CREATIVE LENSES

# STRONGER ARTS AND CULTURAL ORGANISATIONS FOR A GREATER SOCIAL IMPACT

# BUSINESS MODELS FOR ARTS AND CULTURAL ORGANISATIONS: RESEARCH FINDINGS FROM CREATIVE LENSES

Creative Lenses research report.
May 2019

Report written by Bethany Rex, Patrycja Kaszynska, Lucy Kimbell

Business Models for Arts and Cultural Organisations: Research Findings from Creative Lenses

Published in Sweden in 2019 by Trans Europe Halles

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ISBN 978-91-985177-3-6

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Creative Lenses is a four-year project, running from 2015 to 2019, that seeks to make arts and cultural organisations more resilient and sustainable by improving their business models and developing their long-term strategic and innovation capacities.

To find out more about Creative Lenses and its publications, visit www.creativelenses.eu

Creative Lenses is a project co-funded by the Creative Europe Programme of the European Union.

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# EXECUTIVE SUMMARY

**Every organisation has a business model, even if the majority of practitioners would not describe the way they manage resources using this terminology. Yet, not every organisation does business modelling. Business modelling is a heuristic technique organisations use to identify the range of activities and relationships (internal and external) they undertake where different kinds of value are exchanged. The reflection on the underlying values that the organisation supports is a necessary part of business modelling as the business model should embody those values.**

This report demonstrates why this process is useful and relevant to the values-orientated and creative nature of arts and cultural organisations. Business modelling is a means of enabling practitioners to define their own models which embody their values, objectives and position within the local creative ecosystem. This fosters reflection across topics ranging from the way economic and social conditions shape organisational priorities to how desirable particular business models are, as models often contribute to inequalities and exclusions. The case for shifting from applying generic business models to an active process of designing models using business modelling is supported by the following findings from Creative Lenses:

- Although the idea of choosing a model is an attractive proposition, any notion of a fixed menu of models that could be packaged up and replicated by organisations working in different social, political, economic and cultural contexts is not practically viable. This is because it is the context that determines whether a particular model succeeds or not.

- Business models are not merely about money-making; rather, business modelling is about understanding how an organisation creates and captures value - be it social, artistic, environmental or financial. This emphasis on the processes and relationships that contribute to the creation of value provide important substance behind mission and vision statements.

- Most organisations in the sector run several models concurrently, with a subsidiary service model often used to cross-subsidise other models. Running multiple models is not experienced as problematic for many organisations as it is an accepted part of daily practice whereas for others this hybridity is a source of tension. Hybrid organisations are those which adhere to two or more institutional logics. In our sample performing arts organisations experienced the interplay between logics as a source of conflict whereas multi-disciplinary cultural centres did not.

- Business models transcend organisational boundaries. Rather than endorsing an inward-looking view of a single organisation, studying business models calls for an ecological and contextual approach. Business modelling can provide a platform for practitioners Conclusions is intimately connected to other organisations, customers, suppliers, partners and policy narratives within a wider activity system. Business modelling starts by looking at an individual organisation – but it should not end there.

These findings point towards one fundamental issue that has emerged during the course of Creative Lenses: we must distinguish between a passive approach where externally-designed models are delivered to practitioners and the active approach we describe as business modelling. Business modelling is an action but can it be a creative act?

Our work has been to describe and analyse the factors which influence how the concept of business models is implemented, negotiated and transformed by practitioners. Such an approach shows that introducing this concept into an arts and cultural organisation is shaped by the values

and principles of practitioners working there – it changes organisational cultures before transforming organisational structures. This indicates the potential for more imaginative, bottom-up and self-directed engagement of arts and cultural organisations in business modelling. Can the creativity that defines these organisations can be applied to the question of how organisational sustainability can be achieved?

Our claim is that business modelling not only provides a platform for creative practitioners to articulate their values and acknowledge that their organisational sustainability is intimately connected to other organisations, customers, suppliers and partners within a wider activity system; it also offers mechanisms to prompt them to direct more creative thinking towards business model design. This would be welcome because it grants practitioners more agency to design business models that respond to context and values. It also promotes difference and diversity in business models. This is necessary as we found the structural separation of business model design from 'creative' tasks meant the business models of arts and cultural organisations have a tendency to become strikingly similar which can compromise their efficiency and foster practitioner disengagement with the whole business of how their organisation operates.

In this sense, this report offers a creative and context-aware solution to the question of organisational sustainability. We propose that practitioners and their audiences, policymakers and funders engage in business modelling. Because of its emphasis on the clarification of organisational values as the basis from which deeply-contextualised and self-directed approaches to generating financial and other forms of value can emerge – business modelling can play a crucial role in enabling the sector to design sustainable futures and can generate new thinking about what the idea of sustainable business models might mean to people in different contexts and the political steps forward needed to ensure such models materialize.

# 1. INTRODUCTION

## 1.1 The Creative Lenses Project

This research report is written as part of a four-year collaboration project, Creative Lenses (2015-19) funded by Creative Europe. It explored how arts and cultural organisations can sustain themselves without compromising their artistic and social integrity, missions and values. In particular it focussed on two sub-sectors: performing arts organisations and independent cultural venues presenting mixed artforms. The report aims to capture insights resulting from the range of activities that took place during the project, discussion among the 13 project partners in nine European countries, and share findings produced using mixed methods. It complements other outputs that conclude the project including: an online knowledge base and toolkit; an international conference in Helsinki in April 2019; and a printed and online publication aimed at practitioners to help them think through issues relating to organisational sustainability. The specific focus of this report is to provide analysis that draws on debates within relevant academic literatures.

A particular emphasis in this discussion is the topic of the business models of arts and cultural organisations. Creative Lenses as a whole sought to explore the resilience and sustainability of arts and cultural organisations. As part of it, the concept of business model was explored as a way of understanding and responding to the challenges facing organisations. This report, written by the research team at University of the Arts London, brings a critical and contextual approach to this discussion, as well as seeking to understand how practitioners in the arts engaged with the concept of business models in their day-to-day practice.

The report highlights research findings concerning the use of the business model concept as a means for influencing action, 'disrupting and unsettling' the existing organisational structures in arts organisations and as a platform for cultural workers to reflect on their values, missions and willingness to compromise. It shows that, especially on the rhetorical level, there is some resistance to embrace the notion of business model on the grounds that it is seen to originate in the neo-liberal ideology of competition and to belong to the discourse of management and business. What this report reveals is that many of the project partners in Creative Lenses managed to use the concept productively and in ways that are relevant to their needs. As this report shows, the fact that the concept of business models is fundamentally ill-defined can be an advantage rather than a problem. The concept can be used productively in the arts sector because of its holism and emphasis on value, or so we will argue.

This reports starts with an introduction to the research along with its aims, methods and the policy context it speaks to. Perspectives on Business Models charts the literatures we identified as relevant to the project, covering perspectives and debates across management research, as well as the application of the concept in the arts as a sector and how perspectives from institutional and new institutional theory can help to shed light on the dynamics of business model change and business model design in these contexts. Our research findings are presented in the next section, where we switch between analytical and descriptive observations relating to the business models of arts and cultural organisations, how they change and why and the role of institutional logics in these processes. The report ends with the key conclusions of the project and presents a series of lessons for policy based on our research in this area.

## 1.2. Policy context

The importance of a thriving arts and culture sector is widely recognized by politicians located in local, national and transnational institutions. Different periods within the history of cultural policy have seen greater emphasis given to particular conceptions of culture and various ideas of how it benefits individuals and society: from an engine of economic growth to improving health and well-being to spaces where identities, histories and heritages are made and contested.

The goals of cultural policy change over time. Following the decisive shift away from the concern with national pride, education and the 'civilising' effect of the arts, towards what we now call instrumental value, in the last 20, or perhaps 30 years, arts and cultural organisations have been put under ever-increasing pressure to generate economic returns and to be economically-profitable. in recent years, in the UK and in a European context more broadly, arts and culture, and so including heritage and museums have been emphasised as a means for addressing social conflict, premised on the ability of cultural experiences to act as a point where diverse individuals and groups unite around the so-called European values.[1] Crucially, this rhetoric of cultural experience as socially transformative is superimposed on other statements where culture is assigned a different role, neglecting the potential

that the idea of culture as a shared space might be undermined as the opportunity to interact with culture becomes increasingly predicted on financial factors or, indeed, that social polarization has its roots in inequalities produced and sustained by economic policies.

The spread of terms such as the 'cultural economy' or 'creative economy' and their use within policy documents across a variety of countries and institutional settings is evidence of the continued political investment in culture based on a belief in the positive benefits of the sector for the economy and society.[2] The European cultural policy context is no different to that of national governments in this regard, though one of the reasons policymakers in European institutions have emphasized the economic value of culture has been to justify EU intervention in the cultural field. There are two levels to this. In one sense, arguments relating to the value of culture for the economy were particularly useful for the European Commission's Directorate General for Education and Culture (DG-EAC), enabling the agency to attract increased resources for its programmes. In another, making the economic case for EU cultural activity ensured that the EU was not seen to be ignoring the subsidiarity principle. By ensuring their objectives were articulated in terms of global competitiveness, an outcome that could not be achieved by a member state acting alone, policy actors were able to justify the appropriateness and necessity of their continued action in this domain.

Part of why the European Commission has been able to continually claim a role for 'culture' in the goals of the Lisbon Strategy (2000-2010) and now Europe 2020 (2010-2020) has to do with terminology. This is one of the reasons why a language of business models started to be used in policy. In order to substantiate their arguments about the contribution of culture to economic growth, competitiveness and job creation, all key goals in overarching EU strategies, the EC drew on data relating to the economic performance of digital, software and IT industries. This expansion – beyond what might be perceived as the core concerns of artistic and cultural production – was possible because of the conceptualizations of the creative industries. These industries had been grouped together with those more conventionally understood as 'cultural' due to shifts in policy language with their origins in work undertaken by the Department for Culture, Media and Sport (DCMS) within the UK government. One consequence of broadening the audience for EU cultural policy to the range of sectors coming under the umbrella of the 'creative industries' was that concepts and concerns with relevance to, say, a digital media firm, start to appear in policy documents which ostensibly speak across the multiple sectors constituting the 'creative industries'.

[1]For example, 'Intercultural dialogue', European Commission < https://ec.europa.eu/culture/policy/strategic-framework/intercultural-dialogue_en> [accessed 18 February 2019].
[2]For a detailed version of this argument see Christiaan De Beuklelaer and Kim-Marie Spence, 'Cultural Economy', in Global Cultural Economy, Key Ideas in Media & Cultural Studies, ed. by Christiaan De Beuklelaer and Kim-Marie Spence (Abingdon: Routledge, 2018).





**"ONE CONSEQUENCE OF BROADENING THE AUDIENCE FOR EU CULTURAL POLICY TO THE RANGE OF SECTORS COMING UNDER THE UMBRELLA OF THE 'CREATIVE INDUSTRIES' WAS THAT CONCEPTS AND CONCERNS WITH RELEVANCE TO, SAY, A DIGITAL MEDIA FIRM, START TO APPEAR IN POLICY DOCUMENTS WHICH OSTENSIBLY SPEAK ACROSS THE MULTIPLE SECTORS CONSTITUTING THE 'CREATIVE INDUSTRIES'."**

This context partially explains the introduction of a terminology of business models into EU cultural policy. As a diverse range of industries are addressed within the same policy framework, concepts might be introduced which have much more relevance to one industry but are with time assumed to be equally applicable to all. For example, the music industry may need to explore new business models to protect revenues following several decades of rapid technological change, while such concerns may be of less importance to a small-scale performing arts company unconcerned with increasing their revenues beyond what they need to survive. This helps explain why arts and culture organizations find the unfamiliar language of business models embedded in the policy frameworks and funding initiatives they encounter at EU and sometimes national level.

Perhaps a pertinent question to ask in this context is whether the introduction and application of business models in relation to the cultural sector is a deliberate strategy or an unintentional outcome. In this sense, it would be interesting to ask to what extent the EC's use of 'business models' echoes moves within national government bodies such as Arts Council England towards a language of 'resilience' and 'sustainability', and to what extent 'business models', 'resilience' and 'sustainability' can be used interchangeably to prompt arts and cultural organisations to have a mixed-funding base and to adopt a more commercial approach to revenue-generation and cost-reduction in response to reductions in funding. We will see that the reality is more complicated, however it is useful to be aware of the overarching economic agenda which dictates general policy orientation, including in cultural policy.

It is important to know this background to understand why the concept of business models may carry the associations it does. In particular, as will become clear as we move onto the details of the Creative Lenses project itself, we are more concerned with how concepts are applied and interpreted by practitioners working in the arts and culture sector. However, as our research is situated within the broader political and economic context of EU involvement in culture outlined in this section, it is helpful to frame the introduction of a terminology of business models into cultural policy within a much broader set of policy trends relating to the intensification of economic arguments for EU cultural policy activity so as to provide important background for the research.

## 1.3. Context of this report

The Creative Lenses project ran from May 2015-19, funded through the Creative Europe scheme of the European Commission. As a collaboration project, the partner organisations provided resources to the project to complement the European funding they were awarded.





"PERHAPS A PERTINENT QUESTION TO ASK IN THIS CONTEXT IS WHETHER THE INTRODUCTION AND APPLICATION OF BUSINESS MODELS IN RELATION TO THE CULTURAL SECTOR IS A DELIBERATE STRATEGY OR AN UNINTENTIONAL OUTCOME."

The 13 partners came together to build on existing connections and on an earlier study undertaken by several of them, with the aim of building new understandings and capacities across their different kinds of activity and expertise.[3] The core partners from nine European countries were: five arts and cultural centres, one performing arts organisation, two cultural networks, two universities, one city authority, and two cultural agencies (see Creative Lenses Partners). During the action research programme, two additional organisations took part, both performing arts organisations who are members of one of the network partners. Throughout the four years, partners maintained regular dialogues including formal steering meetings, workshops, visits and digital communications.

The project was structured in three phases. Phase 1 included desk research; a series of focus groups with stakeholders in eight countries; mapping of best practice in arts and cultural organisations; and a series of international forums in eight countries to bring together people interested in the topic and hear from leading practitioners and researchers.

Phase 2 included eight action research projects organised through a 'Catalyst Programme' that provided funds, mentoring and opportunities to meet and share experiences to eight organisations: three performing arts organisations and five cultural centres. An international survey of managers of arts and cultural organisations was conducted to generate insights into perspectives on business models in the sector. Early results from Creative Lenses were shared at an international conference in Helsinki, Finland in October 2017, which also made connections to the creative industries.

The final phase 3 involved a synthesis of the activities as well as dissemination of the results. During this phase additional desk research was conducted, and an analysis of all the results led to this report. Project outputs including a toolkit and knowledge base for practitioners were developed, tested and shared online. A series of 15 training workshops were organised and delivered by partners across Europe to build capacity in the arts and cultural sector. A final conference in Helsinki in April 2019, and a workshop in Matera, Italy in April 2019, will share the results of the project. These connect Creative Lenses to related topics such as place-based regeneration, cultural governance and environmental sustainability. Finally, an evaluation report and workshop captured learning for partners and impact of the project on broader stakeholders.

During the course of the project, there were changes to the original plan. Although University of the Arts London (UAL) was one of the original partners in the consortium, the authors of this report were not involved

[3]See Giovanni Schiuma, Paul Bogen and Antonio Lerro, Creative Business Models: Insights into the Business Models of Cultural Centres in Trans Europe Halles http://teh.net/wp-content/uploads/2016/01/Creative-Business-Models-Report.pdf [accessed 21 February 2019]





# CREATIVE LENSES
# PARTNERS (2015-19)

**Partners**

Creative Industry Kosice, Kosice, Slovakia
IETM Network, Brussels, Belgium
Kaapeli, Helsinki, Finland (project co-ordinator)
Manufatture Knos, Lecce, Italy
ODC Ensemble, Athens, Greece
Olivearte Cultural Agency, UK/Ireland
P60, Amstelveen, Netherlands
The Creative Plot/City of Lund, Lund, Sweden
Trans Europe Halles, Lund, Sweden
Truc Sphérique/Stanica, Zilina, Slovakia
University of the Arts London, London, UK
University of Basilicata, Potenza, Italy
Village Underground, London, UK

**Additional partners involved in action research**

Patricia Pardo Company, Valencia, Spain
Projecte Ingenu, Barcelona, Spain

in the application process which framed and designed the project or its early stages. Nor were they responsible for the research activities in Phase 1. UAL led research activities in phases 2 and 3 of Creative Lenses whereas another partner, University of Basilicata, led the research in phase 1. The reshufflings during the project meant that the initial objectives were modified and the points of emphasis changed. While attempting to bring together all project documents produced across the four years, this report draws mostly on research conducted by the authors during the final two years of the project when the continuity of the themes and objectives in the project was re-established and the project partners stood firmly behind it .

## 1.4. Research questions and themes

The Creative Lenses project set out to explore whether provoking reflection on business models provided a productive means for arts and culture organisations to drive change in their structures and the way they operate in order for them to better sustain themselves. As the project developed, it became clear that any notion of fixed, replicable models that could be packaged up and transferred from one organisational context to another would be inadequate.

