Department of Communications Information Technology and the Arts succeeded Casey in January 2004 (National Museum of Australia 2004a). He responded to the Carroll Review as a whole and developed a strategic response to planned changes on the basis of the recommendations (Morton 2004; National Museum of Australia 2004b).

The first few years of the NMA and its entanglement with the 'history wars', the non-renewal of Dawn Casey's contract, the *Review of Exhibitions and Programs,* the museum management response in the form of a new Strategic Plan and its subsequent need for additional funding to fulfil the recommendations of the Carroll Review reflect two elements. First that the economic and political value created by the museum's birth could not be sustained; second that its future growth depended on creating value for its key stakeholder, the government in order to secure additional resources and limit its liability of newness.

In these circumstances, value creation and capture were compromised and served to undermine the original value the museum created at birth. It was born in an era of self-reflection and revisionism of Australian history which polarised the aspirations of stakeholders. On the one hand there were those who expected a celebratory notion of history (with some darker stories told) and those who wanted darker stories exposed and self-congratulatory stories minimized. This undermined the political value that the government derived from supporting the new entrant. If this were to be addressed, then the NMA needed to ensure that all sides were represented. Additional revenue and capital funding would be required, eroding the original value for money in the building enterprise.

Value exchange emerged as a limit to its potential growth. Unless the NMA could create and capture value for its major stakeholder, the government, through responding constructively to the Carroll Review process, then its leadership role as a national institution would be partial.

The following section identifies and describes the NMA's stakeholders and how the NMA as a new entrant museum created, captured and exchanged value for these stakeholders.

4.2 Stakeholder descriptions

Analysis of stakeholders rests on the work conducted by a number of stakeholder theorists (Mitchell et al. 1998; Moore 2000; Greenwood 2001; Friedman and Miles 2002; Ospina et al. 2002; Phillips et al. 2003; Bryson 2004). The following is used as a basis for this and subsequent case studies.

Mitchell, Agle and Wood presented a convincing foundation of dynamic stakeholder analysis based on the presence or absence of three attributes and their combination: power, legitimacy and urgency. In dividing stakeholders into two groups, expectant and latent, Mitchell, Agle and Wood tracked how different types of stakeholders influenced the organization through changing circumstances. In their typology, expectant stakeholders were either powerful or legitimate or both while latent stakeholders were potentially disruptive or dangerous to the organization. Their typology to some extent reflects Moore's notion of the authorising environment and upstream stakeholders – those stakeholders who have power and legitimacy over the organization and to whom the organization is accountable (Moore 2000). Mitchell, Agle and Wood's approach has also been used in the nonprofit area in relation to membership based organizations (Inglis and Minahan 2004).

Ospina, Diaz and O'Sullivan also discuss negotiating accountability in relation to stakeholders – a notion of managing and balancing stakeholder demands (Ospina et al. 2002). However Ospina and her colleague's concepts become more textured when converged with both Moore's authorising environment and upstream stakeholders and Mitchell and his colleague's attributes of power, legitimacy and urgency to differentiate the importance or salience of claims and demands made of the organization.

In conflating these notions, concepts of upstream and negotiated stakeholders have been developed. The first category, upstream stakeholders, refers to funding bodies or the state, and the governing Board or Council – those with both power and legitimacy over the organization that fall within Mitchell, Agle and Wood's conception of dominant or definitive stakeholders. The second category, negotiated stakeholders, refers to sponsors and private funders, staff, visitors and similar organizations as well as collaborators and falls within Mitchell Agle and Wood's notion of dormant, discretionary or dependent stakeholders. These stakeholders fall outside Moore's authorising environment but maintain a relationship with the organization. Their power and legitimacy may be negotiated or re-negotiated depending on changing circumstances and opportunities, noted by Ospina and colleagues.

Each of these has been defined specifically in the case of the National Museum of Australia.

Upstream stakeholders

Upstream stakeholders are associated with those who invest in the operational and programming activities of an organization. In the case of nonprofit museums or museums which operate as statutory authorities as the NMA does, this is primarily associated with the state.

At a federal level, the state is a complex notion of differing and sometimes contradictory entities constituting the government of the day, the Minister overseeing the portfolio of which the museum is a part, the department which encompasses the museum and other departments which may have an interest in the running of the organization, for example the Department of Finance and Treasury.

While these may be seemingly clear-cut there are overlaps and flows within and between these entities that tend to blur the boundaries of discrete senses of authority, legitimacy and urgency associated with the nature of stakeholders used here (Mitchell et al. 1998). For example, the first two Directors of the NMA as a new entrant were drawn directly from the government department responsible for its capital build. In that sense, these Directors moved from being upstream stakeholders to negotiated stakeholders and their relationship to both the museum as an entity and the state subsequently altered.

Similarly, Council members are appointed by the responsible minister of government and confirmed by the Prime Minister and Governor General (Attorney-General's Department: Office of Legislative Drafting 1980). When this results in high profile pro-government appointments, it becomes difficult to determine which interests the stakeholders are serving – the interests of the museum as an organization operating with responsibilities to the public, scholarship, its own museological profession and the museum/cultural sector, or the interests of the main investors (the state) in the organization. The latter may require returns not wholly consistent with museum sector responsibilities.

The state in relation to the NMA is powerfully and legitimately situated in so far as it remains a primary source of revenue without which (it is acknowledge in all annual reports) the museum simply would not operate. But its influence on the organization in determining the nature of value creation, capture and exchange that has meaning for the state is complex and may be different and changeable for each type of state stakeholder, senior staff and Council members.

The Council as a related upstream stakeholder is also implicated in value creation that has meaning for the state by virtue of the nature of their appointments. However, this becomes more complex as they are also in a close working relationship with negotiated stakeholders, particularly the staff, and also cognisant of the visitor base and the standing of the museum in the national and international museological arena. The creation, capture and exchange of value then may be more or less determined to serve the interests of the state in its myriad forms but also to serve other constituents. How the Council acts in value creation, capture and exchange can then be evaluated by where it locates this value as meaningful to both upstream and negotiated stakeholders and how it resolves conflicts and tensions that arise from value created that is more meaningful to one set of stakeholders over others.

Negotiated stakeholders

Negotiated stakeholders include collaborators, staff, sponsors and the public.

Collaborators with the NMA changed over time from opportunistic to more strategically planned. Continuous collaboration occurred between the museum and Aboriginal and Torres Strait Islander communities. Reinforcing this connection was the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), the NMA's nearest neighbour and its constant companion over the years preceding its road to birth. This connection was also reinforced by the mutual connection the NMA and AIATSIS had with the state as an upstream stakeholder. The state was involved in the concurrent capital build of the AIATSIS and the NMA as well as having both indirect and direct responsibility for Aboriginal and Torres Strait Islander communities.

The Australian National University (ANU) and other universities were also collaborators with the NMA – the ANU preceding its birth and other universities following its new entry. This collaboration primarily revolved around research, publications and technological innovation.

Other museums were collaborators although as a national institution, the NMA expected to take a leadership role in relation to non-national museums. However, given the late start of the NMA compared to state museums many of which have been operating since the mid nineteenth century, leadership is not automatically conferred and the NMA managers' ability to influence the sector as a whole potentially becomes a site of tension.

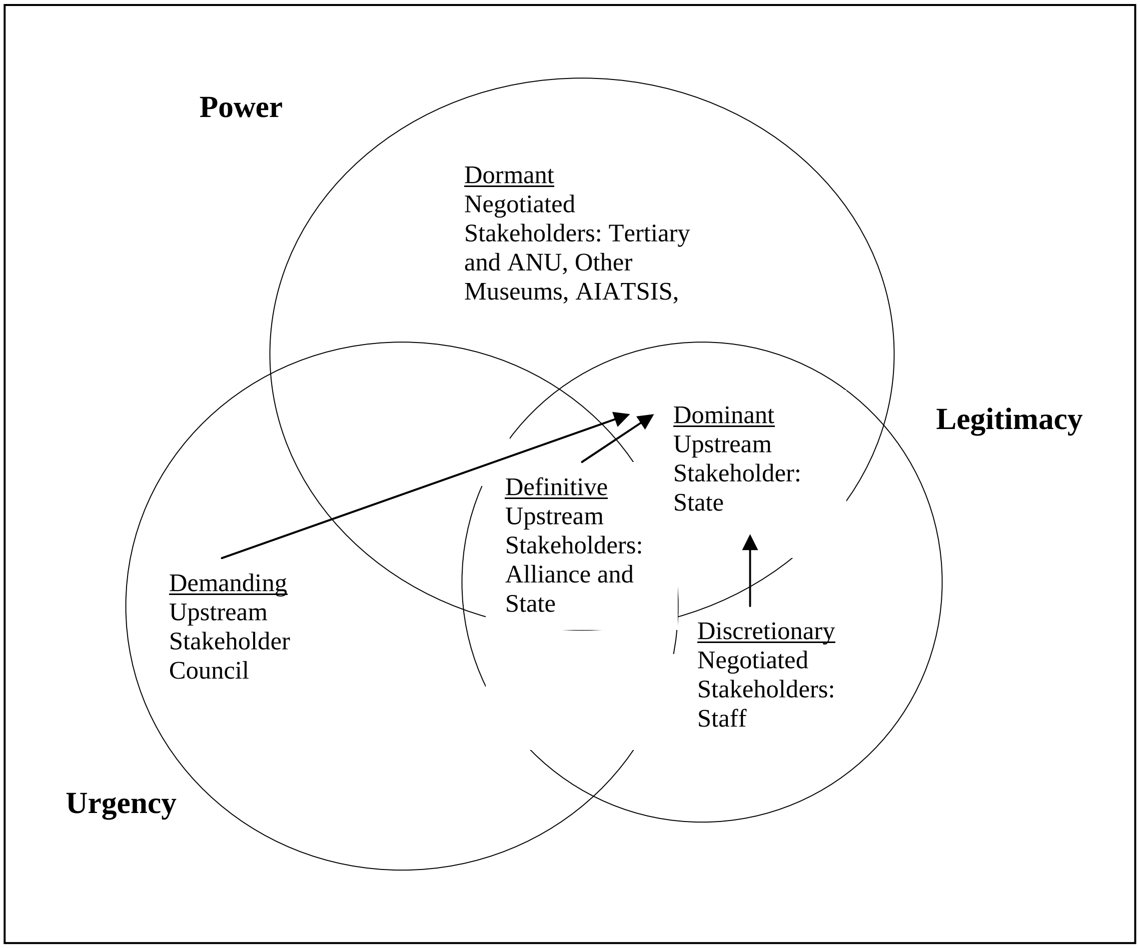
Staff are stakeholders in the museum but occupy different levels. The Director is directly appointed by the Governor-General through the Minister and the Council ostensibly plays little part in extending or terminating contracts (Attorney-General's Department: Office of Legislative Drafting 1980, p. 17). All other staff are appointed under the *Public Service Act of 1999* (Attorney-General's Department: Office of Legislative Drafting 1980, p. 21). This may then also be a potential site for dispute over value creation as the Director is required to create value for the most important stakeholders, the state and the Council, while other staff may be required to create value for the public, sponsors and collaborators.

Sponsors are associated with negotiated stakeholders although they provide resources for on-going operations or specific programming. However, in general the value they demand is less complex than that demanded by the state or value balancing undertaken by the Council. The relationship to the museum is relatively uncomplicated, voluntary and is dependent on contractual obligations of value creation, capture and exchange focusing on sales, public awareness, prestige and networking. This potentially can become complicated when the alignment between sponsors' needs (value capture) and that of the state, Council and staff (value capture) is incompatible.

While the public has been seen as the end users of the products and services the museum creates, this has changed over time. For almost twenty years the NMA was a visitor centre with outreach. In 2001 it became a national iconic structure exhibiting permanent collections and developing temporary exhibitions and the value created for the public was not only intended to increase numbers but also to affect market share in the Canberra cultural marketplace. However, the public was undifferentiated by the NMA except for a general separation between children and specific value created for them and the remainder of the public.

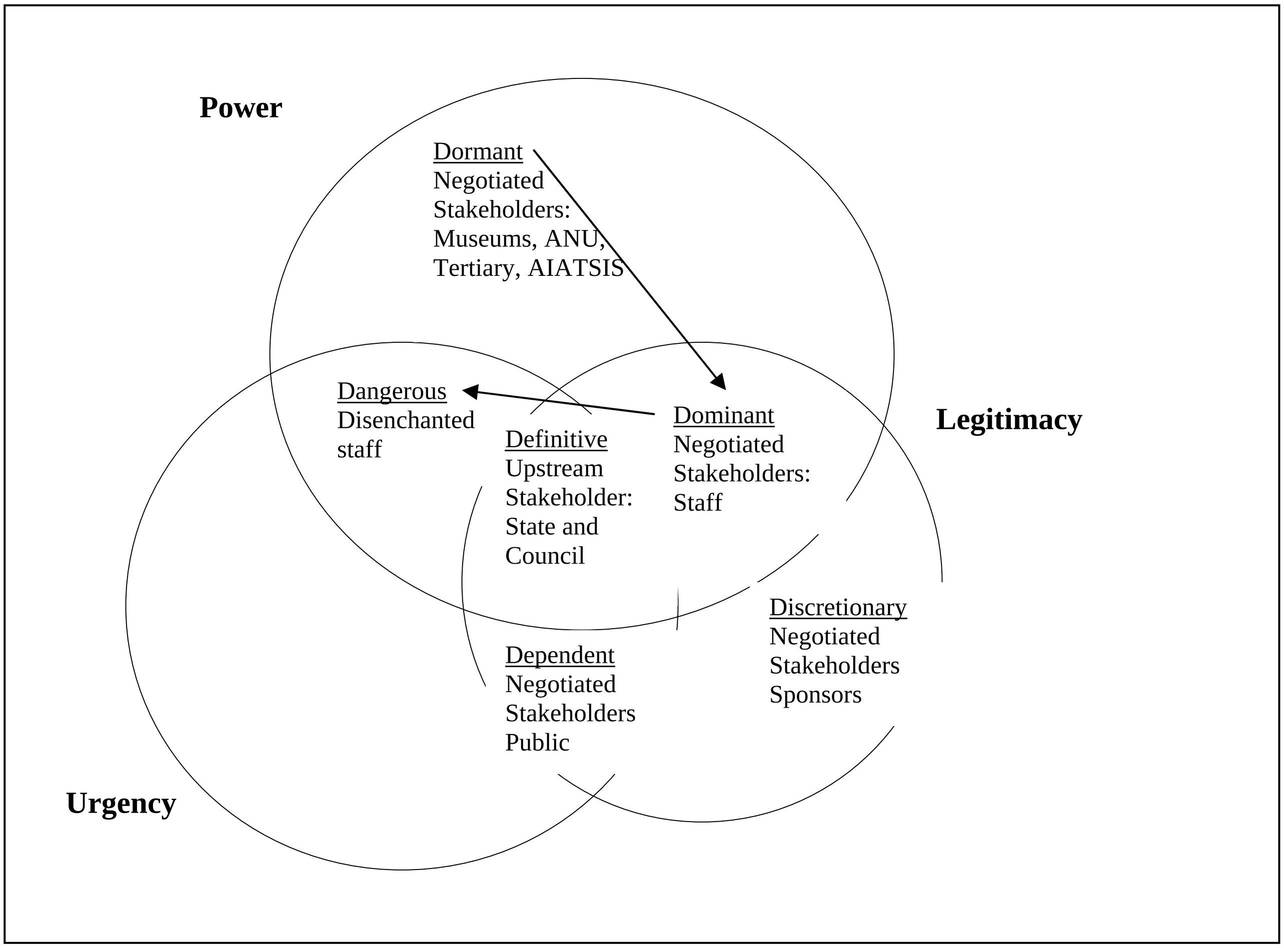
Adapting Mitchell Agle and Wood's model, the relationship between upstream and negotiated stakeholders and the museum can be illustrated in two time periods, one leading up to opening and one post opening marked by the Carroll Review.

Figure 7: Relationship between Upstream and Negotiated Stakeholders and the Museum 1998-2001
Source: Adapted from Mitchell, Agle and Wood, 1998



The building consortium known as the Alliance and the state were the two definitive upstream stakeholders – their position was powerful, legitimate and urgent. Once the building was completed the Alliance dissolved and the state reverted to a powerful and legitimate position as a dominant upstream stakeholder - but without urgency.

Figure 8: Relationship between Upstream and Negotiated Stakeholders and the Museum 2001-2004
Source: Adapted from Mitchell, Agle and Wood, 1998



The constant factor in these diagrams is the mutually reinforcing relationship between the Council and the disparate activities of the state as well as the inter-connection between the staff and the state as senior staff moved between government departments through to the museum.

As a statutory authority, the museum had limited power over its staffing appointments at senior levels and no power over its Council appointees. Because of these inter-relationships, Council, the senior staff and the state make for a powerful troika, but by no means an homogenous one. Nonetheless the combination of these three stakeholders and their relationship indicate that value created and captured for these stakeholders becomes imperative and if not matching then a potential site for conflict. This was at its most apparent following the limited renewal of Casey's contract as Director where she moves from dominant to dangerous stakeholder.

The Aboriginal and Torres Strait Islander communities and AIATSIS have a vested interest in the NMA as continuing collaborators and partners over time and a connection to the state as both recipients and providers of services. These communities and AIATSIS remain negotiated stakeholders who have complex and potentially incompatible value creation needs particularly in relation to the state and the Council. As with the senior NMA staff and the state, so too was there movement between the staff of the NMA and AIATSIS making demarcation between NMA staff as stakeholders and AIATSIS as collaborators blurred in the early years of operation.

Other collaborators such as universities and museums became stakeholders after the building was completed as evidence of collegiate participation in scholarship. The Australian National University (ANU) however had a curatorial interest in the NMA as collaborators in conceptual and intellectual development of the exhibitions and technical advisers in interactive technology prior to opening.

Visitors were recognised as negotiated stakeholders as the physical presence of the museum came into reality. The public is notionally who the museum is for and the value created for them indirectly provides evidence of value creation to the state, the Council and the staff. However the public or visitor base remained relatively powerless in relation to other immediate stakeholders and were unsegmented except, to some extent, in relation to children, school students and, intermittently, youth (Senior Executive 2: NMA 2004; Collaborator 2: NMA 2005). Ultimately their power and legitimate position may be dependent on their relationship and importance to staff and the state at varying times.

Value creation is similar for each stakeholder but how it is captured and exchanged is variable and can be described through a table. Table 5 is used as an analytic tool to explore value creation, capture and exchange. The elements of the framework are addressed in detail in the text following the table.

Concepts	The State	Council	Staff	Collaborators: AIATSIS and ATSI communities	Public	Sponsors	Collaborators: Universities	Collaborators Other Museums
Value Creation: *Amenity*	The Building: value for money; political capital	The Building: receivers of end product	The Building: receivers of end product	The Building : Site for research programs alongside AIATSIS building	The Building: venue for leisure, education	The Building: venue for events, naming rights	The Building: venue for programs	The Building: evidence of arrival
	National Historical Collection	Develop policy for collection, exhibition, programs and services	Policy development and interpretation of collection, exhibition programs and services	Authenticity and control of collection, exhibition programs and services	Collection, Exhibition programs and services	Special Collection, Exhibition programs and services to promote sponsor sales	Research of collection and exhibition	Loans and borrowing from collection for exhibition programs and services
Value Capture: *Interactions*	Accountability for value capture to other stakeholders	Accountability compliance	Accountability compliance	Collaborations with range of ATSI communities; advice on return of cultural property	Consumption of programs and services	Appropriate opportunities for networking Matching needs with NMA assets	Number and type of collaborations formed	Number and type of collaborations formed
	Alignment of exhibitions programs and services		Alignment with stakeholder expectations		Evaluation of programs and exhibitions consumed	Alignment of opportunities and programs	Benefit accrued to partners and NMA	Benefit accrued to partners and NMA
Value Exchange: *External Relations*	Rate of funding and level of revenue for growth	Accountability for value exchange		Congruence from ventures and scholarship; Position of NMA within collaborations	Costs associated with program delivery	Congruence and revenue generated	Congruence and revenue from ventures and scholarship; Position of NMA within collaborations	Congruence and revenue from ventures and scholarship; Position of NMA within collaborations
	Accountability for value exchange			Duration of collaborations	Revenue generated from programs and services		Duration of collaborations	Duration of collaborations

Table 5: National Museum of Australia: Table of attributes for value creation, capture and exchange for different stakeholders

4.3 Analysis of value creation, capture and exchange

The key concepts explored in this research are value creation, capture and exchange and the role these elements have in relation to limiting the liability of newness. The attributes of value creation, capture and exchange taken from the above table are examined in the context of the stakeholders for whom this value is developed and transacted.

Value Creation

Value creation is worth. In this research value creation for new entrants has been limited to two of the most obvious markers of new entry: a building; and collection, products and services for consumption.

The building

The building itself is earmarked as a value creation attribute because of the way it was developed, the critical attention it provoked following its opening and the very nature of its physical presence marking it as a national institution.

The building program was seen as a best practice example of a government building Alliance between disparate parties who all had a financial stake in its timely completion (Caine and Lewis 1999). The museum and its staff were the end clients and were not directly represented on the Alliance. This meant that they 'received' the building some 24 hours prior to opening (Senior Executive 1: NMA 2004).

The building, on the shores of Lake Burley Griffin at Acton Peninsula, like many cultural institutions in Canberra is accessible primarily by car, taxi or bus. It is adjacent to the AIATSIS, sharing a car park with that institution. Both these institutions have a sense of isolation. While many cultural institutions in Canberra are quite separate they are all within viewing distance of each other – the National Library is located near the National Art Gallery and Questacon while the War Memorial has direct sightlines to old and new Parliament House, the Gallery and the Library. There is a sense of monumentalism and physical connectedness between these institutions – where in Acton the only physical connection is between AIATSIS and the NMA.

Non-monumentalism in building style was seen as a source of differentiation to sister cultural institutions. The design was based on a fractured circle, 'a three-dimensional knot' (Rimmer 2002, p. 21) and encapsulated 6,600 square metres of exhibition space (National Museum of Australia 2000, p. 6). This exhibition space is relatively small when compared to its sister national institutions, the War Memorial (almost 10,000 square metres) and the National Art Gallery (8,000 square metres) (Bonyhady 2001, p. 11)

Internally, the central entry hall was seen by staff and the Council as a unique feature of the museum and positioned itself competitively with other museums in relation to venue hire and events.

> *…I know many of them* [other cultural institutions] *are very envious of our hall, the arrival experience which has…got a multipurpose role for functions…there is no other place like it in Canberra* (Senior Executive 2: NMA 2004)

Thematic spaces within the museum included *First Australians* (Gallery of Aboriginal Australia), *Circa*, *Horizons*, *Nation*, *Eternity*, *Tangled Destinies* and an internal courtyard called the *Garden of Australian Dreams* intended to express various aspects of Australia - from the dingo fence to Aboriginal language demarcations to a suburban backyard pool - embedded within its concrete construction (National Museum of Australia 2001).

Critiques of externalities the building (Casey 2001; Rimmer 2002, p. 25; Windschuttle 2003) spilled over into a number of internal spaces and galleries resulting in recommendations from the Carroll Review for the physical and conceptual re-working of *Circa*, *Garden of Australian Dreams*, *Horizons* and *Nation* (Carroll et al. 2003, pp. 37-8; National Museum of Australia 2004b, pp. 5-7).

To some staff members, this was not surprising. *Horizons* was described by staff as the 'runt of the litter' (Senior Executive 2: NMA 2004). Others in the organization confirmed this view:

> *I mean a lot of stuff that was pointed out in the Review we were doing anyway…we knew the Horizons Gallery was crap…the response to the Review provided the catalyst to speed some of these things up anyway whether it was fixing up the signage…or re-doing some of the gallery spaces and improving…the intellectual experience.*
>
> *…our response to the Review is pretty well owned by the organization, it is not like 'Oh God we have got to do this, I don't want to do it'. It is owned by the organization*. (Senior Executive 5: NMA 2004)

While the Review gave the museum an opportunity to identify existing shortcomings and future collection development, the submission by the NMA to the Carroll Review Committee did not detail the weaknesses of *Horizons* or indeed other galleries (National Museum of Australia n.d., p.p. 123-131). Concentrating on detailing lack of gallery space, increasing its relevance in relation to research and highlighting the need for money to build the collection, the NMA submission chose also to provide evidence of successes and achievements to date rather than singling out specific conceptual shortcomings (National Museum of Australia n.d., pp. 18, 39, 41, 46).

The impact of the Carroll Review suggests a subtle re-alignment of staff thinking in relation to perceived shortcomings of the building and conceptual development of exhibitions rather than the leadership position it claimed after the event.

This shift is reinforced by *Circa*, the multimedia introductory 'ride' into the museum which also came in for considerable criticism under the Carroll Review (2003). Seen by the Carroll Review panel as fragmented and lacking narrative direction it was critiqued as a failure based on 'disjointed arbitrariness' - a critique that recurs through the permanent exhibition spaces as well (2003, p. 17).

Contrary to this view, *Circa* for visitors was seen as

> *one of the top ranking things of their experience here, but we have got…a view coming from the Review primarily and some of our Council who believe …it would be more effective if it was an introduction to the museum as a civic place rather than an introduction to the concept of 'land nation people'…it is*

> *an example perhaps of having high visitor satisfaction numbers particularly in relation to one aspect of the museum that hasn't helped us* (Senior Executive 2: NMA 2004).

The value created by the amenity of the building itself seemed uneven. The government and the National Audit Office were satisfied with the construction process and costs (Caine and Lewis 1999). However, the building was critiqued in the media for being imitative, gimmicky and missing an opportunity to contribute to a civic sense of Canberra's cultural institutions (Farrelly 2001; Ward 2001). The Carroll Review (2003) found its layout confusing and many galleries unresolved in their content. The staff were willing to accede to most of the recommendations in the Carroll Review in order to re-align the museum with its key stakeholder expectations (National Museum of Australia 2004b).

Collections, exhibitions, programs and services

Collections and exhibitions are attributes of value creation and are analysed in terms of two key components of the NMA: *First Australians* and temporary exhibitions. These are singled out because they represent complex bundles of value creation. *First Australians* was both praised and damned by the Carroll Report and its content reflected the essence of the nature of the 'history wars' and different approaches to interpretation. Temporary exhibitions continued a tradition already established by the NMA in its twenty year gestation and refreshes the exhibition program in ways that may increase visitor frequency. Both these areas also serve to highlight problems associated with deficiencies within the collection attributable to liability of newness in the national museum arena.

During the twenty year gestation period of *First Australians* collaborative and consultative relationships with a number of indigenous community groups were formed and *First Australians* became one of the major exhibition spaces within the new museum. (National Museum of Australia 2000, p. 36).

This highly evolved process outlined in Annual Reports over a twenty year period sets the interpretation of Aboriginal and Torres Strait Islander cultural and social history apart from other curatorial practices within the institution. The strength of these collaborative ventures and the trust which developed through these relationships was supported by conventional scholarship collaborations but also more controversially, by historical methodologies of oral accounts.

At the phase of new entry the ‘authenticity’ of these approaches needed to be re-argued with both upstream and negotiated stakeholders:

> *I think we held on to a major component of the museum in terms of the exhibit space, not only is there a special area that is devoted to Aboriginal and Torres Strait Islander culture there are stories that relate to Aboriginal culture throughout the rest of the museum. It’s woven into the stories. ..I think the indigenous voice comes through strongly, through the exhibits, people can hear what indigenous people want to say, not what researchers want to say about them.* (Collaborator 1: NMA 2004).

Even in the context of the history wars, the Carroll Review (2003) indicated that it seems to have ‘got it right’ for the government in relation to *First Australians* excepting in one or two areas of requiring additional evidence and a greater regional indigenous voice (pp. 20-2), oversights justified by a senior curator at the time by the urgency of meeting deadlines (Safe 2001; Shanahan 2001; Collaborator 2: NMA 2005).

> *For Aboriginal people it is certainly a drawcard and therefore a success. I have taken various groups of Aboriginal people around the museum and they certainly felt for them, there was a resonance, an appreciation that this is an expression of their culture and a very determined effort to express it faithfully…* (Collaborator 2: NMA 2005).

The position of *First Australians* - a success with shortcomings - gives rise to the nature of new entry and value creation through product/exhibition development.

Uncertainty around developing the other non-Aboriginal themes, as delays and revisions in building occurred meant that when the exhibition and curatorial themes of early settlement and interaction with the environment were eventually acceded to, they were less mature and less conceptually robust. It appears that a combination of focus, authenticity, collaboration, academic rigour and a champion within the organization as well as maturation over time resulted in value creation.

> *…the indigenous people want to talk about this in their own words, they want to be able to describe their own history. If you're not sensitive to that matter you lose a tremendous opportunity. So there was already a good indigenous staff within the National Museum who had things they wanted to say, things they wanted to express, they had topics identified that they wanted to convey. They had relationships with the community people that supported their approach and Djon Mundine had a reputation as one of the key intellectuals in the country… interpreting the culture. …And I guess theoretically there was support for the notion that indigenous peoples, their voice should be heard within an exhibition space.* (Collaborator 1: NMA 2004)

The close relationship between AIATSIS and the NMA built on the same site at the same time to give economy of scale and efficiencies in the building program were also tied conceptually:

> *… in 1984 there were artefact collections in this organization (AIATSIS) which were transferred to the National Museum, but the films and the tapes and the still photographs that relate to the acquisition of those collections are still held with us. So potentially in the future it would be nice to for users to have fairly transparent access to both the documentary materials and the artefactual materials. It would be nice to see that happen* (Collaborator 1: NMA 2004).

The National Museum had two indigenous directors from 1996-2003 what may also have been significant.

> *The relationship with Dawn was close, both from my own perspective and from the Chair, Michael Dodson. So we're very sad…to see her go and very sad to see the circumstances in which she went….But that doesn't mean we have any negative position towards the current management. We just think that we'll get around to that good working relationship with that person as a matter of course*. (Collaborator 1: NMA 2004).

The *First Australians* then was built on a strong and long relationship between indigenous communities, curators and given legitimacy through indigenous leadership of the NMA. This is not to suggest that the indigenous Directors were unbalanced or biased in their priorities for the NMA, but rather that a position of strength had been established which was reinforced by networks of personal and professional contacts and had continual support from the government of the day. It may be that this cultural institution knowingly or not, reduced barriers to indigenous research, curatorial processes and collaboration unprecedented in other cultural institutions, noted by McCulloch-Uehlin as ‘the most vibrant display of indigenous culture this country has seen’ (McCulloch-Uehlin 2001, no page number).

Value creation in relation to exhibitions and collections is also evidenced through temporary exhibition programs. The government wanted a number of temporary exhibitions – ‘an active schedule of changing exhibitions’ (National Museum of Australia 2003, p. 32).

Although the museum doubled its exhibition profile from 2000/1-2003/4, it was heavily reliant on loans from other institutions or individuals growing from 86 in 2000 to over 200 in 2003/4 (National Museum of Australia 2001; National Museum of Australia 2002; National Museum of Australia 2003; National Museum of Australia 2004a; Collaborator 2: NMA 2005). This reflects its relative late start in collection building but may also place it in a weak position in relation to its ability to negotiate loan objects when reciprocity is required.

Value creation in relation to collections and exhibitions strongly centres on the Aboriginal and Torres Strait Islander section of the museum and was the focal point for both criticism and exoneration exemplified by media reports and the Carroll Review. The Carroll Review itself represented a watershed on value creation reflecting what value had been created, but perhaps poorly in many instances. This poor creation of value was seen as a responsibility of the seeming parsimony of the government in not providing for more expansive gallery spaces and funding for collection building while the lack of rigour in some exhibition interpretation was seen as the responsibility of curators accepting a particular ideological bent.

Value Capture

Value capture is the appeal of value creation. It comprises consumable products and services, accountability and alignment with stakeholder values.

The NMA was seen as a transmitter of cultural ethos, and value creation at new entry stage needed to be read within the context of the political climate of the day.

The government did not explicitly state what it wanted from the museum (Senior Executive 2: NMA 2004) in terms of value creation for exhibitions or programs. Indeed staff indicated that the government wanted a ‘success’, a museum that would attract large numbers of visitors and reflect well on government investment (Senior Executive 2: NMA 2004).

The museum operated in an environment of history revision, where the methodology of historical data collection was being questioned (Lane 2002). The NMA had a desire to be ‘pioneering…best practice in terms of social history’ (Senior Executive 2: NMA 2004) but lacked many of the resources to back up some of their re-interpretations of historical events.

In addition, the Director, Dawn Casey publicly discussed the role of a national museum as one where debate and different points of view should flourish (Casey 2002b; Casey 2002a; Casey 2003).

Opposing this view, some members of the Council believed that the role of a national museum was to devote attention to ‘research and collection aspects of our charter’ and not court controversy or become a centre for debate (Safe 2003c). Caught in a particular historical moment of the Centenary of Federation (and one which occasioned its very birth) resulting in widespread interest and reflection on Australian history, the NMA became the symbol of the so-called ‘history wars’ (Message and Healy 2004).

It may be disingenuous to suggest that the only value the government was seeking was ‘success’. The government had appointed Councillors who had affiliations with the

Liberal Party –the Chair, the Hon Tony Staley (former President of the Party), David Barnett (the Prime Minister's biographer) and Christopher Pearson (the Prime Minister's former speechwriter) (Morgan 2001a; Morgan 2001c; Morgan 2001b; Adams 2003; Kremmer 2003a), although it should be born in mind that the Labor Party when in power was not averse to appointing 'friends' to boards or councils of public institutions (Fist 2001; Martin 2001).

Creating value for key stakeholders such as the government in collections and exhibitions is a difficult task and perhaps unknowable until an investigation such as the Carroll Review occurs – a review that could be seen as a process of value capture.

In this research value capture has been associated with accountability and alignment, number and type of collaborations, appropriate sponsorships formed and the consumption of programs and services. Each of these areas is dealt with below within the context of the Carroll Review.

Accountability and alignment

The major form of value capture for the state was its ability to intervene in the value creation process – to hold the museum accountable for charges of bias associated with exhibitions and discomfort associated with the building, and to re-align the museum's programs exhibitions and services with directions prescribed in the Carroll Review.

The acceptance of the majority of the Carroll Review's recommendations and the subsequent Collection and Gallery Development Plan 2004-2008 under a new Director is evidence of the museum's acquiescence in the value capture stage (accountability and alignment) set by the state (National Museum of Australia 2004b). This suggests that the staff of the NMA believed that value capture for the government was more important to its survival than believing its own research into public satisfaction rates – paradoxically a methodology criticised by the Carroll Review but defended by the Museum staff as sufficiently rigorous (National Museum of Australia 2004b, p. 27) - where over the first three years of operation, the public indicated an overall satisfaction level of 95% (Tonkin 2002; Smith 2003; Tonkin 2004).

Collaborations

Types of collaborations primarily centred on research and scholarship and are measured through the number of Australian Research Council (ARC) grants in which the NMA is a partner. ARC grants are not the only collaborative or joint ventures with which the museum is involved, however an analysis of these is an indication of the serious nature of the collaborative research and scholarship within the institution. The outcomes of some of these research projects have been linked to conferences, publishing and potential foundations for exhibitions and indicate museum collaboration.

From 2001-2004 the museum was a partner in the following ARC grants:

Table 6: NMA collaborative research projects

Source: Annual Reports 2000-1, 2001-2, 2002-3, 2003-4

Year	**Title of Grant**	**Partners**
2000-1	Bark painting	National Gallery of Australia University of Canberra
2000-1	People of the Rivermouth	Australian National University Australian Institute of Aboriginal and Torres Strait Islander Studies Bawinanga Aboriginal Corporation
2001-3	The other within: visual culture through indigenous tribal, minority 'subaltern' and multicultural displays in Asia-Pacific Museums today	Australian National University University of Melbourne
2001-4	Aliens and others: Representing citizenship and internments in Australia in World War 11	Victoria University of Technology National Archives of Australia Australian Multicultural Foundation
2001-5	Activating and maintaining community participation in natural and cultural initiatives in the Murray-Darling Basin	Charles Sturt University University of Melbourne Murray Darling Basin Commission
2001-4	Managing the volunteer workforce	Victoria University of Technology Melbourne Museum
2001-4	Anthropological perspectives on ethnographic collecting by Australian colonial administrators in Papua and New Guinea and their contribution to museum collections	Australian National University
2003-5	The human elements: a cultural history of weather in Australia	Australian National University Bureau of Meteorology
2004-6	Collaborating for indigenous rights: a 50-year retrospective exploring the history of black and white Australian activism, 1957-1972	State Library of Victoria National Archives of Australia National Library of Australia
2004-6	Australian indigenous collectors and collections	Australian National University
2004-5	Copyright and cultural institutions: digitising collections in public museums, galleries and	University of Melbourne Art Gallery of NSW Trust

	libraries	Australian Centre for the Moving Image Australian War Memorial Museums Board of Victoria Library Board of Victoria
2004-6	Studies in the degradation of dyes and pigments in ink on paper in photographic media and on painted surfaces	University of Canberra Australian National University National Archives of Australia
2004-5	Unsettling history: Australian indigenous modes of historical practice	Australian National University
2004	Art and human rights in the Asia-Pacific: the limits of tolerance in the 21st century	Monash University
2004-6	Bronze age textiles from Dong Son coffins in Vietnam	Australian National University

These collaborations indicate that the NMA created and captured value for a range of institutions whose primary goal was undertaking research linked to successful ARC applications. The value for the NMA was in transforming knowledge captured through its own or collaborative publications and developing exhibitions, conferences or lectures hosted by the NMA.

Non-ARC collaborations were also developed particularly between the NMA and the ANU. This was on-going through research and development of immersive multi-media products by the ANU which were applied within the environment of the NMA.

> *…so what we did was actually take their research and their expertise and put it into a public institution which hasn't really been done. The Powerhouse is on the way to doing it but I think we got in just before them…so bringing in really serious research in the multimedia area into play in a public facility was a pretty remarkable thing…its was a business relationship but …was a stakeholder relationship as well* (Senior Executive 2: NMA 2004).

In addition, managers within the NMA took a collaborative leadership role in relation to repatriation of Aboriginal remains (inherited from the Institute of Anatomy in 1984) and secret/sacred items with some 405 human remains returned to Aboriginal communities in 2003 and a further 132 in 2004 (National Museum of Australia 2004a, p. 18). Managers within the ATSI section of the NMA also played a role in collaboration with other Aboriginal and Torres Strait Islander organizations, giving advice on repatriation issues to universities and museums internationally (National Museum of

Australia 2000, pp. 22-3; National Museum of Australia 2003; National Museum of Australia 2004a).

These are tangible collaborations. However they do not describe the collaborative positioning managers of the NMA sought to establish in relation to other museums, a much less tangible and more aspirational objective. The positioning of the NMA as a collaborator with other national and state museums is one where managers within the NMA sought to be both a partner and a leader. However, its leadership role had not been assigned to it either by the enabling legislation, or by legitimacy bestowed upon it by managers in collegiate institutions.

> *…I wanted it to be a really flexible collaborative strategic organization, because it was never going to be able to match the collections of the states…If it doesn't have the respect of those organizations in key areas, then what is the National Museum standing for? (Policy Adviser DCITA: NMA 2004)*

The strategic response to this was to work more closely with those institutions that had already forged a leadership role in relation to smaller museums in their state. The NMA saw its strength in its ability to deliver public programs, to complement state museums' capacity for training and professional development within regional areas.

> *We are going to be talking to the Powerhouse …and saying…you do that (professional services and rating standards) really well there, we do public programs, we will focus on working with the regional museums to develop …lecture series, workshop series…because the last thing they want is all these big institutions from the big end of town turning up in an uncoordinated way and making it really hard for them to make choices about how they get involved, because they only have a certain capacity to respond to these great offers...*
> *So we work with a regional museum, it might be one of our travelling exhibitions installed for a month and we would work with them to develop some public programs that we would fund but …would be recognised and branded as National Museum/Wagga Museum public programs* (Senior Executive 2: NMA 2004).

These are visionary ideas within the NMA. The benefits for each institution are not made explicit, but rather appear to be a sense of jockeying for positions and carving out leadership over the 'third tier' of local museum infrastructure.

Sponsorships

The value of sponsorship accruing to the NMA since its inception in 2001 can be tracked in the following table.

Table 7: NMA analysis of sponsorship funding
Source: Annual Report 2001-2 through 2003-4

2001-2	2002-3	2003-4
$319,045	$413,539	$622,172

While this amount doubled in three years, it is a relatively small amount of money to be deployed for exhibition development or growing the collection – two areas specifically targeted for increased sponsorship in strengthening the resource base in the 2004-7 Strategic Plan (Morton 2004).

According to a senior executive, requests for sponsorship were initially embedded in tender documents (Senior Executive 4: NMA 2005). This meant that a supplier was invited to include a sponsorship deal within its proposal for a commission. However, following complaints by unsuccessful tenderers this practice was disbanded (Senior Executive 4: NMA 2005).

The Director's luncheon under Dawn Casey and the Corporate Circle Program provided an opportunity for annual networking for '260 of Canberra's public and private decision-makers' (National Museum of Australia 2001, p. 62; National Museum of Australia 2003, p. 73). However, following Casey's departure this initiative ceased.

Sponsors in relation to museums can fall into two categories: those who are seeking a financial, business growth or reputation reward for investment of money or in-kind expertise; those who are seeking a relationship with the museum through donating objects of significance. The latter often involves senior executives or board members seeking out and courting potential donors or those who may sell an item exclusively to a particular institution on the basis of their standing or reputation (Hoving 1993). This can involve a long lead time.

> *Our access to really improving the collection is dependent on very long term relationships. And we've had a couple of examples where we did something four years ago and only now is it really starting to come to benefit: we had a loan of an item. We were able to successfully schmooze the clients and give them a good feel, and then we bought a minor item from their collection on the open market, but at the same time trying to keep close to them…and…we've done a big transaction this year, admittedly it was a several hundred thousand dollar transaction, but it's giving us access to something we wouldn't have had previously, irrespective of the money. Money wouldn't have bought this* (Senior Executive 3: NMA 2005).

The former category of sponsors may also involve senior personnel in the museum but the relationship is not as clear-cut. This can be seen by quoting two executives in the organization on sponsors.

> *I immediately think about sponsors who we consider as stakeholders and we have got a very dynamic innovative approach to sponsors and we treat them like partners much more than people who are giving us money…*(Senior Executive 2: NMA 2004)

Contrasted to:

> *I'm getting nowhere because the organization is not hungry. They get $40m or so from the government, to play with, and they go and play with it. The NMA Act has as one of its major functions the raising of sponsorship, and philanthropic support. It's never mentioned. So, I …hired consultants to 'price' different assets that we could sell in our benefits inventory, and the Museum's Council and Director and general management structure sat back and waited for the bikkies to come rolling in because they were so passionate about the museum themselves, that they just imagined, as many non-sponsorship people do, that it's a worthy cause people will just grab their cheque books and write endless zeros on cheques for us. And they were by all reports absolutely gob smacked when everybody, all the big, iconic Australian companies said no thanks, not interested* (Senior Executive 4: NMA 2005).

Capturing value for sponsors in this environment was confused with an inability to identify the selling points and assets of the museum.

Consumption of Programs and Services

Value accrues around the specific exhibition, the additional amenity that accompanies this (for example, lectures, audio-tapes, increased opening hours) and bundles or packages that may entice a visitor to stay longer or visit more frequently because of discount loyalty schemes, transport deals or multiple entry to a number of cultural institutions at a reduced fixed cost (Burton et al. 2004).

Value also resides in accessibility and /or exclusivity of the product or services offered. This may be different for different segments of the population. One way of measuring this value is to gauge consumption through the numbers and frequency of visits to the institution, types of people who visit, likes and dislikes, the types of public programs and their demand and the activities undertaken in the museum itself.

The table below charts visitor attendance and satisfaction levels in the first years of opening from 2001-2004.

Table 8: NMA visitor analysis 2001-2004
Source: Annual Report 2001-2, 2002-3, 2003-4 and Audience Research Year in Review March 2001-March 2002, Financial Year 2002-3, Financial Year 2003-4

	2001-2002	**2002-2003**	**2003-2004**
Attendance[3]	903,402	825,000	820,000
Overall 'Satisfaction' levels: based on *Very Satisfied/Satisfied* with exhibitions, staff, wayfinding, children's services, shop and food	91%	95%	93%
Three top 'Likes'	Building (29%); Open areas (23%) Layout, Style, Circa (14%)	Building (22%); Layout (19%); Circa (16%)	Building (25%); Layout (19%); Spacious (17%)
Three top 'Dislikes'	Guidance (17%); Confusing Layout (12%); Lighting (9%)	Guidance/Signage (21%); Confusing layout (9%); Lighting (7%)	Confusing layout (21%); Superficial (14%); Illogical displays (14%)
Segments	Family Group (42%)	Family Group (46%)	Family (43%); Partner/Spouse (29%);

[3] There is discrepancy between figures reported in the Annual Reports and the NMA internal documents "Year in Review". This may be explained by time differences in collection of data. These figures are based on the Annual Reports 2001-2 to 2003-4 and include the first 3 months of operation in 2001. These figures should also be read with some caution as general entry to the museum is free (calculated by electronic counter), temporary exhibitions are not– some visitors may be counted in both categories.

