

## **Developing a Framework for Business Model Generation for the Arts**

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## ABSTRACT

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Designing and clearly presenting a business model has become an important part of strategic planning for any start-up arts organization. In this paper, we discuss two business model-generation frameworks: the Business Model Canvas, one of the most recent and popular frameworks, and the Logic Model, a tool first introduced to evaluate the performance of nonprofit organizations, but later came to be used as a planning tool. Neither of these frameworks was developed specifically for the nonprofit arts sector; therefore, neither one alone adequately reflects the context and needs unique to the arts sector. After reviewing the literature about frameworks for business model generation, we developed a mashup of the two frameworks mentioned above, allowing for diverse value creation/proposition dynamics with a variety of stakeholders, including the audiences and patrons in the arts sector. Thus, we propose the Arts Business Model Blueprint as an appropriate business model-generating framework for the arts.

**Keywords:** business models, art organizations, strategic management

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## Introduction

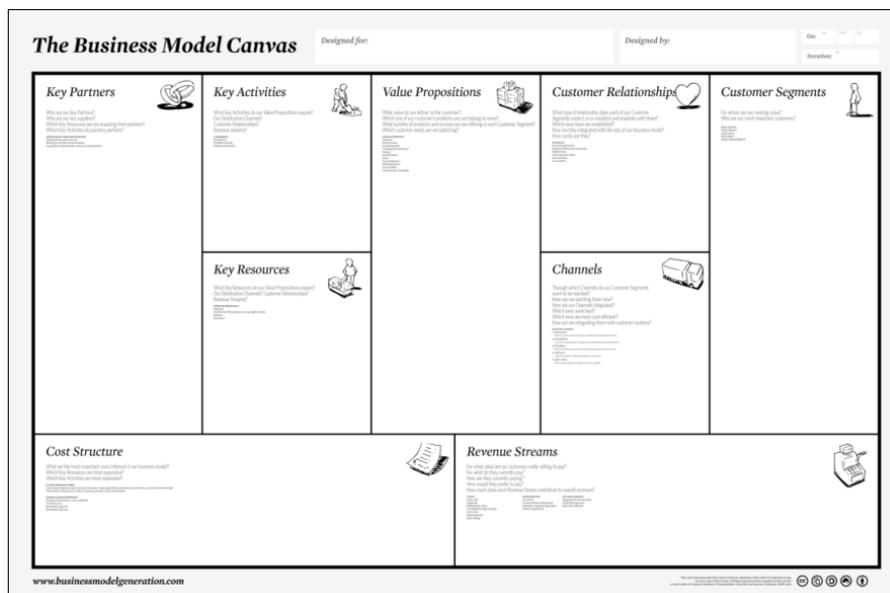
A business model describes the rationale for how an organization creates, delivers, and captures value in economic, social, cultural, or other contexts (Osterwalder, Pigneur, & Clark, 2010). It has also been described as the “logic of the firm” (Casadeus-Masanell & Ricard, 2010); it functions as a tool for business design, with the objective of establishing the interaction between all the elements of the value proposition. Designing and clearly presenting a business model has become an important part of strategic planning for any start-up arts organization. Based on managers’ responses to a survey by Gerard George and Adam J. Bock (2011), a business model can also be defined as the design of organizational structures to create commercial opportunity. Many different business model-generating frameworks have been adopted, mostly from the general business administration field.

However, unlike general business administration, arts organizations are involved with a wider variety of stakeholders, which has increased pressure for more accountability and greater transparency in the governance procedures. In addition, arts organizations need to confront the challenges to balance their two ends of the bottom line, which are artistic vitality and financial viability. Therefore, it has been very difficult to apply those business model-generating frameworks to the non-profit arts organizations. In addition to start-ups, for any established arts organizations that are seeking restructuring due to environmental changes, one of the most frustrating problems lies in their ties with long-time supporters who may dislike the business model change. Thus, arts organizations, which want to restructure to attract new audiences, must seek a way to do so without losing their current supporters (Evrard and Colbert, 2000). Drucker also noted that, unlike for profit entities, a characteristic of the nonprofit environment is the existence of multiple bottom lines, not just one, and he took notice of the multiple constituencies of nonprofit organizations (Drucker, 1995, p. 17). Therefore, it is one of the utmost tasks to identify the business model framework for nonprofit arts organizations that balances both artistic and managerial demands and that meets the request from both current supporters and new audience.

