

**BUSINESS MODELS FOR THE 21<sup>ST</sup> CENTURY**  
**Overview of ASTC 2004 Presentation**

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I intend to begin my presentation by providing an overview of what, actually, is a business model, followed by a focus on one aspect of that model, business strategies. The following is excerpted from my forthcoming book on new business models for museums (AltaMira Press).

Business Models

Business Model is a term that emerged rather recently in the business vernacular and is sometimes disparaged because it has often been used in a fast and loose manner. But when defined and used properly, it is a term that can provide valuable insights. Whereas business strategy is primarily about the overall positioning of a business within the business ecosystem, the term "business model" also includes key structural and operational characteristics of a business. In other words, when used properly, "business model" is a broader description of a business than just its strategy. Non-profits like science centers have business models just as certainly as do for-profits; it's just that they are not always aware of it. And just as in the for-profit world, poor non-profit business models spell troubles for the organization.

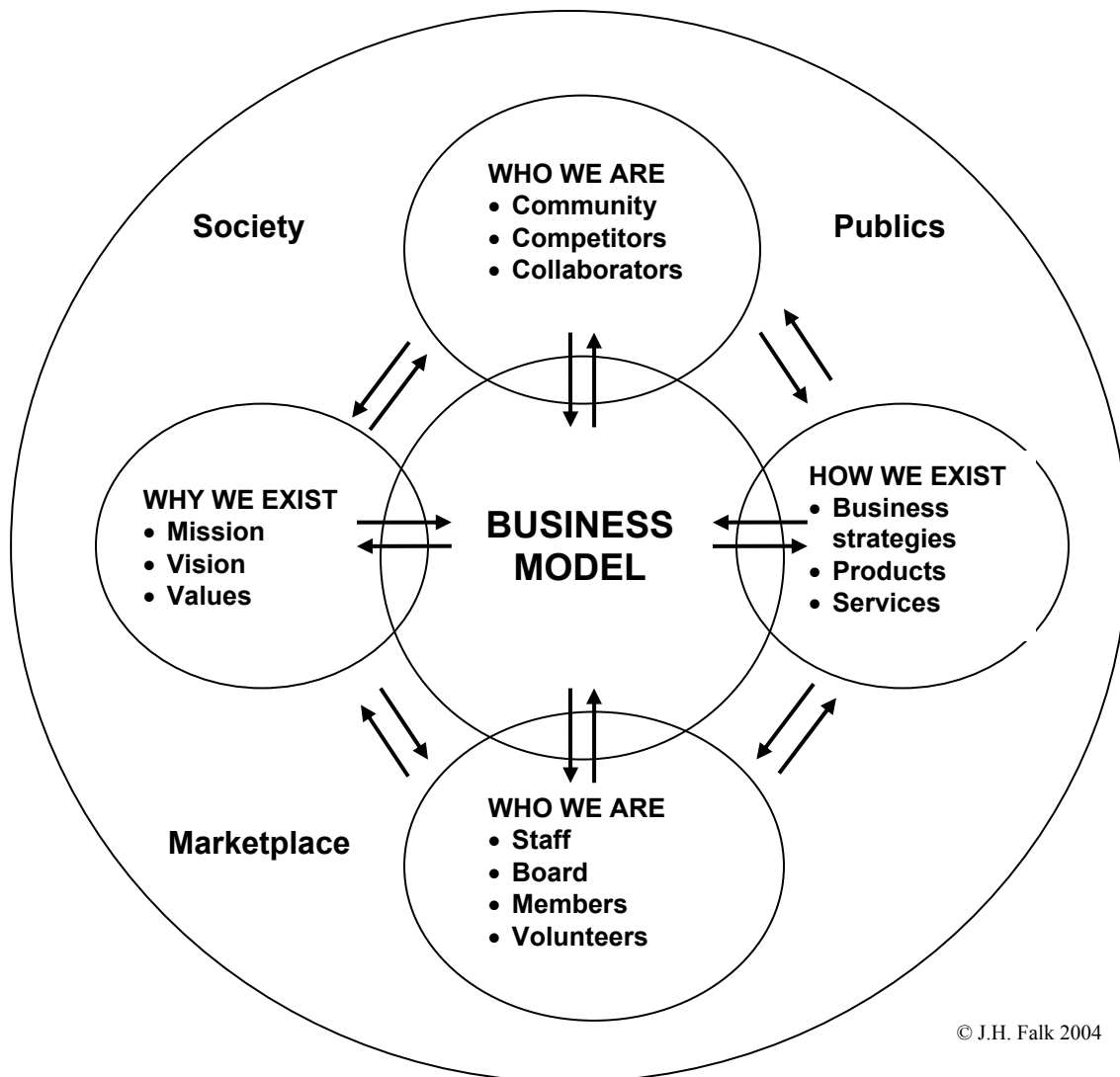
In brief, a business model is a description of the operations of a business including the purpose of the business, components of the business, the functions of the business, and the revenues and expenses that the business generates. A business model is the mechanism by which a business intends to manage its costs and generate its outcomes – in the case of for-profits, revenues and in the case of non-profits, public good. It is a summary of how an organization plans to serve the needs of its customers. It involves both strategy and implementation.

