



## **Unit 2:**

### **Entrepreneurial Practice – Modelling a CCI enterprise**

#### **Theme 2.1.**

### **Business Models and Management. Change Management.**

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The training contents at a glance:

## **FENICE Program**

### **Unit 1: Understanding Entrepreneurship in the CCIs**

Theme 1.1. Policies and Cross-Sectoral Collaborations in the CCIs

Theme 1.2. Creativity, Innovation and Cultural Content. Ethical Behavior and Intellectual Property Rights.

Theme 1.3. New Media, Creative Technologies and Digital Environment. Digital Marketing.

### **Unit 2: Entrepreneurial Practice – Modelling a CCI Enterprise**

**Theme 2.1. Business Models and Management. Change Management.**

Theme 2.2. Financing. Opportunities and Risks.

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# 1 THEME Overview

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Business models and systems in the CCIs are specific and depend on the particular way of value creation. Still the theme will start first with explaining the basic features of business modelling as the general pathway for creation and delivery of value and of business systems as the outlines of the different aspect of business operation. Upon discussing the traditional business models and systems, the ones pertinent to the CCIs shall be presented and explored. The definition of management will be considered together with specific approaches for building and managing effective teams. Particular attention will be paid to the specifics of team management in the CCIs and the implementation of change management in times of global digitalisation and multiculturalism.

## 2 THEME Reader

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### I. Business models and systems as a competitive advantage

In today's world, the relations between companies are characterized by a competitive nature of the market, the pursuit of a competitive advantage in business and the demand for collaboration between the companies which constitute complex networks providing customer satisfaction in terms of demand and services provided as an end-product. This is also valid for the cultural and creative sectors (CCSs) even when the companies and organisations therein are profit-driven or combine for profit and non-profit activities (such as theatre companies, galleries, film productions) or function entirely on a non-profit basis (such as museums and libraries). In the CCSs partnerships and networking among the companies and organisations are vital for viability and present an integral element of process of value-creation.

*Business models define how the individual entrepreneurs and/or enterprises create and deliver value and how they generate profit in the end.* Business models are associated with the organisational structures of businesses and identify the goods and services they offer together with the key partners, activities and resources, value propositions, customers relations and segments, distribution channels, cost structure and revenue streams (Osterwalder & Pigneur, Business Model Generation, 2010). A business model stands behind the logic of an enterprise and substantiate its existence while in perspective the business strategy outlines the process of combining of distinctive activities to create a good or service that satisfies a social or customer need in a specific environment and at a specific time (Casadesus-Masanell & Ricart, 2011). Accordingly, business models and strategies are as varied as the companies that operate on the market and change constantly with the changing structure of the economy.

