Business Model Innovation in Cultural Centres and Performing Arts Organisations

Online Survey Final Report
March 2018

BOP Consulting

CREATIVE LENSES
STRONGER ARTS AND CULTURAL ORGANISATIONS FOR A GREATER SOCIAL IMPACT

ual: university of the arts london

Co-funded by the Creative Europe Programme of the European Union

Contents

Key findings

- Performing arts organisations and cultural venues across Europe are **changing what they do.** In the last five years, the most common new activities are running workshops for paying customers, curating a space for socialising and managing and letting workspaces. These illuminate the drive to diversify income streams.
- There has been rapid growth in outsourcing café and bars and developing cultural activities for corporate customers – suggesting these could be practices early adopters are experimenting with.
- Very few organisations feel there is a **conflict** between commercial and non-commercial activities.
- **Pursuit of business model innovation is widespread**. Most of the organisations surveyed (79%) said they pursued business model change in the last five years. This was highest for Southern European organisations where over 90% pursued change and lowest for Eastern European organisations (61% pursued change).
- Business model change is **driven** by a wide range of factors – the most common of which are: having a shared vision, strong leadership and changes in type of funding available.
- The lack of funding is also a frequently cited **barrier** to change, highlighting just how crucial funding is. While funding (from certain sources, with certain aims) can be an enabler, it is also true that the lack of funding, or funding which has a restricted purposes, can limit an organisation's ability to innovate. The qualitative research will help us understand this better.
- Other important barriers including staff workload and there being no long term strategic plan.
- There is evidence that organisations are **making changes to their business practices.** The most frequent change is the use of digital technology for marketing, communication and internal processes. Other key changes include increased partnership working, new approaches to income generation and audience development.

1.1 Introduction

University of the Arts London (UAL) commissioned BOP Consulting to undertake an online survey of managers in cultural venues and performing arts organisations across Europe in 2017. This survey forms part of the Europe-wide **Creative Lenses** project which 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.

The Creative Lenses project (2015-19) involves 13 partners from nine countries including UAL, Trans Europe Halles (TEH) and IETM (International network for contemporary performing arts) and is funded by the European Commission's Creative Europe programme.

The **aims** of this survey were to:

- gather data about business model innovation in cultural centres and performing arts organisations.
- explore links between innovation practice and change in business models.
- produce benchmarks for managers to compare themselves against.
- inform future research.
- inform stakeholders in cultural and arts ecosystem including funders.

1.2 Introduction

The survey focuses on **independent performing arts organisation and multi-disciplinary cultural centres**. For the purposes of the survey we use the following description to define what ‘independent' means:

> Independent cultural organisations may receive funding or other forms of support from central, regional or local government, but their management is separate from these bodies.

As the survey is part of a **wider research programme,** the project includes substantial qualitative research. For example *Creative Lenses* will produce case studies of eight European arts organisations through a participatory action research project.

This report includes analysis undertaken by BOP. UAL will analyse the qualitative open-ended questions for the survey separately as part of its research.

1.3 Conceptual framework (i)

Conception of business model

Kimbell (2018) defines business models in the arts and cultural sector to comprise:

- Value logic - the defining logic through which value is created, delivered and realised.
- Assets and actors - which are combined in different ways through activities to co-create, deliver and realise shared value.
- Value outcomes - the value which is co-created. This is not limited to, but does include, financial and economic outcomes.

Operational changes and experimentation

The literature suggests there are high fixed costs to radical change (or innovation) in the over-arching business model. This survey focuses on experimentation in business model operations i.e. changes within the business model, rather than between different models.

For this survey, we define '**business model change**' as alterations of any scale to the organisational components - small-scale or transformative.

Source: Lucy Kimbell, 2018. *Developing a Typology of Business Models in Performing Arts Organisations and Cultural Venues. Discussion paper produced as part of the Creative Lenses project (2015-2019) funded by the Creative Europe programme.* Draft.

1.4 Conceptual framework (ii)

Scope of the survey

Given the nascent stage of the theory around business models in the target sectors, the survey aims to test some key assumptions and to provide contextual insight. This can help the project partners as they develop their research further.

The survey focuses on:

- Understanding more about how organisations are co-creating, delivering and realising value.
- Understanding organisations' income streams and mix.
- Understanding how organisations are experimenting to change operations, and the drivers/barriers of this experimentation.
- Collecting background information for analysis.

1.5 Survey design and dissemination

The survey was developed during 2017 in collaboration with UAL and the Creative Lenses consortium, to reflect current thinking around business model innovation in the arts and cultural sector. The survey was designed to uncover information relevant to the survey scope, provide robust findings and maximise response rates.

A first draft of the survey was piloted receiving feedback from 13 participants. The survey was then significantly revised on such basis and finalised at the end of September 2017.

The survey was then disseminated through partner organisation networks including IETM, which has 500 members in 50 countries, TEH, which has 90 members and associates across Europe, and a personal invitation to fifty of BOP's key contacts. It was also promoted via *Creative Lenses* partners and BOP’s social media channels.

1.6 Data collection and cleaning

The survey was open between 28 September and 27 November 2017 and available through the online software SurveyMonkey.

386 people landed on the survey page and around 54% of these completed the questionnaire. In order to be considered as valid, responses needed to:

- Refer to an independent organisation (Q1)
- Refer to a performing art organisation and/or a multi-disciplinary cultural centre/space Q12)
- Be unique (one response per organisation), identified via IP address, double checked
- Have completed at least 75% of questions across whole survey (18/25)

	Estimated numbers in Europe	Number of responses
Independent performing arts organisations	5000-8000	66
Independent multi-disciplinary cultural centre/space	1000-1500	63
Organisations which are both cultural centres and performing arts organisations	Unknown	45
	Source: Creative Lenses estimates	Source: BOP analysis

The final sample contains 174 responses from unique organisations, and excluded 212. The sample is large enough to provide robust data for all of the core questions, either as they stand in the questionnaire or grouped. For the cross tabulations, where the grouped numbers are less than 30 we have marked the result with a * to indicate less reliable data.

2.1 Location

There is a good mix of organisation types and responses were received from across Europe, although there is a concentration in Western and Northern Europe, meaning results are dominated by these regions.

Responses came from 34 countries. 18% (n=32) of the participants of the survey work in organisations based in UK; 8% from Belgium and 7% from Sweden. 39% are located in Northern Europe.