A business model must accommodate and understand the confluence of five realities, the reality of what: 1) The business wishes to do, its mission and vision; 2) The human resources it brings to the task, it's staff, board and supporters; 3) The community in which it functions, its competitors and collaborators; 4) The products, services and business strategies developed for achieving what it wishes to do; and equally important, 5) The ecosystem of the marketplace, publics and society in which the organization operates, both the ever evolving marketplace of the business world and the changing values, needs and desires of the people in the larger society within which it operates. This relationship is shown graphically in Figure 1. Within the context of these five realities, a business models prescribes how the organization will operate; what its products and services will be, the relationships it will create both inside and outside of the organization, and finally what its measures of success and failure will be.

As presented last year, I believe that the prevailing business model of science centers is out of step with the times; it is fundamentally a model of the Industrial Age rather than one of the Knowledge Age. Last year I focused on talking about some of major changes occurring in the larger ecosystem in which science centers operate; changes in the ways consumers approach

their relationship with producers of goods and services, changes in the needs and concerns of people and changes in the expectations of society for the institutions they support. Collectively these changes require us to adopt a new model, what I'm calling the Personalized Transaction Model. Collectively, all of these larger societal changes have had, and need to have a dramatic impact on our missions and visions, our relationships to our competitors and collaborators, on our interactions with staff and boards and of course on our business strategies and the products and services we provide the public. I do not have time to discuss all of these in my brief time. So I'm going to focus on just one of these, one aspect that I think brings some original thinking to this discussion. I'm going to focus on business strategies.

Figure 1. Visualizing the nature of business models.



Business Strategies

The approach to business strategies I’m going to advocate derives from two sources. The first is my years of talking to visitors and trying to understand why they visit places like science centers and what benefits and satisfactions they derive from that experience. The second source comes from the research and writings of two business consultants Fred Crawford and Ryan Mathews. Crawford and Mathews have tried to understand how the best for-profit businesses have successfully accommodated to the changing nature of consumption in America. Their conclusion is that they did this by focusing their business strategies on trying to be best in only a limited number of areas. They found that trying to be the best in all areas was problematic for two reasons. The first reason was because it was difficult. Second, and more importantly, trying to be best at everything is a recipe for losing money.

Figure 2. What the public is really saying they want from your science center.

<i>Level/Attribute</i>	<i>Access</i>	<i>Service</i>	<i>Price</i>	<i>Product</i>	<i>Experience</i>
Dominate	<b>Always there whenever and were ever I need you</b>	<b>Anticipate my needs because you know who I am</b>	<b>This is me, so price is not an issue – it’s all value</b>	<b>World Class, can’t see/do these things anywhere else, ever</b>	<b>Individualized, finely tuned to my personal needs and interests</b>
Distinguished	<b>Easy to access and easy to use</b>	<b>Helpful and personable – really listen to me</b>	<b>Costs are very fair and consistent</b>	<b>Best in the region, truly great</b>	<b>Opportunities for customized exploration, memorable</b>
Acceptable	<b>Convenient with minimum of hassles</b>	<b>Respectful and courteous, responsive when asked</b>	<b>Honest and comparable to other similar experiences</b>	<b>Experiences are good, credible quality and interesting</b>	<b>Can easily find things of personal relevance, fun &amp; enjoyable</b>
Unacceptable	<b>My time and convenience is not your concern</b>	<b>Rude, disrespectful and/or distrustful of me</b>	<b>Not a good value, pricing seems arbitrary, unclear and misleading</b>	<b>Shoddy quality, things broken, old, boring or just plain bad</b>	<b>Can’t see myself in this place, not sure why I came, totally forgettable</b>

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Crawford and Mathews argue that there are five major aspects of a business – access, service, price, product and experience – and that great businesses strive to dominate in one of these five areas, to be distinguished in a second area, and to be at industry standards of acceptable in the other three. To do more, in their words, “leaves money on the table.” Equally important, to do less, to be below industry levels of acceptable in any of these areas, is also a recipe for

bankruptcy, as you will be eaten up by the competition. I believe that this is a lesson that non-profits too need to heed. It is not that we want to maximize our profits, but it is that we want to maximize the revenues we receive.

Now most non-profits want to be excellent at everything. And if money is not an issue, if your organization has unlimited financial resources, then go for it! But if finances are an issue, than I believe this approach deserves close attention. Figure 2 below, adapted from Crawford and Mathews, can provide a useful guide to thinking about the business strategies of science centers. I will provide a few examples of how this framework could be used to develop a successful business strategy.

I will conclude my presentation by going back to the first figure and reminding people that a good business model requires integration and understanding of all 5 of these factors or realities, not just business strategies.