In this paper, we first discuss the two most widespread business model generation frameworks: the Business Model Canvas, one of the most recent and popular frameworks, and the Logic Model, a tool that was first introduced to evaluate the performance of nonprofit organizations, but later came to be used as a planning tool. We, then, discuss some practical issues of the two popular frameworks by weaving our empirical evidences collected through teaching arts management classes. Finally, we discuss the possibility of developing a framework for business model generation in arts organizations across the non-profit and for-profit sectors by referring to the current studies of business model generation frameworks in academic journals in the general business administration field, non-profit management, and by looking into arts management and cultural policy.

## Issues of Two Widespread Business Model Generation Frameworks

**Business Model Canvas.** One of the benefits of developing a business model is that it can enable organizations to better visualize their business. According to Casadeus-Masanell and Ricard (2010), a business model falls between strategy and tactics and helps to make decisions on how to implement the strategy. The model facilitates the management process in arts organizations. To that extent, an important aspect of the Business Model Canvas proposed by Osterwalder, Pigneur, and Clark (2010) is that it emphasizes the value proposition beyond the product or service, allowing organizations to consider elements beyond artistic work, with regard to audiences and stakeholders. The Business Model Canvas presents a clear structure of which resources are needed to create that value proposition, and how to capture value from customers and audiences. Finally, the base of the Business Model Canvas requires organizations to structure their economic sustainability as the main requirement, evident when we see how the cost structure and the revenue streams are placed at the bottom of the canvas.



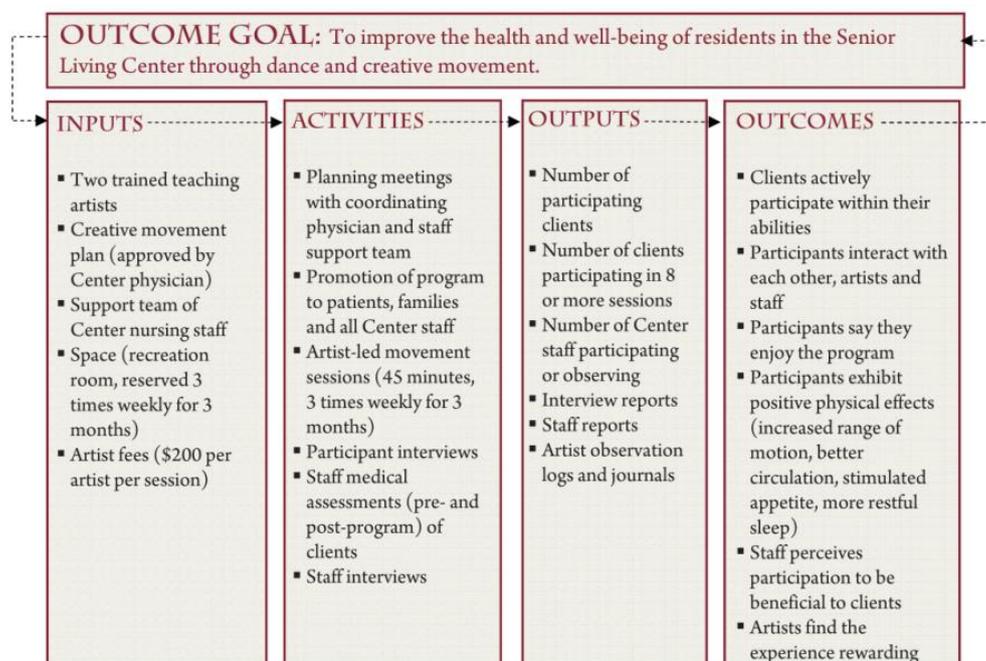
**Figure 1. Business Model Canvas (Osterwalder, Pigneur, & Clark, 2010)**

However, since the building blocks in the Business Model Canvas place the market orientation on the right side and the production orientation on the left side, with the value proposition at the center, it is difficult to reflect a dynamic relationship between non-profit arts organizations and multiple stakeholders and customer segments, who play a significant role not only as the target customers, but also as the key resources and key partners. With this in mind, customer relationships, and channels to

the customer segments should be considered, along with key resources and partners as a form of audience- or patron development.

**Logic Model.** In fact, the US non-profit arts sector has also recognized how important it is for organizations and programs to have a useful framework to generate a business model in order to meet the ever-diversified and over-niched arts market. This is especially important since the passage of the Government Performance and Results Act of 1993, after which the US government began to require the evaluation of all of its programs (Mertens, 2007). Also, the National Endowment for the Arts (NEA) adopted the “Outcomes Logic Model” in order to evaluate grant applications. After the NEA adopted it, the Logic Model began to be considered as a powerful tool that arts organizations can implement both in their planning and evaluation. First popularized in the nonprofit sector by the United Way in the 1990s (Georgia Council for the Arts & the National Assembly of State Arts Agencies, 2007), the Logic Model has offered many start-up arts organizations, as well as new programs in established arts organizations, a blueprint to articulate their desired outcomes and identify the inputs/resources, activities/programs, and outputs necessary to achieve those outcome goals.