Figure 2: Location of respondents, by country and by region*

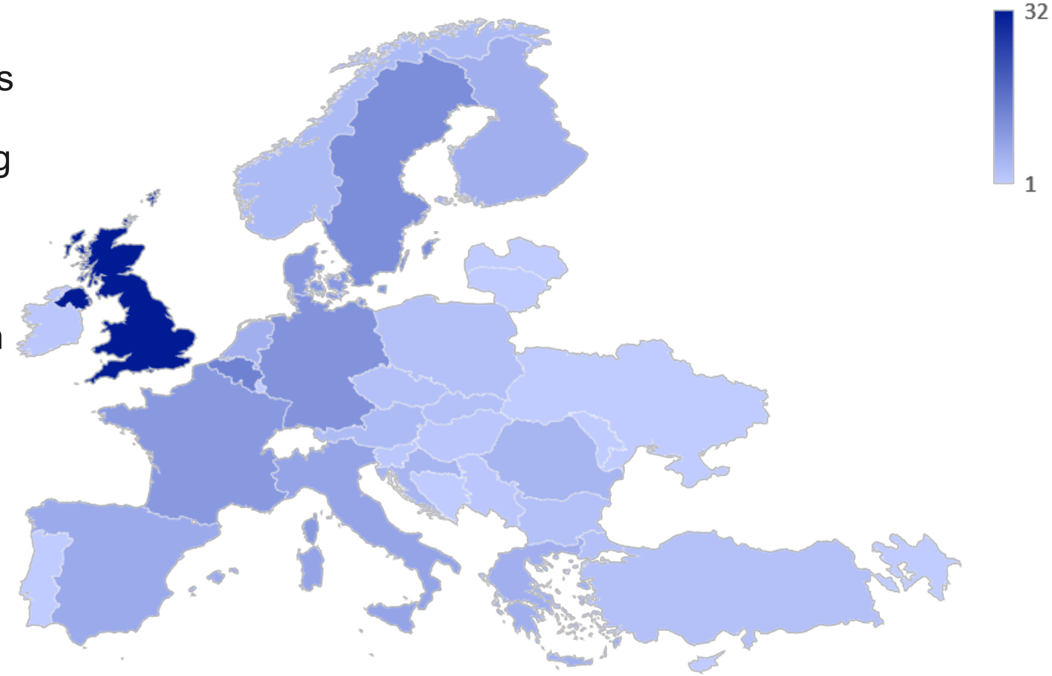
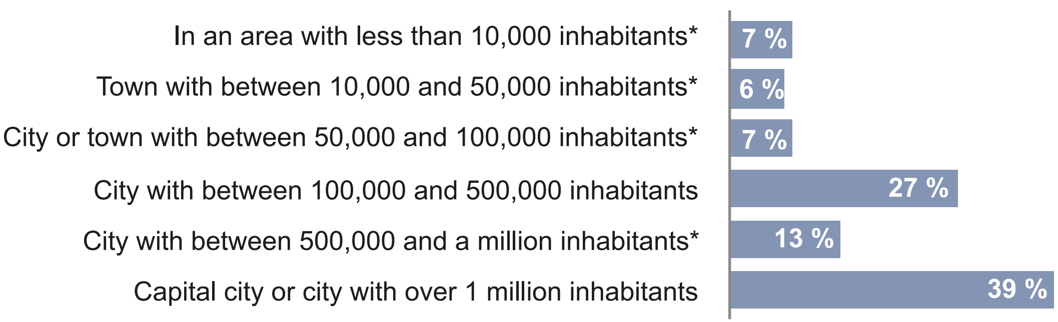
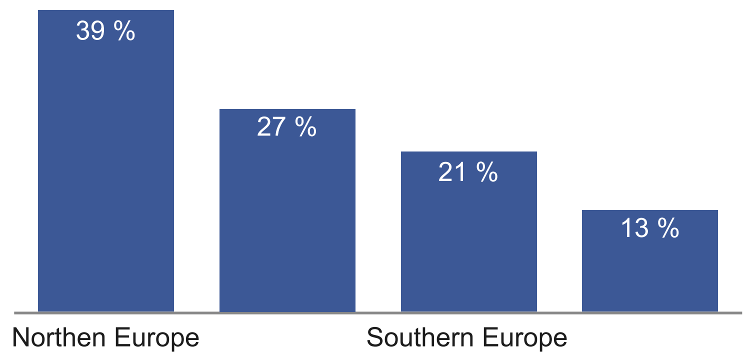


Figure 1: Size of town/city in which organisation is based





Source: BOP Consulting, 2017. Figure 1, 2 n=173, For the cross tabulations, where the grouped numbers are less than 30 we have marked the result with a * to indicate less robust data.
* Geographical regions as defined by UN Stats https://unstats.un.org/unsd/methodology/m49/#geo-regions

2.2 Organisation type

The vast majority of organisations (90%) are not-for-profit, with only 6% being for profit.

Common ways of describing the organisations included non-governmental organisations (NGO), associations and charities.

Figure 3: Not-for-profit and Profit organisations

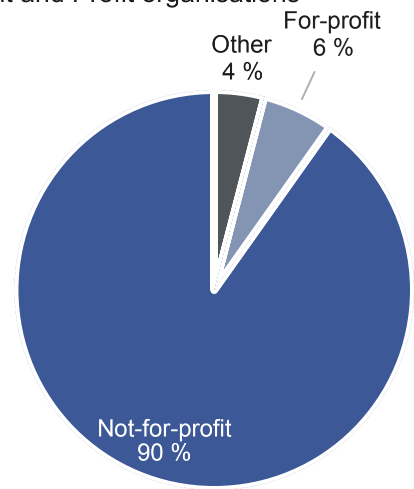
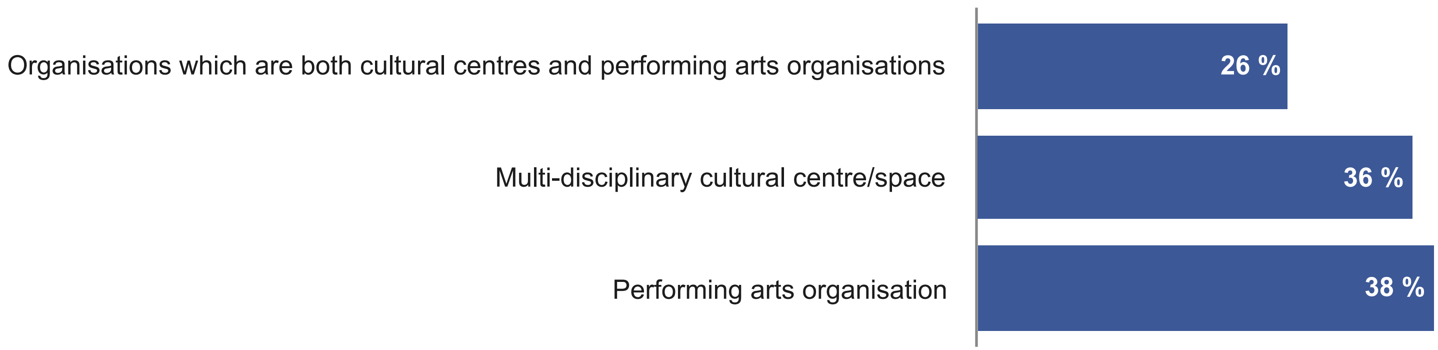


Figure 4: Organisation type



Source: BOP Consulting, 2017. Figure 3 n=173; Figure 4 n=174

2.3 Art forms

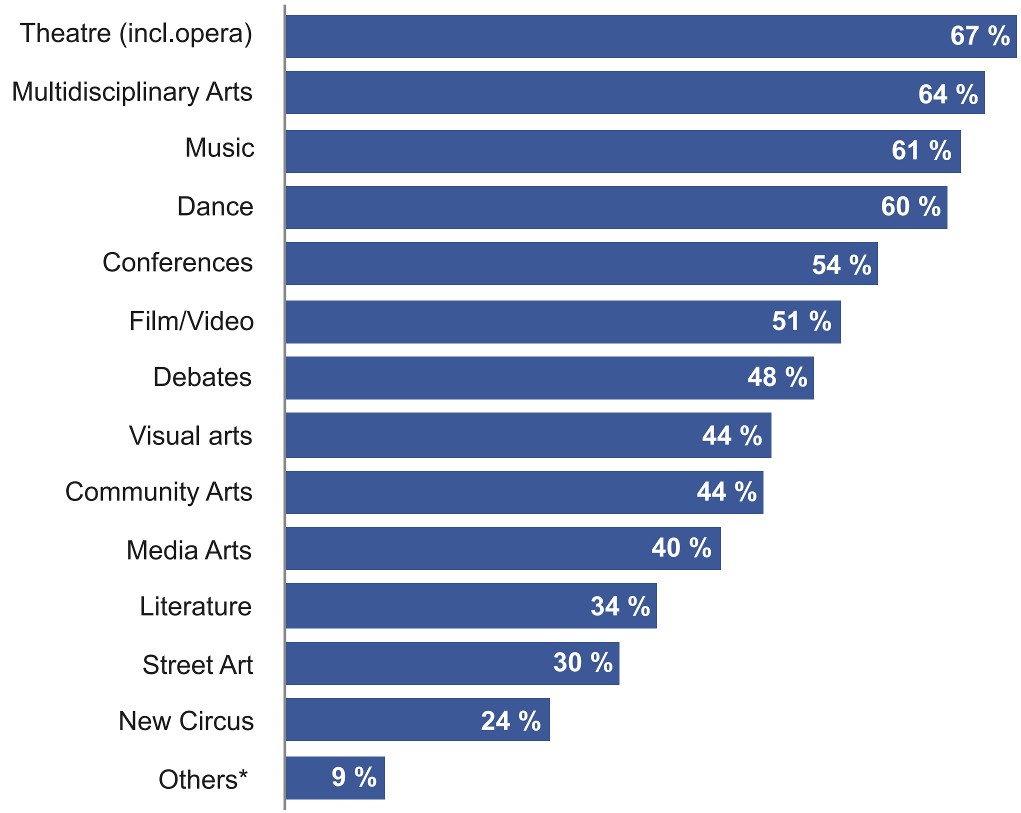
Theatre, multidisciplinary arts as well as music are the most common art forms produced, hosted and/or commissioned in the sample.

