



Efficiency and Effectiveness of Government-sponsored Museums and Galleries

Measurement and Improvement

Consolidated Report

September 1999

DCMS Review of the Efficiency and Effectiveness of the Government-sponsored Museums and Galleries

Final Consolidated Report

27 August 1999

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Foreword

We are committed to the delivery of quality and excellence in what we do as a Department and in the services provided by sponsored bodies, to greater accountability and to the achievement of best value.

Quality and excellence demand efficient and effective delivery and high and consistent standards of performance. To achieve this we need an agreed basis against which to measure performance, to define what we are measuring and how we measure it and models of good practice to help deliver measurable improvements.

The review of the efficiency and effectiveness of Government-sponsored museums and galleries, announced in our 1999 Annual Report, and published today, is the result of a collaborative effort with representatives of the National Museum Directors Conference from England, Scotland, Wales and Northern Ireland and I am indebted to them for their contribution to this work.

The review provides a business model to help analysis of performance management, and for the first time, an agreed set of standard performance indicators against which Government can measure the progress of sponsored museums and galleries towards the achievement of Government objectives. It provides a further set of over 300 indicators from which museums and galleries can select to assess their individual performance.

The review also provides eight studies of excellence containing over 100 recommendations to raise standards in the delivery of education, human resources management, the application of information technology, the collection of visitor information, the storage of collections, facilities management, resource planning management and the application of the Private Finance Initiative.

The outcome of the review is of relevance not only to the Government-sponsored museums and galleries but to the wider museums and galleries sector. It will underpin the continuing search for improvements in efficiency and effectiveness and I will be looking to collaboration between my Department and the National Museum Directors Conference as well as to the newly established Quality, Efficiency and Standards Team (QUEST) to build on the review in taking forward its work.

Chris Smith

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Section 1: Executive Summary

The Review of the Efficiency and Effectiveness of the National Museums and Galleries (NMG) was commissioned by DCMS in collaboration with the National Museums Directors Conference to develop a mechanism for raising standards of efficiency and quality in the sector and to identify examples of good practice. These objectives fit with ongoing Government initiatives seeking greater accountability and proof of “Best Value” from public services. These require funded bodies to demonstrate what they achieve with the money they receive.

Working to this brief Deloitte & Touche/LORD have successfully developed the following outputs:

- a Business Model which analyses the activities of the NMG;
- a long-list of Performance Indicators (PI's) for each activity;
- an agreed short-list of Performance Indicators to act as the foundation for a performance management regime;
- eight Excellence Studies focusing on examples of excellence and innovation in selected areas of activity.

All of these outputs have been developed in close conjunction with all the NMG and have been agreed by a Working Group comprising representatives from DCMS, Treasury and NMG.

The key recommendations and findings from the study are as follows:

- sponsors should use the agreed PI's to collect information on outputs and outcomes. Through this they can demonstrate how the NMG are contributing to the achievement of government objectives;
- sponsors should use the agreed PI's to assist with their evaluation of the efficiency and effectiveness of the NMG. This will provide an incentive for NMG to consider where and how to reduce unit costs;
- the PI's on the short-list are high-level (for example net operating costs per visitor) rather than unit costs (eg output of research per researcher). The reasons for this are as follows:
 - many outputs and outcomes are hard to measure (in particular in terms that do justice to quality);
 - many activities contribute to different outputs and outcomes, and input costs are hard to calculate;
 - comparable unit costs are hard to derive as NMG record expenditure in different ways and the nature of activities, and the emphasis placed upon them, can vary significantly between museums. These differences are consistent with the status of each NMG as an autonomous and unique institution;

- the NMG should use the long-list of PI's as a mine of suggestions to inform the development of internal management regimes. These should include greater use of measures of unit costs. Individual NMG should consider whether the Business Model is the best starting point for an activity-based analysis of costs. Greater use of such information should, in future, facilitate the gathering and interpretation of benchmarking information. This is done, for example, by the Association of Art Museum Directors in North America;
- the NMG and funders should consider the applicability of all the findings and recommendations from each of the Excellence Studies. There are included in this report and over 100 key recommendations and findings are listed in Appendix B. The greatest scope for improving efficiency and effectiveness lie in the following areas:
 - gaining a greater cross-functional understanding of the costs of activities and projects. This would provide management with the opportunity to make well-informed decisions in relation to the business cases for the following:
 - internal charging (eg. for craft staff);
 - external charging (eg. for making loans);
 - process re-design (eg. for financial processing);
 - outsourcing (eg including sensitive areas such as cleaning and security);
 - cost reduction programmes (eg unit costs for display).

(Resource Planning Management and Facilities Management Excellence Studies);

- developing a stronger culture of ongoing visitor evaluation within NMG. This should be enabled by a centrally supported and funded strategy for surveys of the visiting and non-visiting public which covers the standards, collection, use and distribution of data (Visitor Information Excellence Study);
- recognising that a commitment to broadening intellectual and social access needs to be supported by increased investment in educational programmes and evaluation (Education Excellence Study);
- reviewing financial procedures relating to investment appraisal and introducing more rigorous financial analysis of investment decisions. This will represent a culture change in some NMG but it is important that no investments should be embarked on without thought being given to their value for money and ongoing revenue consequences (Resource Planning Management Excellence Study);
- considering the relevance of customer focused Service Level Agreements to achieving best-practice in the delivery of Facilities Management services – whether these are out-sourced or not (Facilities Management Excellence Study);
- investigating options for more efficient storage through sharing facilities (Collection Storage Excellence Study);
- revisiting the business case for the use of interactive air-conditioning in the light of recent research (Collection Storage Excellence Study);

- using either or both of the UK Quality Award for Business Excellence or the Investors in People standard as a framework to assess current practices and develop a plan to meet future needs (Human Resource Excellence Study).
- there are important similarities between the NMG that, on occasion, make it cost efficient for sponsors to play a more proactive role in supporting common initiatives. One example of the type of initiative recommended is the development of a national strategy for surveying the visiting and non visiting public. Other examples include:
 - co-ordinating the dissemination of lessons learned in relation to the use of all types of Public-Private-Partnerships (Public-Private-Partnerships Excellence Study);
 - achieving economies of scale in the deployment of IT by co-operating to exploit the radical opportunities for NMG to provide new services to users. NMG should try to exploit the wealth of information within the sector and the abundance of specific skills associated with interpretation and display. However this is made difficult by the small size of individual NMG and the constraint this imposes on realising opportunities in what will rapidly become a competitive global information market. The contrast between the services offered by NMG in this country and the web-site of the Smithsonian Institute in the USA shows the scale of this unrealised potential (IT Excellence Study).