	Partner/Spouse (27%) Adult/Friend (20%)	Partner/Spouse (25%) Adult/Friend (16%)	Adult/Friend (14%)
Origin	Canberra (32%); Other States (60%) – of which 63% NSW	Canberra (30%) Other States (59%) – of which 60% NSW	Canberra (31%) Other States (59%) – of which 59% NSW
First Time Visit	85%		60% (12% of Canberrans)

From this table it can be seen that families continue to be the most frequent visitors as a segment over time. The breakdown of where people come from to visit the museum is steady and the 'Likes' have remained consistent over time as well. The 'Dislikes' have changed in ways that suggest visitors were responding to the content of the museum rather than the physical amenity only and may indicate familiarity through frequency of visitation. These 'Dislikes' are broadly consonant with the Carroll Review's findings in critiquing way-finding and physical comfort as well as the tenor of the exhibitions.

Activities that families undertake in the museum are characterised by interactive computer use (57%); using a touch trolley (45%) and attending a special event (12%) compared to an average of 5% for all other segments attending events (Smith 2003, p. 11). This is in keeping with special spaces and events geared to children and their guardians.

> *…Kspace has been a very successful storytelling area and we expanded that so we actually got a blow-up baobab tree and the baobab tree became a kind of emblem for our families, so we take that offsite..the blow-up one gets taken to Floriade and it has been taken to Adelaide and Wagga and we just blow it up and do story telling sessions in these places, so it became very successful* (Senior Executive 2: NMA 2004).

In addition, the NMA developed its outreach and public programs which had been the hallmark of its activities prior to new entry. In the years 2001-2004, the NMA conducted or hosted the following:

Table 9: NMA analysis of public programs
Source: Annual Reports 2001-2 through 2003-4

Public Programs	Total	Children/youth	Demonstrations: Art and Craft	Specialist Scientific	Specialist Social History	Other
2001-2	57	1	10	17	14	15
2002-3	113	7	18	20	46	22
2003-4	136	19	17	34	37	29

These figures suggest that public programs and special events have more than doubled in the first few years of operation. There has been increasing concentration on developing intellectual capital through lectures and debates on science and social history. While aimed at the general public, there is also focus on events aimed at a specialist academic or professional audience. This overlaps with the NMA's collaborative partnerships particularly with the Australian National University (ANU).

> *So many of the lectures and seminars and conferences that they (ANU) run get a different public coming to their programs here then if they held them up there, I mean the ANU is completely impenetrable, if you are a member of the public…so they just love the fact that they can … bring the public in* (Senior Executive 2: NMA 2004).

Value Exchange

Value exchange is merit. It comprises the *results* of value creation and capture: what investment has resulted from value creation and capture. Value exchange is associated with rate of funding and level of revenue growth; congruence and revenue growth from collaborations; and costs and revenue associated with program and services. Each of these is detailed below.

Funding and revenue

Exchange value for the government can be read as revenue invested for services developed and delivered (value created and captured). This can be aggregated by looking at the main asset of the NMA (apart from the building itself), the National History Collection (consisting of about 200,000 objects) and analysing spend, acquisition and exhibition programs set against revenue.

Table 10: NMA growth of collection

Source: Annual Reports 1999-2000 to 2003-4 and the Federal Budget 2004-5

Year	**Number of Items/Collections Acquired+**	**Trust Fund ($)**	**Spend on collection development and management ($m)**	**Value of Collection ($m)**	**Cost of Exhibition Programs an services ($m)**
1999/2000	32 [donation breakdown n/a]	57,000	.775	128 (including library collection)	
2000-2001	25 [donation breakdown n/a]	60,000	9.155		
2001-2002	93 [of which 46 were donations]	63,000	18.410		44.4
2002-2003	32 [of which 17 were donations]	65,000	20.402	132 (including library collection)	47.52
2003-2004	46	68,155	6.141		39.67
2004-2005			9.148		34.68

+ This needs to be read with some caution as some collections acquired may contain multiple objects

What the above table suggests is that the National History Collection was growing slowly and proportionately dependent on donations in the short term. Given the government's emphasis on creating what it perceives to be a balanced collection, investment into collection development was highlighted in the 2004-8 plan at one million dollars annually (National Museum of Australia 2004b, p. 24). According to the Head of the Division of Collections, Content and Technology this targeted funding has been successful (Senior Executive 5: NMA 2004). Yet it is also evident that substantial investment was made into the collections area in the first two years of operation, significantly reduced in 2002-3 and then maintained at the 2000-1 level at 2004-5.

Government appropriations over the same period as a percentage of total running costs were:

Table 11: NMA government funding patterns and staffing 1999-2005
Source: Annual Reports 1999-2005

Year	**Government Appropriations ($m)**	**Total Running Costs**	**Percentage of staff costs by total running costs+ ($m)**	**Number of Staff**
1999/2000	15.294	14.169	46% (6.485)	
2000-2001	36.039	23.681	40% (9.443)	125
2001-2002	[4]62.552	40.165	26% (10.823)	180
2002-2003	67.565	39.90	33% (13.197)	195
2003-2004	40.32	45.033	31% (14.305)	205
2004-2005	40.127	43.827	N/A	

A newspaper report in 2003, following the release of the Review, suggested that the museum had been subject to 'secret' review, the *National Museum of Australia Funding Review 2001-2* (Sexton 2003), although staff maintain that this was 'a framework within government…a rolling cycle' (Senior Executive 3: NMA 2005). While three options were canvassed, the minimalist Option C at $9.138 million was the government's preferred (Sexton 2003, p. 27). Casey confirmed that Option C, an extra $9 million, had been allocated. As a result, she predicted decreasing visitor numbers, a decline in exhibition programming and fewer sponsors. According to Casey, sponsors were only interested in funding blockbusters (Safe 2003b).

The resulting budget allocation of an additional $9m was apparently a direct result of the Funding Review (National Museum of Australia 2003, p. 89). This injection of funding in the first two years of operations suggests that the government was keen to extend its investment rather than erode it. Other staff within the organization suggest that the injection of funding for the NMA was a reward for acceding to the Carroll Reviews recommendations:

[4] The figures for 2001-2 and 2002-3 include Capital Use Charge which is received by the institution and then returned to the government – this amounts to approx $17m per annum. Capital Use Charge was not levied after 2003.

> *One of the rewards that Craddock was given …when Dawn Casey left, Craddock came in and the Council was mollified, we were given another great chunk of money to buy more things. As a trained psychologist I can't help but see it as, here's your reward, boys, you've done the government's dirty work, you're back in our good books, because you are now towing the line…*(Senior Executive 4: NMA 2005)

The overall picture of exchange from the government as stakeholder perspective indicated that in the first few years of operation, the NMA had a supportive but not unconditional commitment. The Carroll Review in particular set the agenda for accountability and alignment in capturing value that would be transformed into exchange value in the form of particular levels of ongoing revenue. This exchange value was recognised by the new Director through developing a new Strategic Plan and Collections and Gallery Development Plan. Creating and capturing specific value for the government in the area of collection building and interpretation was dependent on exchange value – the NMA could deliver on the basis of continued government financial support.

While the government injected significant revenue support into the first two years of operation, it believed that the NMA could operate sufficiently on $40m per annum from government sources in subsequent years. The liability of newness may have been minimized through the Carroll Review process and subsequent government investment but it came at the cost of acceding to the government's view on what a social history museum should collect, display and interpret. This may have been broadly in line with what the museum staff also believed, and may have partially been 'managed' by staff. However, it consolidates the significance of exchange value between the museum and its upstream dominant stakeholder where the museum is dependent on the government for 90% of its revenue in relation to running costs. This figure exceeds the average for museums of 70-80% dependency (Australian Bureau of Statistics 2001).

Exchange value also has leakages into other areas that add value to the government's specific agenda. These leakages include negotiated stakeholders such as the public, outreach and research activity. Programs and services are delivered both physically and digitally. These areas act as intangible benefits for governments. While the value in the first instance obviously flows between the NMA and its immediate constituents it also serves to boost or reduce the image of the government from the dependant negotiated stakeholders' points of view.

Congruence and collaboration

One of the areas criticised in the Carroll Review was the way in which the NMA collaborated with other institutions and communities. It was noted in the Carroll Review that the number of ARC grants and collaborations were impressive but that they were not obviously relevant to the core business of the NMA. The strategic fit between the nature of collaborations and the NMA seemed to be missing (Carroll et al. 2003, pp. 54-5). This sentiment was also echoed by a former employee involved with developing collaborations and who subsequently became a collaborator with the NMA in his academic role at the ANU (Collaborator 2: NMA 2005).

The list of research collaboration suggests that the NMA was involved in a number of disparate research activities but has primarily concentrated its partnerships geographically within Canberra and Victoria. Seven of the fifteen grants are related to indigenous/Aboriginal and Torres Strait Islander topics and over half are in collaboration with the Australian National University either as a single partner or with others. The total value of the ARC grants in 2002 was \$2.6m (National Museum of Australia 2002, p. 33).

Although the basis on which topics were developed was in keeping with the notions of 'land, people, nation', the core themes of the NMA (National Museum of Australia 2003, p. 49), the Carroll Review indicated that the outcome of collaboration did not deliver sufficient value for 'the Museum's core activity- its exhibits and programs' (Carroll et al. 2003, p. 54).

Collaborative aspirations with sister institutions was also coloured by the way in which institutions related to their major and most powerful stakeholder, the state. This can potentially result in untrustworthy behaviour and affect the type and depth of future collaborative ventures.

For example, while the strategic plan set out future benchmarks for gallery re-development, developing the collection and acquiring objects, developing a research plan and increasing access to the NMA through digital networking all based on recommendations in the Review, it also identified three areas where the museum operated in a highly competitive environment. These were:

- **Government funding**. The museum is in a highly competitive environment for limited government funding
- **Leisure and education**. The museum is competing for visitors' leisure and educational time in a market already well supplied with cultural, sporting, educational and entertainment opportunities
- **Sponsorship**. The museum is competing for private sector support against increasing numbers of quality sponsorship opportunities (Morton 2004, p. 6)

These areas mask additional collaborative issues. Collection building and acquisition can be both competitive and collaborative, although potentially fraught[5].

Territorial competition can also occur and pressure to fill perceived gaps in the collection associated with European settlement and early exploration was a direct result of criticism from the Review, which stated that "James Cook should be a significant presence in the National Museum of Australia" (Carroll et al. 2003, p. 23), perhaps at the expense of sister collecting institutions who also have this area as a priority.

This then becomes a three way tug of war in terms of collaborative leadership and potentially spills over into competitive behaviour. The NMA needed to behave collaboratively with sister institutions while attempting to shore up its credibility and performance with an upstream stakeholder – the state through the Carroll Review process. This may have an impact on funding arrangements where the government may be inclined to favour one cultural institution which conforms to its values more completely.

[5] For example, the joint acquisition by the Tasmanian Art Gallery and Museum and the National Gallery of Australia of a Glover painting offered through auction became the subject of an Australian Competition and Consumer Commission enquiry over whether this was collusive and therefore illegal behaviour (Martin 2004, p. 15).

Collaborative and competitive duality was compounded when additional funds for collection building enabled the NMA to see itself as a strong competitor where formerly it was weak:

> *The culture of buying big and spending big just wasn't there and you'd have curators fretting over something like five thousand dollars….I do think it is a feature of the landscape because obviously other institutions are collecting and I don't think they are going to go poor old National Museum of Australia, let's just step back and let them grow their collection for the next ten to twenty years …it is not that sort of game* (Senior Executive 5: NMA 2004).

Collaborative ventures in this environment can be difficult to maintain in terms of leadership and reputation where collaboration demands elements of synergy and trust which can be undermined by competitive behaviour in a related sphere of operation.

Forging a leadership role in partnerships and collaborations with other museums was problematic. State and other national museums have collections and corporate experience that establishes their authority and legitimacy with the museum community. Despite the rubric of 'National', the NMA was in a relatively weak position to these institutions in forging strategic collaborative relationships and making an impact on the museum sector in the first few years of its existence. This may explain the seemingly pragmatic and opportunistic approach to research collaborations and other partnerships criticised in the Carroll Review.

Congruence and sponsorship revenue

Sponsorship revenue and reputation enhancement has also been difficult for managers to achieve. While the sponsorship manager believes that primary benefit the museum can deliver to sponsors is increased sales and increased indicators towards social corporate responsibility, Canberra itself is a difficult market.

> *…on the sales side what do I have to sell. I have signage, who cares. I have venues, who cares in Canberra. All the corporates are located in Brisbane, Melbourne and Sydney, so I've got nothing to sell. The only thing that I can think of to sell is our capacity to act as a nexus between the public and private sectors, in the networking space. Now in Canberra, business networking is much more important than …in…the other capital*

> *cities…business in Canberra is done on the basis of who you know.* (Senior Executive 4: NMA 2005)

But Canberra is not only a difficult market – it would appear that the museum staff themselves are wary of sponsorship and its implications on museum integrity.

> *I think we've got two different brands. We've got the brand if you like for Joe Public, which is the pretty art, and we've got the brand in the intellectual community, which is our scholasticism. So …of those two brands it's the intellectual brand which could be compromised by sponsorship. In the other case, we can't offer anybody brand awareness because …sixty thousand people (go) through the door, most of them don't remember who the sponsors are* (Senior Executive 4: NMA 2005).

The ambivalence towards sponsorship development, despite being seen as a core component of the museum's revenue generation endeavour (Morton 2004; National Museum of Australia 2005) has been suspiciously viewed. It has resulted in less than 2% of total revenue generation.

Costs and revenue: program and service delivery

Value creation and capture revolved around offering permanent and temporary exhibitions, special events and public programs. The measure of this value can be gauged through an exchange process whereby the public in practice or in theory is prepared to pay for these services in addition to what has been paid through the taxation system. It should also be born in mind that many visitors to the NMA have already expended considerable amounts of money in simply arriving at the door. This is particularly so with interstate travellers, who comprise about 60% of all visitors (Tonkin 2004, p. 9).

While general entry to the NMA is free, temporary exhibitions attract a fee. It is difficult to measure to what extent a fee is a barrier for visitors to special exhibitions as their interest may outweigh their reluctance to pay – in other words, the utility derived from viewing the exhibition is greater than the direct and indirect costs.

In general the cost of each visitor can be viewed as a function of overall revenue expenditures or more accurately expenditure on exhibitions as this is the most direct cost aimed at attracting visitation. This translates as:

Table 12: NMA analysis of visitor cost
Source: Annual reports 2001-4 plus Federal Government Budget Estimates 2004-5

	No of Visitors	**Cost per visitor unit based on total NMA revenues**	**Visitors to temporary Exhibitions**	**[6]Revenue raised through entry fee**
2001-2	903,402	$52.41	116,192	$713,346
2002-3	825,000	$62.75	47,524	$292,682
2003-4	820,000	$55.00	94,964	$690,684
2004-5	Approx 800,000	$55.00	n/a	n/a

If the above represents the cost of each visitor to the NMA and the revenue from temporary exhibitions as a percentage of total exhibitions, it can be seen that visitors on average are expensive, even those who are charged a fee.

The average time spent in the museum is one and one half to two hours (Smith 2003, p. 10), yet 45% of respondent visitors indicated that they would not be prepared to pay a general entry fee and 58% indicted they would visit less often if a general fee were introduced. The highest amount of general entry fee they would be prepared to pay is $5 (30% of respondents) (Tonkin 2004, p. 28).

Apart from views on compulsory fees, actual discretionary spend is low. Taking into account that 59% of respondent visitors have an average household income above $52,000 (with 23% above $100,000) (Tonkin 2004, p. 13), in 2003-4, 78% of visitor survey respondents made no purchase from the shop and 45% made no purchase from cafes (Tonkin 2004, p. 27). Given the consistent 90-95% satisfaction rating for programs and services combined with significant time spend and comparatively higher average incomes, the reluctance to translate this created and captured value into financial exchange value on the part of the visitor, is surprising.

[6] Temporary exhibition fees are calculated at an average $7 per visitor which accounts for discounts and fluctuations in fees for different exhibitions

On the one hand exchange value can be seen to be occurring by the relative consistent demand for the products and services of the NMA, averaging after the first few years of operation approximately 800,000 visits per annum and about 40,000 participants in public programs per annum (Tonkin 2004, p. 4). On the other, this is eroded by the reluctance to recognise value creation and capture as an exchangeable transaction, at least in financial terms.

What this may mean for the NMA is that although the government can be seen as a legitimate and powerful upstream stakeholder at the sharp end, the traditionally viewed negotiated stakeholder, the client or visitor, is potentially capricious and therefore dangerous. Extracting exchange value through increased fees or entry charges may result in decreased visitor frequency unless additional utility can be established for visitors.

However, this dilemma may be resolved. Ensuring consonance between value creation and capture but forgoing financial exchange value need not necessarily be viewed as a mis-alignment between two significant stakeholders: the government and the public. There is a relationship between the two stakeholders, and although interdependent, operates on different levels.

On the one hand the government invests in (and to some extent determines) value creation and capture through on-going revenue support (exchange value) while the public consumes value creation and capture and invests time (exchange value).

The government in effect has made the financial exchange value on behalf of the visitor. However, the government may only view this as a worthwhile exchange if the visitor continues to invest continuing or increased amounts of time. The extraction of time and frequency of visits (rather than revenue) for the museum then becomes the most significant exchange value in terms of visitors, while extracting revenue becomes the most significant exchange value in terms of the government. The caveat may be that government revenue may only flow if visitor time investment and frequency is continued or increased.

4.4 Limiting the liability of newness

The Value Cycle Framework suggests that creating and capturing value for a range of stakeholders and then gauging the importance of that value to the stakeholder through an exchangeable transaction contributes to limiting the liability of newness.

Value creation in this case study has occurred relatively consistently for stakeholders and has revolved around amenity in the form of programs, exhibitions, interpretation and the building. Value capture has been variable. This means that value creation has not been evenly captured to the satisfaction of all stakeholders. The most important and powerful stakeholder, the state, has been the most critical of the way in which value creation has been developed as consumable products and services, that is, value capture. However, this is not true for all value capture and the most successful value capture for the state has been in the area of *First Australians* and the way in which it has traded (exchanged value) on its reputation and leadership in relation to repatriation and collaborations.

In responding to its most powerful stakeholder, managers of the NMA were anxious to re-align the museum with the state in reforming its value creation agenda. This re-alignment enabled the NMA managers to negotiate exchange value with the government over the capacity to deliver value.

Exchange value has been the most variable element in this case and marks the complexity of what is meant by exchange value in relation to cultural institutions. Traditionally associated with revenue generation, exchange value in this case has multiple but interrelated dimensions. Exchange value has meant different things for different stakeholders:

- For the state it has revolved around revenue transactions – particular types of value creation and capture are exchanged for on-going revenue support.
- For visitors it has revolved around a time transaction – consuming exhibitions and public programs is exchanged for specific blocks of time investment and frequency.

- For Aboriginal and Torres Strait Islander people it has revolved around establishing expertise and building reputation – developing exhibitions and interpretation of indigenous societies with indigenous people is exchanged for legitimacy, leadership and credibility with Aboriginal and non-Aboriginal agencies and institutions.
- For sponsors it has revolved around delivering sales, brand recognition and developing partnerships.
- For collaborative ventures in scholarship and research it has revolved around enhancing research capacity for the NMA's partners.
- For collaborative ventures with other museums it has revolved around leadership and building and strengthening the museum sector.

While managers of the NMA created, captured and exchanged value for the museum's stakeholders, the museum also benefited from this transaction. This transaction is obvious with its most powerful stakeholder, the state.

To grow however, the NMA needed more than this type of exchange. Key exchange value elements can be described as time investment, reputation and leadership.

Visitor numbers decreased after the NMA opened but time investment of visitors remained constant and frequency increased (80% of visitors were first timers in Year 1/2 compared to 60% in Year 3/4). However, this is an area that is potentially vulnerable for the NMA. Repeat visitation is associated with novelty and/or familiarity – that is, the value created and captured needs to be regularly renewed (turnover of exhibitions, public programs) and consistency in value creation needs to be reinforced. The latter is associated both with high quality of service and products and with objects in the collection that themselves become a differentiating factor strong enough to draw repeat visits. Embedded in this is the ability of NMA managers to continue creating and capturing value for the state so that sufficient exchange value is transacted to provide renewal of programs and exhibitions as well as investment in 'destination objects'. The connection between the state and the visitor is at its most apparent as the NMA itself becomes a conduit for value capture between these two stakeholders.

The NMA has grown its reputation and leadership in relation to Aboriginal and Torres Strait Islander people and institutions involved in this area. This success in a sense is built on a foundation that reaches beyond new entry status. It is the one area that has been built over a twenty year period and has simply taken form as part of the overall new entry incarnation. In this capacity, it was able to argue from a relatively strong position about the shape and content of the *First Australians* gallery in a way that connected to its stakeholders and maintained its integrity.

Collaboration may be the most vulnerable area for the NMA and is associated with both reputation and leadership. Managers have not succeeded in establishing a leadership role within the museum community and its ambiguous position as both a collaborator and a competitor with other museums positions it as potentially untrustworthy. Similarly in the area of research and scholarship, the NMA has not apparently taken a strategic position where research grants will enhance its core business (exhibitions or publications) and further create and capture value.

Establishing sponsorship deals has also been relatively weak for the NMA on the basis of the NMA managers' apparent inability to understand the nature of the transaction involved and the fear that its reputation may be tarnished.

However, exchange value in all these arenas is interconnected – it is undesirable and potentially fatal to have one without the other – from government revenue, to visitor time and frequency, to reputation and leadership. The combination of elements indicates potential for growth and increased market share – a position indicative of limiting the liability of newness.

It would appear that managers' ability to limit the liability of newness as an outcome of value creation, capture and exchange was complexly achieved in this case. In the arena of visitor expectation, exchange value was in the form of time and frequency of visit rather than revenue. This is potentially vulnerable for the NMA where exchange value may be misinterpreted by the NMA itself or its most powerful stakeholder in extracting additional exchange value through financial transactions. The relationship between these three players – the state, the visitor and the NMA – is a crucial marker of potential growth and market share.

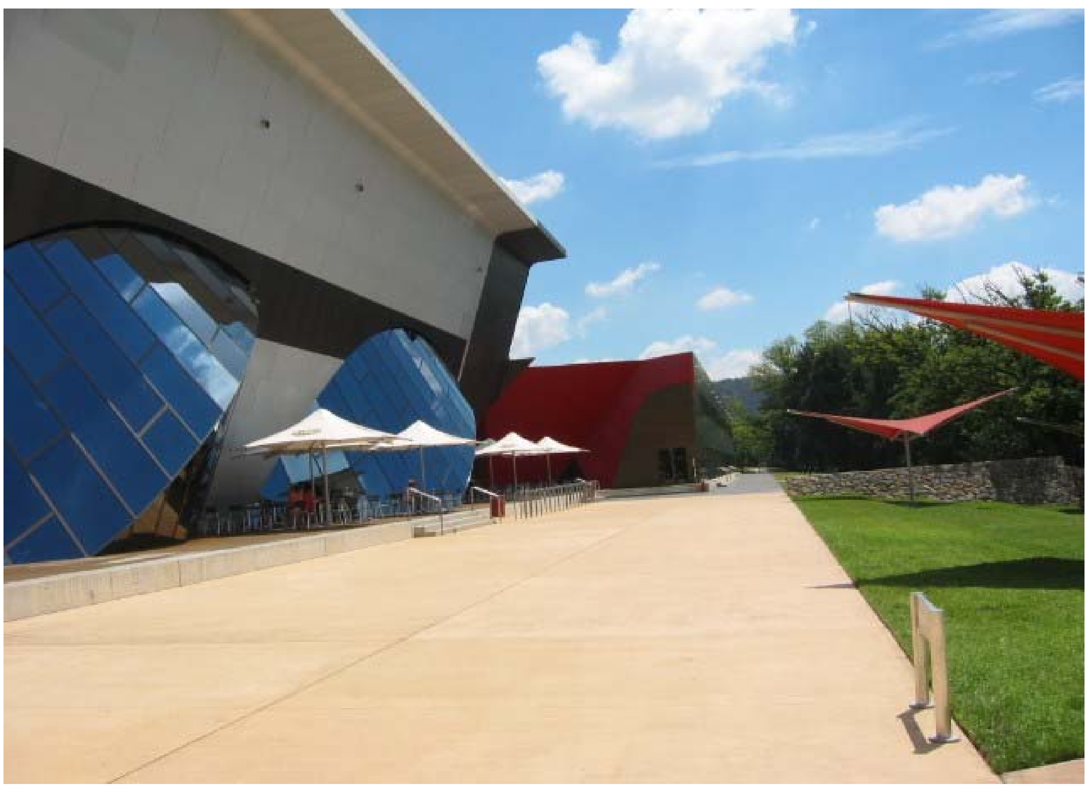
Value exchange is associated with reputation and leadership in the alignment of the NMA with collaborators and Aboriginal and Torres Strait Islander people. In this area, value creation and exchange appears to be evidenced in the area of Aboriginal and Torres Strait Islanders. Ironically, this is also an area least associated with new entry as such and could potentially 'outlive' the organization if it were to fail.

In terms of collaboration and sponsorship, the NMA as a new entrant appeared vulnerable on three fronts. First, managers were less successful in capturing value as a legitimate and serious scholarly organization than they were in capturing this value for other institutions. Second, in an effort to forge a leadership role as a national institution museums managers reached out to the museum sector but did not establish legitimacy as a leader nor understand the museum's contradictory competitor role with other powerful museums that are also recipients of government resource allocations. Third, in terms of sponsorship, NMA managers have been diffident in understanding what the museum has to sell and guarded in establishing relationships with businesses for fear of de-valuing the brand or compromising the museum's nascent reputation in relation to scholarship.

What this suggests about new entry is that the ability to align with the state is the most crucial factor, in keeping with the literature on nonprofit organization survival. Isolating the urgency of this through developing and delivering value that matters to the state reflects an organization's ability to respond and adapt.

However, this may also detract from other areas of the organization at new entry stage – these are the areas most associated with exchange value in the form of leadership and reputation. It also suggests that exchange value does not come in one form only and may potentially be misunderstood by the new entrant itself or other stakeholders. Understanding the contradictory and disparate nature of exchange value for different stakeholders suggests a maturity that may be beyond the reach of managers of a new entrant intent on aligning with its most obvious and powerful stakeholder in the first years of operation. This may jeopardize the new entrant's ability to build relationships that are fundamental to limiting the liability of newness. Paradoxically, value exchange through reputation enhancement and leadership fortifies the original and primary relationship with the key stakeholder, the state.

Limiting the liability of newness as an unambiguous outcome appears only to be evidenced strongly in one area – the area of ATSI in this case. In this particular instance, it should also be born in mind that the ATSI area is the only area that has received sufficient value exchange through its development within the NMA's nascent existence to present a robust and authoritative voice at birth.



Chapter 5: Case Study: Australian National Maritime Museum

The case of the Australian National Maritime Museum (ANMM) represents purpose built new entrant in an historic context. Like the NMA, the case revolves around a normative notion of museums established as nonprofit statutory authorities under the auspices of a federal government and nominally directly responsible to the Arts Minister of the day. While organizations act independently of the department they are subject to a number of compliance and governance constraints. Compliance constraints generally refer to reporting mechanisms outlined by the Department of Prime Minister and Cabinet in relation to annual reports and appearance at Senate Estimates Committees, while governance constraints refer to the constitution and composition of the governing Council (Attorney-General's Department: Office of Legislative Drafting 1990, p. 12).

In the case of the ANMM the Council comprises a Chairman, a navy officer whose term and appointment is determined by the Chief of Navy and no more than nine other Council members with maritime or museum knowledge appointed by the Governor-General for three year terms (Attorney-General's Department: Office of Legislative Drafting 1990, p. 12). Like all national museums the Director is directly appointed by the Governor-General through the government of the day while staff are appointed under the *Public Service Act* (Attorney-General's Department: Office of Legislative Drafting 1990, p. 20, 23).

This case is set out in four parts.

Part One charts the stages of new entry from the announcement of the establishment of a national maritime museum in 1984 to its opening in 1991 and through to 1996 – a stage which marks the ANMM as a ‘surviving’ museum.

Part Two describes the stakeholders involved in the case and the kind of value each was seeking from the new entrant.

Part Three analyses value creation, capture and exchange through amenity (building, collections, and programs), interactions (alignment and accountability, consumption of programs and collaborations) and external relations (results of interactions that return revenue or intangible benefits).

Part Four contextualises this analysis in terms of limiting the liability of newness.

The case is based on analysis of documents: policies, strategic plans, visitor evaluation reports, operational reviews leading up to the opening and the first five years of operation, annual reports from 1985 (under the auspices of the Department of Arts, Sport, Environment, Tourism and Territories) to 1996-7; and contemporaneous newspaper reports. Interviews[7] were conducted in 2005 with five key personnel involved at the new entry stage. The interviewees included the Deputy Director of the ANMM from 1985-1992, two Assistant Directors from 1991-6 and 1992-6, a member of Council 1989-1993 and a curator 1986-1996. These people were chosen on the basis of their availability and their differing opinions about the challenges facing the ANMM as a new entrant, its position and role as a national museum and its survival trajectory.

[7] Direct quotes from informants are indented and italicised

5.1 The ANMM: the story of new entry

The redevelopment of Darling Harbour at the western fringe of Sydney's Central Business District was announced in 1984 as part of the 1988 Australian Bicentennial celebrations. The redevelopment planned for convention and exhibition centres, hotels, shopping malls, restaurants and in 1985 the development of a national maritime museum located to the north western end of Darling Harbour on the waterfront (Goodfellow 1984, p. 14; Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 11).

The need for a national maritime museum was first identified in the Piggott Report of 1975 which indicated that Sydney should be the preferred site '(a)s the oldest of the British ports in Australia, and for long periods the largest port in Australia' (Piggott 1975, p. 83). However, like all recommendations in this report, it was some years before the enabling legislation was enacted to advance the structure, governance and physical reality of the ANMM as a statutory authority. The regeneration of Sydney's western docks area presented an opportunity to progress the Piggott recommendation (Attorney-General's Department: Office of Legislative Drafting 1990).

The idea of building the ANMM was conceived by a struggling New South Wales Wran Labor government convincing the federal Labor government to support the capital costs of a national museum (Higgins 1986, p. 1; Mendelssohn 1988). Politically, the involvement of the federal government in a state government project gave credibility to the regeneration of Darling Harbour which conceptually was not well understood by potential private investors and the public:

> *Neville Wran was premier and …had been pressing the Commonwealth heavily for a contribution to Darling Harbour, it was going to be the state's great Bicentennial project and the state wanted to have the maritime museum built in Darling Harbour because that would then show the Commonwealth's commitment …(T)hat would be a lever towards pushing more commercial activity in the area. At that stage they were having some trouble selling the idea of Darling Harbour because no one quite knew what they were talking about in the early '80s. And so that was the pressure on it* (Senior Executive 4: ANMM 2005).

The Darling Harbour redevelopment project initially costing $200m was marred by industrial and contractual conflicts that resulted in cost increases escalating to $520m by 1987 and a near billion dollar bill by 1988 (Saunders 1985, p. 31; Aubin 1987, p. 2; Grealy 1987, p. 5; Levett 1987, p. 6; Thomas 1987, p. 4; Jamieson 1998, p. 4). The ANMM was caught up in this continuing political and industrial fracas which delayed the opening of the building for over two years (Mendelssohn 1988, p. 13; O'Brien 1991, p. 16).

The ANMM initiative supplanted the aspirations of the National Museum of Australia struggling to be recognised as a significant inclusion in the nation’s cultural portfolio (National Museum of Australia 1983; National Museum of Australia 1988). The Piggott Report identified the ANMM as a secondary scheme after a general social history national museum in Canberra was built. Yet the ANMM came into being a decade before this seemingly more important institution. Mendelssohn contends in her article that the $30m promise by the Commonwealth government towards the capital build of a maritime museum assisted the NSW state government’s re-election chances (Mendelssohn 1988). The $30m however was nothing more than a ‘guesstimate’ and capital expenditure above this figure was expected to be borne by the NSW government (Mendelssohn 1988). As costs escalated tensions arose over the agreed funding split between the NSW and federal governments and resulted in nine months disputation halting the building program between 1989 and 1990. The eventual cost of the building was reported to be $60m (Mitchell 1991, p. 11).

The politicization of the birth of the museum was not limited to its physical being. The interim Director of the ANMM, Sergio Sergi had been a former diplomat and press secretary to the then federal Minister for the Arts, Barry Cohen (Mendelssohn 1988); the Chairman of the interim Council Alex Dix (also Chairman at the time of the yet unbuilt National Museum of Australia) was replaced in 1988 by Peter Doyle, a close friend and fishing companion of the then Prime Minister Bob Hawke (Beaumont 1988, p. 17). The significance of Doyle as the Chair however, was not to be underestimated, particularly as factions within the Labor government antithetical to the Hawke agenda emerged:

> *Peter was one of the best connected people I have ever met in my life. He knew more people socially and therefore effectively than any person I have ever met…He used to play "I'm the poor fisherman" and he was as cunning as all get out and knew how to play people* (Senior Executive 4: ANMM 2005).

As a Bicentennial project the museum was also the recipient of a number of Bicentennial gifts, including an 1888 classic gaff cutter, the *Akarana* from New Zealand, the *Kathleen Gillett*, a ketch from Norway and $US5m from the government of the United States to build the USA/Australia gallery to 'commemorate 200 years of maritime relations between the United States and Australia' (Department of Arts Sport Environment Tourism and Territories 1988, pp. 125-6). Delays in building the ANMM resulted in significant financial increases from this gift through investment and high interest rates at the time running at 18% (Senior Executive 2: ANMM 2005). On completion in 1991, $AUD3.5m was reinvested for future use (Australian National Maritime Museum 1993b, p. 1)

As a national institution, the ANMM had only been established for four years before its planned opening. Without a collection and with no credibility within the maritime museum networks throughout Australia, the ANMM embarked on developing policies and strategies that would establish its credentials by 1988, and then with some breathing space, more legitimately by November1991 at the real time of opening (Evans and Spearritt 1985; Witcomb 1998; Witcomb 2003).

The issues of legitimacy and credibility were highlighted by the positioning of a national maritime museum within the networks of well established small maritime museums throughout Australia. Smaller maritime museums tended to be run by non-professional maritime enthusiasts and concentrated on the technical aspects of boat building, conservation and preservation. The only professionally run maritime museums were in Fremantle (Western Australia) and South Australia (Piggott 1975, p. 92). Closer to Sydney and more contentiously, the 21 year old, volunteer run Sydney Maritime Museum with 55 historic boats including the iconic1874 English barque, the *James Craig*, believed that it should have been invited to participate in the establishment of the new museum if not the prototype for such an institution (Osbourne 1986, p. 37; Cordell and Langley 1988, p. 13).

The relationship with these types of institutions raised a number of issues for a national maritime museum. First of these were how the claims by relatively powerful but amateur interest groups were to be managed. Second managers needed to define the nature of the national maritime collection itself and determine the place of ships within the collection. Third, managers needed to balance technical and social history aspects of a national maritime museum. Fourth, managers needed to address the leadership services a national institution should provide to a well established network (Meade 1991; Department of Communications and the Arts: Australian Cultural Development Office 1994; Hicks 2001; Witcomb 2003).

At the time of new entry these issues were nascent and were addressed and resolved over the first few years of its existence.

Although a national cultural institution located in Sydney rather than Canberra, the new entrant seemed like a poor cousin to the state run Australian Museum and Powerhouse Museum (Museum of Applied Arts and Sciences). These museums had fulltime staff of 237 and 352 respectively and received $13m and $21m state government funding respectively (Earth Exchange 1992c, p. 27). The ANMM by comparison had a staff of 73 and a federal government appropriation of $12.3m (Department of Communications and the Arts: Australian Cultural Development Office 1994, Attachment A). While staff wise it was lean, appropriation wise it was comparable to the Australian Museum. However, with no significant collection, the financial resource base appeared lean as well:

> *We were the only museum in the universe that had nothing in its collection. I can't remember what level, 60-80% of the items on display in the museum were on loan when we opened the doors* (Senior Executive 2: ANMM 2005).

Delays over the building and disagreements between the state and federal governments over capital funding of the building and its fit-out spilled over into questioning the value of the museum and its focus (Aubin 1987; Mendelssohn 1988; O'Brien 1991). At various stages, staff were alarmed that the project might be abandoned altogether particularly following the 1989 review by the Department of Finance on the costs of cultural institutions (Department of Finance 1989; Senior Executive 1: ANMM 2005; Senior Executive 4: ANMM 2005).

While the building materialised, the investment in the collection was redirected to instead become investment in exhibitions and interpretation and Mendelssohn quoting the then Federal Arts Minister, Gary Punch, ‘draw(ing) on existing Commonwealth and state collections’ (Mendelssohn 1988, p. 13). To some staff this was in keeping with the new museology which veered away from collections and focused on exhibition and interpretation (Senior Executive 1: ANMM 2005). To others, it was government interference:

> *But then there’s also a directive from government that it was to be a display oriented institution…It was perfectly obvious that we all had to develop themes where we could find materials to display* (Senior Executive 3: ANMM 2005).

The re-focus is reflected in the revised Strategic Plan of 1991-3 (Australian National Maritime Museum 1993c). The original plan’s first strategic objective was collecting objects which were ‘significant and relevant to Australia’ implying a generalist inclusive approach (Australian National Maritime Museum no date-a, p. 3). The 1993 revised Strategic Plan indicated that collection building would consolidate the ‘six collecting areas’ with the first strategic objective to increase the museum’s standing and reputation (Australian National Maritime Museum 1993c, no page number).

The National Maritime Collection at the time of opening comprised over 1,500 items (and various components). This included 12 historic ships. Among these were the Daring class destroyer *Vampire*, the *Hong Hai*, or *Tu Do* a Vietnamese boat carrying asylum seekers in 1977 and acquired by the ANMM in 1988 (White 1988, p. 5; Australian National Maritime Museum 1991a, p. 6); the Bicentennial gifts from Norway and New Zealand; an Aboriginal bark canoe; and a pearl lugger, the *John*

Louis, from Broome (Department of Arts Sport Environment Tourism and Territories 1988, pp. 125-6, 128; Australian National Maritime Museum 1991a, p. 8; Australian National Maritime Museum 1993b, pp. 83-4). Various other vessels were on loan from the National Museum of Australia and the War Memorial (Australian National Maritime Museum 1991a, p. 18). One of the most controversial acquisitions was the commissioning of a replica of the *Endeavour*, a brainchild of a trustee on the Council, at a cost of $14.5m ("Showpiece on the Water for Maritime Museum" 1987).

Given the policies on strategic collection building which identified thematic focus for collection, non-duplication, avoiding ‘amassing objects merely for their intrinsic value’ and a role as an information clearing house (Evans and Spearritt 1985, pp. 2-3) as well as the government dictum on exhibition focus, this expensive commission was seen as overstepping governance responsibilities, contradicted the original draft collections policy and detracted from the fundamental principles of authenticity museums claim for themselves (Evans and Spearritt 1985, pp. 21-2).

Themes developed for the ANMM were *Discovery* (finding Australia), *Commerce* (the working sea), *Leisure* (sun, surf, sails), *Passengers* (the long sea voyage), *Navy* (protecting Australia) and *Australia-USA* (linked by the sea) (Australian National Maritime Museum 1991a, p. 8). Aboriginal and Torres Strait islander themes were indirectly included through temporary exhibitions and public program fishing demonstrations and canoe preservation (Australian National Maritime Museum 1993a, pp. 4, 22).

The mission of the ANMM at the time of opening in 1991 was:

> The Australian National Maritime Museum aims to be the nation’s prime cultural resource for increasing and communicating knowledge, appreciation and enjoyment of Australia’s past and continuing involvement with its waterways and the sea through the acquisition, conservation and presentation of Australia’s maritime history (Australian National Maritime Museum 1993b, p. 2)

By 1994 this had altered to reflect the second strategic plan of 1994-7:

> The Australian National Maritime Museum will enrich the lives of Australians through promoting knowledge, appreciation and enjoyment of Australia's relationship with the sea and our nation's waterways. (Australian National Maritime Museum 1995, p. iv).

Paradoxically 'collecting' appears in the earlier mission at a time when the ANMM was directed to constrain acquisitions while the later mission only mentions collections in its vision statement (Australian National Maritime Museum no date-b). This latter mission statement placed a conceptual understanding of maritime history as central to the museum rather than emphasising collections.

In 1993 the Department of Communications and the Arts undertook a review of the ANMM's operations since opening. The review's terms of reference were to 'assess the capacity of the Australian National Maritime Museum to meet its legislative objectives and, to examine on-going Commonwealth subvention and the Museum's cost-recovery potential' (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 1).

The review highlights a number of constraints under which the ANMM was operating. It notes that it was difficult for the ANMM to pursue entrepreneurial activities because of revenue sharing arrangements with the federal government whereby the state retained 50% of independent revenue raised (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 7). Rent on occupying the Museum was charged at $3.7m per annum as a Capital Use Charge and in addition rent for storage and administration in premises nearby was costing the ANMM $1.17m annually (Australian National Maritime Museum 1994, p. 45). Visitor numbers had reached 224,580 in the first full year of operation instead of the projected target of 750,000 (Australian National Maritime Museum 1993a, p. 67; Department of Communications and the Arts: Australian Cultural Development Office 1994, pp. 3, 43). Annual projected earned income was $4m but only reached $1.65m (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 4).

These were considerable challenges for a fledgling institution. One of the main solutions recommended was for the museum to become more entrepreneurial in its ancillary operations (Department of Communications and the Arts: Australian Cultural Development Office 1994, pp. 43-5). In addition the ANMM was urged to seek a leadership role in relation to maritime museums throughout Australia (Department of Communications and the Arts: Australian Cultural Development Office 1994, pp.13-4).

Government funding and operational costs for rent remained at the centre of the concerns of the ANMM in its first years. The review resulted in a new strategic plan 1994-7 and by the end of the 1995 financial year, non-government revenue had increased to just over $3m. This was primarily the result of increased revenue for venue hire, increased membership, increased sponsorship and increased exhibition fees for touring exhibitions (Australian National Maritime Museum 1995, pp. 4, 62). Entry fee income rose to $1.7m from $1.03m the previous year (Australian National Maritime Museum 1995, p. 73). Overall non-government revenue represented 25% of total income from government and non-government sources in 1995 compared to 16% in 1994[8].

The turnaround was attributed to a reorganization of the ANMM's structure with the addition of a Commercial Operations branch following the 1994 review and income generated from mounting international exhibitions such as *Mary Rose: Life and death on Henry VIII's lost warship*, *Whales: giants of the deep* and corresponding public programs (Senior Executive 2: ANMM 2005). The *Whales* exhibition in particular cut into the Australian Museum audiences and the *Mary Rose* exhibition expanded the audience base with a specific appeal to women (Australian National Maritime Museum 1995, pp. 5-6):

> *Put it this way. The idea was to get a whole series of exhibitions and programs and events that would target different segments of the audience. The Mary Rose exhibition was a prime example. Up until that point our visitors were 60% men, 40% women. We did a number of focus groups…and worked out what I needed to say…and during that exhibition we turned it around…* (Senior Executive 2: ANMM 2005).

[8] This excludes income from interest on the USA gift

> *We had to sit down and consciously think about the sort of exhibitions that we want, how do we change people's view that maritime history is so narrow…That set up a chain of events and exhibitions that we negotiated…Mary Rose from Portsmouth for example, we had a big animatronic whale exhibition from the USA that was hugely popular with children* (Senior Executive 1: ANMM 2005).

It also marked the ANMM as a direct competitor with its sister institutions in Sydney:

> *However, that changed considerably after we got Whales: Giants of the deep which I must admit did infringe on their (Australian Museum) territory…So once we got past our core group of people who go to maritime museums because they are interested in it, which is probably about 200,000 per year, anything over that we impacted directly on the Australian Museum* (Senior Executive 2: ANMM 2005)

Growth in visitor numbers, membership and non-government revenue sources, particularly venue hire continued through 1995/6 (Australian National Maritime Museum 1995; Australian National Maritime Museum 1996). The introduction of the Maritime Museums of Australia Project Support Scheme (MMAPSS), a $35,000 grant scheme distributed to smaller professional and non-professional museums throughout Australia by the ANMM, established the museum as moving beyond new entry and positioning itself as a nucleus for other smaller professional and non-professional collegiate institutions (Australian National Maritime Museum 1996, pp. 6, 35, 59).

During this time the ANMM was also lobbying for additional administrative and storage space owned by the ANMM rather than renting nearby premises (Australian National Maritime Museum 1997). The 2,852 square metre Wharf 7 adjacent to the ANMM had been earmarked as a suitable development by the 1994 Review (Department of Communications and the Arts: Australian Cultural Development Office 1994, pp. 40-1). Several options were canvassed and the New South Wales government provided the premises on the basis of a 99 year lease for $4.5m and redevelopment of the Wharf at $19.5m to be paid by the ANMM (Parliamentary Standing Committee on Public Works 1997, pp. 8-10). In a sense this development was seen as a resolution to a 1985 problem: the Sydney Maritime Museum could co-locate with the ANMM as the Sydney Heritage Fleet (Australian National Maritime Museum 1997, p. 8).

