Creative Lenses Working Paper No. 2
September 2018

Report written by Lucy Kimbell
EXECUTIVE SUMMARY

1. INTRODUCTION

2. REVIEWING THE LANDSCAPE

3. REVIEW OF MANAGEMENT LITERATURES
   3.1 WHAT ARE BUSINESS MODELS?
   3.2 WHAT IS BUSINESS MODELLING?
   3.3 DEBATES IN RESEARCH ON BUSINESS MODELS
   3.4 ACADEMIC RESEARCH ON BUSINESS MODELS IN CREATIVE AND CULTURAL ORGANISATIONS

4. BUSINESS MODELS AND BUSINESS MODELING IN ARTS AND CULTURAL ORGANISATIONS

5. CONCLUSION
   5.1 LIMITATIONS
   5.2 DISCUSSION

6. ACKNOWLEDGEMENTS

7. ABOUT THE AUTHOR

8. REFERENCES
This working paper examines the concept of “business models” in arts and cultural organisations. It is written as part of the research within a European-funded collaboration project, Creative Lenses, a four-year collaboration project (2015-19) funded by Creative Europe. It reviews literatures discussing business models, both reports outside academia and research published in studies of management and organisation.

Concepts and insights from research into business models include an emphasis on holistic perspectives where organisations are understood as part of wider value-creating systems; creating and realising value; relationships between business models and technology, strategy and innovation; and the processes of developing business models.

This paper combines these perspectives relevant to the activities and behaviours of the two focus areas of the Creative Lenses project: performing arts organisations and independent multi-disciplinary cultural venues. These perspectives involve a shift from financial value to multiple accounts of value; the need to balance value creation and value capture; from capturing value to realising shared value; and from competition in a market to collaboration in a system of actors.

The discussion concludes that using the business model construct can help researchers, policy makers and funders and indeed managers in arts organisations analyse the kinds of value they help realise and learn from the outcomes that result.
1. INTRODUCTION

This working paper discusses the concept of the "business model" in arts and cultural organisations. It is written as part of the research within a four-year (2015-19) European-funded collaboration project, Creative Lenses1 which aims to explore and reflect on the sustainability of arts and cultural organisations with a particular focus on performing arts organisations and multi-disciplinary cultural venues. Built into the project’s framing and its funding are assumptions that the business model construct is relevant and transferable to the arts and cultural sector.

In this paper, I explore this assumption by reviewing discussions within academic management research. Based on a literature review, and informed by discussions with partners in Creative Lenses, I identify characteristics of business models and business model innovation described in research literatures that might be useful for, and relevant to, arts and cultural organisations, while also reviewing some of the issues associated with them.2

There are several reasons for the growing visibility of the business model construct. Technological developments, new consumption practices, changes to the ways industries are organized, public policy issues such as environmental sustainability and social justice, reconfigured supply chains, as well as the encroachment of business logics into everyday life, all feed into discussions about business models and the processes of business modelling (Amit and Zott 2001; Teece 2010; Velu et al 2015). It has become common to talk about the business models of technology-based organisations that have disrupted industries (e.g. Uber in urban travel or Airbnb in hospitality) or created entirely new sectors and consumer practices (e.g. Apple iTunes and Facebook). Thinking about business models has opened up how organisations explore and describe their current and future activities and the ways they create offerings and deliver and capture value as they engage with actors and stakeholders within a wider system or network.

One of the most visible manifestations of contemporary interest in business models is the book Business Model Generation by Alex Osterwalder and Yves Pigneur (2010). First published in 2008, with contributions crowd-sourced from numerous practitioners and academics, this book has been widely cited and used. The authors’ accompanying training, consultancy and speaking engagements have helped build understanding of the topic. The core framework in the book, the Business Model Canvas, is a one-page, visual resource available to be downloaded at no cost. Osterwalder and Pigneur (2010) propose that their framework can help managers and entrepreneurs identify how a business or venture combines resources to create, deliver and capture value. Their focus is on identifying fundamental concepts and activities for any organisation, showing how they connect with one another within a whole - the business model - and helping managers use this construct to develop and assess strategic options and plan future activities.

This framework has been adapted for other contexts including social enterprise (e.g. Growing Social Ventures n.d.), policy development (e.g. GovLab n.d.), environmental change (e.g. Bisgaard et al 2012) and the arts (e.g. Arts Marketing Association n.d; Langley and Royce 2016; Chang and Hernandez-Acosta n.d; Rodriguez 2016). The creators of these

1Creative Lenses (2015-19) is a Collaboration Project funded by Creative Europe with 13 partners in 9 countries, including UAL.
2An adapted version of this working paper appears in other Creative Lenses publications.
Business Models in Arts and Cultural Organisations

Insights from Management Literature to Understand

Something managers can and should object of study for researchers and as come relatively recently into view as an organising, the “business model” has within studies of managing and business plans. Today’s organisations do not make extensive use of find value, value chains and business models (e.g. Bolton et al. 2010, Kossen et al. 2010, Royce 2011, Dümmcke 2015, EC 2016, Langley and Royce 2016, Nesta n.d). Often such reports are tied to projects, networks or funding aimed at supporting or changing the practices of cultural and arts organisations. For example, an extensive discussion by Rodriguez (2016) aimed at arts professionals published by arts network I.E.T.M. drew on management literature to make a distinction between business models, revenue models, strategy and business plans. However many publications do not make extensive use of findings from management literatures.