The process that the consultants engaged in to produce the above recommendations was deliberately ambitious both in terms of the extent, and depth, of debate, and the scale of consultation. There were two main streams of work:

- The development of the Business Model, with associated PI's, proceeded as follows:
 - a review of previous attempts to identify PI's for the sector and interviews with representatives from NMG;
 - testing the model and PI's through interviews, consultation, seminars, an expenditure survey and against key criteria;
 - detailed discussions with DCMS and the Working Group;
- In parallel to this work on the Business Model the consultants also managed the development of the Excellence Studies. The process of developing these studies was as follows:
 - agreeing terms of reference with a nominee from the Review's Working Group;
 - a period of research involving interviews to identify examples of good practice from within and outside the sector;
 - consultation with all 27 NMG and a seminar to discuss each Study.

The consultation involved in the two pieces of work was extensive and included:

- more than 100 interviews with managers from most of the NMG;
- 13 seminars with 125 participants;

- 5 meetings with the Working Group;
- 4 full rounds of written consultation with all 27 NMG.

As well as enabling the consultants to have written responses from all the NMG and to hear, first hand, the views of over 225 museum professionals there have been a number of other significant benefits from this consultative approach. In particular:

- it helped to establish a valuable and challenging dialogue between Treasury, DCMS and the NMG on the nature of measuring efficiency and effectiveness in a context where activities cut across functions and where measuring outputs and outcomes is difficult;
- it engaged the NMG in a process of debate and dialogue which has enabled them to articulate the similarities and differences between themselves, to share ideas, to make contacts and to contribute to the development of recommendations about how practice should be improved;
- it showed that all NMG have much to gain from more dialogue and collaboration. Although some NMG compete for visitors they undoubtedly have scope to increase their efficiency and quality of product through greater co-operation and information sharing.

To realise all the benefits of this study it is essential for the parties involved to retain the momentum triggered by the Review. The most important next steps for Sponsors are:

- pilot-testing the short-list of PI's so there is no ambiguity about what is measured, how it is to be measured and how it should be interpreted;
- disseminating the results of this Review;
- continuing standard setting.

The most important next step for each NMG and the Conference of Directors is to decide how to maximise the value it can draw from the Business Model and Excellence Studies. It is suggested that the Model is taken as the starting point for a project to develop performance management in each NMG and that one person is given responsibility for preparing a position statement on each Excellence Study.

Section 2: Introduction to the Review

2.1 Introduction

Deloitte & Touche with LORD Cultural Resources and Planning have been commissioned by the Department of Culture, Media and Sport (DCMS), working in collaboration with the National Museums and Galleries (NMG) through the National Museums Directors Conference, to develop a framework for improved performance management. This work has involved the development of a generic business model for the NMG to explore questions around how best to measure efficiency and effectiveness. In addition to providing a framework for improved performance management the consultants were also asked to examine examples of excellence, in relation to particular activities, from across the sector.

While the terms of reference, drawn up by the Working Group, provided the detailed requirements of the study, the Comprehensive Spending Review and the DCMS paper, “A New Cultural Framework”, provided the broader context. The latter outlines the Department’s aspiration that the NMG focus on access, education and excellence. In addition countering social exclusion and achieving value for money are key government objectives to which all the Nationals are expected to contribute. In all these areas the Nationals are expected to enhance their performance and seek increased private sector support.

It is important to point out that this study has not set out to evaluate the efficiency or effectiveness of individual NMG or of the Government sponsored Museums as a whole. Neither has it set out to identify or benchmark unit costs, or other aspects of performance, between different NMG.

The following table shows the key objectives of the study and corresponding primary outputs:

Objectives	Primary Outputs
To address some of the difficulties the sponsoring bodies have in evaluating outputs and performance by identifying indicators relating to both efficiency and effectiveness. These terms were defined as follows:	<ul style="list-style-type: none"> • A business model which includes all the activities which take place within the NMG. For each activity inputs, outputs and intended outcomes have been identified. From this analysis a "long-list" of performance indicators has been developed which the consultants hope will be used, selectively, by the NMG to monitor performance.
<ul style="list-style-type: none"> • efficiency is the relationship between the inputs into activities and the direct outputs from those activities; 	<ul style="list-style-type: none"> • From the long-list of performance indicators (PI's) the consultants have developed, in consultation with DCMS and the NMG, a short-list of indicators. This will be maintained by the Department to provide evidence of how it is meeting its objectives and will contribute to the monitoring of aspects of the performance of the Nationals.
<ul style="list-style-type: none"> • effectiveness is the relationship between efficiency and outcomes. Outcomes are the ultimate impact of activities and are intended to relate to aims and objectives. 	<ul style="list-style-type: none"> • The consultants have also conducted a survey of the NMG asking them to estimate how much expenditure is incurred on the different activities within the Business Model. The consultants present the high level findings of this work with the Business Model.
To identify examples of Excellence, in relation to particular functions or processes, and to consider what works well within all, or some, of the institutions within the scope of the study.	<ul style="list-style-type: none"> • Eight Excellence Studies highlighting examples of excellent or innovative practice sourced from the NMG within the remit of the study, from elsewhere in the sector (in this country or overseas), and from other relevant sectors. These Studies cover the following activities: <ul style="list-style-type: none"> – Resource Planning Management; – Public-Private Partnerships; – IT; – Human Resources; – Facilities Management; – Visitor Information; – Collection Storage; – Education. <p>Recommendations, or advice, about next steps are included in each study and for ease of reference these are drawn together in a single digest.</p>