Differences in business models arise due to the distinctive political, social-technical and economic circumstances informing organisational practice in different geographic contexts. This means that while two organisations may share the same type of business model, the specific characteristics and relationships that make their model successful are distinctive and relate to how any particular organisation embeds itself within its context. This said, we know from the work in institutional and neo-institutional analysis that organisations do copy and replicate certain organisational features under the pressure to conform to shared, institutional expectations. In other words, under normative pressures introduced externally (e.g. by cultural policy) or internally (e.g. because of some power dynamics among the staff) certain ‘solutions’ - such as specific business models - can be spread by contagion across a number of different organisations and become entrenched in the sector. This, as we discuss later, has interesting effects on the efficiency and task performance in organisations, as well as their chance of staying afloat and becoming more sustainable.

While the project touches on several themes, the overall aim was to answer the following question: to what extent is the concept of ‘business models’ a useful and appropriate means for driving organisational change in arts and cultural organisations? During phases 2 and 3 of the project the research led by UAL explored the following themes via practical activities and reflection





**”THE CREATIVE LENSES PROJECT SET OUT TO EXPLORE WHETHER PROVOKING REFLECTION ON BUSINESS MODELS PROVIDED A PRODUCTIVE MEANS FOR ARTS AND CULTURE ORGANISATIONS TO DRIVE CHANGE IN THEIR STRUCTURES AND THE WAY THEY OPERATE IN ORDER FOR THEM TO BETTER SUSTAIN THEMSELVES.”**

conducted together with project partners. Some of these themes were identified at the beginning of the project whereas others emerged throughout.

- **Operationalisation:** how can the concept of 'business models' be translated for use by practitioners and what does this process involve?

- **Identification:** what are the main types of business model used by the two focus areas of the project (performing arts organisations and independent multi-disciplinary cultural venues) and what are the key characteristics of business models and business model change in these organisations?

- **Interpretation:** What is the role of organisational cultures and institutional logics shaping how the concept of 'business models' is interpreted and translated by practitioners?

- **Negotiation:** how do practitioners make sense of potentially competing logics or demands across their business models? How do insights from institutional and new-institutional theory on hybrid organisations help us make sense of this?

## 1.5. Report scope

The Creative Lenses project comprised a wide range of activities as summarized below. Across the various workshops, collaborative discussions, interviews, practical experiments with business model change, forums, an online survey and through attending conferences, the authors of this report have developed a twofold understanding of business models: as a subject for analysis in and of itself (the business models of arts and cultural organisations) and as a concept found within cultural policy and studied extensively in management research that can be adapted for use by practitioners and researchers for various purposes. Accordingly, this report offers a discussion of business models which engages with these two distinct but related perspectives. In what follows we share our understanding about the nature of business models, based on findings from our sample of performing arts organisations and independent cultural centres and more broadly based on our reading of the relevant literature. We also reflect on the operationalisation of the concept of business models by this group of participants. In doing so, we hope to show how perspectives from management literatures can enrich our understanding of business models in the arts and cultural sector and to demonstrate the ways in which the concept can be put to productive use by practitioners working in these domains. We also hope to demonstrate the importance of a more critical and contextual understanding of how the notion of business models – as introduced through policy channels – might be put to use with intended and unintended consequences.

The research question framing this report is: to what extent is the concept of 'business models' a useful and appropriate means for driving organisational change in arts and cultural organizations? This means that though we do consider some of the key characteristics of the business models of our sample and venture to further understanding about key themes that appear in discussions of arts and business, it is not our objective to offer detailed accounts of the business models of specific organisations. Those with an interest in learning about the business models employed by performing arts organisations or independent cultural centres can find 16 thorough case studies of these on the website developed to share the range of different outputs produced by project partners including by Trans Europe Halles. The main features of the business models of the eight organisations participating in the Catalyst Programme are identified in the Annexes, where we also offer our perspective on the critical factors on which the success of these organisations rests as well as outline both successful and unsuccessful changes made to their models during the project.

In this report we present the findings of the research activities led by UAL, hoping to move beyond a reductive understanding of business models as synonymous with money-making. Indeed, we hope that moving the understanding of business models away from the narrow concerns with revenue and profit making onto a much broader platform of value creation and capture – be it social, artistic, environmental or financial – will be a lasting legacy of Creative Lenses. We hope to contribute to debates within EU cultural policy circles where business models are sometimes treated simplistically – as 'something that needs to change' without paying attention to the potential of the term. There is much in this report that will be of interest to readers invested in the financial sustainability of arts and cultural organisations and the social role they fulfil whether as a practitioner looking to reflect on their practices, a consultant on the hunt for new concepts to use in their work enabling organisational change or academic researchers concerned with the inner-workings of these organisations and the norms and frames of meaning that shape behaviour in these settings. Based on an extensive period of collaboration between the project team at UAL and partners, this discussion attempts to further understanding of the realities and dilemmas practitioners face and the repertoires they draw on in negotiating periods of change. Our understanding of these issues has been enriched through this process and we hope this report captures something of the compelling nature of the discussions that took place.

## 1.6. Methodology

A diverse range of methods were used during phases 2 and 3 of the project, involving a number of different types of activity. The diversity of activities reflects the nature of the project as a collaboration between researchers and practitioners based on a shared desire to undertake and reflect on practical action to generate understanding and to identify opportunities for positive change.

**Desk research.** In addition to reading the literature in many areas (namely cultural policy, management and organisation studies, arts management and other relevant fields) we reviewed a range of grey literature and policy texts which tap into the themes at hand. Three working papers are available from this: a critical literature review that served as a starting point for cross-partner discussion of the broader political and policy context that arts and cultural organisations are situated in; a review of management literature with an emphasis on how an engagement with business model research helps rather than hinders understanding the practices of arts and cultural organisations; and, a closer look at business models in these organisations and why operationalising these concepts is not as simple as transferring ideas from management into the arts.

**Online survey.** We organised a survey which was distributed between 28 September and 27 November 2017, inviting organisations to share details of their business models and to offer a perspective on the barriers and enablers to business model change in their organisation. UAL commissioned BOP Consulting Ltd, a consultancy, to design, produce and analyse the survey, disseminated with the help of two partners: cultural networks I.E.T.M, which has 500 members in 50 countries and T.E.H, which has almost 100 members across Europe. The survey targeted independent performing arts organisations and multi-disciplinary cultural centres. Breaking down our respondents by organisation type and geographic location, there was a good mix with responses coming from 34 countries, with a slight over-representation of Northern and Western European perspectives.[4]

**Action research.** In the Creative Lenses 'Catalyst Programme' led by consultancy Olivearte Cultural Agency, eight organisations were asked to go through a process of business model change (broadly defined). Each organisation was provided with financial resources and mentoring support between April 2017 and September 2018. Several day-long workshops provided a space for collaborative reflection and critical analysis of the research themes as well as shared learning relating to a range of topics.

This focus on the doing and negotiation of working with the business model concept and implementing organisational change





# CREATIVE LENSES
# WORKING PAPERS

**'New Business Models' for Cultural Organisations: A Critical Literature Review'**
Bethany Rex

**'Insights from Management Literature to Understand Business Models in Arts and Cultural Organisations'**
Lucy Kimbell

**'Modelling Shared Value and Mediating Values: Describing Business Models in Performing Arts Organisations and Cultural Venues'**
Lucy Kimbell

Available at: https://creativelenses.eu/publications

along with the priority given to collaborative reflection during the workshops drew inspiration from the approaches associated with action research.[5] Although the writing up of research findings remained the responsibility of academic researchers, other project partners, particularly cultural networks such as Trans Europe Halles and I.E.T.M. have drawn upon both the interpretations and insights of practitioners and knowledge generated through engagement with literatures and data analysis in conversations with EU policy officers and other stakeholders. This has enabled the project to intervene in ongoing debates regarding the development of independent arts and cultural organisations within a EU policy context. The reality of developing research questions and analytical frameworks across 15 organisations from nine countries meant the project incorporated aspects of mutuality rather than being purely collaborative.[6] Nevertheless, the emphasis within the project design on meeting face-to-face, the time given to collaborative sense-making during workshops and openness to refining the research has meant our understanding has been enriched by dialogue across the project team. Relatedly, while this report comes at the end of the project in a technical sense, the sense-making and actions resulting from the research will continue to evolve.

Data relating to the Catalyst Programme was produced through the following activities:

- **Participant observation** in partner meetings and events including the Creative Lenses Forums in 2016-17 in eight countries, each organised by a partner, a project conference organised by partner Kaapeli in Helsinki in 2017 and other meetings

- **Collaborative sense-making** in workshops organised and facilitated by UAL in 2017-2018 and based on documentation and reflection on the research process produced by project partners and shared online

- **Interviews** with members/employees of the Catalyst organisations conducted face-to-face during early 2018 and using Skype throughout the 18-month research period

[4]Geographical regions as defined by the Statistical Commission of the United Nations 'Standard Country or Area Codes for Statistical Use', see: https://unstats.un.org/unsd/methodology/m49/#geo-regions
[5]For useful summaries of this approach see Koen P.R. Bartels and Julia M. Wittmayer, Action Research in Policy Analysis: Critical and Relational Approaches to Sustainability Transitions, Routledge Advances in Research Methods (Abingdon: Routledge, 2018) and Sarah Kindon, Rachel Pain and Mike Kesby, Participatory Action Research Approaches and Methods (Abingdon: Routledge, 2007).
[6]The challenges associated with embedding an action research approach within our project were multiple. These were addressed, although not always solved, throughout. In the spirit of collaborative enquiry, further reflection on these challenges and their institutional causes has formed a key aspect of the project evaluation.

**"THE DIVERSITY OF ACTIVITIES REFLECTS THE NATURE OF THE PROJECT AS A COLLABORATION BETWEEN RESEARCHERS AND PRACTITIONERS BASED ON A SHARED DESIRE TO UNDERTAKE AND REFLECT ON PRACTICAL ACTION TO GENERATE UNDERSTANDING AND TO IDENTIFY OPPORTUNITIES FOR POSITIVE CHANGE."**

# 2. PERSPECTIVES ON BUSINESS MODELS

Business models have been investigated from an academic point of view, which we go on to explore further below. They have also been a topic in consultancy work where business model change has been proposed as part of the solution to sustaining the activities of arts and cultural organizations at a time when public subsidy is diminishing. Notably, inquiries into business models from within the sector – in projects genuinely co-produced with practitioners – are rare. While business models are an expanding research theme in management studies, the business models of arts and cultural organisations and how these ideas are received by practitioners working in this institutional environment have been seldom studied in detail. In offering a sketch of the literatures we feel could be usefully brought to bear on these matters, we point to several promising lenses that could inform future work on these under-researched topics.

## 2.1. Business models in management research: core ideas

As might be expected, the business model and the study of business models originated in management research, often in response to technological change. Over the last two decades, the amount of research on business models has grown rapidly. A review conducted in 2011 identified that over 1000 articles addressing this topic have been published in peer-reviewed journals since 1995.[7] Our own review finds this number to be much larger, with over 5000 articles explicitly addressing this theme. Researchers have disagreed on 'an operating definition' ever since academic interest in business models emerged.[8] Peter Drucker's work is often cited as the origins of the term. In The Practice of Management, published in 1954, Drucker set out the questions a 'good business model' needed to address as 'who is the customer and what does the customer value?', 'what is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost'.[9] Nevertheless, interpretations are multiple and varied with a substantial number of articles on the topic taken up by discussions of definitions. Thomas Ritter and Christopher Lettl helpfully offer a categorization of five core perspectives. These are shown in Table 1.

| Perspective | Example |
|---|---|
| **Business Model Archetypes**<br>These perspectives detail overall approaches. They are deliberately unspecific as the aim is to offer abstract descriptions of what a business offers to the market and why it is able to create value. | AirBnB and Uber operate two-sided platform business models by earning money by bringing two groups of users together.<br><br>Describing Ryanair as operating a low cost business model emphasizes how it undercuts competitors' prices by offering a basic service. |
| **Business Model Alignment**<br>These perspectives detail the relations between the components of a business model. They may focus on relationships internal to the business or on the connections between the business and its environment. | A critical element of Wal-Mart's success is its location, ensuring its stores are located in environments that previously had little in the form of discount retailers and are too-small to support another store.<br><br>An aspect of Google's profitability is that it develops software and builds hardware in-house, removing the need for transactions with external suppliers. |
| **Business Model Logics**<br>These perspectives offer short descriptions of the underlying system or principle of the business model that enables the organisation to achieve success. | Chilean airline LAN operates a low-cost logic for domestic routes, a quality logic for long-haul routes and a maximum capacity logic for its cargo (a percentage of which ships in its passenger planes). |
| **Business Model Elements**<br>These perspectives detail all the necessary elements that enable the organisation to attract customers, make money and reduce costs in supplier relationships. | Google offers value to users of its search engine by obtaining revenues from sponsored links which are targeted based on user data collected when users interact with Google's multiple services. |
| **Business Model Activities**<br>These perspectives detail the activities an organisation undertakes in order to achieve its goals. Descriptions underpinned by this perspective are usually comprehensive, detailing all the activities an organisation undertakes in the process of converting inputs to outputs. | One of the ways Expedia offers value to hotels is by buying rooms in bulk and selling them to global markets. In doing so, it also generates value for itself by imposing a contract where hotels can resell unsold rooms to the hotel at short notice, thus reducing losses. Expedia creates value for the end user by its cheap prices, high choice, risk reduction due to reviewing system and other complementary services/products such as useful weather information and activity booking services. |

**Table 1: Perspectives on Business Models, Adapted from Ritter and Lettl 2018.[10]**

[7]Christoph Zott, Raphael Amit and Lorenzo Massa, 'The Business Model: Recent Developments and Future Research', Journal of Management, 37 (4) (2011), 1019-1042 (p. 1019).
[8]Thomas Ritter and Christopher Lettl, 'The wider implications of business-model research', Long Range Planning, 51 (1) (2018), 1-8, (p.2).
[9]Peter Drucker, The Practice of Management, (New York: Harper & Row, 1954), p.4.

[10]Thomas Ritter and Christopher Lettl, 'The wider implications of business-model research', (p. 4).

Across these perspectives, a number of key themes and debates emerge. The key emphases within business-model research are on value and holism.

### 2.1.1. Value and business models

Some of the most 'parsimonious' definitions of business model emphasize the aspect of money-making and profitability by defining business models simply as a way of spelling out how 'the company makes money'.[11] This apparent reductivism and focus on financial gains is misleading in that what is in fact at issue are much broader questions to do with 'the organization's core logic for creating value'.[12] Value is often preceded by several other terms to indicate that value creation takes different forms (financial, social, economic). Similarly, value is often followed by other terms (value proposition, value creation, value capture) to offer insights into the different aspects of what an organisation does to generate value 'for themselves, customers and partners' through relationships.[13] Looking at business models through the lens of value allows us to see that there is more at issue than how an organisation makes money.

Crucially, value is created for the customer, end user or beneficiary – or in the context of the arts, audiences – through their interactions with different parts of an organisation and value is captured when the appropriate mechanisms are in place to enable the firm to turn inputs into outputs.[14]

### 2.1.2. Holism and business models

This is where the holism of much business-model research comes in. Holism is intimately interrelated to value given what we have established about the relational manner in which value is generated (see the preceding paragraph). Conducted in the spirit of holism, the prioritization of the connections between parts over the individual parts themselves, business-model research avoids being reductive. Instead of considering elements of a system as discrete units, business model thinking allows us to see how the various parts of an organisation interact. Importantly, such analyses take in sets of activities within the organisation and beyond it in terms of relationships and interactions with partners, suppliers or customers within a wider activity system.[15]

One of the most accessible translations of business model research for use by managers is underpinned by this holism. Alex Osterwalder and Yves Pigneur's

[11]For example, Michael Rappa 'Managing the Digital Enterprise' Digital Enterprise, <http://digitalenterprise.org/models/models.pdf> [accessed 14 February 2019] or Frederick Betz, 'Strategic Business Models', Engineering Management Journal, 14 (1) (2002), 21-28 < https://doi.org/10.1080/10429247.2002.11415145>
[12]Jane Linder and Susan Cantrell, 'Changing Business Models: Surveying the Landscape', Accenture Institute for Strategic Change, 24 May 2000, p. 1 < http://www.businessmodels.eu/images/banners/Articles/Linder_Cantrell.pdf.> [accessed 18 February 2019).
[13]Peter Keen and Sajda Qureshi, 'Organizational Transformation through Business Models: A Framework for Business Model Design', Information Systems and Quantitative Analysis Faculty Proceedings & Presentations, University of Nebraska at Omaha, 43 (2006), no page numbers. < https://digitalcommons.unomaha.edu/isqafacproc/43> [accessed 18 February 2019].
[14]Lorenzo Massa, Christopher L. Tucci and Allan Afuah, 'A Critical Assessment of Business Model Research', Academy of Management Annals, 11 (1) (2016), 73-104 < https://doi.org/10.5465/annals.2014.0072>.
[15]Christoph Zott and Raphael Amit, 'Business Model Design: An Activity System Perspective', Long Range Planning, 43 (2010), 216-226 < https://doi.org/10.1016/j.lrp.2009.07.004>.