The Logic Model is especially useful because it enables “planning backwards” from the vision and long-term outcomes. As a project roadmap, it incorporates elements of the scientific method, through an “if-then” structure. The linear relationship of the model allows a logical view that links inputs and outcomes, clearly stating the goals in the short, medium, and long terms. This allows organizations to establish activities and achievable goals with measurement capability. Another advantage of the model is that it can be used at multiple stages of project management, including planning, implementation, and evaluation. In this sense, the Logic Model serves as a valuable communication tool, allowing art organizations to present their projects to funders and stakeholders. However, the linear layout of the Logic Model limits the identification of multiple relationships between inputs, activities, outputs, and outcomes. For example, it is difficult to establish how multiple inputs may affect a single output or how a single input could affect multiple outputs.



**Figure 2. Logic Model Sample (Georgia Council for the Arts & the National Assembly of State Arts Agencies, 2007, p. 9)**

Since neither the Logic Model Approach nor the Business Canvas Model was developed specifically for the nonprofit arts sector, it is difficult to reflect the context and experiences of participation (production and appreciation) in the arts. The issue of application of these two models has been evident during the arts management classes that both of the authors have taught, using models for the students to establish an arts business start-up project. Since 2012, Chang has used the frameworks in two different courses: A graduate course, *Fundamentals of Nonprofit Arts Sector*, and an undergraduate senior course, *Business of Art*. Chang has used both the Logic Model and the Business Model Canvas for graduate students who worked on projects to create a new start-up arts organization for their final graduate projects. In the graduate course, Chang used the Logic Model mostly and the Business Model Canvas to supplement the Logic Model. The Logic Model provided students great ground to discuss the strategic thinking to create an arts business. However, there have been some confusions and complaints, most of which came from the linear structure of the Logic Model. In the undergraduate course, Chang used the Business Model Canvas mostly. This time, the issues were mostly regarding the difficult application of the revenue stream elements on the canvas to the nonprofit settings in the arts world.

In the case of Hernández-Acosta, the two business model frameworks have been used at the graduate level in courses such as *Strategic Management for Cultural Organizations* and *Cultural Entrepreneurship*. Also, both models were used in business training programs for cultural entrepreneurs. The Canvas Model has been used mostly for start-ups and the Logic Model in Strategic Management courses. At the moment of the discussion, students identify the importance of both frameworks as a visualization tool for projects or business development. However, at the time of the application of the model to their projects, students identify some challenges. In the case of the Logic Model, most arts organizations find it difficult to establish a direct cause/effect relationship in each stage. At the same time, students comment that the model is too linear for the “organic” dynamics of artistic production. Regarding the Canvas Model, some difficulties arose when students attempted to establish the difference between customer segments and key partners because of the confusion between audiences and stakeholders. Based on this, some students discussed that the rest of the elements of the business model canvas depends on the customer/stakeholder’s decision, creating tension between the artistic and economic mission.

In fact, arts organizations have confronted the challenges of developing a business model that considers a balance between the two main bottom lines: the mission and the money and, more largely, between the intrinsic and instrumental values of the arts they would provide to the community. Arts organizations also face the challenge of meeting the expectations of multiple stakeholders with different goals and indicators. In order to be effective, a business model for the nonprofit arts sector must consider these challenges so that arts organizations can achieve their outcome goals and sustainably have a positive impact on the community. Thus, a useful business model-generating framework that specifically focuses on the arts will enable arts organizations to create a bridge between their missions, goals, strategies and tactics, allowing for the efficient use of limited resources in a changing environment.

Generally, the authors so far found that both the Logic Model and Business Model Canvas are not perfectly applicable for the students who want to create their own nonprofit arts startups. However, it was also found that using both frameworks side by side helped students create their own business model. Therefore, as a possible solution to the aforementioned challenges, we propose developing a business model-generating framework by amalgamating the Business Model Canvas and the Logic Model, while focusing on diverse value creation dynamics with a variety of stakeholders, including the audiences and patrons. In order to identify ways in which to effectively amalgamate the two models, with increased consideration of the arts participation process, we explored the current studies of business model generation frameworks in academic journals: from 1) the general business administration field, to 2) non-profit management, and to 3) arts management and cultural policy, which, we believe, will provide arts organizations with tools for developing appropriate business models that can more effectively link resources and outcomes to aesthetic, economic, cultural, social, and educational values.