Over 85% of organisations produce and/or host more than one art form.

The most common art form hosted in multi-disciplinary cultural centre/ spaces is multidisciplinary arts; whereas theatre is the most common in performing arts organisations.

The category “Others”* includes comics, poetry, architecture, applied arts, workshops and courses.

Figure 5: Art forms commissioned and/or hosted in organisations



Source: BOP Consulting, 2017. n=173.

2.4 Employment: full time equivalent employees

The number of full time equivalent (FTE) employees ranged from zero to 100. However, the vast majority of respondents come from very small organisations.

- The average employment across respondents was 8.6 FTEs.
- The average is lower for performing arts organisation (4.6 FTEs).
- Regionally, Western Europe has the highest average FTE employment at 10.9.

Figure 6: Number of Full Time Equivalent (FTE) employees

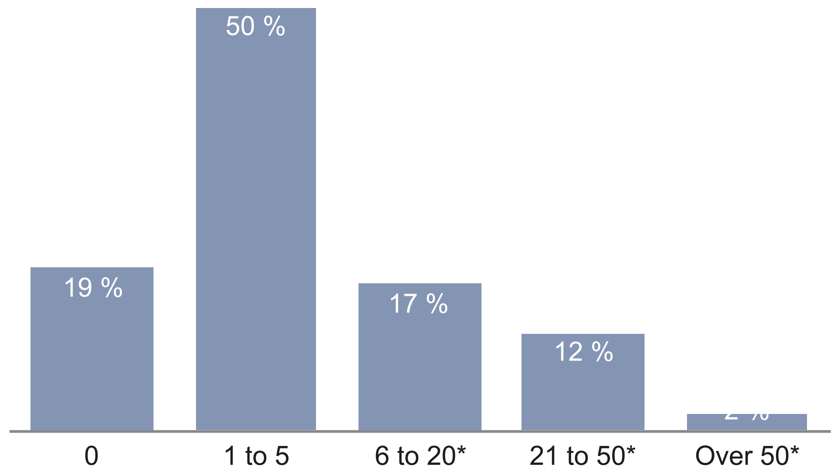


Figure 7: Average FTE, by organisation type

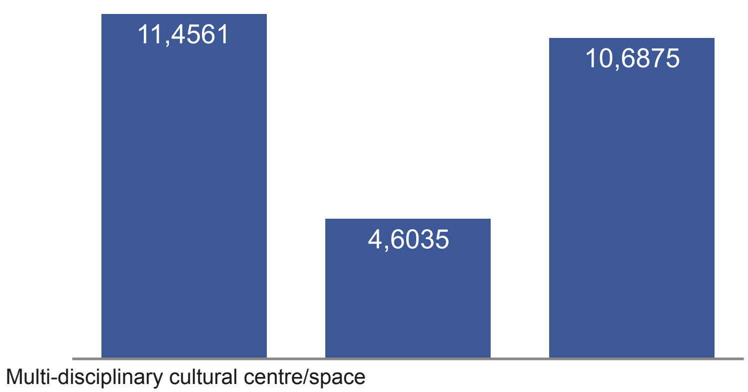
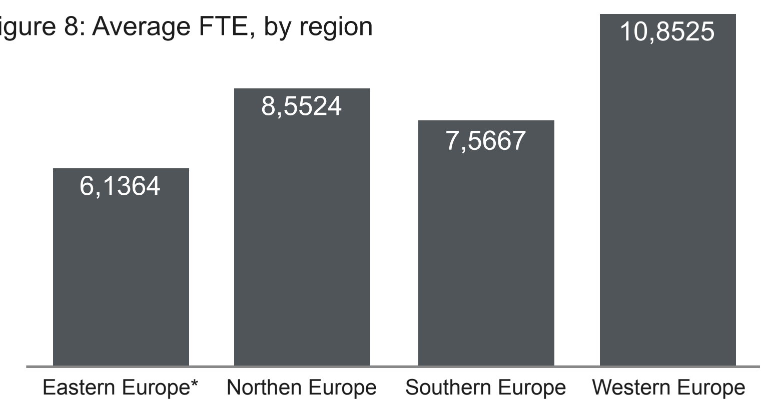


Figure 8: Average FTE, by region



Source: BOP Consulting, 2017. n=156

2.5 Employment: part time employees

The average number of part time employees across the whole sample is 5.1.

This was lower for performing arts organisations and higher for Western Europe, in line with their employment figures.

Figure 9: Number of part time employees

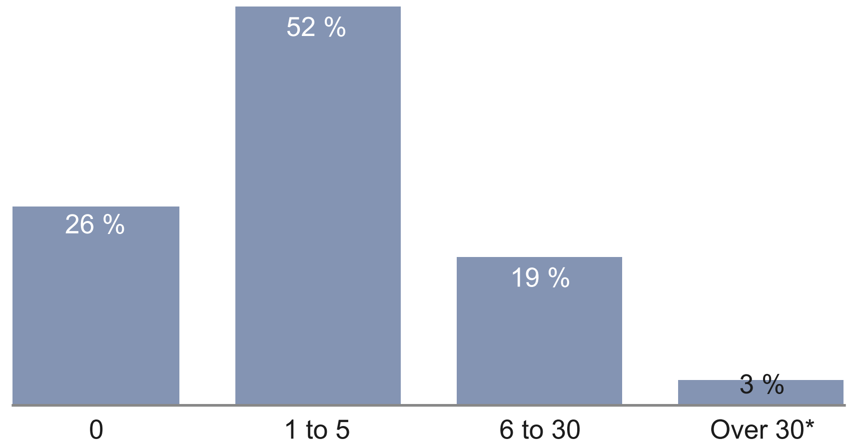


Figure 10: Average number of part time employees, by organisation type

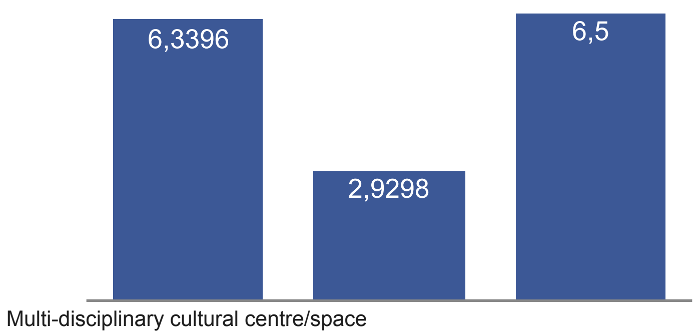
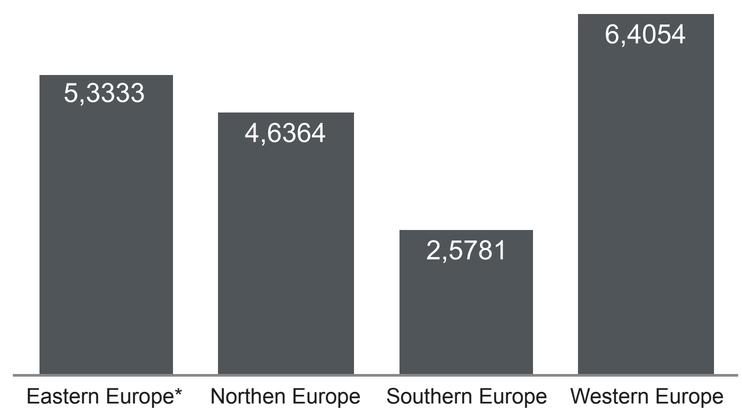


Figure 11: Average number of part time employees, by region



Source: BOP Consulting, 2017. n=147

2.6 Employment: volunteers

The number of volunteers ranges widely from zero to 370. The average is 16.2.