This report constitutes the final, secondary, output from this Review. All the primary outputs have been issued as separate documents. This report consolidates the findings of the study as a whole and identifies the next steps for each of the interested parties. The main report is therefore structured as follows:

- Section 1 contains the Executive Summary for the Review;
- Section 2 provides an introduction for the Review;
- Section 3 considers the issues relating to measuring performance in the museum sector;
- Section 4 considers how the Business Model, and the lists of performance indicators, should be used by the Nationals and the Sponsoring/Monitoring Bodies;

- Section 5 considers how the Excellence Studies should be used by the Nationals and the Sponsoring/Monitoring bodies;
- Section 6 recommends next steps for the Nationals and the Sponsoring/Monitoring bodies
- Sections 7 and 8 contain the final versions of the Business Model and the Excellence Studies;
- Section 9 contains a digest of recommendations and key findings from the Excellence Studies.

The role and remit of other bodies such as QUEST and MLAC, within the regulatory process, will need to be clarified, once they have been fully established.

2.2 Scope and Approach

The remit of this study included all the DCMS funded museums and galleries and also those funded by the Ministry of Defence, the Scottish Office, the Welsh Office and the Northern Ireland Office. This represented 27 institutions operating across a total of 67 sites. Total Government funding to these 27 in 1997-98 totalled £256m.

The consultants visited most of the Nationals participating in the study and have consulted, on four occasions, with all of them. Throughout the project the consultants received a very positive response to their varied requests, whether these were requests for interviews, to complete questionnaires, for comments on draft documents or for participants to attend and contribute to workshops and seminars. The Department and the consultants wish to thank the National Museums Directors' Conference, the hundreds of museum staff, and also the considerable number of individuals and organisations from outside the sector, who have contributed to this review.

The consultants have followed their planned approach to this study as set out in their Project Initiation Document. This document included the Business Case for the project, the Project Plan and details of all the deliverables. This was agreed by a Working Group set up by DCMS and including representatives from the Department, Treasury and six of the Nationals included in the study. The only departure from the remit is that the consultants have not been able to develop separate recommendations for QUEST. This change was approved by DCMS as the establishment of QUEST has taken longer than anticipated. Consequently, the consultants have made generic recommendations for sponsors and other agencies rather than being specific about who should do what. Clearly, to operate effectively, and to impose as light a burden as possible on the NMG, it is essential that the roles and responsibilities of DCMS, QUEST (and MLAC) are clearly defined as soon as possible and that, as far as possible, they make shared use of common Performance Indicators (PI's).

Overleaf is an outline of the approach to the development of the Business Model and the short-list of PI's (see Section 4 to Appendix A) and the Excellence Studies:

Figure 1: Approach to Developing the Business Model and PI's

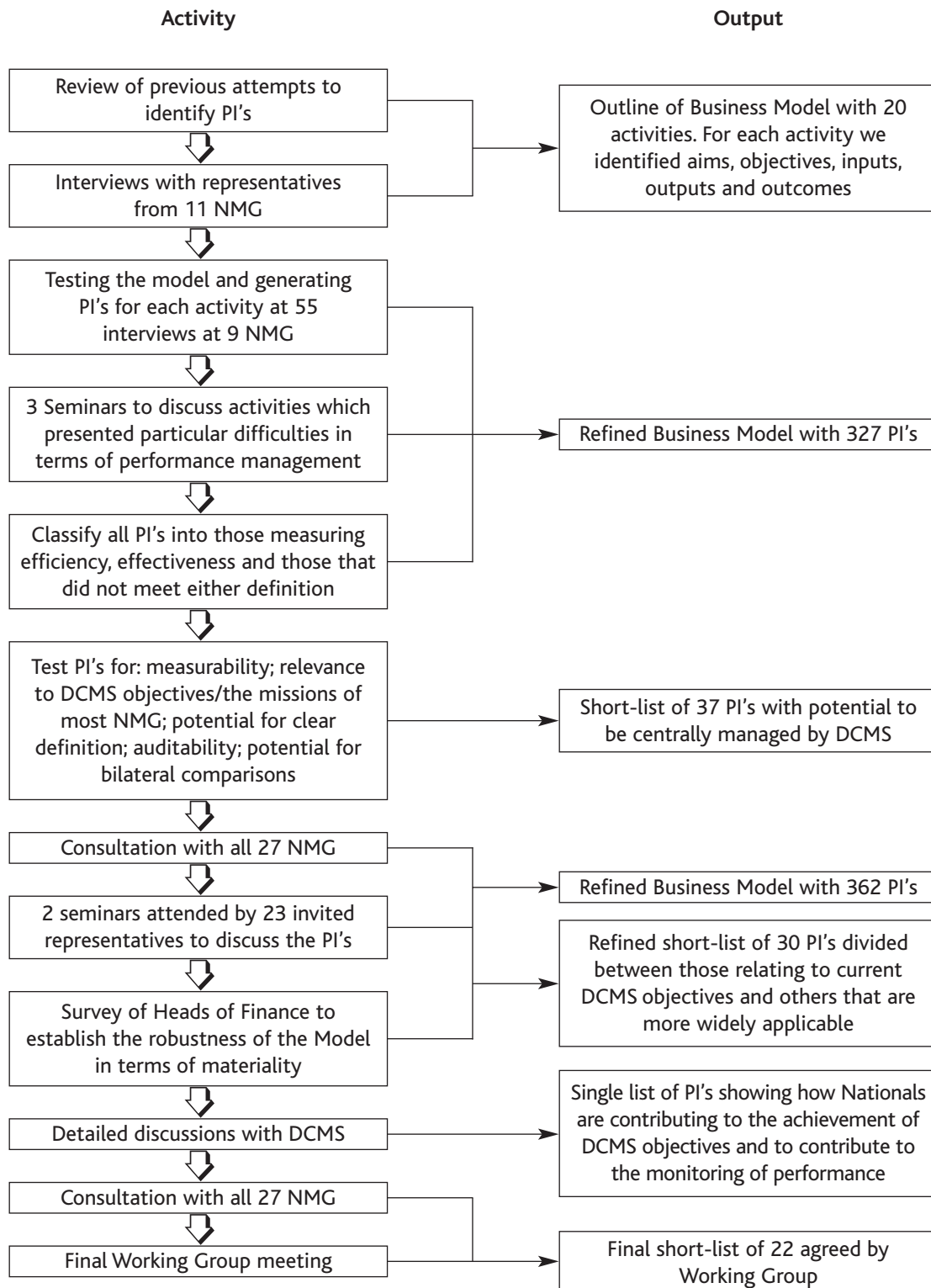
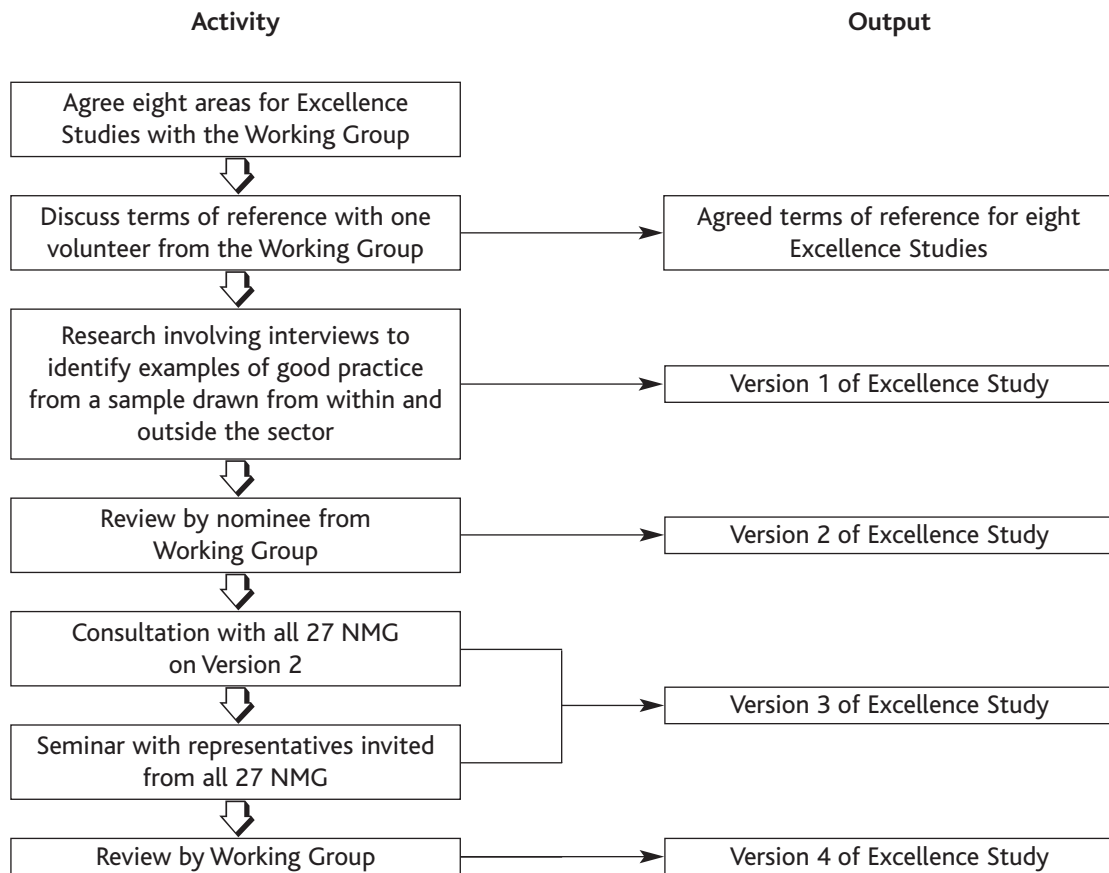


Figure 2: Approach to Development of the Excellence Studies



2.3 Status of this Document and Next Steps

This is the second and final draft of the Final Consolidated Report. A pre-publication version has been circulated to all 27 NMG participating in this study. Following publication the documents will be placed on the DCMS web-site.

Section 3: Measuring Performance in Museums

3.1 Introduction

In common with most of the public sector, museums are being asked to demonstrate greater accountability for their use of public resources. This is an international trend and, in common with other cultural agencies, has led towards the implementation of corporate planning and management accompanied by systems of ongoing review and evaluation. These systems often use tightly defined performance indicators as measures of success in achieving their goals and as a demonstration of the degree to which their resources are used efficiently and effectively.

Performance indicators can be used effectively as a management tool within an organisation to improve the quality, efficiency and effectiveness of their operations. They can also be used by external funders to increase accountability. For them to work properly they need to relate to shared goals such as increasing value for money.

If the performance indicators are to be used successfully in these ways it is crucial that they are integral to the process by which management links objectives to outputs and outcomes. What they measure must be meaningful and material to the fundamental mission of the organisation and its operation.

Funding agreements with links to corporate plans, targets and performance indicators have recently been instituted with all the NMG but it has proved difficult, to date, to develop from them any aggregate indicators of overall sector performance. This is because there are no universally accepted indicators with standard definitions and accepted norms for the collection and reporting of information. This is despite a number of attempts to identify a set of such indicators beginning in 1991 with the study sponsored by the Office of Arts and Libraries.