## Studies on Business Model Generation Frameworks

Despite the abundant literature that has provided diverse interpretations and definitions of a business model, many frameworks to develop business models have been criticized for their simplicity and for the absence of competitor analyses, key metrics, and strategic value (Ching & Fauvel, 2013). In this section, we review articles in 3 different fields: 1) general business administration, 2) the non-profit field, and lastly 3) the arts management and cultural policy field, in order to contextualize the discussions of developing a framework for business model generation in arts organizations.

***In General Business Administration.*** In their article, “The entrepreneur's business model: toward a unified perspective,” Morris, Schindehutte, and Allen (2005) pointed out that there is no consensus on the definition, nature, structure, and evolution of business models. Although creating business models has been highly emphasized in many different entrepreneurial practices, researchers have not paid enough attention to it. Thus, the authors conducted a literature review to understand the key issues around generating business models for entrepreneurs and suggested a six-component framework applied at three different levels in a firm. The framework was tested with an example of a successful mainstream company. The authors suggested that their framework is applicable to any venture type; however, they also expect any business models will evolve over time.

While Morris et al. (2005) investigated the components of a business model at different levels, Zott and Amit (2010) focused on the actual activities of a business that constitutes the building blocks of a firm in order to create its value. In their article, “Business model design: an activity system perspective,” a firm’s business model is viewed as a system of independent activities. The system of activity lets people in and out of the firm to see and share how value is being created. The authors suggested that design elements (content, structure, and governance to describe the architecture of the system) and design themes (novelty, lock-in, complementaries, and efficiency to describe the system’s value creation) should be considered in creating the activity system, that is, a business model. Compared to the general business administration sector, the non-profit arts sector is unique enough to be always open to embrace new (from creative to provocative) practices. To identify the nonprofit arts sector’s common design elements and themes, which were suggested by Zott and Amit, it is necessary to review the literature in the journals in the non-profit field and the arts management and cultural policy field as follows.

***In the Non-Profit Sector.*** In fact,,many nonprofits in general have found the for-profit business model generating frameworks difficult to apply to their own situations. (Beerel 1997; Crittenden & Crittenden 2000). There are many factors that exacerbate/increase the difficulties, among which could be the different constituents and stakeholders involved in the business, more weight on mission rather than profit, or the reluctance to explicitly seek profits as any for-profit business models do, and the different climates for the leadership of nonprofits (Bryson & Roering 1988; Crittenden & Crittenden 2000; Lindenberg 2001; Santora & Sarros 2001; Kaplan 2001; Frumkin & Kim 2001) which are also likely exist in nonprofit arts organizations (Cray et. al. 2007).

One of the first frameworks used to understand the performance of non-profit organizations was the adaptation of the Balanced Scorecard, developed by Robert Kaplan (2001). The author discusses the lack of a measure to assess their performance as profitability and shareholder return in the case of for-profits. The Balanced Scorecard combines financial perspective with the value proposition, the internal process perspective, and organizational learning and growth. Instead of using the same positioning of the framework elements, Kaplan (2001) proposed setting the mission at the top of the model, above the financial and customer perspective. Finally, internal processes and organizational learning emerge from these elements.

Similarly, operational efficiency might not be a priority for individual, foundation, and corporate donors. According to Frumkin and Kim (2001), a sample of nonprofit organizations over an 11-year period show that organizations that report low administrative costs were not performing better than

other organizations in terms of funding. According to the authors, looking for operational efficiency, mostly through cost cutting, might not always be the best management strategy.

The financial crisis has provoked multiple changes in the operational and financial development of nonprofit organizations. To deal with these changes, organizations have developed multiple models that sometimes incorporate elements from the for-profit sector. For example, Levine and Zahradnik (2012) discuss the benefits of market orientation practices in the utilization of online media. Similarly, the development of concepts such as venture philanthropy and social entrepreneurship is evidence of the evolution of the nonprofit sector (Scaife, 2008).

Grassl (2012) discusses the importance of understanding business models in social enterprises. Since it is a new field, there are some models that explain the dynamics of these organizations beyond specific sectors and orientation toward profit or not-for profit (Brozek, 2009, Defourny & Nyssens, 2010, Lusch & Vargo, 2011, Billis, 2011). Instead, the author suggests that different combinations of components such as the mission, industries, and target markets can explain the different types of business models. The author examines the literature around hybrid organizations. Previous research has included profit orientation, sector of the society that generates the activity, the type of goods produced, the role of the agent (producers and consumers), and the ownership of the company. Grassl proposed that business planning be understood as occurring at several levels: 1) Tactics, 2) Strategy, 3) Business Model, 4) Enterprise Ontology (applied and regional), and 5) Ontology (formal and general). This proposal facilitates understanding the role of business models in planning and establishing the elements before and after the business model design.