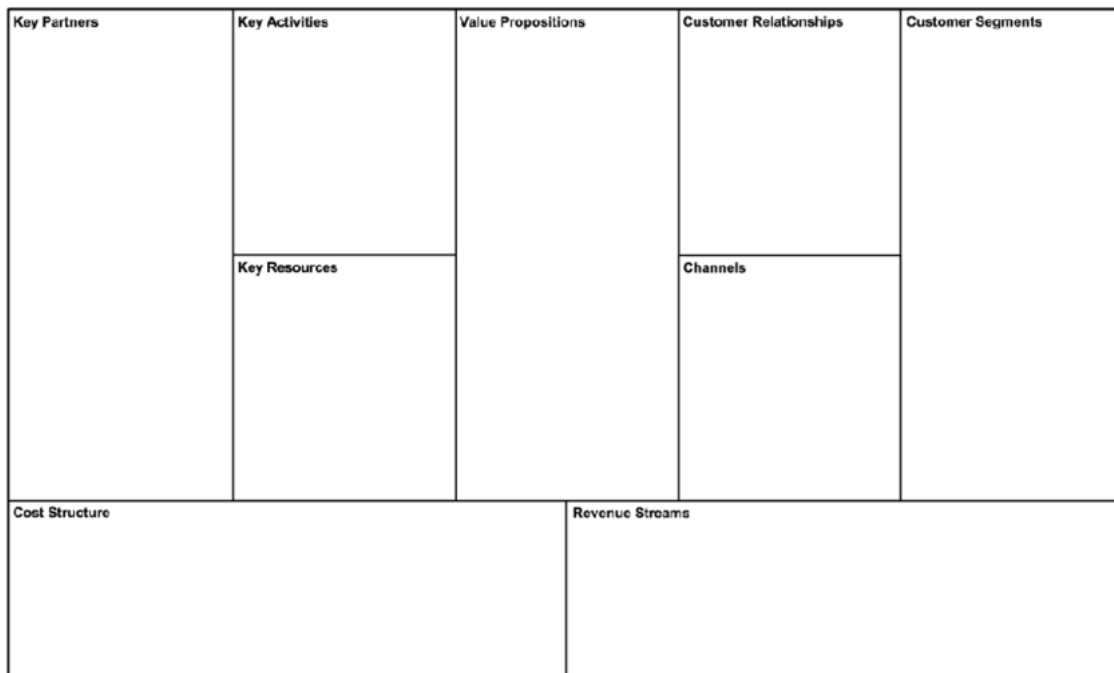
There are various definitions of business models in academic and research literature but here we shall outline those that refer to modern business developments and can refer particularly to the cultural and creative sectors and the cultural and creative industries (CCIs):

“A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm. Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.” (Osterwalder, Pigneur, & Tucci, Clarifying Business Models: Origins, Present, and Future of the Concept, 2010)

“A business model depicts the design of transaction content, structure, and governance so as to create value through the exploitation of business opportunities. We propose that a firm’s business model is an important locus of innovation and a crucial source of value creation for the firm and its suppliers, partners, and customers.” (Amit & Zott, 2001)

The business model is a main competitive advantage for an enterprise. Digitalisation and globalisation of business resulted in new business models in all sectors of the economy. The creation, distribution and consumption of digital content have become a trait of the cultural and creative industries and is very much associated with the repaid growth of the CCSs between 2008 and 2020 and with the resilience of the IT-based companies to the macroeconomic shocks caused by the COVID-19 pandemic. Some of the most recognizable examples refer to the substitution of e-books besides paper books provided caused reorganisation of the publishing businesses, on-line concerts and performances substitute the classic events in times of social distancing, virtual and augmented reality are integrated in museum, theatre, film and TV-production – the examples are manifold.

A popular structured analytical tool to present business models is the *business model canvas* that visualises all of the above-mentioned considerations:



Source: (Osterwalder & Pigneur, Business Model Generation, 2010)

In the CCSs and CCI networking and partnership can be referred to as both key resources and part of the value proposition. The reason is in the essence of the products and/or services which stem from personal creativity and from combining of works across industries – such as graphic design, video and music in video games or the combination of technological and material stage crafts in the scenography for a theatrical, ballet or musical performance.

### **Business models in the CCIs**

The business models in the CCIs are different from that of the other businesses and the way they generate value presuppose the specifics of the CCSs and CCIs enterprises. Here the main distinctive features refer to the following:

- Cultural and creative sectors refer to all sectors whose activities are based on cultural values or artistic and other individual or collective creative expressions (European Commission, 2018). They include inter alia architecture, archives, libraries and museums, artistic crafts, audio-visual (including film, television, video games and multimedia), tangible and intangible cultural heritage, design (including fashion design), festivals, music, literature, performing arts, books and publishing, radio, and visual arts (European Commission, 2018);
- The activities include the development, the creation, the production, the dissemination and the preservation of goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education or management (European Commission, 2018)
- They are knowledge- and talent-based i.e. they create goods and services through individual creativity, skill and talent and in fact they rely on intangible rather than on tangible assets and resources
- The cultural products are valued for their meaning rather than usefulness (Lawrence & Phillips, 2002) and this makes them unique as the perception of a product may be different for every consumer
- The value generation can be a collective process and partnerships play a vital role in the CCIs – co-creation and co-production are typical traits
- Revenue is generated by exploitation of intellectual property
- The CCIs are dominated by small and micro-enterprises that cooperate on ad-hoc and project basis
- Digitalisation of business has been changing rapidly the models along which cultural goods are created, managed, disseminated, accessed, consumed and monetised (European Commission, 2018)
- The value creation in CCIs consists of (i) creation, (ii) production (publishing), (iii) dissemination (trade), (iv) exhibition (reception, transmission) and (v) consumption (participation). Creation of experiences for the CCS/CCI consumers is an integral element of the business model. (United Nations Educational Scientific and Cultural Organisation, 2009)
- The consumption of the CCI products is not passive – rather the consumers actively participate in the value-creation process by perception and interpretation and in the end a consumer may become a co-creator.

The business models in the CCIs refer to the process of creation and selling of *meaning* rather than efficient production of good or service that can solve a problem. Accordingly, the enterprises in the CCIs are not predominantly capital-intensive or knowledge-intensive, but a

symbol intensive. They are characterized by the need to manage the process of symbol creation and the continuous innovation associated with cultural production (Lawrence & Phillips, 2002).

The main changes in modern economy that gave rise to the specific models in the CCIs are the following: (i) the change from the analogue to digital economy that gave rise to ICT-driven business models; (ii) changing consumer behaviour as the consumers have begun to produce and generate content besides simply consuming it and (iii) gaps in financing of new and innovative ideas as the mainstream financial institutions are reluctant to invest in businesses that rely mainly on intangible assets as is the case with CCIs (Dümcke, 2015).

The European Expert Network on Culture (EENC) defines the main business models in the CCSs as follows:

Business Model	Main features	Branches in the CCSs in which the BM is most widely accepted
<b>Crowdfunding</b>	Crowdfunding is based on what is known as micro-sponsorship, or the mass funding of a project, service, content, platform, production, work, etc. Crowdfunding is also a very powerful marketing tool and provides a sense of ownership to the donor ('giver'). This instrument reshapes the system of donor ship in the sense that it allowed mass participation and affordable, direct involvement.	Cinema Music Sector Museums/ Cultural Heritage Sector
<b>Innovation labs, creative hubs, co-working spaces</b>	Innovation and creative labs are spaces – mostly in cities- for trying out, testing, experimenting and implementing ideas and creativity. Labs create spaces for creative practices supporting innovation processes. Innovation and creative labs provide spaces for an interdisciplinary exchange of information, knowledge and ideas between stakeholders. They offer the chance to test out and utilize a range of diverse creative methods and innovative solutions at one location.	Music Design/Fashion Games / Software Development Architecture
<b>Streaming</b>	Based on technological progress in high-definition audio and video, opera houses, theatres and orchestras can record their performances, which can then be marketed through platforms that make use of the new	Music (Opera, Classic Concert, Popular

	technologies to stream this product under optimal conditions for an interested international audience. The BMs include different pay models (pay-for demand, pay for use etc.)	music sector) Performing arts Cinema
<b>Self-publishing, Printing on demand</b>	With the existence of the E-book, books are printed only on demand to fill actual orders.	Publishing sector Music Sector Fine arts
<b>Gamification</b>	Gamification refers to adding game-like features to contexts that have nothing to do with the gaming industry. The idea is to stimulate and motivate users' actions, ideas, interests, and interactions. In other words, to condition behaviour entertainingly in any setting, whether cultural (museums, theatres, books), corporate, leisure, commercial, etc.	Print media/Publishing Fine arts Museums / Cultural heritage sector Performing arts Music
<b>P2P Peer to Peer Models</b>	The model has its roots in technology and P2P networks in which computers are directly linked to each other and no server support is needed. The evolution of this model stands in context with what is known as "peer review". Peer review is the review of one or more people from the field of research that an author wants to publish in.	Print Media/ Publishing Cultural sector with educational entities/tasks (museums, libraries)