The adoption of a set of meaningful indicators, which could be widely, if not universally, employed in the museum field, would offer considerable benefit as a basis for benchmarking and the assembly of more reliable information on the overall performance of the museum sector. There are, however, a number of serious issues which have impeded the adoption of such a set and which will need to be recognised and accommodated before further progress can be achieved. These issues include:

- the diversity of the museum sector;
- the power of PI's to influence behaviour;
- the risk that indicators may not measure anything meaningful;
- comparability and consistency;
- the cost/benefit of collecting PI's;
- the number of PI's to collect;

- balancing long and short-term objectives;
- the question of measuring quality.

Each of these issues is considered in the following sections.

3.2 The Diversity of the Museum Sector

Justifiable concerns continue to be expressed about the difficulty of accounting for the differences between NMG and across the broader sector. These differences are a product of diverse histories and also a diversity of purpose (for example research, collection, preservation, presentation, explanation, promotion) that forms a loose continuum around advancing knowledge. This diversity can make many comparisons difficult if not completely misleading. The same issue needs to be addressed in benchmarking studies – comparability needs to be demonstrated. In many cases, comparability may be international or even external to the sector rather than within the sector. These concerns can and should be addressed by developing a relationship of mutual respect and trust which can be assisted by successfully working together to identify a performance measurement framework and a limited but meaningful list of indicators which all can accept.

3.3 The Power of PI's to Influence Behaviour

What gets measured is what gets done. Performance measurement can be used to influence behaviour in a desired direction, but there is always a danger that it can distort behaviour in ways which have unintended consequences. Over the last decade there have been fierce political debates over the consequences of the high-profile publication of performance indicators in such sensitive fields as education, health and policing. One response to this is to select a basket of PI's that deliberately pull in different directions. This type of approach is also known as the balanced score-card.

In museums one could imagine that an over-emphasis on PI's relating to improving access and communication may place negative pressure on programmes of research. This may not have short-term consequences but will in the long run diminish the ability of museums to improve the quality of collections and information. This, in turn, will reduce their capacity to ensure that future programmes and exhibitions are based on soundly-based and current information. PI's should be selected and managed so that progress in one area does not lead to unintended decay in others.

3.4 Indicators may not Measure Anything Meaningful

It is important to ensure that indicators are both a meaningful and consequential measure of performance, and not just convenient or easy indicators. It is also important to recognise the distinction between targets, which can be used to indicate success in meeting defined output or outcome objectives, and performance indicators which are ratios which can be used as indicators of efficiency or effectiveness. There is always a danger that targets which are not linked to indicators of efficiency or effectiveness may seriously distort behaviour and lead to inefficient operation, as demonstrated in command economies.

3.5 Issues of Comparability and Consistency

If PI's are going to be used to contribute to the bilateral evaluation of performance then there has to be some degree of comparability both between the institutions being compared and between how PI's are defined and collected. There also has to be intelligent interpretation of data and an appreciation that PI's are not an end in themselves but should be used to prompt further questions.

Similarly for real, ongoing benefit to be derived from PI's there also needs to be consistency over a considerable period of time so that time series of data begin to show reliable trends relating to the achievement of efficiency and effectiveness.

3.6 The Cost/Benefit of Collecting PI's

It is important to ensure that the benefits of collecting and analysing PI's outweigh the costs. However the benefits have to be seen as those accruing both to the museum and to the sponsors. Similarly they should be viewed as accruing over the medium term. Likewise the initial costs of defining and collecting the PI's should be depreciated over the medium-term as ongoing collection costs should be significantly lower than start-up costs.

Whether the benefits of gathering, reporting and monitoring PI's accrues, and whether the costs of gathering the PI's falls, does however depends on good central management of the PI's and in particular a degree of consistency about the collection of the PI's (see above) and transparency about how they are being used.

3.7 The Number of PI's to Collect

In selecting a basket of PI's to be gathered consistently from a diverse range of museums it is important that the right balances are struck between the following:

- a group of PI's that is sufficiently comprehensive to cover a wide range of material museum activities while remaining manageable so as not to divert resources unduly from core activities;
- PI's that are relatively easy to measure/calculate but are relatively poor measures of efficiency or effectiveness and those that are more difficult or expensive to gather but are better quality. A good exemplar of the two types of PI's would be between solely measuring the uptake of educational programmes or also evaluating the quality of learning experience provided.

3.8 Balancing long-term and short-term Objectives

A further consideration is that priorities change over time and areas of performance subject to assessment need to be reviewed periodically. It is therefore important to identify a few core areas whose indicators will be collected on consistent basis over time (see above). These core areas should be related to the NMG core mission as defined by statute or founding documents. They should also include high level measures which relate to value for money and current policy objectives. The recommended list of performance indicators includes areas in both of these categories and should be subject to periodic review. It may be advantageous to review the short-list of PI's in conjunction with the re-negotiation of the Funding Agreements.

3.9 The Question of Measuring Quality

Within a value for money framework, evaluation is commonly directed at the following:

- Economy – how much money is spent;
- Efficiency – the relationship between the inputs into activities and the direct outputs from those activities;
- Effectiveness – the relationship between efficiency and outcomes. Outcomes are the ultimate impact of activities and are intended to relate to aims and objectives.

Museums generally find cost reductions (economy savings) relatively straightforward to identify. However achieving cost reductions (or containing costs) does not always represent good management – for example if there is a disproportionate, detrimental impact on outputs and outcomes. That is why it is also necessary to evaluate efficiency and effectiveness. Within the NMG relatively little consistent use is made of either form of evaluation for the following reasons:

- many outputs and outcomes are hard to measure (in particular in terms that do justice to quality and value);
- many activities contribute to more than one output and outcomes and input costs are hard to calculate as there is little sophisticated use of costing.

Costing techniques can be used to address the problem of identifying input costs (see the Resource Planning Management Excellence Study). However the definition and measurement of outputs and outcomes remains a key issue to be addressed before museums can assess their effectiveness. The question of what value to ascribe to visits, talks, publications, conservation (or many other NMG outputs) begs the following questions:

- how can one place a value on a service that is not freely traded in the marketplace (because museums are the custodians of a unique resource)?
- and, whose values are to count?

