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**FROM COMMUNISM TO MARKET:  
BUSINESS MODELS AND GOVERNANCE IN HERITAGE CONSERVATION IN  
POLAND**

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## **FROM COMMUNISM TO MARKET:**

### **BUSINESS MODELS AND GOVERNANCE IN HERITAGE CONSERVATION IN POLAND**

#### **Abstract**

The paper focuses on the effect of business model and governance changes on conservation and access outcomes in three heritage sites in Poland: Ksiaz Castle, the Shrine of Our Lady of Grace Abbey and the Jelenia Gora Valley historic palaces. It argues that the interplay between business model and governance led by relevant political, administrative and economic changes has an impact on which historic buildings are conserved for future generations, in what form, and with which functions. Findings from the case studies allow us to design three ideal business models for the management of heritage sites. The paper also explores implications for management research regarding business model and public sector change.

**Keywords:** governance, business model, heritage conservation, Poland, decentralization

#### **1. INTRODUCTION**

Historic buildings and sites are constitutive elements of urban and rural landscapes, places of identity, and drivers of economic development. As an area of research, heritage has increasingly attracted the interest of management and accounting scholars, who use the field to study public sector change (Ferri and Zan 2017; Bonini Baraldi 2014; Lusiani and Zan 2010), performance measurement (Abdullah, Khadaroo, and Napier 2018; Donovan and O'Brien 2014; Manes Rossi et al. 2018), and accountability related issues (Ellwood and Greenwood 2014; Hooper, Kearins, and Green 2005). While there is a shared agreement on the importance of preserving heritage assets for future generations (ICOMOS Australia 2013) – which explains the considerable financial support they have traditionally received

from the State (Benhamou 2003) – public sector budget cuts push cultural institutions, local governments and private citizens to find alternative ways to fund conservation projects (Jones, Lorenzen, and Sapsed 2015). This diversification of revenue streams comes with implications.

In this paper we explore how different business models and distinct governance arrangements affect outcomes in terms of what is conserved, and the degree of accessibility to the public. We define business model as a representation of how organizations develop their activities and competences to match customers' needs in order to be financially viable (Baden-Fuller and Morgan 2010; Shafer et al. 2005; Teece 2010); and governance arrangements as the way the interests and roles of public, private and non-profit sectors are integrated and coordinated following processes of state withdrawal (Rhodes 1996, 2007). Our main argument is that the interplay between business model and governance within privatization and decentralization processes affects choices about which historic buildings in a country are conserved for future generations, in what forms, and with which functions. We investigate this tension by comparing three cases of conservation in the Polish region of Lower Silesia, namely Ksiaz Castle, the Shrine of Our Lady of Grace Abbey, and the historic palaces located in Jelenia Gora Valley.

Part of the German territory until 1944, Lower Silesia became a Polish region after the Second World War, and allowed a strong Russian military presence. Between 1945 and 1952, a mass expulsion of Germans (also known as *Vertreibung*) took place across all Eastern Europe; one fourth of Germans expelled from this area were from Silesia (about 4.5 million people). Some were pushed west, into Germany; others went east, and were used as forced labor in Russia (Jefferson 2016). In parallel, Lower Silesia was re-populated with people from eastern border of Poland. After 1989 the Region was eventually left by the Red Army, and many aristocratic German families returned to the land previously inhabited by their ancestors in order to reconnect with their family memories. Today, with 8,173 sites recorded in the official Polish list of immovable heritage in 2013 (out of a total of 66,424), Lower

Silesia is the richest region in the country in terms of tangible cultural assets and one of the major tourist destinations in Poland.

