

Digital technology needs a voice within arts and culture leadership

# **The emergence of the chief digital officer in cultural institutions**

## The emergence of the chief digital officer in arts and culture

*Many cultural institutions are struggling to stay connected with evolving audiences in the Digital Age. Putting digital technologies at the center of strategy—for instance by establishing a chief digital officer—is a promising start toward success.*

In the Digital Age, the world is changing faster than ever, and cultural institutions are not immune. Facing fundamental demographic shifts, changing customer expectations and continual technological innovation, cultural institutions are increasingly competing to be heard and seen amidst an expanding pool of intellectual and leisurely distractions.

Art is instantly available to everyone online, while visits to the institutions that house these treasures are dropping. The American Academy of Arts and Sciences reported that between 2002 and 2012 about 7 million fewer visitors stepped into a museum in the United States. The only age group with increased visits over the period was those older than 75 years, while the largest decrease was for those 18 to 24 years old. As the digital leader at a major New York museum noted, “Our competition is Netflix and Candy Crush, not other museums.” Therefore, most museums focus their marketing and communications efforts on engaging younger, digitally savvy visitors.

At the same time, many cultural institutions are struggling to adjust their funding models in a time where traditional funding sources are declining, visitors’ willingness to pay for admission is falling and the nature of giving is changing.

To compete in this increasingly challenging environment, museums are redefining their strategy for accomplishing their mission and are experimenting with digital technologies that enable deeper audience engagement and a stronger understanding of customers. Based on our experience with both for-profit and nonprofit organizations, we believe that institutions that perceive digital technology as a strategic imperative, rather than simply as a tool, and elevate it to senior management by creating senior executive roles, such as the chief digital officer, are more likely to take full advantage of the constructive forces of digital disruption and ensure their organization’s long-term sustainability.

To assess whether the chief digital officer role will become the standard for cultural institutions, Russell Reynolds Associates conducted a series of interviews with directors and senior staff members of leading cultural institutions. The study attempted to shed light in particular on how digital disruption is being felt by cultural institutions, where leading-edge digital talent can be found, and how institutions facing resource constraints can move in the right direction.

**“The impetus to become a 21st century institution is affecting everyone. While no one has completely solved the digital question, all players are asking it.”**

— Leading museum director

### THE BREADTH OF DIGITAL

A digital transformation is much more than publishing a flashy website, providing access to collections online or digitizing the in-gallery experience. To seize the opportunities presented by the emerging Digital Age, successful organizations employ digital technologies across the entire organization, using digital not only as marketing or information technology (IT) tools but also leveraging new technologies across the organization to drive performance and efficiencies. This includes using digital technologies to analyze audience data, improve and develop delivery channels, create new content and improve operational efficiency.

For example, in 2013, the Louvre in Paris, in collaboration with the Massachusetts Institute of Technology and other universities, tracked movements through its galleries using Bluetooth technology and analyzed visitor preferences to help relieve congestion. The Cooper Hewitt, Smithsonian Design Museum developed a pen that allows visitors to “collect” information about objects from around the galleries and create their own designs on interactive tables. All information collected is accessible by the visitor online through a unique web address printed on every ticket and stored for use in subsequent visits. Besides enhancing the visitor experience, the pen provides the museum with insights into visitors’ behavior, not only while they are at the museum but also as they continue to engage online after the visit.