Clearly not all visits, talks, works of conservation or publications are of equal value. How one decides to measure outputs and evaluate outcomes is critical to measuring efficiency and effectiveness. It is important to consider the relative cost of achieving quality:

The stated mission of most museum programmes is to achieve excellence – usually defined to mean the best possible quality in collections and exhibitions. But who sets the standard by which this quality is to be measured? At what point can we say that the optimum level has been reached, bearing in mind that the marginal cost of increased quality rises very steeply.

In order to evaluate success, it is necessary to have in mind benchmarks or ways of measuring quality. A key element in this is the perception of value by users. This is especially important in a world of diverse cultures and economic and social experience. As museums reach out to serve those which are not their traditional audiences, the significance of reaching a fuller understanding of how their products meet diverse audience needs is essential. But while embarking on this process museums should not lose sight of more traditional measures based on such methods as peer review and expert opinion. How to evaluate the quality of work remains a difficult issue and one still to be resolved to the satisfaction of most in the profession.

Section 4: Recommended Use of the Business Model

4.1 Introduction

The Business Model is included in full, with a detailed commentary explaining its purpose, structure and origins, in Appendix A of this report. In brief it is a generic framework, which describes the main activities that take place within all NMG. It does not imply any ideal form of organisational (or reporting) structure. The Model has been used within the Review as the framework for the development of a comprehensive list of performance indicators relating, largely, to efficiency and effectiveness.

From the Business Model two other products have been developed:

- a survey of the main areas of expenditure within the Nationals;
- a short list of Performance Indicators to assist Sponsoring Bodies demonstrate how they are achieving their objectives and to contribute to the monitoring of the performance of the NMG (See Section 4 to Appendix A).

These are both included within Appendix A.

Sections 4.2 and 4.3 set out how, in the consultants' view the Business Model and its derivatives – the survey of expenditure and the short-list of PI's – should be used.

4.2 National Museums and Galleries

It is recommended that NMG use the Business Model as a tool for developing their existing performance management regimes. Each Institution should review the long list of PI's and consider whether there is benefit in selecting, or refining, any of suggested PI's to assist with the internal monitoring of performance. In addition NMG should consider whether the Business Model lends itself to activity based analyses of costs, which could lead to greater use of unit cost information. This may in turn facilitate the gathering and interpretation of benchmarking information. Benchmarking has been done successfully in North America for some years through a voluntary, annual, statistical survey conducted by the Association of Art Museum Directors (AAMD).

PI's are useful both to monitor performance and to direct it towards desired outcomes. This is most likely to happen when managers are appraised, at least partly, in relation to indicators. This implies that they need to be included in objective setting and collected for a number of years in order that longitudinal comparisons can be made. Because of the need to collect PI's on a regular basis careful consideration should be given that PI's are selected that will remain relevant for several years and that the benefit from collecting the information outweighs the cost. As sponsoring bodies move towards using the short-list of PI's it will be important for these PI's to be used internally. Lower level PI's should also be selected which support higher level ones (for example unit costs relating to maintenance and security).

The short-list of PI's has been designed for use by sponsoring bodies. However presuming that the consultants' recommendations are implemented NMG will be required to provide these PI's on a regular basis. Each NMG should therefore start to consider what work it may have to undertake in order to meet this new information requirement and what other PI's would help demonstrate to funders how the NMG represents good value for money. However to minimise the risk of NMG and DCMS wasting effort on the collection of PI's the consultants recommend that there is first a project to pilot-test these PI's.

The survey of expenditure may be of some use to NMG carrying out preliminary benchmarking on the relative proportion of expenditure they incur on different types of activity. This may reveal areas where NMG are spending relatively high or low sums. However any conclusions from this should be treated with care as the survey results were based on responses from only 15 Institutions.

4.3 DCMS, Other Sponsors and Agencies

It is not known exactly what the respective roles of the various sponsoring bodies, MLAC and QUEST will be in relation to the collection of PI information. Until there is greater clarity about the composition, remit and resources of the new agencies (and the strategy of the new sponsors in Scotland, Wales and Northern Ireland), it would not be appropriate to make any recommendations on precisely who should do what.

We therefore suggest that DCMS, other sponsors and agencies should centrally collect and manage a short-list of PI's. The list of PI's that has been agreed by the Working Group is set out at Section 4 to Appendix A. The indicators are selected to serve two purposes:

- to show how the Nationals are contributing to the achievement of DCMS objectives [access, education, excellence, inclusion and value for money]. This will help DCMS, for example, report on its own performance to Treasury and Ministers by being able to provide aggregated information through the Output and Performance Analysis (OPA);
- to contribute to the monitoring of the performance of the Nationals through the inclusion of some of them within Funding Agreements. Funding Agreements should continue to be negotiated between each NMG and its funder. Each one will include different PI's and targets chosen to reflect that particular NMG's mission and mandate and long and short-term objectives. It is expected that some of the PI's within the Funding Agreements will be derived from the short-list while others will be from elsewhere, including the Business Model.

Central management of the short-list of indicators should comprise the following activities:

- taking ownership of the selection of PI's and refining them as necessary in the light of experience of collecting and analysing real data. While indicators will inevitably change over time (as, for example, Departmental objectives change) longitudinal value will be maximised if change is minimised;
- establishing a methodology for requesting the information on a clear, regular and pre-determined basis. It is recommended that this is done on an annual basis and at most every 6 months (for a limited number of PI's);

- compiling and interpreting the information. It is essential that resources are made available to understand properly the information gained from PI's. This is essential if the PI's are to fulfil their intended purpose of contributing to monitoring performance. The interpretation of the PI's can not be done until data are systematically gathered and analysed within the proper context. This will require a good understanding of the uniqueness of each NMG;
- using the information from some of the PI's to demonstrate the value for money of funders' investment in NMG and their efficiency and effectiveness in terms of, for example, attracting users and providing stewardship of national collections;
- disseminating information about the results from the PI's being gathered. Careful thought needs to be given as to how and to whom results are going to be disseminated. There is a spectrum of options including:
 - open publication (all PI's for named NMG);
 - anonymous publication. Figures could be published in aggregate format. This would be straightforward presuming PI's will be aggregated in the annual Departmental Output and Performance Analysis (OPA);
 - limited publication of particular PI's (this will already be achieved to a limited extent by the inclusion of some PI's within Funding Agreements which are laid before the House of Commons);
 - retention of the information in-house.