To elaborate different combinations of business models in social enterprises, the author presents mission orientation, type of integration of economic activities (embedded, integrated or external), and target markets. Possible combinations include the fee-for-service model, low-income client as a market, the cooperative model, market linkage, the service subsidization model and organizational support, among others. Finally, the author concludes that social enterprise business models should be driven by a social mission and positive externalities for society, recognize the centrality of the entrepreneurial function, and achieve competitiveness on markets through effective planning and management.

***In the Arts Sector.*** Bertachhini & Morando (2013) present possible business models related to digital content in museums. The authors present the challenges of the digital era over the relevance and reach of museum collections. The paper presents a good example on how business models work to redesign the value proposition in arts organizations, mostly because of changes in the external environment. The authors identify key aspects of the digital revolution, such as scale economics, the characteristic of public and experience goods, low transaction and production costs, and the Long Tail effect. Based on this external analysis and through case studies, the authors identify four possible business models to manage digital collections in museums: online access and display, proprietary licensing, open licensing (e.g., Creative Commons), and user generation of art images. The authors highlight different aspects of added-value in each model as legal, technical, and economic control. Finally, Bertachhini & Morando establish how the models translate into direct benefits and sustainability, through direct income, more visibility and outreach, or new impact indicators for museums.

Poisson-de Haro & Montpetit (2012) discuss the importance of designing business models that could be adapted in moments of drastic changes in the external environment. After discussing the lack of business model literature in the arts and cultural sector, the authors adapt a business model framework from Johnson, Christensen, and Kagermann (2008). The framework, that includes four interlocking elements, includes the customer value proposition (closely related to the artistic mission), the key resources (tangible and intangible), key processes (related to creating the artistic offering), and the revenue model (financial viability). The authors used a case study on the Théâtre Les Deux Mondes to establish the importance of these business model elements. After discussing elements of turmoil, including a decline in sales, cuts in touring grants, and lack of artistic renewal, the authors discuss how the elements of the business model framework were adapted, such as pricing strategy, access options, and the artistic offering.

Following Poisson-de Haro & Montpetit, Coblenz, Normandin & Poisson-de Haro (2014) also used the same business model framework to discuss a case study on the Montreal Museum of Fine Arts. In visual arts, Moreau & Sagot-Duvauorux (2012) discuss the importance of applying innovation to the artistic business models and not just in the artistic process. Based on a survey of artists and art distributors, the authors define four business models for contemporary art, mostly based on the dichotomy of innovation vs. tradition and artwork vs. project as the main value proposition.

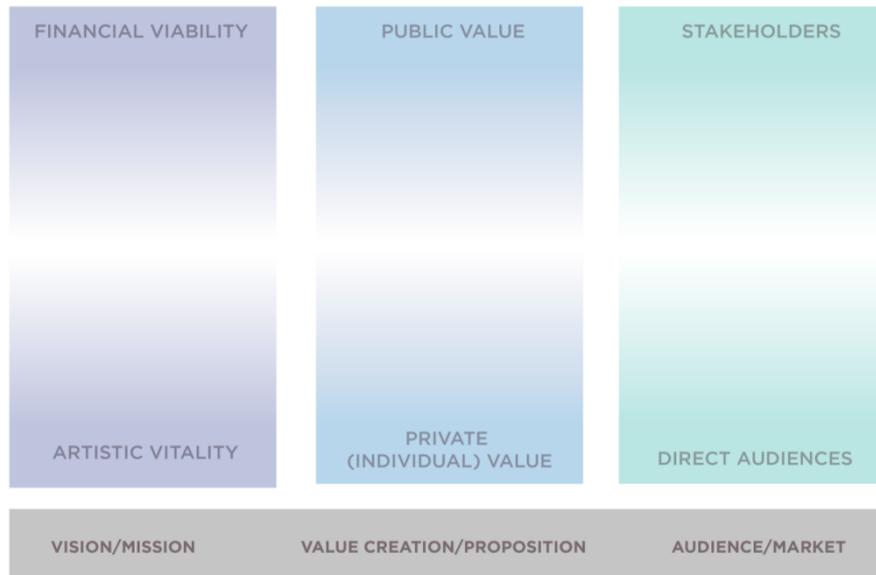
Beyond business model frameworks at the strategic level, the academic literature has elaborated on specific framework elements, such as sponsorship, stakeholder engagement, brand orientation, risk management, and performance measurement (Baumgarth, 2009, McNicholas, 2004). In fact, the performance measurement has become one of the most important issues in business model development. Gilhespy (1999) proposes a model for measuring performance in arts organizations. The author states the importance of a model that measures a wide range of strategic objectives, uses weighting methods, and combines elements of economy, efficiency, and equity. The model presents a matrix of multiple policy objectives that includes access, attendance and economy maximization, diversity, excellence, service quality, and social cohesion, among others. Gilhespy describes these objectives as strategic choices. The matrix model reflects the ability of organizations to choose among various interrelated combinations. Likewise, Chiaravalloti and Piber (2011) analyzed seven performance analysis models, including variables such as merit and objectives, access, support, quality, audience experience, and marketing. The authors discuss the ethical conflict of internal assessment when the goal of performance measurement is the accountability for grants.