> *…to stitch up the deal with the New South Wales government one of the things we offered was to provide them (Sydney Maritime Museum) with a home if they'd accept it. Because the government was intent on selling off the wharves and they weren't too keen giving a 99 year lease for a museum. So this coincided with them being harassed again by Sydney Heritage Boats* (sic) *and this was a solution for the New South Wales government.* (Senior Executive 2: ANMM 2005).

In 1997 the ANMM negotiated a $19.5million loan from the Commonwealth government offset by savings on rental premises and commercial leasing on the site (Australian National Maritime Museum 1998, p. 4). This, coupled with the establishment of the MMAPSS scheme signified the ANMM's shift from new entrant to a fixture within the museum sector.

At the time of new entry and the first five years, the ANMM was in a complex position. Created by opportunity and political will (Mendelssohn 1988), it was the recipient of a significant financial gift from the United States which was both a benefit and potentially a detriment corresponding with some public ambivalence towards the US (Osmond 1988; Voumard 1992). It was intended to raise finances to assist its future growth but had overestimated visitor numbers (Cochrane 1992c; Australian National Maritime Museum 1993b). Bereft of a collection, it acquired loans and gifts of significant vessels but was encumbered with the expensive *Endeavour* replica project and other vessels which were reluctantly accepted (Evans and Spearritt 1985; Graham 1993). It was a national museum but was located outside the national capital and existed within the context of a thriving community based maritime museum network, finding it difficult at first to mark its territory and understand its role (Cordell and Langley 1988).

The ANMM's birth also supplanted the prerogative of the National Museum of Australia to be the first in national museum cultural provision after the Australian War Memorial. Indeed the NMA had been slated as a Bicentennial project but was mothballed when the Darling Harbour redevelopment became a priority (Mendelssohn 1988).

Compared to the gestation period of the NMA, the ANMM may be seen as 'fast-tracked'. However, it may have been ill-prepared for a national role even with the delayed opening of 1991. It had a small collection, a relatively lean staff complement and an appropriation from federal government that was significantly less than its competing Sydney sister institutions.

Dependent on loans and gifts, the ANMM sought to position itself within a new museology framework that placed concepts, exhibitions and interpretation at centre stage rather than a massive collection (Forbes 1989; Ingram 1991). Nonetheless, the ANMM had carefully thought through what kind of collection it needed in order to differentiate itself from flourishing but amateur maritime museums throughout the country (Evans and Spearritt 1985; Meade 1991).

Compounding the paucity of the collection, although acquiring significant vessels mostly by gift or loan (Department of Arts Sport Environment Tourism and Territories 1988; Lewis 1989), the ANMM was expected to balance government appropriation with earned income through gate takings and entrepreneurial activity such as venue hire, merchandising and touring international exhibitions (Department of Communications and the Arts: Australian Cultural Development Office 1994). As a public entity however, entrepreneurial activity was hampered by the government's policies of extracting a percentage of financial return from commercially raised revenue and to some extent sponsorship revenue which was not quarantined (Department of Communications and the Arts: Australian Cultural Development Office 1994).

Value creation in this case highlights a number of issues at the time of new entry. The ANMM represented a cultural marker in a commercial precinct consisting of conference and trade centres, shops, restaurants and cafes and by 1997/8 a Casino (Australian National Maritime Museum 1998). While 'lifting the tone' may have been a consideration in earmarking the ANMM for this location, it also confused visitors to the area who were seeking entertainment for free or for specific commercial leisure purposes (Witcomb 2003). Located in Sydney rather than the nation's capital, Canberra, the ANMM may have seemed less serious than other national institutions. However, its ability to capitalize on its location as a venue rather than as a museum enabled it to enhance its revenue base to such an extent that it was permitted to raise loans to secure its future growth (Parliamentary Standing Committee on Public Works 1997). The loan was established to offset rent saved and it signified a confidence in the future of the institution (Australian National Maritime Museum 1998). Establishing such a loan was an unusual position for a publicly funded nonprofit museum to be in and gave some assurance that its future viability was secure.

5.2 Stakeholder descriptions

Stakeholders in this case have been grouped as either upstream or negotiated stakeholders and their position in relation to the ANMM in the first few years has been tracked using Mitchell, Agle and Wood's (1998) model of dominant, definitive, dangerous, dormant, or dependent within the spheres of urgency, power and legitimacy.

Upstream Stakeholders

Upstream stakeholders are those who initiated and provided funding for the museum in the first few years. Although national museums are predominantly supported by the federal government in the case of the ANMM, the state government of New South Wales was also involved. This involvement is worthy of note in two ways. The first was that the NSW government saw the initial project as part of a package that would gain it political capital in a time of elections although became embroiled in a disagreement with the federal government over the final responsibility for the costs of the project that, along with the industrial disputes over Darling Harbour as a whole, eroded its political assets. The second was the NSW government saw the ANMM's re-development proposal of Wharf 7 as advantageous in providing accommodation for a problematic lobby group - Sydney Maritime Museum (later renamed the Sydney Heritage Fleet) - for which it held primary responsibility. The NSW government saw the ANMM as potentially a saviour in both instances, but perhaps with less risk in its post new entrant stage. The NSW government moved between dominant, dangerous, dormant and definitive and in the first few years of operations.

The Federal government as an upstream stakeholder was a complex entity at the time of new entry. Championed by the Prime Minister, Bob Hawke and the Department of Arts, Sport Environment Tourism and Territories, it was opposed by the Department of Finance whose review of cultural institutions suggested that the ANMM was poor 'value for money' compared to the established War Memorial, the only national museum extant at the time (Department of Finance 1989, pp. 43-4). However, the ANMM provided a vehicle through which the Prime Minister could cement goodwill with the United States by accepting the tangible benefit of a Bicentenary financial gift for the sole purpose of building a gallery and collection on the maritime relationship between the United States and Australia. The federal government ultimately moved between definitive, dangerous and dominant stakeholders in the first few years of operation.

The governing Council was an upstream stakeholder and a position on the Council was often associated with maritime or sailing interests either through defence, commercially or for competitive leisure undertakings. As is the case with many public institutions a position as Trustee is often a reward for services to the government of the day. The extent to which members of the Council acted in the best interests of the ANMM and their own interests can be tracked through the types of acquisitions that the museum was compelled to accept. For example the *Endeavour* project which at first may have seemed like a strong public attraction was against advice by the professional staff of the museum. The navy presence was 'forceful' in the form of a Rear Admiral who was 'pushing for a Navy presence and a very traditional view of what a maritime museum was'(Senior Executive 4: ANMM 2005). Tensions between the Council and professional staff surfaced over other acquisitions as special interests on the Council emerged and the Council moved between dominant and dangerous in the first few years of operation.

Negotiated Stakeholders

The main negotiated stakeholders were the staff, competitor museums, maritime museums, sponsors and the public.

Staff were reliant on the largesse of the federal government to fund positions which remained relatively static in the first years. The first Director, Sergio Sergi, a former Labor Party staff member and public servant, was replaced by a professional museologist who had managed the South Australian Maritime Museum signifying a shift from political favour to professional standing. Staff were recruited from a number of existing museums, such as the Australian War Memorial, the Australian Museum and the Powerhouse and sought personal and professional support from these institutions (Senior Executive 4: ANMM 2005). In addition senior staff positioned themselves on national and international professional bodies such as International Council of Maritime Museums, the Museums Association of Australia, the Maritime Archaeology Advisory Panel and the Australian Museum Society. These positions were often at president or vice-president levels (Australian National Maritime Museum 1994, pp. 77-8). Restructuring the museum to enable a more entrepreneurial focus also resulted in some staff changes. While the professional staff negotiated federal government imperatives and Council demands they primarily remained dependent. Dependency in this instance should not necessarily be construed as a position of weakness.

Competitor museums consisted of Sydney and national institutions. In a sense the ANMM was born at the expense of the generalist National Museum of Australia but did not compete in the Canberra cultural environment. The Sydney environment was seen as more broadly competitive with other entertainment venues. Although some inroads were made on the museum-going public to divert them from the Australian Museum, in general the ANMM remained a silo institution. In this sense both the national and the Sydney competitor museums remained dormant.

The network of maritime museums consisted of a disparate grouping of amateur, relatively poorly resourced organizations run by boating enthusiasts. Some were also part of the regional network of museums, relying on volunteers and paid staff or professionally run state institutions. Although never powerful enough to threaten the existence of the ANMM, they nonetheless occupied an important niche in maritime museolgical, historical and educational accomplishments. The ANMM needed to embrace this constituency in order to establish its own legitimacy and take on a leadership role. The network of maritime museums was demanding throughout the first years of the ANMM's life and then discretionary with the rise of the MMAPSS scheme and the building of Wharf 7.

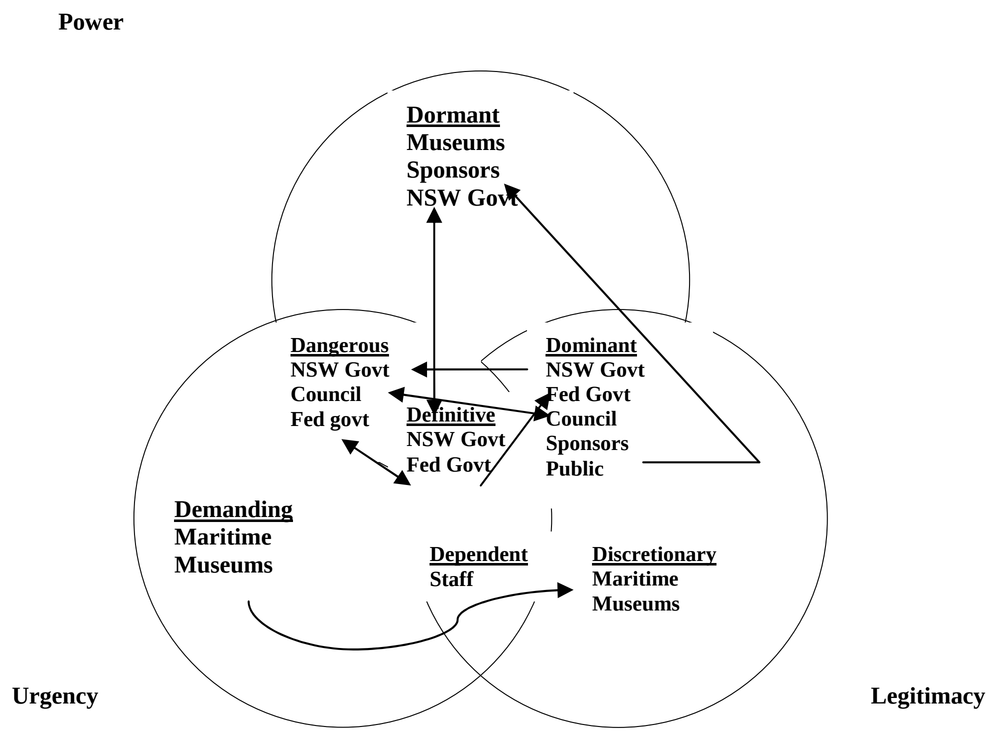
Sponsors and donors were a significant part of the negotiated stakeholders. In a sense the ANMM's birth trajectory was dependent on securing the United States Bicentenary gift of $US5m – once this gift had been received it would be embarrassing to return it on the basis of discontinuation of the capital build. A number of other organizations were also generous in their support of the new museum. Among these were the ANZ Banking Group's sponsorship of $2.5m, an unencumbered donation purportedly the largest ever given to a cultural institution at the time (Australian National Maritime Museum 1991a, p. 6). It is difficult to know how much of this donation was retained by the ANMM given the revenue sharing arrangements with the federal government at the time (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 7).

Gifts and donations of boats and naval vessels were also substantial alongside in-kind support by the Wilhelmsen Line and Zim Shipping. Much of the donation activity coincided with the celebrations of the 1988 Bicentenary and with the new building, where naming rights gave advertising exposure to the sponsor. However, once the building was erected and named, this source of financial support evaporated. In the first years of operation, sponsors were dominant and then subsided to dormant.

The ANMM was conscious of the public from the beginning and undertook extensive visitor research. This consciousness resided in the fear that a maritime museum would only be attractive to boat enthusiasts who were predominantly older men. Broadening the visitor base to include more women and young people, especially children, became a deliberate marketing and curatorial shift beyond the first year. This was particularly important to a museum whose revenue raising activities relied significantly on the gate. The public then was dominant in the first years of operation.

The stakeholder shifts over the first five years of operation can be represented thus:

Figure 9: Relationship between Upstream and Negotiated Stakeholders and the ANMM 1991-1996
Source: Adapted from Mitchell, Agle and Wood, 1998



What this suggests is that most movement occurred with the NSW government and the least with the staff who remained dependent. The federal government hovered between definitive and dangerous but finally dominant. Ultimately there appears to be a balance between each of the stakeholders in both the upstream and negotiated sectors – where some appear to be dangerous, they move back to another less threatening position;

where a negotiated stakeholder is demanding it is brought within the sphere of the museum's programs and therefore placated.

The concepts of value creation, capture and exchange is described in Table 13 following, and informs the basis of analysis in the next section.

Concepts	The State: Federal	The State: NSW government	ANMM Council	Staff	Public	Sponsors	Network of Maritime Museums	Other Museums
Value Creation: ***Amenity***	The Building: Bicentennial gift Dispute on cost overruns	The Building: Anchor for private/public redevelopment of Darling Harbour Bicentennial gift	The Building: Receivers of finished product	The Building: receivers of finished product but led internal redevelopment	The Building: Location barriers	The Building: Site for functions and PR; naming rights; promotion of special interests	The Building: marked arrival of prestigious institution	The Building: marked arrival of prestigious institution although little impact
	Limited National Maritime Collection, conceptual understanding of maritime history fore grounded		Emphasis on historical fleet collection and replicas	Emphasis on social history collection, exhibition programs and services	Fleet collection experience	Product placement in collections and exhibitions; use of fleet	Tension between social history collection and heritage fleet	Opportunity for lending objects
Value Capture: ***Interactions***	Accountability for value capture to other stakeholders	Opportunity to co-locate Sydney Heritage Fleet with ANMM	Accountability compliance Potential conflicts of interest	Accountability compliance	Consumption of programs and services	Sponsorship significant at first then some decline	MMAPSS Recipients of expertise of ANMM	Few collaborations
	Alignment of ANMM to ensure value for money and minimal reliance of federal funding			Alignment with stakeholder demands/needs			Alignment and complementarity within network of maritime museums	
Value Exchange: ***External Relations***	Rate of funding and level of revenue for growth	Donation of Wharf 7 site			Costs associated with program delivery; revenue generated; time invested; growth of visitation	Congruence between sponsorships: revenue as % total	Reputation and leadership enhancement	Recognition of within museum collegiate

Table 13: ANMM: Table of attributes for value creation, capture and exchange for different stakeholders

5.3 Analysis of value creation, capture and exchange

Value Creation

Value creation is worth. It revolves around the amenity the museum produces at opening and includes the building, collections, exhibitions, programs and services.

The building

The design brief for the Australian National Maritime Museum was commissioned by the Australian Construction Services of the federal government in 1985 (Jamrozik 1991). Designed by Philip Cox, who also designed the Exhibition Centre and Sydney Aquarium in Darling Harbour, the delays in completing the suite of buildings including the ANMM was, according to another architect working on the Convention Centre, John Andrews, attributed to the 'union buggery factor' (Farrelly 1989, p. 44). The site leased from the NSW government at a peppercorn rate for 99 years, for the construction of the ANMM was a seemingly prime location on the waterfront at the north western tip of Darling Harbour, although most of the activity in Darling Harbour occurred at the south west and eastern sites (Farrelly 1989; O'Brien 1991). Cox's philosophy about the importance of the iconography of the building is reflected in his statement:

> … "all museums should be memorable anyway – even if people forget what's in them" (Farrelly 1989, p. 44)

There were assumptions as well about the nature of the collection and its display resulting in a thirty five metre tall boat gallery to accommodate 'a fully-rigged *Australia 11*, or similar' and to give the impression that, according to Cox, it would 'almost (be) like visiting a shipyard' (Farrelly 1989).

The staff and Council of the ANMM had little input into the architectural plans or the actual building of the museum:

> *The government allocated $20m* (sic*) for a project that ultimately cost over $50m. There was industrial sabotage…The interim council, of which I was a member, we were sideline observers. And it was made very clear to us that… you have nothing to do with the site, don't even go near it* (Council Member: ANMM 2005).

Some criticism was mounted against the suitability of the expressive architecture which included a wave-like roof curvature and stark white exteriors (Senior Executive 4: ANMM 2005). Others suggested that Cox had little attention to detail and the ANMM reflected his ‘good one-liners’ and was a ‘very ordinary tin shed’ (Jamrozik 1991, p. 17). The interior designer from Denton Corker Marshall (DCM), Richard Johnson a former government architect, was more collaborative and inclusive of curatorial needs in his fit-out. According to a former Deputy Director:

> *They said we’ll build a whole new structure inside the building…as though there is no building. Everything DCM did was dark grey to contrast with the Cox white building. It is a completely separate structure* (Senior Executive 4: ANMM 2005)

The museum as a venue and exhibition space at 9,700 square metres had insufficient room for some administrative and curatorial operations (Australian National Maritime Museum 1991a). Prior to opening the ANMM acquired 4,300 square metres of rental space in Pyrmont at a record $167 per square meter, an ironical consequence of the improved property prices the museum and other Darling Harbour developments helped to create (Mckay 1989, p. 56; Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 11).

The building arguably added to the controversial reputation of the architect but eroded value in a number of other ways. These included the site of the building which was on the periphery of Darling Harbour under the Pyrmont Bridge and the delay in final construction of the building with an indeterminate costing. Arguments between the NSW and federal governments arose over costs whereby the building was not handed over for fit-out until October 1990 (O'Brien 1991, p. 16). The features of the external building showed little deference to the curatorial or exhibition needs of the museum staff. Not only was the location of the building ‘out of the way’ in terms of Darling Harbour, it was caught up in further construction of a Casino at the rear of the museum as well as development of other wharf sites until 1998 (Australian National Maritime Museum 1998, p. 9)

Physical dislocation meant that visitors to Darling Harbour were not necessarily inclined to visit the ANMM. The purpose of Darling Harbour was an urban park. Spread over 50 hectares, most of the buildings were silos both architecturally - with Chinese pagodas, expressive modernist structures and Spanish mission references - and functionally as separate commercial and public space (Farrelly 1989).

As well, the federal government believed it was creating value for the NSW government by investing in the capital build at the expense of a Canberra located National Museum of Australia. However this was eroded through misunderstandings about which tier of government would pay for cost over-runs beyond the $30m initial investment. The peppercorn rent of $1 per annum for the museum site itself was also degraded by rent paid for storage and administration in Pyrmont at $444,000 per annum (Australian National Maritime Museum 1991a, p. 44).

Collections, exhibitions, programs and services

The development of a collections policy and an approach to content development of the museum was originally undertaken in 1985 (Evans and Spearritt 1985). As a national institution located in Sydney the ANMM needed to be mindful of other states and collections held by smaller maritime museums. Some of these collections were significant, particularly the Sydney Maritime Museum, whose boat collection was estimated to be worth $12m for which the ANMM had offered $1m (Cordell and Langley 1988).

The original collections policy focused on the nascent ANMM as a national clearing house for maritime information and research and a social history museum rather than a museum of boats (Evans and Spearritt 1985, p. 6). They suggested that for the ANMM to create value, then it needed to be truly national and represent all states through a thematic approach (Evans and Spearritt 1985, pp. 8-9). Value creation in accessing the collections of major museums throughout Australia to showcase objects, including vessels, relevant to the ANMM was a way of ensuring national coverage and to create mutual publicity for these museums. *Australia 11* was borrowed from the National

History Collection of the National Museum of Australia (Forbes 1991, p. 4). World War 11 vessels, the *HMAS Advance* and *Krait* were on loan from the Australian War Memorial (Australian National Maritime Museum 1991a). Professional staff did not want to collect historic vessels which were well represented by the Sydney Maritime Museum and other smaller museums (Senior Executive 4: ANMM 2005). Instead there was a view that the collection would consist of more contemporary vessels that would 'grow old gracefully', minimizing conservation and restoration costs and only collecting vessels that would remain in 'perfect working order' (Senior Executive 4: ANMM 2005).

The abiding value creation concern of the staff was to widen the perception of what the ANMM collected and displayed. This was no easy task as even the staff admitted to reservations about the narrow perception of the content of the museum:

> *Like most people when I heard of the development of the National Maritime Museum I wasn't personally very interested in it, because my first response is…a very narrow kind of history, of primary interest to men and it's about boats* (Senior Executive 1: ANMM 2005).

While the staff were determined to broaden the perception and therefore the collection and display of the ANMM, the Council drawn primarily from merchant navy, defence, commercial fishing or transport backgrounds were equally determined to have a broad and historical representation of a narrow theme – boats and ships. To this end the navy loaned *Vampire* and the replica of the *Endeavour* was commissioned in 1987 by the ANMM through Endeavour Replica Pty Ltd with Alan Bond's corporation as a major sponsor (Department of Arts Sport Environment Tourism and Territories 1988; Graham 1993; Warnock 1994). Another member of the Council, an around the world solo sailor, offered her own yacht for sale to the ANMM, which some curatorial staff viewed as inappropriate (Senior Executive 4: ANMM 2005).

The *Endeavour* project, reconstituted as a Foundation, did not come to fruition until 1993 as various backers went into receivership and the cost increased from the original $14.5m to $16.2m with additional finance from the NSW and federal governments (Graham 1993, p. 6).

Some members of the Council felt that the acquisition of *Vampire* was reluctantly agreed to by the staff:

> *On the Vampire,… the people* (staff) *there were appalled at the thought of introducing guns to children, children pointing guns, how dreadful. We jacked up on that, we insisted, we're going to get it* (Council Member: ANMM 2005).

Council members also believed the staff were too focused on naval history 'petit point and that sort of thing' (Council Member: ANMM 2005). This tension around naval and social history in value creation reflected in the collection is confirmed by others:

> *When we acquired the meter maid's bikini from Surfer's Paradise, what did that have to do with the glorious history of the Royal Australian Navy. We did actually go out and buy all kinds of slightly mad things like speed boats. But I think they're really important and I will forever justify…those acquisitions. But it was different. It was not what people expected* (Senior Executive 4: ANMM 2005).

Value creation in the circumstances of the Council's differing viewpoints, the expectation of public perceptions about what constitutes a maritime museum and the desire to connect nationally with other state and national museums meant that there was some confusion and conflict over what the collection and exhibition programs would consist of.

In a sense the US Gallery and gift provided a pathway through this. Interest on the gift meant that the ANMM had significant finances for acquisitions as long as they were connected to the United States (Senior Executive 2: ANMM 2005; Senior Executive 4: ANMM 2005). In some instances this was a loose connection but it meant that the only money available for acquisitions by default would be objects rather than vessels.

The gift also meant that the ANMM was connected internationally and consequently acquired a photographic exhibition on Mystic Seaport as an inaugural exhibition program which toured throughout Australia (Australian National Maritime Museum

1993b). To balance this, *Hitting Home* commemorated the World War 11 Japanese attack on Sydney Harbour (Australian National Maritime Museum 1993b, p. 1). Balancing international exhibitions with 'heroic' Australian historical naval displays such as the submarine exhibition, *Silent Service*, the following year (Australian National Maritime Museum 1993a, p. 3) may have created value 'balance' for both Council Trustees and curatorial priorities concerning social history.

The differentiating factor in value creation for the ANMM was a combination of the building and collections. Although both of these singularly were problematic - the inadequacy of the building for exhibition and display; the tension between balancing the acquisition of a fleet (and the type of boats within it) and presenting social history – together they presented a unique experience for the visitor. The ability to move within the walls of a museum reflecting social history and to explore outside wharves mooring a variety of boats and ships was an encounter rarely available in other museums. And if there was some hesitation in acquiring the *Vampire*, it was nonetheless a favourite among the public:

> *In fact at some point… the market research…shows that Vampire is much more popular than any of the exhibitions, 80% versus 20%. That's really not good for the curatorial staff, so we try to bury that* (Senior Executive 2: ANMM 2005).

Value capture

Value capture is appeal. It is associated with interactions with stakeholders and includes accountability and alignment, collaborations, sponsorship and consumption of exhibitions, programs and services.

Accountability and alignment

As a national institution, the ANMM was accountable to both the federal government and the Trustees of the Council.

The federal government was seeking a museum that would fulfil the brief of the Piggott report recommendations but also one that would earn sufficient revenue to ensure a minimalist subsidy from the commonwealth.

The 1994 Review suggested that the ANMM was modestly fulfilling its brief as a maritime museum but that it was underachieving in its capacity to earn income over and above government subsidy (Department of Communications and the Arts: Australian Cultural Development Office 1994, pp. 1-2).

The ways in which managers of the ANMM were to increase revenue raising capacity was not so much through capturing value for the public in increasing consumption of exhibition programs, but rather through leveraging the position of the building as a venue for hire and taking on a national role whereby exhibitions could be on-sold (Department of Communications and the Arts: Australian Cultural Development Office 1994, pp. 32-4).

The results of this new initiative were positive for both public consumption of exhibitions and programs and increase in entrepreneurial activity. The latter included an increase in venue hire (including vessels) of 60% on the previous year, commencing a commercial sailing training program, *Sydney by Sail*, introducing the Maritime Museums of Australia Project Support Scheme (MMAPSS) and expanding the sponsorship base (Australian National Maritime Museum 1995, pp. 3, 41). Visitor number increased by 52% in 1994/5, although much of this is attributable to pull of the touring international exhibitions, *Mary Rose* and *Whales* (Australian National Maritime Museum 1995, p. 3).

This suggests that the ANMM was attempting to align itself with the interests of the federal government in ensuring that revenue raising activities increased relative to government subvention. The ways in which it did this were not necessarily sustainable. For example the international touring exhibitions consumed comparatively voraciously in 1994-1995 could not necessarily continue at the same rate. The first years of operation is reflected in visitor attendance thus:

Table 14 : Visitor numbers to the ANMM 1991-1997

Source: Annual Reports 1991/2-1996/7

	1991/2	**1992/3**	**1993/4**	**1994/5**	**1995/6**	**1996/7**
Visitor numbers	225,000	262,590	266,423	405,842	395,928	341,215

The increase in visitor numbers in 1994-5 figured prominently in reporting documents to government but tended to be buried in subsequent annual reports. While the visitor base also expanded to include more women than previously, beyond the *Mary Rose* and family oriented *Whales* exhibition the demographic profile reverted to its 'normal' level:

> *No soon as the Mary Rose was over it went back* [to 60% men and 40% women] (Senior Executive 2: ANMM 2005)

While the ANMM was intent on providing value capture for the federal government following the 1994 Review and demonstrating through increased visitor numbers and revenue that it was achieving some measure of success in this, the Council seemed to be creating and capturing value for its own interests.

In the first few years, some Council members who were keen on yachting and wanted this reflected in the collection persuaded countries such as Norway and New Zealand to donate craft such as the historic 1930s ketch *Kathleen Gillett* and the 1888 racing gaff cutter *Akarana* for the Bicentennial:

> *New Zealand had no intention of spending half a million dollars on a Bicentennial gift but they did, as did the Norwegians with Kathleen* (Senior Executive 4: ANMM 2005)

Others fought against what they perceived to be the soft edge of a maritime museum. A Council with maritime interests and backgrounds and perceived as interfering with the professional staff's ability to create and capture value for the public, ran counter to the ANMM's interest in aligning itself with the government in capturing value through increasing earned revenue:

> *We constantly require Board members who can assist through sponsorship, fund-raising, give advice on law and business, give advice on accounting….The last thing we want is anyone with a maritime connection* (Senior Executive 2: ANMM 2005)

But as the composition of the Council was a given, it meant that value capture for members of the Council went relatively unchallenged. Managers of the ANMM then did not so much align the ANMM with the Council but rather did not mis-align it. While tensions remained beneath the surface with 'a hearty contempt from both sides' (Council Member: ANMM 2005), they never spilled over into outright warfare. While Peter Doyle was Chair, he was in a position as well to align the ANMM with the interests of the federal government while ensuring peace between factions on Council and with the professional staff.

Collaborations

The ANMM collaborated with a number of institutions but rarely with its sister state and national organizations except with loans from significant museums. To some extent this was seen as a consequence of the Sydney location:

> *…all national institutions are …in Canberra except us…which is a good thing and a bad thing. A good thing because they forget about us most of the time and we don't get caught up in a lot of bureaucratic nonsense that goes on in Canberra. The bad thing is they totally overlook us in a lot of things…like getting…involved in some sort of national project. They involve all the ones in Canberra and forget about us*. (Senior Executive 2: ANMM 2005)

Although concentrating on the building and exhibitions in the first year of operation there was recognition of a leadership role through collaboration within its specialist sector. Thrown into an already strong community based network of maritime museums, the ANMM began to assert its authority after the first two years of operation but had already made a collaborative mark right from the beginning. It is arguable that collaboration was done to ensure suspicion of its motives would be abated and its legitimacy could be established.

The prestigious international exhibitions that the ANMM secured at its birth toured to regions throughout Australia. This meant that prestige was guaranteed for smaller regional museums accepting these exhibitions.

For example, the Mystic Seaport photographic exhibition brought out by the ANMM opened in Fremantle at the exact moment of the ANMM's official opening in Sydney and subsequently toured to Melbourne, Adelaide, Brisbane, Darwin and Hobart from 1991-2 (Australian National Maritime Museum 1993b, p. 3).

The *Mary Rose* and *Whales* exhibition also travelled to smaller venues throughout Australia with the ANMM packaging information and a catalogue specifically for Australian audiences (Australian National Maritime Museum 1994, p. 4). Visitor numbers to these regional centres provided evidence of additional value capture for both the regional venues and the ANMM itself. For example there was negligible off-site exhibition visitation in 1993/4. This grew to just over 200,000 off-site attendances in 1994-5 and over 300,000 off-site attendances in 1995/6 (Australian National Maritime Museum 1995, p. 3; Australian National Maritime Museum 1996, p. 1).

The 1995 MMAPSS grant scheme whereby the ANMM administered a $35,000 fund to small community based volunteer and some semi-professional maritime museums had assisted 39 organizations across Australia by 1998 (Australian National Maritime Museum 1998, p. iii). The grants assisted these museums in areas of collection management (registration, storage and research), conservation, and presentation (exhibitions, education and workshops) (Australian National Maritime Museum 1996, p. 81).

While these grants went some way to ensuring smaller maritime museums were receiving recognition for their often unpaid contribution to heritage conservation, it could also be construed as a paternalistic way of contracting loyalty to the ANMM. The

Sydney Maritime Museum however, remained aloof from the ANMM even though it lived at close quarters. The Wharf 7 co-location project was the means by which the Sydney Maritime Museum (renamed the Sydney Heritage Fleet) and the ANMM came to some collaborative understanding.

Research conducted by the ANMM was relatively modest compared to other significant museums. Maritime Archaeology a core element of the ANMM was seen as a non-initiating activity in terms of research, choosing rather to collaborate with other state maritime archaeologists by invitation as a junior partner (Australian National Maritime Museum 1991b, p. 2; Australian National Maritime Museum 1997, p. 33).

Value capture in terms of collaboration was strategically determined and had its foundation in the 1994 Review of operations. In order to secure a leadership role in maritime museology this newly established enterprise dispersed grants throughout the network of well-established maritime museums. This seemed a small price to pay to negate any residual envy of the ANMM's relatively privileged position and resource base. In addition it toured exhibitions to smaller venues not only increasing the capacity of these museums within their own localities but also increasing the revenue and visitor numbers claimed for the ANMM.

Sponsorships

The ANMM secured significant sponsorship before its birth and for a few years afterwards. This was unusual for a state cultural institution. Apart from the USA Gallery the new museum had naming rights for all other galleries and had no qualms about sponsored product placement as long as it was not anachronistic (Australian National Maritime Museum 1989, p. 5). Vessels were not able to be re-named by a sponsor but a sponsor could 'buy' the interpretation of a display incorporating a vessel (Australian National Maritime Museum 1989, pp. 4-5).

There was as well a natural fit between many organizations involved in commercial shipping that remained as long-term sponsors of the museum. Among these were Willhelmsen Line, which transported a number of vessels, P&O which sponsored the members lounge and Cunard which provided a cruise each year for ten years to a member of the ANMM (Australian National Maritime Museum 1994, p. 29). The value of the latter sponsorship was somewhat eroded as the ANMM had to pay the cost of flying the winners of the cruise to the departing port (Senior Executive 3: ANMM 2005).

Congruence or fit with sponsors was not always connected to products and markets. It sometimes appealed to a sense of joy with simply being associated with a museum directly on the Harbour:

> *The only way we sell sponsorship here is to bring them out to the museum put them on Advance and take them round the harbour and serve them a couple of beers and some prawns…and when they're out there ask them for some money…the aim is not to get money out of people but to make them friends* (Senior Executive 2: ANMM 2005)

While the fear of a narrow specialist audience base was often articulated, it was also used to sell the museum to prospective sponsors:

> *I got sponsorship from Mazda for the temporary exhibition gallery…I sold it to them on the basis that it was a lifestyle appeal. People who drove Mazdas were the sorts of people who had boats and would go to a maritime museum* (Senior Executive 4: ANMM 2005)

Value capture for sponsors was not simply limited to sponsor product congruence. Where possible the ANMM was willing to align its services and products to fulfil a sponsor's requests.

Consumption of programs and services

The ANMM was conscious of its visitor base from the beginning and undertook market research to understand the strengths and weaknesses of its products and services. There were a number of issues that were challenging for what was to be a national museum with a seemingly narrow scope of appeal. It was not only the 'boats and blokes' image that caused some concern.

While the USA gift went some way in ensuring that the museum would be built, there was also recognition that such a USA Gallery could be viewed negatively by the public. Pre-testing of the USA Gallery rated 4/10, the worst result of any of the six themes:

> - be very careful with this theme, because while many Australians like the USA, there is a strong view that the USA has nothing to do with our Maritime history
> - some anti-American feeling also worked against this theme
> - it should definitely not be used as a prime advertising and promotional element …
> - the poster drew critical comment…the relationship of the USA flag to the Australian flag was disliked (Frank Small and Associates 1989, no page number)

The initial projections for visitors in the first year of operation was 750,000, but attracted only 225,000 (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 3). This disparity was attributed to both the economic downturn and the admission price which at the time was one of the highest in Sydney for a cultural institution (Australian National Maritime Museum 1993b, p. 4).

The ANMM instigated a schools program after the opening in 1991 (Australian National Maritime Museum 1993b, pp. 11-12). By 1992 school visitors represented 4% of all visitors with a peak reached in 1994/5 of 9% or 36,000 visits and 1995/6 of just over 10% (Australian National Maritime Museum 1993b, p. 12; Australian National Maritime Museum 1996, p. 1).

Public programs began before opening in 1988 with the Endeavour Creative Writing Competition which initially attracted 7,000 entries (Department of Arts Sport Environment Tourism and Territories 1988, p. 128). Beyond opening, public programs tended to concentrate on school holiday activities for children, guided tours for adults and talks accompanying exhibitions (Australian National Maritime Museum 1996).

The enduring challenge for the ANMM in terms of consumption of its products and services remained its overall image. Positioned within a commercial precinct that attracted some 11 million visitors who spent on average $9 per head, the museum lacked a sense of ‘celebration’ associated with Harbourside Marketplace, the Darling

Harbour destination.(Gill 1994, pp. 18-19). It was perceived as a venue for men and their boats and up until 1994, women ‘had a strong resistance to the whole idea of the National Maritime Museum’ (Inview 1997, no page number). By 1995 awareness of the ANMM had expanded so that it was seen as ‘part of the competitive brand set with both the Powerhouse and the Australian Museum’ and this was attributed to the pull of the *Endeavour* (which was confused with the *Bounty*) and the *Vampire* (which was the highlight of the visit) (Inview 2003, pp. 8-9). These two vessels combined the sought after experience for the public: one which represented entertainment as a replica ‘ride’; one which represented education as an authentic example of national defence.

Paradoxically, value capture for the public was derived from those areas of value creation that the museum professional staff rated least. While the *Mary Rose* and *Whales* exhibition may have enticed the public to sample the ANMM services and programs, it was the ships that captured that value.

Value Exchange

Value exchange is merit. It is associated with external relations covering government appropriations, complementarity or congruence with sponsorship and resulting revenue, costs and revenue generated from programs and services.

Funding and Revenue

The ANMM was dependent on federal government subvention for its operations. Recurrent expenditure for the ANMM on opening was $12m. The Review of 1994 recommended the funding be increased by an additional $2m to support exhibition turnover and develop services to the community, which reflected its actual expenditure of $14m in 1993-4 (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 18). The inability of the ANMM to reach its target number of visitors resulted in significant revenue shortfalls in 1992-3 with the federal government providing additional revenue to meet the gap. The Department of Finance in this same report suggested that the funding remain static at $12m (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 47).

Value exchange with the federal government was a complex combination of give and take. While the federal government insisted on the ANMM becoming more entrepreneurial and raising a higher proportion of income through non-government sources, it exacted a Capital Use Charge on the building of $3.72m[9], required the remittance of untied sponsorship funds to consolidated revenue and ensured a split between the federal government and the museum of additional earned income (Department of Communications and the Arts: Australian Cultural Development Office 1994, pp. 41, 45-6).

In the first six years of operation the proportion of government to non-government revenue was:

Table 15: Proportion of earned income to government appropriations
Source: Annual Reports 1991/2 to 1996/7

	1991/2	**1992/3**	**1993/4**	**1994/5**	**1995/6**	**1996/7**
Federal Government Appropriations	$11.8m	$14.16m	$13.3m	$13.9m	$14.3m	$14.2m
Earned income[10]	$4.04m **(34%)**	$2.19m **(15%)**	$2.2m **(16%)**	$3.8m **(27%)**	$4.3m **(30%)**	$3.69m **(26%)**

The higher ratio in 1991/2 represents sponsorship investment of over $2m and high interest on monies not expended as part of the capital build. The slump immediately following this represents lower sponsorship attraction and lower than expected gate receipts. The turnaround in 1994/5 onwards is attributable to increased gate receipts, increased sponsorship, increased functions and exhibition fee income from touring.

Value exchange for the government then was accrued at a dollar for dollar investment: as government increased its appropriation by $2m per annum, the ANMM was able to increase its earning capacity by a similar amount. This return on the government's

[9] The Capital Use Charge was included in the annual appropriations and returned to the federal government. This charge remained the same throughout the early years of new entry.
[10] Earned income is a combination of admissions, kiosk and bookstore revenues, membership fees, venue hire, grants and sponsorship but excludes the US Bicentennial gift and interest. In some instances it includes in-kind support such as capital maintenance completed by other tiers of government.

investment placed the ANMM in a dependency ratio of 1:3, somewhat lower than other like museums.

Congruence and sponsorship revenue

Sponsorship fit was relatively straightforward during the capital build stage with maritime companies willing to be associated with the new museum. Other types of sponsors also saw an opportunity to be associated with the new entrant in this relatively prime location. Fit-out of the Board room was completed by the Timber Advisory Council of NSW (Australian National Maritime Museum 1991a, p. 26) while ANZ sponsored a free admission day in January from 1993 contributing to what the ANMM credited as its commitment to 'social justice and equity' obligations (Australian National Maritime Museum 1994, p. 11). Naming rights were bought by Lipton's (Jigglers restaurant), the ANZ Gallery and the Mazda Gallery (Australian National Maritime Museum 1993b, pp. 23-4) and the US Bicentennial gift resulted in the USA Gallery and significant investment in developing the collection connecting United States and Australian maritime history.

The latter resulted not only in program development, for example the commemoration of the battle of the Coral Sea, it also resulted in an off-shore tax deductibility status in the United States (Senior Executive 2: ANMM 2005), and high visibility for the ANMM at a special opening in January 1992 by George Bush Snr, the President of the United States at the time (Australian National Maritime Museum 1993b, p. 4).

Apart from the ANZ donation of $2.5m and the United States gift of $US5m, sponsorship patterns over the first years of operation were:

Table 16: ANMM Value of Sponsorship
(Source Annual Reports 1991/2-1995/6)

	1991/2	**1992/3**	**1993/4**	**1994/5**	**1995/6**
Value of Sponsorships	$2.046m	$192,000	$421,000	$883,000	$841,000

While sponsorship revenue dropped after opening it began to climb once more in 1994 primarily as a result of touring international exhibition where MMI sponsored *Whales* and Cathay Pacific Airways, Howard Smith Ltd and P&O Containers sponsored *Mary Rose* (Australian National Maritime Museum 1995, p. 11).

Value exchange in terms of sponsors followed a pattern of selling bricks and mortar with the new build and then maintaining loyalty with sponsors directly involved with maritime activity and diversifying the sponsorship base through specific exhibitions.

Costs and revenue: Program and delivery service

The ANMM was expected to charge admission fees from its birth and had one of the most expensive fees at $7 compared to the Powerhouse at $5 and the Australian Museum at $4 (Gill 1994, p. 14).

It was also expected to compete not only with other museums but also within the atmosphere of a highly commercial environment at Darling Harbour and with competitor attractions such as the Sydney Aquarium which charged $13.50 and attracted some 800,000 people in 1993 (Gill 1994, p. 14). While this might seem comparatively high, the Australian Museum noted of the Aquarium: ‘they have live fish swimming around; we’ve got stuffed fish on a stick’ (Cochrane 1990, p. 50). This observation was equally true of the ANMM.

Admission fees were considered to be a barrier to increasing visitor numbers evidence by the spike in numbers during the July and January free admission day, sponsored by ANZ. These free days attracted 13,380 people in July 1993 and 18,500 in January 1994 boosting the figures for January 1994 to 45,880 compared to 15,000-20,000 per month average (Australian National Maritime Museum 1994, pp. 11, 62).

Revenue from visitors to the ANMM over the first six years of operations was:

Table 17: Admissions and gate receipts 1991-1997
(Source: Annual Report 1991/2-1996/7)

	1991/2	1992/3	1993/4	1994/5	1995/6	1996/7
Admissions	215,496 (8 months of operation)	262,590	266,423	405,842	395,928	341,215
Gate Receipts	$1.118m	$1.187m	$1.03m	$1.77m	$1.433m	$1.17m

While there is a general increase and then plateau of admissions, gate receipts began to decrease after the spike of 1994/5.

Over and above gate fees, visitor spent on average the following at the kiosk and shop:

Table 18: Average visitor spend at Kiosk/Restaurant and shop 1991-1997
(Source: Annual Report 1991/2- 1996/7)

	1991/2	1992/3	1993/4	1994/5	1995/6	1996/7
Average shop spend	.35c	.36c	.15c	.27c	.17c	.17c
Average kiosk spend	.72c	.55c	.41c	.20c	.06c	.04c

This suggests that as admission from gate receipts rose, discretionary spend decreased significantly. Even when gate receipts returned to the 1992 levels, discretionary spending did not recover.

The average general admission cost per visitor was approximately $3.50. The cost of providing products and services to visitors by the ANMM was $47 per capita at its least expensive in 1994/5, and at its most expensive at $81 per capita in 1991/2 based on operating expenditure (Australian National Maritime Museum 1993b, p. 42; Australian National Maritime Museum 1995, p. 54).

These figures suggest that exchange value was poorly realised by the ANMM in terms of its ancillary programs. The average cost per capita may be in line with other government supported museum providers where extraction of time and return business becomes the exchangeable value rather than gate receipts per se.

Managers of the ANMM created value in complex and sometimes ambiguous ways. The building was seen as inadequate for the exhibition programs, yet the building was a beacon on the shores of Darling Harbour and provided a unique internal/external experience for the visitor. The collection, although intended to be minimal, became a site of tension between the Council and the staff over the place and type of vessels to be collected. While the professional staff preferred a collection of contemporary vessels that could be more efficiently maintained rather than heritage vessels that were expensive to conserve, the Council was keen to collect by commission or donation vessels that would be an ‘experience’ or historically significant. This resulted in a compromise between the Council and the staff over the position of vessels and the balance of social history within the exhibition programs.

Value capture was attained for the federal government through an increase in revenue generation that convinced both the federal and NSW government that the ANMM was sufficiently robust to service a loan on an expanded enterprise with Wharf 7 incorporating its perennial challenger, the Sydney Maritime Museum/Sydney Heritage Fleet. In addition it was able to more closely work with its community based network of maritime museums through a grant scheme that increased their skills, assets and resource base.

Value capture for sponsors was achieved in two ways. First, it was achieved through product congruence and re-adjustment of congruence to accommodate the sponsor. Second, it was achieved by making available the assets of the museum’s vessels and prime real estate to be-friend sponsors.

Value exchange was accomplished seemingly more successfully for the federal government than the visitor. Exchange value extracted from visitors began to revert to lesser levels by the sixth year of operation, just as the ANMM was on the brink of expansion. Although visitor revenue remained level, revenue generated from non-core operations increased and fulfilled the off-budget requirements of a federal government eager to stabilise its investment.

Flexibility was possibly the hallmark of value creation, capture and exchange for managers of this new entrant. In a sense managers were not committed to deliver or provide any particular value set. Where they did believe that value creation, capture and exchange could be achieved in providing a broad set of values beyond ‘blokes and boats’, they retreated from this position if an opportunity arose or if confrontation loomed.