It is recommended that until the PI's have been properly established the results should not be published in full (either openly or anonymously). As they become more established they should probably be published, as there would be a legitimate public interest in them. It should also be noted that individual NMG will almost certainly choose to publish at least some of the PI's themselves. The usual conduit for this will be through Annual and Corporate Reports.

Section 5: Recommended Use of the Excellence Studies

5.1 Introduction

The Excellence Studies represent position statements on good practice with regard to eight areas of NMG activity. The Working Group selected the eight topics from a long-list of 16. Terms of Reference were agreed for each with a nominated member from the Working Group. Draft versions were circulated to all 27 NMG for comments and were also discussed by representatives from NMG in a series of seminars. The final versions of the Studies are contained in Appendix B of this Consolidated Report and Appendix C contains a summary digest of recommendations.

The Studies were undertaken within a tight timescale, and they are not intended to act as manuals or to represent definitive or exhaustive statements. They do however represent a current snapshot of excellence across the sector.

The Studies make three main types of contribution to the areas under consideration:

- they identify examples of excellence and innovation in current practice, from within and outside the sector, to which NMG should be encouraged to aspire;
- they consider key issues and critical factors with regard to particular types of activity;
- they discuss basic standards with which all NMG should be expected to comply.

It is hoped that the work of the Studies will be continued in the form of an ongoing dialogue, both within the sector and between NMG and DCMS/sponsoring bodies. Dissemination of the findings beyond the 27 NMG involved in the study is desirable.

5.2 National Museums and Galleries

The Studies offer NMG scope to:

- identify case studies from which they can learn useful lessons;
- identify potential areas of improving their own performance;
- continue and expand the inter-institutional dialogue encouraged by the Studies which may lead to developing systems of voluntary benchmarking.

The Studies suggest many examples of areas in which significant improvements in efficiency, effectiveness, or in standards and quality of service can be made. Some of the strongest areas for action include:

- gaining a greater cross-functional understanding of the costs of activities and projects. This would provide management with the opportunity to make well-informed decisions in relation to the business cases for the following:

- internal charging (eg. for craft staff);
- external charging (eg. for making loans);
- process re-design (eg. for financial processing);
- outsourcing (eg including sensitive areas such as cleaning and security);
- cost reduction programmes (eg unit costs for display).

(Resource Planning Management and Facilities Management Excellence Studies);

- developing a stronger culture of ongoing visitor evaluation within NMG. This should be enabled by a centrally supported and funded strategy for surveys of the visiting and non-visiting public which covers the standards, collection, use and distribution of data (Visitor Information Excellence Study);
- recognising that a commitment to broadening intellectual and social access needs to be supported by increased investment in educational programmes and evaluation (Education Excellence Study);
- reviewing financial procedures relating to investment appraisal and introducing more rigorous financial analysis of investment decisions. This will represent a culture change in some NMG but it is important that no investments should be embarked on without thought being given to their value for money and ongoing revenue consequences savings (Resource Planning Management Excellence Study);
- considering the relevance of customer focused Service Level Agreements to achieving good-practice in the delivery of Facilities Management services – whether these are out-sourced or not (Facilities Management Excellence Study);
- investigating options for more efficient storage through sharing facilities (Collection Storage Excellence Study);
- revisiting the business case for the use of interactive air-conditioning in the light of recent research (Collection Storage Excellence Study);
- using either or both of the UK Quality Award for Business Excellence or the Investors in People standard as a framework to assess current practices and develop a plan to meet future needs (Human Resource Excellence Study).
- co-ordinating the dissemination of lessons learned in relation to the use of all types of Public-Private-Partnerships (Public-Private-Partnerships Excellence Study);
- achieving economies of scale in the deployment of IT by co-operating to exploit the radical opportunities for NMG to provide new services to users. NMG should try to exploit the wealth of information within the sector and the abundance of specific skills associated with interpretation and display. However this is made difficult by the small size of individual NMG and the constraint this imposes on realising opportunities in what will rapidly become a competitive global information market. The contrast between the services offered by NMG in this country and the web-site of the Smithsonian Institute in the USA shows the scale of this unrealised potential (IT Excellence Study).

It is hoped that the Conference of Directors and the Consortium of Administrators will work together to take forward the work of the Excellence Studies (see Section 6 on Next Steps).

5.3 DCMS, Other Sponsoring Bodies and Regulators

The Studies offer DCMS/sponsoring bodies scope to:

- develop baseline standards of performance against which to monitor performance in these areas of NMG activity;
- define what constitutes excellence, and thereby refine their aspirations and expectations for NMG performance.

The Studies are also useful in highlighting current problem areas. 'Public-Private Partnerships', for example, identifies the tensions which may occur in attempts to apply commercial expectations to public service activities. The problems caused by the continuing shortage of funds for capital and/or operational expenditure are also highlighted in several of the Studies. It is apparent that in many areas NMG are aware of what constitutes good practice but are unable to achieve it through either a lack of resources or inability to target resources to areas of need.

Section 6: Next Steps

6.1 Introduction

The Review has succeeded in developing the following:

- a Business Model, with long and short lists of PI's, which can contribute to the development of a more performance-orientated management culture in the NMG;
- examples of excellence, with associated recommendations, relating to eight areas of NMG activity;
- a constructive process of dialogue around the measurement of efficiency and effectiveness in the National Museum sector and between the NMG, DCMS and Treasury.