- Western Europe seems to be driving the overall numbers up, with organisations there engaging on average 29.3 volunteers.
- Performing arts organisations have a much lower average, indicating a more limited use of volunteers.

Figure 12: Average number of volunteers, by organisation type

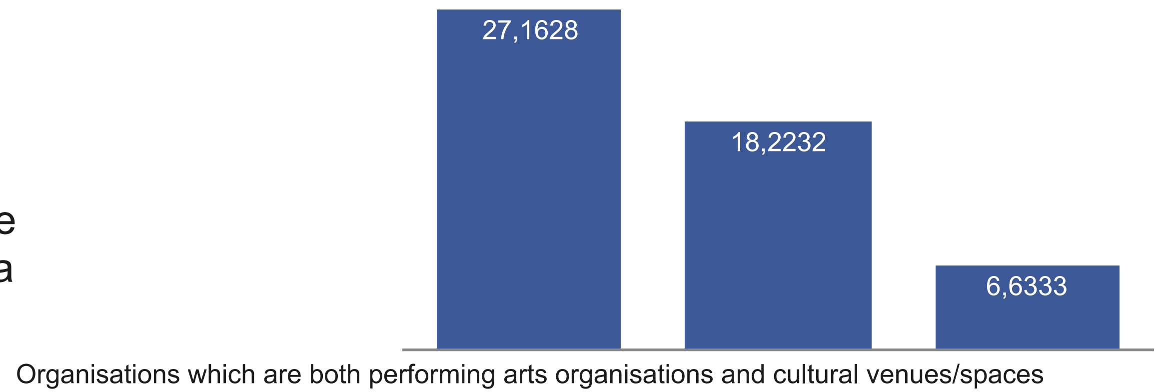
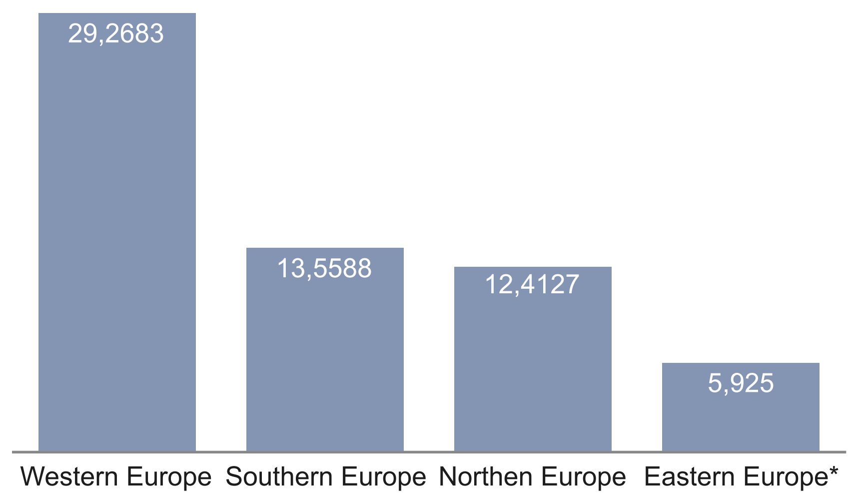


Figure 13: Average number of volunteers, by region



Source: BOP Consulting, 2017. n=159

3.1 Sources of income

- Most organisations receive a wide mixture of funding from different sources: public funding, philanthropy, self-generated income, as well as corporate sponsorship.
- For those organisations that have focused income streams (e.g. they receive over 75% from a single source), the most common source is national, regional or local funding.
- It's common for organisations to receive some income from donations and philanthropic giving. However, overall the contribution these make to the whole are relatively small.

Figure 14: Percentage of organisations which receive income from public sector sources

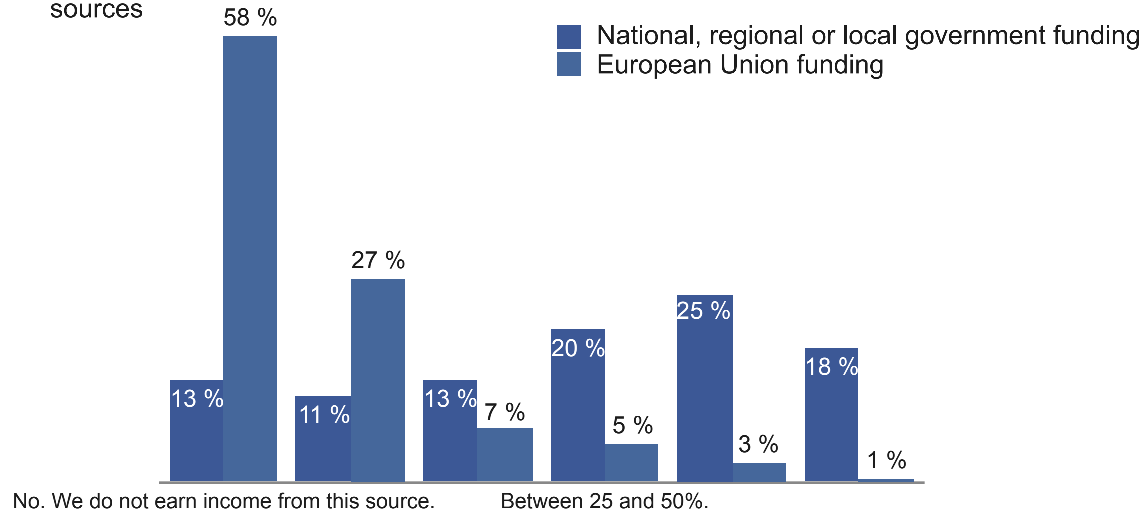
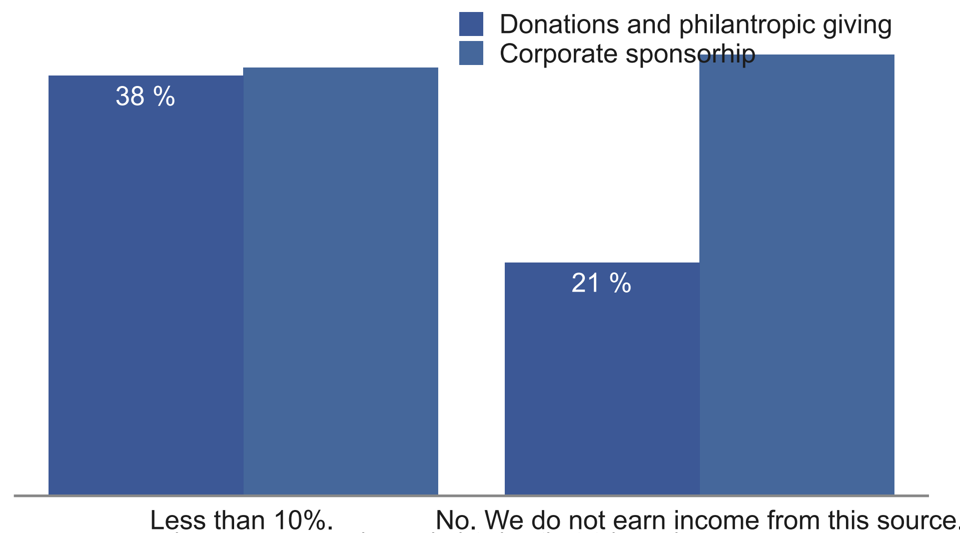


Figure 15: Percentage of organisations which receive no income or less than 10% of their income from donations and corporate sponsorship



Source: BOP Consulting, 2017. n=98-171. Please, note that the % for figure 15 are averages across income sources and are calculated on the total sample (n=174). The totals therefore do not add up to 100%.

