

FROM MONEY TO VALUE

"10 Ways Cultural Organisations are Innovating Nowadays"

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A ROADMAP TO RESILIENCE

At Trans Europe Halles¹ we are committed to strengthening the sustainable development of non-governmental cultural centres across Europe. In the last few years, we have invested intensively in making a simple message clear: business models are not about money, business models are about creating value. Through projects such as Creative Business Models (2014-2015) and Creative Lenses (2015-2019), we have supported cultural centres to become more resilient so they can have a more significant impact on society.

MY PERSONAL JOURNEY

Personally, I have been fortunate to take part in this exciting journey together with my colleagues at Trans Europe Halles and many other partner organisations and consultants. It hasn't been easy, I must say. But, in retrospect, the gains have exceeded the pains. Throughout the last years, I have been part of heated conversations and debates. I have researched, lectured, written, consulted and trained cultural managers. I have facilitated innovation processes. I have had the opportunity to experiment with real organisations. And I have learnt a lot.

THE VALUE OF ARTS FOR INDIVIDUALS

Every day, professionals in the arts and culture sectors are questioned about the value of what they do. They are questioned by policymakers, by their funders, by the audiences which don't show up... and sometimes, they are even questioned by themselves. There is a straightforward explanation for this. The arts act, primarily, at a micro-level. They impact the individual experience at a level which is almost invisible. The arts, whether it is music, theatre, literature or any of the dazzling array of art forms have a direct impact on those who are exposed to them.

The arts change the way we think, the way we understand the world and ourselves. They contribute to making us more sensitive to other people's feelings and viewpoints, making us more empathic. They push us to engage in social gatherings and activities. They stimulate our senses and our creativity and help us become more self-reflective. The arts open up possibilities to see the world differently. They defy the status quo and encourage us to change the world. They help us live healthier and more meaningful lives.

¹ Trans Europe Halles is a European network of independent cultural centres

THE VALUE OF ARTS FOR COMMUNITIES

Beyond the individual impact of the arts, we find that they also have an effect on the economy. Their effect can be direct—employment, revenues and expenditures, public investment and spending, intellectual property and royalties, private donations, cultural tourism, etc.—or indirect through externalities. Socially and politically-engaged arts can influence and transform communities. And through communities, arts and culture have a considerable impact on the development of cities and regions.

We know that arts and culture create value. But we must understand that value is not inherent. Value is determined by the importance that individuals place on products, services, experiences, relationships, etc. Value is subjective. And we are forced to understand what all our stakeholders value to provide something that is relevant and wanted by them.

FROM BUSINESS MODELS TO VALUE CREATION MODELS

When talking about business model innovation, it is widespread to refer to the business model canvas. This simple tool was developed by Alexander Osterwalder and dozens of his collaborators around the globe. This canvas allows organisations to depict their business models following a structure of nine components. When I started facilitating strategy workshops for arts and cultural organisations, I realised that many of the participants were not familiar with the business terms utilised by the business model canvas. So I started adapting the canvas to meet the needs and language of cultural organisations. After several interactions and tests, I ended up creating what I call the Value Creation Model Canvas. A canvas that focuses on visualising how and for whom cultural organisations create value, as a first step to transform their business model.

VISUALISING VALUE TO STIMULATE CONVERSATIONS

The Value Creation Model Canvas starts with the purpose of the organisation, the reason why it exists. After this, it requires the user to answer how the organisation is measuring how successful its actions are. Since most cultural organisations don't only measure success in economic terms, it is essential to understand what they measure instead: social engagement, inspiration, participation, impact in their community, happiness, etc.

The central components of the canvas relate to the products, services and experiences that the organisation delivers and what is unusual, different or unique about them. As there is no offering without a target audience, the next components of the canvas refer to the various stakeholders of the organisation. These range from paying users to non-paying users, passing by funders and partners. And finally, the canvas requires the user to address how the products, services or experiences produced are creating value for the organisation's stakeholders.

The last two components of the canvas refer to the financial model. The approach here was to make it easy for the user to separate different types of income: earned income and contributed income. Additionally, the canvas includes a block for non-monetary contributions such as voluntary work, bartering, etc. which are quite common in the sector.

I have used this tool in participatory workshops for introducing arts and cultural managers to business model change processes. It helps participants to start thinking about their business model regarding value creation for their stakeholders, visualise their models and share them with the rest of participants in a structured way.

SOME CHALLENGES FOR THE CULTURAL SECTOR

Here are some of the issues that many artists and cultural organisations are struggling with:

- Generating sufficient income from ticket sales only.
- Producing high-quality artistic products and services in a short time.
- Fundraising for their overhead costs, programs and activities, as a result of less public funding available and an increasingly competitive environment.
- Achieving long-term sustainability beyond public funding.
- Identifying new opportunities for financing their activities beyond the public funding schemes of the sector.
- Investing in assets contributing to their long-term sustainability, such as equipment, buildings, training, etc.
- Developing the knowledge and skills for innovating their business models.

