Fostering excellence in business model management in arts and cultural organisations: insights from focus group research across Europe

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Summary
Purpose – In today’s business landscape, arts and cultural organisations are challenged to search for excellence of their business model management to create and deliver value in a more sustainable way. This study develops exploratory focus groups aimed to capture insights into the practical challenges, wants and needs that arts and cultural organisations across Europe address and face in managing and developing their business models.

Design/methodology/approach – The focus groups method has been applied. The methodology included seven focus groups involving arts and cultural organisations operating in different European countries.

Findings – The overall feeling emerging from focus groups is that there is an increasing pressure to prove the value of culture, e.g. economic, social and civic, progressively more in quantitative figures. Arts and cultural organisations are greatly concerned about their financial health, and their ability to continue creating and presenting great arts and cultural events. At the same time, there is an acceptance that gaining financial resilience and sustainability can no longer be put off. Organisations are conscious that it is crucial to rethink their way of operating and to improve their value creation mechanisms to get sustainability. Nevertheless, the challenges to face and issues of change to get a more effective business model management are numerous and various.

Originality/value – The study sheds more light on “business dimensions” perceived by arts and cultural organisations across Europe, as particularly crucial for their survival and requiring proper management attention. In doing this, it offers fresh and valuable knowledge about aspects, factors and dimensions to take into account in the managing business model.

Keywords Management, Focus groups, Business model, Arts and cultural organisations

Paper type Research paper

1. Introduction

Nowadays, arts and cultural organisations[1] around Europe struggle to find new ways to survive and grow in times of changing and declining financial supports for culture (KEA, 2006; TEH - Trans Europe Halles, 2015). The ongoing economic crisis has dramatically changed the scenario in which these organisations work and live. Governments’ austerity has resulted in limited funds for arts and culture (Harvey, 2016; KEA, 2006). Unprecedented demographic transitions and changes (an ageing population, migration, etc.) and the rapidly evolving digital shift which influences people’s behaviour, desires and cultural consumption habits are increasingly being faced by arts and cultural organisations.

In this scenario, the academic and management debate has largely argued about the importance to enhance the arts and cultural organisations’ management and innovation
capacity, so that they can be economically more sustainable, less dependent on public funding as well as capable of generating more significant and accountable impact for society at large (Arts Council England, 2011; Nesta, 2014).

In particular, the elaboration and adoption of more effective business models (Muñoz-Seca, 2011; Muñoz-Seca and Riverola, 2010; TEH - Trans Europe Halles, 2015) are becoming for these organisations issues of survival in such changing world.

Generally, arts and cultural organisations are convinced that business rules or concepts such as business model should not be applied to their work. However, as underlined by several scholars (Kaplan, 2011; Osterwalder and Pigneur, 2010; Yunus et al., 2010) all organisations have a business model, including non-profit organisations. Certainly, arts and cultural organisations are focused on delivering social impact and require business model management tailored to their peculiarities as organisations primarily focussed on cultural and social mission.

To date the approaches, models and tools for defining, implementing and managing specific and tailor-made business models in arts and cultural sector are still in an early stage (Hume et al., 2006; Muñoz-Seca, 2011; Muñoz-Seca and Riverola, 2008, 2010; Zomerdijk and Voss, 2010).

Their effective design and implementation require a deeper knowledge on field of “business dimensions” that currently arts and cultural organisations perceive as particularly crucial for their survival and requiring proper management attention.

Especially, it is essential to deepen the knowledge of their needs, wants and challenges perceived by these organisations in finding new or more effective ways to survive, to thrive and to revise their business model against the challenges of the socio-economic scenario.

In such a view, this study develops an exploratory research aimed to capture fresh insights into the practical challenges, wants and needs that arts and cultural organisations feel and face in their daily life and in managing their business models. The research interested a panel of arts and cultural organisations operating in different European countries.

The overall feeling emerging from the focus groups is that the value of culture is not well understood by politics and parts of population, and there is an increasing pressure to prove the value of culture, e.g. economic, social and civic, progressively more in quantitative figures. Moreover, arts and cultural organisations are greatly concerned about their financial health, and their ability to continue creating and presenting great arts and cultural events. At the same time, these organisations are conscious that it is crucial to rethink their way of operating and to improve their value creation mechanisms to get sustainability.

The paper is organised as follows: The second section briefly discusses the strategic relevance of the business model management for arts and cultural organisations. The third section describes research design and method. The fourth section illustrates the key findings of the focus groups. Finally, in the last section, conclusions and limitations of the study are described.