## A recent phenomenon

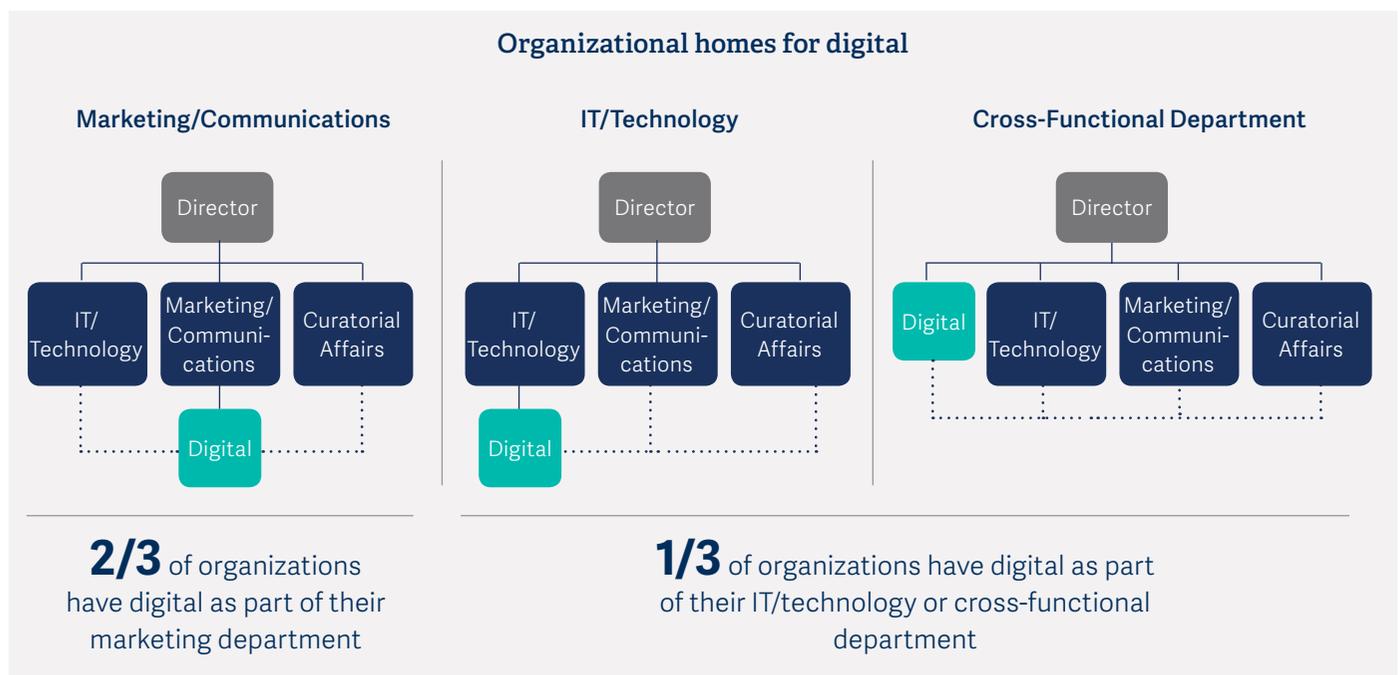
Many cultural organizations are just beginning their digital journey and are still experimenting with how best to achieve digital literacy and integrate digital technologies into existing organizational structures. While some institutions have created new roles, others have added digital responsibilities to existing roles. The wide range of models can be seen in the proliferation of roles and titles that institutions have created to address their digital needs, including digital media manager, chief of digital outreach, director of creative and interactive media, and director of digital experience and access. Yet as these titles suggest, roles often remain too narrowly defined, focusing mostly on digital marketing and customer experience rather than taking a holistic strategic approach that is integrated across museum departments and functions.

Organizational structures also reflect a marketing bias: In about two-thirds of institutions analyzed as part of this

study, the digital leader reported directly to the head of marketing or communications (Exhibit 1). The scheme mirrors that seen in many commercial enterprises as they began their own digital journey, where digital talent was largely subsumed in the marketing department before gaining independence. In our analysis, other digital heads were mostly under the IT department, with only a handful reporting directly to the executive director.

Similar to the trend seen at many commercial companies though, as cultural organizations become more advanced and strategic in their use of digital technology, the role detaches from the marketing or IT department and is elevated to a more influential position that reports directly to the executive director. Some of the major cultural institutions have already adopted a model using a chief digital officer, including the American Museum of Natural History in New York and the San Francisco Museum of Modern Art.

### EXHIBIT 1: DIGITAL EXPERTISE OFTEN RESIDES IN MARKETING AND COMMUNICATIONS



2. Based on an analysis of the organizational structure of 30 leading U.S. cultural institutions.

## The chief digital officer

Embracing digital technology means going beyond perceiving it as a unilateral tool and, instead, placing it as a core component of an organization's strategy. As the director of a major Los Angeles museum said, "People need to understand that digital is no longer a discrete department, but, rather, it permeates everything. Younger generations will push back if information is presented without a digital component."

