



Balancing Mission and Margin with a Building in Mind

Catherine Wilson Horne, EdVenture Children's Museum

Since opening in 2003, EdVenture has balanced two key strategic priorities—*keep it fresh* and *impact the community*—while growing the budget by 150 percent. Critical to this success has been an evolving building/site plan that marries interior museum space and a riverfront park to deliver a dynamic visitor experience. Construction is now underway for a 10,000-square-foot Terrace Building addition, devoted to programmatic and event space. During the most recent planning process, the museum has examined all earned income streams and the overall building program plan—from price points to event options, from classroom locations to food service options—to ensure that EdVenture can thrive financially and continue to deliver its mission of “inspiring children to experience the joy of learning.”

EdVenture occupies a highly visible location on the bank of the Congaree River that flows through downtown Columbia. Sitting on one of four major arteries leading people in and out of the downtown business and entertainment districts, the museum shares a campus with two other museums, the South Carolina State Museum and the South Carolina Confederate Museum. The EdVenture building is owned by the city. The Terrace Addition was included in the earliest site design in 1997, however, at the time, EdVenture was only seen as the addition's neighbor, not its tenant.

The original addition program plan called for a series of small independently leased cafés to be located adjacent to the lower level of EdVenture, facing the riverfront park and built at the same time as the terrace. The financial feasibility of the café plan proved to be unsuccessful so the city moved to “plan B,” which was to create a space for outdoor food vendors to store carts and to provide a meeting facility and restrooms. Snagged by a series of design and political delays, the project finally appeared poised to move from design to construction in 2008.

During this five-year period (2003-2008), EdVenture continued conversations with city officials about their addition plans.

The opportunity to expand the museum into the new addition was particularly important in that it would allow EdVenture to better fulfill its key strategic priority—*impact the community*. The addition would offer more space for events, storage and offices and would feature a 12,000-square-foot terrace adjacent to the museum's first floor that could be used for outdoor educational and special events.

Our strategy was simple: demonstrate to the city that in order to meet community needs, the museum could make the best use of the new interior addition space while the city was ideally suited to manage the site's terrace and park.

During 2007 and 2008, EdVenture undertook two key planning projects designed to validate the museum's need for more space. First, restaurant consultants Manask & Associates evaluated the museum's current food service and identified food-related opportunities where mission and margin intersected. Their results proved to the city that a museum-run café offering family fare and event catering to a built-in audience could be financially successful. Their design solution: relocate the proposed café from the building addition's lower level to the first floor to include outdoor dining on the terrace.

Next, with its second key strategic priority—*keep it fresh*—in mind, EdVenture began the Next Generation Master Plan project with the support of Argyle Design and museum consultant Jeanne Vergeront to think about how all of the existing educational spaces and exhibits would be used if the Terrace Building addition was built.

The city put the project out for bid and began construction in late 2009—at which time EdVenture was finally able to convince city officials to allow the museum to devel-

op and manage programs and events in the new addition.

One of the most important lessons learned through this lengthy process was how important it was for the museum to demonstrate its effectiveness and experience in the operational, marketing and planning aspects of earned revenue strategies and activities. Developing this capacity did not happen overnight; it was part of the EdVenture culture from the beginning.

Building a Building with a Strong Foundation...for Earned Revenue

As American architect Louis Sullivan, stated, “Form follows function.” Before designing any new building, the client has to know they want to do with it and communicate that information in great detail to the architect. When EdVenture engaged Haizlip Studio as its architect/exhibit designer in 1997, the process began with a comprehensive program plan, developed by museum staff and the board building committee and based on the Haizlip-developed exhibit concept plan and the facility needs assessment. From the beginning, the EdVenture facility was designed to provide the physical resources necessary to offer camps, birthday parties, day and evening rentals, overnights and much more. Revenues from these programs and events were estimated to provide 20-25 percent of the proposed operating budgets on a five-year business plan. EdVenture's goal was to develop a budget that was balanced between earned revenue (admissions and program revenue) and contributed support (donors and local government support).

This balance between revenue and support has been a critical factor in EdVenture's growth. In the first several years, the museum's newness resulted in strong earned revenue in admissions and program fees—60 percent of the operating budget revenue. Meanwhile the museum developed relationships with donors and local governments to support its mission-rich programs and services such as early childhood outreach, discount admission family nights and youth

development and volunteer programs. As contributed support matched earned revenue, EdVenture was able to expand strategies and programs to meet community needs.