Another model developed for arts organizations was created by Boorsma and Chiaravalloti (2010), who have adapted the Balanced Scorecard for the cultural sector. The adaptation is based on the framework that artists and arts organizations perform three kinds of artistic functions for three main stakeholder groups: customers, community, and professionals (Boorsma & Chiaravalloti, 2010, p. 304). Through this strategic triangle, the authors proposed a matrix of the four components of the Balanced Scorecard with these three artistic functions.

Finally, changes in the external environment have promoted the development of new business models for arts organizations. For example, Rushton (2014) discusses the model of hybrid organizations as a possible solution. This has been evident with the development of legal frameworks to promote this hybridity as L3C (Low-profit Limited Liability Company), a legal structure that promotes operating as a for-profit with a charitable purpose, but allowing access to funds from foundations as a 501(c)3. Rushton (2014) discusses some precautions that must be taken when using this legal structure, such as the tax benefits and governance issues to guarantee the social mission of the organizations. These constant evolution of models, legal structures and performance measurements, establish the importance of developing business model frameworks that address the complexities of non-profit arts organizations.

### **Three Foundational Pillars of Arts Business Model**

Based on the diverse literature on business model generation that the authors have reviewed so far, we have identified three foundational pillars that establish the key components, or building blocks, of a business model: Vision/Mission, Value Creation/Proposition, and Audience/Market. However, instead of standing separately, we see these pillars intertwine organically to support any business model. (See Figure 3.) We believe that these pillars will provide arts organizations and start-ups with a foundation to identify the multiple components in a business model framework to implement their strategic action.



**Figure 3. Three Foundational Pillars of Arts Business Model**

**Vision/Mission.** On this level, the people behind an arts organization or start-up need to understand, or convince themselves of their purpose of existing, considering the balance between the artistic vitality and financial viability. This dual modality of arts organizations has been discussed by many scholars in one way or the other (e.g., Ellmeier, 2003, Caust, 2008, Cray, Inglis, & Freeman, 2007, Soila-Wadman & Köping, 2009, Chang, 2011). This is more important when an arts organization is seeking public grants as Wyszomirski (2014) stated that the cultural policy evolution gradually shaped and institutionalized a triple-bottom line for its organizational grantees: financial sustainability, artistic vitality, and recognized public value. Note that the edges in each pillar do not suggest a dichotomous relationship. Among Wyszomirski's (2004) three bottom lines, the last one, public value, is considered in the following level, Value Creation/Proposition.

**Value Creation/Proposition.** This pillar presents the combination of intrinsic and instrumental values that organizations will create for the audience and market. One of the main challenges of arts and cultural organizations is the difficulty to measure performance, especially regarding the multiple dimensions of value generated. However, these multiple dimensions of value are the main differences of arts organizations from the general businesses, requiring proper attention when developing business models.

For Holden (2004), cultural value needs to become a key aspect of measuring performance, recognizing that statistics on audiences and revenues do not reflect their full impact. Measuring intrinsic value is another challenge of arts organizations. In recent years, an orientation to accountability has put some pressure in the cultural sector toward the instrumental value. While intrinsic value can include aesthetic and cultural value, some dimensions of instrumental value include educational, economic, and social value (Holden, 2004). According to Holden (2004), aesthetic value is a dimension of cultural value that deals with what is beautiful and the definition of who has to power and authority to define what is beautiful. For Throsby (2001), aesthetic value also deals with other characteristics besides beauty, such as harmony, form, style, fashion, and good or bad taste. Normally, it can be associated with other dimensions of cultural value as historical, spiritual, and symbolic value. Cultural value has been considered as a multidimensional concept that includes non-use values. Some examples of non-use values include the existence of a cultural facility and heritage, regardless of the intention to use them; optional value as the possibility of using cultural infrastructure in the future; and bequest value as the action of preserving and leaving something to future generations (Holden 2004, Frey, n.d).