Even when the ANMM was re-directed to focus on interpretation and exhibition rather than collections, the staff saw this as an opportunity to solidify its social history brief and engage in debate. Yet it would be disingenuous to suggest that they were wholly committed to this pathway - its default position by necessity was conservative given the composition of the Council. While Council Trustees were appointed by government and could therefore reflect the political flavour of the day, by law a naval officer was required to sit on the Council. This gave it a sense of connectedness to the past represented by its most popular exhibit, the *Vampire*, symbolically protecting Australia in the same way that the ANZAC tradition is celebrated by the Australian War Memorial. Subscribing to the new museology under these circumstances may generate scepticism when controversial social issues arise.[11]

By negotiating in and around value creation, capture and exchange for its various stakeholders, managers of the ANMM provided a club atmosphere and were able to service the demands of various stakeholders at different times throughout the birth trajectory. While the ANMM may not have been totally aligned with its stakeholders, it

[11] For example, Wilhelmsen Line was a continual sponsor of the ANMM. In 2001, its cargo ship, the Tampa rescued asylum seekers whose vessel was sinking en route to Australia’s Christmas Island. The Australian government refused to allow the asylum seekers landing rights in Australia thus provoking a stand-off between the Tampa, Wilhelmsen Line and the Australian government (Marr and Wilkinson 2003). During the so-called Tampa crisis in 2001, the ANMM did not engage with the issues or with the issues of asylum seekers arriving by boat during the 1990s and early 2000s. While the Tampa crisis is a projection beyond new entry, there is precedence with the acquisition of the Vietnamese boat in 1988 which brought asylum seekers to Australia. This acquisition was celebrated at a safe distance from the actual arrival in the 1970s, a decade earlier and controversial at the time. Consciously or not, this evasion of engaging in debate about unlawful arrivals by sea undercuts the commitment to the new museology of interpretation and developing a safe haven for the discussion of multidimensional viewpoints.

was never mis-aligned. At no stage during its new entry phase did managers give the dominant stakeholders a reason not to support them. This then marked the ANMM as essentially a non-threatening entity and may have ensured its survival and durability beyond new entry stage.

5.4 Limiting the liability of newness

The flexible attitude of the ANMM to value creation and capture may have heightened the ability of managers to limit the liability of newness. This flexibility meant that it could be free to operate in a near monopolistic market: the maritime museum sector. This sector was at first wary of this large resource rich professional entity but acknowledged its supremacy by participating in the MMAPSS grants program to advance its own ends. Its greatest challenger in Sydney, the Sydney Maritime Museum also acquiesced in co-locating with the ANMM at Wharf 7. Acquiescence was so complete that it re-branded itself as the Sydney Heritage Fleet to allay any public confusion with its dominant partner while seemingly maintaining an independent profile.

Cementing its importance within this sector guaranteed a support base for survival. The ANMM was indispensable to its own sector which provided a barrier to threats by the ANMM's dominant stakeholders, the federal government, NSW government or its own Council.

The ANMM's survival was dependent on its ability to behave chameleon-like in relation to value creation, capture and exchange. The one area where it revealed its value creation and capture hand was its positioning within its own sector.

The ANMM in effect arrived in the museum marketplace carrying very little baggage – it had no collection, no real allies (apart from its political overseers) and little understanding of what it was expected to achieve. This gave managers a sense of freedom that was reigned in from time to time by special interests which under pressure they invariably supported. By leveraging the building which managers believed inadequate for the museum's purposes they created value for sponsors and the government in revenue-raising. By using the vessels as benefits for special interest groups they created value but essentially viewed the fleet partially as unwanted and expensive. By being positioned outside the national capital they neither competed nor collaborated with colleagues. The managers of the ANMM operated in their own marketplace of maritime museology creating a unique position that made it indispensable to its major federal and other state stakeholders.

This is not to suggest that the managers of the ANMM did not create real value. What it does suggest is that they created sufficient value for a range of disparate stakeholders, from the navy to the Waterside Workers Federation, to ensure limiting the liability of the ANMM's newness. However, the value they created was only knowable following the Review of 1994 which set museum managers on a course of entrepreneurship in terms of gaining sponsorships and leveraging the fleet assets as well as positioning the museum as a leader amongst the maritime museum network.

The ANMM case suggests that complexities and subtleties were operating particularly in the area of value creation and capture. These subtleties and complexities are difficult for a framework, such as the Value Cycle Framework, to reflect. It also suggests that some elements of the framework are more significant in this case that others. While the state was a customer it comprised two distinct power sets: federal and state governments. The power and influence of these two governments are mediated to some extent through the Council but the extent of their influence is only apparent in Reviews – in this case the Review of 1994 and the feasibility report on the future options for Wharf 7. Re-alignment with the recommendations of the Review process becomes the pathway to the ANMM's post new entry stage.

Chapter 6: Case Study: The Mint

The case of the Mint represents a recycled new entrant. A recycled new entrant in this instance is a museum product that consists of content and packaging – that is programs, collections and exhibitions that differentiate it from other museum content which is presented in a separate building. While the building remains the same, the content within the building may change (that is, be recycled) and directed by a parent body with overall responsibility for curatorial priorities. Recycled new entrant satellites such as the Mint become the vehicle through which a larger project is partially realised, in this case the Museum of Applied Arts and Sciences major campus located in Ultimo.

The Mint was established under the auspices of a larger museum, the Museum of Applied Arts and Sciences (MAAS). This museum is a nonprofit statutory authority and part of the NSW government's portfolio of cultural provision. The MAAS was originally conceived as part of the Sydney International Exhibition in 1880 and established itself in Ultimo as the Technological Museum in 1893 (Davison and Webber 2005b, pp. 8-9). The MAAS had acquired three satellite entities, the Observatory, Hyde Park Barracks and the Mint, from 1979 to 1982. In 1988 the Powerhouse Museum was opened as its flagship museum (Davison and Webber 2005a, p. 35).

The case charts the course of the Mint as a recycled new entrant product of an established museum, which itself was undergoing change. During this period of change the Mint, following refurbishment from 1979-82 was first invented as a decorative arts museum. Subsequently from 1995-97, it was recycled as a museum of gold and coinage. The first product from 1982 lasted for six years before its success was questioned. The second recycled product lasted for two years. This case demonstrates how new museum products are transformed through a value cycle. In this case there is neither failure or nor success associated with limiting the liability of newness but rather a middle pathway emerges that allows for the retention of the recycled product within the cultural sector once that product is understood by a range of stakeholders.

The case is set out in four parts.

Part One looks at the new entry stage of the Mint. It outlines its two stage trajectory from decorative arts museum to a museum of gold and coinage and its eventual transfer to the Historic Houses Trust (HHT).

Part Two describes the stakeholders involved in the case and the kind of value each was seeking from the Mint as a reinvented product.

Part Three analyses value creation, capture and exchange through the three categories of amenity (building and collections), interactions (alignment and accountability, consumption of programs and collaborations) and external relations (results of interactions that return benefit or liability for the continuation or discontinuation of the museum/product).

Part Four contextualises this analysis in terms of the Value Cycle Framework and limiting the liability of newness.

The case is based on analysis of documents: memos, letters, reports, minutes and notes of meetings, visitor evaluation reports and annual reports from 1980 to 1997 when the Mint was transferred to the HHT. It also draws on contemporaneous published histories of the MAAS and memoirs by a former director as well as newspaper reports. Interviews[12] were conducted in 2005 with a managing curator of the Mint from 1980-84, the then Minister for the Arts 1988-1995, the then Director-General of the NSW Ministry for the Arts, and the Director of the Historic Houses Trust. These people were

[12] Direct quotes from informants are indented and italicised

chosen on the basis of their availability and the insight each brought to the trajectory of the Mint as a recycled new entrant. There are limitations to the primary qualitative data set. The Director and a senior executive of the MAAS at the time were unavailable for interview. However, the limitation has been overcome to some extent by referring to the Director and Senior Executive's published texts on the Mint and the history of the MAAS respectively. Access to primary documentation includes letters authored by the Director and Senior Executive and minutes meetings where their presence has been recorded.

6.1 The Mint: the story of new entry

The Museum of Applied Arts and Sciences acquired the Mint in 1979 as part of its growing portfolio. Located in Macquarie Street, the Mint and the adjacent Greenway designed Hyde Park Barracks, an early nineteenth century home for convicts, was part of an architectural heritage precinct that included the Sydney Hospital, St James Church and the New South Wales Houses of Parliament.

The Mint building was constructed between 1811-6 by an unknown architect and originally formed part of the Rum Hospital (Measham 1997a, p. 120). It evolved into the Royal Mint in 1855 consisting of the original sandstone construction and, at the rear, a prefabricated glass and iron factory shipped from Britain (O'Brien 1995, p. 3). After 1927 it became part of the law courts and government departments variously took up residence in the building itself or at the rear of the building, where the former coining factory once stood (O'Brien 1997b, p. 7).

The variable purposes of the Mint continued until 1982 when the MAAS opened it as a museum of decorative arts. At the same time the MAAS was engaged in developing Stages 1 and 2 of the Powerhouse Museum in Ultimo, a project which had been endorsed by the New South Wales Wran government in 1978 as a 1988 Bicentennial project. When the Mint opened in 1982, the Hyde Park Barracks, also acquired by the MAAS, was undergoing extensive refurbishment and the redundant Observatory, formerly used for astronomy research, was passed over to the MAAS. The Director of the MAAS, Lindsay Sharp, predicted that of all the 'products' of the MAAS, the Powerhouse would be 'the brightest in a constellation of stars' (Davison and Webber

2005a, p. 35). This placed the other three products as ‘lesser’ beings in this universe and the relationship particularly of the Mint to the Powerhouse continued to be problematic throughout its two recycled phases.

The MAAS had been in Ultimo since the 1890s and its new site, the Powerhouse a former generating plant was adjacently situated across the road in Harris Street, Ultimo. Ultimo in the 1980s was seen as a working class suburb. Although the original core collections of the MAAS were based on technical expertise, industrial design and working culture, Ultimo was not seen as a suitable setting for a ‘world-class’ museum which understood that its traditional visitor base consisted of the middle and upper middle classes (Davison and Webber 2005a, p. 39).

One of the benefits of acquiring both the Barracks and the Mint was their location. The Mint and the Barracks were seen as prestigious heritage buildings close to the centre of political power in Macquarie Street and in the company of other well established cultural institutions such as the State Library, the Australian Museum and the Art Gallery of New South Wales (Senior Executive: Mint 2005).

The Mint underwent refurbishment before opening to the public in October 1982 winning the State and Federal Museum of the Year awards in 1983 (Museum of Applied Arts and Sciences 1985b, p. 8). As one product of the MAAS this was a significant achievement. From 1981-1984, the MAAS had opened five new products which were in effect either new capital builds and/or extensive conservation and restoration programs: Stage 1 of the Powerhouse, The Mint, Sydney Observatory, Museum on the Move (a regional touring museum train) and the Hyde Park Barracks (Museum of Applied Arts and Sciences 1985b, p. 13). Stage 2 of the Powerhouse scheduled for completion by 1988 placed pressure on staff resources and collection and display policies. For example, while the Director argued for additional staff or casual staff to be made permanent on the basis of current and anticipated growth, plans were being made to increase the capacity of the Powerhouse’s collection and display in the Switch Room, particularly in the area of decorative arts, the Mint’s province (Museum of Applied Arts and Sciences 1985b, p. 12; Bogle 1986, p. 16).

From 1982-1988 the Mint operated as a decorative arts museum. Numismatics (coinage) and philately (stamp) collections were displayed through the long-term loan of the Vickery Collection from the Australian Museum. Thematic exhibitions included the history of the Mint and the bullion room, Australian flora, sea and shore (through the display of the Midland Bank collection), home (including decorative arts and notions of 'homesickness') and carpets (Museum of Applied Arts and Sciences and Mint and Barracks Advisory Committee 1981, p. 9).

According to a record of a meeting between the then Secretary of the Premier's Department (Gerry Gleeson) and his adviser there was some concern about the museum and its relationship to MAAS (Betteridge 1982). This concern focused on cost to the government, visitor attraction and the extent to which the Barracks and the Mint could work off each other to maximize use (Betteridge 1982, p. 1). Both the titles of 'Royal Mint' and 'Museum' were rejected and the concepts of the conjoined Barracks and the Mint evolved (Betteridge 1982, p. 2).

The connection between the Mint and the Barracks was difficult to sustain. The Barracks and the Mint buildings were independently oriented and thematically different. The Mint housed an eclectic notion of decorative arts and the Barracks reflected notions of Sydney history with exhibitions of trade union banners, history of the Royal Easter Show, Sydney house styles and Sydney celebrations (Museum of Applied Arts and Sciences 1985a, p. 7).

Following a change in the New South Wales state government in 1988, the new Minister for the Arts, requested a review of both the Barracks and the Mint (Minister for the Arts 2005). This was brought about partially by declining attendances particularly at the Mint where visitation decreased from 215,039 in 1984 to109,786 in 1989 (Museum of Applied Arts and Sciences 1985b, p. 64; Museum of Applied Arts and Sciences 1986, p. 58; Museum of Applied Arts and Sciences 1987, p. 74; Museum of Applied Arts and Sciences 1988, p. 24; Museum of Applied Arts and Sciences 1989, p. 56).

More importantly, the Minister was reportedly incensed at the types of exhibitions that were mounted particularly at the Barracks, the lack of interest in the enterprises by the Powerhouse staff preoccupied with consolidating the main campus and the poor resolution of the renovated building (Garcia 1989, p. 3).

> *And looking at the renovation, which had included panelling over the original timbers…I thought that museum, that building, was being used in entirely inappropriate ways and it should be …returned as much as possible to the original, and interpreted in its original context, without the degradation of exhibitions of plastic bags and the like* (Minister for the Arts 2005).

By mid 1990, the Barracks had been transferred to the Historic Houses Trust which had been approached by the Minister to take all three MAAS products: the Observatory, the Mint and the Barracks (Director: HHT 2005). The HHT declined the Mint and the Observatory but could see some fit between its operations and the Barracks.

> *We talked about it, we talked about all three and eventually I suppose in a sense I think the Trustees felt more comfortable about the Barracks because it had been a home for convicts. And …that was quite persuasive in itself. It had been a home for convicts and therefore seemed a little easier than the Mint did, which was a factory. So that fitted more easily* (Director: HHT 2005).

From 1990 until 1992, the future of the Mint became contentious among cultural providers in Sydney (Cochrane 1992b, p. 2). While the MAAS maintained control of the product, the State Library, the Art Gallery of New South Wales and two philanthropists moved to stake a claim on its future as a portrait gallery (Cochrane 1992b, p. 2; Cochrane 1992a, p. 3; Ingram 1993a, p. 3). However, the Art Gallery of NSW declined further involvement on the basis of its own capital expansion. The State Library increasingly became disenchanted when the government refused to invest further in the development.

In this environment, the MAAS galvanised by take over bids and uncertainty over the future Mint operation developed a new proposal consonant with the Minister's original ideas. The Mint would become a museum of gold and coinage. The premises at the rear would be acquired, restored and conserved as the minting factory (Ingram 1993b, p. 9; O'Brien 1993, p. 28). It also put forward the concept of entrepreneurial activity through selling gold and coins in partnership with Gold Corp and the Perth Mint (Rosagro 1992).

Closed for refurbishment and conservation planning from 1994, the Mint re-opened as the ‘object rich’ Sydney Mint Museum in March 1995 (Museum of Applied Arts and Sciences 1995a, pp. 18-9). One thousand objects of ‘gold jewellery, presentation cups, trophies, inkstands made of finely sculpted silver, gold and emu eggs’ were exhibited alongside interactive touch screen videos (Museum of Applied Arts and Sciences 1995a, pp. 18-9). The Mint became involved as well in the advocacy group, the Sydney Eastside Precinct Inc, to promote the east fringe of the Central Business District as a tourist and visitor destination through developing ‘co-operative activities, events and festivals’ (Sydney Eastside Precinct 1995). In addition it opened a numismatic study centre and a range of educational programs (Museum of Applied Arts and Sciences 1996, p. 20).

Alongside this immediate redevelopment were staged redevelopment plans for the rear of the building when the lease for the Law Courts expired in 1997 (NSW Public Works Economic Unit 1995).

Despite promotion activities, education programs and renewal of exhibitions, visitor numbers remained ‘disappointingly low’ (O'Brien 1997b, p. 7), averaging 125 visitors per day, many put off by the seemingly daunting palisade fences and gates (Museum of Applied Arts and Sciences 1995d; Scott 1995).

As early as May 1996, the Historic Houses Trust was approached by the NSW government to accept the Mint as part of its portfolio (Kenny 1996). After almost a year in negotiation, the HHT accepted the offer on condition that the HHT did not operate the Mint as a museum (Watts 1997).

The Historic Houses Trust was more willing to take on the Mint in 1996/7 than six years previously. The main reasons for this were that the HHT was now a mature organization whose period of major growth was behind it; the management had proved that they had the organizational structure to operate satellite establishments; they had demonstrated that their expertise lay in the interpretation of historic houses and that they could animate these houses through events and exhibitions:

> *…it does require a completely different sort of structure, management style, systems, processes and so on to be managing outriggers…We weren't as averse to it as we had been previously because we had done the Barracks next door, we had done the Justice and Police Museum, we had done the Museum of Sydney. We were clearly in the realm of public museums…I think the Powerhouse may well have stayed here and gone on and done things. But another agency had been invented and …had shown a different way of dealing with historic buildings* (Director: HHT 2005)

The transfer was announced in May 1997 (O'Brien 1997b, p. 7) and the Mint subsequently became the headquarters of the HHT – a prestigious Macquarie Street address that relocated the headquarters of the HHT from suburban Glebe. Ironically although the HHT had the expertise of interpreting historic houses, they recycled this product yet again not as a museum but as its prime administrative and research offices for which they won both the Sulman Award and the Greenway Award in 2005 in recognition of a contemporary interpretation of a heritage site (Historic Houses Trust 2005, p. 5).

Although the Mint as a building remained within the museum sector, as a product it seemingly failed to create value. As a building it had established a strong identity which reflected its façade but not its interior, which remained at best ambiguous and at worst unknown:

> *I find it so curious, you say to anybody in Sydney "The Mint" – I got in a taxi this morning and said "The Mint", he knew exactly where to go. This place has not been a Mint since 1926…but it's still known by everyone as the Mint. Yet it's been everything since – it's been courts, offices all sorts of other manifestations, and yet in everyone's mind it's still the Mint* (Director: HHT 2005).

The Mint was a problematic product for a cultural institution to launch. Branded as a heritage product it had operated in a number of different and unrelated, even antagonistic functions throughout its life. Established in 1811 as part of Sydney Hospital importing rum, then as a regimental headquarters from 1848-1853, its longest single identity was as the Royal Mint from 1855-1927. It operated as law courts and government offices until it was acquired by the MAAS in 1979, opening in 1982 as a decorative arts museum.

The Mint created value for the MAAS in a number of ways. It provided an outlet for exhibitions while the Powerhouse was being built in two stages at the western end of the city from 1979-1988. It gave the MAAS a presence near other significant cultural and political institutions in Macquarie Street. It was a signifier of a growth strategy for the MAAS in the early 1980s that included the Mint, Hyde Park Barracks and the Observatory as well as the yet to be completed Powerhouse Museum.

To some extent its disparate past yet strong Georgian mansion presence made it difficult for museum managers to define it as a museum product. This seemed to be a paradox. Museum content is often associated with historical material culture and historic buildings are often adapted and recycled as museums. Its failure in the first instance as a decorative arts museum was blamed largely on visitor resistance to its seemingly daunting façade. However, this may mask the tension that existed between the needs of the growing Powerhouse Museum and the requirement of a new product to both establish itself and differentiate itself clearly in the mind of the public. After losing the Hyde Park Barracks the future of the Mint as part of the MAAS was also threatened. This necessitated a major re-branding and re-launch of the Mint strategically positioned as a new museum rather than a product of the MAAS or even the strongly branded Powerhouse Museum (Museum of Applied Arts and Sciences 1994b). In order to keep it within the MAAS ‘constellation’, the Mint was reinvented as a museum of itself, or at least that part of itself associated with its namesake, minting and coinage.

While there seemed to be less competition between the Powerhouse and the Mint in its second incarnation - not least because the Powerhouse by the early 1990s was established and popular - competition more broadly in Sydney for cultural consumption had escalated. The early 1990s saw the opening of the Earth Exchange, the Australian National Maritime Museum and the Museum of Sydney alone. The content of the Mint was spectacular with its emphasis on 'gold, gold, gold' (Museum of Applied Arts and Sciences 1994b; Measham 1997a, pp. 112-135) but the $4 entry fee seemed less value for money than the other bigger cultural suppliers, including its parent institution which charged $5 (Schofield 1992, p. 25).

While the relationship between the MAAS and in particular the Powerhouse and the Mint was problematic, the building itself presented additional challenges. Comprised of a series of small rooms with no logical flow for a public building, the Mint remained logistically difficult for exhibitions and display. Visitor numbers remained low and although some joint marketing initiatives were proposed, "the Mint people …seem(ed) to want to go it alone" (Collins 1995).

6.2 Stakeholder descriptions

Using Mitchell, Agle and Wood's (1998) stakeholder analysis model, stakeholders in this case have been identified as falling into the spheres of dominant, dangerous, definitive, dormant or dependent in relation to their legitimacy, power and urgency. Upstream and negotiated stakeholders have been derived from an understanding of Moore's (2000) authorising environment and Ospina and colleagues (2002) analysis of negotiated accountability.

Upstream stakeholders

Upstream stakeholders are based on the authorising environment: that is, those stakeholders who have power over the organization to determine financial and other investment for the organization's existence. In the case of the Mint, these stakeholders were foremost the New South Wales state government and secondly the MAAS itself.

The NSW state government in this case comprised the Minister for the Arts and his department spanning the two incarnations of the Mint as a decorative arts museum and a museum of gold and coinage.

As a product of the MAAS, the Mint was also dependent on the Council and staff of the parent organization to strategically position the Mint as a viable competitor within the museum marketplace.

The relationship between the MAAS and the NSW state government however was complex as the MAAS was responsible to the state government for providing cultural goods and services.

In this sense the MAAS although an upstream stakeholder for the Mint was in a position of compliance with the state government for its own future survival.

The NSW state government moved between definitive, dominant and dangerous throughout the Mint's existence under the auspices of the MAAS. The MAAS as a stakeholder moved from dominant to definitive to dormant throughout the two incarnations of the Mint.

Negotiated stakeholders

The main negotiated stakeholders for the Mint were the staff of the Mint itself, other museums and cultural institutions (including Historic Houses Trust), sponsors, and the public.

Staff were appointed to the Mint directly from the staff establishment of the MAAS. The staff consisted of curators and education staff along with security staff. The original curator of decorative arts had been responsible for the development of the Barracks and the Mint. She also determined the content of the Mint and developed sponsorship. In many instances, newly appointed curators were nurtured by the Mint, returning to the Powerhouse Museum fully trained (Senior Executive: Mint 2005). The staff remained dependent and discretionary throughout the Mint's existence with the MAAS.

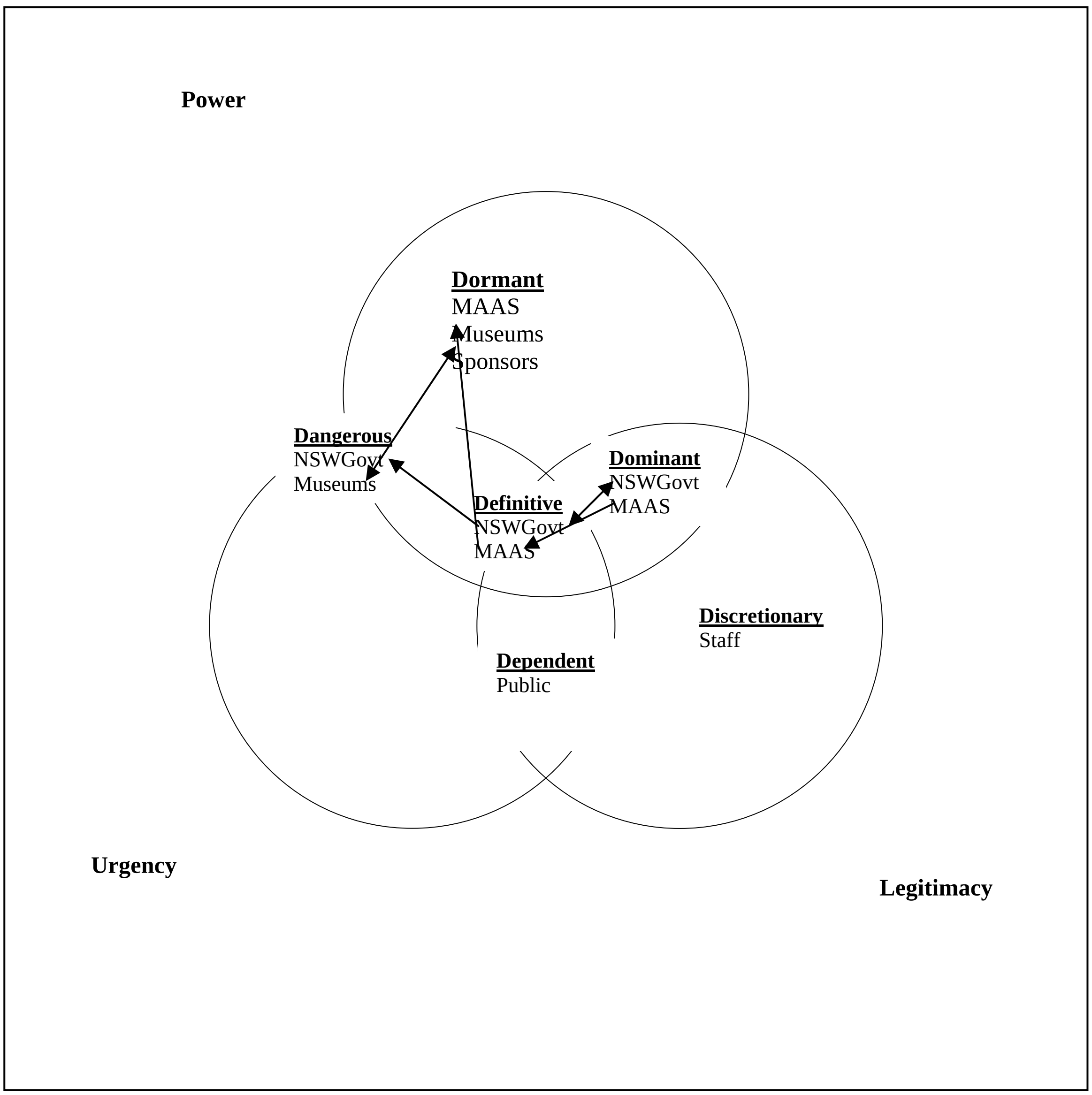
Museums and other cultural institutions such as the State Library and Historic Houses Trust were in ambivalent positions to the Mint. Often collaborative ventures occurred in the first few years including the Australian Museum's loan of the Vickery Stamp Collection, the State Library's loan of the printing press and during its time as a gold and coinage museum, the entrepreneurial venture between the Perth Mint and Museum, Gold Corp and the MAAS. However, when the MAAS was first threatened with removal of the Mint from its portfolio, some of these cultural institutions saw an opportunity to further their own interests. In this sense, then museums and cultural institutions moved between dormant and dangerous during the life of the Mint as a product of the MAAS. This is not to suggest that a dangerous position was malicious. It was rather a mixture of government semi-direction, cultural organizational opportunity and sensitivity to the downgrading of the MAAS's portfolio.

Sponsorship for the Mint was difficult to acquire. Priority for major sponsorship seemed to be claimed by MAAS managers for the Powerhouse. In addition the reciprocal nature of sponsorship was not well understood amongst museum managers within the MAAS. (Kennard 1981; Museum of Applied Arts and Sciences 1982a; Woods 1982). Tensions around acquiring sponsorship developed between the Mint staff and the MAAS staff. Sponsors in this case were dormant throughout the life of the Mint (Kennard 1981).

The staff of the MAAS and the Mint were constantly aware of the public and the need to boost visitor numbers after the first year of the Mint's existence. A number of visitor evaluations were undertaken, but in many instances there was little understanding of what the public needed from the Mint. Segmenting the public by specialist interest, for example decorative arts, philately and numismatics was attempted but no real loyalty to the Mint was established. To some extent this reflects once more the tensions between the Mint and MAAS staff, whereby public access to the collection was guaranteed even if the Mint failed. The public then remained dependent throughout the Mint's two reincarnations.

The stakeholder shifts for the two products of the Mint can be represented by adapting Mitchell, Agle and Wood's model. The first product period and stakeholder interactions are represented thus:

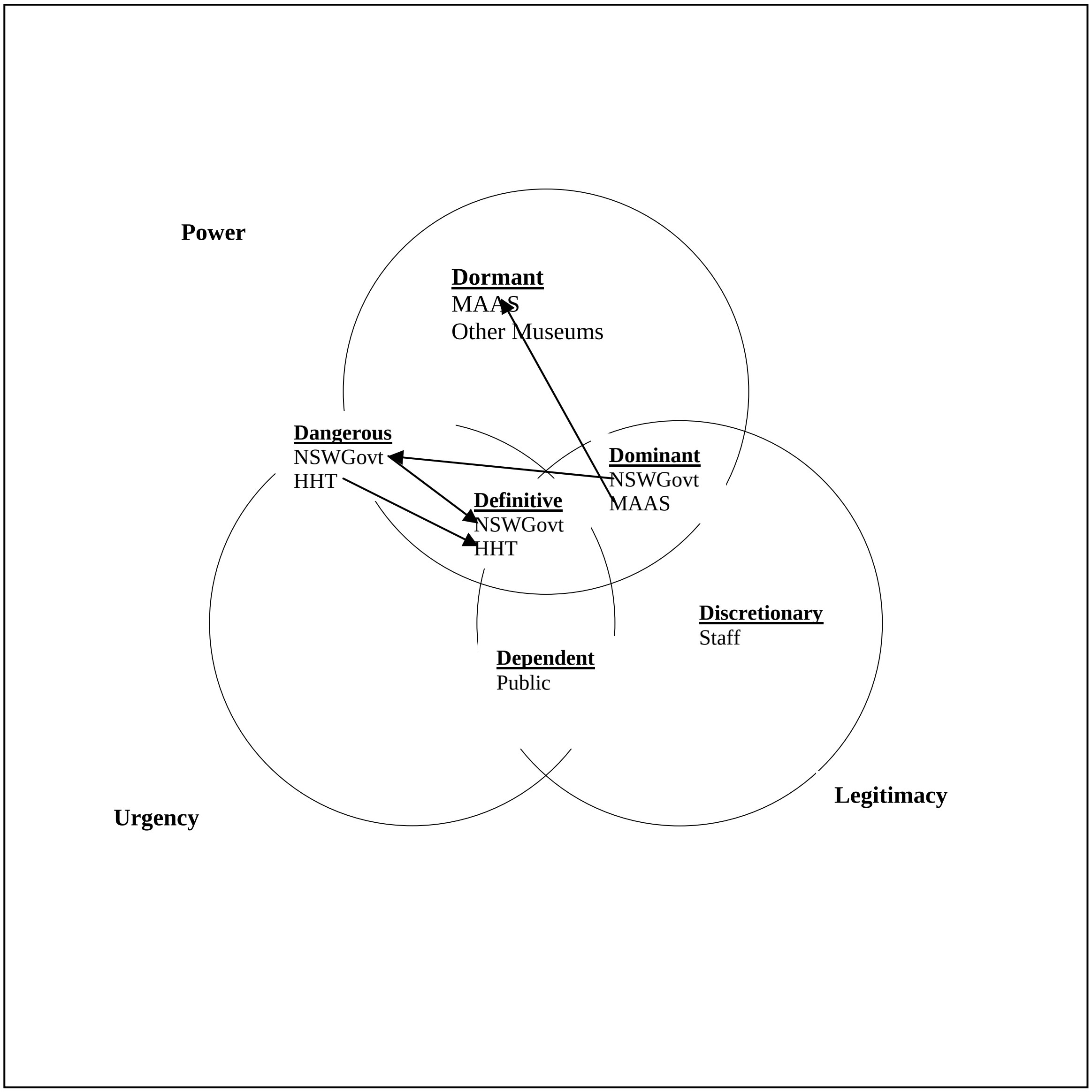
Figure 10 : Relationship between Upstream and Negotiated Stakeholders and the Mint 1982-1991
Source: Adapted from Mitchell, Agle, and Wood, 1998



The NSW government and the MAAS were both definitive stakeholders in the product development of the Mint which also coincided with the refurbishment and new building of the Powerhouse Museum, the MAAS's main campus. The NSW government moved to dangerous as the threat to withdraw the Mint from the MAAS emerged. In this period as well other cultural institutions, once collaborators, moved to a dangerous position jeopardizing the certainty of the MAAS's hold over the Mint. This however, subsided as museum retreated to become dormant stakeholders once the MAAS was re-confirmed as the parent body of the Mint.

The second recycled product period and stakeholder interactions are represented thus:

Figure 11 : Relationship between Upstream and Negotiated Stakeholders and the Mint 1994-1997
Source: Adapted from Mitchell, Agle and Wood, 1998



The second product period suggests that the NSW government began as dominant but non-threatening following compliance with its wishes. It then moved to dangerous as it recognised the diminishing visitor numbers for its investment in the Mint. Finally it came back to a definitive position in making the decision to transfer the Mint to the HHT. The MAAS during this time began as dominant in determining the future of the Mint but retreated to dormant following the government decision to transfer. The HHT emerged as the dangerous stakeholder and then finally definitive in legitimacy, power and urgency of the transition period.

In both periods, the staff at the Mint were the beneficiaries of the MAAS but also had some loyalty to the continuation of the Mint. However, its future survival was not necessary for the survival of staff positions. The public remained dependent in both periods. Although their loyalty to the Mint diminished over the years, their access to the content of the Mint was assured by the presence of the parent organization, the Powerhouse Museum.

The concepts of value creation, capture and exchange are presented in a matrix format and form the basis of analysis for the next section.

Concepts	The State	MAAS and Council	Mint Staff	Public	Sponsors	Other Museums
Value Creation: ***Amenity***	The Building: Adaptive recycle of heritage building in heritage precinct	The Building: Presence in a cultural and political quarter: public presence during Powerhouse capital building program	The Building: Opportunity to develop product	The Building: Daunting façade, difficult internal space, no café amenity	The Building: Unsure of how the Mint related to business products	The Building: Opportunity to showcase own collections; Opportunity to expand their own enterprise
	Collection that reflected fabric/history of the building	Collection and services that reflected Powerhouse offer; Specialist collection from the Powerhouse	Training ground for curatorial and educational practice	Specialist decorative art and then coinage collection but broader collection offered at Powerhouse	Specialist collection and exhibitions but unsure how to connect with sponsors	Vehicle for permanent and temporary loans
Value Capture: ***Interactions***	Accountability for use of the collection	Accountability compliance	Development of services, programs and exhibitions specific to the Mint	Consumption of programs and services	Inability to attract sponsors in second product period	Collaborative initiatives established in first phase and then diminished when the Mint became a coin and gold museum
	Search for the value the Mint represented	Re-aligned with the state in searching for value	Tension between demands of the Powerhouse and the Mint in terms of resources and objects	Retail shop opened in collaboration with the Perth Mint and Gold Corp but unable to meet targets for retail trade		
Value Exchange: ***External Relations***	Rate of funding and level of revenue for two product periods and value of the Mint	Difficult to exchange value in both periods		Costs associated with program delivery Revenue generated from programs and services	Inability to find congruence or 'fit' between the product and businesses and to generate income	

Table 19: The Mint: Table of attributes for value creation, capture and exchange for different stakeholders

6.3 Analysis of value creation, capture and exchange

Value Creation

Value creation is worth and operates around the amenity that the building, collections, exhibitions, programs and service provide to a range of stakeholders. This is considered in the two product periods of the Mint.

The building

The Mint building situated on a site between Macquarie Street and Hospital Road is 1,122 square metres comprising several small rooms, two entrances and surrounding verandas over two floors. At the rear of the site is a further building designed by the colonial architect Walter Liberty Vernon and the remains of the former coining factory (Museum of Applied Arts and Sciences 1995c, p. 7). The rear properties were occupied by various government offices and the law courts during the Mint's operation as a decorative art museum and a museum of gold and coinage. However extensive conservation plans were prepared to preserve the historical buildings and architectural remnants of the coining factory in preparation, it was assumed, for acquisition by the MAAS after various leases had expired in 1997 (Measham 1990).

The Mint came into the orbit of the MAAS at a time when nineteenth century buildings were acknowledged as part of the heritage of Sydney, following a period of demolition and re-build. However, it was difficult to re-deploy these buildings as other than what they were originally intended. Use by museums seemed an obvious solution:

> *…those were the days when you had an old building, you stuck a museum in it. I mean that wasn't the law, but that was certainly the mentality that was very popular at the time and that happened all over the country* (Senior Executive: Mint 2005).

The Mint's conversion to a museum created value for the government in so far as it could be seen to recycle redundant buildings. The building was problematic on a number of fronts from the MAAS's management perspective. The first was in preserving its integrity as an historic Sydney asset. The second was in catering to public access that demanded comfort and ease of reticulation. The third was in ensuring standards of air conditioning and lighting for the maintenance of the collection that was potentially damaging to the heritage infrastructure (Senior Executive: Mint 2005). The confluence of these difficulties became a pernicious aspect of the building regardless of the product being developed.

> *The trouble with the Mint was that it just wasn't architecturally well suited to any kind of public use as a museum. There were a lot of heritage restrictions on what you could do, the rooms were small, there was little sense of flow, people couldn't move around easily. The entrance was a little forbidding with gates and barriers and great fences. It wasn't an inviting environment for any kind of public museum* (Policy Adviser: NSW Ministry for the Arts 2005)

Ironically at the same time in Ultimo, the Powerhouse construction adapted existing building stock but combined both heritage references and new build, overcoming the restrictions encountered by the Macquarie Street satellite (Policy Adviser: NSW Ministry for the Arts 2005).

The MAAS management on the one hand was hampered by the constraints of the Mint building and on the other, the partial acquisition of the site. The threat of losing the Mint in 1989/90 spurred the MAAS management to create value through further heritage planning of conserving the whole complex including the coining factory and the adjoining Vernon designed heritage building. The acquisition of the whole site, its conservation and interpretation would overcome restrictions presented by the singular Mint building. It would be achieved in stages, projected to cost $3.5m and return visitation levels of 75,000 per annum with an annual 5% increase (NSW Public Works Economic Unit 1995, p. i).

The irony of this aspiration and the investment into the first stages of master planning meant that the benefits were reaped by the management of the Historic Houses Trust rather than the management of the MAAS. When the HHT took over the Mint, the MAAS had invested $2.3million from recurrent resources and reserves in refurbishing the Mint and conservation master planning with a view to enjoying ten to twenty years of their capital investment (Measham 1997b).

While the Director of the MAAS attempted to claw back from the government some if its investment, the government viewed the transfer of the Mint to the HHT as accomplishing their own savings of 2% productivity in the arts portfolio (Carr 1997, pp. 214-5).

Collections, exhibitions, programs and services

The Mint was a product of the MAAS in two stages: stage one was as a museum of decorative arts: stage two was as a museum of gold and coinage.

The stage one product created value for the MAAS in so far as the museum remained within the public sphere while the development of the Powerhouse was undertaken.

The exhibition policy and thematic displays were developed on the basis of opportunity and recommendations from a sub-committee of the Trust. This sub-committee, the Mint and Barracks Advisory Committee, comprising interior designers, art historians and directors of other cultural institutions worked collaboratively from 1979 to 1982 to inform the direction of the Mint (Museum of Applied Arts and Sciences 1980; Museum of Applied Arts and Sciences 1981; Museum of Applied Arts and Sciences 1982b).

The Mint was seen as the venue for displaying the specialist decorative arts collection which some felt was in danger of being overwhelmed at the Powerhouse in 'those huge …spaces and all those steam engines and the sheer mass of those very large exhibitions' (Senior Executive: Mint 2005). However, there were a number of issues around what the collection comprised and how sustainable this specialist product could be in view of the needs of the prestigious Powerhouse development.

The decorative arts collection held by MAAS at the time was informed by its technical and applied past, demonstrating techniques or intrinsic qualities of materials (Senior Executive: Mint 2005). As the Powerhouse took form increasingly it acquired furniture and other decorative objects, including contemporary decorative objects. These acquisitions were made on the basis of suitability for Stage 2 of the Powerhouse development (Museum of Applied Arts and Sciences 1983, p. 13). The Switch House, over four levels, was designated as the decorative arts gallery of the Powerhouse and by 1985 craft studios, style exhibitions and a resource centre were already in place (Museum of Applied Arts and Sciences 1985b, p. 17). The Powerhouse was then in direct competition with the Mint:

> *I was constantly battling the curators in the Powerhouse, or with the up and coming Powerhouse, who wanted to keep the best of the material for their displays, and vast amounts of money were being put into that, and that was really the museum's focus, the little outstations…were second best* (Senior Executive: Mint 2005)

Yet this seeming disregard for the 'outstations' was a double edged sword for the MAAS. Intent on creating maximum value in terms of its collections, exhibitions, products and services for its newest product, the Powerhouse, by 1988, the Minister for the Arts believed that the MAAS was over-extended (Minister for the Arts 2005). While interactivity was the 'buzz-word' at the Powerhouse, the Mint was an unsuitable venue for this new engagement with audiences (Minister for the Arts 2005). In addition, exhibitions on plastic bags and coca-cola containers in the Barracks seemed to degrade the intrinsic value of these heritage establishments (Garcia 1989, p. 3; Minister for the Arts 2005; Senior Executive: Mint 2005).

Stage two of the Mint operated from 1995-1997. Although a short period of operation, it was a much more serious undertaking than stage one. Resources were not only invested in the building and the future interpretation of the site, the developing collection of gold and coinage was significant with special exhibitions on the use of gold from dental crowns to gowns, display of the 1871 Sydney Gold Cup and Hogarth, Erichsen and Co jewellery purchased or on loan from collectors (Measham 1997a, pp. 122-132). This re-focus created value for the Minister of the Arts at the time who believed that this was more suitable content for the Mint (Minister for the Arts 2005).

The strategy for the Mint in stage two played down its former decorative arts identity and its relationship to the Powerhouse (Museum of Applied Arts and Sciences 1994b, no page numbers). The appeal of the new identity would be to adults and school children as well as providing a function venue for ‘bankers, Olympic people and other money oriented businesses’ (Museum of Applied Arts and Sciences 1994b, no page numbers). While value around the collection and the site seemed to be created, analysing target audiences for value capture seemed to be unsophisticated.

Indeed audiences for the Mint remained low, attracting 39,837 visitors in 1995-1996 (Museum of Applied Arts and Sciences 1996, p. 44). By comparison other products of the MAAS attracted 56,813 (Observatory) and 555,617 (Powerhouse) for the same period (Museum of Applied Arts and Sciences 1996, p. 44). When the transfer of the Mint was accomplished, the collection reverted to the main campus, the Powerhouse Museum. It would appear that value creation in terms of the collection was maintained – very few people lobbied for the Mint’s continuation as a gold and coinage museum because the collection itself was still available (Council Member: ANMM 2005; Minister for the Arts 2005).

Value Capture

Value capture is appeal and is associated with interactions with stakeholders around value created. This is considered in the two periods under scrutiny as a decorative arts product development and then as a coinage, gold and minting product. Accountability and alignment, collaborations, sponsorship, and consumption of products and services are analysed as part of value capture.

Accountability and alignment

As a product of the MAAS the Mint was accountable to the MAAS which in turn was accountable to the Minister for the Arts.

The turning point of accountability and alignment in stage one was reflected by the Minister of the Arts’ disappointment in the exhibition use of the Barracks and the low visitor figures at the Mint (Garcia 1989). More than this, however it was also a reflection on the concerns the Minister had of the MAAS and the Powerhouse itself (Garcia 1989, p. 3). As the MAAS was preoccupied with the newly established Powerhouse, the Minister was keen to throw open the use of the Mint and Barracks to other contenders for alternative use, not least a Whitehall notion of public service buildings, a heritage precinct administered by a new body or proposals from other cultural providers (Garcia 1989, p. 3; Minister for the Arts 2005).

While a number of proposals were put forward, the MAAS itself proposed a re-alignment of the Mint's usage to fit with the heritage characteristics of the Mint and to further develop the site. While the HHT was the preferred contender for the administration of the Mint, the Minister acknowledged that they were in a similar growth stage to the MAAS and would be unlikely to be able to succeed with the Mint (Director: HHT 2005; Minister for the Arts 2005).

> *The Historic Houses Trust had plenty on its agenda and I think the Powerhouse knew as well they had plenty to contend with, so why shouldn't the Powerhouse hang onto the Mint, reinterpret it…My preference was to see one of the grandest and oldest buildings in central Sydney return as much as possible to its original appearance and function. And therefore I was persuaded that we should at least make things work, by which I mean, attract an audience, attract a crowd of attendees, visitors, by display of coinage and possibly minting on location* (Minister for the Arts 2005).