# COMMON TERMS ASSOCIATED WITH STUDIES OF BUSINESS MODELS[16]

**Value proposition:** identifies what an organisation offers and whose requirements (a customer or a beneficiary) it fulfils in doing so

**Value creation:** identifies the activities through which the value is created with staff, partners, customers and beneficiaries

**Value capture:** identifies the pricing and cost mechanisms the organisation uses to generate revenue and profits and underlying concepts and infrastructures such as Intellectual Property

**Value logic:** a catch-all term that combines all three

**Value chain:** a process or a set of activities by which an organisation creates and delivers value to its consumers. The concept was initially introduced by Michael Porter in his influential 1985 book Competitive Advantage.

**Value configuration:** a concept also used to describe how value is created by an organisation for and with its customers. However, in contrast to Porter's one-dimensional 'chain', configuration can be taken to describe a multi-dimensional design or arrangement of activities where different planes of delivery intersect rather than connect in a linear manner.[17]

[16]Paul Verdin and Koen Tackx, 'Are You Creating or Capturing Value" A dynamic framework for sustainable strategy', Harvard Kennedy School Mossavar-Rahmani Center for Business of Government Associate Working Paper Series, 36 (2015) <https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/Verdin_final.pdf> [accessed 18 February 2019].
[17]Christoph Zott, Raphael Amit and Lorenzo Massa, 'The Business Model: Recent Developments and Future Research', Journal of Management, 37 (4) (2011), 1019-1042 < 10.1177/0149206311406265>

'Business Model Canvas' is a one-page visual resource prompting managers to identify the core components of their organisation, specifically the connections between value creation, value capture and resources. While it is possible to problematize the fixed nature of the canvas, as Nicolai Foss and Tina Saebi do when they ask 'are we really sure that there are nine different components of a BM?', the schematization inherent in the canvas might be useful. The canvas presents a system underpinned by processes and relationships that dynamically interact where details - including but not limited to the commercial and environmental factors - shape how organisations design their business models. This is helpful for producing a detailed description of an organisation and as a starting point on which to base analysis.[18]

The notion of holism is important to business models in the other sense of the term too. That is to say, tracing a boundary around an organisation's business model is complex because one firm can create value for multiple other firms, groups and individuals. This is because business models in the non-profit sector are often multi-sided. These models take the form of a triangle as the organisation providing the service creates value for its direct beneficiaries and the third-parties (e.g. governments or donors) who fund the organisation to provide the product or service.[19]

In this way, one organisation's business model may comprise and be interconnected to the value creation systems of others. For example, in the heritage and museums sector, the British Museum receives funding and generates revenue when government departments decide to continue their support for national museums. However, the British Museum enables the value creating activities of others, such as commercial firms acting as the museum's licensing agent and operating its cafes and restaurants to educational institutions who use the physical space and online resources produced by the museum as part of their value exchanges with students. Across these exchanges, the customer, visitor or user is active in creating their own value from interacting with the value proposition the museum offers them.[20] In this context, the considerations of value-spillovers and value-flows in the ecosystem of cultural organisations, commercial, amateur and publicly-subsidised, becomes highly relevant.[21] As does the notion of value configuration – as opposed to the value chain.

[18]Nicolai J. Foss and Tina Saebi, 'Business models and business model innovation: Between wicked and paradigmatic problems' Long Range Planning, 51 (1) (2018), 9-21 (p. 9) < https://doi.org/10.1016/j.lrp.2017.07.006>.
[19]José Rodriguez, 'To Sell or not to Sell? An Introduction to Business Model (Innovation) for Arts and Culture Organisations', IETM Toolkit (2016) (p. 19) < https://www.ietm.org/system/files/publications/ietm_business-models_2016.pdf> [accessed 18 February 2019].
[20]This example draws on Martin Spring 'Which business models might ensure UK value from emerging sectors?' Future of Manufacturing Project: Evidence Paper 33, Foresight, Government Office for Science (2013) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/283907/ep33-business-models-implications-for-uk-value-from-emerging-sectors.pdf [accessed 18 February 2019].
[21]Geoffrey Crossick and Patrycja Kaszynska, 'Understanding the value of arts & culture: The AHRC Cultural Value Project' https://ahrc.ukri.org/documents/publications/cultural-value-project-final-report/ [accessed 18 February 2019].





**"ONE ORGANISATION'S BUSINESS MODEL MAY COMPRISE AND BE INTERCONNECTED TO THE VALUE CREATION SYSTEMS OF OTHERS."**

## 2.2. Business models in management research: key debates

As business model research has developed a number of key debates have arisen. We have selected three that we feel are helpful to be aware of given the focus of our research.

### 2.2.1. Relationship to strategy and tactics

The issue of relating business models to strategy and tactics is debated by Ramon Casadesus-Masanell and Joan Enric Ricart, scholars of management strategy. They set out that 'a firm's business model is a reflection of its realized strategy', rather than a plan for action; a strategy is in turn a 'contingency plan as to how the business model should be configured, depending on contingencies that might occur'.[22] As such, an organisation does not need a business model and a strategy unless they wish to/or are forced to modify their model.[23] Furthermore, 'tactics are the residual choices open to a firm by virtue of the business model that it employs'. [23]

Their example of the UK-based free Metro newspaper is helpful here. Metro operates an ad-sponsored free-to-readers business model. As such, tactical alterations to advertising rates and the balance between news and advertising can be made within their chosen business model. The price of the newspaper, however, cannot be changed, without changing the business model.[24]

Distinguishing between business models, strategy and tactics is more than a pedantic exercise. It may be the case that having a clear understanding of the options for adjustments available within different models is a more appropriate step towards identifying opportunities for change for many arts and cultural organisations.

Finding a middle ground between academic discussions of the relationship between business models and strategy was exactly the issue the creators of the 'Business Model Canvas' wanted to address in their book Business Model Generation. They aimed to enable organisations to produce a snapshot of their business model on which to then base a more substantial discussion of how to achieve its goals. Part of their hypothesis was that whether this goal was to change from one business model to another or simply to make minor adjustments to its practices, taking a snapshot of the organisation based on a blend of the 'elements', 'activities' and 'alignment' perspectives would help practitioners understand the resources at their disposal and develop plans about how they could make improvements to their systems of value creation and capture. As their intention in the book was to develop a useful tool, as opposed to academic theory development, Osterwalder and

[22] Ramon Casadesus-Masanell and Joan Enric Ricart, 'From Strategy to Business Models and onto Tactics', Long Range Planning, 43 (2-3) (2010), 195-215 (p. 205) < https://doi.org/10.1016/j.lrp.2010.01.004>.
[23] Ibid.
[24] Ibid. (p. 202).





# DIFFERENTIATING BETWEEN BUSINESS MODELS, STRATEGY AND TACTICS AT THE BRITISH MUSEUM

**The British Museum** operates a free to access business model for its permanent collection. Free access is a cornerstone of British cultural policy and the relationship between the British Museum and the UK government is vital to its approach to value capture. In this environment it is impossible for the price of entry to change. However, a different business model logic underpins its temporary exhibitions where a blockbuster (exhibitions premised on spectacle and intensive promotion) model enables tactical adjustments to pricing and corporate sponsor involvement.

Pigneur were less concerned with debates regarding any theoretical difference between strategy and business models. Nor were they interested in questions such as whether business models can be thought about in a modular way (where some elements could be subtracted without the loss of overall meaning) or whether they should be approach topologically (where transformations are possible but the volume, or the number of elements, remains constant). This is both a strength and a weakness of their approach. We will come back to these reflections as part of a discussion of the benefits and limitations of working with the idea of a business model for arts and culture organisations.

## 2.2.2. Existing or hypothetical?

From this discussion we can see that business models can be snapshots of the status quo (the 'as is' realized business model) or they can be propositions (the 'to be' hypothetical business model). In this sense, the word 'model' is apposite as business models can be existing or hypothetical. Joan Magretta, a key commentator in the field, talks about business models as hypotheses which are then tested in the market. Rather than a description of what already exists, business models provide terminologies and techniques that enable organisations to 'tell a logical story' explaining who their customers might be, what they value and how income can be generated by activities that provide them with that value, while also capturing value for the organisation. The consequence of this is that business models can be used as a method of organisational reflection to articulate what an organisation want to offer to the marketplace and what relationships will be key to achieving their goals.[25]

## 2.2.3. Non-commercial logics

Business model research may not be about money-making but it does tend to be about financial value and profitability. Of late, a growing stream of literature has debated issues relating to business models where value creation comprises the financial, the social and the environmental or where non-commercial logics, in addition to profitability, shape decisions about models and tactics.[26] The Balanced-Scorecard and Social Returns on Investment are good illustrations of this approach to value capturing.[27] In the Metro newspaper example above, a commercial logic is dominant as the paper creates value for the customer by virtue of being free yet

[25] Joan Magretta, 'Why Business Models Matter', Harvard Business Review, (2002), https://hbr.org/2002/05/why-business-models-matter [accessed 19 February 2019].
[26] Meike Brehmer, Ksenia Podoynitsyna and Fred Langerak, 'Sustainable business models as boundary-spanning systems of value transfers', Journal of Cleaner Production, 172 (2018), 4514-4531 < https://doi.org/10.1016/j.jclepro.2017.11.083> Oliver Laasch, 'Beyond the purely commercial business model: Organizational value logics and the heterogeneity of sustainable business models', Long Range Planning, 51 (1) (2018), 158-183 < https://doi.org/10.1016/j.lrp.2017.09.002>, Sally Randles and Oliver Laasch, 'Theorising the Normative Business Model', Organization and Environment, 29 (1) (2016), 53-73 < https://doi.org/10.1177/1086026615592934> and Muhammad Yunus, Bertrand Moingeon and Laurence Lehmann-Ortega, 'Building Social Business Models: Lessons from the Grameen Experience', Long Range Planning, 43 (2-3) (2010), 308-325 < https://doi.org/10.1016/j.lrp.2009.12.005> [all accessed 14 February 2019].
[27] Geoffrey Crossick and Patrycja Kaszynska, 'Understanding the value of arts & culture: The AHRC Cultural Value Project' https://ahrc.ukri.org/documents/publications/cultural-value-project-final-report/ [accessed 18 February 2019].





**"THE CONSEQUENCE OF THIS IS THAT BUSINESS MODELS CAN BE USED AS A METHOD OF ORGANISATIONAL REFLECTION TO ARTICULATE WHAT AN ORGANISATION WANT TO OFFER TO THE MARKETPLACE AND WHAT RELATIONSHIPS WILL BE KEY TO ACHIEVING THEIR GOALS"**

this creates a strong value proposition to advertisers as the circulation is higher than paid-for publications. This serves the firm's goal to capture advertising revenues and profits. The British Museum, in its free-to-access business model, operates according to a public-sector model. Some would argue its trading operations (cafés, shops, licensing) are underpinned by a commercial logic, yet as these profits are reinvested into the free-to-access model, the essence of the organisation could be claimed as a public-sector model. An interesting question in this context is whether the 'triple-bottom-line approaches' do in fact promote different value registers and orders of worth to co-exist simultaneously, or whether they provide just a 'box-ticking' cover-up for those wishing to pursue their commercial goals. This, as we will see, is an important question that the arts sector has to face.

On the surface, business models come from a world where money-making and profits are dominant. By identifying key themes and debates in what is a fragmented literature underpinned by some core ideas we have shown that business model research is nuanced as well as broad in scope. Throughout the discussion, the potential of these ideas to form a basis for research, policymaking or practical action has been implicit. We will bring these points to the fore throughout our 'Research Findings' as part of a discussion both of the application of the concept of business models to the arts and culture sector within our research and its wider potential. Before we come to this, it is useful to review what work has been done to apply the concept of business models to the sector and to use the vocabulary of business models to understand existing practices.

## 2.3. Business models in the cultural sector

Academic perspectives on business models in the art and culture sector are limited aside from a small handful of studies concentrating on museums and theatres. John H. Falk and Beverly K. Sheppard's Thriving in the Knowledge Age: New Business Models for Museums and Other Cultural Institutions published in 2006 is a key text in this regard. Their definition of business models forms the basis of our own outlined in 'Operationalising business models for arts and cultural organisations'. There are a number of reasons why the model proposed by Falk and Sheppard should be of interest here. First and foremost, given that the majority of existing research within cultural policy or arts management focuses on sectors which would not conventionally be grouped with non-profits, reflecting shifts in cultural policy towards the 'creative economy', the emphasis on the layering of cultural, economic and political logics within museum business models is a welcome start in correcting the 'concentration of studies on the more commercial end of the creative and cultural continuum'.[28,29,30] At





**"ONE THEME EMERGING FROM A REVIEW OF THIS WORK IS THE NEED FOR MINDFUL TRANSLATION OF IDEAS FROM THE BUSINESS MODEL LITERATURE FOR THE ART AND CULTURE SECTOR."**

the same time, it is worth noting of Falk and Sheppard's approach that this work has an academic audience in mind so focuses on analysing existing business models and change along paradigmatic lines, from a focus on 'curatorship' to 'entrepreneurialism', for example.[31] Assessing the potential benefit of introducing ideas from business model research to practitioners concerned with maintaining their financial viability and artistic integrity is not addressed.

A more practical focus emerges from reports produced by authors with knowledge of the context and cultures of arts and cultural organizations. For example, studies by Susan Royce and Mark Robinson, supported by Arts Council England acknowledge the everyday issues faced by people working in a sector where public funding has decreased such that running multiple business models concurrently is common practice.[32] The main practical suggestion in this literature is the need for art and cultural organisations to undertake a thorough assessment of their tangible and intangible assets and how they can be 'best exploit[ed] to attract money and other resources'.[33,34] Although limited in their analysis by this practical orientation - these publications offer helpful suggestions considering revenues are a perpetual issue for a majority of arts organisations. More recently, a publication aiming to offer a comprehensive review of business models across international contexts was added to this body of literature published by Creative Lenses partner I.E.T.M. *To Sell Or Not To Sell? An Introduction to Business Models (Innovation) for Arts and Cultural Organisations* by José Rodríguez presents a useful, sector-facing introduction to the topic of business models. Mirroring the conceptual clarity of some business model research, this work offers a summary of commonly used ideas within management studies to encourage arts managers to adopt more strategic approaches to what they do.

One theme emerging from a review of this work is the need for mindful translation of ideas from the business model literature for the art and culture sector. These authors acknowledge the distinctive characteristics of art and cultural organisations and

[28] For example, research projects such as CREATe, the UK Copyright and Creative Economy Centre, based at the University of Glasgow leads work on business models, amongst other topics, as part of the AHRC Creative Industries Policy & Evidence Centre. Work to date has focused on television, computer games and music industries.
[29] See, Carolin Decker-Lange, Marie-Noëlle Singer & Florian Schrader, 'Balancing evolving logics: business model change in the Leibniz research museums', Science and Public Policy, 0.0 (2018), 1-11 and
Emmanuel Coblence, & Valérie Sabatier, 'Articulating Growth and Cultural Innovation in Art Museums: The Louvre's Business Model Revision', International Studies of Management & Organization, 44 (4) (2014), 9-25.
[30] Patrick Collins & James A. Cunningham, Creative Economies in Peripheral Regions (Cham: Palgrave Macmillan, 2017), p. 177.
[31] Carolin Decker-Lange, Marie-Noëlle Singer & Florian Schrader, 'Balancing evolving logics', p. 1.
[32] A selective summary of this literature is provided in Rosa Pérez Monclus and Lucy Kimbell, 'Risky Experiments, Mixed Returns: Recent Research on Business Model Innovation in UK Performing Arts Organisations', Report by University of the Arts London for the Creative Lenses Project (2016) < https://creativelenses.eu/wp-content/uploads/2018/11/Creative-Lenses-Risky-Experiments.pdf> [accessed 18 February 2019].
[33] Susan J. Royce, 'Business models in the visual arts: an investigation of organisational business models for the Turning Point Network and Arts Council England', (2011) (p. 39) < https://webarchive.nationalarchives.gov.uk/20160204122016/http://www.artscouncil.org.uk/advice-and-guidance/browse-advice-and-guidance/business-models-visual-arts> [accessed 14 February 2019].
[34] Note that the term exploiting resources and assets is prevalent in the business model literature and is not used to imply unfairness or ill treatment as is often the case in other fields.





**"THUS, RATHER THAN A SIMPLE TRAJECTORY FOR MAKING PROFIT OR A HYPOTHETICAL STRATEGY, ´BUSINESS MODEL´ CAME TO STAND FOR A WAY OF PLOTTING A CONFIGURATION OF VALUES CO-EXISTING IN ANY GIVEN ORGANISATION. THE INTRODUCTION OF THE BUSINESS MODEL CONCEPT, THEREFORE, CAN BE SEEN AS A RESPONSE TO A NEW OPERATING ENVIRONMENT AND A GROWING AWARENESS OF THE SITUATEDNESS OF BUSINESSES AND THE COMPLEXITIES OF THEIR VALUE LOGICS."**

address the influence this has on the nature of business models themselves as well as how the very idea of thinking about business models is received by practitioners. Drawing on Bourdieu, Susan Royce observes 'it is hard to work at building a successful business model while denying that it is what you are doing', to indicate the way practitioners reject the label of business as part of professional value systems, occasionally dismissing valuable tools out of hand.[35] Similarly, José Rodríguez argues that there is a need to dissolve false distinctions between business and the art and cultural sector that led to unnecessary resistance based on unfounded assumptions.[36]

What is also key are deliberate efforts to distinguish between older and more established concepts of 'strategy', 'value chains' and so forth, and business models. As we saw earlier, strategy is a 'plan of action for different contingencies that may arise' and forms part of forward planning that commercial organisations undertake as a matter of routine to protect their revenues should market or environmental conditions change.[37] Business models, on the other hand, are a way of representing 'the set of value propositions an organization offers to its stakeholders, along with the operating processes to deliver on these, arranged as a coherent system, that both relies on and builds assets, capabilities and relationships to build value'.[38] Similar ideas underpin work on the concept of the 'offering' and the 'value constellation' by Richard Normann and Rafael Ramírez.[39] Thus, rather than a simple trajectory for making profit or a hypothetical strategy, ´business model´ came to stand for a way of plotting a configuration of values co-existing in any given organisation. The introduction of the business model concept, therefore, can be seen as a response to a new operating environment and a growing awareness of the situatedness of businesses and the complexities of their value logics.