In terms of instrumental value, the economic impact has been a dimension of great development in the last decade. International organizations such as the United Nations Conference on Trade and Development (UNCTAD), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the World Intellectual Property Organization (WIPO) have published multiple reports on the contribution of cultural and creative industries to economic development. The economic value of arts and culture can be established by their direct contribution to Gross Domestic Product (GDP), employment and exports, while the indirect impact includes innovation and internationalization (UNCTAD, 2010).

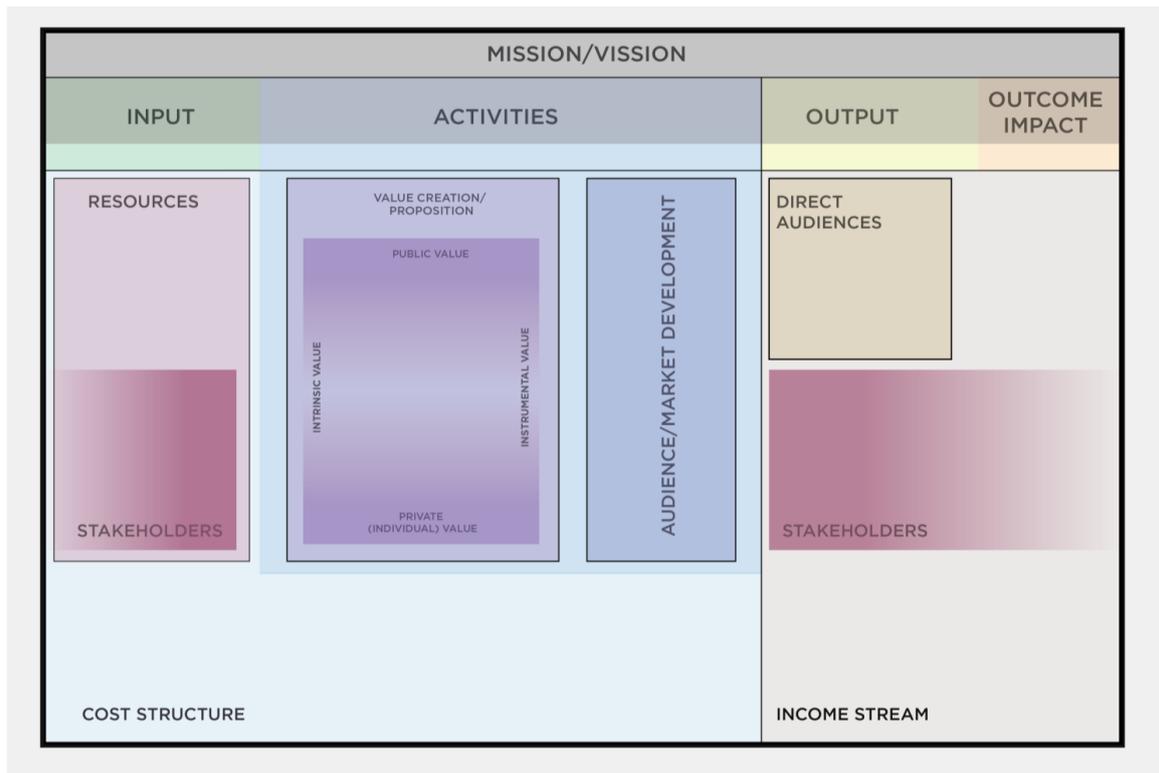
Two other dimensions of value generated by the arts and cultural sector are social and educational value. Social value has been defined by Throsby (2001) as “the sense of connection with others, and its contribution to a comprehension of the nature of society and the sense of identity and place” (p. 29). Finally, the arts have a direct relationship with educational value. Besides their impact through the regular curriculum, according to Zakaras and Lowell (2008), arts education is a key aspect of cultivating demand for the arts. The authors present four activities that promote involvement in the arts: capacity of aesthetic perception, the ability to create, the ability to interpret a work of art, and historical and cultural knowledge. Those learning activities contribute to audience development, one of the main challenges of arts organizations.

Another framework for understanding the multiple dimensions of intrinsic and instrumental value of the arts was elaborated in the RAND report *Gifts of the Muse: Reframing the Debate About the Benefits of the Arts* (McCarthy, Ondaatje, Zakaras & Brooks, 2004). The framework includes instrumental benefits of the arts, such as cognitive, attitudinal and behavioral, health, social, and economic. The framework also includes the element of establishing the difference between public and private benefits, considering a middle point of private benefits with public spillovers. In terms of the intrinsic benefits of the arts, the report establishes private benefits such as captivation and pleasure, private benefits with spillovers as the expanded capacity of empathy and cognitive growth, and public benefits, such as the creation of social bonds and the expression of communal meanings. This is especially true for arts organizations, as public arts agencies such as NEA encouraged instrumental arts activities that produce visible and recognized public benefits since the 1990’s (Wyszomirski, 2014). The Value Creation/Proposition pillar should address the magnitude of the value, balancing between private (individual), collective and public value.