The seriousness with which the MAAS took this is evidenced by the investment it made into the Mint and the site in light of the real possibility of losing yet another product – not only to maintain the reputation of the MAAS but also to block the growth aspirations of other cultural providers:

> *…there was more to be gained by having it than not having it…it stopped anybody else from having it and I think that was a bit of the mentality* (Senior Executive: Mint 2005).

The reinvention of the Mint as a gold and coinage museum however did not bring about the crowds the Minister sought. Indeed the number of visitors was markedly worse than stage one of the Mint as a decorative arts museum, even though the Economic Department of Public Works had predicted 75,000 visitors in 1995/6 (NSW Public Works Economic Unit 1995).

While the MAAS remained accountable to the Minister and attempted to align the product to the Minister's directive, in essence the Mint remained a difficult public entity and one which failed to attract the numbers in a more highly competitive cultural environment in 1995.

The condition of its transfer to the HHT was that it would not be a museum but revert to its fundamental use of accommodation and offices. In this final gesture, an interesting reversal of alignment arose, whereby the government eventually aligned itself with the HHT:

> *And so as a museum, you deny the…the best aspects of the building. So in my view it was going to fail…because the very layout of the building just didn't lend itself to museum use* (Director: HHT 2005).

Collaborations

The Mint sought collaborations on a number of levels. The Mint was the recipient of the coining press and Vickery Stamp Collection from the State Library and Australian Museum respectively. Beyond this the original product in decorative arts unsuccessfully sought to acquire on loan a number of items from a conglomerate of Sydney museums. The objective of collaboration was to promote the Mint as a centre for all decorative arts and museum collections (Senior Executive: Mint 2005). The failure to acquire material from other museums came down to protectionism and resource depletion.

> *…those organizations had collections that they were all complaining they didn't have the room or the facilities to develop. But when push comes to shove and it's funding and resources and those things can't always be made to work.* (Senior Executive: Mint 2005).

In stage two, the entrepreneurial collaboration with Gold Corp and the Perth Mint was predicated on visitor numbers of 100,000 per annum and attracting a significant proportion of the tourist market (Measham 1992). Gold Corp was prepared to accept the risk of the venture plus investment in stock and shop fit-out in return for a major share of the profits while the MAAS would be responsible for marketing (Perth Mint

1992, p. 2). However after opening in 1995, it was clear to Gold Corp that visitor figures would reach only 50,000 with few high yield tourists and accusations of poor marketing on the part of the MAAS (Rosagro 1995). It may not have helped that Gold Corp also opened a rival retail outlet in York Street Sydney (Perth Mint 1992, p. 3).

While in both stage one and two the Mint maintained useful collaborations with a number of cultural organizations including the Eastside Precinct, such collegiate sensibility deteriorated when the Minister called into question the future of the Mint in 1989. Again in 1996/7 when the transfer to the HHT was proposed no organizations objected.

Value capture in terms of collaborations then was temporary and partial both in an entrepreneurial and collegiate sense. Loyalty and trust between the partners evaporated almost instantaneously at the first sign of failing numbers and Ministerial displeasure.

Sponsorships

Stage one of the Mint generated few sponsorships. The management of the MAAS was particularly keen to direct most sponsorship to the Powerhouse. All sponsorship opportunities and approaches were required to go through the central marketing and promotions division of the MAAS (Kennard 1981). This resulted in significant delays for both the sponsor and the Mint and stymied staff initiatives (Woods 1982).

Midland Bank's watercolour collection was secured for the Mint. This served to 'fill a whole' for the Mint given its paucity of objects in decorative arts as well as provide publicity and display for Midlands (Senior Executive: Mint 2005).

The MAAS poorly understood what it was selling in relation to the Mint and had only a vague notion of alignment with sponsor interests. Co-ordination, particularly in the 1983-9 period was lacking but the unsophisticated attempt at value capture by the MAAS for sponsors was evident throughout the Mint's two stages. For example, in 1994 'gold' was seen as a 'key selling point' to 'money oriented businesses' (Museum of Applied Arts and Sciences 1994b) The fact that the Mint had once been the Rum

Hospital was seen as an opportunity for sponsorship from a 'rum producer or from Lindemans through its use of Macquarie's coat of arms' (Museum of Applied Arts and Sciences 1981, p. 7).

Competition for banking sponsorship became significant following the ANZ's donation of $2.25m to the Australian National Maritime Museum in 1990 (Australian National Maritime Museum 1990). But again the MAAS's attempt to capture value from Westpac as the first bank in Australia and the Mint as 'the oldest building on Australia's mainland', failed to take into account Westpac's new initiative in creating its own banking museum ("Westpac Bank Museum" 1990; Museum of Applied Arts and Sciences 1990).

Consumption of programs and services

The Mint's ability to attract visitors in its first few years of operation was strong. It gave the MAAS a presence at a time when it was undergoing significant change and implementing the first two stages of the Powerhouse development.

However, once Stage 1 of the Powerhouse was opened there was no compelling reason for visitors to attend both sites. Discerning the difference in decorative arts at the Powerhouse and decorative arts at the Mint was of interest to connoisseurs rather than the general public:

> *…it probably replicated a lot of what was also done at the Powerhouse because I don't think they had actually been able to let go of some of their collections, so costumes were duplicated, and …we might see that there's a difference but in the public's eyes…*(Senior Executive: Mint 2005)

The first stage of the Mint as a decorative arts museum saw significant attendances decrease, although from 1989 the future of the Mint was uncertain:

Table 20: Visitor attendance at the Mint 1984-1992
(Source: MAAS Annual Reports 1984/5-1991/2

1984/5	**1985/6**	**1986/7**	**1987/8**	**1988/9**	**1990/1**	**1991/2**
215,039	184,476	136,282	153,584	109,786	88,550	76,384

The Mint closed in January 1994 for refurbishment and opened in March 1995 as the second stage product of gold and coinage. Attendances for 1995-7 were:

Table 21: Visitor attendance at the Mint 1995-7
(Source: MAAS Annual Reports 1995/6-1996/7)

1995/6	1996/7
39,837	34,811

This downward trend brought on some panic with a number of suggestions proposed for reversing the drift including putting flowers on the verandah, café on the front, opening the southern door, introducing free tickets from the Powerhouse and providing music on the south verandah (Museum of Applied Arts and Sciences 1995b).

Observation and evaluation reports undertaken by the MAAS in this latter period suggested that ‘the majority of visitors (other than schools) were not interested in the Mint topics’ (Museum of Applied Arts and Sciences 1995b). Of 254 people who approached the Mint on one day in April 1995, 30% ‘hesitated and walked away’ (Museum of Applied Arts and Sciences 1995d).

That there was little interest in the Mint’s topics should have come as no surprise. Prior to the Mint re-opening, a 1994 survey commissioned by the MAAS revealed that of the 390 people interviewed, 13% of respondents were *interested* or *very interested* in the original Mint; 10% in the Gold Rushes; 10% in colonial domestic life; 9% in coinage and 10% in Sydney’s oldest public building. Well over 50% of respondents were either *uninterested* or *very uninterested* in these topics (Sydney Institute of Technology 1994).

Value capture in relation to consumption of programs and services was eroded throughout the life of the Mint in its two stages as a decorative art museum and as a gold and coinage museum. In the first instance this erosion occurred because value for the public was captured at the main campus once the Powerhouse came on stream. In the second stage failure to capture value occurred because of lack of interest in the content of the Mint. Yet the content of the Mint was directed by the Minister at the time who believed that value capture would be assured if fidelity to the fabric and nature of the building was maintained. However, some ten years later in his own words:

> *Now having a coin collection, no matter how historic, people see it once, they've seen it* (Minister for the Arts 2005)

Value Exchange

Value exchange is merit. It is associated with external relations around government appropriations, congruent sponsorship development resulting in revenue generation and costs and revenue associated with consumption. It is considered in the two time phases of the Mint.

Funding and Revenue

Funding for the Mint operations came from the MAAS appropriations and the main form of investment in the Mint focused on conservation of the site and refurbishment of the building in stages one and two. The value of the MAAS's appropriation to the Mint in 1996 was $4.9m compared to $70.26m for the Powerhouse (Museum of Applied Arts and Sciences 1996, p. 40).

On-going costs associated with staffing and exhibition development were affected by the decision to transfer the Mint and the MAAS budget allocation in 1997/8 was reduced by $600,000, of which $200,000 was directly transferred to the HHT for additional operational allocations (Measham 1997b).

Value exchange from the government's point of view resided in keeping the heritage of the Mint in tact while reducing its level of funding commitment to the site. In transferring the Mint to the HHT it achieved both goals. The HHT allowed the Mint to remain relatively untouched while developing the total site funded from its own entrepreneurial activities as a developer that bought and sold historic properties (Director: HHT 2005). This resulted in the long-term planning for the HHT to transfer their Headquarters to the prestigious Macquarie Street address at a cost of $12m funded primarily by the Trust itself (Director: HHT 2005; Makin 2005, p. 10).

Congruence and sponsorship revenue

Sponsorship fit for the Mint was difficult for the MAAS to achieve. It appeared to have a non-strategic approach to the value a sponsor might detect in association with the Mint. This poorly thought through strategy coupled with a cumbersome internal marketing structure for developing sponsorship proposals resulted in very little value exchange for the Mint.

Costs and revenue: program and service delivery

The Mint provided a retail outlet in its first incarnation as a decorative arts museum but failed to extract value exchange from it visitors:

> *…we ran it at first, and it was very funny, because when the shop first opened, these wonderful postcards that we'd all produced ourselves…we had a really great team of people, very enthusiastic people. We …took it in turns to run it, and then they got a shop manager* (Senior Executive: Mint 2005)

The Mint had no café and relied on the Barracks next door to supply its customers with refreshments (Museum of Applied Arts and Sciences 1985a, p. 7). This of course became difficult when the Barracks was transferred to the HHT in 1989. By 1995 a café was proposed as part of scattergun measures to attract visitors but this did not eventuate before the transfer.

The truncated vision of visitor amenity and value exchange as a result could also be seen in venue hire whereby hirers were alerted to the limited facilities for functions and that the 'only accommodation available will be a tent' (Museum of Applied Arts and Sciences 1982a, p. 12)

In its second stage as a gold and minting museum the retail outlet was managed by Gold Corp and the Perth Mint which anticipated a cash flow of $817,000 by 1996/7 from its 'high margin products' (Perth Mint 1992, p. 3; Rosagro 1992). Its products ranged from coins for $3 to gold bullion retailing at $17,000 and received some criticism from the retail sector suggesting that the shop was 'less elegant than other shops' and the prices were expensive (Mellish 1995). The shop's turnover was dependent of the Mint managers securing high visitation numbers, which did not eventuate.

The inability to realise exchange value from these ancillary products was also reflected in the Mint's inability to extract exchange value from visitation. Entrance fees were relatively high – up to $5 for a single ticket – in a highly competitive environment. However, this did not necessarily translate into full fee gate charges. For example, in one visitor survey report in 1995, of the 96 respondents, almost 17% reported that the motivation for attending the Mint was because they had received a free ticket (Scott 1995).

The Mint failed to create value for the MAAS and the NSW state government as a decorative arts product and as a gold and coinage product – both launched as new entrants at significant moments of the MAAS's life cycle.

The MAAS was itself undergoing change and expansion when the Mint was allocated to its portfolio in 1979/80, opening in 1982. In this climate the value the Mint was expected to create was two-fold – it would be an outlet for aspects of the collection at a time of closure and temporary contraction of the main site in preparation for re-development: it would give the MAAS a presence in an influential part of town, close to the decision-making processes in Macquarie Street.

By the time the Powerhouse Museum was opened in 1988 these two value creation objectives had been eroded. This had occurred because the Mint had been unable to create value for the MAAS and the government and because the MAAS had been unable to understand the potential value the Mint could deliver in its own right. The inability to understand value complexities occurred because the MAAS's centre of focus had shifted to its main campus, the Powerhouse, which demanded high quality exhibitions, collections and sponsors in direct competition with the Mint.

The re-launched gold and coinage product in 1995 was an attempt to re-capture value creation for the government by the MAAS. It was also an attempt to keep what was left of the ‘constellation’ together in face of circling competition from predator cultural institutions, particularly the State Library. In its attempt to do this, the MAAS turned its attention not only to what collections and exhibitions would be appropriate for a former Royal Mint, but also to create value for the total site as a reinterpreted heritage asset.

The value creation around the building remained difficult until the concept of ‘museum’ was abandoned. The building’s value creation for its new parent organization, the HHT was assured only as a non-museum concern.

Value was captured for the government in the willingness of the MAAS to re-align itself with the Minister of the Arts’ recognition of the inherent heritage worth of the building. However, this capture was eroded when the flow-on effect in terms of high visitor numbers did not eventuate. Value exchange for the government occurred when the Mint was transferred to the HHT. This transfer eliminated the financial investment for the Mint’s operation and ensured the survival of the heritage building within the cultural sector, albeit as a non-museum.

Value capture was attempted in the first product launch through some collaboration with other cultural institution. The establishment of trust through this process was eroded when the Mint’s future within the MAAS was jeopardized. There were no real cultural collaborations in the second product launch but rather a partnership with an entrepreneurial venture with the Perth Mint and Gold Corp.

The consumption of the Mint’s products was relatively strong in the first few years of its stage one operations but fell in the following years. This failure to capture value through consumption may be related to the ambivalence with which the MAAS viewed the Mint in the first product launch and the non-interest in the content of the second product launch by the public. This failure to understand the demands of the public in cultural provision was matched by the MAAS’s failure to understand the needs and demands of potential sponsors.

Exchange value in these circumstances is problematic and was only really achieved when the Mint was removed from the MAAS's orbit.

6.4 Limiting the liability of newness

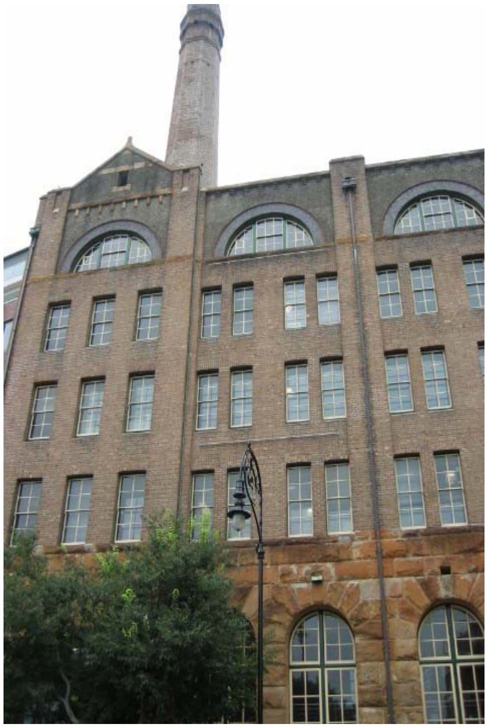
The Mint represents a case of new entry transformation. It remained within the heritage and museum cultural sector and underwent a range of product recycles until it became in essence what it had always been – a building in the service of public administration. This transformation is related to the inability of the parent organization to recognise the asset of its product and to understand where and how this product was to capture and exchange value.

In the first product launch the Mint was relatively successful but was eventually cannibalised by its own parent. In the second recycle, the reason for the Mint's existence was not fully understood. It was believed that the content of gold and coinage would mark the survival of the Mint as a museum. However, such specialisation negated the core business of the MAAS's main campus as a general social history, technical and design museum that gave a sample of all its products under the one roof.

While this was also a form of cannibalisation it masked the real asset that the Mint represented – that is as a signifier of Sydney colonial heritage - a site that had value and advantage in its own right. Managers of the MAAS went some way to understanding this intrinsic value through conservation and interpretation masterplanning exercises but could not see a way of leveraging such value. As long as it was run as a museum product the Mint's managers' ability to capture and exchange value affected their ability to limit the liability of newness.

The value creation of the product the Mint represented in this instance was not understood by its parent managers within the MAAS or the government or even managers in other museums and cultural organizations. The value creation the Mint was able to extract for its new owner, the HHT, was as the 'package' of the whole product itself – its position, its use as administrative and social space, its majesty as a Georgian mansion and its rehabilitation as a high end example of architectural contemporary and heritage inter-relatedness. As this separation of the product into its constituent parts of content and package was eventually understood, then the Value Cycle Framework of new Entrant Museums is useful in tracking the aspirations, degradation and eventual transformation of a new product in two stages. It is also useful in understanding the value creation of life as a recycled non-curatorial heritage asset and headquarters for a cultural institution. The case illustrates how new entry could be 'repeated' or recycled until a transformative role is achieved. Within a series of new entrant recycling, value creation and capture are sought by stakeholders reluctant to let the product 'fail'.

Chapter 7: Case Study: The Earth Exchange



The case study of the Earth Exchange represents an instance of refurbishment of a previous museum associated with traditional display and educational roles. In its new entrant phase it was constituted as a semi-commercial institution with particular attributes. These were that it operated under the auspices of a specialist department regulating, servicing and supporting the mining and extractive industries and it was constituted as an incorporated entity with a Board of Trustees whose membership was drawn predominantly from government and the mining industries.

These attributes lay outside a normative notion of museums constituted as nonprofit statutory authorities highly reliant on government subsidy. The Earth Exchange in this sense was a hybrid creation and its relationship to other museums was viewed through this hybrid lens.

This case is set out in four parts.

Part One presents the overview of its new entry phase and its trajectory to closure.

Part Two describes the stakeholders involved in the case and the kind of value each was seeking from the museum.

Part Three analyses value creation capture and exchange for its various stakeholders and identifies and assesses the reasons for failure.

Part Four places this analysis within the context of limiting the liability of newness.

The case is based on an analysis of documents. These are: trustee minutes, letters, policies, reports, organizational reviews and the Tallboys Review relating to the establishment of the Earth Exchange and its eventual wind-down; annual reports from 1984-5 to its final annual report in 1996-7; contemporaneous newspaper articles. Interviews[13] were conducted in 2005 with key personnel involved with the Earth Exchange at the time. These interviews included an adviser to the then Minister for Mineral Resources, who championed the concept of the refurbished Mining Museum; three Earth Exchange Directors covering the pre-opening period in 1985 to the opening in 1991 and its closure in 1996; the Chair of the Board of Trustees at the time of opening in 1991; an administrator of the Earth Exchange who was involved in the processes of winding down the organization; and an education officer within the former Geological and Mining Museum from which the Earth Exchange was spawned. In addition the views were sought from the Minister for the Arts in the 1988-1995 state Liberal government as well as the former Director of the Ministry for the Arts. These people were chosen to participate in the study because of their unique insight into the period under scrutiny and/or their positions within the Earth Exchange as well as to augment the documentary sources.

7.1 The Earth Exchange: the story of new entry

The Geological and Mining Museum, from which the Earth Exchange was born, was established in 1886 under the New South Wales Geological Survey with a collection of 20,770 specimens of rocks, fossils and minerals (Geological and Mining Museum 1987). The museum continued to collect mineral specimens however many of the palaeontology and petrological specimens were consigned to a specialist section of the Department of Mineral Resources of which the Geological Survey was a division (Geological and Mining Museum 1987, p. 23). By the time of the Geological and Mining Museum's maturity in the 1980s, the museum had over 35,000 specimens in its Economic Mineral and Miscellaneous Specimens Collection (Geological and Mining Museum 1987, p. 24)

[13] Direct quotes from informants are indented and italicised.

The shop was one of the most successful elements of the Geological and Mining Museum achieving a 2,500% increase in sales over four years from 1982 (NSW Department of Mineral Resources 1986, p. 43) and a turnover in excess of $400,000 by 1986/7 (Geological and Mining Museum 1987, p. 35). On average the Geological and Mining Museum attracted some 100,000 - 150,000 people per annum of which about 12-15% were school students with peak visitation from the general public during school holidays (NSW Department of Mineral Resources 1985; NSW Department of Mineral Resources 1986; Geological and Mining Museum 1987).

In 1984 the state government approved refurbishment plans to upgrade the Geological and Mining Museum to a more dynamic museum with an independent Board of Trustees 'with specific financial powers' as part of the forthcoming Bicentennial Celebrations in 1988 (NSW Department of Mineral Resources 1985, p. 33).

The site of the Geological and Mining Museum was in Sydney's Rocks area in a 1903 purpose built powerhouse which was never operational (O'Brien 1997a). This remained the site of the newly formed museum renamed the Earth Exchange in 1990 to '(dispel) the Museum's old "dark and dusty" image' (Earth Exchange and Geological Mining Museum 1990, p. 8).

Like many Bicentennial projects, the Earth Exchange's opening was delayed beyond the celebratory year due to government funding constraints for refurbishment. It eventually opened in 1991 reportedly at a cost of $14 million in public funding but by other accounts costing $19.8m (Cochrane 1990, p. 50; Earth Exchange 1992c, p. 7). In the same year four other museum-like attractions also opened in Sydney: the Australian National Maritime Museum, the Museum of Contemporary Art, the Story of Sydney and the Hyde Park Barracks recently restored for the Historic Houses Trust (Cochrane 1994, p. 3).

A number of elements mark the Earth Exchange as different from its predecessor, the Geological and Mining Museum, and as unique amongst sister institutions.

The first Director of the Earth Exchange had a ‘long background with the mineral industry’ (Director 1: EE 2005). However, he failed to be re-appointed and a new Director from the museum sector was appointed. This shift signified that the Trustees were seeking a museum professional rather than an industry specialist to run the refurbished enterprise. The Earth Exchange’s differences with the Geological and Mining Museum centred on the new entrant’s conscious use of state of the art interactive technology and focus on entertainment as much as education. The latter approach reflected the newly appointed director’s philosophy on museum attractions that should be “as much about theatre as knowledge…(providing) the stage on which ordinary people can become actors or actresses” (Cochrane 1990, p. 50).

Seeking appointments from outside the public service was another differentiating factor from the older museum. This employment practice allowed both the Trustees and the state government flexibility in by-passing public service conditions and pay. Each employee was contracted to the Earth Exchange Limited (Facility Management Company) under an enterprise agreement rather than the Department of Minerals and Energy (Bethwaite 24th May, 1991; Price Brent Solicitors 25th January 1991; Pickard no date).

Such a shift in contractual staffing arrangements set the Earth Exchange apart not only from its predecessor, the Geological and Mining Museum, but also from other museum sector institutions formed as statutory authorities under Public Service conditions. The Earth Exchange was constituted as a commercial enterprise. While this might be seen as consistent with an economic liberal, market focused conservative state government ideology at the time, it was also in keeping with an early edict from a Labor state government that “…require(d) the Mining Museum to become self-supporting in two years, at a saving of $800,000 per annum, as an alternative to disposal or closure” (Garner 2 July 1982, p. 1).

As a semi-private company, the Earth Exchange was dependent on backers. This came in the form of the Minster responsible for Energy and Minerals and high octane representatives from the mining, extractive and financial industries. Members of the first Board of Trustees for the Earth Exchange were the Deputy Managing Directors or Chief Executives from Renison Goldfields Consolidated Ltd, Pasminco Ltd, Clutha Ltd, and MIM Holdings Ltd along with Ord Minnett Ltd, Lady Carmen Carnegie, the National Chairman of Coopers and Lybrand, the Government Whip in the NSW Parliament and the Director General of the Department of Mineral Resources (Earth Exchange 1992a, p. 7).

The Earth Exchange spread over five floors and 3,281 square metres, consisted of public and exhibition areas with a shop, Guthries café, an Energy Information Centre (separately managed), education rooms and function areas (Earth Exchange 1992c, p. 9). The exhibition space was divided thematically. *Formation* depicted the earth's construction and incorporating a simulated Hawaiian volcano and earthquake. *Transformation* with a mine shaft depicted processes involved in the manufacture of products and waste by-products. *Treasures* displayed the 'world class' Albert Chapman Collection, the acquisition of which gave focus and prestige for the re-birth of the museum (Earth Exchange and Geological Mining Museum 1991, p. 13).

Unlike other museums the Earth Exchange was reliant on sponsorship. This was in the form of funding from the mining and extractive industries for capital building and ongoing revenue. The Earth Exchange attracted $2.5m in sponsorship from 1989-1991 (Earth Exchange and Geological Mining Museum 1990, p. 11; Earth Exchange and Geological Mining Museum 1991, p. 15) at a time when economic conditions were not optimum and the museum industry as a whole was inexperienced in sponsorship development. An additional $5m was donated to the Earth Exchange by industry sponsors as start-up investment (Earth Exchange 1992c, p. 8; Council Chairman: EE 2005).

It also received $1.26m recurrent operational funding from the state government which represented 36% of revenue (Earth Exchange 1991). This was in inverse proportion to most other museum operations where government subsidy at the time was 70-80% of revenue. More problematically the Earth Exchange acquired two debts totalling $2.4m which it serviced at commercial interest rates, one at 12% and one at 8% to cover the initial capital investment shortfall (Earth Exchange 1992c). Another $3.542m loan was also established for exhibition development (Earth Exchange 1992c). These debts were established through Treasury and the Industry Development Assistance Fund and totalled over $5.9m at the time of new entry (Earth Exchange 1992c).

The Earth Exchange's financial footing then marked it as a substantially different model to other museums. It was associated with government, but it was established to be self-reliant servicing an industry sector in exchange for re-investment (Earth Exchange and Geological Mining Museum 1991, p. 15).

Alongside this were expectations of high gate takings. The original Business Plan of 1988 projected annual visitation numbers of one million (Earth Exchange 1992c, p. 6). At the time, other museums claimed attendance at between one and two million per annum but these were inherently unreliable figures for free entry museums and more modest projections of 350,000 to 500,000 were claimed for museums with admission charges (Cochrane 1990; Cochrane 1991).

While the Earth Exchange charged an entry fee from its opening in March 1991 its competitors in Sydney did not charge entry fees until late 1991 following a budgetary decision from the state government (Cochrane 1991, p. 1). In this environment the expectations of large visitor numbers comparable to other free entry museums' unsubstantiated projections were difficult to meet.

Ironically for a commercially oriented museum, the shop which had been a profitable enterprise in the former Geological and Mining Museum was franchised to a private company. This franchise resulted in a return to the Earth Exchange of seventeen cents per visitor compared with thirty seven cents for the franchised Australian National Maritime Museum shop (Department of Communications and the Arts: Australian Cultural Development Office 1994, p. 45).

The acquisition of the Chapman Collection, some one thousand mineral specimens from Broken Hill mined 'fresh out of the ground' (Director 2: EE 2005), was also seen as significant by the museum sector at the time. It marked the Earth Exchange as a serious competitor at new entry stage. Without the Chapman Collection there was no reason for the Earth Exchange to exist. It could easily have continued as the Geological and Mining Museum concentrating on education for as along as government supported this, which arguably may have been short-lived. The Australian Museum, the state's oldest natural science and social history museum, had been vying for the acquisition of the Chapman Collection but would not meet the $1m price tag, a figure that was seen as nominal relative to its worth (Director 1: EE 2005).

The Director of the Geological and Mining Museum and the inaugural Director of the Earth Exchange, persuaded the Premier, Nick Greiner to match sponsorship funding from the mining industry to meet the $1m premium and to house the collection in what was to become the Earth Exchange (Director 1: EE 2005). All three Directors of the Earth Exchange over the period 1991-1996 agreed that this acquisition at the expense of the Australian Museum ultimately contributed to the Earth Exchange's demise.

> *I was lambasted in the Sydney Morning Herald as being one of these terrible people who snatched the collection from the rightful owners…From that day onwards the Australian Museum set out to destroy the museum…We created the reason that the museum had to be built to house this wonderful collection which we got, the principal collection, it was the reason why we got the money, the project proceeded, and the reason why the museum closed because of competition among museum communities* (Director 1: EE 2005).
>
> *…got Nick Greiner to pay a fraction of the value but it hadn't gone to the Australian Museum, which made the people who were running the Australian Museum very cross* (Director 2: EE 2005).
>
> *And of course one of the big drawcards we had was the Chapman Collection. And there'd been a lot of skulduggery getting that for the museum because the Australian Museum had been negotiating with Chapman for years to get hold of that. …the Australian Museum made no secret of the fact that they intended to get it* (Director 3: EE 2005).

While these contemporary perceptions of a witch hunt may be exaggerated (even some ten years after its closure) they indicate that the Earth Exchange was without collegiate support and allies at its very birth. Indeed it appeared to have made enemies.

A year following its opening the Earth Exchange authored its own operational review at the request of the government (Earth Exchange 1992c). The museum was facing significant challenges. Among these were the need for continuing government subsidy at the annual rate of $1.2m; injection of a capital sinking fund to meet the maintenance costs associated with an aging heritage building even though it had been internally refurbished; consolidation of the debt at a lower interest rate repayment over 25-30 years rather than the original stipulation of 10 years; and improved signage and visibility within the Rocks area to maximize passing trade (Earth Exchange 1992c, pp. 2-3). The review also indicated that there was an ongoing concern with the cost of conservation and storage for much of the collection comprising the specimens, photographs, rare books, maps, documents, journals, machinery and film and video. Such conservation would require an additional budget of $250,000 (Earth Exchange 1992c, p. 18). Far from the projection of one million visitors, the Earth Exchange attracted 225,000 visitors in its first year of operation. A further 16,000 people used the venue through hiring or functions (Earth Exchange 1992c, p. 22). Renewal of exhibits and displays were also seen as crucial to ensure repeat visitation and growth in visitor numbers (Earth Exchange 1992c, pp. 23-4).

The internal review presaged the following years of operation where the Earth Exchange became increasingly unviable, reflected by visitor numbers over the period of operation.

Table 22: Earth Exchange: visitor numbers from 1991-1995
(Source Annual Reports 1991/2 – 1995/6)

1991/2	**1992/3**	**1993/4**	**1994/5**	**1995/6**
188,767	118,092	98,434	86,261	25,334 (July-September following announcement of closure in August 1995)

Decreasing visitor numbers are a symptom of decline, not necessarily a cause. In a management sense, the organization had difficulty in understanding what it was for and who it was serving. This is reflected in the various aims and missions dotted through public and private documents which distinguishes the mission of the Trust from the Museum.

The original aims of the Trust embedded in the enabling 1989 Mining (Geological and Mining Museum) Amendment Act where:

> The objects of the Trust are to control and manage the Museum in a manner which:
>
> a) stimulates interest in the sciences and technologies related to the development and use of mineral and energy resources; and
> b) increases and disseminates knowledge of the importance of mining and of mineral energy resources, to the socio-economic development of Australia; and
> c) promotes the responsible development and use of mineral and energy resources (Earth Exchange and Geological Mining Museum 1991)

The cover of the *Review of Operations* in 1992 states that the Earth Exchange exists as

> A proactive, commercially-focussed facility, successfully meeting its Community Service Obligations in Tourism, Economic Development, Education and Heritage Conservation (Earth Exchange, 1992c)

with further aims as:

a) to manage and maintain the assets of the Trust including state owned collections
b) to provide a range of experiences in a unique Australian place, about the earth, its products and its environment
c) to facilitate public display…in an enjoyable and entertaining fashion
d) to become Australia's premier venue to represent the mining and environment industry's contribution to Australia
e) to present a balanced, impartial and stimulating approach to contemporary issues
f) to facilitate research
g) to become a Centre of Excellence in its fields of endeavour
h) to provide a first class information dissemination facility
i) to act as a magnet for tourists to Sydney and thereby encourage tourist expenditure

j) to enable children to add dimension, realism and association to the education curriculum (Earth Exchange 1992c, p. 13)

A revised Strategic Plan in 1994/5 states that the Earth Exchange's mission is:

> Increasing knowledge about geology, mining, energy, environmental issues and the earth in enjoyable, stimulating and effective ways (Earth Exchange 1995)

These mask different purposes for different constituents. For the mining and extractive industries the Earth Exchange existed to showcase the mining industries, to boost its image as a wealth creator for Australia and to redress what they perceived as adverse publicity for their endeavours (Policy Adviser: Mineral Resources 2005). The second Director, from 1989-94 believed that the Earth Exchange needed to reflect environmental concerns about mining (Director 2: EE 2005) in order to allay snipes from the museum sector which accused it of potentially being "somewhat one-sided" (Cochrane 1990). The fundamental conflict between projecting a favourable image for the mining industries and focusing on environmental sustainability culminated in a crisis in confidence at Trust level. It coincided with a change in Director, falling visitor numbers and decreasing sponsorship. In 1994, the Trust commissioned Richard Tallboys, the Executive Director of the World Coal Institute in London to review the entire operations of the Earth Exchange (Earth Exchange 1994a, p. 7).

The Tallboys review detailed insufficient value that the Earth Exchange was delivering to its key stakeholders, the mining and extractive industries (Tallboys 1994a). Compounding this negative assessment, the Earth Exchange 'suddenly' lost its funding in August 1995 coinciding with a change in state government from Liberal to Labor which at first confirmed its commitment to the enterprise (Humphries 1995, p. 3). The collection was dispersed or returned to the Department of Mineral Resources and the Chapman Collection was transferred to the Australian Museum (Earth Exchange 1996). The building was transferred to the Ministry for the Arts at a cost to the Trustees of $394,841 to 'make good' (Earth Exchange 1997, p. 4).

The story of new entry for the Earth Exchange highlights a number of issues around value creation. The Earth Exchange itself was created from a traditional museum model that had school education services and advice and research freely dispersed to collectors as its core business (Education Officer: EE 2005). This was a classic public good position that state governments from the right and left found increasingly difficult to justify financially. In this environment the new entrant Earth Exchange model was a unique enterprise promising to deliver value to the state and particularly to its specialist investors, the mining and extractive industries. This seemed a simple approach but complexities and ambiguities about the role of a museum in this context came to a head over the four and a half years of its existence.

The Earth Exchange was a creature of the Geological and Mining Museum Trust, whose membership was primarily drawn from its key stakeholder the mining industries, but it was staffed with people who fundamentally believed in the mission of the museum project with a 'new museological' spin. That is, professional museologist believed they had a duty to present multifaceted viewpoints and not simply to represent the best interests of its key investor. This placed them at odds with their major benefactors who came to view the project with disdain. It placed Trust members in an invidious position where they wanted the Earth Exchange to succeed but in the process were jeopardizing their own reputation with their industry colleagues.

Compounding this was the position of the Earth Exchange within the museum sector itself. It alienated itself from the sector at new entry stage through its acquisition of the Chapman Collection at the expense of the Australian Museum. Directors of the Earth Exchange saw the acquisition of the Chapman Collection as evidence that proved its worth to its benefactors and the state. The Earth Exchange was associated with a non-arts government department and was subsequently ostracised from the relatively powerful state Ministry for the Arts established to handle the interests of the cultural sector (Minister for the Arts 2005). When resources from sponsors were dwindling, encumbered with a substantial debt (that was ultimately forgiven), unable to increase attendance and isolated from its museum colleagues, it became vulnerable to state budget cuts.

As a commercial enterprise reliant on a ‘user pay’ approach to visitors it was the first museum to charge fees in New South Wales. Even when entry fees were almost universal adopted, the managers of the Earth Exchange set their entry fees at double that of other museums: $27 for family entry as opposed to $14 for the Australian Museum and Powerhouse (Humphries 1995, p. 3).

Like all museums exhibitions needed to be refreshed in order to increase frequency of attendance and to justify the gate fee. But funding for exhibition renewal, and maintenance and development of relatively expensive interactive exhibits was dependent on providing value for its key stakeholder – a circularity of circumstances that ultimately proved fatal.

7.2 Stakeholder descriptions

Using a combination of Moore (2000), Mitchell, Agle and Wood (1998) and Ospina etc’s (2002) approach, stakeholders have been grouped as either upstream or negotiated.

Upstream Stakeholders

Upstream stakeholders predominantly are the investors in the enterprise and in the case of the Earth Exchange the two most significant upstream stakeholders were the sponsors from the mining and extractive industries and the New South Wales state government.

The sponsors comprised the original investors represented on the Trust and others persuaded by Trust members to invest in the venture. Twenty three companies invested in the Earth Exchange originally and some intended to continue their investment. Of the twenty-three original sponsor investors, twenty-one where drawn from the mining and extractive industries. A further seven organizations invested in the Earth Exchange including peak organizations such as Australian Mining Industry Council, the NSW Chamber of Mines and the NSW Coal Association (Tallboys 1994a, Annex 1, i-ii).

Their investment in total comprised over \$7m[14], a figure at the time that was significant sponsorship from any industry, let alone in the recession of 1990/1 (Tallboys 1994a, p. 19).

The Geological and Mining Museum Trust, the governing body of the Earth Exchange, were also upstream stakeholders. Consisting primarily of industry representatives, their individual level of involvement decreased as the fortunes of the Earth Exchange diminished. Always dominant or definitive stakeholders when deterioration set in, they became dangerous stakeholders, parallelling the position of their connecting sponsorship base.

The NSW government was a significant investor in the enterprise. It invested \$1.2m for annual operations, approved significant government loans although with commercial interest rates, and provided approximately \$14m for the refurbishment of the building.

However the government was a complex bundle of departments and individuals. It comprised the Ministers for Mines and Energy and their advisers, the Premiers, the Minister for the Arts and his department. Each of these had differing levels of interest in championing the cause of the Earth Exchange and understanding the value they were seeking from it.

At state government level one of the significant performance indicators of value at the time was the ability to meet Community Service Obligations (CSO). These consisted of contributing to increasing tourism, economic development, education and heritage conservation – areas, apart from education, that arguably were incongruent with the core business of museums.

The position of the state as a stakeholder shifted as political fortunes within the government changed. The state at first a definitive stakeholder became dominant and ultimately a dangerous stakeholder.

[14] This figure is calculated from the Tallboys Report, (p. 19) the *Annual Report 1990/1* (p. 15), the 1992 *Review of Operations* (p. 8) and interviews with the Chair of the Trustees from 1985-91 and the second Director of the Earth Exchange 1989-94.

Negotiated Stakeholders

Negotiated stakeholders consisted of the staff, competitor museums and the public.

Staff were contracted to the Earth Exchange and those who had previously been involved in the Geological and Mining Museum were obliged to resign their Public Service positions to accept newly created positions within the Earth Exchange. Few accepted this uncertainty in employment conditions. The Director of the Geological and Mining Museum, and author of much of what was to become the Earth Exchange was drawn from a geological background with the Department of Mineral Resources. He was obliged to apply (unsuccessfully) for his position in 1989. The second Director, drawn from the museum sector was appointed to the Earth Exchange in the capacity of a consultant director. The second Director brought in people with museological qualifications to work in the museum. In 1994 a third acting Director, also from the museum sector, took over the operation. Failing to be appointed to the directorship, he left in January 1995. The ensuing Director had an engineering rather than museum background and managed the closure of the museum in September 1995. This is a progression that appears full circle, mirroring the differing focus and interests of the staff and their aspirations for the Earth Exchange.

In the ten years from the announcement of the new museum in 1985 to its opening in 1991 and its closure in 1995, the Earth Exchange had four Directors. While this might have contributed to uncertainty and perhaps instability, more significantly these Directors were drawn from two different, perhaps even opposing camps. One was an industry specialist camp. The other was a museum camp. What this meant in terms of stakeholdership is that loyalty and focus may be compromised resulting in staff shifts from dominant to dangerous stakeholders.

The Earth Exchange was one of four new entrants in a sector that had seen growth in the late1980s. These new entrants challenged the security of established museums. The Earth Exchange set itself in competition with older museums in particular the Australian Museum and the more recently arrived Powerhouse Museum. Collaboration under these circumstances was difficult where the generation of trust had failed, particularly in relation to the acquisition of the Chapman Collection. The second Director who described himself as a ‘museum doctor’ (Director 2: EE 2005), may have also seen an opportunity to create a mini Powerhouse on the site of the smaller Rocks powerhouse.

In these circumstances the museum sector was never dormant – it moved from being demanding with limited power and legitimacy to dangerous in withholding support for the Earth Exchange in its direst days.

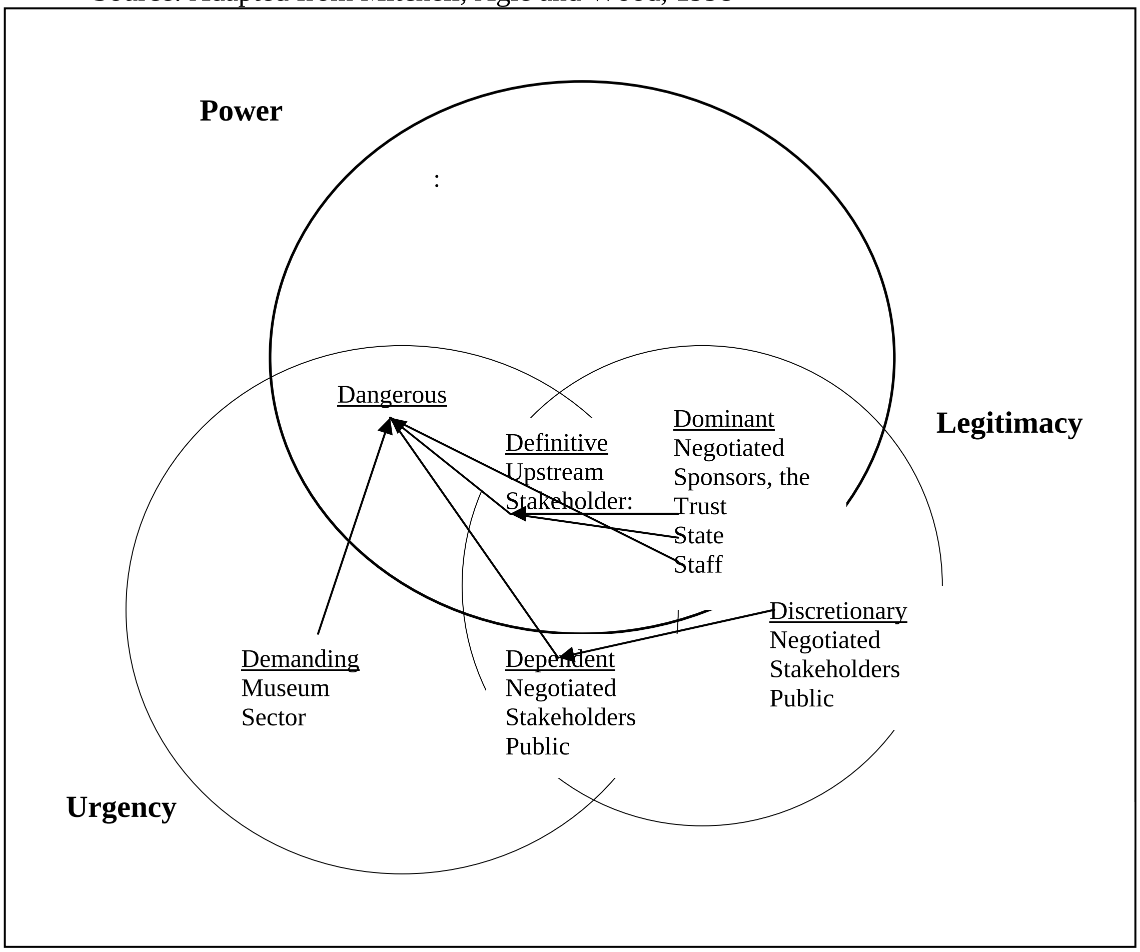
The public was also a negotiated stakeholder and one the industry sponsors sought to influence favourably in their perceptions of the mining industries. In particular young people and school groups were seen as important stakeholders as visitors, building on the relationship established by the former Geological and Mining Museum. However where the Geological and Mining Museum delivered specimens and activities on the nature of geology and earth sciences, the Earth Exchange was also expected to deliver a ‘message’. This ‘message’ was compromised by the differing positions the staff held in relation to the mining industries and further confounded by the conflation of education and entertainment to broaden the visitor base.

While schools represented a relatively small percentage of the visitor base they were instrumental in accounting for repeat family visitation in school holidays, the high point of visitation throughout the year. When the curriculum changed in the mid-1990s and less importance was placed on museum visits by schools this fundamental source of visitation and diversification of visitation evaporated.

The public then was a discretionary and sometimes dependent stakeholder - recipients of the museum’s services and products but reliant on sponsors and the state to provide such services. Where the public itself was paying for the services through entry fees, their patronage potentially was fickle and competed with like organizations. This again meant that their position could easily jeopardize the future of the organization when patronage is withdrawn.

These stakeholders and shifts in power, legitimacy and urgency can be represented thus:

Figure 12: Relationship between Upstream and Negotiated Stakeholders and the Earth Exchange 1991-1995
Source: Adapted from Mitchell, Agle and Wood, 1998



What this suggests is that stakeholders over a period of time moved their relationship with the organization from powerful and legitimate through to powerful, legitimate and urgent as decline set in. Eventually stakeholders shifted again to urgent and powerful and then dangerous threatening the existence of the organization.

Value creation capture and exchange can be set out in a table format. This forms the basis of further analysis in the following section.