To approach digital technologies holistically, cultural institutions should consider establishing a chief digital officer to plan, oversee and ease the adoption of digital tools throughout the organization. To permeate the organization, the chief digital officer would sit on the senior executive team, be a key advisor to the executive director and relevant department heads, and seek innovative ways to use digital technologies as strategic tools to advance the organization's mission and strategy. The chief digital officer—a peer to chief marketing and chief technology officers and others on the senior executive team—would collaborate with all departments, create needed momentum around technological innovation whether externally facing, in the gallery or behind the scenes, and help

develop organizational alignment by promoting digital possibilities in all relevant management decisions.

The Dallas Museum of Art (DMA), for example, uses digital technologies strategically to help it capture audience data and further its mission. In 2013, the museum launched the DMA Friends program, the first museum program in the United States that offers free membership in exchange for data, similar to airline frequent flyer plans. By measuring and improving visitor engagement, the museum expects to collect data that can be used to persuade major donors to increase their giving. Two years after the program's launch, more than 100,000 "friends" had registered for membership, and the average donation from those giving \$1,000 to \$25,000 had increased by almost 20 percent.<sup>3</sup>

### WHAT MAKES A SUCCESSFUL DIGITAL LEADER?

Research by Russell Reynolds Associates highlighted the differences between digital transformation leaders and other senior executives. Unsurprisingly, the study found digital executives to be more disruptive and innovative than other executives.<sup>4</sup> At the same time they are also more determined in promoting their ideas and more adept at infusing colleagues with their enthusiasm. Successful digital transformation leaders do not simply aim to disrupt—they leverage their interpersonal skills to productively disrupt. They not only understand the future potential of harnessing digital technologies, they can also energize their colleagues to accompany them on the journey of achieving that potential.



3. Dallas Museum of Art website, [www.dma.org](http://www.dma.org).

4. Based on a comparison of psychometric data of 28 digital transformation leaders with that of more than 5,000 other senior executives included in the proprietary assessment database of Russell Reynolds Associates. Digital transformation leader refers to a senior executive charged with leading large-scale digital transformation efforts within an established, complex organization.

## Common challenges

While the arts community generally acknowledges the importance of digital technologies in attracting visitors and donors, cutting costs and pursuing their mission, few institutions have taken steps to create a separate role of chief digital officer. Our interviews showed that there are four major factors preventing many organizations from making such a bold move:

1. Scarce talent
2. Internal resistance
3. Organizational inertia
4. Resource constraints

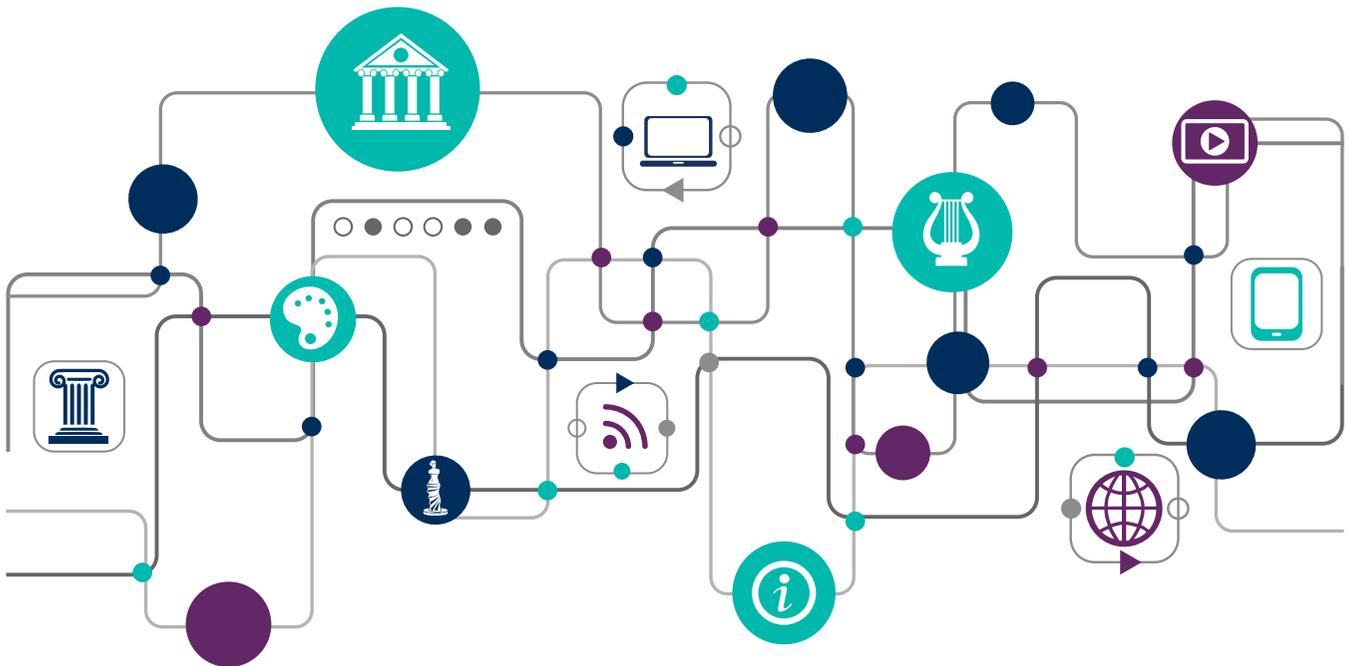
### 1 SCARCE TALENT

Talent scarcity was cited by the majority of executive directors interviewed as the highest obstacle for implementing a digital transformation at cultural institutions.

Part of the solution to overcome this challenge is to better understand what is needed from a digital leader. Too often, institutions look solely at technological or sector expertise when recruiting for digital positions. While these attributes are obviously important, others are as crucial—and perhaps even more crucial—for

a chief digital officer, including a strategic mindset, the ability to collaborate effectively and experience in effecting change throughout an organization. In addition, successful chief digital officers possess strong management and operations experience as well as a high emotional intelligence. Sree Sreenivasan, the outgoing chief digital officer at the Metropolitan Museum of Art in New York, has quipped that a good chief digital officer must also be the chief “listening” officer because of the need to understand and motivate peers and others throughout the organization.

This combination of skills remains rare in the arts and culture sector, forcing most digitally disruptive and advanced institutions to look further afield in their recruitment program. Yet looking beyond the arts and culture sector presents a new challenge: competition from commercial companies with deeper pockets and better support infrastructure. For example, digital leaders in the United States sometimes earn salaries exceeding \$420,000 a year in the private sector, more than three times the usual compensation in the arts and culture sector.<sup>5</sup>



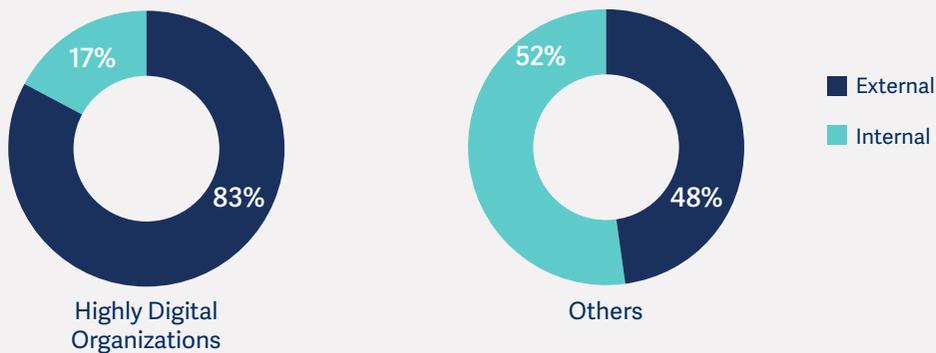
5. Comparable arts and culture salaries based on Association of Art Museum Directors 2015 Salary Survey of museums with an annual operating budget of more than \$20 million; Russell Reynolds Associates.