**Audience/Market.** Finally, an organization needs to determine to whom they are creating value for. The reality of arts organizations is that they require a combination between direct audiences for their artistic work and stakeholders that support the organization, such as government, foundations, private businesses, etc. The combination of these two ends of the pillar will have great impact on both financial viability and artistic vitality, suggesting that the pillars are interconnected. When Johnson, Christensen, & Kagermann explored the issue of reinventing the business model in their 2008 article, they discussed when and how to come up with a new business model for the current business. The authors concluded that it is worth the effort only if the new model changes the market itself. Hence, we view the Audience/Market pillar as another important pillar to establish the key components or building blocks of a business model.

### **Arts Business Model Blueprint**

Based on the challenges presented by the Business Model Canvas and the Logic Model and establishing the three foundational pillars of an arts business, we propose Arts Business Model Blueprint, an adaptation and a reorganization of the models for the nonprofit arts businesses, especially start-ups. (See Figure 4.)



**Figure 4. Arts Business Model Blueprint**

The proposed blueprint recognized the importance of value-added in the Logic model, transforming inputs to outputs and to impact through activities. Above this process, the mission/vision is presented as the main moderator of the business model. One of the most important adaptations of the business model framework for arts organizations is the role of the stakeholders. Stakeholders are present at both ends of the framework. Most of the time, they are responsible for several aspects in the input side by providing resources to support the value proposition. At the same time, they become a segment of the target market that captures the value and impact created by arts organizations. Different to the direct audiences, the stakeholders also experience the outcomes of cultural activity in the medium and long-term.

Another aspect that the Arts Business Model Blueprint brings is that it considers the two different axes of the value proposition, which are individual/public and intrinsic/instrumental. In this sense, arts organizations and start-ups should design their value proposition based on a combination of intrinsic and instrumental values. The importance of presenting this clearly in the model could allow start-ups to define its value proposition strategically. The combination of these two axes, which encompass a variety of dimensions of the values that an arts organization provides, will influence the impact over audiences and stakeholders.

On the right side of Activities in the Arts Business Model Blueprint, Audience Market/Development is included as a key component. This component is more relevant for this kind of organizations because it transcends marketing activities as channels and customer relationships. While those activities are an integral part of audience development, this component includes the efforts of attracting new audiences and stakeholders (that is creating a market), through multiple and diverse actions.

The proposed framework includes the most important components as discussed by Morris, Schindehutte, and Allen (2005). According to these authors, the main four components are the value proposition, the customer, the internal processes, and how the firm makes money. In addition, the authors include a growth and time objective and a competitive strategy decision. Regarding this last

component, the justification is the importance of developing a sustainable marketplace position. In the case of an arts organization, in which sustainability could be cultivated through audience development, as described earlier. Therefore, it is important to establish the idea of a spiral to present the accumulative and incremental dimension of value creation in arts organizations. Some dimensions of the impact will be in the long-term, but this impact will become inputs in the future. This dynamic in the Arts Business Model Blueprint presents the importance of developing performance evaluation models that consider the incremental dynamic of the arts and the cultural business models.

## **Conclusion**

This paper proposes the Arts Business Model Blueprint that addresses the differences between arts organizations/start-ups and traditional businesses in other sectors. Through a literature review of business models, with authors' empirical experiences with the Logic Model and the Business Model Canvas, the authors established the main challenges of arts start-ups and organizations when applying these frameworks. Also, the authors discuss the importance of the multiple dimensions of value related to the arts, which should be considered in developing a business model generation framework.

We presented three foundational pillars of arts organizations which address different levels of significant consideration when establishing an arts business, including Vision/Mission, Value Creation/Proposition, and Audiences/Market. Arts organizations and start-ups need to address each pillar by combining aspects such as artistic vitality, financial viability, private, collective or public value, direct audiences, and stakeholders. Then, with the proposed Arts Business Model Blueprint, a business model with key components will be established. We also believe that the Arts Business Model Blueprint will be able to be used as a toolkit to facilitate the evaluation of any arts businesses by governments, foundations, and the private sector.

Therefore, future research needs to be done focusing on identifying the performance indicators of the key components of the Arts Business Model Blueprint. Further research is also needed to measure its applicability in the practice. We suggest that the Arts Business Model Blueprint could be tested in teaching scenarios related to arts management and entrepreneurship. Then, through direct observation and documentation of students' experiences, it is possible to establish if the framework addresses the main challenges of arts organizations and start-ups.

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