(Source: (Dümcke, 2015))

In addition, the European Expert Network on Culture (EENC) makes the following comparison between the business models pertinent to the CCs and the traditional business models:

Micro criterion	Main features	Differences with traditional BMs
<b>Founding / start up-phase</b>	Many new BMs in CCSs start with a project approach. Typically, the following project starts upon completion of the ongoing project.	Founders of new BMs in the CCSs: <ul style="list-style-type: none"> <li>• are young and well educated;</li> <li>• are able to develop a vision on their own creative firm;</li> <li>• have a preference for urban settings;</li> </ul>



		<ul style="list-style-type: none"> <li>• have mostly a one-year scope in their cultural and creative business;</li> <li>• are well informed via Internet and personal and social networks</li> <li>• use less the supply of house banks and other providers;</li> <li>• start often as a part-time job beside a permanent employment, therefore require in the start-up phase less funding.</li> </ul>
<b>Product types</b>	Specific product types in the CCSs are prototypes, small series, one-offs, intangible products etc.	<ul style="list-style-type: none"> <li>• Short innovation phases.</li> <li>• No clear forecast of consumer demand and product quality.</li> <li>• After the 'pioneering' phase there will come a differentiation phase with a variety of product combinations in the maturing phase</li> </ul>
<b>Financing / Budgeting</b>	Access to finance and the skills to deal with the financial side of new BMs in the CCSs are a general issue. The reality of new BMs in the CCSs is characterized by a hybridization of finance and mixing of income sources.	<ul style="list-style-type: none"> <li>• Business models are focused mainly on components of value propositions, relationships with visitors and clients, less on the cost structure and income/profit which is different from the normal business logic.</li> <li>• The process in terms of finance is characterized from simple to complex financial support.</li> <li>• The cultural and creative entrepreneur is responsible for his or her own business model and the financial sources: bank loans, guaranteed loans by governmental or non-profit agencies, crowd-sourcing, grants and subsidies. The channels to get entrance into these hybrid financial resources are different from normal business logic.</li> </ul>

<p><b>Methods of working</b></p>	<p>Different working types and models are used in the CCSs,</p>	<ul style="list-style-type: none"> <li>• Higher cooperative methods of working, involving low-profile hierarchies and greater autonomy, such as group- und team-work.</li> <li>• Particularly in the ‘pioneering’ phase, expanding of collective and cooperative forms of work, which are not profit oriented but contribute to human and cultural development.</li> <li>• Networking is almost a ‘second nature’ within the CCSs. For many creative people networking begins during their education and takes on a more professional structure in the workplace.</li> <li>• A new term is “co-opetition” as a description of new working arrangements in the CCS which comes from the English terms of co-operation und competition.</li> <li>• Working in networks is a collective working method particularly in the art world.</li> <li>• In general, teamwork is a quality that is strongly connected with most enterprises and sectors in the CCSs.</li> </ul>
<p><b>Cultural intermediaries</b></p>	<p>Cultural intermediaries, defined as journalists, bloggers, radio DJs / producers, play a significant role.</p>	<ul style="list-style-type: none"> <li>• The meaning of cultural intermediaries is higher than in traditional BMs.</li> <li>• Entry to the market is often higher through an established intermediary.</li> <li>• Cultural intermediaries operate as facilitators of success or failure in the CCSs.</li> </ul>
<p><b>Copyrights</b></p>	<p>Copyright licensing is part of the BM in many CCSs,</p>	<ul style="list-style-type: none"> <li>• Transaction costs associated with copyright licensing are a</li> </ul>

	particularly in media, music, and film industry.	<p>significant problem for many BMs in the CCSs, particularly in media, music and film industry.</p> <ul style="list-style-type: none"> <li>• Transaction costs for copyright licensing are higher or at least more difficult to solve than in other branches.</li> </ul>
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Source: (Dümcke, 2015)

## II. The specific nature of management in creative industries

Mary Parker Follett's well-known definition of management as "*the art of getting things done through other people*" places the focus on the primary importance of management and its main tasks to plan, organise, lead and control other people's efforts in a systematic way.