Helpfully, work to date recognises that there are important differences between the priorities and motivations of a non-profit art and cultural organisation, a non-profit business and a for-profit business, whilst correctly identifying that financial viability (although not necessarily longevity or growth) is important to all three. From this work we can conclude that, as a business model is not a statement of how money is made but a representation of how an organisation creates value for (and with) its stakeholders (a term that can refer to customers, audiences, shareholders, funders, partners or more abstract notions of publics), every organisation has a business model and can benefit from reflecting on what it is or planning for how it might change if and when different conditions arise. Existing research is also

[35] Susan J. Royce, 'Business models in the visual arts', (p. 39).
[36] José Rodriguez, 'To Sell or not to Sell?'.
[37] Ramon Casadesus-Masanell and Joan Enric Ricart, 'From Strategy to Business Models and onto Tactics' (p. 200).
[38] Jane Linder and Susan Cantrell, 'Changing Business Models: Surveying the Landscape' (p. 5).
[39] Richard Normann, Reframing Business: When the Map Changes the Landscape (Chichester: John Wiley & Songs) and Richard Normann and Rafael Ramirez, 'Designing Interactive Strategy', Harvard Business Review, 71(4) (1993), 65-77 < https://hbr.org/1993/07/designing-interactive-strategy> [accessed 18 February 2019].





**"RATHER THE SUGGESTION IS THAT BEING MORE BUSINESS-LIKE IN THEIR PLANNING AND STRATEGISING WILL RESULT IN BUSINESS MODELS COMPRISING VALUE CREATION AND CAPTURE SYSTEMS THAT ENABLE MISSIONS TO BE REALIZED OR ORGANISATIONAL VALUES TO BE EMBEDDED."**

sensitive to the fact that in value-driven organizations, 'business' language can be problematic. Accordingly, the point stressed is that thinking of business models does not imply that arts and cultural organisations should become more business-like in their motivations. Rather the suggestion is that being more business-like in their planning and strategising will result in business models comprising value creation and capture systems that enable missions to be realized or organisational values to be embedded. This, as we will see, may prove more problematic if we accept, as do neo-institutional approaches, that organisations are as much consciously steered by values, as they are driven by implicit institutional norms.



## 2.4. Institutional and new institutional perspectives

The main body of literature that has informed our work comes from management studies, specifically business model research, summarised in full earlier. As will become clear, scholarship in this field highlights that the notion of the business model is more expansive and less focused on money-making than first impressions might indicate. However, as we spent time in the field and worked with our data a number of dynamics emerged that we realised could be understood, although not always entirely explained, by well-established ideas developed in organisational sociology and neo-institutional theory. Our approach has been to borrow explanations from this diverse literature as an interpretative lens that provokes questions as much as provides answers. At this juncture, it is therefore useful to sketch the core concepts and developments in this field before presenting our findings.

### 2.4.1. 'Old' and 'New' institutional theory: a brief history

Our understanding of how organisations behave has been shaped by two phases of institutional theory and subsequent developments as theorists have considered their insights in empirical work. In brief terms, 'old' institutionalism was about challenging the notion that efficiency was an appropriate term to describe the underpinning logic of organisations, usefully summarised as a question of:

*'why organizations engage in activities that are legitimate in the symbolic realm rather than material one; why organizations adopt behaviours that confirm to normative demands but conflict with the rational attainment of economic goals or how purely technical or productive objects becomes infused with meaning and significance far beyond their utility value'.*[40]

Philip Selznick's Leadership in Administration: A Sociological Interpretation (1957) is often cited as a classic text in this field.  Selznick concluded that organisations are not usefully understood as efficient machines all working towards the same well-defined goals. For Selznick, the point was to say that there was a necessary relationship between the means and the ends and specific sets of ends (or missions) were attainable only by effectively inculcating behaviours and norms amongst the staff in organisations. This is where the notion of values or activities in the 'symbolic realm' comes in. From this starting point, institutional theorists have sought to understand the way those symbolic activities, 'structures and processes [to] acquire meaning and stability in their own right rather than as instrumental tools for the achievement of specialized ends'.[42]

The question of what counts as an institution is an ongoing debate within this literature, but realms such as the 'market', 'democracy' and 'bureaucracy' are commonly labelled as such.
'Public culture' could be usefully thought of as an institution given that there are common ideas circulating that appear to shape notions of acceptable behaviour. 'Cultural work' more broadly could also be considered in this frame, with precarious labour becoming accepted as legitimate because of the moral codes and normative demands embedded within this space.[43]

The main challenge for institutional theories has been to understand this process of institutionalisation where 'a particular orientation becomes so firmly a part of group life that it colors and directs a wide variety of attitudes, decisions, and forms of organization, and does so at many levels of experience'.[44] In this context, the notion of environment becomes important. Institutional environments are produced by the professions, governments or other powerful actors and are reproduced or changed by actors within them. Both, 'old' and 'new' institutionalism recognise these interactions as crucial. However, whereas the older approach stresses in this context the importance of political trade-offs and overt group conflicts, the new school emphasises cultural influences. Importantly, for 'new institutionalism' the term institutional environment is construed more broadly and refers to a recognised area of institutional life that is composed of a variety of organisational fields.[45] These 'nonlocal' environments, as DiMaggio and Powell put it, are 'more subtle in their influence; rather than being co-opted by organizations, they penetrate the organization, creating the lenses through which actors view the world and the very categories of structure, action and thought.[46]



[40] Roy Suddaby, 'Challenges for Institutional Theory', Journal of Management Inquiry, 19 (1) (2010), 14-20 (p. 15) < https://doi.org/10.1177/1056492609347564> [accessed 15 February 2019].

[41] Philip Selznick, Leadership in Administration: A Sociological Interpretation (Evanston: Row, Peterson & Co, 1957).
[42] James R. Lincoln, 'Book review – Walter W. Powell and Paul DiMaggio (eds.): The New Institutionalism in Organizational Research', Social Forces, 73 (1995), 1147-1148 (p. 1147) https://doi.org/10.1093/sf/73.3.1147 [accessed 18 February 2019].
[43] Likewise, although not explicitly rooted in institutional theory, recent work has begun to highlight some of the assumptions embedded with the institution of 'public culture', such as the idea that individuals who do not visit museums do so because they experience 'barriers to participation' that need to be broken down, rather than because they engage with culture differently out of choice. David Stevenson, 'What's the problem again? The problemisation of cultural participation in Scottish cultural policy', Cultural Trends (22: 2) (2013), 77-85 < https://doi.org/10.1080/09548963.2013.783172> [accessed 15 February 2019].
[44] Philip Selznick, Leadership in Administration: A Sociological Interpretation (Evanston: Row, Peterson & Co, 1957) p.137.
[45] Walter W. Powell and Paul J. DiMaggio, 'The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields', American Sociological Review, 48, 147-60 < https://www.jstor.org/stable/2095101> [accessed 14 February 2019].

Instead of studying organisations as adapting to their local contexts, 'new' institutionalists focus their attention on organisational fields where there are accepted ways of doing things. They study how the legitimacy and status of individual practitioners and organisations are drawn from associating and demonstrating one's alignment with the social and cultural norms or institutional logics of the organisational fields at large.

So, what would an arts organisation do in response to revenue shortages and how do the norms and moral templates within that given community shape their response? Might they adopt commercial practices whilst claiming that no significant change has resulted from this? Or might they highlight their success in generating their own income as such practices become acceptable within their community? Relatedly, what are the implications (which may be economic) of being situated within a particular institutional environment when an organisation implements a new business model? What, for example, are the economic consequences for a museum deviating from what is perceived as appropriate behaviour by selling part of its collection or a theatre for working closely with a major brand to develop a performance? How can these be explained by its institutional environment and how did these ideas of appropriateness become stabilised in the first place?

We see questions such as these as key to understanding how the inner worlds of organisations are shaped and give shape to institutional logics depending on the different capacities of organisations to author their own response to the external pressures they perceive to apply to them. The push to engage with the concept of the 'business model' is but one of these pressures. How this idea was interpreted and adopted within the Creative Lenses project team will be a question guiding our research findings, which we turn to after a brief but necessary reflection on why the notion of business models has appeared in the arts and cultural sector in the first place.

## 2.5. Why business models and why now?

There are a number of competing hypotheses explaining why the notion of business models has bedded into the cultural sector. Is it a simple response to funding cuts? Or perhaps business models are a policy tool to drive institutionalisation of certain behaviours? Or as suggested in our earlier consideration of policy developments, do shifts in the language used by policymakers resulting in classifications such as the 'creative industries' partly explain the presentation of ideas from commercial spheres to non-commercial audiences? In a less cynical way, one could speculate that the concept is a useful catch-term voluntarily adopted by arts organisations looking for

[46] Walter W. Powell and Paul J. DiMaggio (Eds), New institutionalism in organizational analysis. Chicago : University of Chicago Press (1991), (p. 13).





"INSTEAD OF STUDYING ORGANISATIONS AS ADAPTING TO THEIR LOCAL CONTEXTS, 'NEW' INSTITUTIONALISTS FOCUS THEIR ATTENTION ON ORGANISATIONAL FIELDS WHERE THERE ARE ACCEPTED WAYS OF DOING THINGS."

a method of understand themselves better which also facilitates more deliberate design approaches to organisational structures. Policymakers do not have the time, resources and ability to consider all the available solutions, so one could also suggest 'business models' might be a 'good-enough' but imperfect term designed to speak across policy audiences but inserted without a specific intent. In order to answer these questions, we have to look at business models in a contextual, historical way.

To some degree, the emergence and the bedding in of the notion of business models in the cultural sector is a response to all of the above. The changes in business models in arts organisations reflect the externally-imposed constraints, as well as reflecting the internally-driven process of adaptation on the part of arts organisations. An organisation may decide to allow the notion of the business model to inform their working methods and the language they use to talk about their work because it allows them access to resources at a time when they feel their regular funding sources are vulnerable. What this does not mean is that practitioners cannot shape the concept to suit their own purposes, though this is highly dependent on their circumstances.

A critical perspective is to position 'new business models' in relation to other emergent terms such as 'resilience' and ask whether the introduction of new terminology represents more substantive, often ideologically rooted impositions from policymakers onto practitioners. Is this an attempt by policymakers, funders and other agencies to ensure arts and cultural organisations are ready to shoulder the responsibilities of financial viability by themselves, to ensure they are ready for a future where public support is no longer the norm? More indirectly, might this be an attempt to shift the discourse and institutionalise certain forms of behaviour in arts organisations?

We have already noted the trajectory of business models in management research where interest in the term is attributed to changes in the technological and competitive environment. Here, the point about every organisation having a business model becomes less relevant as it is more the unusual and innovative nature of business models underpinning commercial organisations such as Google, Uber and AirBnB that is of interest to management scholars. These organisations have evolving value propositions and run several business models concurrently in a way that enables them to continually renew their competitive advantage. The key question arising in relation to arts organisation is whether they consciously focus on developing their competitive advantage, or whether their values and the modus operandi are very different from those underpinning Uber and AirBnB. This said, insofar as the technological changes are revolutionizing





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the modes of participation, there is no question that the way arts organisations operate changes as the result of the rapid development of digital technology.

What is clear is that there are several explanations as to why business models have become a theme within contemporary policy language and in the strategic priorities of organisations with responsibility for the development of the art and cultural sector. There are also different ways of interpreting this shift. Is this harmless pragmatics or dangerous policy imposition? However the question to ask is not solely 'why business models and why now?', (after all it is unlikely that a straightforward answer to this question exists), but instead to consider whether this seemingly incongruous idea might be useful for practitioners if thoughtfully adapted with their needs and priorities in mind. Relatedly, from a research perspective, can focusing on business models draw attention to practical questions of financial sustainability as well as more substantive questions of different logics of value within arts and cultural organisations? These should be seen as the questions guiding our research findings.



BUSINESS MODELS FOR ARTS AND CULTURAL ORGANISATIONS:
RESEARCH FINDINGS FROM CREATIVE LENSES

**”THERE ARE ALSO DIFFERENT WAYS OF INTERPRETING THIS SHIFT. IS THIS HARMLESS PRAGMATICS OR DANGEROUS POLICY IMPOSITION?”**

# 3. RESEARCH FINDINGS

The research presented in this report approached business models from two starting points. First, they are an object for study in their own right, raising definitional questions such as 'what is a business model?' and 'what is the current state of business models in the arts and cultural sector?' Second, and, more emphatically, they are a heuristic device, or a tool enabling arts organisations to identify opportunities for organisational change or as a prompt for reflection and a starting point for researchers to explore how this particular idea was received and adapted by practitioners, specifically how the reception of business models can be understood through the lens of institutional and new-institutional theory.

Our findings are presented thematically and correspond to the research themes set out in Section 1.4. At this juncture it is important to note that the small size of our sample (eight organisations involved in the action research in Creative Lenses) means are observations are indicative not conclusive. That being said, as we have refined our observations through extensive discussion with practitioners, academics and other experts in the field as well as a thorough engagement with the literatures, they can be used to give a sense of general trends in the sector and the nature of meaning-making that occurs within organisations and institutional environments.

## 3.1. Operationalising business models for arts and cultural organisations

Conflicts over language are not incidental when it comes to translating concepts from one context to another. Indeed, the very practice of translating the concept of business models from its origins in management literature to the domain of arts and culture is not about preserving the original meaning, but about reconfiguring an idea so that any new definition takes on board contextual factors and is likely to be well received by its intended audience. In choosing to highlight the positive potential of working with the business model concept we are not blind to our efforts being viewed as complicit in the diffusion of normative demands associated with capitalist market logics into a domain that many would argue should not be subordinated to the logics of other realms.

However, our own view is that it is more productive to track how the business model is received by practitioners and pose the question of its influence on practice. This acknowledges the possibility of market logics becoming further entrenched by the use of the mechanism, but does not assume this will be the case. In many, but not all, cases arts and cultural organisations can be usefully thought as hybrid organisations where more than one logic circulates.[47] Questions of compatibility and negotiation become important when we attend to the agency of practitioners to respond to the demands they face, as we discuss in 'Negotiating Hybrid Business Models'.[48]

In defining the 'business model' for Creative Lenses and, by implication, for the group of arts and cultural practitioners participating in the project, our intention is not to present something in a positive light in order to conceal a real meaning. Rather, our purpose is to offer a workable general definition of business models to highlight how these concepts need not be anathema to arts and cultural practitioners and can actually suit rather than direct their ends. We would argue that business models may have their origins in the corporate world but they contain ideas relating to value that need not be prescriptive, though we should acknowledge that the agency of practitioners to adapt structuring frameworks cannot be assumed.

Our definition is informed by our research into how a group of arts and cultural workers deliberated over meaning and terminology to identify what a business model might mean in their contexts and relatedly, what business modelling might look like for them. Our work in this area builds on the important efforts of people working within cultural networks who play a valuable, and in our view severely understudied, role in mediating between transnational and national policy infrastructures and locally situated organisations directly involved in the production and dissemination of symbolic offerings.[49,50]

Importantly, the very practice of undertaking this translation constitutes a space for identification and production of values and priorities. As such, preservation of diversity requires that the meanings of 'business model' and 'business modelling' remain open spaces for negotiation within which

[47] For a summary of this idea see, Royston Greenwood, Christine Oliver, Thomas B. Lawrence and Renate Meyer, 'Introduction: Into the Fourth Decade', in The SAGE Handbook of Organizational Institutionalism, 2nd edn (London: Sage Publications, 2010), pp. 1-23.
[48] For a thorough discussion of relevant literature on the introduction of 'business-like' practices into nonprofit organisations see Florentine Maier, Michael Meyer and Martin Steinbereithner, 'Nonprofit Organizations Become Business-Like: A Systematic Review, Nonprofit and Voluntary Sector Quarterly, 45 (1) (2014): 64-68 <https://doi.org/10.1177/0899764014561796> [Accessed 3 April 2019].
[49] See Philip Schlesinger, Melanie Selfe and Ealasaid Munro, Curators of Cultural Enterprise: A Critical Analysis of a Creative Business Intermediary (Basingstoke: Palgrave Macmillan, 2015) for an illuminating discussion of cultural intermediaries and their rise as a consequence of the creative industries paradigm.
[50] José Rodriguez, 'To Sell or not to Sell?'.

practitioners have differently distributed license to embed the specific set of political, artistic or social values that matter to them in how they define and use these terms.[51] In this way, business models can provide frames of meaning-making rather than frames of meaning which prescribe norms and notions of appropriate behaviour.