Within studies of managing and organising, the “business model” has come relatively recently into view as an object of study for researchers and as something managers can and should think about, design and manipulate (Magretta 2002; Baden-Fuller and Morgan 2010, Teece 2010, Searle 2017). Whereas 20 years ago it was common to expect organisations to have a vision, a strategy, and a business plan, today’s organisations also develop and share accounts of their business “models” (Casadesus-Masanell and Ricart 2011). Often such research covers large firms. But it also discusses entrepreneurs, including those within social enterprise (e.g. Landes Foster et al. 2009) and more rarely, non-profits or cultural organisations (e.g. Poisson-de Haro and Montpetit 2012; Coblenz et al. 2014), typically viewed through the lenses of management and economics. Research in sustainability (e.g. Bocken et al. 2014), services management (e.g. Normann and Ramirez 1993), co-creation (Leclerc et al. 2016) and social enterprise (e.g. Yunus 2010) have challenged this dominance of economic thinking and opened up new conceptualisations of value. However there has as yet been limited discussion of business models in arts and cultural organisations (e.g. Falk and Sheppard 2006; Coblenz and Sabatier 2014; Searle 2017). Reviewing this literature may surface new opportunities to understand the characteristics and specificities of business models in the arts and cultural sectors.

Against this background, this paper summarises a literature review and synthesises insights from reports and academic literature discussing business models and business model innovation including in arts and cultural organisations. This discussion is aimed primarily at policy makers with responsibility for the cultural and arts sectors; those working in funding bodies supporting the arts and culture, including public, private and philanthropic organisations; intermediary bodies and networks in culture and the arts; and researchers studying cultural policy, arts management, management, and creative industries. It may also be of interest to managers and staff in arts organisations who are doing the work of planning future activities, and consultants who work with them.

By “grey literature” I mean reports, think-pieces, blogs or other publications, which might be co-authored by academic researchers and build on academic research, but which are not part of academic publishing practices using processes such as anonymous peer review and do not circulate in journals or at conferences primarily aimed at academic researchers. For a brief review of English-language grey literature produced early on during the Creative Lenses project see Perez Monclus and Kimbell (2016). 4 Grey literature relating to the arts and cultural sector makes frequent reference to value, value chains and business models (e.g. Bolton et al. 2010, Kossen et al. 2010, Royce 2011, Dümmcke 2015, EC 2016, Langley and Royce 2016, Nesta n.d). Often such reports are tied to projects, networks or funding aimed at supporting or changing the practices of cultural and arts organisations. For example, an extensive discussion by Rodriguez (2016) aimed at arts professionals published by arts network I.E.T.M. drew on management literature to make a distinction between business models, revenue models, strategy and business plans. However many publications do not make extensive use of findings from management literatures.

Within studies of managing and organising, the “business model” has come relatively recently into view as an object of study for researchers and as something managers can and should think about, design and manipulate (Magretta 2002; Baden-Fuller and Morgan 2010, Teece 2010, Searle 2017). Whereas 20 years ago it was common to expect organisations to have a vision, a strategy, and a business plan, today’s organisations also develop and share accounts of their business “models” (Casadesus-Masanell and Ricart 2011). Often such research covers large firms. But it also discusses entrepreneurs, including those within social enterprise (e.g. Landes Foster et al. 2009) and more rarely, non-profits or cultural organisations (e.g. Poisson-de Haro and Montpetit 2012; Coblenz et al. 2014), typically viewed through the lenses of management and economics. Research in sustainability (e.g. Bocken et al. 2014), services management (e.g. Normann and Ramirez 1993), co-creation (Leclerc et al. 2016) and social enterprise (e.g. Yunus 2010) have challenged this dominance of economic thinking and opened up new conceptualisations of value. However there has as yet been limited discussion of business models in arts and cultural organisations (e.g. Falk and Sheppard 2006; Coblenz and Sabatier 2014; Searle 2017). Reviewing this literature may surface new opportunities to understand the characteristics and specificities of business models in the arts and cultural sectors.

Against this background, this paper summarises a literature review and synthesises insights from reports and academic literature discussing business models and business model innovation including in arts and cultural organisations. This discussion is aimed primarily at policy makers with responsibility for the cultural and arts sectors; those working in funding bodies supporting the arts and culture, including public, private and philanthropic organisations; intermediary bodies and networks in culture and the arts; and researchers studying cultural policy, arts management, management, and creative industries. It may also be of interest to managers and staff in arts organisations who are doing the work of planning future activities, and consultants who work with them.