## EXHIBIT 2: DIGITAL LEADERS RECRUIT OUTSIDE THE ARTS

An analysis of senior digital experts at 30 leading cultural institutions showed a clear difference in how museums that view digital technologies as an integral part of strategy view talent compared with other museums. While more than 80 percent of the institutions with strong digital capabilities looked externally for appropriate talent, only 43 percent of the less disruptive institutions did so. Moreover, when talent was recruited externally, highly digital museums were more likely to turn to candidates from the private sector, in particular from commercial media companies, which represented 40 percent of external hires. In general, consumer goods and media companies seem to have strong potential as a recruitment pool for cultural institutions because companies in these sectors have faced similar disruptions from digital technologies on customer experiences and engagement.

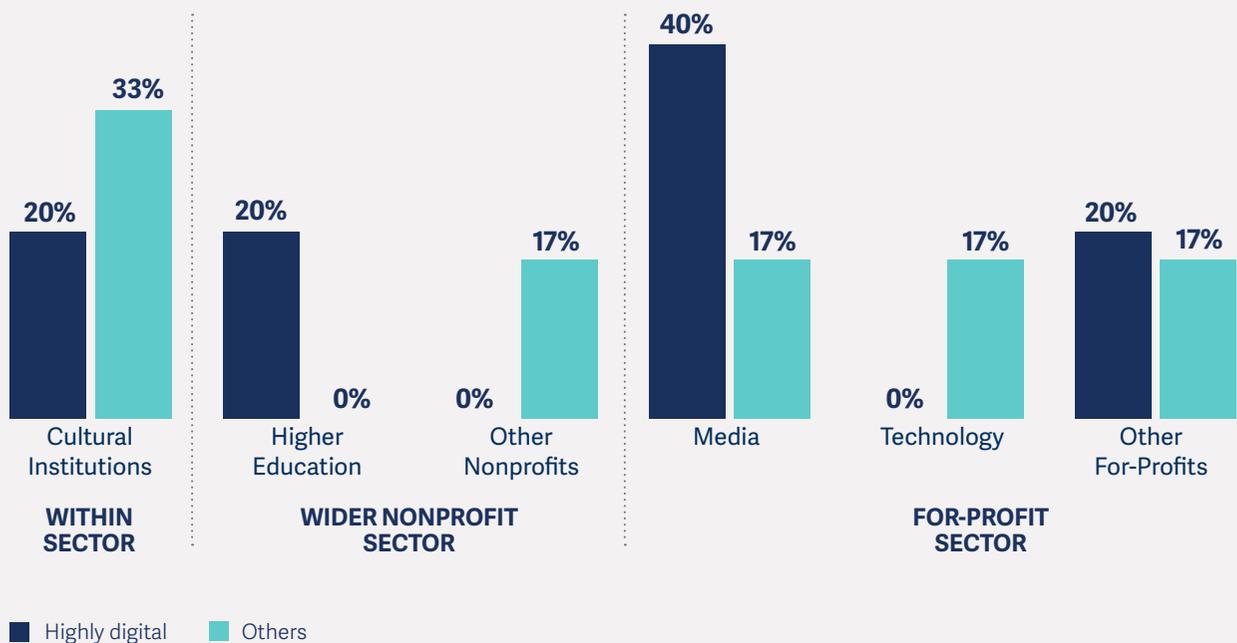
### TYPE OF APPOINTMENT BY DIGITAL SOPHISTICATION

% OF CULTURAL INSTITUTIONS INCLUDED IN ANALYSIS



### IMMEDIATELY PRIOR SECTOR

% OF EXTERNALLY RECRUITED DIGITAL TALENT



Note: Analysis based on an assessment of 30 leading cultural institutions.