3.2 Sources of income

The proportion of small organisations (up to €100,000 turnover) receiving public funding and self generated income is lower than the average for all organisations.

Large organisations (with turnover over €1 million) are more likely to receive income across sources compared to smaller organisations.

Performing arts organisations surveyed are more likely to receive some public funding than the multi-disciplinary cultural centres in the sample.

Figure 16: % of organisations receiving some public sector funding, by size (turnover)

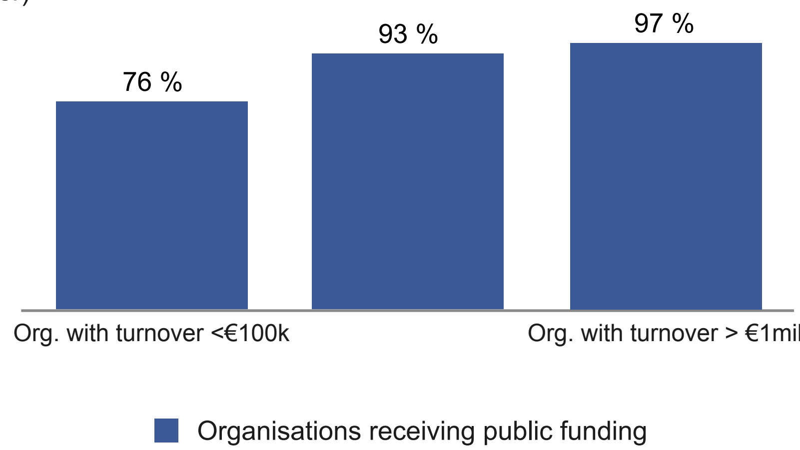
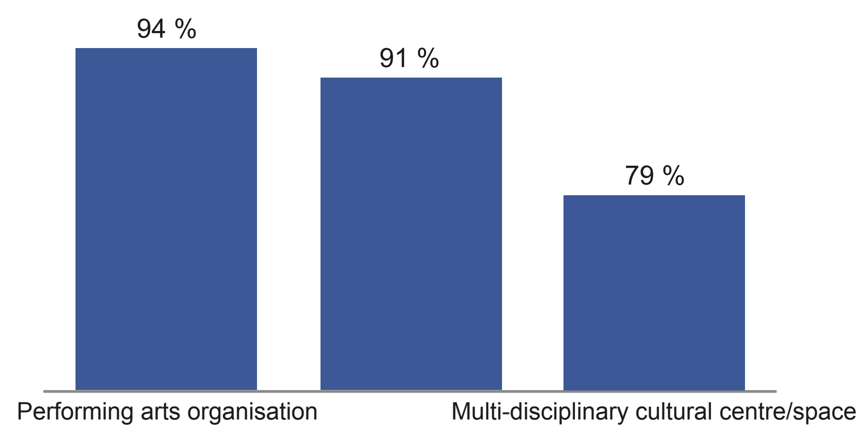


Figure 17: % of organisations receiving some public sector funding, by organisation type



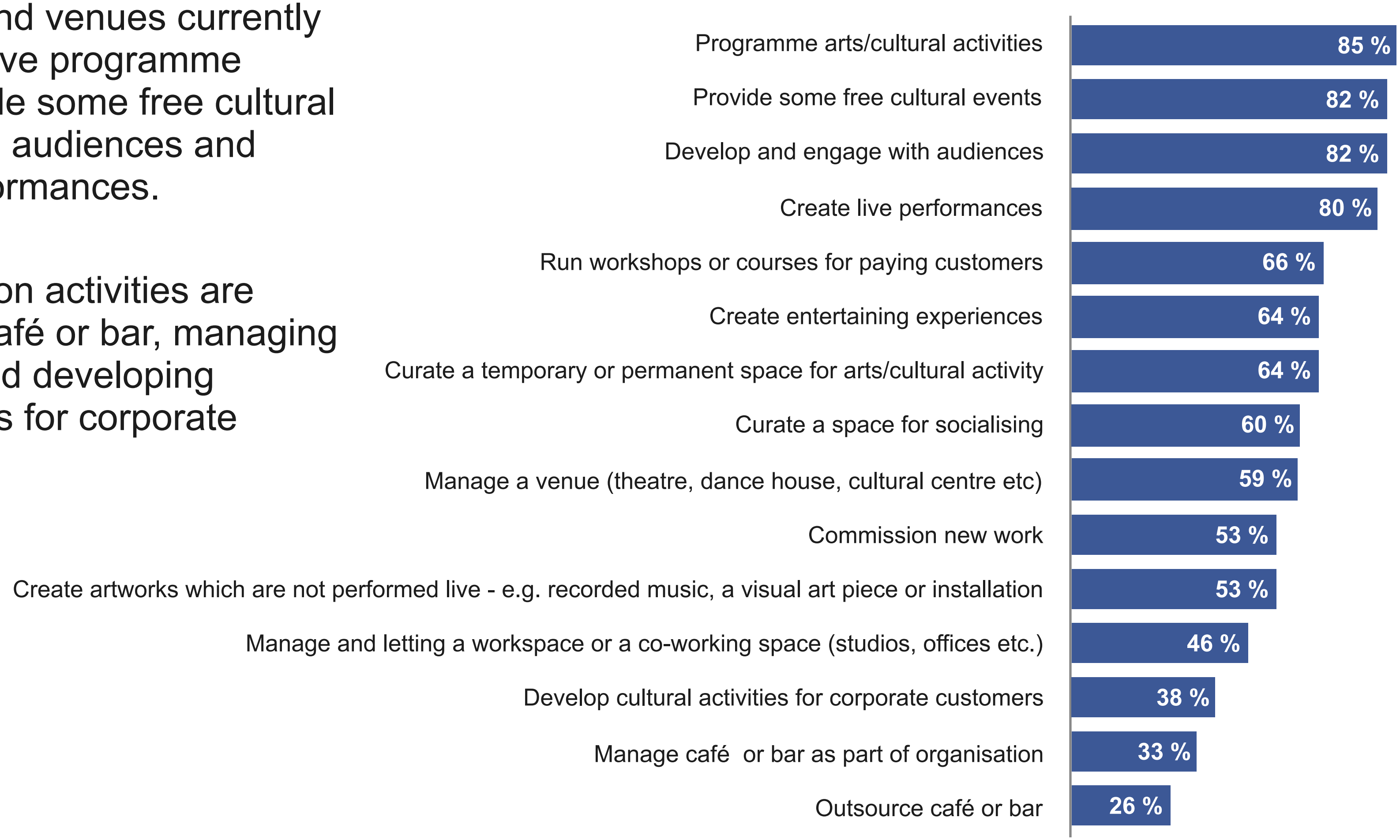
Source: BOP Consulting, 2017. n=171 – 98
Figure 15 and Figure 16 display % of organisations that receive some income from the various sources

4.1 Activities

In terms of the activities the organisations and venues currently do, four out of five programme activities, provide some free cultural events, develop audiences and create live performances.

The less common activities are outsourcing a café or bar, managing a café or bar and developing cultural activities for corporate customers.