2. Managing business model in arts and cultural organisations

Currently the emergent challenge for many arts and cultural organisations around Europe is: how to survive, get financial sustainability and develop effective business models without compromising artistic integrity, mission and values. (TEH - Trans Europe Halles, 2015; Thorsby, 2008). Political, social and economic changes have generated new challenges and new demands on these organisations. Generational and demographic transformations, changes in public participation and funding, evolution in technological access to the arts, new ways of resource development and exploitation, etc., represent critical challenges to
be faced as well as important stimuli for reinforcing the adaptive capacities of these organisations.

In this scenario, there is a wide academic and management debate about the importance to improve arts and cultural organisations’ capacity to better manage their business models (Anheier, 2009; Arts Council England, 2011; Harvey, 2016). Great attention is paid on the identification of how to renew existing organisation’s working mechanisms, and how to manage and change the business model to make value creation capacity more sustainable and impactful (Harvey, 2016; Schiuma and Lerro, 2017). This attention has to carefully take into account the fact that arts and cultural organisations have some peculiarities that make the analysis of business model management very idiosyncratic.

The management of business models is a matter of great interest to most industrial sectors and organisations. In fact, facing the current volatile ecosystems requires an active management of business model (Bouwman et al., 2008). Managing business model underpins the fact that the business model concept can be considered either as a static blueprint or as transformational (Terrenghi et al., 2017). The transformational view reflects a management perspective and regards the business model as a tool to support the analysis, planning and transformation of organisations as well as the change of the business model itself (Morris et al., 2006; Jung, 2006). Business model management, indeed, “comprises all target-oriented activities within the scope of design, implementation, modification and adaptation as well as the control of a business model in order to realize the overriding goal of generating and securing competitive advantage” (Wirtz, 2011, p. 72).

Referring to arts and cultural organisations, generally they are reluctant to consider themselves as business organisations or as organisations doing some form of business. They see themselves as organisations primarily focused on the social matters. Therefore, generally arts and cultural organisations are convinced that business rules or concepts such as business model should not be applied to their work. However, all organisations have a business model. In this regard Kaplan (2011) argues.

if an organisation has a viable way to create, deliver, and capture value, it has a business model. It does not matter whether an organization is in the public or private sector. It does not matter if it is a non-profit or a for-profit enterprise. All organisations have a business model. Non-profit corporations may not be providing a financial return to investors or owners, but they still capture value to finance activities with contributions, grants, and service revenue. Social enterprises may be mission-driven, focused on delivering social impact versus a financial return on investment, but they still need a sustainable model to scale. (…). The idea that business models are just for business is just wrong. Any organisation that wants to be relevant, to deliver value at scale, and to sustain itself must clearly articulate and evolve its business model (…). It may be, however, that the model is implicit rather than explicit (p. 2).

With reference to arts and cultural organisations, Ingrid Burkett in her publication “Using the Business Model Canvas for Social Enterprise Design” states that: “balancing a social or cultural mission does not mean that a viable business model cannot be developed” (p. 6) – “It is just that we need to recognize that (cultural) organisations have business models that can be a little different from an ordinary business (…) and to build into the traditional modelling a clear picture of the social objectives (or the mission) of the organisation, in addition to all the dimensions of the actual business” (p. 7).

Generally, non-profit organisations in the arts and culture sectors are not driven by a profit-making mission, have problems generating a surplus from their activities and greatly depend on public funding. However, similar to any profit organisation, they need resources to continue their activity, they have to efficiently organise themselves against the changes of socio-economic context, and they should aim to generate surplus to properly deliver their mission and be able to deliver value (Gainer and
In other terms, they have to properly define and manage their business model, i.e. the rationale of how they create, deliver and capture value (Osterwalder and Pigneur, 2010).

Therefore, the adoption and management of business model cannot be optional for these organisations. On the other hand, arts and cultural organisations require business model management tailored to their peculiarities as organisations primarily focused on cultural and social mission.

To date the approaches, models and tools for defining, implementing and managing specific and tailor-made business models in arts and cultural sector are still in an early stage (Hume et al., 2006; Muñoz-Seca, 2011; Muñoz-Seca and Riverola, 2008, 2010; Zomerdijk and Voss, 2010). Their effective formulation and implementation requires a deeper knowledge on field of “business dimensions” that currently arts and cultural organisations perceive as particularly crucial for their survival and requiring proper management attention.