It has also highlighted certain areas of continuing concern, which hinder the comparability of performance indicators. Two good examples are the varying degrees of reliability in measuring visitor numbers and the inconsistency in classifying expenditure, which makes comparing unit costs difficult.

Having achieved a considerable degree of involvement and goodwill from the major stakeholders, it is clearly important to maintain this. It is within this context that this Section makes practical recommendations about what the NMG and Funders/Agencies should do next.

6.2 Next Steps for the National Museums and Galleries

It is recommended that NMG:

- circulate excerpts of this Report to their Senior Management and Trustees, so that the issues of performance management and excellence which it raises can be discussed. In particular Senior Management in each Museum should consider what steps they should take to derive maximum value from the Review. This may include the following steps:
 - nominating individuals from relevant Departments to prepare position statements on the areas covered by the Excellence Studies, expressing how performance in their parts of the institution might be improved in the light of these pieces of work (and what resources or changes are likely to be required to achieve this);
 - nominating someone with a good understanding of PI's and performance management to run a small project to consider the relevance of the Business Model and the agreed short list of PI's to the development of performance management in the NMG. The first step would probably be to nominate individuals from relevant Departments to consider the long list of PI's in the Business Model and to make proposals about:
 - which might make a contribution to internal performance management;
 - which would contribute to improving the results from the agreed short list;
 - whether there are any they would like to include within re-negotiated Funding Agreements.

These proposals would then need to be compiled and reviewed by the project manager before being presented to Senior Management for approval. Once PI's have been agreed these should be linked to Departmental and personal objectives.

- continue and further develop the valuable inter-institutional dialogue which allows the sharing of ideas and the undertaking of informal benchmarking. It is recommended that the two formally constituted organisations – the National Conference of Directors and the Consortium of Administrators – play an important role in taking the work of this Review forward. In addition there are several informal networks, many of which (e.g. the Group for Education in NMG) link NMG staff with colleagues elsewhere in the sector. It is important that all these groups ensure that the smaller, and more geographically remote, NMG are included in this process of information sharing. Furthermore, conferences (e.g. the Museums Association annual conference, ICOM conferences etc) and various publications (e.g. Museums Journal) provide additional platforms for the exchange of ideas and views. Again the Conference of Directors and the Consortium of Administrators should play a role in ensuring these media are properly exploited;
- consider whether they would like to participate in the refinement and pilot testing of the DCMS short list of mandatory PI's (it is proposed that this will be done by a representative sub-group of about 10 NMG).

6.3 Next Steps for DCMS, Other Sponsors and Other Agencies

DCMS has been the direct client for this work and none of the other funders have been represented on the Working Group for this study. The new agencies, QUEST and MLAC, are at too early a stage in their formation to have been consulted. As a consequence of this the consultants' recommendations for Next Steps have been developed from a detailed understanding of the strategic objectives of DCMS. The extent to which other sponsors such as the Ministry of Defence and the sponsoring bodies in Scotland, Wales and Northern Ireland wish to participate in the 'next steps' process is for them to decide. However, the consultants expect that most of the steps outlined below are relevant to all funders.

In the sections, which follow, we deal with the following recommendations:

- the pilot testing of the short-list of PI's;
- the dissemination of the results of this Review;
- the development of Standard Setting;
- the use of unit cost information;

6.3.1 Pilot Testing the Short List of PI's

The refinement and pilot testing of the DCMS short list of mandatory PI's is the first, and most urgent, task facing DCMS. This needs to be done so there is no ambiguity about what is to be measured, and how it is to be measured. In addition it should consider the cost of compliance and how PI's should be interpreted. Without this testing PI's will not be sufficiently robust for figures to be aggregated or for performance to be compared.

The pilot testing might proceed as follows:

1. The establishment of a project organisation to run the project. This should retain a strong degree of continuity with this Review and will require the following organisation:
 - a Working Group comprising representatives from the Nationals and the following groups: sponsoring bodies, QUEST, MLAC and Treasury. We propose that this group should, as far as possible, comprise of members from the existing Working Group, who are familiar with the Review.
 - a project manager. It is proposed that a representative from DCMS should continue to hold this position;
 - a project team to conduct the work.
2. The detailed development of clear definitions for those PI's that require clarification and guidance on a methodology for collecting the information. In addition there should be guidance on what additional information should be provided with each indicator. The PI's that need most additional work are indicated in the short list included in Appendix A. These proposals should be developed within Version 1 of a document to be presented to the Working Group;
3. Following the Working Group meeting Version 2 will be developed and pilot-tested in 3 volunteering NMG. The project team should be available to answer any detailed queries that arise;
4. Version 3 should then be developed taking on board any problems discovered in the limited testing of Version 2. This should be field-tested in a representative sample of 7 NMG. Again the project team should be available to answer any queries;
5. Version 4 should then be developed taking into account any problems discovered in the field-testing and an analysis of the results of the pilot testing. This should be presented to the Working Group and developed into a final, agreed, Version 5 which contains agreed definitions of PI's, the methodology by which to collect and present them, and guidance on how to interpret the results.
6. Version 5 should be taken forward by sponsors to inform the updating of Funding Agreements and the first national Information Request to all NMG.

Since the current three-year Funding Agreements for DCMS-funded NMG are provisional, pending the outcome of this Review, it is desirable to complete the pilot testing as soon as possible, and preferably by the Winter so new Funding Agreements can be developed for 2000-01. We have estimated likely timescales for each of the recommended steps on the next page.

consultants and which lies behind the choice of performance indicators, is for sponsors to require only high-level information. These indicators should still provide an incentive for Institutions to improve performance by attempting to improve efficiency and effectiveness as they see fit. One of the best ways of doing this would be by encouraging NMG to gain a better understanding of unit costs on an activity basis. This is likely to be particularly cost efficient for the larger NMG.