Eastern European countries like Poland are seldom discussed in international literature about business model change, governance, and, to a lesser extent, heritage. This is surprising, as these three issues have shifted from being marginal to central, following one of the major events of the 20<sup>th</sup> century: the fall of communism. In fact, in planned economies like Poland before 1989, the idea of business models was unnecessary to understand economic matters. As Teece (2010, 175) puts it, “[under central planning] there is no problem associated with producers capturing value because value doesn’t even have to be captured; the state decides what and how to produce, and how to pay for it all”. This has changed dramatically with the transition towards a market economy, entailing massive privatization, deregulation, and stabilization policies. Quite paradoxically for a country where the opposition to communism was led by a labor union (Solidarność), policies aiming to increase competition, break down monopolies and foster the inflow of foreign capital were introduced rapidly at the beginning of the 1990s, and continued to reinvigorate the processes of ‘Europization’.

Similarly, discussing governance in Poland before 1989 would have been fruitless. Under communism, the only possible governance solution was the hierarchy within the central state, given the absence of any administrative autonomy at lower levels and the impossibility of private initiative. Following the fall of communism, self-governing communes that dated back to the 13<sup>th</sup> century were reactivated after their suspension during the German occupation (1939–1945) and the communist regime (1947–1989) (Regulski 2003). This led to the re-organization of the public administration into regions, districts and communes, with the decentralization of tasks, responsibilities and ownership. Hence, in the last 25 years, administrative decentralization and privatization have placed governance-related issues, such as how to divide and integrate roles and activities, back on center stage.

What heritage is, and who and how should manage culture, have been widely re-debated since the fall of communism (Iczuk and Nowak 2012). During communism, the notion of ‘heritage’ referred to monuments celebrating progress towards a socialist society, but since the 1990s, the concept has been linked to national identity, which includes by definition a consideration of Catholicism (Davies 2001), thus re-defining what is worth conserving (and what is not).

Moving from these broad considerations, our research focuses on the implication of changes in governance and business model on outcomes (conservation and access) in three heritage sites in Poland. The remainder of the paper is organized as follows. First, we further describe the key concepts of governance, business model, and outcomes, paying particular attention to the specificities of the cultural sector. After the methodological section, we present an in-depth analysis of the three case studies. In the discussion section, the case studies are compared, highlighting common trends and criticalities, and allowing the emergence of three distinct business model ideal-types for heritage management, each bearing distinctive implications in terms of what is conserved, how and for whom: *heritage reserve*, *theme park*, and *adaptive reuse*. Concluding observations highlight how the study complements the current understanding of cultural sector change in Eastern European countries, and give suggestions for advancing the study of business models in the heritage field and in the public sector more in general.

## **2. ANALYTICAL FRAMEWORK**

The analytical framework proposed is based on three elements: governance, business model and outcomes.

### **Governance**

In this paper, we draw on a view of governance as a process of “governing with and through networks” (Rhodes 2007, 1246). Originating in political science, this approach is connected to the transformation of the role of the state, and the emerging role of the private and the voluntary sector (through decentralization, devolution, privatization, outsourcing and the like), eradicating its meaning in the widely acknowledged distinction between market, hierarchy and networks.<sup>1</sup>

Within public management studies, several scholars have shown how recent decentralization and privatization measures challenge the traditional role of the state, opening up to new configurations of actors involved in the provision of public services (Pollitt and Bouckaert 2017). Moving from traditional New Public Management concepts – such as the separation between purchaser and provider (Hood 1995), public-private partnerships (Bovaird and Tizzan 2009), and quasi-markets (Le Grand and Bartlett 1993) – a huge field of literature on networks (Castells 2010, for an overview see also Klijn 2005 and Agranoff 2007) and governance (Pierre 2000; Hirst 2000; Rhodes 2007; Osborne 2010) has emerged. This literature stresses a move away from traditional hierarchical forms of organization in favor of a more heterogeneous and participatory system.

In our paper, we try to understand the effects of the rethinking the role of the state on the way in which different actors are involved in heritage conservation and management. Specifically, this means mapping all *actors* involved at each heritage site, and understanding their *role* (as owners, managers,

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<sup>1</sup> Corporate management studies take a different approach, defining governance mainly as “the organization of the relationship between the owners and managers of a corporation” (Center of European Policy Studies, 1995, V), with the objective of protecting the interests of all stakeholders (Bhimani 2008). Notions of accountability and control are stressed, emphasizing the role of management and board structure in business contexts (Gillan 2006). Here again the concepts of market, hierarchy and networks enter into play, but with a stricter focus on how activities are actually organized in order to minimize transaction costs (Williamson 1979; Langfield-Smith 2008).

controlling bodies and the like) within networks, in order to better comprehend business model choices and outcomes.