Underlying EdVenture's financial growth has been a disciplined adherence to strategy, opportunity and evaluation. The museum faced many challenges common to new museums, including:

- campaign donors who did not want to support operations;
- competition from local museums that included programming for children;
- lack of a track record for programmatic impact;
- construction delays that consumed cash reserves; and
- capital debt not fully covered by campaign pledges.

Despite these challenges, EdVenture focused on implementing strategy, pursuing opportunities and evaluating progress.

The museum's focus on strategy has been guided by a theory put forth in a 2009 book, *Trade Off: Why Some Things Catch On and Others Don't*, by Kevin Maney: "high fidelity" (or quality) versus "high convenience." Maney's premise is that in creating new products, one can strive for either quality or convenience, but not both. People have been conditioned to believe that they are only successful when they have made things the very best they can be. But Maney believes that strategic thinking leads to hard choices. Museum staff is committed to making the visitor experience "high fidelity." Visitors choose to come to the museum instead of other destinations—we need to make their visit extraordinary. Most days we succeed.

On the other hand, programs can be tailored to specific audience wants/needs. For example, aspiring to "high fidelity" in all things, EdVenture had been offering full-service birthday parties. The museum provided everything from a custom Ben & Jerry's ice cream cake to favors, to paper products and invitations for a cost. The museum also included a charge for every parent. There were typically five phone calls between staff and parents just to plan the party. As birthday party revenue flattened out in late 2008, staff realized that birthday parties are primarily a convenience for parents and needed to be priced accordingly. Parties were repackaged and repriced. The museum no longer provided birthday cakes, all adults were welcome free of charge and it only took one phone call between parent and staff! The price dropped too and the volume of birthday parties doubled, then tripled.

Parties are still fun, but are more focused on guests enjoying the museum experience and less on the amenities.

Opportunity, defined at EdVenture as meeting community needs, has also been key in the museum's revenue/support growth. In 2004, the museum was asked by one of Columbia's public school districts to develop afterschool programs for elementary students, an opportunity for EdVenture to create programming during a time of the day when the museum was quiet. Club EdVenture, a weekday afterschool program, began in August 2004 and now serves more than 200 children daily. Fee-based programs have evolved into contracts with school districts and a number of grant-funded enrichment programs. Revenue from these programs exceeds \$300,000 annually.

Programmatic success is not possible without evaluation. EdVenture's growth was built out of the desire to meet community needs and acknowledge financial necessity: the best possible blend of mission (meet the needs) and margin (cash flow, debt retirement and financial security). In 2005, using the Mission/Margin Matrix (see example below), a tool developed and refined by Wit Ostrenko and the late Roy Shafer, the museum began an annual review to evaluate the mission (quality and impact of a program/revenue area) and the margin (profit after expenses, including personnel) of each revenue area of the budget.

It takes a lot of courage to allow colleagues to evaluate programs but not in a culture that rewards risk and encourages reflection, honest evaluation and innovation. EdVenture staff have found the Mission/Margin Matrix tool helps neutralize emotional ownership—both good and bad—of programs and services. Net revenue provides a conversational starting point, then the focus shifts to quality/impact of the program/service. The majority of the discussion is spent on how to improve the mission and the margin, not the score. Typically evaluating ten to twelve budget areas through this proactive team approach, staff is looking for programs with growth potential, either because the space can accommodate more of a good thing or because the experience itself is so compelling that the mission must have it.

The New Reality: Recalculating

While the three priorities of strategy, opportunity and evaluation guide the decision process, at the core of each program decision is the use of the museum facility. The 10,000-square-foot Terrace Building addition will not dramatically increase operational costs (only about 3 percent), but it will offer enormous opportunity for expansion among the audiences we want to serve. The new space will accommodate programs for children and adults, including professional development events for educators, an area of EdVenture's earned income that has grown dramatically.