Experience has shown that recruiting outside the sector is a formidable challenge but one that a few institutions have successfully overcome. In casting a wider net for digital talent, institutions should understand three critical factors:



### INTRINSIC MOTIVATION

As most cultural institutions cannot compete with for-profit companies solely on the basis of financial compensation, institutions should refine their value propositions for recruits, emphasizing the non-financial benefits. Passion and motivation for the arts and culture sector can be crucial selling points for the right candidates. The cultural mission of a museum can be intrinsically more appealing than the profit motive propelling most corporations. “Museums have a very different mission from the industries in which top digital talent typically live. The for-profit world is about selling things, and the cultural realm is about developing and disseminating ideas,” the director at a large New York museum said. By creating a clear, attractive value proposition, top recruits motivated by more than financial compensation can be brought into the arts and culture sector to develop digital organizations, especially when offered clear support and participation from the executive director and the senior executive team. For example, Michael Frazier joined the National September 11 Memorial & Museum from Newsday, and Catherine Devine joined the American Museum of Natural History from JetBlue Airways. Robert Shenk moved to the Mount Vernon Ladies’ Association, which manages the estate of George Washington, after a career in the commercial world that included positions in AOL and E-Trade Financial.



### UNTAPPED TALENT POOLS

Cultural institutions should look beyond established digital leaders and consider candidates both at the beginning or end of their careers. Some up-and-coming digital leaders eager to jump ahead of their peers in terms of accomplishments might be attracted by the greater responsibilities available in the nonprofit sector compared with likely responsibilities in the corporate world early in their career. “[We’re] hiring a lot of young people, mainly from media, publishing, journalism, marketing and PR, because they’re open-minded, flexible, digitally savvy and experienced enough to transform curatorial endeavors,” the director at a major German museum said. At the same time, older hands—less sensitive to lower compensation in the later stage of their career—could be attracted by the idea of exercising their talents in a new way with different goals. Another interesting alternative pool of digital talent might be young technology entrepreneurs who feel comfortable working in more entrepreneurial settings with limited resources. For example, Julia Kaganskiy, director of NEW INC at the New Museum in New York, an incubator program that brings together technology and culture, had founded and worked for startups in the new media and arts sectors before embarking on her new role.



### PARTNERSHIPS

Cultural institutions could also work more closely with their corporate benefactors to help fill the talent gap. Google, for example, is working with the British Museum to provide virtual tours of its galleries, and many other technology companies similarly back exhibits, performances or other events. Institutions could expand these partnerships to include, for example, loaning and funding digital experts for temporary assignments with institutions to help create and implement a broad-based digital strategy.

## 2 INTERNAL RESISTANCE

At the beginning of the transformation, digital technologies can seem like a significant investment with an uncertain return. Board trustees might not understand or underestimate the strategic importance of becoming a digital organization and maintain a narrow view of new technologies as essentially marketing tools. Such inertia can slow or stop progress toward creating a digital organization by limiting investments.

To overcome this inertia, cultural institutions should review the skill diversity represented on its board of trustees and, as openings arise, give candidates with experience in technology and an understanding of its strategic value additional consideration. Currently, less than three percent of the boards of leading cultural institutions have at least one person with technology experience as a member.<sup>6</sup> “It’s difficult for older board members to navigate the institutional changes under way. Going forward, we’re looking to recruit younger trustees who are consumer experts and able to navigate uncertainty,” a Midwest executive said.

The makeup of the executive team also has an impact: Early-career executives—digital natives who grew up saturated with technology—often have a clear vision of the strategic advantages offered by a digital transformation. In particular, a director who establishes a strong strategic vision for digital and promotes digital transformation could potentially compensate in the short term for a shortage of technology experience among board trustees.

## 3 ORGANIZATIONAL INERTIA

While cultural institutions increasingly acknowledge the advantages of digital technologies and curators are more prepared to embrace them, organizational obstacles can still get in the way. Institutions with a traditional approach to their mission can struggle to break through organizational silos and overcome a culture that resists change. Tensions can build, for example, if curatorial staff feel they are more devoted to the core mission than newly hired digital talent. Interestingly, the organizational challenge seems more pressing in institutions that focus on classic arts compared with those with more contemporary collections.

To overcome these challenges, institutions should instill a vision and culture focused on innovation and collaboration, emphasizing that success comes from having diverse, complimentary talent working together. A Midwest director, who orchestrated an organizational transformation over the course of four years, explained that a collaborative environment and alignment around serving the visitor as the top priority were critical to implementing change. Hiring top recruits and consciously designing an optimal culture at all levels bolstered the transition. “With the right people around the leadership table, digital has become integral to all players who understand the value of departmental overlap,” he said. When such cultural recalibration around strategic priorities is not feasible, the director of a leading museum in Germany recommends “creating new and separate entities for digital, [which also avoids] destroying the institution’s salary hierarchy.”