Even more importantly, many arts and cultural organisations are not adequately researching and understanding their audiences. They don't know well enough who specifically they are producing or could produce value for.

But we know for sure, thanks to a survey conducted in the frame of Creative Lenses, that arts and cultural organisations are trying hard to tackle these issues and transform their business models. Actually, an average of 79% of the organisations we surveyed admitted that they have pursued a business model change in the last five years. And the percentage is even higher—90%—in the south of Europe.

THINKING OUTSIDE THE BOX IS... BULLSHIT!

Think out of the box! You have heard it one thousand times. At work, in school, in academic lectures, at TED talks... But let me tell you one thing: that's the stupidest idea I have ever heard. And still, it's one of the most repeated clichés when we require creativity and innovation, especially in business.

If you have some experience with creative work, you probably know that inspiration, creativity and innovation don't come out of the blue. They are based on previous knowledge. They happen by interrelation and recombination of pre-existent ideas. Innovation occurs when you take things to the extreme. And therefore, it flourishes at the edges of the box, not outside of it. Outside of the box there is absolutely nothing! *Niente, rien, NADA!* That's why you feel so frustrated in front of a blank piece of paper or when your boss tells you to think differently, or when your funders ask you to innovate your business model to adapt to the new economic context.

TEN STRATEGIES TO CREATE MORE VALUE

So if you wish to make your business model more sustainable, you must start by rethinking how you are creating value for your stakeholders: staff, volunteers, funders, audiences, partners, neighbours, etc. Here below, I have compiled ten strategies that some arts and cultural organisations have implemented successfully to leverage the value they are creating.

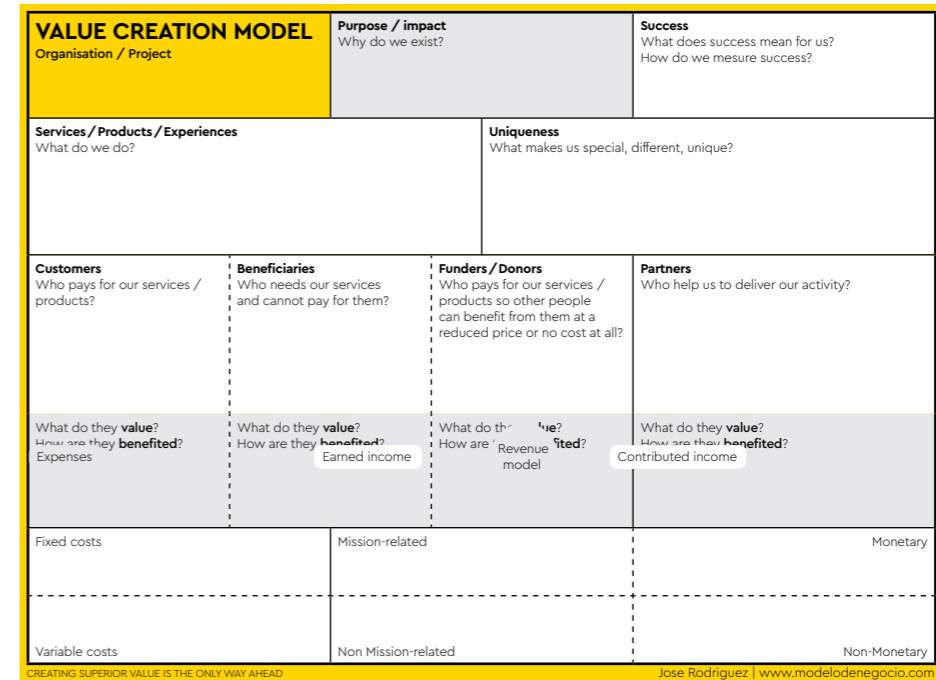
The way that these organisations are innovating their business models might work or not for you. But I am sure that at least five of the following ten ideas will inspire you to start doing things differently in your organisation.

1. **Flatten down your organisation chart.** An increasing number of cultural organisations are adopting non-hierarchical or decentralised decision-making models. Flatter organisations allow everyone to be heard and involved. This will increase their motivation and unleash the innovative potential of your team. The principles of self-management are second nature for many cultural centres across Europe: Die Bäckerei (Austria), Izolyatsia (Ukraine), Vooruit (Belgium), Institute for X (Denmark), Village Underground (United Kingdom), etc. Among others, Belgian author Frederic Laloux and his book *Reinventing Organizations* are inspiring organisations all over the world to adopt new management principles and practices.
2. **Develop a strong culture of innovation.** Organisational culture is crucial for the development of organisations. Culture is founded on a strong purpose, core values which are shared by team members, and a set of shared beliefs and principles. Culture defines how staff members interact and cooperate to achieve common goals. Make innovation part of your organisation's culture. Set processes and incentives encouraging innovative practices and creative solutions. If you don't invest in doing things differently, nothing new will ever come about.
3. **Invest in training your team.** People are the core of every organisation. And training is essential for both individuals and the organisation as a whole. Individual learning is important because it boosts employees' motivation, it increases their engagement and improves their performance. Moreover, training contributes to addressing the internal weaknesses of the organisation. The accumulation of individual learning leads to team learning, which enhances the resilience and problem-solving capacity of the organisation. For Italian cultural organisation PromoCultura, employing 74 professionals in 2015, one of the recipes that allowed them to adapt their business model was continuous staff training, together with listening to the needs of their audiences.
4. **Bring external knowledge and expertise in.** In critical or situations of change, external knowledge might be beneficial. Professional consultants and facilitators can help you design and implement the right processes when you lack specialised knowledge. They can also be used to train your staff in areas that you would like to develop in the future. Additionally, inviting other stakeholders and unaffiliated people to your brainstorming sessions might be a very effective way to help you consider new approaches and ways to address your organisation's challenges. In this sense, diversity is precious.
5. **Search for specialised talent beyond the arts sector.** Traditionally, many positions in arts and