But just as planning for this new space took shape, the economy slid into recession; plans for a related capital campaign for new exhibits, timed to coincide with the building construction, quickly were put on hold. Board and staff have spent the last year developing an alternative strategy for creating new opportunities during tough financial times. Annual giving took a direct hit (a smaller number of annual donors), but many revenue areas (admissions, educational programs, birthday parties, camps, etc.) increased over the previous year and are up by 10 percent in 2009/2010. The museum store, café sales and facility rentals were down in 2008, but have rebounded this year. In most instances, the revenue increases are a result of repackaging a product or increasing prices, such as admissions (all without negative reactions from visitors). The team believed that if earned revenue areas of the budget could be strengthened in an economically down time, when the economy improved and charitable giving increased, the operating budget could increase by 20–

MISSION/MARGIN MATRIX

3	4
1	2

Place everything you do into one of the four quadrants: 1) low mission/low margin; 2) high mission/low margin; 3) high margin/low mission; and 4) high mission/high margin. Stop doing the 1s. Identify which 2s and 3s could be 4s and add the most value. Then develop a plan to move them. Take the rest of the 2s and 3s and put them out in the Parking Lot until you have a better idea about how to make them 4s. It's often easier to say "Not now" than "No." Maximize and grow the 4s! A simple, but not easy, way of moving toward sustainable success.

—Roy Shafer, former CEO, COSI

This matrix was developed from a market research design used at Burger King, Busch Gardens and Universal Studios and introduced to museums by Wit Ostrenko, CEO of MOSI, Tampa, Florida.

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25 percent, supporting a further expansion of mission through programs and services.

Putting Vision into Action

With the building addition underway, staff and board continued discussions about how to capitalize on the momentum that accompanies a major construction and/or renovation. In 2009, the museum implemented a small portion of its Next Generation Master Plan: an outdoor exhibit pavilion for a live butterfly experience. After that exhibit closed for the cold weather months, construction began on the Terrace Building addition. Later this year, the city will begin construction on its adjoining waterfront park and amphitheater. The total investment by the city in these projects exceeds \$10 million.


It was tempting to consider increasing exhibit space in the building addition, but the habit of disciplined planning refocused our strategic thinking to the operational aspects of the building's function. Research showed that an additional 10,000 square feet of exhibits would not automatically increase the number of visitors. In addition, there were structural limitations such as a lower ceiling height, not ideal for exhibit galleries.

Instead, EdVenture explored the addition's strategic and operational opportunities, the first one being the location, an exclusive waterfront façade ideal for museum activities of all kinds. With a growing program of professional development for teachers and overnights for groups, EdVenture needed dedicated space away from the main exhibit galleries and visitor noise. The second opportunity was the terrace, technically the roof of the building addition, but business planning showed a high demand for this space for events. The terrace also offers EdVenture an exciting outdoor space for educational programs nearly year-round. The relocated EdVenture café, now in a large meeting room adjacent to the museum's kitchen, will open onto the terrace for outdoor dining.

Current business plans show that, conservatively, facility rental revenue should double to nearly \$150,000 annually without compromising EdVenture's own use of the space for educational programming. In addition, food service revenue is expected to increase by 400 percent because of the improved location, expanded menu and increased visibility.

Throughout the planning process, EdVenture remained committed to making its core visitor experiences—exhibits, program laboratories, food sales, store—highly accessible and visible. However, classrooms, group program spaces, even birthday party rooms can be located in building areas somewhat removed from the main spaces as these activities are always staff-led or facilitated.

The impending completion of the addition serves as a catalyst to the implementation of other capital improvements through a three-phased approach to invest in the quality of EdVenture. The next phase of exhibit additions, scheduled for 2011, will include a renovation of 20 percent of the exhibit galleries, the addition of two new laboratories and a classroom and a performance/program space for large groups—all within the current museum footprint.

Planning the building addition has provided valuable lessons that can be applied to other projects in other locations. By maintaining a good relationship with elected and city officials EdVenture soon will have full access to a \$10 million dollar Building Terrace addition and park. But this was not accomplished by politics alone. Museum staff, board and consulting partners worked to develop a rich museum experience compelling enough to draw audiences and meet a wide array of community needs. Planning has been ongoing and strategic. Staff has been creative, thoughtful and committed to using effective tools to help them take a hard look at revenue-producing programs—how do we make the best use of our building facilities and our resources to meet community needs and remain financially strong? By demonstrating resourcefulness and accountability, EdVenture positioned itself to become a strong partner with the city in meeting the needs of its citizens and becoming a powerful economic development and educational resource for the region. This partnership allows EdVenture to grow its capacity to infuse informal learning with community engagement opportunities—all designed to make the museum an even more essential community institution. 

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