In our research we found that an approach based on imposing ideas and techniques was not well received by practitioners. Although we should be wary of generalizing what is received variously at the level of practice as well as the role of myth-making, people working in these domains display significant levels of agency in the ways that they revised or resisted particular terms associated with the whole discourse of the creative industries of which business models can be seen to form part. Notably, an initial response drawing on a language of resistance to 'the market' or 'neoliberal capitalism' or other institutions viewed negatively became almost routine within the project. Yet, this quickly gave way to a more interactive and open-ended engagement with the idea of business models, with the recognition of its potential to delimit possibilities for action seeming to be a useful means by which practitioners could attempt to take action to ensure that working with the concept did not lock them into a particular way of thinking.

### 3.1.1.How was the concept of business models understood within Creative Lenses?

The earlier discussion of business models in the limited literature on museum administration identified John H. Falk and Beverly K. Sheppard's book Thriving in the Knowledge Age: New Business Models for Museums and Other Cultural Institutions published in 2006 as a key text, although it is rarely cited in academic literature. Developing from this, our definition maintains the comprehensive nature of theirs where a 'cradle-to-grave' approach means the definition includes, inter alia, customer selection, the creation of offerings, product differentiation as well as the twin goals of generating revenues and enhancing public good.

Our definition departs from Falk and Sheppard's as we explicitly employ a terminology of value. We would argue that this term resonates with arts and cultural workers precisely because of its open-ended and configurative character. Ideas of value are subject to varying interpretations. This is a good thing as it creates space for deliberation and dialogue about context-specific perspectives and priorities. In this way, although a language of 'cultural value' can be considered as a policy trope, perspectives on value from the business model literature focus on articulating the multiple types of value exchanges that an individual organisations is embedded within

[51] Chris Land and Daniel King, 'Organizing otherwise: Translating anarchism in a voluntary sector organization', ephemera: theory & politics in organization, 14 (4) (2014), 923-950 < http://www.ephemerajournal.org/sites/default/files/pdfs/contribution/14-4landking.pdf> [accessed 18 February 2019].





**"IN THIS WAY, BUSINESS MODELS CAN PROVIDE FRAMES OF MEANING-MAKING RATHER THAN FRAMES OF MEANING WHICH PRESCRIBE NORMS AND NOTIONS OF APPROPRIATE BEHAVIOUR."**

and can therefore be seen as a means by which organisational actors can articulate the work they do. From this starting point of divergence and difference arts and cultural organisations are more likely to maintain their distinctive characteristics and non-uniformity that we would argue remain at the heart of why they matter to individuals and society.

We also use common terms from the management literature, discussed earlier in 'Business Models in Management Research'. The remaining terms are summarized in Business Model Definition Glossary. Based on these views and our findings, the definition we propose is as follows:

> A business model describes how an organisation's **assets** and **activities** are combined to **co-create** and capture different types of value for individuals, groups and society through a particular **value logic**.

### 3.1.2. Operationalising business models and institutional norms

Professional networks such as Trans Europe Halles and I.E.T.M. both of whom are partners in the Creative Lenses project, and increasingly research teams embedded in such projects have an important and intriguing role to play in their efforts to translate ideas with their origins in the private sector for use by practitioners located in specific institutional contexts. Institutional and new institutional theory foregrounds the production of institutional norms and the way organisations adopt structures and practices not necessarily because of their productive value but because they believe they are expected to do so, by society or a profession, for example.

The notion of institutional norms suggests there are taken-for-granted 'common' meanings, identities and routine practices that have arisen and become embedded across institutional environments and shape and constrain ideas of acceptable and necessary behaviour within that group.[53]

On the one hand, the whole idea of the business model could be seen as an institutional norm with its origins in the institution of the market where turns of phrase such as 'the market knows best' give a flavour of the taken-for-granted assumptions promoted within this logic. Given the dominance of the concept within our research, the project provides a productive space for reflection on the extent to which business models frame meaning and direct behaviour. Do business models function as institutional norms? Is business modelling a practice that contributes to the maintenance of the market? Or are such norms less embedded within business models, meaning that practitioners with the necessary agency can manipulate them to their own ends?

[53] Kimberly D. Elsbach, 'Intraorganizational Institutions', in Companion to Organizations, ed. by Joel A. C. Baum (Oxford: Blackwell Publishers, 2002), pp. 7-57.





# BUSINESS MODEL DEFINITION GLOSSARY

**Assets:** tangible or intangible resources that provide an organisation with the means to create value that can be captured if the appropriate value capture mechanisms are in place. An example of an intangible resource is staff expertise and knowledge. Buildings or collections are examples of physical or tangible assets.

**Activities:** the range of mechanisms used by organisations to achieve their goals. Activities may be mission-related (staging a performance) or mission-supporting (corporate events that cross-subsidise core activities). Activities cross externally-facing offerings as well as internal processes.

**Co-create:** (see Common Terms Associated with Studies of Business Models for definitions of value creation and capture) The 'co-' in co-creation complicates any notion of a straightforward relationship between the inputs of arts and cultural organisations and the outcomes for users, audiences, partners and other actors in their wider network.[52] Arts and cultural organisations offer a value proposition to various stakeholders, including artists and their own employees and volunteers, and value is co-created and emerges from the dynamic and situated interactions between this proposition and the individuals and groups encountering it.

[52] Influential work by Elinor Ostrom on co-production is relevant here and that of Stephen P. Osborne and colleagues on public services. See Elinor Ostrom, 'Crossing the great divide: Coproduction, synergy, and development', World Development, 24 (6) (1996), 1073-1087 < https://doi.org/10.1016/0305-750X(96)00023-X> and Stephen P. Osborne, Zoe Radnor and Kirsty Strokosch, 'Co-Production and the Co-Creation of Value in Public Services: A suitable case for treatment?' Public Management Review, 18 (5) (2016), 639-653 < https://doi.org/10.1080/14719037.2015.1111927> [both accessed 15 February 2019].

As suggested above, the business model is less 'toxic' than first impressions might suggest, particularly when it is presented as a roughly sketched heuristic available for adaption by practitioners. Whilst this approach readily endorses the benefits of visualising or describing the organisation's particular approach to co-creating and capturing value, it does not necessarily prescribe an emphasis on money-making or entrench private-sector logics into every organisation that interacts with it. We can glean as much from the management literature, yet our research illustrates the dialectics of business models. In the action research projects in Creative Lenses, business models functioned as both an externally-imposed constraint, for participants were obliged to work with the concept in some form, and an internally-driven process of adaption as organisations reworked the concept to suit their own agendas.

In one sense, the eight organisations participating in Creative Lenses adopted the concept of business models because they were prompted to by their involvement in the project. Yet, for new institutionalists this could be about more than gaining access to much needed resources. A core question here would be to ask whether we are witnessing the further entrenchment of the normative demand for arts and cultural organisations to fulfil societal roles whilst also contending with significant changes to their financial underpinnings and how regulative notions of the value and worth of working in the arts leads practitioners to continue to operate in challenging contexts despite the fact that this may come at significant personal cost to themselves. These perspectives raise a host of intriguing questions in relation to the way business models have been presented to arts and cultural organisations thus far. For example, what might the implications be of proposing a tailored practice of business modelling that has the organisation's particular mission at its heart. For example, the tailored business model canvas provided in *To Sell or Not to Sell?* where questions of purpose, mission and desired impact come before identifying where the money might come from. Could this reproduce normative demands for arts and cultural organisations to articulate their missions in terms they believe are expected of them, or does it do the opposite by encouraging these organisations to come up with business models and articulations of value that grant them autonomy?

At this juncture, it is important to note two things. First, that we do not know what will happen after the Creative Lenses project ends in May 2019. Will participating organisations continue to use the concept of business models and the practice of business modelling? Will these practices influence priorities or decision making, and might we see a change in institutional logics, perhaps the increased dominance of a market logic? Further, will





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these practices diffuse further across the memberships of the professional networks that participated in the project and further afield? While we attempt to answer some of these questions in 'Negotiating business model change', questions regarding the future remain. Second, we have implied a degree of practitioner agency to rework and resist normative demands that could be associated with business models, if we consider them as an institutional norm. We view agency as an empirical question rather than something that can be assumed, and will address what happened during the 18-month process where the organisations participating in Creative Lenses worked with the business model concept in 'Negotiating business model change' to demonstrate some of the factors that affect the ability of practitioners to recognise and resist the norms they read into business models. Before turning to these questions which, as we shall see, are crucial to understanding the plurality of approaches to business model change taken in the project as well as the language used to describe such projects, there is more to be said about the business models of arts and cultural organisations themselves.

## 3.2. Identifying the Business Models of Arts and Cultural Organisations

Through our research we gained important insights into the meaning systems of the different partner organisations and their influence on language, practice and understanding. Our engagement with these organisations and the literature on business models has also enabled us to paint a broad picture of the types of business model used by these organisations and how they design their business models.

### 3.2.1. Classifying business models in arts and cultural organisations

Is it possible to identify common business models in the arts and cultural field? The answer is both yes and no. No, it is not possible to distil the particular interplay of factors that make each organisation's business model distinctive into an overarching label without losing some of the contextual complexity and social, place-based relations and aesthetic and artistic concerns which make each organisation and its business model unique. However, yes, there are sufficient differences between models (how an organisation co-creates and captures value) in use across the sector as well as adequate common features to make an approximation of archetypes (see 'Business Models in Management Research') fruitful as a basis for further scholarly analysis or for use by practitioners as a point of comparison.

The explanatory power of such archetypes is limited. For example, claiming an organisation has a particular business model does not tell us why it thrives in comparison to a failing counterpart.

However, distinguishing between the main types of business model in a particular sector is a common approach in business model research where a distinction between taxonomies (classes of things developed from real-world empirical observation or inductive reasoning) and typologies (types of things hypothesized to exist, deductive reasoning) is made before settling on a middle-ground informed by Weber's empirically-informed yet ultimately fictitious conceptualization of ideal-types.[54] In this vein, Charles Baden-Fuller and colleagues identified four ideal-types of business model: product, solutions, matchmaking and multi-sided.[55]

Adopting this typology, in Table 3 we distinguish between six different ideal types of business model within arts and cultural organisations. We base each type on one of the four ideal types identified by Charles Baden-Fuller and colleagues, to which we add characteristics based

| | Model type | Definition | Example |
|---|---|---|---|
| Dyadic | **Product** | The organisation develops a product or standardised service which the customer consumes after purchase. The value proposition is transactional. | Consumer electronics; cars; streaming media |
| Dyadic | **Solutions** | The organisation engages the customer about a problem they face and provides an integrated solution. The value proposition is relational. | Management consultancy; airplane engine manufacturer operating a service model of power-by-the-hour; taxi |
| Triadic | **Matchmaking** | The organisation joins buyers and sellers in its online or physical marketplace. The value proposition is transactional, to facilitate exchange. | Farmer's markets; online booking sites; Airbnb; Uber |
| Triadic | **Multi-sided** | The organisation provides different products or services to different customer groups. The value proposition is multi-sided; one customer group gets additional benefits from the other group's transactions. | Charity shop relying on donations; Snapchat; Google |

**Table 2.**
**Four business model types (adapted from Baden-Fuller et al 2017)[56]**

[54] Charles Baden-Fuller and Mary S. Morgan, 'Business Models as Models', Long Range Planning, 43 (2-3) (2010), 156-171 < https://doi.org/10.1016/j.lrp.2010.02.005> [accessed 7 February 2019].
[55] Charles Baden-Fuller, Alessandro Giudici and Mary S. Morgan, 'Business Models and Value', Academy of Management Proceedings, 1 (2017), < https://doi.org/10.5465/AMBPP.2017.90> [accessed 18 February 2019].
[56] Charles Baden-Fuller and Mary S. Morgan, 'Business Models as Models'.

on key features of the business models we observed being used by organisations participating in our research. A combination of these may exist concurrently in any single organisation, as shown in Table 4 in the Annexes.[57] In some cases, these models mutually reinforce one another. For example surpluses from one model (providing services to paying customers such as running a café) cross-subsidise other models (such as commissioning performing artists to produce a show).

Our research shows that the presence of multiple models is challenge for some organisations, whilst for others this is an accepted part of daily practice. For example, in one case, the pressure to generate financial returns from a subsidiary service model based on corporate hires was felt to contradict organisational values of autonomy and independence when client demands were met because they were paying customers. Conversely, in another case, balancing competing priorities between profit-making events and other more financially risky programming was routine and indeed welcomed. It was the organisation's attunement to the conflicts between market-orientated programming and decisions underpinned by different logics that set it apart from a purely commercial or private enterprise. This raises questions of what constitutes a 'good' business model or set of models in the sector. Rather than profit maximisation, might we re-conceptualise 'success' as the balance of competing demands over time?

## 3.2.2. Business model design in arts and cultural organisations

Our research suggests there is significant similarity within organisational fields as regards business models. In our sample, the performer model was dominant across performing arts organisations where it was supplemented by service and landlord models. Similarly, cultural centres used the multi-sided hub model, often supplemented by landlord models, again with other models running concurrently.[59] Across the two types of organisation within Creative Lenses, novel models were rare, supporting the findings of other studies that suggest talking about 'new' business models is erroneous because models underpinned by an entirely novel approach to value co-creation and capture are rare.[60] Our research confirms these findings, if 'new' is used to connote an approach for co-creating and capturing value with little precedent in the sector. However, although developing new models is both time consuming and resource intensive, a lack of investment or skills may not adequately explain the rarity of new models.[61]

[57] Research by Feng Li found a growing trend of organisations with a portfolio of models across the creative industries, see 'The digital transformation of business models in the creative industries: A holistic framework and emerging trends', Technovation, (online first) (2018) < https://doi.org/10.1016/j.technovation.2017.12.004> [accessed 30 January 2019].
[59] Appendix 2 provides more detail on the models used by each.
[60] See Feng Li, 'The digital transformation of business models in the creative industries' and Nicola Searle, 'Changing Business Models in the Creative Industries: The cases of Television, Computer Games and Music', Intellectual Property Office, (2011) < https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/310293/ipresearch-creativeind-full-201110.pdf> [both accessed 30 January 2019], both of whom found no change in core business models.
[61] Arts Council England, 'Digital R&D Fund for the Arts: Evaluation: Executive Summary', <https://www.artscouncil.org.uk/sites/default/files/download-file/Digital-RD-Fund-for-the-Arts-Evaluation-Exec-Summary.pdf> [accessed 18 February 2019].





| Business model variant | Example activities and assets | Underlying business model activities & assets |
|---|---|---|
| **Performer mode** | Activities include creating a show or performing in a show. Assets include creative and production expertise. Revenues might come from ticket sales or artist fees. | A solutions model in which creator and audience are present during the performance. |
| **Product model** | Activities include writing music or creating a physical artwork. Assets include creative and production expertise. Revenues might be from artist fees, licensing intellectual property or sales. | A product model in which a creator generates an artwork but is not directly involved in the audience experience. |
| **Commissioner model** | Activities include commissioning a show, cultural programming, connecting with audiences. Assets include expertise, relationships and data. The commissioner typically pays a fee and receives income from funders and/or ticket sales. | A match-making model – the cultural organisation is a mediator putting on a programme/show by creators and engages/finds audiences and other partners. |
| **Landlord model** | Activities include renting out studio, office or co-working space. Assets include access to a venue and expertise in facilities management. Revenues come from rental income and/or non-financial income. | A solutions model in which venue and tenants and other users of the space are involved. |
| **Hub model** | This involves running a venue, platform or festival with multiple intersecting activities. Assets include expertise in cultural programming, audience development, staff expertise and data. The hub receives income from funders and/or ticket sales but also provides access to others without payment. | A multi-sided model which convenes more than two participants in generating value, although not all of them pay. |
| **Service model** | Activities include delivering an event for a customer; running workshops or courses; running a café or bar; providing services to tenants. Assets include expertise in teaching, training or providing catering or bar services. Revenues include income from delivering services. | A solutions model – provider and customer are present during the service. |

**Table 3**
**Common business model types in arts and cultural organisations drawing on four ideal-types by Baden-Fuller and colleagues (2017).[58]**

[58] Charles Baden-Fuller and Mary S. Morgan, 'Business Models as Models'.

Why are the underlying business models of arts and cultural organisations so similar? If business modelling is, as we suggest, a dynamic construct that enables organisational reflection and creative approaches to creating and capturing value, then why don't we see more variation in how these organisations interact with other actors (organisations and individuals) to create value for themselves and for society? Why are novel models rare? Debates within new institutional theory shed some light on these issues.

The concept of institutional isomorphism offers an explanation for why organisations adopt similar structures. In essence, the argument goes that this occurs because of societal expectations and external pressures, rather than because particular structures are more efficient. So, business models across the two types of organisation we sampled do not become similar because organisations that use other models can't compete because their models are ineffective. Rather, a host of external pressures relating to the institutional environment an organisation is embedded within produce and foster this similarity.

Yet pressure takes several forms. It can be coercive, meaning a particular type of business model is demanded by the state, for example, on whom an organisation depends for funding. It can be mimetic, where an organisation copies its more successful counterparts, a dynamic that is claimed to be particularly pronounced in periods of uncertainty. Finally, pressure can be normative, whereby received ideas about what is appropriate, often circulated through professional networks or training, influence action.[62] An organisation may experience all three of these pressures, and again it becomes a question of agency as to whether they can actively resist or passively receive them. Whilst there was significant similarity in which business models were dominant across our sample, we would like to draw attention to the specifics of business model design in these organisations.