*This literature review which took place iteratively between summer 2017-mid 2018 including searching online and in databases such as Scopus and Science Direct for journal papers and conference proceedings relevant terms in several combinations such as: “business model” and “arts organisation”; “business model” and “cultural organisation”; and “business model” and “sustainable” and “arts”. This returned a long (n=355) list of items whose abstracts were reviewed manually. Some items were excluded because they focused on business sectors not relevant to Creative Lenses; or because the search result came from a coincidence of words appearing in an abstract; or because the item did not engage substantively with how arts organisations sustain themselves. This lead to a shortlist (n=40) of items reviewed by the author. A draft version of this paper was discussed with colleagues and partners and then revised.
2. REVIEWING THE LANDSCAPE

This section reviews themes in publications in English relating to the topic of business models in arts organisations such as reports and working papers – sometimes called ‘grey literature’ – that are primarily aimed at policy and practice. Reviewing this literature identifies challenges associated with the business models of arts and cultural organisations, which might be addressed by a deeper engagement with academic management research.

Choosing different levels of analysis for understanding value in cultural sectors.

A European Commission (2016) study on the creative and cultural industries offered a detailed analysis of “value chains” across creative and cultural sectors, and explored the potential for change in response to digitalisation. It distinguished between creation, production, dissemination/trade and exhibition/reception within cultural sectoral value chains and described their growing complexity. This report covered nine sectors within Europe including performing arts, film, book publishing, cultural heritage and multimedia. This report provided an important holistic perspective on each of the sectors it studied, identifying key processes and actors involved in creating and capturing value. It makes several references to business models and the impact of digitalisation. While there are examples of shifts in some sectors to new models such as the “freemium” model in gaming (European Commission 2016: 200), the study does not offer a clear definition or extensive detail on such models. The emphasis on value chains across sectors limits discussion of value realised in or by organisations. For example in the section on performing arts, the report discusses the potential and impact of digitalisation in the production (e.g. enabling new types of audience involvement and experiences), or in dissemination (e.g. cross-platform marketing strategies). It notes the roles of specific organisational actors, such as producing and receiving houses in the performing arts (ibid: 68), and the interactions between them. But the study does not describe in detail the value creation and capture within these organisations. As the following literature review will show, academic studies of business models offer diverse ways to understand the value logics within firms resulting from interactions with the systems they are part of.

Separating business model development from other aspects of management.

As the review of management literature will show, there is not yet agreement among researchers as to the core concepts associated with the business model construct. One result is that the "business model" has become a catch-all term relating to strategy, entrepreneurship, organisational change and economic growth for anyone trying to describe or propose how cultural and arts organisations can be sustained. Unsurprisingly, reports, conference panels and websites often use the term business model quite loosely and sometimes conflate business models with strategy, organisation design and innovation management. For example Dümcke (2015) produces a categorisation of business models that combines topics such as product development, partnering and commercialising intellectual property. While many of these topics are directly relevant to understanding how organisations become more commercial and/or more financially sustainable,
BUSINESS MODELS IN ARTS AND CULTURAL ORGANISATIONS

INSIGHTS FROM MANAGEMENT LITERATURE TO UNDERSTAND

Business Models in Arts and Cultural Organisations

Some of this discussion could be better described as identifying strategic options, rather than offering an analysis of business models. As the literature review below will show, strategy, innovation and business models are connected but distinct.

Surfacing underlying concepts and frameworks.

There are several different ways of conceptualising business models. The variety of concepts developed in academic management research is rarely drawn on in non-academic publications such as reports and blogs. A common one is the component-based Business Model Canvas that is widely cited (op cit). There are few efforts to look more broadly at alternative underlying concepts and frameworks.

One example is a report by Royce (2011) which offers a discussion on business models in UK visual arts organisations including: a framework to discuss business models; an analysis of organisational balance sheets; and guidance for organisations to make the most of their existing resources, diversify income and adapt. Royce’s framework uses an analysis by the Henley Centre for Arts Council England, adapted in Figure 1. What is novel from this framework is how it foregrounds the different kinds of assets that are part of a visual arts organisation and the ways they are combined through engagement with individuals and communities, resulting in a typology of four types of business model.

![Business Model Canvas](https://example.com/business-model-canvas.png)

Figure 1. Matrix to categorise business models of visual arts organisations in Royce (2011)

Royce used the framework to analyse income and costs in UK funded visual arts organisations. While this produced a useful typology, it suggests that each type of organisation has one business model, whereas it might have more than one or indeed several that run concurrently. Second, the binary definition of assets (fixed v knowledge) raises questions about whether this is the right way to distinguish between organisational resources and access to them, which vary depending on institutional and historical factors such as public policy and the development of cultural practices.

Elsewhere, a substantial discussion of the sustainability of cultural organisations in a UK project called Missions Models Money also used an asset-based approach, recognising that arts organisations may be cash poor, but asset rich (Bolton et al 2010: 6). This study reviewed how organisations adapted to circumstances to change business models and argued for a shift in mindsets in the cultural sector to recognize the need for investment, improved access to capital and improved business support (Bolton et al 2010: 7). Another study in the UK, examining the financial accounts of funded arts organisations in the UK (Thelwall 2015) offered insights into their adaptation to cuts in funding, demonstrating that small and medium-sized organisations were able to increase venue-based income streams. However, the author argued that there was a need for models that recognise differences between organisations of different sizes, with or without venues, between what the author called “value creators” as opposed to “value realisers” (Thelwall 2015: 89). As the literature review below will argue, there are a range of underlying concepts that help with analysing the assets of arts and cultural organisations and how they are combined to create and capture value.