### **Managerial roles**

To ensure a proper functioning of the organisational unit, a manager must integrate the three key roles – Decisional, Informational, and Interpersonal to connect people and information at different levels of organisations, in a unique way that could be metaphorically associated with a car engine.

*A common feature of cultural and creative industries that should be noted, is found in the absence of formally appointed manager status.* Instead, a self-management approach is implemented, or leadership is performed by a team member whose task will be to involve others in an intellectual work process. Each participant will tend to take responsibility for their own decisions and will perform their duties independently in response to the changing business environment. These characteristics suggest that creative organisations feature a specific form of organisation in which team members will see themselves as entrepreneurs and providers of intellectual work, who hold the main responsibility for achieving the organisational goals.

### **Managing creativity**

Unlike traditional organisations, management in creative industries needs to consider a variety of factors affecting the process of management at the same time, including the unique nature of their products and the unpredictable demand, which makes the process of strategic decision-making more complicated. Implementing planning, organizing, staffing, directing and controlling tends to involve some parallel functions that come as a result from the specific character of creative projects related to the uniqueness of their products, time and funding limit, their measurable results and the constant interaction of all management functions for the successful completion of a project. Consequently, a manager has to create a clear action plan before delegating tasks and should be skilful in the process of task coordination and

organisation, balancing among the broad range of system elements and considering the importance of motivation and control at the same time.

### III. Dealing with change

Change management is commonly viewed as the application of a structured process and the use of leadership instruments for motivating and engaging people with the process of change and adopting new work approaches towards the desired business outcomes. Three main factors influence business activities in all regions of the world: global economic competition, deregulation and fast technological change. As a result, concentration of market power and economic stability of organisations are decreasing, while at the same time uncertainty in decision making is increasing.

#### **Resistance to change**

Any change in those already established practices can be threatening and have a disruptive effect on business performance as changes tend to raise fear of the unknown, associated with resistance among all levels of employees. Organisational evolution naturally involves different processes of change in terms of strategy, structure and work approach, however some of the most difficult changes relate to people and their capabilities, as well as to their values, beliefs and expectations. Team managers should bear in mind a number of reasons which can be in the roots of individual resistance to change:

- Degree of job satisfaction
- Perception of common goals and results
- Perception of potential risks
- Perception of impact on personal life
- Cultural differences in personal attitudes to change
- Cultural differences in perception of the uncertain future
- Fear of losing a job, income or personal security
- Personal biases and prejudices

#### **Achieving successful organisational change**

Technology is an example of a driver, leading to revolutionary changes, which forces leaders and managers to destroy the already aligned organisational structure, in order to create a new system that will better suit the next challenge. However, constant change may lead to frustration and fatigue among team members. Overcoming resistance to change requires adequate planning and coordination but first of all, it is building trust and confidence that will encourage active involvement of all participants in the process for creating an atmosphere of cooperation and acceptability.

Managers and leaders in cultural and creative industries need to consider the critical importance of the balance between the control of organisational processes on the one hand, such as planning, coordination and tasks delegation, for example, and on the other hand,

creative autonomy and freedom of decision making as an essential component of creative employees' satisfaction. Another aspect that should be considered is the presence of multiple cultures within a particular organisational structure, associated with a variety of team members' artistic views, perceptions and expectations in the process of information transfer, communication of ideas and task completion. A greater degree of freedom is essential for encouraging innovative and original thinking, openness, risk taking and personal initiative. Seeking for certain predictability and routine in people's behaviour may suggest obedience and lack of creativity, therefore the right balance between control and creative autonomy should be found and maintained for overcoming change related problems and achieving better performance results.

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