In such a view the study, through an exploratory research based on focus group method, is aimed to provide fresh insights into the following dimensions:

- perception of the competitive scenario from arts and cultural organisations;
- key wants, needs and challenges of these organisations in the new business landscape, with a specific focus on business model management;
- the value of arts and cultural organisations to society;
- organisational development and change of these organisations; and
- key issues of costs and incomes management.

These dimensions driving the focus groups implementation and analysis were identified considering that the management of a business model is closely related to a deep understanding of competitive scenario. As stated by Osterwalder (2004), “a company’s business model is continuously subject to external pressures that oblige a company to constantly adapt their business model to a changing environment” (p. 18). Moreover, business model builds around the value an organisation offers to its stakeholders and communities (Osterwalder and Pigneur, 2010). Therefore, managing business model requires a clear identification of organisation’s value proposition. On the other hand, organisation’s value proposition cannot remain static, especially in the current turbulent socio-economic scenario (Cram, 2006). It must flex and change taking into account the stakeholders’ wants, needs and challenges regarding an effective value creation and delivery. In fact, value is future oriented, subjective and reference-based (Hinterhuber, 2008). Therefore, a value proposition has to be revisited regularly. This forces organisations to react and to go through a renewal process and development, thus creating new possibilities and new/modified components of business model, including costs/incomes components. These later were taken into special consideration in the focus groups discussion, in the light of the drastic reduction of public funding to arts and cultural organisations (Cunningham, 2002; TEH - Trans Europe Halles, 2015; IDEA Consult, 2013; Thorsby, 2008).

3. Research design and method

The choice of implementing focus group method is mainly explained by the exploratory nature of the research. Focus groups were implemented with the main aim of achieving, through a deep research on field, a better understanding of the emerging issues in business model management of arts and cultural organisations. Basically, the focus groups allowed gaining a deeper understanding about the challenges, needs and wants of these
organisations in relation to business model management. They also provided interesting insights on how these organisations perceive the current socio-economic scenario and their propensity to change.

3.1 Focus group method

A focus group is a “qualitative data collection method in which one or two researchers and several participants meet as a group to discuss a given research topic” (Mack et al., 2005, p. 51). In social sciences, focus groups are mainly used as a qualitative method to explore people’s experiences, opinions, wishes and concerns (Kitzinger, 1994, 2005).

Krueger and Casey (2000) define a focus group as “a carefully planned series of discussions designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment” (p. 5). Compared to interview techniques, focus groups represent a research method which allows a researcher to take a less dominating role. This to some extent has motivated the wide diffusion of this method in social science. Certainly focus groups present some disadvantages (Drayton et al., 1989; Krueger, 1988). For example, the groups tend to suffer from “volunteer bias”. Moreover, the extra freedom given to the participants can mean that the researcher can have less control of the discussion. Another disadvantage is the reciprocal influence of participants; for example, the group could be dominated by more talkative members. Additionally, the method is criticised for not using a representative sample. This makes the generalisation of the results to the population difficult. The qualitative style of the method can make it difficult to analyse the data collected and validate any conclusions (Drayton et al., 1989; Krueger, 1988).

However, focus groups have several advantages, also compared to standard interviewing (Drayton et al., 1989; Krueger, 1988): “The method is particularly useful for exploring people’s knowledge and experiences and can be used to examine not only what people think but how they think and why they think that way. In this sense focus groups reach the parts that other methods cannot reach” (Kitzinger, 1995; p. 299).

During a focus group discussion, participants can provide mutual support in expressing feelings that are common to their group but which they consider to diverge from conventional culture (Kitzinger, 1995). Moreover, the perceived freedom can allow participants to talk in the language used in day-to-day interactions. This is useful to a researcher because people’s knowledge and attitudes are not entirely encapsulated in reasoned responses to direct questions (Kitzinger, 1995). More generally, focus groups give a researcher the opportunity to understand participants’ viewpoint and problems, and allows unanticipated issues to be explored (Kitzinger, 1995).

3.2 Description of the focus groups

Seven focus groups, with an average of 16 participants for each focus group, were developed around Europe to gather, combine and generate perspectives about the challenges, wants and needs of arts and cultural organisations in relation to business model management. Focus groups were held in Finland, UK, Greece, Italy, Sweden, The Netherlands and Slovakia. The average duration of focus group was four hours.

Organisations from cultural centres and performing arts and from other art-forms such as visual arts, media arts, literature and film/video were invited to attend the focus groups.