The challenge of understanding and assessing change and outcomes.

Discussion about innovation in the arts sector often makes reference to business models, with anticipatory claims about how innovation will lead to changes in underlying models. For example, Bakhshi and Throsby’s (2010) study of innovation in two cultural institutions argued that organisations innovating in terms of audience reach, art form development and value creation were also developing new business models. They argued that new business models could result from organisations using technologies to interact in new ways with audiences and create new artforms and kinds of value. But this study did not characterize in detail the nature of such changes in business models. Further, there are ongoing debates about how to characterise the outcomes associated with arts and cultural organisations (Crossick and Kaszynska 2016). It is unclear how different models relate to different outcomes, which can include social, cultural, economic and environmental and indeed other factors depending on the underlying analytical frames. For example a report on a UK project to support digital research and development in arts organisations did not offer detailed analysis of how different models might result in different outcomes (Nesta n.d.).

These publications have advanced understanding and visibility of the topic of business models in culture and the arts. But they have not made the most of developments in academic management research. This paper will suggest how these can be combined with existing perspectives to produce a fuller analysis of business models in arts and cultural organisations.
3. REVIEW OF MANAGEMENT LITERATURES

This section reviews the main concepts and insights from business and management literatures. Studies of the business model construct can be found in several traditions and fields including strategy, innovation, technology management, service management, economics, performance management, and entrepreneurship. The amount of research and number of articles, book chapters, journal special issues and conference sessions on business models has been growing rapidly since the 1990s (George and Bock 2011; Li 2017). However researchers note this is still a young area of study relative to other management fields (Baden-Fuller and Mangematin 2015). Much of the available research is theoretical and conceptual but there are some empirical studies. Identifying key themes in these literatures has the potential to enrich understanding of business models in arts and cultural organisations.

3.1 What are business models?

Definitions.
Researchers agree that there is not yet a working definition of business models shared across management research (George and Bock 2011; Zott et al 2011; Fielt 2014; Velu et al 2015; Ritter and Lettl 2018). Recent systematic literature reviews (e.g. Li 2017; Massa et al 2017) and journal special issues (e.g. Demil and Lecocq 2010) have articulated and summarised the current perspectives on the topic – and the lack of agreement among researchers. For example Ritter and Lettl (2018) identified five different approaches to business model research. Across the management literature, various definitions exist offering different perspectives on the core elements of business models and how they are seen to link. For example, business models are stories that explain how organisations work (Magretta 2002). A business model is seen as a description of how an organisation interacts with suppliers, customers and partners (Zott and Amit 2007). Business models describe “the logic of the firm” (Casadesus-Masanell and Ricart 2010: 196), defining how an organisation plans to compete in a particular market or territory, and the practical means through which this is to be achieved. Others argue that a business model describes the content, structure and governance of an organisation (Amit and Zott 2001).

Holism and systems.
While a business model is an analytical construct at the level of a firm, one strand of research examines how the business model links individual organisations with the wider systems and networks they are part of. Challenging a focus in some management research on individual firms, researchers have drawn attention to the intersections between organisations and their customers, partners, suppliers and other stakeholders within a complex “activity system” (Zott and Amit 2010). This perspective sees the business model as a way to identify, describe and potentially make new connections between actors and resources in the activity system. In this, it links to a strand of research in service management and services marketing emphasising how firms produce value through actors combining resources within a value constellation or network (Normann and Ramirez 1993; Vargo and Lusch 2004), through co-creation (e.g. Leclerc et al 2016). Strategy-making, viewed through this lens, requires the creation of new configurations with other actors in the system to co-create value (e.g. Ramirez and Mannervick 2017). In this context, researchers see the value of the business model construct as providing a holistic and systematic overview of how a firm operates and generates value (Xiang and Yin 2013; Schneider and Spieth 2013).

Understanding value.
Another strand of discussion places a strong emphasis on value (e.g. Chesbrough 2010, Casadesus-Masanell
and Ricart 2010). Researchers characterize value logics in different ways. Some describe a firm’s business model as how an organisation creates, delivers and captures value (e.g. Osterwalder and Pigneur 2010). Some emphasise value capture (e.g. Chen et al 2012). Some researchers place a strong emphasis on the value proposition through which a firm creates and captures value for and with particular stakeholders (e.g. Xiang and Yin 2013). Nickerson et al (2007) argue that strategy researchers have paid insufficient attention to the processes through which organisations create value. Based on a review of literature, Velu et al (2015) distinguish between the value proposition, value creation, and value capture. They summarise:

The value proposition component identifies what markets and customer groups (or other beneficiaries) will be targeted, and what products and services will be provided to meet the requirements of the customer group. Value creation focuses on how products and services will be created/provided … [and] value capture relates to the benefits that are realized” (Velu et al 2015: 9).