cultural organisations were held by artists who, besides their artistic role, doubled as managers, accountants, marketers, fundraisers, etc. Nowadays, we are witnessing an increasing specialisation of these roles. This is freeing artists from those tasks so they can concentrate on what they are good at. Moreover, cultural organisations—such as Le plus petit cirque du monde (France)—are employing professionals from different sectors (social, innovation, marketing, etc.), who are refreshing and enriching the way the organisation is addressing its challenges.

6. **Don't be afraid of for-profit legal structures or advocating for new legal forms.** The non-profit association legal structure is not necessarily the first or sole option when establishing a cultural organisation. For instance, Trans Europe Halles member centres usually combine several legal structures to accommodate the diverse nature of their activities. Common alternative legal structures are limited companies, cooperatives, foundations, etc. Some of our members even advocate for new types of legal structures. Such is the case of the Community of L'Asilo (Italy), which, after several years of negotiation with the municipality of Naples, was finally recognised as a cultural commons. They wrote their own rules: The Declaration of Urban Civic and Collective Use. And this document gave birth to a new form of institution “Emerging Urban Commons ruled by Civic Use”. And... have you ever heard of Benefit Corporations? Just check them out!
7. **Communicate with your audiences to monetise the intangible.** Much of the work that we do in the cultural sector is intangible and therefore difficult to measure and monetise. Again, this was the case of the Aalborg Karneval (Denmark). In 2013, this outdoor festival taking place in the streets of Aalborg was attracting 40,000 visitors. But they were unable to generate enough income to sustain the event. Facing the end of the festival after 30 years of existence due to financial problems, the management team took some radical measures. They started communicating explicitly the value of the festival, as well as its social and economic impact in the city. They made it clear that participants had to support it economically to ensure its continuity. The aim, therefore, was to build loyalty among the audiences. The tickets that the festival was selling to access some small areas of the city a few days before the event were replaced by loyalty bracelets that could be purchased anytime over a six-month period. Additionally, the festival partnered up with some food brands and local supermarkets to receive a percentage from the sales of drinks during the days of the festival.
8. **Involve your audiences in research, learning and production.** The development of digital marketing has allowed organisations to gather information about their audiences that was not so easily accessible before. Beyond demographics, new technologies enable collecting psychographic and behavioural data from our audiences. Although this is not enough. Interacting directly with our audiences and communities is vital for the success of many cultural organisations. Le plus petit cirque du monde (France) has closed the gap between artistic work and community work. They don't produce art for the community but with the community. Aalborg Karneval went a bit beyond this, by setting a sort of innovation playground where, every year, they test prototypes of future services with a selected group of participants, whose feedback is carefully listened to, to improve the festival.

9. **Partner up with businesses and your own audience.** Who said that arts and cultural organisations can only be financed by the public administration? Businesses and our own audiences can become investors and recurrent financial supporters of our projects. In Ukraine, where the public administration is not very supportive of civil society organisations, the cultural organisation Teple Misto is financed by more than 50 local businesses. These contribute a monthly fee representing around 25% of the total yearly turnover of the organisation. Additionally, in 2014, Teple Misto started the creative space Urban Space 100 thanks to the engagement of 100 local individuals willing to support city development initiatives. Each one of them contributed USD 1,000 to renovate the premises and start up the space.
10. **Cooperate across sectors.** The lines between industries are becoming increasingly blurry. Cultural organisations are expanding their program portfolios to include other types of activities, such as social activities and supporting entrepreneurship in the artistic and creative sectors, etc. For instance, Le plus petit cirque du monde works with partners across many industries and areas such as schools, universities, prisons, corporate companies, etc. This has allowed them to broaden their reach and have a more significant impact in their community. Similarly, cultural centre AMBASADA in Romania has a portfolio of services targeting corporations. The income generated through these services contributes to providing activities and services for free to the cultural, creative and social operators in their city.²



² Read more about many of the organisations mentioned here in Section 1 of this book.