Most of the participants in the focus groups were cultural centres. Regarding the rest of arts and cultural players, music and then dance and theatre were the sectors more represented. Moreover, most of the participants were micro organisations. They showed a quite good level of awareness about the importance of business modelling in their sector. The usefulness of attending the focus group as well as the organisation of focus group was evaluated through a dedicated feedback tool. The participants considered it to be
advantageous to attend the focus group both for sharing knowledge, ideas and viewpoints around a more effective business model management in arts and cultural sector, and for reinforcing their networks. No disadvantages emerged.

A focus group guide that included piloting questions and methodological suggestions for facilitating the team’s working was developed. Each focus group was guided by a facilitator who was briefed by a researcher. The facilitator with experience and knowledge of the cultural organisations was able to “translate” technical questions in languages and modalities fitted with the mind-sets of the participants and to drive conversations and reporting the main insights from group activities. A note-taker was guaranteed in each focus group. After the focus group, the note-taker arranged the notes and sent them to the research team. Therefore, the notes and data from the focus groups were collected and analysed by the research team, through a semantical content analysis (Janis, 1965). Focus group note-takers were responsible for taking detailed notes on what they observed and on what participants said during the focus group. The discussion was guided using the focus group guide in order to generate common discussion topics and later facilitate comparisons across different focus groups and countries. The guide was adapted – if necessary – to each country’s language, and it also allowed for a degree of flexibility in following the development of each discussion. The paper provides a distillation of the main results of the consolidated data from the focus groups.

4. Key findings of the focus groups

The focus groups were carried out around five main areas of investigation, i.e:

- perception of the competitive scenario;
- key wants, needs and challenges about business model management;
- the value of arts and cultural organisations to society;
- organisational development and change; and
- costs and incomes issues.

In the following the main findings of the focus groups are described.

4.1 Perception of the competitive scenario

The analysis of competitive scenario was carried out, according to a political, economic, socio-cultural and technological frame, around the following question:

\[ Q1 \text{. What are the most important political, economic, social and technological factors affecting your activities, in a positive and negative sense?} \]

The focus groups showed that, when considering external circumstances/factors which influence their activities, the majority of the participants comprehended the situation ambiguously and sometimes even contradictorily. Despite that, from discussions several commonalities emerged. They are briefly summarised in Figure 1.

4.2 Key wants, needs and challenges about business model management

All the participants have reflected on and shared opinions/ideas and beliefs about their wants, needs and challenges about their capacity to manage their business model and to continue creating value in a sustainable way. Sharing viewpoints and discussions found common ground around two main research questions:

- \( RQ1 \). How do you see yourselves in the short and medium/long term?
- \( RQ2 \). What are your key wants, needs and challenges about sustainable value creation?
Some findings have some local differences due to a variety of reasons including political, governmental, funding policies, socio-economic and cultural features. However, generally a common view of investigated topics from all the participants emerged. In particular, it was clear from all focus groups that arts and cultural organisations find themselves at a turning point where new ways of managing and funding arts and culture need to be explored. Reflecting on their current situation and having a look at their future vision, the participants identified their wants, needs and challenges in different time perspectives: short, medium and long term. A huge amount of thoughts, ideas and beliefs resulted. They concerned different aspects describing the manner by which they create value and organise their resources for value creation. These aspects, reflecting to a certain extent some key dimensions of a business model, include: audience/users development, partnerships and stakeholders’ relationships, funding and financial aspects, organisational resources and strategy.

In the following sections, the main insights on each dimension are presented.

4.2.1 Audience/users development. Arts and cultural organisations perceive audience/users development as the key activity to be accomplished to survive. It is conceived not just a quantitative increase in the audience or persons participating in cultural activities, but also the types of public who are approached and involved. For these organisations audience/users development undertakes to meet the needs of existing and potential audiences and to develop ongoing relationships with audiences. These relationships must be more and
more intense. As emerged in a focus group, “People want to go explore and discover for themselves and not be told what to do. At the same time, they’re getting more curious”. This calls for more and more chances for co-creation between artist/culture sector and audience.

The main points from the discussions about audience/users’ development can be summarised as follows:

- **Retaining audience and reinforcing relationships with users**: All the participants showed a common want to retain their audience. Retaining audience is conceived as critical to survive and is becoming particularly challenging for those organisations that seem to be forced to move their venues, mainly due to the increasing rents. This is especially the case of organisations operating in big cities, but there are similar situations in smaller contexts too.