Concepts	The State	Geological and Mining Museum Trust	Staff	Public	Sponsors	Other Museums
Value Creation: ***Amenity***	The Building Refurbished; higher proportion of funding shifted to the private sector	The Building: Refurbished; Opportunity to integrate interactive technology	The Building: Refurbished; difficult space to curate; difficult to operate commercial ventures such as shop and cafe	The Building: Difficult location on fringe of tourist precinct; difficult to move around	The Building: Recycled	The Building: Signified more serious competition than as the Geological and Mining museum although a hybrid formation
	Acquisition of the Chapman Collection; establishment of loans to build the exhibitions, services and programs	Chapman Collection, opportunity to showcase benefits of mining industry through specialist exhibition, programs and services	Chapman Collection; specialist information but balanced through environmental interpretation; combination of education and entertainment	Specialist collection balanced by entertainment services and rides. Schools programs	Only one predominant industry sector interested in the collection, exhibition programs and services and these were represented on the Board	Chapman Collection prestigious – contention about where it 'belonged'
Value Capture: ***Interactions***	Assurance of ability to meet loan repayments and reach targets	Accountability to mining industries that their interest were being met		Consumption of programs and services	Inability to diversify sponsorship because locked into mining industries	Inability to form collaborations
		Alignment of exhibitions programs and services to industry needs				
Value Exchange: ***External Relations***	Rate of funding stable with increased revenue acquired elsewhere	Rate of investment in the enterprise; return on investment through favourable public attitudinal shift		Costs associated with program delivery Revenue generated from programs and services	Congruence with aims of mining industry sponsors and subsequent revenue generated	

Table 23: Earth Exchange: Table of attributes for value creation, capture and exchange for different stakeholders

7.3 Analysis of value creation, capture and exchange

Value Creation

Value creation is worth. It is associated with amenity and defined as collections, exhibitions, programs and services as well as the building itself.

The building

The 1903 powerhouse located in the Rocks was designed by the Government Architect, Walter Liberty Vernon (O'Brien 1997a, p. 7). The powerhouse was too small for the generating plant and so was never used as a powerhouse (O'Brien 1997a, p. 7). In 1909 the Geological and Mining Museum took up residence within the building (Earth Exchange and Geological Mining Museum 1990). The building was acquired by the Department of Mines but was subsequently transferred to the Sydney Cove Authority in 1968. Sydney Cove Authority charged the Department rent which reached $300,000 per annum in 1989 (Earth Exchange 1992c, p. 8). In 1990 the Trust leased the building for the Earth Exchange on a 99 year lease at a peppercorn rent on the instructions of the Premier. However, leverage for the building as an asset and collateral for raising additional finances was not made available for the Trust, hampering its ability act as a truly commercial enterprise (Earth Exchange 1992c, p. 9)

The Review of Operations in 1992 indicated that the building itself required on-going maintenance for which funds had not been allocated (Earth Exchange 1992c, pp. 8-10). Inadequate as a powerhouse, the building could arguably be seen as inadequate for a state of the art museum to which the Earth Exchange aspired. It was a difficult space over five floors with a chimney stack eating into otherwise useable space. Of its 3,281 square metres footprint only 2,340 square metres were available for public use. This compares to other significant Sydney museums such as the Powerhouse with 20,000 square metres of public space and the Australian Museum with 7,347 square metres (Earth Exchange 1992c, p. 28).

The Review of Operations on this comparative basis argued a value case for the Earth Exchange indicating that ratios of staff to visitors, visitors to available space and government subsidy for visitors was relatively economical (Earth Exchange 1992c, pp. 27-8). The obverse side of this was that projections of one million visitors was implausible for the space available (and regulations in relation to the Theatre and Public Halls Act). Revised projections of 260,000 visitors still involved constraints on visitation at peak hours (Earth Exchange 1992c, p. 9).

While the peppercorn rent for the museum premises seemed like good value for money, the need to optimise visitation and therefore gate receipts meant that storage of those parts of the collection that were not on display needed to be housed elsewhere. The choice of a nearby site for storage and office space culminated in approximately $300,000 per annum in rent with an annual increase of 10% (Sharp 1993a, p. 10) until bought out by the government in 1994 at a cost of $1.054m (Earth Exchange 1993c, p. 11; Earth Exchange 1994a, p. 35).

The position of the Earth Exchange in the Rocks was also problematical. Located at the less animated northern end of the Rocks, the Earth Exchange could not attract passing traffic and was refused street signage by the Sydney Cove Authority (Earth Exchange 1992c).

It is difficult to argue that the building created value for the public on the basis of potential crowding and flow throughout a five storey configuration. For the government the initial refurbishment investment of $14m was offset by loans raised by the Trust to complete the overhaul which eventually the government converted to a grant (Earth Exchange 1994a, p. 7). On-going maintenance issues and rental space for the collection to maximize exhibition space in the Museum building culminated in an additional $1.3m spend for the government. For the Trustees, the building remained a liability from which little financial leverage could be gained.

The Trust was able to use the building as a function centre and raised approximately $1.75m from 1991-1995. Ironically the greatest function centre revenue received ($769,000) was in 1995 prior to closure (Earth Exchange 1991; Earth Exchange 1992a; Earth Exchange 1993a; Earth Exchange 1994a; Earth Exchange 1995). Estimation on costs associated with hire is inexact but there is an assumption that this activity resulted in a net gain. Other stakeholders such as the shop and the Energy Information Centre operated relatively successfully from the site. However, both these operations were independent of the core and ancillary functions of the museum and its building.

The value created by the amenity of the building was minimal financially, location-wise and internally for movement throughout the building. Many complained of difficulty in using the theatrette when the volcano machine was working because of noise and vibration (Tallboys 1994a, p. 31; Administrator: EE 2005). The activities on each of the floors were disjointed and the café located on the top floor with harbour views suffered from barriers created by the journey in simply getting there (Administrator: EE 2005).

Collections, exhibitions, programs and services

The major drawcard of the Earth Exchange was the Chapman Collection. But the Earth Exchange had also inherited a sizable collection from the Geological and Mining Museum much of which was held in storage, poorly documented and poorly conserved (Earth Exchange 1992a, p. 13). The Chapman Collection itself was not displayed adequately until a dedicated gallery was created for it on the fifth floor in 1992/3 (Earth Exchange 1992a, p. 10).

In order to create value from this wide ranging collection, exhibitions and gallery spaces needed constant refreshing. The Earth Exchange alone mounted its own exhibitions – it did not engage in inward or outbound touring primarily because of the restrictions imposed by the building:

> *It had an internal structure with steel columns, because it was a power station and so it was very difficult to achieve large open exhibitions. That ended up becoming a major restriction in its later operation because you couldn't take large travelling exhibitions* (Director 3: EE 2005)

Staff and volunteers were primarily responsible for developing and mounting exhibitions as well as maintaining the collection. In a sense this provided value for the staff and volunteers who continued to enhance a number of skills in relation to exhibition design and ingenuity in creating cost effective exhibitions.

> *…I think we demonstrated that you could put together very effective, very funky exhibits that were appealing to the public and they could be done fairly quickly and fairly cheaply* (Director 3: EE 2005)

The efficiency in exhibition design compensated somewhat for the expensive high maintenance interactive exhibitions. These interactives appear to have been poorly conceived and developed, with the simulated earthquake alone costing $1m and resulting in on-going litigation (Director 3: EE 2005).

The value that the Earth Exchange was expected to create for the government in particular was in the area of Community Service Obligations, a policy initiative that covered services for education, tourism, economic development and heritage. It is difficult to know how museums create such value directly in relation to economic development, heritage and tourism, although indirectly value could be argued for as indirect or induced benefits for a particular area, however tenuous. For example, housing museums in a refurbished heritage building such as the Rocks powerhouse may be considered value creation. However, given the constraints of the building, retro-fit costs and costs associated with its maintenance, value creation may be offset by value erosion. Similarly, identifying the museum's singular contributions towards economic development and tourism services in a developing tourist precinct may be complex to isolate from all the other attractions available for tourist consumption. The performance indicator that may be more important is in the area of education. However, as this is a core function of museums it does not place museums as uniquely enhancing value which would be created in any case.

Nonetheless the Earth Exchange claimed that it was creating value in all these areas and indeed could price the value it created to $3.2m. It is unclear how this figure was calculated although it appeared to include cost of storage, collection maintenance and other operational activities (Earth Exchange 1992c, p. 2; Earth Exchange 1993c, p. 10).

Value capture

Value capture is appeal. It has been defined as interaction whereby managers are accountable and align value creation to upstream stakeholders and where value creation is consumed by a variety of negotiated stakeholders.

Accountability and alignment

The Earth Exchange was accountable to the mining industries through the Trustees and to the state government.

The Trustees' major area of accountability was to provide evidence that the Earth Exchange created value for the mining industries in the form of a showcase of those industries and the benefits they delivered to Australian society. To achieve this goal, the mining industries invested significant funds (Council Chairman: EE 2005). Value capture for the mining industries seemed assured at start-up but increasingly elusive after the first twelve months of operation.

While the Earth Exchange through its 1988 Business Plan promised to deliver audiences and communicate the importance of the mining industries, the 'message' the Earth Exchange was intended to communicate may have been viewed somewhat cynically by the key sponsors even from the beginning. It was sold to prospective sponsors as 'a "shop window" to Australia's largest voting centre' (Sydney) (Bethwaite no date). The Earth Exchange Chair promised an efficient promotional opportunity, controlled by senior representatives of the industry in the governing structure. He costed the enterprise at $4million (tax deductible) to deliver one million attendances and have government involvement (Bethwaite no date). However, it would appear that industry sponsorship was forthcoming on the basis of personal appeal rather than 'perceived worth to the mining industry of the project itself' (Tallboys 1994a, pp. 19-20). This is confirmed by the Chair from 1985-91:

> *The mining industry collectively gave $5m. I don't know that the mining industry collectively has given $5m to any other project in Australia. I personally burned a lot of industry capital, personal capital with the captains of the mining industry…. my own board Renison, gave a quarter of a million*

dollars, Rio about the same, ERA half a million, BHP half a million. The sums were quite significant. (Council Chairman: EE 2005)

As refurbishment and interactive exhibition costs grew from 1989-1991, sponsor presence in the 'showcase' diminished and indeed the oil companies' presence was completely eradicated (Director 3: EE 2005).

Compounding the problem of expanding costs was the apparent contradictory messages that were emanating from the exhibitions which left sponsors unimpressed. The Australian Mining Industry Council (AMIC) for example was disenchanted by the exhibition *Energy Sphere* which extended to criticisms in other quarters of "gimmicky", "fun parlour" and "Lunar Park" (Tallboys 1994a, p. 22). The perceived unbalanced exhibitions and lack of constructive communication between the industry and the Earth Exchange was addressed by the Director in a letter to AMIC. He outlined ways in which the Earth Exchange and AMIC could work towards achieving the objectives of the Mining Council in its education programs and exhibitions (Sharp 1993b).

In this letter, the Director was attempting to re-align the Earth Exchange with the priorities of the key sponsors. This did not seem to be successful for AMIC, evidenced by its reported observations in the Tallboys review a year later. It may be that the Director was somewhat disingenuous as well in so far as he was committed to ensuring alternative views to the mining industry were embedded in exhibitions.

And it was quite a balance between the mining companies who were actually giving us the money and saying 'don't we need to be more responsible here?' You can imagine the Board, all full of mining people. I was saying, to be honest, I didn't tell them quite a lot of the stuff we were doing because it was quite strongly pro-sustainability even though we didn't know what to call it then (Director 2: EE 2005)

There was a breakdown between accountability and alignment of the Earth Exchange and the key sponsors for whom value creation and capture was intended.

The government too became increasingly frustrated with value capture of the Earth Exchange but in different ways. In a sense the Earth Exchange became a symbol of opposite sides of the same political party. One side consisted of the Ministers for Mines and Energy, Neil Pickard and Ian Causley and Premier Greiner. The other side consisted of Peter Collins as Minister for the Arts. An adviser persuaded Pickard to keep the Earth Exchange within the 'Mines Department than go off with somebody else, knowing nothing about the mining industry' (Policy Adviser: Mineral Resources 2005).

The growing importance of the Ministry for the Arts under Collins as Minister from 1988-1995 placed the Earth Exchange as a misaligned venture. The Earth Exchange was under the auspices of the Mines and Energy Minister, Neil Pickard. However, Collins believed that the Earth Exchange project and the acquisition of the Chapman Collection was ill-conceived. Collins 'argued against it….if we were going to house the Chapman Collection , then there were other spaces and better ways of doing it' (Minister for the Arts 2005). When the Earth Exchange was unable to meet budget, Collins refused to see it as 'part of the family' of other cultural institutions and saw no reason to argue for funding for its continuation (Minister for the Arts 2005).

Political change at state level in 1995 meant that this institution was vulnerable because it was unaligned culturally and had been the creation of political interests that were anthema to the incoming Labor government.

The inability of the Earth Exchange to be accountable to its major stakeholders for capturing value through products developed for the public and its problematic alignment within the government of the day are two key elements that appear to set the museum on a course of non-recovery. This non-accountability and misalignment is compounded by staff who saw themselves as part of the 'cultural family' - indeed had been recruited from it - but worked within an institution that remained a creature of special interests. Such complex interweaving of misaligned elements and unaccountable practice eroded value capture. The deterioration is reflected in the Tallboys review which indicated in mid 1994 that of the twenty eight meetings with industry stakeholders and the one hundred and twenty two comments recorded only seven comments indicated conditional support for the Earth Exchange (Tallboys 1994b, pp i-xi).

Collaborations

The Earth Exchange was poorly situated to form collaborations with other museums. It was perceived as an outsider and it had acquired the Chapman Collection at the expense of other institutions.

Incoming and outgoing loans were mentioned in only two annual reports where incoming loans to the Earth Exchange were forthcoming from three interstate museum and one Sydney museum (Earth Exchange 1993a, p. 51; Earth Exchange 1994a, p. 45). The Earth Exchange on the other hand loaned some objects to the newly formed Australian National Maritime Museum but to no other Sydney museums.

Although the 1992 *Review of Operations*, the Earth Exchange included facilitation of research as part of its aims (Earth Exchange 1992c, p. 13), in reality the Earth Exchange did not engage in research or seek out collaborative ventures with tertiary institutions (Council Chairman: EE 2005).

The value capture in collaborative ventures that the Earth Exchange either engaged in or partly initiated was in the area of joint marketing. This was unsurprising given the nature of the operations that depended so much on generating earned income through the gate or trade, although trade was limited through contracting out the café and shop.

Cross promotion occurred with Sydney Cove Authority, Darling Harbour, Taronga Zoo and Sydney Tower (Earth Exchange 1992a, p. 20). This indicated the positioning of the Earth Exchange where only Taronga Zoo could be seen as museum-like and educational while the other attractions were commercial and tourist oriented. Tracking the effect of value capture of such joint ventures is difficult. In most instances the Earth Exchange reports on the effect of its sole marketing through television, billboards, direct marketing and industry event participation (Earth Exchange 1992a; Earth Exchange 1993a; Earth Exchange 1994a).

Sponsorships

Sponsorships were the lifeblood of the Earth Exchange. However, because the Earth Exchange was locked into a particular industry sector for its support, diversifying the sponsorship base was problematical (Director 1: EE 2005). The difficulty of creating and capturing value for sponsors other than the industry representatives is evidenced by analysing the annual reports from 1992-1994, the height of the Earth Exchange's operations, which indicates that non mining industry sponsors represented 19% of total sponsors (Earth Exchange 1993a; Earth Exchange 1994a).

Even industry sponsors were wary of sponsorship approaches that may benefit their competitors. For example sponsorship for the *Energy!* exhibition was declined by the 'major players' who were 'not keen to sponsor an exhibition which deals with their competition' (Earth Exchange 1994b, p. 4).

Consumption of programs and services

The main target audiences for the Earth Exchange were school groups and teenagers. The general public were also important but strategically tended to be seen as spin-offs from school audiences – that is, families whose children initiated visits during school holidays. Families accounted for 80% of the visitor base (Earth Exchange 1994c, p. 16). School holiday activities included treasure hunts, Jurassic jigsaw, a dinosaur puppet show and developing a Hill End gold panning experience (Tubb 1992; Earth Exchange 1993b; Earth Exchange 1994b).

The education staff matched education packages to the school curricula in particular activities on gold and the gold rushes. The education staff also took advantage of the closure of the Mint in 1994 to 'poach' school groups resulting in increased school attendance of 8.6% in a period of overall attendance decline (Earth Exchange 1994b; Director 3: EE 2005).

School groups accounted for just over 16% of the visitor base in 1992/3 compared to the Australian Museum of just over 15% and the Powerhouse at just under 12% (Earth Exchange 1993a, p. 13). This proportion of school visits rose to almost 18% in 1993/4 (Earth Exchange 1994a, p. 16).

However reliance on this singular visitor base to drive attendance in school and non-school periods is fraught when the curriculum changes particularly for such a specialist museum with little ability to shift focus (Director 3: EE 2005).

Audiences in the first two years of operation were drawn from Sydney (66%). Of those, the western suburbs (28%) figured significantly, possibly reflecting the school demographic (Earth Exchange 1992a, p. 20). The main reasons given for attending the Earth Exchange were for *entertainment* (65% in 1992 and 73% in 1994) followed by *education* (21%) and *geological interest* (6%) (Earth Exchange 1992a, p. 20; Earth Exchange 1994c, p. 14). These are disturbing statistics pitting the museum against other entertainment providers with whom they were poorly positioned to compete in terms of resources, product development, product renewal and marketing. The core collection of minerals seemed also to be insufficient pull for specialist audiences.

While the volcano and earthquake simulations were crowd pleasers and perhaps accounted for the entertainment motivation, only 36% of visitors rated it as the favourite exhibition by (Earth Exchange 1994c, p. 15). There then seems to be a disengagement between motivation (entertainment) and satisfaction (volcano and earthquake 'ride'). Such dissonance may be difficult to dispel. Indeed repeat visitation over the period of operation from 1991-5 accounted for 20-27% (Earth Exchange 1993a, p. 24; Earth Exchange 1994c, p. 14). Although this appears to be heading in the right direction, it should be borne in mind that the visitor base was declining in real figures over this period as well.

Ancillary activities such as functions accounted for value capture providing a venue and catering for weddings, business functions, product launches and conferences. The Chapman Collection and Sydney Harbour provided an enticing backdrop. Events and function for the business sector grew by 35% in three years (Earth Exchange 1994a, p. 22). Staff also ran party games and a museum guide supervised children's parties (Earth Exchange 1994a, p. 17, 22).

Managers of the Earth Exchange appeared entrepreneurial in efforts to leverage value capture from programs and services in the form of curricular activities, school holiday programs and venue hire. However, they were limited by the very nature of the core business: The Earth Exchange specialist orientation to minerals. While managers provided entertainment in the form of interactive simulations and 'infomines', once this had been experienced there was little to entice repeat visits. Those seeking this kind of entertainment could capture it elsewhere in the leisure marketplace. Educational activity was fundamental to the capture of school children and their teachers who enjoyed free teacher evenings. However, once the curriculum changed, this source of value capture evaporated.

Value Exchange

Value exchange is merit and involves external relations whereby stakeholders are involved in a transaction that results in investment for the museum or enhancement of reputation or leadership.

Funding and revenue

The intention of the Earth Exchange was that it would be less reliant on government funding because of the value it could create, capture and therefore exchange from a sponsorship base and to generate earned income.

Throughout its history, the Earth Exchange was in a position where it could not easily extract value from its operations or its venue by virtue of its constitution whereby the Earth Exchange was contracted to the Trust to provide services. The Trust itself was a semi-autonomous entity within the Department of Mineral Resources. In addition the Earth Exchange was in receipt of government funding to cover staff expenses and other operations which meant that it was accountable to the government for expenditure and for on-going support. Because of its hybrid nature, it was also allowed to raise loans from government in lieu of grants.

Government funding for core operational activities was $1.028m in 1991 but rose to $1.65m in 1992-3, and was predicted to stabilise at $1.35m from 1993 (Earth Exchange 1992b). However by mid 1993 it was clear that Treasury was concerned by the ‘decline in admission revenue, lower Consolidated Revenue receipts and sponsorship support in 1993-4’ (Earth Exchange 1993b).

Not only were managers in the organization finding it difficult to raise revenue from entrepreneurial sources they were encumbered with on-going litigation over the originally poorly designed interactive displays, the rent for its storage and litigation over the termination of the café contract and servicing the on-going debt (Earth Exchange 1993c, p. 12). Managers’ responsibility in providing Community Services Obligations focused on the collection and its storage and became a wedge for negotiation with the government. The stored collection was surplus to requirements of a lean semi-commercial organization and as such the managers of the Earth Exchange felt no obligation to maintain this unless the government more equitably compensated the organization (Earth Exchange 1993c, pp. 10-11). Although the Treasury had confirmed an increased allocation of $1.8m, this was done just prior to the submission of the Tallboys review and a year out from a state election (Earth Exchange 1994b). The conflation of both the unfavourable Tallboys review and a change in government less committed to the continuation of the Earth Exchange meant that exit barriers were diminished.

Managers of the Earth Exchange spent time proving the enterprise’s efficient operation relative to other museums (Earth Exchange 1992c; Earth Exchange 1993a). However, they were not really in a position to compare the Earth Exchange with a museum model because the value managers created and captured revolved around a semi-commercial operation. This did not stop them from appealing for exchange value on an equivalent highly subsidized museum model basis.

Sponsorship congruence and revenue

Sponsorship congruence and exchange value became untenable beyond the opening of the museum. The sponsorship revenue raised initially could not be sustained when businesses believed that the Earth Exchange was not delivering sufficient value for on-going investment. Sponsorship revenue as a percentage of government revenue is also salutary.

Table 24: Percentage of sponsorship revenue to government revenue
Source: Annual Reports Audited Accounts1991/2, 1992/3, 1993/4, 1994/5

Year	Sponsorship income	Government Income	% of sponsorship income to government income
1991/2	$395,935	$1.267m	31%
1992/3	$263,000	$1.655m	16%
1993/4	$22,000	$10.212m (this includes abnormal government revenue injection of debt forgiveness and rent buy-out)	.2%
1994/5	$95,000	$1.8m	5%

Sponsorship revenues seem to have recovered slightly in 1994/5, but were substantially below the 1991/2 investment. The Tallboys review gave no confidence that this was an indicator of sponsorship recovery (Tallboys 1994b).

The Earth Exchange did not engage in collaborative ventures which may have brought it prestige and credibility among industry specialists, other museums and tertiary institutions. The only area that it believed exchange value could be achieved on the basis of its value creation and capture was in commercialising aspects of its interactive technology development through a Research and Development facility (Earth Exchange 1994a, p. 23). Yet this remained aspirational and even though some work had commenced on developing a central driving mechanism for interactive displays to be sold to other museums there was no evidence of demand for such initiatives and no evidence that they sought collaborative partners in the venture.

Costs and revenue: program and service delivery

Gate receipts were vital for the revenue base of the Earth Exchange. Its entry fee remained one of the most expensive in the museum sector throughout its existence, except in final few months where entry was free. The Earth Exchange was never in a position to offer 'free days' comparable to the Powerhouse's one free Saturday per month and in most instances was twice as expensive to enter. Revenue from gate keeping was at first substantial but dramatically declined after the first year of operation:

Table 25: Admission revenue as a percentage of total revenue
Source: Annual Reports Audited Accounts1991/2, 1992/3, 1993/4, 1994/5

Year	Revenue from gate	Percentage of total revenue
1991/2	$1.009m	29%
1992/3	$618,000	16%
1993/4	$527,000	5% (this includes abnormal government revenue injection of debt forgiveness and rent buy-out)
1994/5	$448,000	11%

By 1994, with 11% of total revenue attributable to the gate, it was difficult to substantiate the exchange value extracted from the public and therefore to justify its semi-commercial operation to its two major stakeholders, industry sponsors and the government.

In January 1993 and 1994, gate revenue accounted for one fifth of the entire year's gate income (Earth Exchange 1994c, p. 14). While this in itself may be 'normal' for museums appealing to the high yield Summer holiday family market it suggests that rivalry in that market at that time of year is keen. The inability to offer competitive packages or reduced entry fee, similar to other museum offers may put at risk primary or repeat visitation. For example, in 1992, groups of ten or more children entered at a fifty-cent reduced rate at $4.50 with an additional $3 charge for activities, while the at the Powerhouse, entry fee for all children was $2 inclusive of activities (Tubb 1992, p. 106). Jeopardizing the lucrative January market potentially places the museum in a downward spiral for the remainder of the year.

It would appear that although value for money was perceived by 75% of visitors surveyed in January 1994, 25% complained of the high entrance fee at '$31.50 for 2 adults and three children' (Earth Exchange 1994c, p. 16). When coupled with the actual decline in attendance, the perception of value for money was somewhat hollow. Those twenty-five percent of respondents who did not perceive value for money potentially become negative ambassadors for the institution when word of mouth accounted for thirty-five percent of respondents' awareness of the museum (Earth Exchange 1994c, p. 15).

Value creation revolved around the building and the collection/exhibitions. The heritage powerhouse building was inadequate as a museum site on a number of levels: its configuration; its capacity to accommodate the projected visitor numbers; its location, at the time, on the edge of a tourist precinct.

The acquisition of the Chapman Collection created value for the Earth Exchange and secured its state and mining industry backing. However, this came at the expense of making foes with other museums and government departments. The collection of Economic Minerals, publications, equipment and audio-visuals inherited from the Geological and Mining Museum became liabilities for the Earth Exchange in terms of housing, conservation and documentation. Nonetheless managers of the earth Exchange argued that the custodianship of this inherited collection contributed to meeting Community Service Obligations for which they were poorly compensated.

An organization developed on a semi-commercial basis needs to be able to quarry the collection for value capture and exchange rather than simply maintaining the collection for its public good attributes. However, the managers of the Earth Exchange were prevented from de-accessioning the collection because the organization was also semi-public.

Value capture revolved around accountability and alignment with their major stakeholders. This became increasingly difficult for the Earth Exchange whose staff were divided between a sense of financial dependence on their ‘masters’ and loyalty to the museum profession. Ironically at state level the Earth Exchange was seen on the one hand as a ‘traitor’ to the museum profession and on the other hand seen increasingly as a failed experiment in self-support. Unable to develop collaborations with museums or tertiary institutions or even industry, the Earth Exchange’s ability to leverage value from its programs and services was limited. The consumption of its programs and services by the public decreased after its first year of operation, not least because it was dependent on a school visitation base leaving it vulnerable to school curricula changes.

What this case suggests in relation to the Value Cycle Framework of new Entrant Museums is that the most crucial component of value is capture. Failure to capture value for upstream stakeholders resulted in lack of investment from the mining and extractive industries and the government was forced to concede that although this was a new semi-commercial model it had all the hallmarks of a subsidy hungry museum unable to commercialise its activities or to extract exchangeable value from its assets (the collection and the building) which increasingly became liabilities.

7.4 Limiting the liability of newness

Limiting the liability of newness for the Earth Exchange was dependent on managers’ ability to create and capture value to be exchanged for revenue investment. Its two most important upstream stakeholders were the industry sponsors and the government. Accountability and alignment were ways of assessing value capture for these stakeholders and appeared to be the most vulnerable aspect for managers of the Earth Exchange.

Value creation in relation to the collection and exhibitions might have been achieved through other vehicles: in particular the Australian Museum or even the Powerhouse Museum. But these museums would not have been able to capture value in the way that was anticipated for the Earth Exchange. The Earth Exchange became the conduit for value capture between the state and the specialist industry that was initially enthusiastic in its support. The reasons for this have seemingly little to do with the museum itself but rather more to do with the relationship developing between the state and the industry. Eager for a channel of communication to secure the favourable attention of young people and in controlling the message to be broadcast, the mining and extractive industries believed that the Earth Exchange could deliver. An added bonus was that although the Earth Exchange was semi-commercial and constituted as a company, it was still part of a government department. Industry support of the museum would indirectly be seen as supporting the government of the day and having access to government ministers.

Value capture under these circumstances was dependent on the political climate which supported industry in its quest for a museum showcase. If the political climate changed then value capture would be eroded. This is encapsulated in the following:

> *… as Neil's (Pickard) political fortune ebbed, so did support for the Earth Exchange and John Fahey never had the passion for it that Nick (Greiner) or Neil (Pickard) did. And then when there was a change of government anything that Neil Pickard had been associated with was just decimated* (Council Chairman: EE 2005)

Value capture was also tenuous because of the nature of the professional staff. If the staff developed what might be considered 'off-mission' or extraneous exhibition material or less favourable views of the mining industry then value capture would consequently be eroded for its foundation stakeholders, the mining industry.

> *They thought that the museum would promote the mining and energy industries much more strongly…I think it was partly as a result of the team being fairly green in its orientation…Also some of the things the sponsors wanted and were promised didn't eventuate* (Director 3: EE 2005)

Capturing value for both the government and the specialist industry by necessity was short-lived as the political climate changed and the museum staff were not necessarily committed to the foundation principles.

The manner in which the Earth Exchange entered the marketplace through the acquisition of the Chapman Collection meant that it was without prospective collaborators in the museum sector, particularly the Australian Museum, potentially its natural ally. Constituted as separate from the sector yet yearning to be considered a part of that sector by the staff, the Earth Exchange's initial value creation by way of acquiring the Chapman Collection placed it in an invidious position in trying to capture value from it. The only way it could capture value was by commercialising the Chapman Collection as a backdrop for functions. While functions were important for revenue generation (exchange value) of the Earth Exchange, it may have seemed a singular and trivial use of the collection by other more scholarly museums.

The Earth Exchange then found it difficult to compete with other museums by virtue of its very constitution as a semi-commercial company. Designed to be self-reliant, the museum started life encumbered with debts, insecurity in relation to support from the mining industry its key upstream stakeholder, yet still reliant on government funding for its core operations. This was an inverse position compared to other museum models where government support was assured, no debts were entered into and sponsorship was a bonus, not a fundamental requirement.

The Earth Exchange believed it was competing in a museum marketplace as well as an entertainment/tourist marketplace, evidenced by its marketing strategies and business intelligence reports on the activities and revenue sources of other museums (Earth Exchange 1992c). If it was poorly positioned to compete with museums it was even more poorly positioned to compete with entertainment providers. Its capital base was uncertain and underprovided compared to museums, but it was impoverished compared to cinema chains or theme parks.

As a new entrant the Earth Exchange could not compete in the marketplace it entered. It had created value through the Chapman Collection and its Community Service Obligations in relation to the remainder of the collection, but this was eroded in two ways. First, it was alienated from the museum sector because it had acquired the Chapman Collection. Second, it incurred expense associated in storage of the collection not in use. Capturing value for its upstream and negotiated stakeholders was stymied by a misalignment of what the museum was for and a misunderstanding of accountability to both the government and the mining industries. Exchange value and the ability to continue to compete on this basis was difficult to attain and sustain.

The nucleus of limiting the liability of newness for the Earth Exchange and its relationship to the value cycle was managers' inability to capture value. When this inability was realised by upstream stakeholders they quickly moved to become a threat to the existent of the enterprise and exchange value was withdrawn.

This case has highlights the essential process of new entry by a designated outsider. It shows that lack of allies, dissimilarity in its museum structure from the 'norm', discord around assumed levels of reliance on only two upstream stakeholders and friction over value capture for these powerful stakeholders converge to set the museum on a downward trajectory.

It also highlights the extent to which museum hybridity is acceptable within a museum framework when there is a limited number of powerful stakeholders. Where other semi-commercial operations exist they do so on the basis that they can capture value for different and multiple upstream and negotiated stakeholders. When value capture is dependent on servicing only two powerful stakeholders and if ambiguity and conflict arise between these stakeholders in relation to the museum, then there is no reason for such support to continue. This may be particularly so where appeal to negotiated stakeholders such as the public or sister institutions see neither 'value for money' nor collaborative advantage in defending the on-going operation. In the case of the museum and cultural sector, value capture was attained on the exit of the Earth Exchange in gaining the Earth Exchange's prize collection and its building redeployed for non-museum cultural service provision.

Chapter 8: Value creation, capture and exchange in limiting the liability of newness

This research has identified key elements associated with value creation, capture and exchange that are linked to detecting and limiting the liability of newness in four cases of nonprofit state-supported museums entering the museum marketplace. A number of theorists' approaches on how nonprofit or public sector organizations create value (Moore 1994; Moore 1995; Dees 1999; Crittenden and Crittenden 2000; Frumkin and Andre-Clark 2000; Moore 2000; Bozeman 2002), form collaborative ventures (Huxham 2000; Huxham and Vangen 2005), are accountable and aligned to upstream stakeholders (Moore 1995; Mitchell et al. 1998; Friedman and Miles 2002; Bryson 2004; Inglis and Minahan 2004), and how new entrants limit their liability of newness (Skloot 2000; Hager 2001; Chambre and Fatt 2002; Twombly 2002; Hager et al. 2004) were analysed. From this analysis, concepts of value creation from the nonprofit, for-profit and arts and museum literature (Moore 1994; Moore 1995; Moore 2000; Weil 2002; Geursen and Rentschler 2003; Throsby 2003; Holden 2004) were expanded to include concepts of value capture and value exchange. The concepts of value creation, capture and exchange were then explored through four discrete case studies using a working analytical tool, the Value Cycle Framework of New Entrant Museums.

The cases included a contemporary example of a purpose built new entrant national museum (National Museum of Australia); an historical example of a purpose built new entrant national museum (Australian National Maritime Museum); a failed refurbishment new entrant which had been re-birthed from an established museum (Earth Exchange); a recycled new entrant product or satellite, which was part of a portfolio of an established and otherwise successful state museum, and which was transferred to a competitor cultural institution (The Mint).

By selecting attributes associated with value creation that have been demonstrated to be essential for these new entrants, themes emerge that illuminate how new entrants negotiate the first few years of their existence through value capture and value exchange.

Value Creation is the worth of the physical manifestation of the museum and is associated with the obvious amenities of new entry. These are the physical presence of the new entrant, the collection and the products and services managers develop. *Value capture* is the appeal of programs, projects and activities. It is associated with how the attributes of value creation interact with a range of upstream and negotiated stakeholders. Upstream stakeholders are categorised as those whose claims on the organization are legitimate and powerful and in some instances urgent, such as federal and state governments. Legitimacy is connected to the circumstances under which the new entrant was birthed, often associated with government legislation or departmental strategic planning. Power is connected to the resources upstream stakeholders could disperse or withhold from the new entrant. Negotiated stakeholders are categorised as those who had legitimacy and some power over the organization. Legitimacy in this instance is related to the uptake of services and products for visitors, sponsorship relations and collaborations formed with other museums and tertiary institutions. *Value exchange* is the merit of programs, projects and activities. It is associated with transactions that occur on the basis of value capture. Value exchange takes the form of revenue associated with investment by upstream stakeholders and sponsors, sale transactions and time investment by visitors and reputation enhancement/erosion within collaborative ventures.

Findings from the case studies suggest that value creation is undertaken by all new entrants in similar ways. They all have specific markers of new entry such as a building (either purpose built, refurbished or recycled). They acquire specific types of collections with the intention of exhibiting, interpreting objects and ideas as well as providing programs and services. However, the appeal of the value created is unknown until judged by investors in the enterprise, the upstream stakeholders. The process of judging appeal operates in the arena of value capture around formal accountability processes for example, annual reports and alignment processes such as reviews. If there is a mismatch between accountability and alignment with stakeholders about value created then those museums that survive re-align value creation with the expectations of the upstream stakeholders. Senior executives of surviving museums reconcile disparities between their perception of museological integrity and stakeholder demands by believing that they either have some ownership over the value capture re-alignment process or that the museum priorities remain intact even with re-alignment. This is evident in the case of the National Museum of Australia and the case of the Australian National Maritime Museum. Value capture through re-alignment provides a basis on which the upstream stakeholder will continue to support the enterprise. Contraction of market share (visitor numbers) only becomes important to upstream stakeholders if re-alignment has not occurred. Value capture through re-alignment with upstream stakeholders also signals that the museum has identified how new entrant museums can establish collaborations that appropriately position them within their industry sector.

Following on from the key concepts and ideas developed in the thesis, this chapter proceeds with a focus on two parts.

The first part re-visits the Value Cycle Framework of New Entrant Museums (Value Cycle Framework); charts where the elements of value creation, capture and exchange occur in each case study; and theorizes how museums negotiate new entry. The first section also evaluates the Value Cycle Framework and then reformulates it on the basis of the case study findings. The second section draws together the conclusions about the research and indicates areas for further investigation.

8.1 A value cycle framework of new entry from the case studies

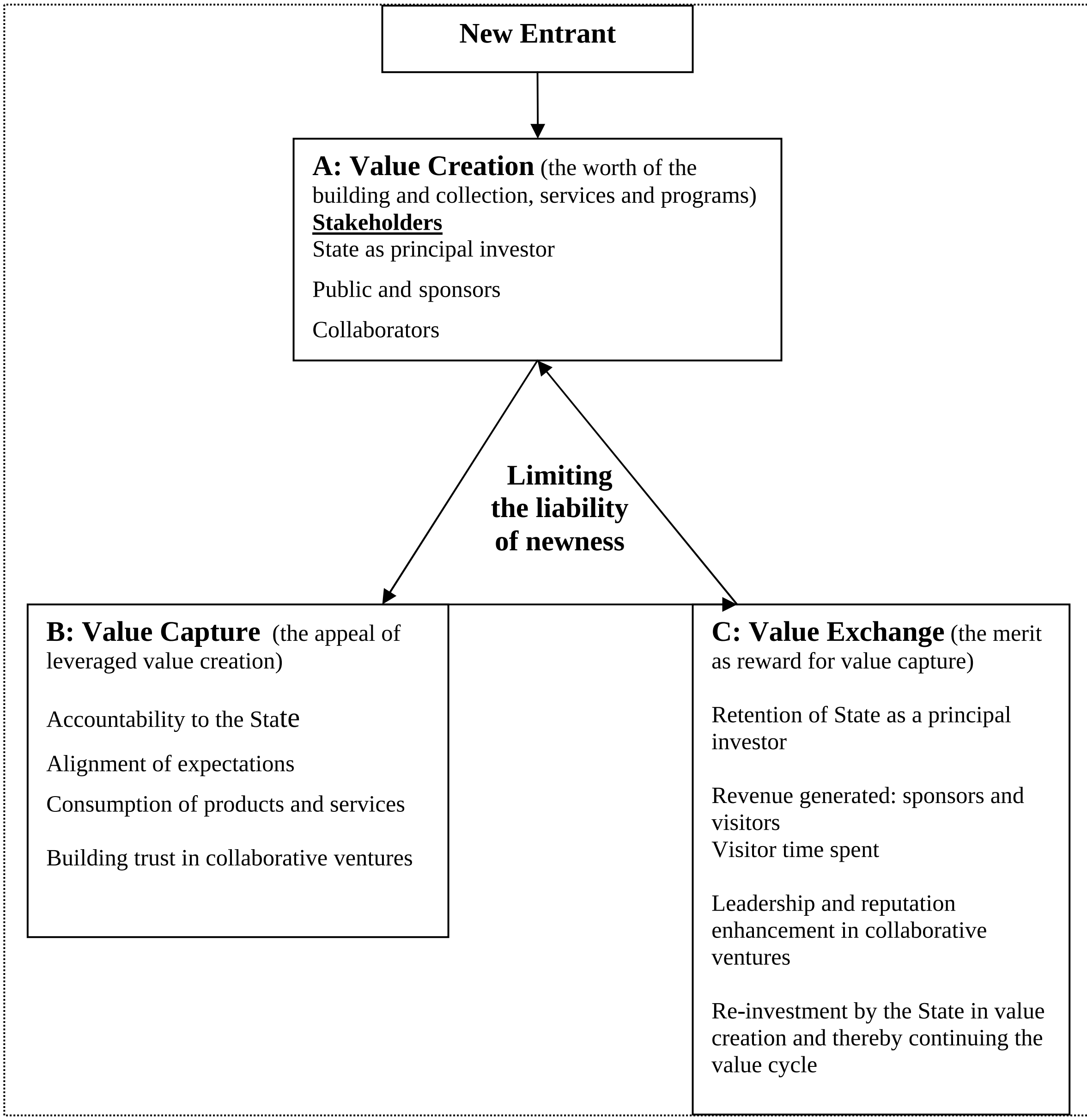
The Value Cycle Framework initially proposed as a working analytical tool in this thesis was derived from elements identified in the nonprofit, selected for-profit and arts and museums literature. The elements identified as key were value creation, new entry and limiting the liability of newness. Key elements of value capture and value exchange were extrapolated from this literature. Sub-themes associated with value capture were identified as stakeholders, stakeholder theory, accountability and alignment.

How nonprofit organizations create public value in particular has been theorized by researchers such as Moore (1995; 2000) and Bozeman (2002) in the nonprofit public sector domain. There is scarce investigation in the nonprofit cultural new entrant arena as to how these institutions create, capture and exchange value in order to detect and limit the liability of newness and survive.

The Value Cycle Framework was developed as a working analytical tool and used in each case as a framework to examine the process of new entry. The framework places value creation at the pinnacle of the new entry process at Point A and leads on to value capture at Point B with accountability and alignment, consumption of programs and services, forming collaborative partnerships as attributes of value capture. It then proceeds to Point C on the triangle to value exchange, seen as a reward for successful value capture. The attributes of value exchange are tangible and intangible. Tangibles include retaining the state as a principal investor, garnering income from sponsors and visitors. Intangibles include time investment from visitors, enhancing the museum's reputation and leadership capabilities through collaborative ventures. It was originally posited that moving through the value cycle meant that the liability of newness is limited and that the museum continues to operate and continues the value cycle. Although the Value Cycle Framework as an analytical tool appears static, it was anticipated that the empirical data would give rise to a re-worked framework that reflects a more dynamic process of new entry (see Figure 4).

The Value Cycle Framework is again represented below in Figure 13:

Figure 13: The Value Cycle Framework of New Entrant Museums



The working analytical tool was derived from recombining individual elements identified in the literature. It suggested that new entrant survival may be dependent on all these elements. It does not necessarily suggest that the process of new entry is sequential. Although value creation was a critical starting point, the relationship to value capture and exchange can vacillate. Therefore, attaining only one or two attributes in value capture or value exchange was demonstrated not to be sufficient for managers at the Earth Exchange in limiting their liability of newness.

At the outset, however, it was uncertain how these elements related, or whether in fact any one element would emerge as a pivotal factor. The elements of the framework were assessed through discrete case studies investigating common notions of value creation, capture and exchange.

Within these common attributes, differences materialized. However, the fundamental notions of value creation, capture and exchange were reinforced in each case as useful ways to understand and identify how top management did or did not limit the liability of newness that contributed to success, failure or transformation of the new entrant.

The working analytical tool, the Value Cycle Framework, is first assessed through summarising and analysing the attributes of value creation, capture and exchange for the four cases. It is then further assessed through an analysis of limiting the liability of newness in light of the findings of the cases studies.

The Value Cycle Framework of New Entrant Museums: Creating, Capturing and Exchanging Value

Table 26 below is a summary of key points associated with each attribute of value creation, capture and exchange.

Elements and Attributes	Case 1: The National Museum of Australia	Case 2: The Australian National Maritime Museum	Case 3: The Mint	Case 4: The Earth Exchange
Value Creation: Amenity				
Building	Purpose Built New Entrant, value for money but needing adjustment	Purpose Built New Entrant for regeneration of docks area – difficult museum spaces	*Recycled New Entrant* *Heritage building*, constrained museum use	*Refurbishment New Entrant*: *Adaptive re-use* of an early C20th building, constrained museum use
Collections, exhibitions, programs and services	Social History Collection. ATSI collection	USA Gallery- *no collection* initially but built up the National Maritime Collection	*Venue for MAAS collection* plus opportunity for other cultural organizations to display items	Chapman Collection, highly interactive display
Value Capture: Interactions				
Accountability for value capture	Legislative accountability, Council governance	Legislative accountability, Council governance	Accountable to MAAS	Accountable to Trustees
Alignment of exhibitions, collections programs and services	*Gap*s in collection, controversy over interpretation, strong ATSI presence	Controversy over fleet collection versus social history focus	Collection owned by *main museum and retained prime objects* *Static display*	Interpretation and exhibitions *veered from core rationale* for existence
Collaborations	*Non-strategic* approach but emphasis on ANU and ATSI communities	*Strategic*: None initially then collaborated with maritime museum network	*Avoidance*: Decorative arts collaboration but second launch avoided collaborations	*Excluded*: No museum collaborations, some marketing collaboration
Sponsorships	Unsure and suspicious of selling points	Suspended doubts and mined assets	*Hampered* by MAAS	*Single industry* sponsors
Consumption of programs and services	*Strong initial* audience, then decline and stable market	Overestimated market, then built market, then stable	Overestimated market, then decline and continual decline	Overestimated market, continual decline
Value Exchange: External Relations				
Funding and revenue	Federal Government investment, spike then stable	Federal Government investment - Stable, assent to loan	State Government investment - Stable – stems from MAAS budget	Small stable revenue from government, *loans and earned income dependent*
Congruity and revenue	Incongruity from Sponsorship; Non-strategic Collaboration: reputation and leadership with ATSI	*Congruity from Sponsorship* and strategic collaboration: reputation and leadership within maritime network	Incongruity sponsors, nonrevenue Congruity collaborators	*Sponsorship congruity* and revenue at first then decline Incongruity - sponsors
Program and delivery service: costs and revenue	Time investment more important than revenue generation: costs exceed revenue	Time investment more important than revenue generation: costs exceed revenue	Value for money questionable: costs exceed revenue	Lack of perception of value for money: costs exceed revenue

Table 26: Summary of value attributes across cases

The italics and underlining indicate difference between two or more museums

The summary table suggests commonalities and differences. Consumption of programs and services by audiences in most cases was overestimated. Sponsorship was difficult to negotiate in most cases. Where there was initial strong sponsorship, it subsequently declined. Collaborations could be categorised as *non-strategic*, *avoidance* or *excluded* except in the case of the ANMM where collaborations became strategic after initial avoidance. Entrepreneurship in value exchange emerged as a differentiating factor for the ANMM. Entrepreneurship in the form pursued by the ANMM primarily related to leveraging revenue from its fleet and sail yacht training. Value exchange was consistently the weakest area for those museums that either failed or were transformed. It is argued however, that value exchange is an outcome of value creation and capture and the latter provides a key to detecting and limiting the museum's liability of newness.