Figure 18: Activities currently hosted and/or produced in organisations



Source: BOP Consulting, 2017. n=174

4.2 Activities

Figure 19: Top three most common activities currently hosted and/or produced in organisations, by organisation type

Multi-disciplinary cultural centres	Performing arts organisations	Organisations which are both a performing arts organisation and a cultural centre
1. Provide some free cultural events	1. Develop and engage with audiences	1. Programme arts/cultural activities
2. Programme arts/cultural Activities	2. Create live performances	2. Develop and engage with audiences
3. Curate a temporary or permanent space for arts/cultural activity	3. Programme arts/cultural activities	3. Provide some free cultural events

Source: BOP Consulting, 2017. n=174

4.3 Activities

The most common new activities in the past 5 years are:

- Running workshops or courses for paying customers (35 organisations)
- Curating space for socialising (34 organisations)
- Managing and letting workspaces or co-working space (33 organisations)

The activities which showed the fastest rate of growth, taking into account the number of organisations doing them five years ago are:

- Outsourcing café or bar*
- Developing cultural activities for corporate customers
- Managing and letting a workspace or co-working space

Figure 20: Most common new practices adopted in the past five years

Source: BOP Consulting, 2017. n=174; *=For this the number of responses is less than 30

4.4 Activities

The most common new activity is running workshops or courses for paying customers.

The data indicate there is only a very slight variation in the percentage which began the activity across different income source groups, apart from for self-generated income for which the data is not reliable.

The same holds true for the next most common new activity – curating a space for socialising. Here too the numbers don't vary greatly depending on income source.

Figure 21: Organisations that started running workshops for paying costumers in the past five years, by income source

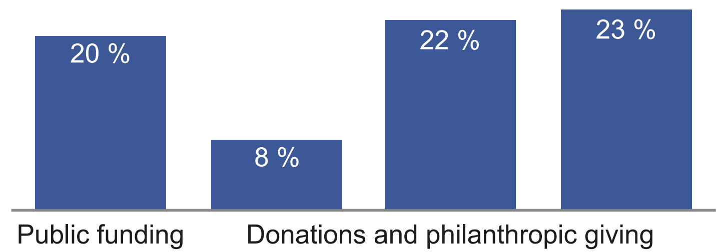


Figure 22: Organisations that started curating a space for socialising in the past five years, by income source

Source: BOP Consulting, 2017. n=174; percentages referring to any amount of income earned from the source.
Figure 20 and 21 display data for organisations receiving some income from the various sources. % are calculated from the total number of organisations receiving some income from this source.

5. Conflict between commercial and non-commercial activities

The large majority of respondents do not feel there is a tension between commercial and non-commercial activities that their organisation delivers/manages.

For those that do experience conflict, the qualitative responses suggest managing competing priorities for space use is a key issue.

There is little noticeable difference between the responses from performing arts organisations and cultural venues about the question of conflict.

Figure 23: Organisations that identified the presence of a conflict between the commercial and non-commercial activities within the organisation

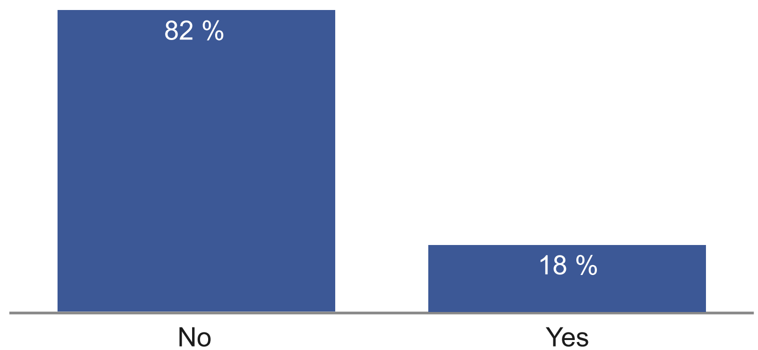
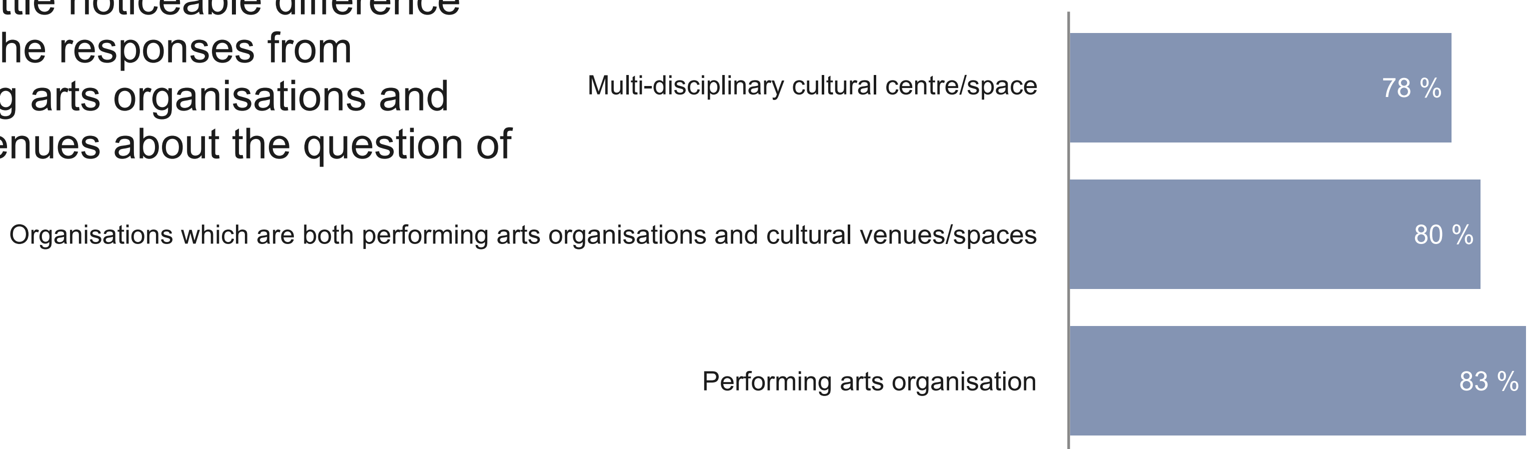


Figure 24: Organisations that identified no conflict, by type of organisation



Source: BOP Consulting, 2017. n=174

6.1 Business model: definitions

In our definition, the term ‘business model’ is a way of mapping out everything an organisation does and how this all connects. It describes:

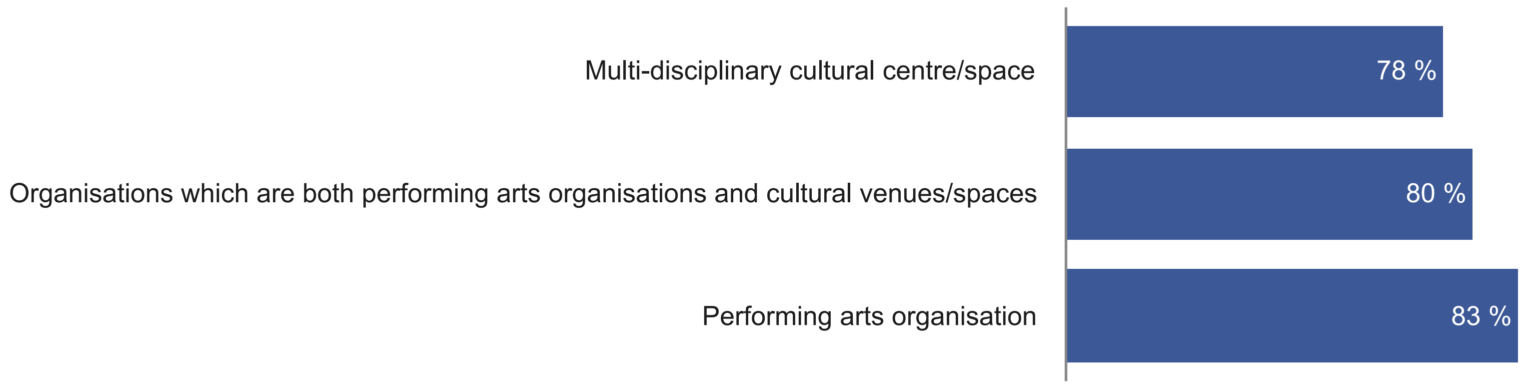
- What the organisation’s team put into their work (e.g. resources, skills, relationships, time)
- Organisational activities
- Organisations’ impact and achievements (e.g. financial, cultural, economic and social benefits) and
- Organisations’ stakeholders (e.g. funders, artists, partners, collaborators, audiences).