- **Exploiting emerging social trend**: Radicalisation and “Islamophobia” are increasing. In the focus groups, it arose that these negative trends can represent an opportunity. The participants argued that arts and cultural organisations can support minorities against hostility by engaging the new communities in programming new activities.

- **Diversifying audience**: All the participants acknowledged the diversifying audiences as a matter of sustainability and an answer to current social phenomena (e.g. shifting demographics of the population immigrants and millenial) or contingent needs (change of location). They want diversification of the current audience mix, converting people who are inclined to attend, but do not into attendees, getting current audience members to attend more often, reaching new customers/users.

- **Engaging audience**: The focus group participants declared a common need to engage more and more audience and users to create loyalty among customers/users. Government austerity measures in reaction to financial and societal tensions have resulted in limited funds for arts and culture. Unprecedented demographic transitions and changes (an ageing population, low birth rates, changing family structures and migration) and the rapidly evolving digital shift which influences society’s behaviour, desires and cultural consumption habits, represent big challenges to be faced. For these organisations, building diverse and new audiences is crucial. However, they need also to deepen relationships with existing audiences – enhancing their experience of the cultural event and/or encouraging them to discover more complex arts forms, and fostering loyalty to organisation and return visits. They want to build virtuous mechanisms of co-creation between artist/cultural sector and the audience.

- **Gaining and educating new audience**: Several participants underlined that the current education system does not give people enough skills/knowledge they need to appreciate works of culture/arts, and arts and cultural organisations can play an active role to overcome this weakness. Working with the education system is perceived as a unique opportunity to cultivate new demand.

4.2.2 Partnerships and stakeholders’ relationships. Strengthening relationships with stakeholders and creating effective partnerships play a key role in arts and cultural organisations’ activities and strategic plans. Organisations have to be prepared to consider changing what they aim to achieve and how they operate, as a result of stakeholder engagement. At the same time, organisations are focussing on the creation of partnerships basically aimed to optimise operations and allocation of resources, to reduce risk and uncertainty, or to acquire specific resources, knowledge, licences or to explore new opportunities and potential markets.

The main points from the discussions about partnerships and stakeholders’ relationships can be summarised as follows:
- **Increasing partnerships**: The focus groups participants agreed that it is fundamental to increase the partnerships with commercial sector, and especially with the tourism sector. Additionally, from the focus groups, a common want regarding the increase of quality and quantity of cultural exchanges with other organisations at local/national and international level emerged.

- **Reinforcing the relationships with public institutions**: The participants showed the need for more support by public institutions as well as the want to reinforce their relationships with them and getting more recognition for their civic role.

- **Strengthening the relationships with the community**: The participants argued that they want to be increasingly connected to the community and to improve their image at social level, by reinforcing their connections, especially with healthcare, welfare and education. They perceive the building of trust and open dialogues with civil society as well as the constitution of cultural policy concept as being vital to survive.

- **Reinforcing partnerships in education**: The focus groups participants reported a common want to achieve stronger civic engagement with a specific focus on education and training. They want elaborating and developing more activities, products and services aimed to better link the world of the arts/culture and the world of the education and training.

- **Cooperation with other arts and cultural organisations**: A further feature was observed to be a common want, i.e. sharing services/resources with other arts and cultural organisations (especially in marketing area). This practice was viewed as an opportunity also with reference to costs reduction. Certain organisations are also exploring the option of space/venue sharing to reduce operational costs.

- **Internationalisation and international recognition**: The focus groups participants reported a common want, i.e. increasing their level of internationalisation in terms of collaborations/partnerships/image/brand.

- **Strengthening and improving image**: In the longer term, “being respected” and improving image of cultural players in the eyes of society represent a shared need among the participants.

4.2.3 **Funding and financial aspects.** Arts and cultural organisations across European countries are facing – even if to a greater or lesser extent – the reduction of their government funding. Organisations have trouble building financial reserves and often funders do not support the costs associated with grant management, which can lead to many challenges, e.g. not full cover of the costs of many projects. Organisations perceive achieving long-term financial sustainability as one of their top problems and are seeking effective solutions to overcome the obstacles they experience. The main points from the discussions about funding and financial aspects can be summarised as follows:

- **Public funding**: A common want among the participants was about new support schemes from government; encouraging and supporting the mobility among different cultural sectors.

- **Providing impacts for public/private funding**: All the participants underlined their want and need to diversify their financing sources. In this regard, they are aware that they have to provide impacts for funds. Proving the positive impact of arts and cultural activities on society is perceived important to create trust instead of suspicousness.