What was notable about the design of business models across our sample was the tendency for artist-led arts and cultural organisations to reserve their creativity for their artistic practice and to approach business modelling as a largely technical task. As such, business models are often generic and resemble familiar approaches to value creation and capture. So, why might an organisation of creative practitioners be uncreative in designing their business models? A combination of mimetic and normative pressures might be said to be playing a role here.

Uncertainty about access to resources such as buildings and funding was one of the central challenges facing arts and cultural organisations in our sample, although it should be noted that a minority experienced

[62] Eva Boxenbaum and Stefan Jonsson, 'Isomorphism, Diffusion and Decoupling', in The SAGE Handbook of Organizational Institutionalism, 2nd edn (London: Sage Publications, 2010), pp. 78-98 (p. 80)





**" WHAT WAS NOTABLE IN OUR RESEARCH WAS THE COMMON PREFERENCE FOR ORGANISATIONS TO COMPARTMENTALISE THEIR OPERATIONS SO THAT BUSINESS MODEL DESIGN WAS KEPT AT A REMOVE FROM THE 'REAL WORK' OF MAKING ART OR THE TASK OF CULTURAL PROGRAMMING."**

this positively. For the performing arts organisations, although part of their income comes from government sources (many have experienced some reductions in recent years but many have simply replaced grants from their 'home' governments with EU funds), most were in positions where the amount of funding was revised on an annual basis. As such, although there was a degree of certainty in the general availability of some form of government funding, the amount was changeable. For one performing arts organisation, austerity measures meant successful applications for funding had not resulted in the money being received. For the organisations running cultural centres, access to buildings (either through ownership, sometime provided at low or no cost by a municipality, or rented) provided longer-term certainty. However, in such cases the requirement to manage and often refurbish these facilities occasionally took precedence over reflection on their business models. Across the board, then, in one way or another, financial uncertainty appeared to discourage a creative approach to business model design, with most organisations appearing to copy well-established models from their field.

According to the idea of normative isomorphism, however, normative pressures of 'appropriate behaviour' of what is 'proper' can also generate commonalities across organisations, particularly those where staff have experienced similar professional training and are associated with a recognised 'profession' as it can be during this training that norms carried forward are first encountered.[63] There are also those norms that come from an ingrained sense of peer or social expectations. Consider the pressure for public sector organisations to adhere to particular ethical codes or the way notions of the autonomous artist bedevilled by external influence generate expectations that matters of finance are not the proper concern of these individuals.

What was notable in our research was the common preference for organisations to compartmentalise their operations so that business model design was kept at a remove from the 'real work' of making art or the task of cultural programming. In some cases, interviewees indicated that operational or 'business' tasks were the proper responsibility of operational staff, with some implying it was the responsibility of these staff to protect those engaged in 'creative' work from the trivial task of figuring out how to sustain the organisation. In other cases, or sometimes in the same case, founders or directors took ownership of key decisions that ultimately influenced the underpinning business model meaning that other staff were involved in operating within the model but not in its determining its design. So, why might the separation of business model design from other tasks deemed worthy of a creative approach be an issue? A distinction between creative business model design and business model change must be made here as our point

[63] Eva Boxenbaum and Stefan Jonsson, 'Isomorphism, Diffusion and Decoupling', in The SAGE Handbook of Organizational Institutionalism, 2nd edn (London: Sage Publications, 2010), pp. 78-98 (p. 80)





**"WHAT WAS NOTABLE ABOUT THE DESIGN OF BUSINESS MODELS ACROSS OUR SAMPLE WAS THE TENDENCY FOR ARTIST-LED ARTS AND CULTURAL ORGANISATIONS TO RESERVE THEIR CREATIVITY FOR THEIR ARTISTIC PRACTICE AND TO APPROACH THE BUSINESS MODEL AS A LARGELY TECHNICAL TASK."**

is not to prescribe a creative approach to business modelling with a view to generating transformative change across the business models of arts and cultural organisations. As we will now see, a creative approach is not the same as an uncritical embrace of change.

### 3.2.3. From business models to business modelling

In reserving their creativity for making art or programming it, arts and cultural organisations are in danger of making themselves vulnerable to pressure from the external environment to adopt certain types of business model or to maintain the status quo of a model that may have become ill-suited to a changing financial or technological environment. We would advocate for applying creativity to business model design based on our observations of how practitioners experienced this activity within Creative Lenses. There is an important distinction between the active dimension of modelling and the passive dimension of adopting or working within a top-down model.[64]

In Creative Lenses, visualising their business models using the business model canvas as a loose framing appeared to remove some of the sense of imposition practitioners felt towards the very idea of 'the business model'. Instilling a sense of openness, agency and purpose into a task that is often considered secondary removed some of the sense of obligation practitioners working in these environments feel when pressurised to assign time and resources to the operational side of their organisations. This said, we should also ask whether the 'tool-box' approaches, such as the business model canvas, do not restrict and constrain creative thinking in ways that preclude truly 'artistic' outcomes. At this point it also becomes pertinent to ask whether it does make sense to insist that business modelling should be subjected to the same or similar creative process as the artistic activities within individual organisations.

What we know is that operational or financial matters need not be the focus of business modelling. As is well-understood in the management literature, business models, and therefore business modelling, are about the plurality of forms of value these organisations help create and the diverse approaches available to them to allow sufficient value to be captured as part of this process. Business modelling can be part of a process where practitioners gain a deeper understanding of their organisations and the kinds of value they are part of creating. Business modelling, in this project at least, appeared to transform an alienating 'managerialist' or market orientated mode of thinking into a more open-ended process that practitioners could not entirely determine but could own and feel empowered by. The imperative for business model change tends to come from external sources so tools such as business

[64] Charles Baden-Fuller and Mary S. Morgan, key figures in the field of management research into business models, suggest the business model idea and business modelling are helpful in several ways. We draw on and adapt their commentary, using examples from our own research to illustrate our points about the objectives business models and business modelling can help to achieve and the themes they help us to explore.





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modelling can enhance the agency of actors in establishing their own trajectories of change.

Our research suggests that tailored methods of working with the idea of business models are particularly beneficial for identifying mission-relevant ways of refining business models. Financial circumstances create limits to action that should not be downplayed, but an approach to responding to these conditions which is attuned to the aesthetic ambitions of arts and cultural organisations and, where relevant, their social objectives, contributed to empowerment, as practitioners were able to surface concerns, voice criticality and develop a capacity for and confidence in identifying their goals and planning for change accordingly.

Taking ownership over business model design does not necessarily result in new models, but it does allow organisations to identify their priorities for value creation, as the example below illustrates. This matters because arts and cultural organisations are in the business of value creation, and one of the central challenges they face is to find methods of doing so which do not compromise or constrain their principal goals.

## 3.3. Negotiating Hybrid Business Models

Academic research on the nature of the relationship between competing demands faced by arts and cultural organisations and the coping mechanisms they give rise to is fragmented, but there is an emerging consensus of a need for research that does not assume different logics and the demands associated with them are diametrically opposed but explores the way boundaries are drawn between categories, both cognitively and materially and poses the question of negotiating hybridity as an empirical question rather than an assumption.[66] For institutional theorists, institutional logics are symbolic and material practices, assumptions, values and beliefs that shape social order and constrain behaviour.[67] To put it differently, institutional logics are the operations and principles that guide actual practices. To describe a logic is to describe how a recognized part of the world works, for example the market. Whereas an ideology can be understood as a political argument for why these operations are justified and a norm guides behaviour, logics are the values that shape practices and decision-making combined with the tangible form those values take in the social world.

Why is there a need to talk about competing demands in the business models of arts and cultural organisations? To answer this question we need to recall the multi-sided nature of business models, a term used to refer to the way these organisations are embedded within several value networks at once. With value being created for

[66] See Carolin Decker-Lange, Marie-Noëlle Singer & Florian Schrader, 'Balancing evolving logics' and Doris Ruth Eikhof and Axel Haunschild, 'For art's sake! Artistic and economic logics in creative production', Journal of Organizational Behavior, 28 (5) (2007), 523-538 < https://doi.org/10.1002/job.462> [accessed 18 February 2019].
[67] See Patricia H. Thornton and William Ocasio, 'Institutional Logics and the Historical Contingency of Power in Organizations: Executive Succession in the Higher Education Publishing Industry, 1958-1990', American Journal of Sociology, 105 (3) (1999) <https://www.jstor.org/stable/10.1086/210361> [accessed 18 February 2019].





**"TAKING OWNERSHIP OVER BUSINESS MODEL DESIGN DOES NOT NECESSARILY RESULT IN NEW MODELS, BUT IT DOES ALLOW ORGANISATIONS TO IDENTIFY THEIR PRIORITIES FOR VALUE CREATION. THIS MATTERS BECAUSE ARTS AND CULTURAL ORGANISATIONS ARE IN THE BUSINESS OF VALUE CREATION, AND ONE OF THE CENTRAL CHALLENGES THEY FACE IS TO FIND METHODS OF DOING SO WHICH DO NOT COMPROMISE OR CONSTRAIN THEIR PRINCIPAL GOALS."**

**ODC Ensemble** is a performing arts company based in Athens, Greece. They make political theatre and are committed to producing work that is as physically challenging for the performers as it is mentally challenging for audiences. It has always been difficult for independent theatre companies to receive government grants as in Greece, like elsewhere, national organisations receive the majority of these funds. ODC have been heavily impacted by the austerity measures introduced after the global financial crisis as this has further limited government funds available for the particular type of theatre they produce. For several years, ODC Ensemble had been based in a venue, running a bar and hosting events, the profits from which would subsidise their productions. This had become distracting and disheartening for the artistic director: 'I gradually came face-to-face with the cruel reality that Vyrsodepseio's main income source were the rentals and the parties and not the art and culture. The venture was rapidly turning into an ugly business for me, which had nothing to do with my artistic and political values and vision'.[65]

**Thinking** about their business model with the support of a mentor with knowledge of the performing arts sector, the artistic director and other employees felt empowered to concentrate their efforts on generating revenues from their productions and activities linked to their creative talents (e.g. workshops and masterclasses) and mission to make and present theatre. Whether their customer is an audience member, a festival commissioner or a public funder, ODC Ensemble needed to identify people or organisations who were willing to pay the company to stage their work. Through supported business modelling, it became clear building relationships with international festival commissioners through networking and based on a strong brand identity would provide ODC Ensemble with a way to alter their business model to respond to a changing funding climate whilst continuing to fulfil their aesthetic ambitions. This approach is advantageous for the company as it is paid a flat fee to perform the work at a festival. Often, this work will have already been devised so it is financially beneficial, as well as artistically fulfilling for the performers to present this work in new contexts to different audiences. Investing in promoting and refining the company's brand and their expertise in international tour management were a crucial aspect of making these changes successful. Instead of becoming indistinguishable from the other theatre companies in Athens who tend to stage more 'mainstream' shows (terminology used during interviews), a decision was made that reflected a prioritization of artistic autonomy over and above the audience.

[65] Creative Lenses, interview with member of ODC Ensemble, Athens, February 2017.





the individual who attends a theatrical performance, for example, as well as for the organisations partially funding the performance and, not to forget, for the mix of artistic and operational practitioners involved in staging the production, a single organisation has to cope with the range of expectations and pressures that come from being part of such a combination of value networks.

A wider consideration can be given to the range of values attached to the outputs of arts organisations. The value of their products, and indeed, the value of arts and culture more broadly, is multi-dimensional – with a range of non-mutually reducible registers. So, typically we would speak of the contribution of arts and culture to the flourishing of artistic practices, one's mental health, enjoyment and self-expression, community cohesion (or indeed, animosities), urban regeneration, societal educational outcomes, innovation and economic growth and so forth. Some of these registers might be considered more 'appropriate' than others as a way of capturing the value delivered by arts organisations; still, few would insist that these dimensions can be 'boiled down' to single registers. Rather, 'hybridity' is essential insofar as the ways of valuing the products of arts organisations are concerned.

Perspectives from institutional and new institutional theory are helpful here as the idea of institutional logics draws attention to the values and principles that shape how particular social worlds work. There are several approaches to classifying logics. To take a couple of examples of relevance to our research context, a cultural centre could be said to be shaped by the institutional logic of the market and by an institutional logic of public culture as they may programme a combination of events, some of which are subsidized and others that are only financially viable if market demand is sufficient. Likewise, a performing arts organisation may have to cope with similar plurality of logics, only the institutional logic of cultural work may foster expectations of actual or evoked artistic autonomy.[68]

One of the reasons it can be difficult to investigate how organisations negotiate the challenge of hybridity, understood here as having business models that combine plural and potentially conflicting goals or institutional logics, is, we would propose, because of the way arts and cultural organisations conceptualise these challenges themselves and the role of societal and professional expectations in this process.

### 3.3.1. Implications of hybridity for business model change

Hybridity may be a defining characteristic of arts and cultural organisations, several of which find themselves negotiating multiple logics as part of the course. As Walter van Andel highlights in a paper on business modelling for creative organisations,

[68] We would distinguish between commercial market logics and market logics as the former is generally used to refer to organisations centred on profit maximization whereas the latter, although clearly related, indicates an organisation that relies on the market to prescribe what it will produce and by whom it will be consumed.

success or 'optimal performance' in this context has more to do with alignment between external pressures and internal priorities rather than maximising financial returns.[69]

The consequences of this hybridity appears to be accentuated during periods of business model change (e.g. where the dominant model changes) or when priorities for value creation shift from one group of stakeholders to another (e.g. where non-paying audiences have to take a backseat due to funding changes). Based on our observations of eight organisations working through these processes and sharing their reflections with the research team during interviews and workshops, we would like to highlight two implications of hybridity for understanding the nature of business model change and the extent to which its effects were acknowledged in these contexts.

### 3.3.2. How business models change

There are several reasons why an organisation might change its business model, from adapting to technological shifts to coping with a change in the availability of public funding to support its activities to general dissatisfaction with the status quo. Although business model change is not necessarily about income-streams, several of the organisations involved in Creative Lenses faced circumstances that meant their priority was to identify new ways to generate financial value. This can be seen as an instance where market logics became more dominant not because an organisation wants to become more profitable but because they seek the continuity of their organisation in a context where the availability of funding has changed. In these circumstances, the business model and the relationships that underpin it may change, with the nature of this change often found to be influenced by the institutional logic an organisation identifies with. In a general way, arts and cultural organisations appear to have a strong sense of the type of business model change that would be preferable to them and that would be seen as appropriate within their institutional environment. These findings highlight a general state of play without claiming they would apply in all instances of business model change amongst organisations of these types.

Performing arts organisations tended to prioritise forms of change that would enable them to sustain their artistic goals, suggesting a logic of cultural work exists in tandem with a market logic in these cases. This may appear trite, but in fact refines our understanding of the main objectives of such organisations and who they seek to prove their legitimacy to. Legitimacy is 'not a commodity to be possessed or exchanged but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws'.[70] For a performing arts organisation, maintaining an image of

[69] Walter van Andel, 'Balancing the creative business model', International Journal of Entrepreneurship of Small Business (forthcoming, 2019).





**"IN A GENERAL WAY, ARTS AND CULTURAL ORGANISATIONS APPEAR TO HAVE A STRONG SENSE OF THE TYPE OF BUSINESS MODEL CHANGE THAT WOULD BE PREFERABLE TO THEM AND THAT WOULD BE SEEN AS APPROPRIATE WITHIN THEIR INSTITUTIONAL ENVIRONMENT."**

artistic autonomy is important to maintain the support of peers and commissioners who are willing to enter into a financial exchange for their product/service largely because they support their artistic mission. Similarly, for people working in these organisations, particularly those who occupy an artistic role, the type of income-generation in the business model matters, as there appeared to be a preference to glean funding for the art rather than income for activities that would cross-subsidise it. An example is helpful here.

For one of the performing arts companies in Creative Lenses an artistic autonomy logic, where practitioners mainly see themselves as fulfilling an artistic purpose of devising productions with symbolic meaning, directed the nature of business model change. In one sense, an economic logic underpinned their decision to disseminate their product according to market demand, moving from performing in front of mainly local audiences to international festival-goers in response to the limited availability of government funding. Yet, it was an artistic autonomy logic that informed the decision of the artistic director to prioritise dramatic composition, preferring to sell their productions to a different customer. Although this resulted in different audiences accessing their productions, this was preferred to an approach that would have required the company to alter the content of their productions to appeal to larger audiences given that staging plays to smaller audiences was no longer financially sustainable. In this example, financial sustainability is important but achievements in this area must not be felt to result in a loss of artistic autonomy. Whereas this organisation cites a broad range of goals in its mission, these choices illustrate its priorities are to produce politically-informed theatre and present it to an audience, with the artistic product and its underlying meaning being more important than the particular audience viewing it.

Cultural centres in our sample took a different approach to business model change. Although an artistic autonomy logic influenced how they evaluated the effects of change to the research team, and perhaps even to themselves, as discussed further in the next section, these organisations tended to display characteristics associated with a social welfare logic too. That is to say, there was a concern with mitigating the negative consequences of business model change for those audience members who were in danger of losing out due to change. Social welfare logics may arise from a combination of factors, with notions of acceptable behaviour coming from the embeddedness of these organisations in public funding contexts where cultural policy discourses were influential as well as from internally-held commitments to trying to make cultural experiences (both of consumption and production) available to the largest possible number of people or to under-served audience groups. The implications of the multi-logic nature of cultural centres for business model change were that these organisations were more likely to adopt earned income approaches to revenue generation, whilst also making other changes to limit the trade-off between providing for customers that would contribute to revenues and those who would not. Again, an example illustrates these dynamics in action.