Based on a systematic review, Li (2017) distinguishes between value proposition (an offering, market and revenue model), value architecture (how an organisation senses, creates, distributes and captures value) and the functional architecture to enable these (innovation and commercialisation, infrastructure, and customer relationship management). While researchers offer different frameworks to describe how value is understood and realised in business models, there is agreement that a business model articulates a value logic. Fietl concludes: “A business model describes the value logic of an organisation in terms of how it creates and captures customer value and can be concisely represented by an interrelated set of elements that address the customer, value proposition, organisational architecture and economics dimensions” (2014: 96). However, the processes through which such value logics are formed deserves further study. For example Laasch (2018) argues for attending to the institutional logics through which organisational logics are created, especially when trying to analyse non-commercial business models.

Categorising models.
The concepts through which different types of models are categorised, and the approaches to data gathering and analysis to enable such comparisons, have not been developed extensively (Fietl 2014). Classifications of business models are sometimes lists without underlyng criteria, resulting in business model “archetypes” that are not theoretically or empirically grounded (Fietl 2014). Organisations can be seen as having several different kinds of asset and may offer different access rights to them within their business models (e.g. Weill et al 2011). Some researchers argue there are a limited number of underlying core models. For example Baden-Fuller and colleagues (2017) have developed a “business model zoo” to distinguish between four types: a product model, a solutions model, a match-making model, and a multi-sided model. They concluded from their study of a sample of environmentally and socially sustainable organisations that the underlying models were the same as for commercial firms, but the “content” and “governance” of the models (Amit and Zott 2001) were different.

Linking models and performance.
By offering a unit of analysis that combines an organisation’s internal elements and actors and factors in the external environment, the business model allows managers to have an integrated overview that goes “far beyond the simple storytelling of how a firm earns its revenues” (Schneider and Spieth 2013: 3). Some business models are more viable than others (Teece 2010). Small and medium sized organisations which do business planning, including analysing business models, are more likely to grow (Brooks et al 2018). Some researchers argue that business models can be a source of competitive advantage and superior performance, even in very established or mature industries (Amit and Zott 2012). That is, the particular way an organisation creates, delivers and captures value with other actors in a system can be seen as an explanation for how it performs better than its competitors. However there have been few studies comparing business models of firms based on empirical data, or models created based on a predictive framework (Xiang and Yin 2013).

3.2 What is business modelling?
The process of business modelling.
Researchers have emphasized the process of doing business modelling as being productive for firms. Some researchers have argued that a business model can be a “tool for thinking”, as well as being an account of the logic underpinning an organisation’s activities. Baden-Fuller and Morgan (2010) identify three ways that business models are useful. First Baden-Fuller and Morgan (2010) argue such descriptions can help researchers classify organisations and their behaviours, revealing similarities and differences. Secondly, models can also be used by researchers to examine how an organisation responds to changes in its environment or to taking particular kinds of action. Thirdly, business models can function like “recipes” (ibid: 157) that organisations can try out. The process of business modelling has also received attention from researchers. Baden-Fuller and Mangematin (2015) emphasize the process dimensions of developing business models, using the words “strategizing”, “modelling” and “enacting” to highlight the practical and conceptual work required. Demil and
Lecocq (2010) argue that evolving business models requires fine-tuning, or overhauling, core components of a business model. There is growing interest in visualisations of business models and how managers use them. For example a systematic study of visualisations of business models identified 45 such items in academic publications and 50 in non-academic publications (Täuscher and Abdelkafi 2017). This study distinguished between visualisations based on elements (visualising components of business models); a transactional view (visualising flows of resources between actors); and a causal view (visualising causal connections between actors and activities).

**Surfacing tensions and options.** Some management research examines the extent to which business models enable exploration of new strategic options. For example Markides (2013) proposes that tensions faced by firms in managing conflicting business models simultaneously is a challenge of handling ambidexterity, enabling them to balance exploration with exploitation (March 1991). A framework developed by Michelini and Fiorentino (2011) compares the differences between the business models of firms that serve markets at the “bottom of the pyramid” and social enterprises that serve markets at the “bottom of the pyramid” and social enterprises that serve markets at the “bottom of the pyramid” and social enterprises that serve markets at the “bottom of the pyramid.”

Causal view (visualising components of business models); a transactional view (visualising flows of resources between actors); and a causal view (visualising causal connections between actors and activities).

**Surfacing tensions and options.** Some management research examines the extent to which business models enable exploration of new strategic options. For example Markides (2013) proposes that tensions faced by firms in managing conflicting business models simultaneously is a challenge of handling ambidexterity, enabling them to balance exploration with exploitation (March 1991). A framework developed by Michelini and Fiorentino (2011) compares the differences between the business models of firms that serve markets at the “bottom of the pyramid” and social enterprises that serve markets at the “bottom of the pyramid” and social enterprises that serve markets at the “bottom of the pyramid.”

**Surfacing tensions and options.** Some management research examines the extent to which business models enable exploration of new strategic options. For example Markides (2013) proposes that tensions faced by firms in managing conflicting business models simultaneously is a challenge of handling ambidexterity, enabling them to balance exploration with exploitation (March 1991). A framework developed by Michelini and Fiorentino (2011) compares the differences between the business models of firms that serve markets at the “bottom of the pyramid” and social enterprises that serve markets at the “bottom of the pyramid.”