- **Diversification of incomes**: There was a wide consensus about the want to diversify income streams.

- **Independency from public funding**: In medium term, organisations want to diversify their incomes streams and to reach independency from public funding. Several of them stressed: “greater financial resilience or death”.

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Assessment of quality and effectiveness of activities: A prevalent want to provide evidences of the effectiveness of arts and cultural activities to external stakeholders emerged during the focus groups. However, the development of impact measures seems very challenging.

Preserving the quality of product/service: Despite the wide acknowledgement of the importance of capturing private funding and becoming more and more independent from public financial support, the participants showed the want to preserve the quality and the autonomy of development of their product/service. According to most of the participants, there is an increasing pressure to prove the value of arts and cultural initiatives in quantitative figures. This can endanger to some extent the core (intrinsic) values of culture. Arts and culture are described more and more in terms of economic and material value, so it is important to take care that the intrinsic artistic value and social value of arts are being recognised as well.

4.2.4 Organisational resources. The international financial crisis has made the efficient and effective deployment and allocation of organisational resources a big issue for arts and cultural organisations. On the other hand, the speed development of technology, especially digital technology, has created new challenges and opportunities in the arts and cultural sector. The main points from the discussions about organisational resources can be summarised as follows:

- Improving human resources management: Several participants declared the need to increase their own team in terms of quality and quantity as well as to have skilled employees in finance and account. Furthermore, several participants stated that there is a daily running with small multitasking team and high pressure. This underpins a number of challenges, such as solving personal sustainability, work overload and avoiding burnout syndrome.

- Considering artists as co-organisers/curators of initiatives: The participants showed the need to change the public perception of the “artist”, and at the same time to make stronger reputation of their organisations among artists. They also believe that it is really important to involve artists as co-organisers, co-curators in the arts and cultural initiative. Artists “should be part of the engine”.

- Programme planning: The focus groups participants reported a common want of improving their programme planning. In particular, in their opinion, the schedule should be able to advance up to one year. However, commonly it seems very hard to plan programmes.

- Facing problems of rent: Several participants reported a common need, i.e. new lease and affordable rent.

- Exploiting digitalisation: All the participants perceive digitalisation as necessary. However, many were sceptical about massive digitalization. They would like to better understand, “How to intersect digital ecosystem and social ecosystem (real world)”. More widely, they underlined that the efficient exploitation of technology is not obvious. From a marketing perspective, for example, – as outlined in a focus group – “the increasing amount of (online) tools and channels make it harder to decide the ingredients of a marketing mix. This creates a less strategic and more go with the flow way of working: trying out new applications and networks and stick with the ones that are gaining positive results”.

- Investing in training of staff and artists: A prevalent want to invest in training on digital leadership, finance, marketing, business planning, fund raising and sustainability of the projects emerged amongst participants. Moreover, a need to assure sustainability, security and training for their artists was conceived important.
4.2.5 **Strategy.** From the focus groups discussions some key common issues emerged such as:

- reinforcing the networking and cooperation between arts and commercial sectors;
- developing a clear and codified strategy;
- developing more and more projects that matter to the public (both at national and international level); and
- building more effective organisational structure, e.g. functional structure, to overcome the current and common factotum role of workers.

The aforementioned points and related insights have been developed and framed by the participants in the short, medium and long-term views, as shown in Table I.

### 4.3 The value of arts and cultural organisations to society

Arts and cultural activities play an important role in promoting social and economic goals through local regeneration, attracting tourists, the development of talent and innovation, improving health and wellbeing and delivering essential services (England, 2014). Moreover, there are intrinsic benefits of arts and culture experiences, such as aesthetic pleasure, which are seen as private and personal (England, 2014).

The participants to the focus groups were invited to reflect on these basic questions: “In the current business landscape what values are you creating? And for whom?” In terms of articulated values, it was interesting to find that in addition to creating and transmitting immanent cultural and artistic values the participants also mentioned more universal values such as support of social cohesion, linking communities, etc., that reach beyond standard cultural operations and prove high degree of civic engagement of those involved. Reflecting on the recipients of values, the participants recognised the importance to better and increasingly engage all their stakeholders.