## 4 RESOURCE CONSTRAINTS

Inevitably, cultural institutions must accommodate resource scarcity. In practical terms, many will find it difficult to launch a full digital transformation and establish a separate chief digital officer role immediately. But even without a chief digital officer, organizations can take several measures to move toward giving digital technologies a more strategic voice:

- Establish a cross-departmental task force or committee charged with promoting digital advantages across the entire organization.
- Ensure that digital technology has a voice among senior managers by augmenting the role of the chief marketing officer or chief technology officer to include digital responsibilities or by inviting lower-level digital experts to contribute to relevant senior management decisions.
- Develop an integral digital strategy for the institution, using outside experts and technology partners as needed.
- Raise awareness of the potential of digital technology and its importance in the institution’s operation among board trustees through workshops, external reviews and other targeted programs.
- Build internal digital capabilities among all staff and add digital responsibilities to job descriptions wherever appropriate.

6. Based on a board analysis of 20 leading cultural institutions; Russell Reynolds Associates.

## A way forward

Cultural institutions face new challenges in a world transformed by digital technology. Visitor and donor behaviors are shifting rapidly, and institutions must change in parallel, embracing a digital transformation that puts technology and innovation at the core of strategy. Ultimately, a chief digital officer should champion such a recalibration, but gaining full value from the latest technologies is a long-term endeavor that many institutions have just begun.

However, a chief digital officer in name only will not help an institution successfully face the challenges presented by the dawning Digital Age. Cultural institutions must be ready to accept the chief digital officer as a peer among senior managers, whose vision and ideas are welcomed even as they are debated. Otherwise, the chief digital officer's role can quickly devolve into little more than that of a digital director who focuses on short-term solutions rather than on longer-term strategy.

Cultural institutions are as varied as their collections, and no approach to digital technology would be appropriate to one and all without adjustments. However, in many ways, cultural institutions can learn from the path blazed by private corporations. For most companies, digital first developed within their marketing department, but forward-thinking companies soon realized digital's potential and integrated it into their core strategy. Some of the more advanced companies are even dropping the digital nomenclature after the role evolved into something more akin to a chief customer officer, emphasizing the tight focus on customer experiences.

As cultural institutions constantly redefine themselves, the nature of the chief digital officer and the substantive focus of the role are expected to evolve in the future. When institutions are more digitally literate across the entire organization, the chief digital officer might come to focus increasingly on broadening and deepening the visitor experience as well as mining data to better understand changing audience needs. Clearly, digital will become an integrated part of the daily operations of museums and cultural institutions as time passes and the need for a chief digital officer will only increase.



## Key takeaways

Digital technologies are disrupting how cultural institutions engage with visitors and donors, and several measures are critical to gaining strength from these shifts:



Embrace digital technology as a core component of strategy rather than as a single-faceted marketing tool.



Establish a chief digital officer—or an alternate digital expert—among senior managers to promote strategic advantages of the technologies.



Attract talent outside the sector by developing a clear value proposition, focusing on non-financial benefits, considering recruits at the beginning or end of their careers and creating partnerships with technology companies or others.



Create alignment around the digital potential among board trustees and senior managers to support long-term investment needs.



Understand that resource constraints may delay creating a chief digital officer role and explore intermediate steps toward a digital transformation, such as a cross-departmental task force and a clear digital strategy.



Consider that the nature of the chief digital officer role and its strategic focus will evolve over time, as cultural institutions will continue to redefine themselves.

## AUTHORS

**LAURIE NASH** is a Managing Director in the San Francisco office. She leads the firm's Cultural Institution Practice.

**KATHERINE ARMSTRONG** is a Consultant, working with leading arts and culture organizations. She is based in Boston.

**MAIKE VON HEYMANN** is the Global Knowledge Manager for Nonprofit and is based in London.

**CLARA DESSAINT** is a Knowledge Analyst in the New York office.

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