Different organisations combine these into their own, unique ‘business models’. They have different strengths and focus on different elements. The main purpose of thinking about the business model is to help organisations see connections between everything they do, so that opportunities for change become more visible.

We define ‘business model change’ as alterations of any scale to the components listed above. Change may be small-scale or transformative.

6.2 Business model change

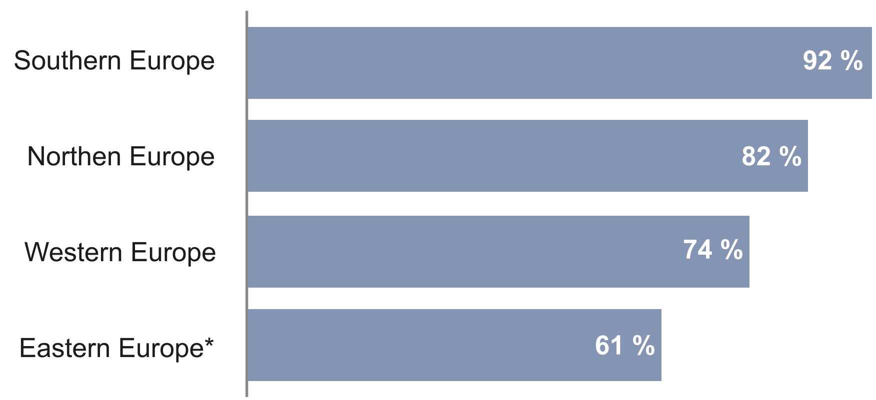
Figure 25: Organisations that pursued business model change in the last five years, by organisation type



When asked if the organisation pursued business model change in the last five years

- 79% respondents said that their organisation pursued business model change in the last five years.
- 18% said they didn't.
- 3% didn't know.

Figure 26: Organisations that pursued business model change in the last five years, by region



Source: BOP Consulting, 2017. n=174

6.3 Drivers for business model change

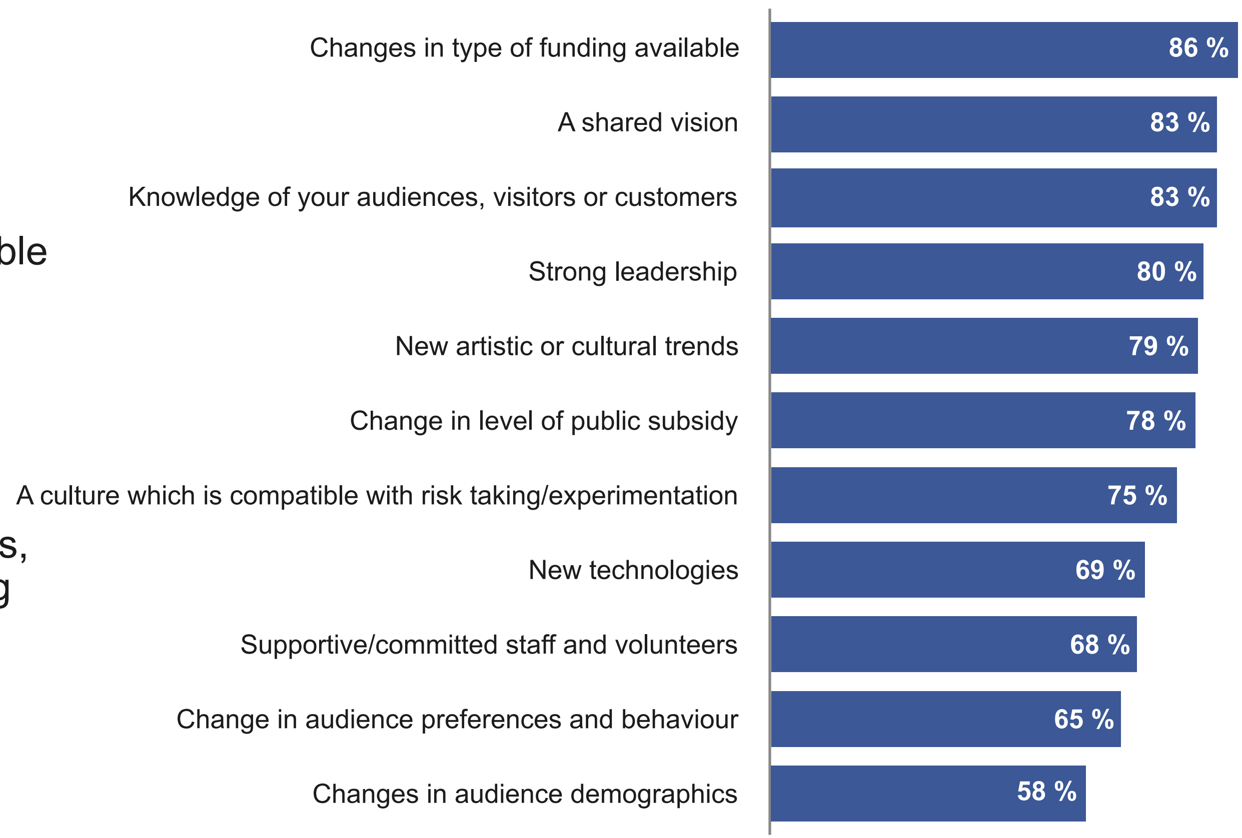
Those who said they had pursued business model change, were asked what were the drivers for change, and if the driver was a major or a minor one.

The most commonly sited **major** drivers were:

- Changes in type of funding available (60%)
- A shared vision (58%)
- Strong leadership (45%)

When combining major and minor drivers, knowledge of your audiences, visitors or customers replaced strong leadership in the top three.