**Surfacing tensions and options.** Some management research examines the extent to which business models enable exploration of new strategic options. For example Markides (2013) proposes that tensions faced by firms in managing conflicting business models simultaneously is a challenge of handling ambidexterity, enabling them to balance exploration with exploitation (March 1991). A framework developed by Michelini and Fiorentino (2011) compares the differences between the business models of firms that serve markets at the “bottom of the pyramid” and social enterprises that serve markets at the “bottom of the pyramid.”

This discussion has established the core research themes in the field of managing and organising. The next section explores ongoing debates in this arena.

### 3.3 Debates in research on business models

**Relationship to strategy development.** Despite the recent growth in studies of business models, some researchers question what, if anything, the business model construct adds to existing knowledge in the well-established field of strategy (Markides 2015). As Casadesus-Masanell and Ricart (2009) put it, “business model refers to the logic of the firm, the way it operates and how it creates value for its stakeholders. Strategy refers to the choice of business model through which the firm will complete in the marketplace” (italics in original: 2). For example, an organisational strategy might be to enter a new territory to sell goods. There might be several business models enabling them to do this, which management will have to explore, assess and make choices about. George and Bock (2011) also argue for recognising the differences between strategy and business models. For George and Bock, entrepreneurial business models are static whereas strategy is reflexive and dynamic and each operates differently in response to external changes: “Business models are opportunity-centric, while strategy is competitor or environment centric” (2011:102).

**Relationship to technology.** Some researchers argue that business models are important for the commercialisation of technology. Novel concepts or new technologies on their own don’t necessarily result in transforming a sector, in the sense of being taken up and changing the way things are routinely done by organisations or their users, customers, staff, or partners (Amit and Zott 2001). For new concepts or technologies to have impact, they must have an associated business model through which value is proposed, created, delivered and captured using novel technologies (Chesbrough 2010). Other researchers emphasize that business model innovation can take place without new technologies, and that technological innovation does not necessarily imply a new business model (Baden-Fuller and Haefliger 2013).

**Relationship to innovation.** Research into business model innovation is at an early stage of development (Wirtz and Daiser 2017). More broadly, innovation management is a complex area, with many competing definitions and accounts (Garud et al 2013). It is useful however to note briefly common distinctions between incremental innovation, often involving continuous small changes, and radical, disruptive or discontinuous innovation, which leads to dramatic changes in how things are done in a firm, sector or industry, or which creates entirely new firms, industries or sectors (ibid). Some researchers see business model innovation as a kind of innovation that is different from other forms, such as innovation driven by products or processes (Baden-Fuller and Haefliger 2013; Massa and Tucci 2014). Business models have been seen as a way to commercialise technological innovations, requiring change in organisational processes (Chesbrough 2010). But business models are also seen as a unit of analysis which highlights the internal and external factors shaping innovation 18 19 (Schneider and Spieth 2013), many of which span the boundaries of a firm (Brooks et al 2018).
The extent of novelty in developing business models.

Innovation in business models themselves—understood as a novel arrangement in how value is created, delivered and captured within a system—is probably quite rare (Arntz and Zott 2010). For example in analysis of 80 case studies in the creative industries examining the impact of digital technologies, Li (2017: n. pag) concluded that “Business model innovations are rarely about creating new business models based on unprecedented ideas. This study found digital technologies allow firms to deploy a wider range of business models than previously available to them”. Instead of emphasising the “newness” or innovation in business models, instead business model innovation can be seen as an activity or process through which a business model is changed (Velu et al 2015). Writing about art museums, Coblenz and Sabatier (2014) argue that “cultural innovation”—making changes to symbolic propositions—is a driver for business model innovation. Business model innovation can therefore be seen as a process through which an organisation explores alternative value logics in relation to its wider networks, which may be new to it, but not unprecedented.

Developing business models oriented towards other-than-economic outcomes.

There is growing interest in defining other-than-economic outcomes of business models, challenging earlier definitions such as the idea that a business model is “how a firm organizes itself to create and distribute value in a profitable manner” (Baden-Fuller and Morgan 2010: 157). One developing domain concerns environmentally sustainable business models, which like business model research in general is fragmented (Bocken et al 2014). This strand draws on conceptual resources such as systems and ecological thinking and political commitments that are often distinct to those found in mainstream (read “commercial”) business and management. For example Bocken et al (2019) point to the importance of thinking critically about how to construct boundaries and acknowledging uncertainty about outcomes in their discussion on how organisations can experiment with developing sustainable business models. They argue that “the expected, unexpected and direct and indirect positive and negative impacts resulting from a business model vary depending on how boundaries are traced around the system of analysis” (Bocken et al 2019: 1499). Or put another way, assessing the impact of a new model depends on who and what you decide is important. A study by Brehmer et al (2019) of environmentally and socially sustainable organisations found that their underlying business model structures relied on generic business model patterns, which is to say they did not exhibit entirely new “models”. However their environmentally and socially sustainable missions were evident in their governance arrangements, such as giving control to people outside the organisation and choosing partners and suppliers with similar values (Brehmer et al 2018: 4523-4524).