Our example comes in the form of a cultural centre underpinned by a commissioner model (they host a cultural programe) and a service model (they run a bar/café and hire spaces for corporate and private events). As an organisation they see themselves as responsible for providing a diverse programme of events covering the spectrum of music genres and for hosting events targeted at young people who they believe to be underserved by other organisations in the area. Faced with reductions in contributed income from the municipal government, the organisation decided to redesign their programme and allow an increase in the proportion of time the building would be in use by private hires. The redesign meant less niche and more commercial, mainstream music nights attracting larger audiences thus resulting in higher revenues from ticket and bar sales. In parallel to this, as the lost government funding had specifically supported events for young people that tend to operate at a loss given that these audiences are below the legal drinking age, the programme redesign saw a reduction in events for these audiences. Peak times in the calendar (Friday and Saturday evenings) were opened up for private hires, based on the view that audiences for the cultural programme were more flexible and do not consider day of the week as a significant factor in their decision about whether to attend an event or not. Balancing market and social welfare logics was important for decision-makers at this organisation, however. An opportunity to convert underutilised space in the building into an events space was one of the ways the organisation sought to maintain the diversity of their programme during a period where they had to prioritise profitable events in their main space.

This discussion highlights how the notion of hybrid logics provides a tool through which analysis of how business models change and why can be conducted. It shows that performing arts organisations are less likely to adopt earned income approaches to revenue generation. Although this may be the most efficient way to replace any lost government funding, this type of organisation is embedded within a set of institutional logics where ideas of artistic autonomy are paramount. The set of norms and values that constitute cultural and particularly artistic work shape business model change priorities in such a way that the rewards of producing art and presenting it to a relatively abstract audience might, in some

[70] Richard W. Scott, Institutions and Organizations (London: Sage), p. 45.

cases, take precedence. Of course, there are exceptions to this where practitioners may be less concerned with maintaining a constant level of organisational activity when their normal funding sources reduce. Although there was variability here too. Changes made by cultural centres to their business model were different to those made by performing arts organisations. For cultural centres, earning their own income was commonplace, whereas for the performing arts organisations business model change produced further separation between activities directly related to the mission and those designed to support it. Again, there was a distinction between the extent to which a market logic was embraced as in some cultural centres employees preferred to pursue their own ventures rather than radically alter the business model in a way that would be opposed to their personal and social beliefs.[71]

### 3.3.3. Effects of business model change

It is easy to talk about the need for 'new' models or for change to existing models, but it is much harder to understand what that entails as organisational outcomes and impacts. Perhaps a more pressing question for the future is to understand these implications, yet factors arising from their institutional environments can make it difficult to make an informed assessment of outcomes due to a tendency for new arrangements to be presented in a positive light. We do not want to argue that organisations in our sample deliberately concealed the effects of making changes to their business model. Rather, we want to show how institutional pressures seemed to block open conversations on these issues.

Institutional and new institutional perspectives highlight the considerable pressure on organisations to adapt to societal expectations of them, as well as professional notions of what is 'proper' and 'accepted'. Policy discourses about culture and professional networks could be said to have had a particularly influential role to play in generating normative demands that practitioners in these spheres attempt to conform to, with all sorts of implications for their organisations. Arts and cultural organisations are often talked about as stalwart defenders of alternative world views and are prized for offering identity-building, pleasurable, affirming individual and collective experiences to all based on a framework of values where social goals take priority over financial concerns.

Perhaps one of the most intriguing consequences, in our view, of being confronted with these expectations and pressures is the use of a highly particular language, in our sample at least, to describe the relationship between differing logics. At times, the pressure to align with a social welfare logic (whether in actuality or merely ostensibly) produced an excess of

[71] While perspectives from institutional theory draw attention to the way societal and professional expectations shape business model change, we should not neglect the possibility for correspondence between institutional logics and personal goals.





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caution in how the less positive effects of business model change were shared, on occasion meaning business model change was denied to have affected organisational goals in significant ways. The relationship between market and social welfare logics, for example, was frequently cast as one of balance, a tendency which runs the risk of discouraging critical reflection on the possibility that the relationship might more productively be figured differently. For example, might the influence of the broad conditions by which organisational practice and priorities are and have been shaped be productively investigated through a modality of tension?

Notably, achieving balance was emphasised as an organisational practice as much as, if not more than an outcome practitioners expected to achieve. As one participant noted: 'I think we also had the acknowledgement that because there is a continual negotiation of these things (finance and values) that a balance can very rarely exist and there will always be a degree of imbalance but that's part of the beauty and the reasoning of it'.[72] The precarious nature of the balance, termed here as between finance and values and by others as between 'financial and artistic value', can, on the one hand, be seen as what makes working in an arts and cultural organisations distinctive from working in a purely commercial cultural enterprise. Indeed, the negotiation of tension between different logics may drive innovation and be a foundation for group solidarity.

However, the embrace of a terminology of balance, instead of say, 'trade-offs' or 'tension', coupled with conceiving of balance as an inherent challenge rather than a state that might be achieved, appears to contribute to the downplaying of the way changing the business model in response to an external demand might have negative implications for the social value an organisation hopes to create. Institutional logics could be said to play a shaping role here. Received notions about the role and responsibilities of arts and cultural organisations appear to have instilled a sense of obligation to moral scripts that practitioners feel they ought to adhere to regardless of the evolving political, financial and policy contexts practitioners in these organisations have to contend with. In other words, practitioners appeared to locate the responsibility to mitigate the effects of business model change firmly at their own door, with significant consequences for their license to reflect openly on the implications of change, not only for organisations but also more broadly for their audiences and society.

[72] Contribution to Creative Lenses Helsinki workshop, October 2017.





**"RECEIVED NOTIONS ABOUT THE ROLE AND RESPONSIBILITIES OF ARTS AND CULTURAL ORGANISATIONS APPEAR TO HAVE INSTILLED A SENSE OF OBLIGATION TO MORAL SCRIPTS THAT PRACTITIONERS FEEL THEY OUGHT TO ADHERE TO REGARDLESS OF THE EVOLVING POLITICAL, FINANCIAL AND POLICY CONTEXTS PRACTITIONERS IN THESE ORGANISATIONS HAVE TO CONTEND WITH."**

# 4. CONCLUSIONS

The Creative Lenses project took the idea of business models, a term that has appeared in EU cultural policy and further afield (e.g. in the work of Arts Council England) and explored how it was interpreted, received and translated by a group of people working in arts and cultural organisations, and consultancies and networks whose work is focused on supporting the development of these organisations. What emerges from the Creative Lenses project is the importance of empirical observation over assumption, informed by a broad academic literature base, an approach which led us to this and other findings about the nature of business models and the operationalisation of the concept.

To sum up, we have established, perhaps little surprisingly, that adoption and translation of the concept of business models into the arts and cultural sector is not unproblematic. The distinction between the active 'modelling' and passive 'model' is illuminating and desirable. The emphasis on value in business model approaches make them attractive from the point of view of the sector. The big question is whether the adoption of business models in the dynamic sense in the arts sector can open up the potential for better – perhaps more 'creative' - organisational design. In order to answer this question, it is necessary to pose it as an empirical one. While it is not yet clear how far the business model construct will travel and the extent to which practitioners will take it upon themselves to propose different meanings and uses for the term through their unfolding activities, we have identified a range of literatures, and some practices, that could be brought to bear on these questions.

**Business model as a 'given'**

The findings presented in this report have been informed by the multifaceted way we have come to view business models. On the one hand, the business model is something every organisation can be said to have. Business models can be defined, described and identified using different frameworks developed within management literatures and the models of individual organisations can be labelled using common classification frameworks. There are reasons for undertaking such tasks, as providing abstract 'menus' of common models could be useful in certain





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circumstances, for instance, to make generalisations as to why certain types of organisations are more or less likely to remain viable. Yet this type of work can only take us so far, as the viability of an organisation's business model is so dependent on contextual factors that a model that has worked in one context may fail in another. This is why we highlight the importance of an active approach to business modelling rather than the passive implementation of pre-existing models.

**Business model as a heuristic**

Every organisation has a business model, even if they would not describe the way they manage resources using this terminology. Yet, not every organisation does business modelling, a process we suggest is a useful heuristic for researchers and organisations for a number of reasons.

Business modelling is the operationalisation of the tools and terminologies associated with business models. For organisations, it provides a means of identifying new opportunities for co-creating and capturing value as appropriate to their context and mission, whether it be underpinned by social, aesthetic or a combination of goals. It can offer more depth of understanding of existing business model design and possibilities for alternative formulations. Important as transformational change might be in some cases, important too is the acknowledgement of the practical and political steps forward needed to make change happen. Business modelling can be used as a way of grounding arts organisations in their context and highlighting opportunities and limitations that come from being part of a particular network or ecology. Business modelling can also be used instrumentally, as a tool to generate stories about the type of benefits an organisation is part of creating and for whom. There is no question that using business modelling as a tool prompts organisations to be more self-aware of their context, ways of working, priorities and entanglement with other organisations, both local and further field.

**Business model as a practice**

Although there is inevitably more research to be done on these matters, this report has sought to approach the business models of arts and cultural organisations as an institutional story. Using insights from the literature in neoinstitutionalism and management and organisational studies we have taken seriously the enabling and constraining role of meaning systems and normative expectations on how practitioners respond to the pressure to consider or change their business models. We have also reflected on the way these norms influence both how the pressure to become more 'business-like' is experienced and how the implications of these changes is interpreted and narrated by practitioners.[73]

Business models might not immediately occur to scholars of arts and culture as

[73] The last point is particularly resonant in relation to the regimentation of activities in arts organisations where finance and management fall beyond the remit of 'creative' thinking.





**"EVERY ORGANISATION HAS A BUSINESS MODEL, EVEN IF THEY WOULD NOT DESCRIBE THE WAY THEY MANAGE RESOURCES USING THIS TERMINOLOGY. YET, NOT EVERY ORGANISATION DOES BUSINESS MODELLING, A PROCESS WE SUGGEST IS A USEFUL HEURISTIC FOR RESEARCHERS AND ORGANISATIONS FOR A NUMBER OF REASONS."**

anything more than an empty piece of policy speak or a matter for consultants to contend with. And yet, our findings show that a concept that was initially perceived as alien and anathema to the values practitioners held (or had internalised) ended up having an affirmative impact on many practitioners in our sample. For many, the very process of rephrasing and redesigning business modelling to suit their needs was productive, appearing to support organisational change by providing a space for debate over organisational priorities, values, and how they could be maintained during a period of change.  We hope to have shown in this report that business models are about value and values and provide an occasion to recognise the durability of certain behaviours within these domains and return us to the important question of who benefits from current arrangements.





# 5. IDEAS FOR POLICY

If Creative Lenses has shown us that understanding their business models can serve as an aid to arts and cultural organisations negotiating various artistic, economic, cultural and social demands, then what have we learnt during the project that is useful to policymakers?[74] We propose four key lessons for policymakers seeking to support the activities of arts and cultural organisations.

**Lesson 1:**
**Shift from transformation to exploration**
Previous thinking in European cultural policy placed an emphasis on the need for arts and cultural organisations to change their business models. Discussion of business models is often framed within a language of transformation (think of the likes of Uber and Airbnb), and this may have prompted policymakers to push for the invention of 'new' models and the implementation of pathbreaking or disruptive ones.

We found that focusing on what is wrong with existing business models – and implying a need for drastic change – may be seductive but it is a mischaracterisation of the type of change that many organisations want or need to make. This is an important finding as there is a relationship, albeit a complex one, between what policy implies or states about what organisations ought to be doing and the way people working in these organisations prioritise their goals. There is a danger that the emphasis given to transformation in policy leads arts and cultural organisations on a path towards reinvention when most do not need to overhaul how they work. This should be acknowledged. Policymakers work hard to understand the needs of practitioners and occasionally this knowledge is missing from policy documents and initiatives. What many arts and cultural organisations are doing is looking to adapt to changing external circumstances, or indeed contribute to shaping change, while preserving their values, building capacities to achieve their missions and sustaining their cultural activity which co-creates different kinds of value with actors in their ecosystem. We have argued that analysing business models can be a useful way of clarifying missions and values within organisations

[74] In answering this question, we have to take a leap of faith by assuming that part of the thinking behind the introduction of a language of business models was that it would help arts and cultural organisations to navigate the challenges of operating in the current socio-economic and technological landscape.

and identifying opportunities for mission-appropriate adaption.

This requires a shift in focus where 'innovation in business models' is not framed as an end in itself, but where business modelling is offered as a means for arts and cultural organisations to use for their own ends. In other words, business modelling is a useful stimulus for organisational development. Policy could move away from a prescriptive approach to change and focus on more open-ended, exploratory forms of support that anticipate new ways of organising, art forms, and relationships between organisations, artists, audiences, places and communities. By offering less prescriptive forms of support policy may actually effect practical changes within arts and cultural organisations that are aligned with the particular circumstances faced by the organisation in question and the values they wish to uphold.

**Lesson 2:**
**Make space to reflect and think**
Moving away from policy prescription of solutions does not mean public policy no longer has a role. Instead policymakers may need to consider how policy can support practitioners to ask themselves what their role in a broader system of cultural activity is, how it might best be sustained and what a sustainable business model would look like in their context. Given its supporting remit, European cultural policy is particularly well placed to concentrate on providing the support necessary to cultivate and sustain networks where arts practitioners can develop a sense of agency.

We are not saying that arts and cultural organisations need external support because they are lacking in capacity. Rather, the day-to-day pressure of managing an organisation often takes priority over self-examination and reflection about the nature of the value co-creation in which organisations are involved. The compartmentalisation of their operations, so that business model design can be kept at a remove from the 'real work' of making or showing art or engaging audiences, and the associated stratification of staff into 'managers' and 'artists' in the organisations – does not help with self-reflection. Not only does this limit organisational development but it occasionally means deeper issues of inequality and exclusion that are embedded within business models remain unaddressed.

What form might this support take? In many cases the organisations involved in Creative Lenses already had the skills, knowledge and ideas required at their disposal and visions for how arts can shape society. What they did not have was the time to reflect on how existing resources and knowledge might be configured differently to allow them to continue to pursue artistic, social or environmental objectives at a time of change. The external perspectives offered by mentors and researchers





**"THIS REQUIRES A SHIFT IN FOCUS WHERE 'INNOVATION IN BUSINESS MODELS' IS NOT FRAMED AS AN END IN ITSELF, BUT WHERE BUSINESS MODELLING IS OFFERED AS A MEANS FOR ARTS AND CULTURAL ORGANISATIONS TO USE FOR THEIR OWN ENDS. IN OTHER WORDS, BUSINESS MODELLING IS A USEFUL STIMULUS FOR ORGANISATIONAL DEVELOPMENT. POLICY COULD MOVE AWAY FROM A PRESCRIPTIVE APPROACH TO CHANGE AND FOCUS ON MORE OPEN-ENDED, EXPLORATORY FORMS OF SUPPORT THAT ANTICIPATE NEW WAYS OF ORGANISING, ART FORMS, AND RELATIONSHIPS BETWEEN ORGANISATIONS, ARTISTS, AUDIENCES, PLACES AND COMMUNITIES."**

involved in the project and dialogues with one another provided important clarity and direction, as well as prompting reflection on the implications of operating in a changing organisational, financial and technological landscape. The value of 'buying time' and an ability to respond to a well-informed external perspective cannot be overestimated. It seems important that future initiatives continue to both encourage arts and cultural professionals to make time for self-reflection and support them to access external perspectives. Funders may think about how to improve inclusivity and diversity among the external perspectives arts and cultural organisations tend to encounter as it may be valuable to supplement the perspectives and approaches of experienced consultants with new voices. Policymakers might think about how they can best enable this activity as this may not require the larger amounts of funding and time-commitment that tend to be associated with European projects. By creating spaces for practitioners to reflect and engage with others, organisations can further understand their priorities and become better equipped to realise their visions for the future.

**Lesson 3:**
**See the system, not just the organisations**

If we recall that 'a business model describes how an organisation's assets and activities are combined to co-create and capture different types of value for individuals, groups and society through a particular value logic' then we are confronted with what has emerged as crucial throughout this study - business models are not so much chosen as cultivated and reproduced. A combination of institutional norms, path dependencies and contextual factors mean organisations are not free to design their business models as though they operate in a vacuum. The success of an organisation's particular model depends on the continual reconfiguration of resources to adapt to changing circumstances and to identify opportunities to undertake activity where there is sufficient demand, whether from public or private funders and from individuals and communities. Understanding why an organisation succeeds over time is about tracing the range of connections and relationships it has with people and organisations outside itself. It is misguided to assume that an adequate understanding of an organisation's business model can be gained by an individual organisation looking inward.[75]

Central to this is the realisation that each organisation depends on others for its success or sustainability. Independence may be an important part of the lexicon used by practitioners to describe themselves yet it is perhaps interdependence on others that defines their business models. This means that the problems faced by arts and cultural organisations cannot be solved by individual organisations acting alone but may require

[75] It is in this sense that – referring back to the previous paragraph - the endorsement we have given to supporting self-examination has a particular type of examination in mind.