The differences and similarities in value creation, capture and exchange are presented in more detail below and conclusions are drawn for each attribute.

Value Creation

The Building

In all cases the building and location played a major part in value creation. It was the most obvious marker of new entry.

Value creation for the state in relation to the NMA accrued through the relatively inexpensive cost of the building, the increase in political capital for the government and the contribution a new national museum made to the 2001 Centenary of Federation celebrations. The ANMM building indicated a state presence and confidence in a primarily commercial regeneration venture that coincided with 1988 Bicentennial celebrations. The Mint and the Earth Exchange presented an opportunity for the state to refurbish and recycle heritage buildings.

In each case value creation in relation to location and the building was eroded to a lesser or greater extent. For the NMA it was eroded by its location on the fringes of the major cultural stock of Canberra in close company with AIATSIS and at the edge of the

ANU. It was also eroded through inadequate internal signage and controversy around its external design. This compounded the burgeoning controversy around its exhibition program and museological interpretation.

For the ANMM, the building cost overruns meant friction between two tiers of government in a climate of economic recession. Value creation was also eroded by the inadequacy of the external structure to meet curatorial needs. Its location on the fringe of Darling Harbour was additionally hampered by the psychological if not physical barrier of the Pyrmont Bridge.

The adaptive re-use of two heritage buildings, the Mint and the Earth Exchange, presented curatorial and visitor amenity challenges that were impossible to resolve for the very reason that these heritage buildings had limited flexibility. In addition, the Earth Exchange's location impaired its ability to compete for venue hire and social amenity - the value capture and exchange of which was one of the necessary conditions for its commercial viability.

Erosion for each case highlighted the irregularities of value creation in relation to the building and to some extent, the location of the museum.

In only one instance was value increased in relation to the museum's location: the Mint. The Mint's location provided additional value in giving the MAAS a presence in a cultural precinct with the State Library, Australian Museum, the Art Gallery of New South Wales and the decision-making environment of the NSW state parliament.

Value creation in relation to the building and location suggests that value is initially created by and for a state or federal government investor as a reciprocal arrangement. This value is associated with political benefit and value for money. However, both new and recycled buildings have operational inadequacies. These inadequacies relate to location, poor fit-out or inappropriate spaces for intended uses and visitor amenity that erode value for money and begin to deplete the original political capital. This form of value creation then is unstable. That means, the relatively short-lived gains of investing in building stock to boost political capital, solve location problems or re-use heritage buildings is diminished by the need for subsequent re-investment to redress inadequacies or re-deploy the building for alternative use.

Value Creation

Collection, exhibition, programs and services

Value creation for museums resides within the normative notion of what museums are for in terms of collections, exhibitions, programs, services and essential preservation of material culture for posterity. This value has been widely discussed in the literature from a museological, social and economic point of view (Weil 1997; Hein 2000; Heumann Gurian 2001; Throsby 2001; Weil 2002). More specifically in these case studies, determinants of value for collections, exhibitions, programs and services were embedded in enabling legislation (The NMA and ANMM as well as the MAAS) or in a state bureaucratic sponsored business plan (EE). These enabling documents put forward two notions of value determinants. One notion suggests that collections, exhibitions, services and programs are in the service of a national project that reflect themes and priorities of Australian identity and that a general public would by necessity be interested. The other notion suggests collections, exhibitions, programs and services are a reflection of special interests that would be sufficiently compelling to attract a wide public.

Within this broad framework, value creation in relation to collections, exhibitions, programs and services is complexly and ambiguously realized for each case. For the NMA, the National Heritage Collection revealed gaps and flaws for the ambitious and challenging interpretations the NMA aspired to present. For the ANMM the collection was non-existent and was created in a contested environment of what a maritime museum should represent. The Mint at first was an outlet for the decorative arts collection of the MAAS but internal competition for objects eroded this value. Its later incarnation as a presenter of the gold and coinage collection was of little interest to the public. The Earth Exchange was predicated on its acquisition of the prestigious Chapman Collection which also had the consequence of antagonising some elements of the museum sector.

The exhibition program of the NMA presented in a particular climate of the ‘history wars’ eroded value creation for the state which sought a more conservative and reassuring presentation of Australian social history. The ANMM’s exhibition program was oriented to social history but the popular exhibitions of the fleet confounded curatorial expectations. The exhibition program of the Mint remained static in a contemporary museological environment of interactivity and public engagement. The Earth Exchange’s exhibition program had insufficient turnover while the content and interpretation alienated the upstream stakeholders.

Normative notions of what constitutes value creation in relation to collections and exhibitions are accounted for in the museum management literature. The new museology, now an orthodoxy within the profession, suggests that while collections are an important component of the core business of museums, their origin and meaning should be made transparent and that museums need to engage in a dialogue with their publics (Weil 1997; Griffin and Abraham 1999; Griffin and Abraham 2000; Weil 2002). At the heart of collections, exhibitions, programs and services is an emphasis on the purpose of the museum – it not only engages the public, it serves the public (Weil 2002).

However, these case studies suggest a further notion of value creation determinants. The further notion of value creation is internally determined by the museum and its staff at pre-entry and then floated to stakeholders at entry. Internally determined value creation around developing collections, exhibitions and programs is not necessarily always transparent. It may depend on a number of constraining or opportunistic elements, such as the quality of the collection, the ability to negotiate loans or touring product and the interest and priorities of the staff in developing content. As a manager of a new entrant, it is sometimes difficult to know how this type of value creation will be received by both upstream and negotiated stakeholders and it is only in the realm of value capture that this form of value creation can be judged.

Value Capture

Accountability and Alignment

The way each case re-aligned and accounted for value creation to capture value for stakeholders is through the vehicle of a review. These reviews serve a number of purposes. First, they brought to the fore some of the issues and concerns of the key stakeholders. Second, they symbolically provided a transition from new entry to post new entry stage and set future performance criteria. Third, they provided a platform whereby a number of stakeholders including, and in particular the staff, could 'own' the process of the review.

The latter purpose meant that value capture through re-alignment and accountability could be viewed as a 'natural' and 'rational' outcome of moving on from the new entry stage. This was particularly evident in the cases of the NMA and the ANMM. Resulting re-alignment with review recommendations was not seen as an imposition from upstream. Rather it was seen as a controlled and strategic response by senior management. This served to dispel any incongruities or dissonance and kept intact the integrity and reputation of the museum as autonomous and acting in the interests of museological best practice and public service delivery.

Where staff were not brought into the process of the review, re-alignment was difficult because too much dissonance had occurred. This is evident particularly with the Earth Exchange and the Tallboys Review.

In the case of the Mint, the review process is less straight forward. It first took the form of calling for expressions of interests to actively re-align the product with the direction of the state government. This exercise re-established the MAAS as the developer of the Mint product but to such an extent that the Mint as a singular package became more vital than the sum of its content. In this instance the master planning conservation program instigated by the MAAS became the second 'review process'. The process of reviews indicated that the worth of the product was not understood by either the state or the parent organization. Finally the review processes served to provide evidence of how the Mint could be retained as a cultural product - not as a public museum but rather as a heritage ‘gateway’ to the headquarters of a competing cultural institution.

The process of the successive Mint reviews means that when the state does not fully understand a museum product, it does not automatically allow it to ‘fail’. Rather it allows additional reviews to take place until re-alignment emerges and transformation can occur.

The governing Councils or Trustees also emerge as significant ‘authorising’ stakeholders in the arena of value capture. In all cases tension between the governing structure and the staff rested on the staff’s sense of ‘mission’ and an ethical calling to uphold principles of curatorial and museological practices even if this meant subverting the stakeholders in the authorising environment. In this way, managers oscillated between agency and stewardship in relation to governing bodies.

Subverting accountability however, could not be sustained if the organization were to limit its liability of newness. Re-alignment occurred with successful museums even when staff within the organization experienced some dissonance in relation to the re-alignment process. However, the potential complications around dissonance were dealt with in one of two ways. The first way was to diminish the effects of dissonance by managers believing that the museum owned the re-alignment process or at least had a voice in directing re-alignment. This is evident with the National Museum of Australia case study. The second way was for senior executives to rationalise the re-alignment process whereby the ends could be justified if an undercurrent commitment to the museum’s core museological beliefs could be maintained by the staff. This is evident with the Australian National Maritime Museum case study.

Value capture

Collaborations

Both senior management of the NMA and the ANMM were cognisant of their role as collaborating institutions at a national level. For management of the NMA this took the form of amassing a number of Australian Research Council (ARC) grants in a non-strategic attempt to capture value for collaborating institutions. It also took the form of establishing a leadership role in relation to ATSI research and return of cultural property. Finally it constituted aspirational collaborative intentions within the state and regional museum collegiate. This approach to collaborations resulted in three outcomes. In relation to ARC grants, value enhancement occurred for the collaborating institution rather than for the museum. This enabled collaborating institutions to increase their research capacity. In relation to ATSI, an increased sense of leadership and reputation accrued. In relation to collaborative aspirations with state museums, the NMA became aware of its relatively weak position of leadership compared to more mature resource-rich state institutions.

Senior management of the ANMM on the other hand chose not to collaborate to any great extent within the general museum collegiate but rather established a leadership position within a specialised maritime museum network. In this sense management in the ANMM understood the museum’s strategic collaborative role. This was one that served to enhance its reputation and leadership within a specialist constituency while breaking down resistance to its relatively late-comer but privileged entry. Its collaborative leadership role within the collegiate of maritime museums established a secure base from which to proclaim its value capture ability to upstream stakeholders.

The first product launch of the Mint as a decorative arts museum was predicated on a collaborative understanding between cultural organizations in its Macquarie Street neighbourhood. The Mint provided an opportunity for these colleagues to showcase their own products as part of a collaborative approach to exhibitions. However, once the Mint’s position within the MAAS became vulnerable, some collaborators became potentially hostile, looking to acquire the Mint as their own product.

The Earth Exchange by its very birth had eroded trust within the museum collegiate and failed to establish collaborative ventures. This lack of collaborative activity and the exclusion of the Earth Exchange enterprise within the cultural collegiate resulted in indifference to its demise and opportunity in relation to acquiring its collection.

Capturing value through collaborative ventures was related to value that had been established through a collection or specialist expertise in a particular area in cases of surviving museums. In the case of the NMA this focused on managers of the ATSI collection and their expertise established prior to new entry. In the case of the ANMM, this focused on professional expertise in assisting the maritime museum network to increase its own professionalism.

While collaboration first emerged in relation to the Mint and neighbouring cultural institutions, this changed to take-over aspirations at the sign of failure by the parent body, the MAAS. Subsequently, managers of the MAAS did not enter into collaborative ventures with the museum sector on behalf of the Mint in its reincarnation as a gold and coinage museum. Rather management of the MAAS and Mint sought an entrepreneurial collaboration with Gold Corp, which eventually failed.

The new entry museum case studies suggest that new entrants are poorly equipped to initiate or participate in collaborative ventures within their own sector in the early years of operation. Huxham and Vangen (2005) suggest that serendipity plays a part in developing collaborative advantage but that issues around trustworthiness, power and leadership are key concepts that need to be addressed if the collaborative venture is to succeed. While serendipity is a contributing factor in collaborative ventures, the case studies suggest that new entrant museums are tested in relation to trustworthiness, power and leadership. This lack of trust abates for successful museums after the first few years of operation as the management of the new entrant begin to more fully understand the museum’s position in the museum sector. They are then able to more rationally enter museum collaborative ventures that are mutually beneficial and contribute to enhancing the new entrant’s own collaborative advantage in showcasing to upstream stakeholders their effectiveness in the sector.

Value capture

Sponsors

Value capture in relation to sponsors is an ambivalent area for each case. While the state was keen to enhance sponsorship investment, museum senior management had difficulty in understanding what they were selling and were suspicious of sponsorship motives. In two instances sponsorship was not tied to the birth of the institution, leaving the institution in a relatively safe position to evade sponsorship investment. The two museums that relied significantly on sponsorship investment for their birth were the ANMM and the Earth Exchange.

Sponsorship for the ANMM was negotiated government to government between Australia and United States. This sponsorship became the glue that ensured the birth of the museum even as doubts about the project began to emerge prior to new entry. In addition private unencumbered investment from a bank became a prestigious gift and served to herald the competitive entry of the museum. While this latter form of sponsorship decreased, the initial boost gave sufficient breathing space for the museum to consider its relationship to sponsors. Managers of the ANMM viewed value capture for sponsors in two ways. First managers used the narrow focus of the collection and some exhibitions to connect lifestyle selling opportunities. Second, managers used the assets of the floating collection to provide an entertaining and unique way to befriend sponsors. These two strategies occurred even as the curatorial staff placed the least value on the ANMM’s narrow focus and the least value on some of its floating collection. The ability to align aspects of the ANMM with sponsors provided a means/end ethical rationale.

The case studies in this research suggest that in keeping with Cornwell, Weeks and Roy (2005), the search for congruence was upper most in management’s consideration of the ‘right’ sponsor. However, identifying and then contracting an appropriate company to sponsor a specific product, service or exhibition did not always occur. In the case of the NMA, museum brand protection took precedence over acquiring a sponsor, whether or not the sponsor was seen as congruent. The ANMM was the only museum to reconcile congruent and incongruent sponsorship in order to develop its own profile and resources at new entry. In the case of the Earth Exchange a congruent sponsor in the form of the extractive industries sector provided an initial solid base for the operation. The Earth Exchange itself inverted this congruency by seeking to present alternate views to the sponsor.

Indeed sponsorship investment for the Earth Exchange was different to any other case. Sponsorship was the lifeblood of the Earth Exchange and the reason for its existence. However this form of sponsorship was provided in a complex political climate where rivalry between government departments emerged about the use of culture. Within such a rival climate, dissonance occurred at museum managerial level. Two senior managers aligned themselves with a cultural perspective rather than a specialist extractive perspective compromising the staff's ability to capture value for their sponsors. Yet even as managers aligned themselves as cultural providers rather than as promoters of a specialist industry, the Earth Exchange enterprise was ostracised from the cultural collegiate. This left the Earth Exchange in an invidious 'no man's land' in relation to sponsorship and cultural provision.

Although the four case studies had differing stances in relation to value capture and sponsors, capturing value for sponsors was not well understood by all new entrants. Museum managers who were most successful in capturing value for sponsors compartmentalised this value capture from other sources of value for other stakeholders. By separating value capture for sponsors, museum management could enter into a 'means/ends' rationalisation that did not necessarily compromise their perceived museological integrity. This was similar to the duality associated with re-aligning value capture for upstream stakeholders through a review process and is evidenced in the case of the ANMM. Management of the ANMM could exploit more 'glamorous' aspects of their collection (the fleet) for sponsorship gain while not losing sight of the benefits accrued through sponsorship to maintain fidelity with social history museological practice.

Value capture

Consumption of programs and service

Consumption of programs and services by the public was a quantifiable way to determine value capture. In all cases projected consumption was inflated at the pre-entry stage. For museum management, the ability to attract large numbers of visitors was the signifier of success and proved the worth of government investment. Yet despite these optimistic visitor forecasts, little market research was undertaken to determine either take-up of the products and services or strength of appeal of particular attributes. Where market testing was undertaken, in the case of the ANMM and the NMA, it was associated with brand recognition and ascertaining attitudes to themes already devised by the museum.

The first year of operation pulled the highest number of visits in every case except the ANMM [15]. After two years of operation, visitor figures dropped by 48% for the Earth Exchange, 66% for the Mint, and 9% for the NMA. Visitor figures continued to decline for the Earth Exchange and for the second incarnation of the Mint, but stabilised for the NMA. The ANMM increased its visitor figures by 15% after the first two years of operation and continued this trend before declining and stabilising in the seventh year of operation.

The failure to meet visitor projections and the inability to continually grow the market in most industries would signify contraction and possible exit. However, this is not necessarily the case for the museums in this research. Undoubtedly visitor contraction contributed to the demise of the Earth Exchange but this may have been a consequence of failure to capture value elsewhere.

In these case studies, consumption of programs and services by visitors suggests that if sufficient value is captured for stakeholders who matter – upstream stakeholders – then value capture for negotiated stakeholders is less urgent. This only becomes urgent when value capture has failed for upstream stakeholders. It is in this circumstance that failure to capture value for visitors in terms of consumption of services and products matters. Value capture for upstream stakeholders involves accountability in maximizing the government investment. It also involves growing the non-core business revenue base and increasing collaborative ventures. It also needs to demonstrate a willingness to align the core business of collection content and exhibition provision with upstream stakeholder philosophies or sensibilities. Capturing this range of value for upstream

[15] For comparative analysis of visitor numbers, see Appendix 3

stakeholders is a marker of future investment (exchange value) rather than the ability to grow the visitor base and increase attendance frequency alone.

Value Exchange

Funding and Revenue

Exchange value in the form of funding from government sources for all surviving museums was uneven, but stabilised after the first three years of operation[16]. Unevenness in funding related to the review processes. Following a review process, further investment was made as a result of recommendations and the ability of the museum to align their interests to the upstream stakeholder. Stabilisation of the funding base then occurred in the third year of operation in the case of the NMA and the ANMM.

Museums that did not survive or were transformed paradoxically received significant increases from government at a critical time in their life cycle. The Earth Exchange, for instance, was given funding for debt relief. Master planning for the Mint site was funded in preparation for a new lease of life. However, additional funding did not signify confidence in the enterprise but rather a transformative investment – one that 'eased' the institution into death, in the case of the Earth Exchange or an 'afterlife' in the case of the Mint.

The case study findings suggest that there appears to be no consistent relationship between increased market share and increased government appropriations for new entrants. This means that the reward for increasing visitor numbers does not necessarily result in an increase in government subsidy. However two actions appear to be happening in terms of new entrants and revenue growth or increased visitors. One is a propensity for the state to allow the new entrant museum to take risks under certain conditions. The other is to reward early re-alignment through a temporary spike in government investment. In the case of the ANMM the first action took the form of conditional risk with a $19m loan for further capital build. In the case of the NMA the

[16] For comparative analysis of government appropriations, see Appendix 3

reward for early re-alignment was associated with increased investment into the collection and the building in accordance with value capture adjustment.

These two elements are thrown into relief when the successful museums are compared with the unsuccessful Earth Exchange which was associated both with risk and with a spike in government appropriations. However, this risk taking was part of the conditions for new entry rather than a post new entry indicator of survival and confidence. The spike in government investment for the Earth Exchange was a buy-out by the state government in preparation for the closure of the operation.

Value Exchange

Collaborative Congruence and Sponsorship Congruence and Revenue

Congruence between sponsors and museums and resulting revenue injection was difficult for all the museum cases. The most successful sponsorship congruence and revenue occurred with the ANMM which was prepared to adjust its alignment (value capture) and then reap the benefits that accrued to it from sponsors both pre-birth and just after entry.

Collaborative ventures were most successful between the NMA, the ANU and AIATSIS. These long-term arrangements enabled the NMA to enhance its reputation.

The ANMM’s collaboration in a single maritime market allowed it to establish leadership in keeping with a national institution.

Value exchange in these circumstances is related to the weaknesses identified within collaboration and sponsorship value capture. Value exchange in relation to collaborations revolves around enhancement of reputation and forging leadership within the sector rather than increasing financial income. At the time of new entry this type of value exchange is not well understood and expectations of reputation enhancement and leadership exceed the capacity to realise such value.

Value Exchange

Costs and revenue associated with program delivery

There does not necessarily seem to be a connection between value capture in relation to consumption of products and services and resulting financial value exchange for the museums under scrutiny. In the case of the NMA, free entry did not necessarily mean higher discretionary spending in its cafes and shop. In the case of the ANMM, once the entry fee had been purchased, discretionary spending also seemed negligible and continued to decline over the first few years of operation.

As expected, managers in the failing museums could not convert poor program value capture to high yield value exchange. The Earth Exchange had one of the most expensive gates in the cultural sector. It found it difficult to compete on a commercial basis with more highly subsidized museums on the one hand and commercially focused entertainment companies on the other. The Mint's specialist collection and the entry charges seemed like poor value for money compared to the main Powerhouse campus where for a similar price, people could sample a wide variety of products.

In all instances the cost of providing products and services to the public exceeded the return from public spend by a factor of not less than 1:20[17].

Value exchange for these cases in relation to the public appears to be the least reliable indicator of value generation associated with limiting the liability of newness for new entrant museums.

Overall influence on the sector by new entrant

The influence the new entrant had on the sector was variable and changed over the first few years of existence. The NMA had an impact on the Canberra cultural sector but not with sister state museums.[18] Its major impact was in the area of Aboriginal and Torres Strait Islander activity through collaborations, leadership and exhibition programs. Even the controversy of the 'history wars', where the greatest impact could be detected,

[17] See Appendix 3
[18] See Appendix 3

did not necessarily affect the museum sector, but rather a broader academic history sector for which the NMA acted as a backdrop.

The ANMM purportedly felt that it had no impact on the sector at all, either in the Sydney or the Canberra marketplace where it counted itself among the collegiate of other national institutions. Its major impact was establishing a monopoly operation within the network of small regional and state maritime museums.

The Earth Exchange had an impact on the sector through the acquisition of the Chapman Collection which had the effect of alienating potential collaborative ventures with its nearest rival, the Australian Museum.

The Mint's greatest impact was when it teetered on collapse in its first incarnation and became the focus of take-over bids by collegiate institutions. Its near collapse shifted the perception that the Mint 'belonged' to the MAAS and brought up the possibility of an alternative future in the service of other cultural heritage institutions.

In comparing the cases, the influence a new entrant has on the sector appears to be minimal as long as it is perceived to be a benign entity. The case of the Earth Exchange suggests that hostility in the sector associated with its new entry provided a rationale for indifference when it foundered. The case of the ANMM suggests that negativity in the maritime museum sector subsided as the ANMM shared its largesse and expertise in a non-threatening way within the network of maritime museums.

Limiting the liability of newness

Relationship to the state

Attributes of limiting the liability of newness are associated with the value cycle. One of the most significant aspects of limiting the liability of newness in the nonprofit sector literature was associated with maintaining the state as a customer (Chambre and Fatt 2002). How value was created and captured for the state and the link with limiting the liability of newness has been one of the significant and complex areas in this research. The state was not only a customer of the new entrant but as Moore (1994) suggests was also conceived as the banker and the board. The state and the new entrant were also in a reciprocal relationship in terms of the new entry case studies. Top managers of each new entrant museum displayed aspects of agency and stewardship behaviour (Davis et al. 1997; Miller 2002; Van Slyke 2005) in relation to the state in the context of resource dependency (Frooman, 1999; Anheier et al., 1997).

It is reiterated that this research does not focus on the skills and behaviour of managers or organizational behaviour, but rather on the process of new entry which takes into account specific actions by key management. The following discussion is undertaken in this light.

In this research, the state was not an homogenous entity but rather took myriad forms. This meant that determining the most powerful aspect of the state as an upstream stakeholder became important. In the instances of the two national museums this was relatively clear-cut, although background political 'noise' if not interference was evident in both cases. The first Director of the NMA following new entry was seen by the some members of the Council in terms of agency theory, apparently defiant of Council directives. Nonetheless, the Director may have seen her role more in keeping with stewardship theory displaying loyalty to a higher interest of museological open debate and public engagement. This suggests that the 'group' the first Director was acting on behalf of, was the museum profession. Misunderstanding agency and stewardship attributes between the manager and her upstream stakeholders may have contributed to the non-renewal of her contract. The subsequent Director may also adhere to stewardship theory. However, his 'group' was the Council and the state and the re-alignment process was in keeping with their interests.

Senior managers of the ANMM were also subject to conflicts between different levels of government over ultimate responsibility for the costs of birthing the museum. Again agency and stewardship theories appear to be working in tandem, although casualties at management level are less pronounced than the NMA. The ANMM senior managers appeared to act in keeping with agency theory in supporting their own and their professional interests, but revert to stewardship behaviour when challenged by the

Council or other aspects of the state. The senior managers of the ANMM appear to be the most highly ‘skilled’ in oscillating between agency and stewardship behaviour.

Managers of the Mint were the subject of take-over bids within one department portfolio, orchestrated by the Minister for the Arts. The managers of the Mint were almost entirely in the realm of stewardship behaviour with occasional agency behaviour at times of threat by the parent body or outsider interests.

Senior managers of the Earth Exchange lobbied for inclusion in one government portfolio over another. However, they did not fully understand the power relationships within the government of the time and various departments with which they engaged. Their position might be described in terms of agency theory. This suggests that various aspects of the state and governing board believed managers to be self-seeking rather than acting in the best interests of the Earth Exchange. Contrary to this, senior managers of the Earth Exchange might describe their actions as stewardship, defending museological practice against the interest of various powerful stakeholders.

The combined cases suggest that understanding agency theory and stewardship theory in relation to museum managers engaged in a new entry enterprise can have complex repercussions. Depending on the position of the state, management can be seen as self-seeking agency acting in the interests of the wider museum profession rather than the interests of the museum and its governing structures. However, management may regard this same behaviour as stewardship in keeping with maintaining the principles of national and international museum codes of practice. When senior managers find it difficult to oscillate between stewardship and agency in the realm of value capture for the state then this has an impact on the senior manager’s ability to limit the liability of newness.

Further the case of the Earth Exchange suggests that when the state disaggregates into factional interests in relation to the museum then the chances of the museum’s survival are diminished. In the case of the Mint, where the state was unclear about the value the museum could create and capture, the state sought out cultural institutions within its own portfolio that had a track record of creating and capturing value for the state. The state then proceeded to re-align its own expectations of value creation and capture with those of the adoptive cultural organization.

New entry

In the literature, liability of newness broadly coalesced around vulnerabilities of the new entrants in relation to management, marketing and technology (Bruderl and Schussler 1990; Henderson 1999; Thornhill 2000; Mellahi and Wilkinson 2004). While weaknesses were detected in these three areas in the new entrant museum cases they were not equally vulnerable for each case.

Re-structuring and top management change in the two successful museums, the NMA and ANMM assisted in limiting liability of newness in the first years of operation. Restructuring and top management change was associated with value capture re-alignment for the upstream stakeholders. In the case of the NMA, some suggested, that the Director was 'sacrificed' in this management re-alignment process. In the case of the ANMM an additional management layer was introduced to develop commercial initiatives that could exploit assets of the enterprise.

The Earth Exchange changed top management from a geological manager to a museum manager. This change was intended to strengthen the core cultural business of the enterprise. Instead, this shift pitted the interests of the senior museum manager against mining industry interests. Parallel management was practiced at the Mint. However senior management power resided with the MAAS which favoured its main campus, the Powerhouse.

The importance of marketing was realised successfully by the ANMM which was the only case to grow its audience following new entry. The Mint's marketing strategy was ill-conceived in so far as the parent body was confused about the Mint's identity and positioning within the museum marketplace. The Earth Exchange undertook joint marketing with other cultural, tourist and leisure providers but found it difficult to compete or boost its attraction in this company. In these instances, the only case to successfully limit its liability of newness in relation to marketing was the ANMM.

Technology played a significant role in relation to each of the cases. This technology was not so much around management or control systems, but rather around interactivity and the ability to engage with the collection and exhibition programs.

The NMA was able to limit its liability of newness in relation interactive displays following additional resources made available to re-dress technological inadequacies over a period of time following the Review process.

The Earth Exchange invested significant funds towards technology in its exhibition program for the *Earthquake* and the *Volcano*, which ended in litigation over the insufficiency of the technology. Noise and vibration bled into other parts of the museum rendering other amenities of the museum unusable. The inability to redress these inadequacies through additional resource acquisition and the debilitating litigation contributed to continuing the liability of newness.

The Mint suffered from comparison with its technology and interactive driven sister institute, the Powerhouse. The static displays of the Mint were developed at a time of new interactive expectations fulfilled by the MAAS's major Powerhouse product.

Managers of the ANMM invested in technology via its USA Gallery and used latest technology sourced from the United States. However, the focus on technology and its strengths and weaknesses failed to become an issue for the ANMM because of the 'interactive' authenticity and physicality associated with its fleet. Deflecting technology issues in this way consequently allayed any issues with technological liabilities at new entry stage.

Limiting the liability of newness in the case studies in terms of management, marketing and technology can be viewed through the lens of the value cycle in these cases. The most significant aspect of new entry and limiting the liability of newness was in acquiring the state as a customer. In keeping with Moore (1994), the importance of the state goes beyond the status of customer only and resides in its status as an investor in the enterprise. Investment in an enterprise is a condition that has been identified as an upstream stakeholder and has been accounted for in value creation, capture and exchange. Minimizing the liability of newness through acquiring additional resources to address marketing, management and technology inadequacies is closely related to how the museum captures value for upstream stakeholders.

Strengths and weaknesses of the Value Cycle Framework as a working analytical tool

The Value Cycle Framework's strength as an analytic tool lies in its systematic approach to identifying attributes around value creation, capture and exchange. In this way it becomes possible to detect commonalities or normative attributes of new entrants and to track how and when these became irregular or even deviant to such an extent that maintaining the liability of newness contributes to exit or transformation. This approach is in line with Denzin's (1989, p. 92) 'three classes of action (regularity, irregularity and deviancy)…that must be theoretically taken into account'. What is being sought through the case studies is not a single exploration of new entry through normative attributes that only account for success. An exploration of differences in success and differences in exit are also being sought. In this way, the Value Cycle Framework is not only an analytical tool but also a skeletal deductive tool. However, to avoid Morse and Mitcham's (2002, pp. 4-6) 'pink elephant paradox' or 'conceptual tunnel vision' an inductive process is also in play.

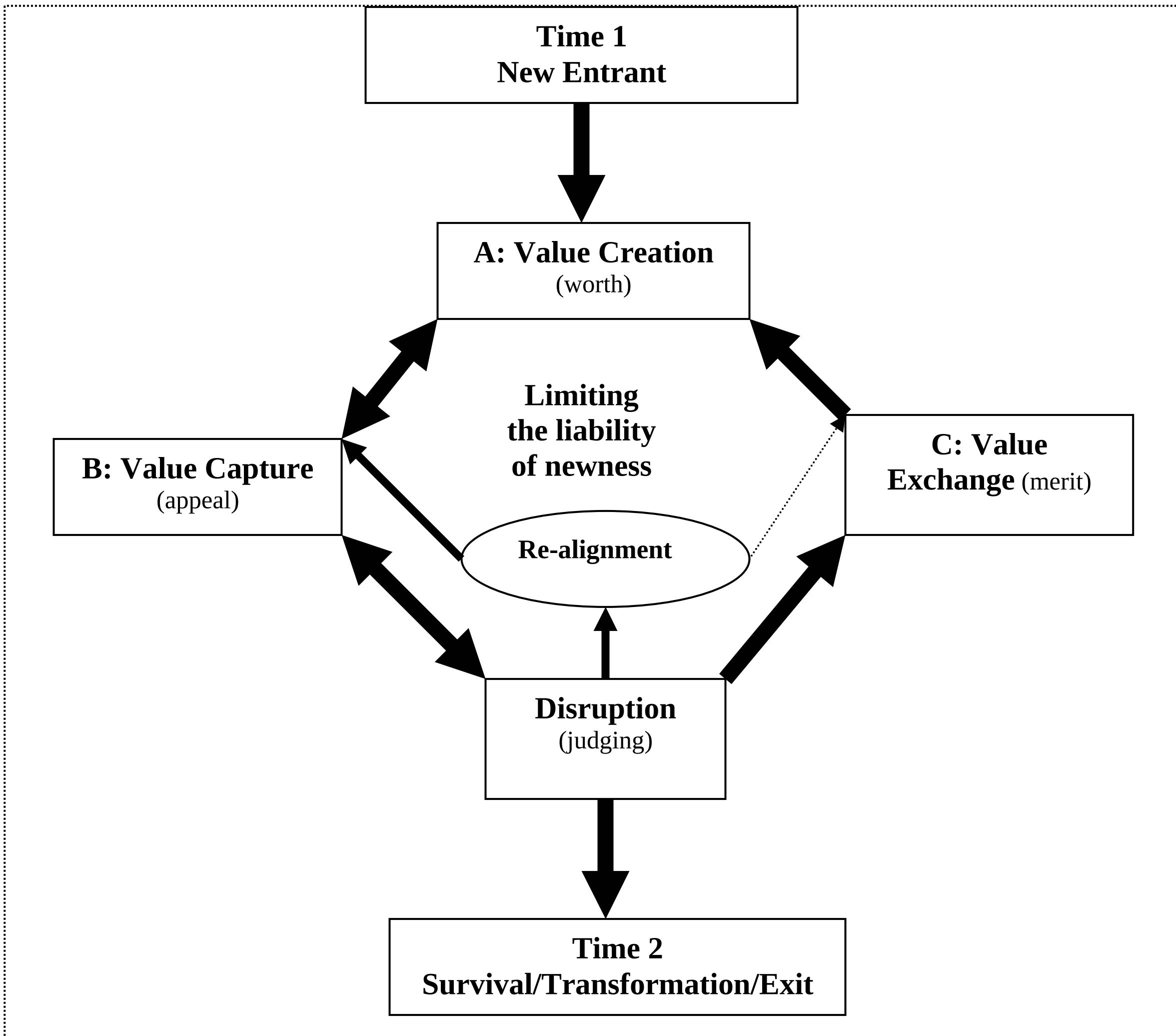
Common attributes represented a form of regularity within each of the cases. Each new entrant had a building, collection, exhibition program and stakeholders to whom they were accountable. In comparing the cases it became evident where irregularities and deviancy emerged within these attributes, illustrated previously in Table 26. Tracking and isolating normative and irregular attributes in the cycle challenged the relationship between value creation, value capture and value exchange. Other pivotal elements emerged at times in the value cycle that affected the liability of newness and subsequent success, exit or transformation.

Irregularities occurred in each case with the building as well as the collection, exhibitions, programs and services. Further irregularity was detected within value exchange which had a range of meanings within the cases. All had government investment while visitor investment took the forms of revenue but more importantly time. Collaborative exchanges focused on intangible exchange such as reputation and leadership enhancement.

Value capture was the area that remained one of the most critical areas for limiting or extending the liability of newness. The deviancy displayed in managers' inability or unwillingness to re-align value with upstream stakeholders contributed to explaining how alienation within the museum's new entry trajectory set it on an exit route. A museum product that was failing but did not exit the museum sector could be transformed because deviancy from value re-alignment did not occur. Instead transformation was associated with continuing irregularity in an attempt to re-cycle the product. This process assisted in uncovering the value that the product could deliver. Value capture re-alignment could then take place through the process of transformation to become the gateway to a competing cultural institution.

The detection of irregularities and deviancy helps to build the picture of how management of new entrants in these cases engage in a process of limiting or extending the liability of newness. A revised Value Cycle Framework is developed as Figure 14 that encapsulates the importance of value - and in particular a disruption associated with value capture - in affecting the liability of newness over time.

Figure 14: The Revised Value Cycle Framework of New Entrant Museums



The revised Value Cycle Framework suggests that a disruption around value capture is the critical component of new entry. The nature of value capture previous to this case study research was not fully understood.

The supply of value (or value creation) has been theorized in the literature whereby the dynamics and inter-relationships with upstream and negotiated stakeholders emphasised value creation as a crucial element. For example, Moore (1995) suggests that value creation resides with the public servant operating in the public good to deliver benefits that enhance democracy and citizens rights. Acknowledging the power of the legislature and how the political system shapes values is part of the dynamics of value creation and is explained in his model of the Strategic Triangle (Moore 1995, pp. 71, 75). While Moore (1995) touches on a process of value capture, it is not manifestly understood in the dynamic way that these cases reveal. For example, Moore suggests:

> In action, managers will still be bound by the tight process of oversight that now constrains them and by the rigidities of the bureaucracies that they seek to lead. The only new action I propose is that managers feel authorized to search their environments with purposeful, value-seeking imaginations and then to act on any opportunity they see through interactions with their political authorizing environments and innovations within their own organizations. If they succeed in finding and exploiting opportunities to create value, it will be because they earn their success in the tough institutional environments in which they find themselves, not because their world has become less demanding (Moore 1995, p. 76)

While Moore expresses an opportunistic approach to value creation, it is still within the realm of ‘supply’ rather than explicitly understanding the demands of upstream stakeholders and how these might challenge the value that public servants believe they are creating or supplying. It assumes the public servant understands value creation, that it is in some sense unambiguous, benign or beneficial and that it can be aligned within the political system through advocacy.

The revised Value Cycle Framework of New Entrant Museums suggests that an element of ‘demand’ is operating in new entry survival in the process of disruption following the early stages of entry in these cases. It suggests that there is a connection between limiting the liability of newness and value capture re-alignment whereby museum management begins to understand the relationship with upstream stakeholders and the museum’s position relative to collaborators, the public and sponsors. A more sophisticated understanding of the complex relationship with upstream stakeholders and its market position in developing reciprocal benefits for negotiated stakeholders enables museum management to create relevant value for a range of stakeholders. The cycle of value creation, capture and exchange following successful value capture re-alignment strengthens the museum and sets it on a post new entry pathway of survival.

The revised Value Cycle Framework of New Entrant Museums suggests that management of a new entrant museums have limited ability to know or understand the dynamics of value capture for a range of stakeholders until a disruption occurs in the museum's early operations. Typically, in the cases under scrutiny here, this disruption was in the form of a review. How senior managers respond to the disruption sets the course for their ability to re-align value with their most powerful, urgent and legitimate upstream stakeholders and to further understand strategic aspects of value capture for negotiated stakeholders. If senior managers of a new entrant fail to understand this particular dynamic then the chances of limiting the museum's liability of newness and thus survival may be compromised.

The concept of disruption in moving an organization through phases either sequentially, dialectically or iteratively has been reported in the literature and discussed in Chapter Two (Greiner 1972; Poole and Van de Ven 2004; Pech and Oakley 2005). Greiner (1972, p.41) has been influential in discussing the dialectic process of evolution and revolution which has its initiation in start-up phase. Yet his analysis is restricted to the internal management of the organization where the first crisis or rupture occurs over leadership style and skills (1972, p. 42). His model does not account for environmental and internal interaction around the process of value that appears in these cases.

The concept of revolutionary/evolutionary change has been extended by Romanelli and Tushman (1994) in the development of an empirical survey in the microcomputer industry to test punctuated equilibrium theory. This theory takes into account both internal and external drivers of rapid change. Their empirical test analysed internal structure change, strategy change and power distribution observed within the context of market share changes and environmental or technological impacts on the industry (1994, pp. 1147-55). Romanelli and Tushman suggest that small disruptions do not bring about transformational change within a company, but rather '(r)evolutionary transformations were shown to be positively and significantly influenced by major changes in environmental conditions and successions of chief executive officers' (1994, p. 1159).

Spillan (2003, pp. 162, 164) on the other hand, suggests that nonprofit organizations have been slow in understanding and preparing for the nature of crises that are externally located and only develop plans post crisis events. The nature of the crises discussed by Spillan based on McCartney, Crandall and Ziemnowicz, are categorized as operational crises, publicity problems, fraudulent activities, natural disasters and legal crises (p. 164). While Spillan's concern is analysing antecedent crises in order to prepare for future crises through constructing a crisis management team, it may be difficult to prepare for stakeholder disruptive events that are linked to the worth and appeal of the core business.

The study that may be more relevant to the process of disruption and re-alignment noted in this research is that conducted by Pech and Oakley (2005). Taken from the realm of medical sciences and the concept of hormesis, their analysis of disruption encompasses a shift from homeostasis, a modest overcompensation, re-establishment of homeostasis and adaptation to ward off future attacks (2005, p. 678). Where overcompensation does not occur and adaptation does not take place then the organization is weakened and remains vulnerable to future attacks (2005, p. 682). However, Pech and Oakley's research is untested. The nature of hormesis, which involves a metaphorical injection of toxic material to bring about disruption, and how it benefits the organization, is also controversial (2005, p. 685).

Disruption in this research suggests that a number of elements identified by the literature are interacting. One element involves a relationship between the museum and principal stakeholder that could be described as dialectic or iterative disruption (Greiner, 1972; Romenelli and Tushman, 1994). Another element involves the ability of the museum to rationalize and re-align value creation and capture attributes to the demands of the principal stakeholder which could involve complex self adaptation following disruption (Poole and Van de Ven, 2004; Spillan 2003). While Pech and Oakley's (2005) description of the nature of the disruption as a toxic injection may be somewhat extreme, there is some evidence in these cases to support the notion that overcompensation occurs in the form of re-alignment in those museums that survive and that they reach homeostasis following the disruptive/re-alignment process. The extent to which they have adapted to ward off future disruption remains unknown. However, in the cases of survival and transformation, adaptive policy and management changes are evident following the disruptive episode.

The revised Value Cycle Framework suggests that for all cases value creation at new entry period is reciprocal and relatively uncontentious. However elements of instability or irregularity surround value creation if the birthing process and its aftermath have been difficult. New entry value creation is temporary as stakeholders 'judge' the value created through a process of value capture.

Value capture and the re-alignment process have meant different things for management in each case. For management in the NMA value capture was primarily associated with the museum's collections and interpretation of exhibitions and programs captured for both the governing Council and the federal government. For management in the ANMM value capture was associated with the ability to become more entrepreneurial through leverage of the museum's location, building and aspects of its fleet as well as to position itself as a leader in a specialist maritime environment – again as proof of value capture for the government. For management in the Mint the ability to re-align value with the state government was difficult as the state government was unsure of the Mint's value creation. This resulted in an iterative process until worth was established. For management in the Earth Exchange value capture was associated with resistance to value capture re-alignment with its most powerful, urgent and legitimate stakeholder - its sponsors. In the Earth Exchange, senior managers' loyalty lay with state upstream stakeholders. However, the state believed that value capture resided with the sponsor upstream stakeholder. Because state stakeholders were disparate, value capture was confused and compromised.

This does not mean that when value capture re-alignment occurs it necessarily results in an ineffectual organization in terms of its museological practice. Rather value capture re-alignment indicates an awareness of the power of stakeholders, an ability and willingness to accommodate their requirements and an ownership of the process which allows the museum to operate as if autonomous. It also assumes that the state understands what value it wants captured so that an exchangeable transaction can occur and further value creation can be developed.

8.2 Conclusion

The major research question in this study was:

How do new museums create, capture and exchange value in order to limit the liability of newness?

Secondary questions revolved around identifying differences in value creation, capture and exchange for different stakeholders; identifying indicators of value exchange and the contribution to further value creation in the value cycle; and the relationship to the value cycle to detecting and limiting the liability of newness.

The key elements associated with detecting and limiting the liability of newness for new entrants in the museum sector are centred on attributes of value creation, capture and exchange for a range of stakeholders. Of these, upstream stakeholders are the most important. The disruption that occurs at the value capture stage heralds a turning point in the fortunes of a new museum which leads on to a process of either limiting the liability of newness through re-alignment or increasing the liability of newness and the possibility of closure or transformation.

Limiting the liability of newness can be said to occur when management of a new entrant re-aligns value creation activities in the area of value capture with the most powerful, legitimate and urgent of its stakeholders following a disruptive episode. Until disruptive episodes occur it is difficult for management to gauge the appeal of the value they have created and floated at new entry stage. The ability to re-align the organization with the most powerful upstream stakeholder and to own the process of re-alignment, even in face of balancing other professional and ethical considerations, sets the museum on a course of survival. Museum management which cannot re-align with an upstream stakeholder because they cannot concede that they have deviated from value creation at the stage of value capture or cannot reconcile ethical complexities, are unlikely to be rewarded sufficiently by the upstream stakeholder.

The process of value capture, disruption and value capture re-alignment may have dialectical, iterative, and self-adapting attributes. These combined elements with this process are not alluded to in the nonprofit management or museum literature. These case studies have presented a new way of understanding the new entry process and trajectory in the early years of operation.

The research also suggests that it is difficult for a new entrant to understand its role in its own sector in the early years of operation in relation to establishing collaborative advantage.

The collaborative advantage literature dwells almost exclusively on mature organizations and their ability to create collaborative advantage. While in some instances the role of serendipity in forming collaborative alliances is acknowledged, particularly by Huxham and Vangen (2003), it does not throw light on the industry impact expectations managers of immature organizations hope to initiate with collaborators. In the course of opportunistically seeking collaborations, the essential ingredients of trustworthiness are jeopardized and complexities of leadership are unrealised. The disruption process serves to re-align a new entrant more realistically within its own sector and re-position the organization as a trustworthy collaborator.