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<td>Retaining audience and reinforcing relationships with users</td>
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<td></td>
<td>Exploiting emerging social trend, e.g. Islamophobia</td>
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<td>Strengthening the relationships with the community</td>
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<td>Partnerships and stakeholders’ relationships</td>
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<td>Funding and financial aspects</td>
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From discussions, it emerged that currently some categories of stakeholders are perceived as particularly critical. The participants highlighted some concerns about how to effectively approach them and build sustainable relationships (Table II).

### 4.4 Organisational development and change

Focus groups revealed that arts and cultural organisations are aware that they have to develop new responses to remain healthy, resilient and able to maximise the delivery of public impact and value. From discussions, relevant amount of proposals for changes/improvements concerning operation, strategy and management of organisations emerged. They mainly regard:

- increasing staff motivation, creating commitment and open mindedness amongst staff, and getting the right quality of people;
- more effective management and training of human resources,
- improvement of communication with all stakeholders and especially with local community as well as with new target groups of audience or media;
- achievement of a clearer vision and strategic planning, and finding the right balance between operation and exploration of new possibilities;
- strengthening positions in relation to potential new stakeholders and keeping a strong and clear profile whilst broadening audiences and work field;
- designing a more effective organisational structure and clear division of responsibilities among people;
- creating new (not necessarily cultural) partnerships;
- increasing of the quality of experience to customers;
- proving the positive impact of arts and cultural activities on community/society to create trust instead of suspiciousness and provide clear proofs of impacts for funds; and
- improving the capacity of achieve multi source financing.

Unfortunately, there are several obstacles to the development/change. Some of them can be refereed to external factors (political, economic, social and technological) that influence organisations daily life and their views about future. Other factors refer to internal matters of organisation. To shed more light on internal factors hampering the change, the participants were invited to reflect on the following questions:

- **Q2.** What are the obstacles to the development/change?
- **Q3.** What prevents from obtaining and keeping wider audience groups?

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<th>Table II</th>
<th>Key stakeholders and related challenges</th>
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<tbody>
<tr>
<td><strong>Key stakeholders</strong></td>
<td><strong>Challenges</strong></td>
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<tr>
<td>Private sponsors, business environment</td>
<td>Offering them anything of comparable value back and demonstrating the value created</td>
</tr>
<tr>
<td>High schools and universities</td>
<td>Developing effective strategies to attract and engage them</td>
</tr>
<tr>
<td>Local authorities</td>
<td>Finding out a common language to reach “funding” and “non-funding” support from local authorities</td>
</tr>
<tr>
<td>Young people</td>
<td>Developing effective strategies to enlarge young audience and make them more and more loyal</td>
</tr>
<tr>
<td>Other cultural organisations</td>
<td>Finding/building common platform of cooperation</td>
</tr>
</tbody>
</table>
About the obstacles of the development/change, the participants highlighted:

- lack of workforce, especially experts in marketing, finance and fund raising, strategy and innovation management;
- absence of a clear and codified strategy and methods to measure organisational performance and impact;
- distance between arts and market wants;
- limited cooperation with other organisations on the field and inadequate knowledge about European funding opportunities;
- hectic pace of running the daily operations;
- unstable cashflows, lack of regular and reliable cashflows; and
- decreasing of public subsidies and lack of financial sources to invest into new projects.

Regarding the obstacles and the factors preventing a wider audience cited during the discussions, they can be basically related to the challenges presented above. The factors hampering the achievement of a wider audience the participants mentioned include the following:

- the small size or lack of audience development work;
- weak brand;
- the lack of long-term planning;
- trade-off, especially for young artists, between the commercialisation and freedom of artistic performances;
- limited knowledge of needs/wants of audience (especially of new potential audience); and
- limited knowledge (or lack of knowledge) about marketing approaches and tools.

4.5 Costs and incomes issues

In the light of the crucial importance of an effective management of costs and revenues, in the last section of the focus group, the participants were invited to give details about their current main sources of revenues, and the ways they were adopting to increase them. The participants reflected on these questions:

**Q4.** What are the main sources of revenue for your organisation?

**Q5.** In your opinion, what new sources of revenue should be captured?

From the discussion, it was confirmed that the vast majority of the focus groups participants depend on public sources. The second most-frequently mentioned main source of revenue was income from their own activities, such as entrance fees and rents of their own premises. Incomes from their own café/restaurant also appeared among the main source of revenue.

The findings of the discussion confirmed the main need of achieving a more balanced multisource financing. Among proposals for new sources of revenue were most frequently mentioned options of i) sponsorship from private business environment, ii) gaining support of local government and iii) rise of income from own activities. Other chances are getting more commercial income (rentals, collaboration with companies) and income from the social field (e.g. education). Similarly, the participants were invited to identify the current main costs, and how they are trying to reduce them. For this purpose, they reflected on the following questions:
Q6. What are the most important costs for your organisation?
Q7. How are you trying to reduce them?