"INDEPENDENCE MAY BE AN IMPORTANT PART OF THE LEXICON USED BY PRACTITIONERS TO DESCRIBE THEMSELVES YET IT IS PERHAPS INTERDEPENDENCE ON OTHERS THAT DEFINES THEIR BUSINESS MODELS. THIS MEANS THAT THE PROBLEMS FACED BY ARTS AND CULTURAL ORGANISATIONS CANNOT BE SOLVED BY INDIVIDUAL ORGANISATIONS ACTING ALONE BUT MAY REQUIRE SYSTEMIC CHANGE."

systemic change. This means policy needs to make a difference to systems not just organisations. It needs to see the bigger picture and look at the specific contexts organisations operate within so there is a focus on the way the particular systematic conditions of a place or art form constrain and enable cultural organisations to flourish.

This call to consider the socio-economic conditions for cultural practice and engagement and the role that values play in shaping how arts and cultural organisations function (for better and for worse) is an important supplement to ongoing work on value chains at EU level. This work has been important in illustrating the multiple actors involved in creating value, but does not take into account the importance of context in structuring the form a value chain takes or the relationships between the multiple activities that take place within single organisations. What are called 'framework conditions' do not exist outside of organisations and are not the same everywhere.[76] Context shapes the possibilities of organisational practice and therefore needs to be placed at the centre of analysis. We have demonstrated across this report why business model analysis provides rich insights into the relationship between organisations and their particular contexts.[77]

Projects often encourage collaboration across borders and between different types of cultural organisations and there is no doubt value in this cross-sector transnational approach. However, if we recognise that the basis for organisational success is the harnessing of value from relationships then a complementary partner to the wealth of international projects would be a strand of initiatives centred on enhancing collaboration and dialogue between actors and organisations that constitute a particular ecosystem (e.g. funding bodies, government departments, local government, arts and cultural organisations, audiences). This may mean more projects centred on strengthening local cultural ecosystems through supporting interaction and ongoing collaboration between players with diverse roles in the system. These collaborations cannot be expected to evolve by themselves and often a coordinating organisation is needed to establish new relationships and keep momentum. By shifting towards this collaborative, localised, systemic approach to identifying paths to sustainability across the arts and cultural ecology, policymakers can start to design projects that enable organisations to build or consolidate sustainable systems that, in turn, result in sustainable organisations.

**Lesson 4:**
**Acknowledge cultural policy matters**
Cultural policy matters – both on the EU and national level – but it matters in ways that are not immediately apparent. This is because, as we saw during the course of this collaborative project and have

[76] European Commission, 'Mapping the Creative Value Chains' (2017) < http://www.keanet.eu/wp-content/uploads/Final-report-Creative-Value-Chains.pdf [Accessed 4 April 2019].
[77] See, Kimbell, Lucy, 'Insights from Management Literature to Understand Business Models in Arts and Cultural Organisations', Creative Lenses Working Paper No. 2 (2018) URL TO ADD THE





**"WHAT EMERGES FROM THIS IS THAT THE PROCESS OF POLICY MAKING, PARTICULARLY IN TERMS OF THE LANGUAGES IT CONTAINS AND THE DIFFERENT EMPHASES IT ADOPTS OVER TIME, IS NOT A NEUTRAL ONE."**

gone on to theorise in this report, cultural policy prompts a struggle for meaning, a complex process of translation where the initial 'signals' from policymakers are re-interpreted and re-configured by practitioners. This translation is not enacted equally as context and, indeed, power, mean that practitioners have different levels of agency to exercise their reflexive capabilities enabling them to adapt policy signals for their own purposes. What one group may experience as a productive prompt for open-ended change may be experienced as a restrictive limitation on possibility by others.

Notwithstanding this important acknowledgement of difference and contingency, our experience of working with a group of practitioners to observe and scrutinise how and why they react to policy in the way that they do has led us to the view that there is more going on in the 'gap' between policy and practice that we might first anticipate. This is a space for negotiating difference, professional identity and organisational values and it may be that occupying this gap has productive emboldening effects. While it is difficult to deny the connection between the appearance of a terminology of business models and the current preoccupation in cultural policy with innovation and creative industries, and indeed the way current economic conditions limit the kinds of business model an organisation might design or the space and time they have to engage, these potential antagonisms were immediately recognised by practitioners. For some, the ideological debate that ensued from being confronted with both vague and antagonistic policy signals enabled practitioners to articulate more clearly their position with regard to what, for example, a sustainable business model would look like for them.

What emerges from this is that the process of policy making, particularly in terms of the languages it contains and the different emphases it adopts over time, is not a neutral one. Problematising policy is a scholarly and, as we have observed, practitioner reflex. Yet this does not mean that the content and ambitions of policy, whether stated clearly or more implicitly, do not matter. However open to reinterpretation, policy terminologies provide a starting point for discussion and policy trends – however short-lived – influence which projects receive funding through programmes such as Creative Europe. Thus, even though practitioners act consciously in their engagements with policy, policymakers provide the 'mood music' for this engagement. For the reasons outlined above, a shift in the mood matters. By recognising their own agency in the political and normative project of cultural policy, policymakers might give themselves more credit – and acknowledge their responsibility – as designers of programmes and policies which influence practice, identity, organisational values and ultimately, the very nature of cultural activity itself.





**"BY RECOGNISING THEIR OWN AGENCY IN THE POLITICAL AND NORMATIVE PROJECT OF CULTURAL POLICY, POLICYMAKERS MIGHT GIVE THEMSELVES MORE CREDIT – AND ACKNOWLEDGE THEIR RESPONSIBILITY – AS DESIGNERS OF PROGRAMMES AND POLICIES WHICH INFLUENCE PRACTICE, IDENTITY, ORGANISATIONAL VALUES AND ULTIMATELY, THE VERY NATURE OF CULTURAL ACTIVITY ITSELF."**

# 6. ANNEXES

## 6.1. Details of Catalyst Programme projects

| Organisation name, location | Business model(s)* | Critical success factors | Key changes during Catalyst programme | Tailoring change to the mission |
|---|---|---|---|---|
| **ODC Ensemble, Athens, Greece** | **Performer model*** ODC Ensemble produce and perform shows<br><br>**Service model** Members of ODC Ensemble offer workshops and masterclasses | **Strong brand identity** ODC Ensemble market themselves as producing political theatre responding to the effects of austerity on Greece via a new website and publication<br><br>**Private income** Artistic Director operates a holiday rental business and uses the proceeds to support her practice and to manage cash-flow<br><br>**Flexibility** ODC Ensemble are open to presenting their work to audiences whatever the location, provided someone is willing to pay<br><br>**Investing in skills** To build relationships with international festival commissions, an agent and touring manager were appointed. | **Landlord to Performer** ODC Ensemble moved from running a bar and renting event space to trialling renting a flat to tourists via AirBnB. The first was a distraction and the second was commercially unsuccessful. As such, the organisation are focusing on a performer model, supported by a service model. | ODC Ensemble's mission is based on creating and performing political theatre<br><br>↓<br><br>Mentoring and mapping their business model highlighted how many activities within the previous model were not directly related to this mission<br><br>↓<br><br>Swapping one model for another provided the company with a way of ensuring value they capture (i.e. the income they generate) comes directly from the artistic product they offer to audiences |
| **Patricia Pardo Company, Valencia, Spain** | **Performer model*** Patricia Pardo produce and perform shows<br><br>**Service model** Patricia Pardo offer teaching, script-writing and playwriting<br><br>**Landlord model** The company periodically sublets its rehearsal space to other companies | **Alignment with funder priorities** Patricia Pardo earn 50% of their income from grants building on awareness of which elements of a production that make it attractive to funders, for example emphasising the presence of female actors, directors<br><br>**Strong local and international reputation** Patricia's name as an artist and the social mission of the company is prominent which helps the company attract funding and residencies | **New Distribution Partnership** Patricia Pardo added a new element to their existing business model by establishing a partnership with 3 other like-minded performance companies for the purposes of marketing, with a particular emphasis on promoting their work to commissioners. | Patricia Pardo's mission is based on creating performances with strong aesthetic and political components and to engage a diverse audience<br><br>↓<br><br>Mentoring and mapping their business model highlighted opportunities to finance projects aligned with their objective to engage with a mixed audience and to partner with others to reduce overall costs and to engage in a non-competitive form of marketing |
| **Projecte Ingenu, Barcelona, Spain** | **Performer model*** Projecte Ingenue produce and perform shows.<br><br>**Service model** Projecte Ingenue offer education workshops | **Private income** All members of Projecte Ingenue have other jobs and work on a voluntary basis<br><br>**Free rehearsal space** Projecte Ingenue have a space at a local cultural centre<br><br>**Partnerships** Projecte Ingenue struggle to attract grants directly but they have residencies at a publicly supported local theatres and commissions from festivals | **Creating Accessible Performances** The company worked with a charity to adapt a performance for hearing-impaired audiences. This was partially motivated by an economic logic as funding became available. | Projecte Ingenu's mission is based on making theatre that is not market-orientated and benefits society<br><br>↓<br><br>Mentoring and mapping their business model resulted in a holistic and more strategic approach. This could result in greater longevity for the company.<br><br>↓<br><br>Mentoring and mapping have also lead Projecte Ingenue to clarify their organisational identity. |
| **Truc Spherique, Zilina, Slovakia** | **Hub model*** Truc Spherique put on a cultural programme across three venues<br><br>**Service model** Truc Spherique run a bar<br><br>**Service model** Truc Spherique rent space for corporate events | **Entrepreneurial approach** Truc Spherique identify a local resource, usually a building, and bring together financial and other resources to make it into a venue for their programme<br><br>**Regional context** Public funding is an important source of revenue for Truc Spherique. Zilina has limited number of cultural oganisations are so competition for funding is low. Equally, EU structural funds have contributed to building developments<br><br>**Low rent** Truc Spherique pay low rents in exchange for the investment they attract and make into building renovation | **Staff Restructuring** Truc Spherique have recently expanded from 2 to 3 venues and needed to clarify roles and responsibilities in response to mounting staff dissatisfaction<br><br>**Increasing Revenues from Landlord Model** Truc Spherique have added value to existing assets by improving the acoustics and lighting across their venues to make them more attractive to companies<br><br>**Audience Data** Truc Spherique have moved to a web-based ticketing system enabling them to obtain knowledge about their audiences and communicate with them more regularly | Truc Spherique are orientated towards organisational values of autonomy and risk taking rather than an outcome-focused mission<br><br>↓<br><br>Mentoring and mapping their business model was used to identify opportunities for self-generated income, linked to decision-makers desire to be independent and able to continue taking risks in how the organisation develops and grows |

| | | | | |
|---|---|---|---|---|
| **Village Underground, London, UK** | **Hub model***<br>Village Underground puts on a cultural programme across two venues<br><br>**Service model**<br>Village Underground run a bar and restaurant<br><br>**Landlord model**<br>Village Underground rent space for creative practitioners<br><br>**Service model**<br>Village Underground curate events for corporate companies | **Entrepreneurial xapproach**<br>Village Underground continually reconfigure resources to adapt to changing circumstances and identify opportunities<br><br>**Strong brand identity**<br>The location of Village Underground in Shoreditch and its diverse cultural programme make it attractive to companies looking to hire space. Private hires are the most profitable business model<br><br>**Access to finance**<br>Access to finance is often a problem but Village Underground have raised funds from social investment banks and traditional bank loans | **Management Reform**<br>Village Underground have been implementing a self-management model to address the centralisation of decisions with the director and senior staff.<br><br>**Staff Development**<br>Village Underground made provision for staff to arrange training or visits to other local organisations based on a topic of interest to them and that would benefit the organisation | Village Underground's mission centres on 'best new culture as it happens'<br>↓<br>Mentoring and mapping their business model was used to identify existing issues with staff morale due to centralised decision-making and other issues related to relationships between different teams<br>↓<br>Employees place high value on how things are done and organisational culture, making decision-making practices important to the value they obtain from working at the organisation. Although not directly related to their mission to present the 'best new culture as it happens', more distributed decision making would enable other staff members with different tastes to contribute to the programme |
| **Manifatture Knos, Lecce, Italy** | **Landlord model***<br>Manifatture Knos exchanges access to the building they look after for events and workshops and gather revenue to pay for building maintenance<br><br>**Service model**<br>Manifatture Knos operate a low-key bar | **Agile**<br>Manifatture Knos expands and contracts according to available funding, partner needs and staff schedules. This has contributed to longevity as periods of no 'growth' fit with the organisation's values<br><br>**Low rent**<br>Manifatture Knos pays a nominal rent to the local council for their building | **Developing a manifesto**<br>Manifatture Knos have traditionally made space within the building available to individuals and groups who programme their own events. As part of a strategy to consolidate their organic approach, the team created a manifesto and programmed a festival which made them more visible to partners and residents.<br><br>**Bar Facilities**<br>A new bar was installed designed to open up the space to the public who had previously seen the building as a niche experimental space<br><br>**Financial management**<br>Manifatture Knos have managed budgets and finances in an ad hoc way and only recently started more conventional financial management | Manifatture Knos's mission is based on supporting people to realise their own projects through self-organisation, avoiding plans and making space for spontaneity and indecision are important to the organisation<br>↓<br>It is therefore unclear whether changes to the business model are mission-orientated or not. Some staff feel better planning means the organisation is more effective in achieving its goals, whereas others see their adoption of these practices as a failure |
| **Kaapeli, Helsinki, Finland** | **Landlord model***<br>Kaapeli rent out spaces in its building to tenants in the creative industries<br><br>**Service model**<br>Kaapeli are moving to hosting more events and providing additional services to tenants | **Secure access to buildings**<br>Kaapeli have long-term access to the city's buildings, as they are a subsidiary company of the City of Helsinki, giving them stability,<br><br>**Government support**<br>Kaapeli is a for-profit company, but its owners decided to reinvest profits in building development<br><br>**Long-term tenancies**<br>This gives Kaapeli a regular income-stream | **Dominant Landlord to Mixed Landlord-Service Model**<br>Kaapeli are at 99% occupancy and want to continue growing so are seeking to move from a landlord model to a model where a service model plays an important subsidiary role | As a company owned by the City of Helsinki Kaapeli's activities are linked to city policy priorities to grow the creative sectors and access to the arts<br>↓<br>Offering services to its tenants will increase revenue generation and further establish Kaapeli as an attractive base<br>↓<br>Offering walks to visitors creates a narrative about the creative heritage of Helsinki, further contributing to establishing the city as a creative place |
| **P60, Amstelveen, Netherlands** | **Commisioner model***<br>P60 puts on a cultural programme<br><br>**Service model**<br>P60 run a bar and café<br><br>**Service model**<br>P60 rent out space for private or corporate events and to bands for recording audio and video | **Government support**<br>P60 receives almost half of its funding from the municipal government and pays low rent on its building owned by the municipality<br><br>**Market-orientated**<br>P60 are open to altering their programme to be more attractive to customers when public funding reduces<br><br>**Volunteers**<br>P60 is supported by 80 part-time volunteers | **Product-led to market-led**<br>P60 are focusing on their self-generated income as their subsidy has decreased. Beginning with the preferences of audiences for more mainstream music and designing the programme to maximise numbers and spend-per-head indicates a shift towards a market-led approach<br><br>**Audience Research**<br>P60 invested in audience research to identify preferences and habits<br><br>**Cross-selling**<br>P60 offer bar/cafe discounts to ticket-holders | P60's mission is to provide a diverse cultural programme for music enthusiasts and young people<br>↓<br>P60 has become more market-orientated as they look to increase the amount of profit-making events in their programme. Yet they have been thinking of ways to lessen the impact of pressures to increase corporate hires and offer profitable events at peak times by repurposes spaces in their building for loss-making events for young people and niche audiences<br>↓<br>There is a danger of mission-drift |

**Table 4 Detail of Catalyst Programme Projects and Business Models**
***correct as of [March 2018] *indicates the dominant model**

## 6.2 Acknowledgements

We thank all the partners in the Creative Lenses project with whom UAL has collaborated over four years. In particular we acknowledge the contributions of the staff and volunteers involved in the eight Catalyst projects over 18 months, whose efforts in making sense of business model thinking and being part of an action research project opened up understanding of the potential and consequences of business models. We also acknowledge discussions with our current and former UAL colleagues who were involved in the project in different ways: Jerneja Rebernak, Sarah Rhodes, Stephanie Dieckvoss, Maureen Salmon, Ian King, Amanda Windle and Charlotte Bonham-Carter.

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**Dr Patrycja Kaszynska** is a research fellow in the Innovation Insights Hub, University of the Arts London; research associate at Culture, King's College London; and head of the Art History Faculty at New College of the Humanities. She was previously project manager for the Cultural Value Scoping Project - an initiative supported by the Arts & Humanities Research Council, Paul Hamlyn Foundation and King's College London, in partnership with ACE; and project researcher for the AHRC Cultural Value Project – an influential research programme concerning the value of arts participation and cultural engagement. She has worked in policy research for a number of political organisations and think tanks and in the higher education sector, and has published on a range of topics including the ways of valuing culture and the connection between aesthetics and politics.

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ISBN 978-91-985177-3-6