A challenge to the primacy of visitor attendance as an indicator of success has also emerged. Visitor numbers and market share are 'normatively' seen as a fundamental reason for a museum to exist. Yet in these cases, a declining visitor base alone does not directly have a bearing on the liability of newness for a new museum. Stability in visitor numbers is an indicator of value capture for government investors rather than the museum's ability to increase market share.

This is an area that is little explored in the literature primarily because emphasis has been placed on increasing visitor numbers and frequency of visits. The relationship between government investment and visitor numbers has been assumed but not fully tested (Maddison 2004). Such assumptions revolve around increased visitor investment through the gate or discretionary spending will result in decreased government appropriations. The case studies in this thesis suggest that government appropriations are more obviously linked to collection, program and building improvement re-alignment rather than increasing or decreasing visitor numbers. As visitor numbers stabilise for museums, so too do government appropriations. However, the relationship between the visitor and the state with the museum acting as a conduit is an area that needs further investigation.

The government's temporary increased investment to re-align the museum has a bearing on limiting the liability of newness. A temporary increase in government appropriations to assist in the re-alignment process allows the museum to develop its collection, build or participate in collaborations and respond to venue deficiencies. Temporary revenue increases have the effect of not only keeping the museum within the sector but also enhancing its ability to compete with sister institutions.

Growth is also associated with a willingness to allow the museum to pursue entrepreneurial activities (such as a building project) that are cushioned within the certainty of a resource base The risks associated with entrepreneurial activities are covered by maintaining government appropriations and re-deploying finances to cover new expenses. The risk is also offset by leveraging income through rent from other organizations and in co-locating with like institutions. The latter also has the consequence of placating an otherwise recalcitrant organization with added political benefits for the state.

In streamlining the concepts of value creation, capture and exchange to compare how new entrant museums fare an exploratory framework of new entrant museums was first used as a working analytical tool for investigation. The revised Value Cycle Framework of New Entrant Museums reflects the dynamics of new entry in the early years of operation through the empirical case study research. The Value Cycle Framework of New Entrant Museums includes the original key concepts and attributes but also depicts undercurrent value capture re-alignment through a disruptive episode.

Limiting the liability of newness is reached through a process of value creation, value capture, disruption, value re-alignment. Value exchange is seen as an outcome of this process and is reflected in government appropriations and intangible transactions.

There are further areas of study suggested by this research. While managers play an integral part in the new entry trajectory, their specific roles and skills in negotiating the early years of operation have not been addressed in this research. The dynamics of different levels of management and their interaction with each other and disparate stakeholders may be a fruitful area of exploration in further understanding liabilities of newness and the role of value creation, capture and exchange. Similarly, the notion of a disruptive episode in the early years of operation gives rise to a range of disruptions and re-alignments that may be operating in the process of new entry. This in itself may be a fruitful enquiry in understanding value creation and capture in other nonprofit organizations where disruptive episodes may not necessarily be associated with review instruments.

This research has contributed to understanding how management of new entrant museums can detect and limit the liability of newness through a value cycle. It has built on the nonprofit management literature, the arts and museum management literature and aspects of for-profit literature in the area of value creation, collaboration, accountability and limiting the liability of newness. It has added to this literature by foregrounding the significance of the relationship between value creation and value capture and the process of value capture re-alignment that management of new entrants must deliver to upstream stakeholders in the early years of operation in order to maintain and grow a position within the museum marketplace.

Appendix 1: An overview of museum management

The professional organisation for museums in Australia, Museums Australia, defines museums as institutions with the following characteristics:

> A museum helps people understand the world by using objects and ideas to interpret the past and present and explore the future. A museum preserves and researches collections and makes objects and information accessible in actual and virtual environments. Museums are established in the public interest as permanent not-for-profit organisations that contribute long-term value to communities.
>
> Museums Australia recognises that museums of science, history and art may be designated by many other names (including gallery and Keeping Places). In addition the following may qualify as museums for the purpose of this definition:

(a) natural, archaeological and ethnographic monuments and sites and historical monuments and sites of a museum nature that acquire, conserve and communicate material evidence of people and their environment;
(b) institutions holding collections of and displaying specimens of plants and animals, such as botanical and zoological gardens, herbaria, aquaria and vivaria;
(c) science centres;
(d) cultural centres and other entities that facilitate the preservation, continuation and management of tangible or intangible heritage resources (living heritage and digital creative activity);
(e) such other institutions as the Council considers as having some or all of the characteristics of a museum (Museums Australia 2002)

Appendix 1 charts how museums have made paradigmatic shifts throughout the two centuries of their modern existence. These shifts are based on an overview of the museum management literature which has concentrated on areas such as marketing, collection management, education and learning (Hood 1992; Malaro 1994; Lord and Lord 1997; Kotler and Kotler 1998; Hooper-Greenhill 2000; Hooper-Greenhill and Dodd 2002). More recently, a limited number of studies have attempted to explain how museums can remain relevant and survive the future (Griffin et al. 1997; Griffin and Abraham 1999; Griffin and Abraham 2000; Rentschler 2002; Weil 2002). These latter studies address issues of leadership styles and entrepreneurial activities as necessary survival attributes in the face of public policy shifts effecting revenue, performance and expectations of increased accountability.

Background

Museums in their modern form have existed for more than two hundred years. As a mature, and perhaps declining (Drucker 1999, p. 10), segment of the cultural industries, they face a number of management challenges in establishing sustainability (Schouten 1993; Trotter 1998; Lynch et al. 2000; Oliver, Burton, Lynch and Scott 2002; Weil 2002).

Contemporary management practice calls for flattened organisational structures, entrepreneurial leadership, strategic thinking, sustainability, increased use of digital technologies and networks, an incisive understanding of core competencies and how to grow these in innovative ways in order to compete (Clarke and Clegg 2000). Museums are finding it difficult to adapt to these new management practices because of their history, governance and organisational structures and their reliance on publicly funded resources (Conforti 1995; Mulcahy 2001).

Where arts organizations generally have attempted to become more entrepreneurial, they have done so at the risk of losing government support while facing the uncertainty of surviving or competing in a crowded cultural and leisure marketplace (Griffin and Abraham 1999; Rentschler 2002; Burton and Scott 2003).

For museums, this makes for wary organisations, carrying complex historical baggage, feeling compelled to shift focus from education to entertainment to leisure in terms of core values, ideologies, purpose and competencies (Falk and Dierking 1992; Macdonald and Alsford 1995; Moore 1997; Goodman 1999; Hein 2000; Prior 2002). While they remain object based they also cater to multiple and ambivalent stakeholders (Bassett 1997; Clifford 1997; Lovatt 1997; Pearce 1997; Pearce 1998) and attempt to take on additional social enterprise objectives for which they may be poorly qualified (Sandell 1998; Sheppard 2000; Evans 2001; Parker et al. 2002).

Shifts in museum paradigms

While the museum management literature has highlighted a number of issues, particularly in relation to leadership, it has either theoretically linked the propensity of arts managers to be innovative and entrepreneurial to artistic creativity, illustrated by Rentschler (2002) or it has adapted concepts of core competencies from the business literature to museum management as Griffin and others (1997; 1999; 2000) have done. However, by definition, museums are internationally described as nonprofit making bodies (International Council Of Museums 2001; Museums Australia 2002). Despite this, there appears to be little exploration connecting museum management theory to the nonprofit management literature (Chong 2000) .

The museum management literature reflects the changing and uncertain situation facing museums (Weil 1997; Weil 2002). A number of themes have emerged which can be grouped as:

- Studies on the resource and strategic effects of government arts and cultural policies (Pick and Anderton 1996; Radbourne and Fraser 1996; Stevenson 2000; Gibson 2001);
- Transformational leadership and entrepreneurship (DiMaggio 1987; Griffin et al. 1997; Palmer 1997; Palmer 1998; Griffin and Abraham 1999; Griffin and Abraham 2000; Rentschler 2002);
- Adapting for-profit and marketing practices to museum environments (Diggle 1994; Hill, O'Sullivan and O'Sullivan 1995; Dickman 1997; Steidl 1997; Close and Donovan 1998; Hodge 1998; Kotler and Kotler 1998; Rentschler 1999; Colbert 2001).
- Developing thematic concerns located primarily within the literature on the functionality or efficiency of museum practice (Malaro 1994; Lord and Lord 1997; Byrnes 1999).

Several museum directors' personal accounts particularly from the United States confirm the direction of entrepreneurship reported through case studies by Rentschler, Griffin and Abraham and Palmer (Crimmins and Keil 1982; Janes 1999).

However, others advocate, a return to core values and an exhortation for museums to be treasured as museums and as public goods (O'Hagan 1998; Throsby 2001). These themes call for museums to maintain a sense of humanistic core values (although this is contentious and difficult to establish) while acknowledging and responding to a changing environment calling for effective and efficient management practices (Weil 2002).

The breadth of this research agenda concentrates on the internal resources of organisations to meet the challenges of the external environment. The performing arts sector has been more adept at analysing their position in the external environment (Nugent 1999; Craik 2005; Strong, Gillies and Grant 2005), but museums appear not to have investigated their market position in any great depth.

As a result, there are a number of ambiguities in the realm of arts and cultural management theory. Some academic research suggests that arts managers are increasingly aware of entrepreneurial activities and are attempting to diversify their revenue base while becoming more audience/visitor focused (Palmer 1998; Griffin and Abraham 1999; Rentschler 2002). Government commissioned investigations suggest that this is not occurring fast enough or in prescribed directions (Nugent 1999; Strong et al. 2005). These investigations also suggest that there is a lack of will or skill amongst arts professionals to carry through such change (Nugent 1999; Saatchi 2000; Carroll et al. 2003; Sexton 2003).

How changes have occurred for museums can be represented as paradigms in terms of:

- type, rationale and interpretation of objects collected (Chapman 1985; Crimp 1985; Duncan 1991; Duncan 1995);
- how visitors have been viewed and typecast (Hudson 1975; Chapman 1985; Crimp 1985; Duncan 1991; Hooper-Greenhill 1992; Duncan 1995; Lovatt 1997; Hein 1998; Hooper-Greenhill and Dodd 2002);
- how the role of education and scholarship has evolved (Ginsburgh and Mairesse 1997; Hein 2000; Hooper-Greenhill 2000).

Further paradigms have been advanced by Anderson (2004) and Welsh (2005).

Anderson (2004) has suggested that museum paradigms revolve around governance, institutional priorities, management structures and communication. She suggests that museums have shifted from being elite to being accountable and socially responsible focusing on visitor, education and public service rather than collections.

Welsh (2005) engages in an understanding of paradigm shifts, suggesting that museums need to be seen in the light of *what they have been* (materiality associated with repositories), *are becoming* (stewards that develop engagement, education, learning centres) and *could be* (conceptual attributes including representations, celebratory, collaborations and reflexive).

Based on paradigm shifts developed by Anderson and Welsh and a consideration of the museum management literature, three paradigms can be distilled historically. These are *nineteenth century improving mission*; *twentieth century social mission*; *twenty-first century strategic mission*. This does not suggest that successive eras have evolved discretely: linkages and leakages between paradigms are evident. Table 27 below represents common and changing elements in each paradigm.

Table 27: Shifts in museum paradigms
Based on Anderson (2004) and Welsh (2005)

Nineteenth Century: The Improving Mission	**Twentieth Century: The Social Mission**	**Twenty-first Century: The Strategic Value Mission**
Core Purpose Improving citizenship Imparting knowledge Reflecting the mission of modernism Scholarship	**Core Purpose** Education of visitors Social mission Scholarship	**Core Purpose** Visitor-focus through education, entertainment, experience and leisure amenity Public good provision Scholarship
Meanings Object/artefact based Scientific approach to knowledge Singular and hierarchical interpretations	**Meanings** Object/artefact based Presenting and preserving authenticity Multi-faceted approach to knowledge Relativist interpretations	**Meanings** Object, concept and experience based - virtual and real Post-colonial and relativist interpretations Seeking out new knowledge and value creation Centres of debate
Management Philanthropic Enterprise Funding from private citizens and government Stamp of the Director/Scholar Collection, preservation/conservation centred Centralized physical location Nonprofit mechanistic organisation	**Management** Philanthropic Enterprise Funding from private citizens and government Appointed Boards Stamp of the Director/Scholar as Leader Collection centred Visitor Studies for expanding visitor base Centralized physical location with some physical de-centralization Nonprofit mechanistic organization	**Management** Philanthropic Enterprise Funding from government and diversity of private sources Appointed Boards Leadership focus Collection focus Marketing and stakeholder focus Corporate and strategic planning Centralized physical location with some physical de-centralization Digital access Nonprofit mechanistic organization

The three paradigms reflect consistencies about museums over time: they are object based, education and scholarship focused, occupy significant physical space in city centres and are structured as nonprofit, hierarchical organizations. Differences occur in relation to how objects are collected, conserved, exhibited and interpreted over time and to some extent replaced or complemented by leisure and educational experiences and concepts. Differences also occur in how the visitor is viewed – ranging from an object for improvement through to a stakeholder in strategic marketing. Finally differences can be noted in terms of leadership and entrepreneurial practices.

Yet these paradigms disguise the ambiguity and the uneven development of museums. Contradictions occur for example in transformational leadership and entrepreneurial activity which has come to the foreground (at least theoretically) but within the constricting confines of a hierarchical structure. Corporate and strategic planning has become increasingly important but museums are still primarily government resource dependent (Mulcahy 2001; Burton 2002) and remain captives of their collections and physical locations. This potentially restricts their ability to respond to specific markets or demands. The paradigms developed here also contain complex and difficult to measure concepts as the basis of their meaning and core purpose (for example public good, experience and education).

Management paradigms do not exist in a vacuum. In the case of museums, the context includes government policy directives but also involves analysing the demand for museums and their services and the increasing and diverse competition museums face - a relatively unexamined element in the museum management theory.

The Demand for museums and their services

Demand can be measured in a number of ways – through willingness to pay, frequency of use of a service and market share of specific institutions relative to similar institutions in the same industry (Willis 2002; Noonan 2003; Throsby 2003). In analysing museum demand the focus is on identifying sources of funding, visitation and comparative market share among larger museum institutions.

Sources of Funding

The main source of income for all museums is government funding at between 68% or $AUD487 million of total income to 75% or $AUD368 million for the 78 large museums. As well as differences in admission charges, it can be argued that there is a reluctance for people to pay additional to what they already pay in taxes. These two factors may partially explain the low level of cultural spend on museums and art galleries (Australian Bureau of Statistics 2001).

In 2001, museum and art gallery fees and charges accounted for the least amount of cultural expenditure at $AUD26 million reported by 85,400 households out of the population of 7.1 million households (2002, pp. 5, 22). This compares to household expenditure of $AUD50.3 million in 1993-94, which may partially be explained by fluctuations in entry fee levies (2002, p.24). Those from the category of managers and administrators, and intermediate clerical and sales spend most on heritage followed by professionals – although the heritage category is undifferentiated and includes parks through to zoos and museums.

Just over half of all admissions in 1999-2000 attracted a charge (Australian Bureau of Statistics 2001, p. 7). However, it is difficult to know to what extent price is a barrier for museum visitors. Early research, based on a 1989 survey of museums in the United States suggests that admission fees could be increased with little effect on visitation patterns and frequency if the additional revenue were used to improve services (Luksetich and Partridge 1997) while in Britain counting visitors was seen as subtly shifting the perception of museums as sites for cultural value to sites for cultural consumption (Bailey, Falconer, Foley, McPherson and Graham 1997).

In Britain respondents to a MORI survey indicated that only 10% were disinclined to visit museums because of admission charges (MORI 2001). Recent public policy on social exclusion, particularly in the United Kingdom has suggested that museums should be operating to increase the non-traditional visitor base (Evans 2001). However, Davies (2005), ten year study (1994-2004) in the United Kingdom suggests that the visitor base remains unchanged (or at least reinforces the traditional demographic) even with the elimination of entry fees.

From a management point of view, the relationship between government appropriations and visitor numbers was explored by Maddison (2004) in the United Kingdom in relation to established museums. This research suggested that while museum directors believed that increased revenue through the gate or other non-government revenue sources would result in decreased government funding, there was in fact only a slight reduction in government funding (Maddison 2004, pp. 90, 102). Increases in government funding were related to capital expenditure or special exhibitions (Maddison 2004, p. 104). Maddison suggests that this contradicts policies intended to increase visitation and the visitor base – that is, rewarding museums for increasing their visitation rates through increased government appropriations (Maddison 2004, p. 104).

Visitation Patterns

Visitors to cultural institutions tend to be drawn from a particular demographic which reflects higher education levels and higher income brackets (Australian Bureau of Statistics 1999b). The phenomena of this particular demographic interest in museums and cultural institutions has also been researched in France and Australia with similar results (Bourdieu 1984; Bennett 1994; Bennett et al. 1999). Not withstanding Bourdieu's notion of *habitus* or inherited cultural capital, it would be expected that the increased availability of higher education in the western world would indicate a high level of acquired cultural capital and trigger a proportionately higher level of visitation to cultural institutions. However this prediction is not substantiated when it comes to museums.

Museums have been losing customers over a ten-year period: in Australia, from 30.3% in 1991 to 27.8% in 1995 down to 19.9% in 1999 (Australian Bureau of Statistics 1999b). This appears to be a real loss in numbers or frequency of attendance – in New South Wales for example, from 1.319 million visits in 1995 to 1.046 million visits in 1999 (Australian Bureau of Statistics 1999b). This downward trend has been slightly reversed and may be attributed to the opening of the National Museum of Australia in Canberra in 2001 (Australian Bureau of Statistics 2003).

This visitor decline is also reflected in the United Kingdom where in 1999 35% had visited a museum or gallery and in 2000, 28% (MORI 2001, p. 4). The UK research found it difficult to explain why this downward trend was occurring. However, they indicated that factors influencing visitation included fewer people going on domestic holidays, increased competition in the leisure market, reduced leisure time and pre-millennium factors. The main reason people stated they do not visit is 'nothing I particularly want to see' up from 33% in 1999 to 41% in 2000 - an increase of 8% over the 12 month period.

The MORI study echoes similar studies carried out in Australia, most notably the Leisure and Change study carried out by the University of Technology, Sydney (UTS) and the Powerhouse Museum (Lynch et al. 2000).

These research inquiries indicated that museum visitation is in decline and that demographic trends and work pressures on professionals and managers - traditional museum visitors - may exacerbate this decline.

Paradoxically, during this period there has been a growth in the number of museums built and historic houses acquired and refurbished. In Britain during the early 1990s it was estimated that a new museum was opening every eighteen days (Schouten 1993, p. 383): in Sydney at least six new museums opened over a ten-year period between 1988-1998 (Cochrane 1990; Historic Houses Trust 1997). The downward visitor trend however, does not appear to reflect a finite audience spread more thinly.

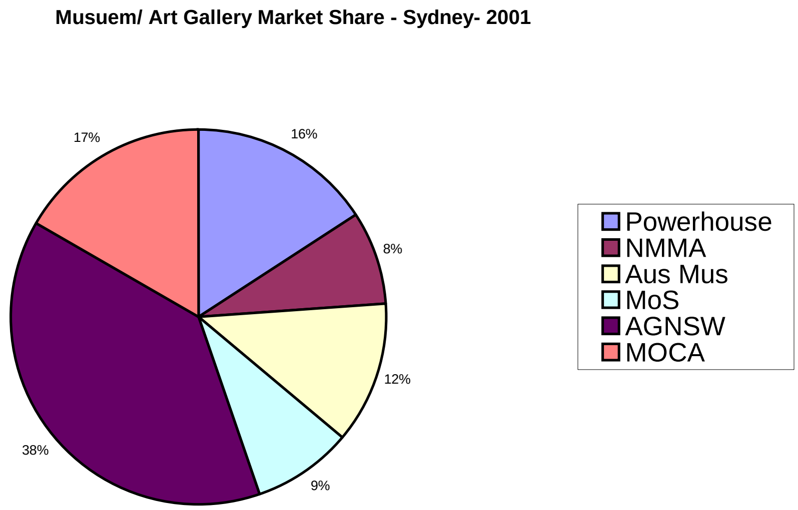
The greatest challenge for museums in matching visitors to new entrant aspirations may be to understand their position in relation to other museum activities and the value they deliver. This value may be difficult to determine. For example, educationally, museums are not considered as important as libraries for accessing information or informal learning (MORI 2001). Although there has been a growth in access to digital technology for households it is unclear to what extent museums have captured a digital audience. In the United Kingdom, Science Centres appear to be the winners in terms of internet access for educational purposes (MORI 2001). In terms of entertainment, cinema-going has been reinvented as a clear leisure preference for most of the population (Australian Film Commission 2002; Burton and Scott 2003).

Market Share

Determining the market share of specific museums and art galleries is difficult because of anomalies in definition, approach and data collection, although a similar approach for comparison has been undertaken in other countries by (Heilbrun and Gray 2001). The following, compiled from Environmentrics (Environmetrics 2001a; Environmetrics

2001b) intelligence data needs to be read with caution but is construed as indicative of market share in the Sydney marketplace in 2001.

Figure 15: Museum and art gallery market share 2001



From 1998-2001 the growth in market share has been in the art gallery sector with overall losses experienced by museums (Environmetrics 1998a; Environmetrics 1998b; Environmetrics 1999a; Environmetrics 1999b; Environmetrics 2000a; Environmetrics 2000b; Environmetrics 2001a; Environmetrics 2001b; Australian Bureau of Statistics 2003).

Just within the museum sector, the major loss is apparently experienced by the Australian National Maritime Museum and the greatest increase in market share has been the Powerhouse Museum with the Museum of Sydney and the Australian Museum slowly increasing market share. We should note that there is no entry fee for the Art Gallery of NSW and the Museum of Contemporary Art has variously had entry fees and free admission over this time period. While not necessarily posing a barrier to museum and art gallery visitation, certainly for core visitors, entry fees are an accurate (or at least consistently convincing) measure of volume of trade over other measures and therefore the extent of market share claimed by art galleries may need further investigation.

Scoping the museum sector has raised a number of issues. The sector is a mature sector operating in a relatively competition free zone until recently. Museums have been constituted as nonprofit organisations, reliant on public funding and shifting emphasis over time to focus on the primacy of the visitor as its core end user. However, as the visitor base has decreased over time, the reason for public support begins to be questioned. Paradoxically, in this environment, governments continue to invest in museums and grow the sector by supporting new entrants. This raises the vexed question of what value museums deliver and to whom.

Appendix 2: Construct development from informants and interview guidelines

Table 28: Constructs developed from the interviews using the Value Cycle Framework as a working analytical tool

Identified Constructs	**1. Value Creation** **Amenity** 1.1 Physical location – building 1.2 Physical location – geographical position 1.3 Core services developed 1.4 Ancillary services developed
	2. Value captured **Interactions** 2.1 Core Programs and services offered to stakeholders 2.1a Ancillary Programs and services offered to stakeholders 2.2 Increase visitation 2.3 Diversify segmentation
	3. Value Exchange **External Relations** 3.1 Demand for collaborative ventures 3.2 Revenue generation from visitors 3.3 Resource commitment from government, sponsors, donors 3.4 Revenue generation from ancillary programs
	4. Accountability 4.1 Reporting mechanisms 4.2 Policy/Strategy developments 4.4 Operational or Strategic Reviews
	5. Alignment 5.1 Fit with aims and objectives of collaboration/sponsor 5.2 Policy/strategy adjustments to stakeholders
	6. Upstream Stakeholders 6.1 State – and definitions 6.3 Council/Board
	7. Negotiated Stakeholders 7.1 Visitors 7.2 Staff – museum 7.3 Aboriginal communities 7.4 Specialist communities 7.5 Sponsors

	8. Collaborators/Competitors 8.1 Tertiary institutions - collaboration 8.2 Museums - collaboration 8.3 Competition – museums
	9. Industry Impact/Influence 9.1 Museum impact on sector 9.2 Sector impact on Museum 9.3 Innovation
	10 Liability of Newness 10.1 Resource allocation to programs 10.2 Resource allocation to collections 10.3 Resource allocation to marketing
Emergent Constructs	**11. Emergent** 11. 1 Reputation 11.2 Economic Climate 11.3 Cultural Climate 11.4 Political Climate 11.5 Novelty
	 11.6 Personality/Individual Importance – within museum 11.7 Personality/ Individual importance - stakeholder 11.8 Number of stakeholders 11.9 Power of stakeholders
Presentational/Operational (Based on Van Maanen, 2002)	**Presentational** refers to how people project/position themselves in the interview. **Operational** refers to their thoughts and verifiable occurrences. The bulk of the content of the interviews can be seen to be operational. However presentational material gives rise to informants credibility and is dealt with through coding: Relationship to the organization (career shifts and disengagement) **[PRO]** Relationship to people within the organization (conflicts and alliances)**[PRP]** Hindsight justification **[PJ]** Future aspiration **[PF]**

Interview Guide: National Museum of Australia

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Thank you for agreeing to undertake this interview, which will not take more than one hour. The interviews are part of a doctoral study I am doing through the University of Technology, Sydney. The topic is looking at new entrant museums and how they create value in order to survive. What I am particularly interested in uncovering is what kinds of 'value' museums create and then exploit in a way that benefits (or does not benefit) a range of stakeholders.

The purpose of the interview is to get your opinions and perceptions on the (NMA) at the stage of new entry in (2001). In general I would like to cover topics on value creation, value capture and exchange, accountability and alignment of your organization with stakeholders and collaborators, the institution's relationship with funding bodies, how the institution influenced the sector as a new entrant and what difficulties it faced at the time of new entry. These themes will give some indication of how the institution was able to create value in order to survive. There may be additional areas not covered here that you feel are important and we can discuss these at the conclusion of the interview.

I would like to tape the interview so that I can concentrate on your answers as we proceed. A professional transcriber will transcribe the tapes but the transcriber will not keep copies of the transcriptions or the tapes. These will be returned to me for analysis and safekeeping. If necessary, we can arrange a follow-up interview. If you prefer, I will code your name/position so as to maintain confidentiality in the written report. Please advise me if this is satisfactory to you.

Just some definitions of what I mean by value creation, capture and exchange. Value in relation to its creation, capture and exchange is defined in three ways

<u>As amenity</u> - the venue, core and ancillary programs, services and offers/benefits;
<u>As Interactions</u> – public accessibility, exclusivity and inclusiveness;
<u>As external relations</u> – revenue generation (sponsorship, hiring of venue etc), joint ventures and collaborations/partnerships

I am happy to explain this further when we meet.

1. ***When did you first take up the position of(Chair of the Council/ current position)***
2. ***Thinking back to the beginning of 2001:***
    a. What were the aims of the museum from your point of view?
    b. Were your aspirations met/exceeded as it turned out?
    c. What do you consider were the greatest challenges that faced the museum at the time of opening?
    d. What impact do you think the opening of the NMA had on the museum sector in Canberra specifically and in NSW/Victoria generally?
    e. Who does the museum compete with? Over what?

f. Did anything come as a surprise?

3. ***I'd like to discuss the areas of stakeholders and your opinions and perceptions of stakeholders over the past few years.***
    a. What does the Council see as its role?
    b. Who are the most powerful stakeholders?
    c. How are these stakeholder relationships managed?
    d. What benefits/value [programs; venue; prestige; products and services] do you think the museum delivers to various stakeholders?
    e. Is this changing?
    f. What would you say is the most innovative (or unique) thing the museum has done that has created value for stakeholders?

4. ***Can you tell me a little about the controversy surrounding the museum that led up to the Review of Exhibitions and Programs, the new strategic plan and the plan for revising exhibitions and galleries (as a result of the Review)?***

5. ***As a new entrant how did this effect the museum in the eyes of collaborators, competitors and stakeholders?***

6. ***I'd like to look at collaborations and partnerships that the NMA has formed over the past few years. Collaborations/partnerships can be in the form of sponsorships, joint ventures or research.***

7. ***What is the museum doing in terms of collaborative partnerships***

    a. What should the museum be doing in developing collaborative partnerships?

8. ***What have been the outcomes of the collaborations? On balance, has this created more value/benefits for the NMA or the collaborators/partners?***

9. ***Are you aware of how other cultural institutions have viewed these collaborations?***

10. ***Finally, if we have not touched on this already:***
What do you think the public (segmented into families; school children; young people; older people; couples or singles, culturally diverse, indigenous) sees as the greatest value for them in the NMA that might be different from other museums?

11. ***<u>Other comments and thoughts?</u>***

<u>Thank you very much for your participation in this research.</u>

Appendix 3: Case studies: comparison of market share and government appropriations

Appendix 3 examines time sets of cases occurring in a contemporaneous Canberra environment from 2000-2004 and in an historical Sydney environment from 1991-1997 and suggests patterns about market share and government investment.

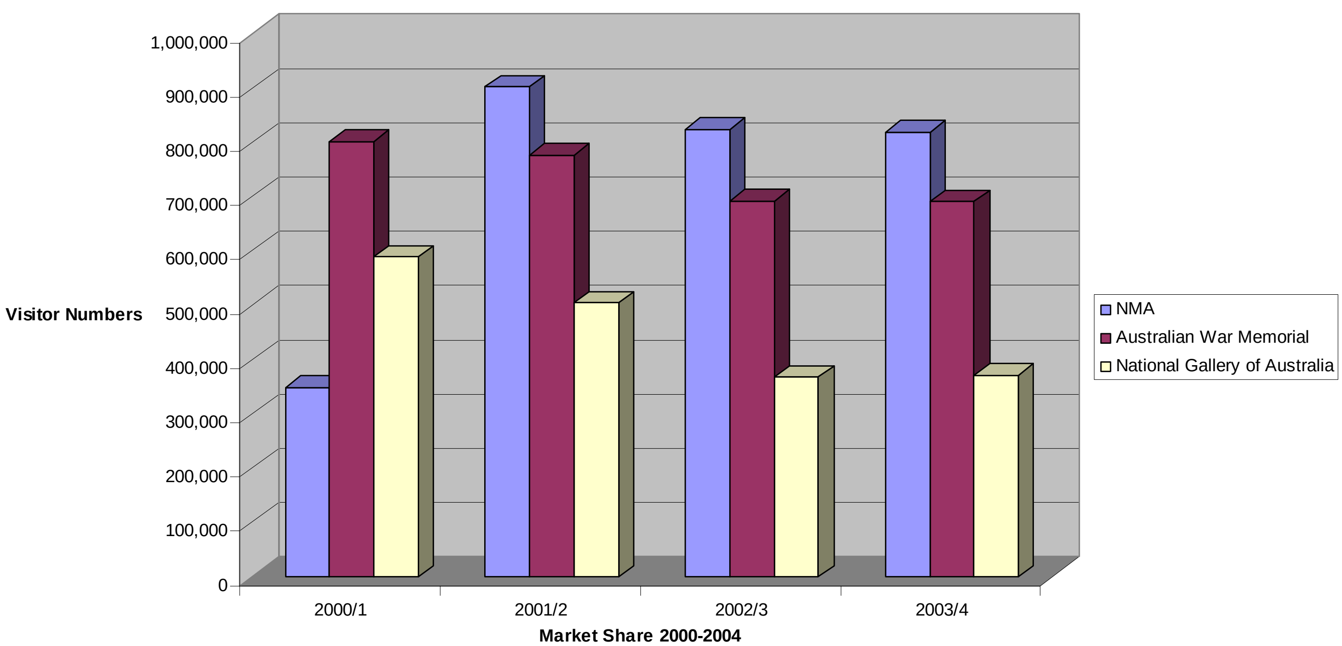
Growth and market share were identified as indicators of limiting the liability of newness. Market share was defined as visitor numbers. Growth was defined as increased government investment. These definitions are tested below in an analysis of visitor numbers and government appropriations based on 2000/1-2003/4 annual reports from the three major substitutable cultural attractions in Canberra: the NMA, the National Gallery of Australia and the Australian War Memorial
(Australian War Memorial 2001, pp. 14, 107; National Gallery of Australia 2001, pp. 40, 177; National Museum of Australia 2001; Australian War Memorial 2002, pp. 31,35,110; National Gallery of Australia 2002, pp. 27, 70; National Museum of Australia 2002; Australian War Memorial 2003, pp. 17, 36, 125; National Gallery of Australia 2003, pp. 144, 82; National Museum of Australia 2003; Australian War Memorial 2004, pp. 29, 33, 14; National Gallery of Australia 2004, pp. 163, 91; National Museum of Australia 2004a) and in the Sydney market based on annual reports from 1991/2-1996/7 of the Australian Museum, the Museum of Applied Arts and Sciences (Powerhouse and the Mint), Historic Houses Trust, the Earth Exchange and the ANMM (Earth Exchange 1991; Australian Museum Trust 1992; Earth Exchange 1992a; Historic Houses Trust 1992; Museum of Applied Arts and Sciences 1992; Australian Museum Trust 1993; Australian National Maritime Museum 1993b; Australian National Maritime Museum 1993a; Earth Exchange 1993a; Historic Houses Trust 1993; Museum of Applied Arts and Sciences 1993; Australian Museum Trust 1994; Australian National Maritime Museum 1994; Earth Exchange 1994a; Historic Houses Trust 1994; Museum of Applied Arts and Sciences 1994a; Australian Museum Trust 1995; Australian National Maritime Museum 1995; Earth Exchange 1995; Historic Houses Trust 1995; Museum of Applied Arts and Sciences 1995a; Australian Museum Trust 1996; Australian National Maritime Museum 1996; Earth Exchange

1996; Historic Houses Trust 1996; Museum of Applied Arts and Sciences 1996; Australian Museum Trust 1997; Australian National Maritime Museum 1997; Earth Exchange 1997; Historic Houses Trust 1997; Museum of Applied Arts and Sciences 1997).

Time Set 2000-2004

Examining the two major national cultural institutions with which the NMA competes in a Canberra environment - the Australian War Memorial and the National Gallery of Australia - the following reveals the market share in the first few years of the NMA's entry.

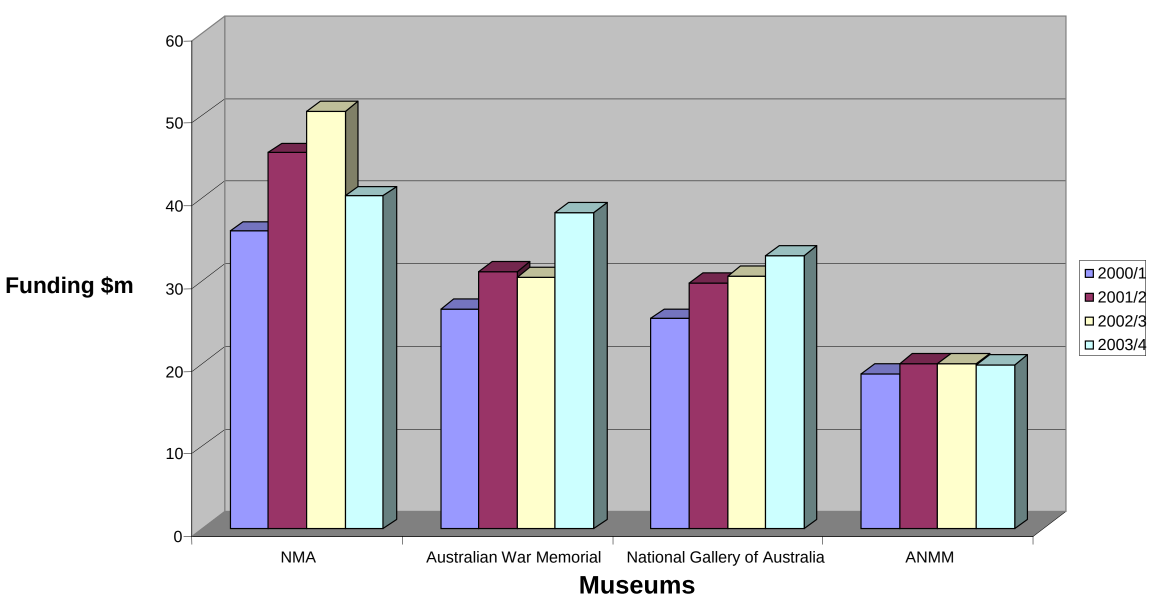
Figure 16: Canberra market share 2000-2004



The Canberra time set reveals that the new entrant NMA apparently eroded the market share of its nearest rivals, the Australian War Memorial and the National Gallery of Australia. This is not to suggest cause and effect: many explanations were given for the decrease in visitor numbers by the Australian War Memorial, including the Canberra fires of January 2003 (Australian War Memorial 2003, p. 17) when the overall cultural market for these three institutions contracted by 16% on the previous year, although the NMA market contracted least at 9%. But before and after this ‘abnormality’, the NMA’s market share advantage was growing by 7.5% and 8.5% relative to its nearest competitor, the Australian War Memorial. The NMA’s market share in this three tiered market began at new entry as 20% and grew to over 40% in the succeeding period and maintained this level.

However, this comparative advantage of visitor attraction does not necessarily translate into proportionately increased government appropriations.

Figure 17: Government appropriations 2000-2004[19]



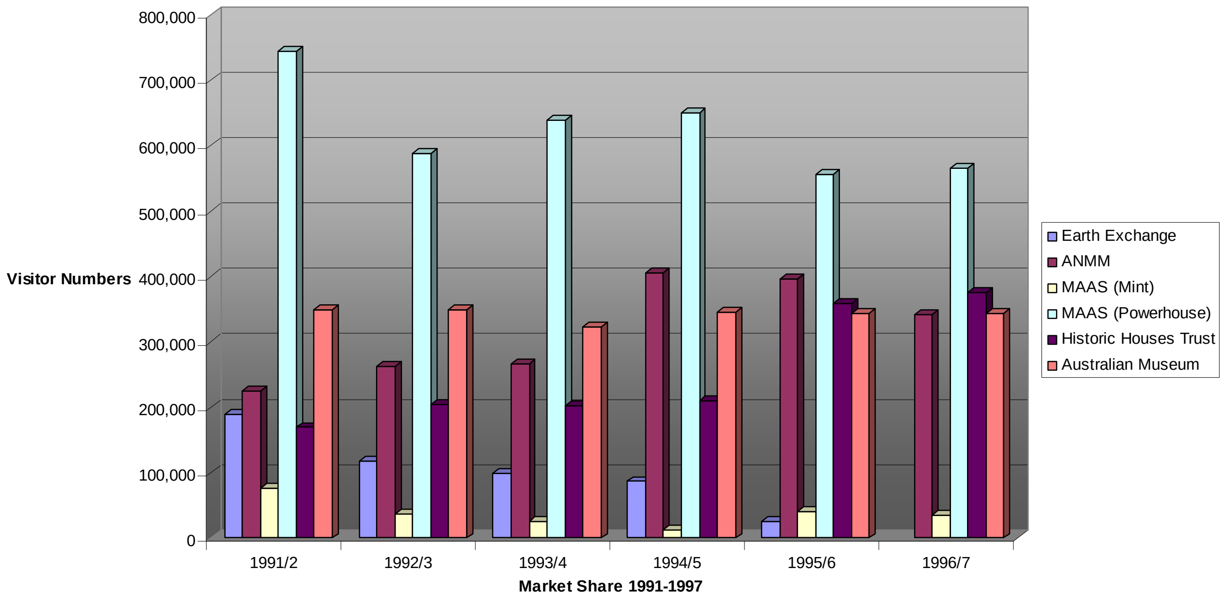
[19] The ANMM is included in this comparative analysis because although it competes in a Sydney market its government appropriation comes from the Commonwealth sphere. It should also be noted that the Australian War Memorial draws its government appropriation from the Treasury via the Department of Veterans Affairs rather than via the Department of Communications, Information Technology and the Arts. Capital Use Charge is excluded from these figures.

While the NMA attracted the most in government appropriations, it is the only one over this period to experience the least growth in appropriations of 11.8% from its base in 2000/1. This excludes the peak of $50m in 2002/3, an ‘abnormal’ increase as a result of the Review recommendations. The ANMM has remained relatively steady over this period, while the Australian War Memorial and the National Gallery of Australia have both increased their appropriations by 44% and 30% respectively.

Time Set 1991-1997

The historical time set in the Sydney market is also revealing in its implications for limiting the liability of newness. The set covers the time period 1991-1997 which takes in the new entrants of the Earth Exchange and the ANMM as well as covering the second Mint incarnation from 1995-1997. The period 1991-1994 was one of either low profile uncertainty or redevelopment hiatus for the Mint. Although the figure of 76,384 appears reasonable for a small museum in 1991, it should be recalled that the Mint had been attracting an average of 146,000 visitors per annum from 1985-1989. This period is also chosen because it covers all Sydney cases for which comparative and reliable visitor statistics are available after the introduction of entry fees in late 1991 and early 1992.

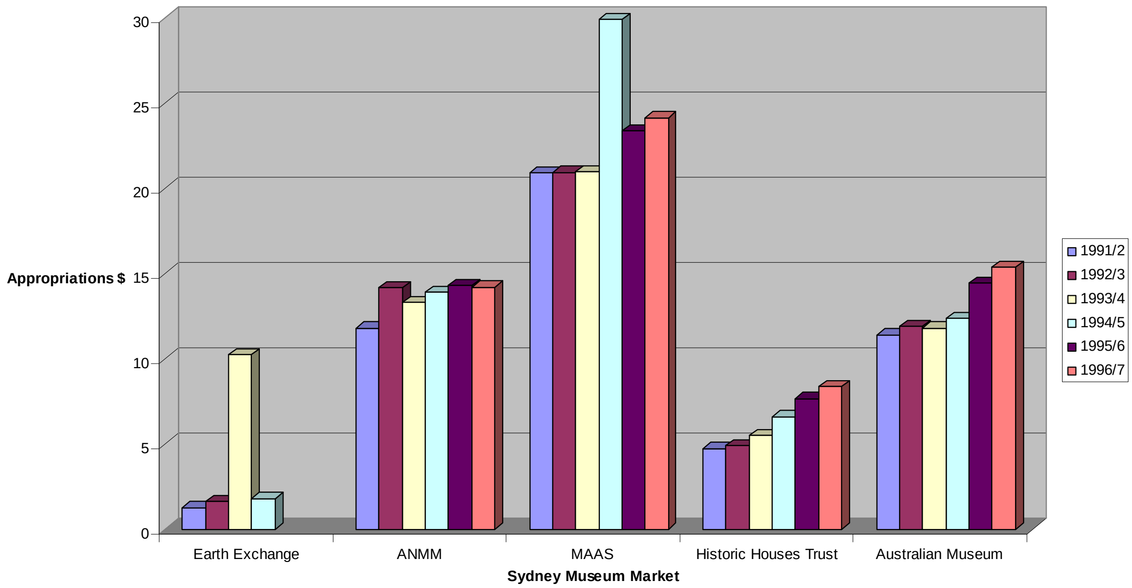
Figure 18: Sydney market share 1991-1997



In 1991/2 when the ANMM came on stream it captured 13% of the market. The Earth Exchange captured 11% of the market while the Mint captured 4%. The height of the ANMM's market share was in 1994/5 at 24% and by 1996/7 this had reached a plateau of 20%. The Earth Exchange market share continued to drop over this period capturing only 5% in 1994/5 a year before closure. The Mint's second incarnation as a gold and coinage museum from 1995-7 captured only 2% of this market.

Like the Canberra time set, visitor figures do not necessarily have a flow-on effect to government investment.

Figure 19: Government appropriations 1991-1997[20]



While appropriation for the ANMM emanates from Canberra, the Sydney museums supported by the state government saw an increase in government appropriations despite losing market share. This is particularly so for the Powerhouse Museum whose market share decreased from 41% in 1993/4 to 32% in 1995/6. Its appropriations from government over the same period increased by 30% from a $21m base in 1993/4. The Australian Museum's market share remained steady at around 20% but its appropriation increased by 21% from a base of $11.79m in 1993/4.

However, the HHT did capture additional market share over this same period and did experience increased government appropriations. Its market share went from 13% in 1993/4 to 20% in 1995/6, with increased government revenue of 45% in 1995/6 from a base of $5.5m in 1993/4. However, it should be born in mind that HHT expanded its property portfolio over this same period from eight to ten, including the Museum of

[20] The figures are taken from annual reports for each institution over the period 1991-1997. They are operational appropriations and do not include any additional appropriations for capital building programs.

Sydney and Government House (Historic Houses Trust 1993; Historic Houses Trust 1994; Historic Houses Trust 1995; Historic Houses Trust 1996).

Summary

Both the Canberra and Sydney time sets in these museum case studies indicate that the crucial factor for surviving museums in relation to market share is stability rather than increased visitation.

Growth was not necessarily associated with reward for increased market share. In other words, there appeared to be no consistent relationship between increased market share and increased government appropriations for either new entrants or established museums. What does appear to be happening in terms of new entrants and growth, and hence limiting the liability of newness, is a propensity for the state to allow the new entrant museum to take risks under certain conditions or to reward early re-alignment through a temporary spike in government investment. In the case of the ANMM this took the form of conditional risk with a $19m loan for further capital build. In the case of the NMA the reward for early re-alignment was associated with increased investment into collection building in accordance with value capture adjustment.

These two elements are thrown into relief when the successful museums are compared with the unsuccessful Earth Exchange which was associated both with risk and with a spike in government appropriations. However, this risk taking was part of the conditions for new entry rather than a post new entry indicator of limiting the liability of newness. The spike in government investment for the Earth Exchange was not so much a marker of limiting the liability of newness but rather a buy-out by the state government in preparation for the closure of the operation.

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