Figure 27: Drivers (both major and minor) for business model change



Source: BOP Consulting, 2017 n=130 - 123

6.4 Barriers for business model change

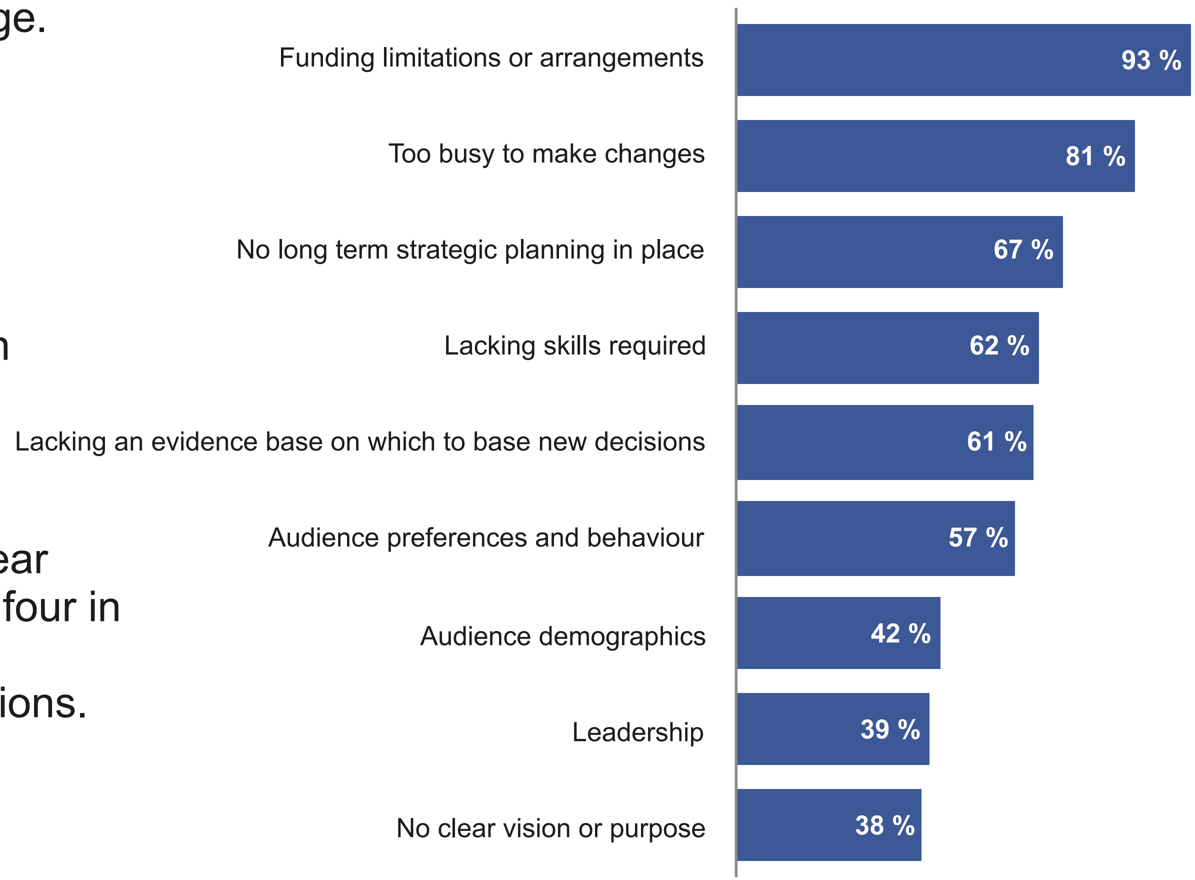
Funding limitations or arrangements are a key barrier to business model change. 59% indicated that this was a major barrier (for 34% it is minor barrier).

Other important barriers are:

- Too busy to make changes
- No long term strategic planning in place.

Less important were audience development, leadership and ‘no clear vision or purpose’. However, nearly four in ten respondents still felt these were barriers to change in their organisations.

Figure 28: Barriers (both major and minor) for business model change



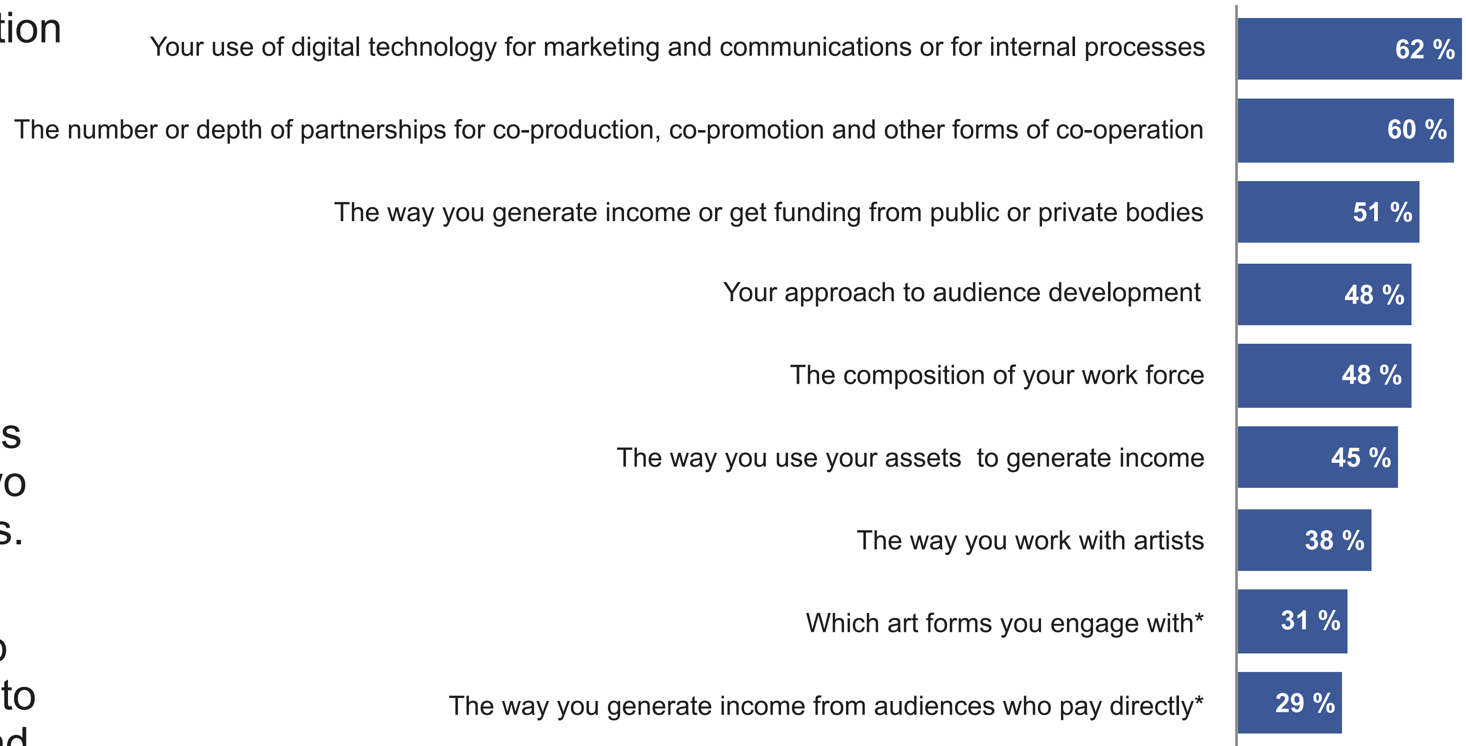
Source: BOP Consulting, 2017. n=158 - 144

6.5 Change in business model

Respondents were asked whether the organisation has changed key business practices.

The way people use digital technology for marketing, communication and internal processes has changed for nearly two thirds of organisations.

Increased partnership working, approaches to income generation and audience development have also been clear changes for many.



Source: BOP Consulting, 2017. n= 165 - 153

7. Conclusions (i)

This survey has provided some key insights into the business models of performing arts and cultural venues across Europe.

- Performing arts organisations have a **range of income** sources including self-generated income, from donations and philanthropic giving and corporate sponsorship. However, public funding, particularly from local, regional and national government still forms the backbone for many organisations.

- Organisations undertake a **wide range of activities to create, deliver and realise value** for/ with audiences, visitors and stakeholders. The most common are programming arts and cultural activities, providing some free cultural events and developing and engaging with audiences. Over 80% of organisations do each of these. For performing arts organisations, developing and engaging with audiences is a central activity, less so for cultural centres.

- Performing arts organisations and cultural venues across Europe are **changing what they do.** In the last five years, the most common new activities are running workshops for paying customers, curating a space for socialising and managing/letting workspaces. These illuminate the drive to diversify income streams. There has been rapid growth in outsourcing café and bars and developing cultural activities for corporate customers – suggesting these could be practices early adopters are experimenting with.

7. Conclusions (ii)

- **Pursuit of business model change is widespread**. Most of the organisations pursued business model change in the last five years. Pursuit of this type of innovation is more prevalent in Southern Europe.

- Changes in funding can be a **key driver** for business model change. But where funding is lacking or where there are restrictions tied to funding, it can also be a barrier to innovation. Central internal drivers include shared vision and strong leadership. Other barriers include workload, lack of strategy and skill gaps.

- Technology is changing organisations' business practices - particularly in the way they do marketing, communications and use technology for internal processes. **Not all changes are technological**: organisations are strengthening their approach to co-operation through growing the number and depth of partnerships. Many organisations are adopting new approaches to developing audiences and generating incomes.

- Although business models can vary across different types of organisations and geography, these results suggest that as well as there being differences, there are also some commonalities.