To conclude, this overview has mapped out some of the insights, concepts and debates about business models and business modelling. Together, these ongoing discussions indicate that far from being fixed, or even necessarily to do with (commercial) “business”, research on business models opens up broad questions about organisational decision making and action. Having reviewed the literatures in management fields, I now turn to publications which specifically treat the topic of business models in the creative and cultural industries.

3.4 Academic research on business models in creative and cultural organisations

An early definition of business models in cultural organisations appeared in Falk and Sheppard (2006:1821)’s discussion of how the information economy is changing the purpose and potential of institutions such as museums, which draws on a definition in a business encyclopedia. Given that this definition is from a book and not widely cited, it’s worth repeating it in full:

“A business model is a mechanism by which a business intends to manage its costs and generate its outcomes – in the case of for-profits, the outcomes are primarily revenues earned, and in the case of non-profits, the outcome is primarily the public good created. In either case, though, a business model is a summary of how an organization plans to serve the needs of its customers... a business model is the totality of how a business:

1. Selects its customers
2. Defines and differentiates its product offerings
3. Creates [benefits] for its customers
4. Attracts and keeps customers
5. Goes to the market (promotion strategy and distribution strategy)
6. Defines the tasks [and services] to be performed
7. Configures and optimizes resources
8. Captures profit [or enhances public good].” (Falk and Sheppard 2006:1821)

What is useful here is to note the use of terms such as “customers” and “market” but also the distinction made between revenues and public good, although this is not further elaborated. Since this was published, there have been relatively few discussions of business models within cultural and arts organisations, with some studies of the creative industries. In their discussion of a theatre, Poisson-de Haro and Montpetit...
(2012) drew on more recent management research and defined the theatre's business model as the intersection of customer value proposition (pricing, type of offering and access options) that is closely related to: its artistic mission; a profit formula (cost structure and revenue model); key processes (such as creative process, production, human resources, marketing and information technology); and key resources (such as brand, people, technology and partnerships).

There has been some research to explore different types of business model. A review of business models in the creative industries reviewed roles and collaboration between different actors within a cultural domain (Kossel et al 2010). It identified two major types of business model: creators and brokers. A detailed study of a fine arts museum Coblence and Sabatier (2014) traced an evolution of its business model over 30 years. They found it began as a “craft” model driven by demand, in which value creation was dominant. It then developed into an “industrial” model in which resources and processes aimed both at value creation and value capture, and growth is driven by the competences of the museum. Other discussions emphasise the potential for digitalisation to change existing ways of doing things in production, distribution and payment (e.g. Searle and White 2013). A detailed study of business models in the creative industries by Searle (2017) found that despite the drivers for innovation such as technological developments and intellectual property rights, the underlying business models in the organisations studied were mostly stable. A study by Li (2017) of business models in a total of 80 organisations in the creative industries included several performing arts organisations and found that digitalisation enabled changes in business models, and enabled firms to have a wider range of models but these were rarely unprecedented.

Studies of business modelling in arts organisations, especially those that are non-profit, are rare (Chang and Hernandez-Acosta n.d.; van Andel forthcoming). In a case study of business model change at a Canadian theatre, Poisson-de Haro and Montpetit (2012) argued that arts organizations such as theatres should re-assess their business models during times of turbulence. Walmsley (2012) noted the potential to create new frameworks to understand the experiences of arts audiences and the missions of arts organisations and how these can be combined to create value. Amsellem (2013) analysed the cost structures of different ways of arranging exhibitions, through co-production, co-organisation and export models.

To summarise, there have been few studies of business models in arts and cultural organisations, and there are as yet few substantive connections with broader management literature. While such discussions have offered insights into specific cases and have produced useful frameworks, they draw selectively on the research literatures which discuss business models and business modelling. There is therefore an opportunity to connect these.
This section combines academic insights about the business model construct with earlier discussions in reports from the arts and cultural sector. I combine these to identify shifts in perspectives on business models and business modelling summarised in Table 1 (see overleaf).

From financial value to multiple accounts of value.
In management literatures discussing business models, there is often an assumption about the need to achieve competitive advantage and make a financial return on investment within a capitalist logic of production and consumption. Research into sustainable business models and social enterprise has described the commitments that might drive business models as well as the non-financial outcomes that might result from them. Reports and research in the arts and cultural sector emphasise the public good created through the work of arts and cultural organisations (e.g., Falk and Sheppard 2006). This links to ongoing discussion within the arts and humanities which acknowledges pluralism and the diverse forms of individual and public value that can result from experience of the arts and culture (Crossick and Kaszynska 2016).

Balancing value creation and value capture.
Much of the academic management literature focuses on defining different value logics through which assets are combined to describe how to create, deliver and capture value and the value proposition to customers. In contrast, some researchers argue that the arts and cultural sector seems to operate with an emphasis on value creation, downplaying value capture (Van Andel forthcoming). The opportunity here is to recognise that value should be created and captured in order for organisations to remain viable but these require different, possibly conflicting ways of negotiating with publics and accountabilities.

From capturing value to realizing shared value.
Researchers have introduced the concept of "shared value" (Porter and Kramer 2011) as a way to describe and assess the outcomes of business models. Others suggest this is particularly relevant to organisations with a strong social mission (e.g., Michelini and Fiorentino 2011). This is useful when thinking about business models of the arts organisations, which often have strong social, cultural and artistic missions and whose governance structures and operations involve close working with audiences, artists and communities. An opportunity here is to shift to thinking about the shared value that is co-created and realised as a public good, rather than "captured" through such interactions to achieve competitive advantage.