Paying staff in combination with operations and artists represents the largest portion of costs. Second biggest mentioned expenditure was rent of space and utility bills. About the reduction of costs, there was a widely shared belief that any further reduction of expenditures is no longer possible. The only way to survive and thrive is to increase revenues.

5. Conclusions

The exploratory focus groups have provided a number of emerging issues that arts and cultural organisations feel and face in business model management.

Organisations recognise the difficult funding landscape, and there is an acceptance that gaining financial resilience and sustainability can no longer be put off. At the same time, a number of organisations see opportunities in the new socio-economic scenario, and are already adapting their business models as a result. Nevertheless, the challenges to face and issues of change and improvement are numerous and various.

The study sheds more light on “business dimensions” perceived by arts and cultural organisations as particularly crucial for their survival and requiring careful management attention. In doing this, it offers fresh and valuable knowledge about aspects, factors, dimensions to take into account in managing business model.

Moreover, the research on field corroborates some of the strategic and management priorities identified for arts and cultural organisations, in the recent academic and practitioner literature, such as the definition of strategies for audience development (Bollo, 2013), the search of new funding and financing models (Nesta, 2014), the acquisition of managerial and business skills (Helmig et al., 2004), the exploitation of the digitalization (Nesta, 2015) and the creation of new forms of partnership (Ostrower, 2004; Smagina and Lindemanis, 2012).

Additionally, the findings of the focus groups confirm the urgency of obtaining a deeper understanding of how arts and cultural organisations can deal with business model management against the socio-economic challenges. In fact, all the participants declared the necessity of improving their ways of doing activities and creating value, or in other terms, of implementing more effective ways of managing their business models.

This calls for future research aimed both to build approaches, models and tools for defining, implementing and managing specific and tailor-made business models in arts and cultural sector and to further extend the understanding of peculiarities of business model management in the different arts and cultural subsectors.

Focus groups were useful in defining issues that might otherwise remain vague regarding wants, needs and challenges of arts and cultural organisations against business model management across Europe. In such a view, the study provides insights that can stimulate arts and cultural players to rethink their way to get sustainability as well as to focus their efforts on the improvement of management practices, ranging, for example, from resources and stakeholders’ management to financial management. Consolidating and effectively managing resources around organisation’s value proposition, building appropriate stakeholders’ relationships or partnerships, diversifying income options, focussing on transparency and public awareness with all stakeholders to find legitimacy and success, are just few examples of critical domains to better manage.

The research also suggests some implications for policymakers. Recognising the important role that arts and cultural activities play in determining quality of life of communities, policymakers should encourage development of public/private partnerships in support of
arts and cultural initiatives. Moreover, they should support artistic and cultural freedom and activity, even in absence of public funding. This is particularly crucial as the growing diversity in Europe is more and more a cultural reality, and arts and cultural players can play a pivotal role in connecting people and in constructing a more cohesive and open society.

The study has some limitations, and caution and judgment should be used in evaluating the qualitative research findings. The participants in these focus groups represent a very small sample of the entire population of arts and cultural organisations in Europe. Therefore, the findings of this research on field cannot be generalised. However, if the limited numbers of individuals participating in qualitative research studies can be seen as an obstacle to generalisation, they are balanced by the benefits that focus groups offer in terms of the depth of the analysis and through the interactive approach (Bergeaud-Blackler et al., 2010). Another possible limitation is that focus group can reduce the expression of individual points of view and be consequently a distortive factor. Some respondents are reluctant to disagree with their peers, while others may provide answers that they think are desired by the facilitator (Bergeaud-Blackler et al., 2010). Last significant critical issue addressed to focus group method is the interference with the object studied that is the possibility given to the “facilitator” to guide the discussion in one way rather than another to obtain the desired findings (Bergeaud-Blackler et al., 2010). Therefore, although all efforts to minimise these and other limitations in designing and moderating the focus groups were done, some amount of bias is present inevitably. The reader is cautioned that the findings from these discussions cannot be statistically projected or generalised to the larger population of arts and cultural organisations across Europe.

Note

1. Arts and cultural organisations include a very wide range of performing, visual and combined arts organisations as well as museums, libraries, heritage organisations and cultural centres (KEA, 2006).

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Further reading


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