From competition in a market to collaboration in a system of actors.
Research in management recognises that a business model involves configuring an array of actors within an "activity system" (Zott and Amit 2010). However there is often assumptions about competition within a market. Systemic analysis of the cultural and creative sectors (European Commission 2016) recognises diverse actors, assets and roles though which value is co-created and disseminated.
There is an opportunity here to recognize the fluid, dynamic systems of actors such as artists and arts organisations shaping cultural practices and the potential for value co-creation across cultural organisations and sectors, which may not be competitive but collaborative.

From changing business models to exploring change through business models.

Studies in academic management highlight how the business model construct is a tool for thinking (Baden-Fuller and Morgan 2010). It can open up discussion about missions, priorities and change by focussing on external opportunities (Velu et al 2015). This links with research into what makes some cultural organisations successful where their capacity to make the most of diverse, often non-financial, assets is emphasized (Bolton et al 2010). There is an opportunity here to recognize the potential for change by exploring business models through reconfiguring these assets, resulting in models which may be new to the organisation but not unprecedented.

Together, this produces a novel framing for business models and business modelling in arts and cultural organisations on which future research can build, shown in Table 1.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Perspectives on business models and business modelling in arts and cultural organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value logics</strong></td>
<td>Emphasising the combination of assets and activities in the co-creation and the realisation of shared value for and with diverse actors including individuals, groups and society as a whole.</td>
</tr>
<tr>
<td><strong>Value outcomes</strong></td>
<td>Recognising diverse kinds of value including artistic, social, cultural, economic and environmental outcomes rather than a narrow focus on financial monetisation.</td>
</tr>
<tr>
<td><strong>Systems of actors</strong></td>
<td>Identifying systems in which diverse actors such as artists, audiences, arts organisations, partners, funders, mediators as well as institutional and policy agendas, technologies and artistic and cultural practices have access to assets to achieve missions.</td>
</tr>
<tr>
<td><strong>Perspective on innovation</strong></td>
<td>Acknowledging that business model innovation may be incremental and continuous, not necessarily disruptive or discontinuous, and that does not necessarily involve technology or result in unprecedented ‘new’ models.</td>
</tr>
<tr>
<td><strong>Doing business modelling</strong></td>
<td>Recognising that reviewing current or potential business models can surface and enable exploration of tensions between actors within an organisation and its system and their different missions, priorities and interpretations of value.</td>
</tr>
</tbody>
</table>

Table 1. Opportunities for understanding business models and business modelling in arts and cultural organisations
5. CONCLUSION

5.1 Limitations

There are several limitations to the discussion presented here. First, this research draws mostly on research on published in mainstream management journals. Conceptualisations and languages from management literatures inherit and rarely challenge the core discourses of capitalist modes of production and consumption, forms of subjectivity and assumptions about value, and this has not been critically explored here. Second, many of the sources cited in this paper are conceptual, rather than drawing on empirical studies of organisations. Those that are based on empirical research are typically about commercial businesses, often very large firms operating internationally, or those operating within a region or single country. As a result, such discussions of business models are abstracted from how organisations develop or change their business models or how managers use the business model construct, and the institutional factors shaping these. Finally, only literatures published in English have been used, neglecting research published in other languages relevant to these topics, which is limiting when recognizing the diverse genealogies and specificities of arts and cultural sectors across Europe and beyond.

5.2 Discussion

This paper has highlighted the potential for using research in different strands of academic studies of managing and organising to open up new understandings of the business models of arts and cultural organisations. It has emphasised the wide variety of perspectives and the lack of agreement in business model research. Although originating in management and business, these studies – and indeed the term “business model” itself are about more than business. Rather, these perspectives open up discussions of holism, relationships and value and valuing. Rather than being a concept that is alien to arts organisations, these perspectives suggest that the business model concept and current research can help researchers, policy makers and funders and indeed managers in arts organisations analyse the kinds of value they help realise and can access.

6. ACKNOWLEDGEMENTS

Discussions with partners within the Creative Lenses consortium have informed this paper. In particular, I thank the following for useful discussions which shaped this research: Dr Bethany Rex, Dr Patrycja Kaszynska, Dr Sarah Rhodes, Professor Ian King and PhD student Yoshi Amano at University of the Arts London.

ABOUT THE AUTHOR

Dr Lucy Kimbell is professor of contemporary design practices and director of the Innovation Insights Hub at University of the Arts London. She is also associate fellow at Said Business School, University of Oxford. Her expertise is in design thinking and the use of design to address social and policy issues. She led UAL’s contributions to Creative Lenses which included research, knowledge exchange, evaluation and training. Current funded projects include developing ‘smart regulation’ to address the challenge of anti-microbial resistance in India and exploring the potential for AI in professional services firms.
7. REFERENCES


STRONGER ARTS AND CULTURAL ORGANISATIONS FOR A GREATER SOCIAL IMPACT

creativelenses.eu