### **Business model**

The concept of a business model refers to the representation of how an entity is organized internally in terms of key activities and competences to meet the need of external constituencies like customer segments with the aim of achieving financial sustainability (Baden-Fuller and Mangematin 2013; Shafer et al. 2005; Teece 2010; Osterwalder and Pigneur 2010).

Financial sustainability is a major issue in heritage conservation processes (Zan et al. 2015). While prior studies on business model emphasize pricing, timing and methods for collecting revenues (Baden-Fuller and Mangematin 2013), in the field of heritage a more basic (yet often forgotten) distinction between *capital and operating revenues* is useful. The former is crucial to restoring and preserving heritage buildings. To echo economic jargon, this work is a “conservation gap” that needs to be filled through capital investments. On the other hand, operating revenues become important in keeping buildings open and “alive” with activities once the conservation gap has been filled, hence preventing them from becoming dilapidated once more. Operating revenues can come from grants, tickets, provision of services such as hospitality or a combination of these (Jones, Lorenzen and Sapsed 2015).

How capital is raised and what the sources of current revenues are imply fundamentally a different set of *key activities and related competences* (Zott and Amit, 2010) with different relationship with the *users*, which might be interested in different things such as cultural enrichment, events, or leisure. In the heritage sector, key activities include preservation, conservation, research and access to the public (Zan 2002; Zan and Bonini Baraldi 2013). However, administering a site requires additional competences including fundraising, marketing, human resource management, project management,

budgeting, and reporting and control. These factors are also shaped by governance (Lusiani and Zan 2015), as conservation initiatives are traditionally intertwined with public administration (with the exception of countries like the USA [Ferri and Zan 2015]). This introduces public sector approaches to administrative procedures, as well as the availability of resources, which can enable or limit the range of alternatives within each business model component (for instance sites managers often have limited degrees of freedom in setting ticket prices).

## **Outcomes**

Outcomes in the heritage field can be difficult to define and capture. However, the international debate tends to stress two major and possibly conflicting areas of results: conservation and access. *Conservation* is defined as “all the processes of looking after a place so as to retain its cultural significance” (ICOMOS Australia 2013, 2). It raises the issues of what is conserved and how. The basic international principles guiding heritage conservation were established more than 40 years ago in the so-called Venice Charter (Petzet 2004). According to these principles, “a monument is inseparable from the history to which it bears witness”, and we need to preserve all its components “in the full richness of their authenticity” (ICOMOS 1965, 1; for an overview of conservation principles see ICOMOS 2004). The issue of *access* appears only later: the International Cultural Tourism Charter<sup>2</sup> explicitly states that “physical, intellectual and/or emotive access to heritage and cultural development is both a right and a privilege” (ICOMOS 1999, 1).

Issues like conservation and access are strongly dependent on the “contemporary uses of the past” (Ashworth and Tunbridge 1999, 105), which are the visible manifestation of the functions heritage objects serve for society. More specifically, for Zan and Yu (2018, 242), heritage areas can be

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<sup>2</sup> This was signed in Mexico in 1999 with the aim to “facilitate and encourage those involved with heritage conservation and management to make the significance of that heritage accessible to the host community and visitors”.

used as “cultural heritage”, meaning for research and education purpose, as sites for “visits” or for “other activities”, such as hospitality and commercial-related purposes (see also Avrami, Mason, and de la Torre 2000 and de la Torre 2013). Figure 1 shows Zan and Yu’s (2018) visual representation of the different uses of heritage, which may happen at the same time and give rise to site-specific conflicts or trade offs.

(Figure 1)

The contemporary uses of heritage are the result of social processes specific to times and places (Avrami, Mason, and de la Torre 2000). Indeed, as Smith (2006, 11) puts it, heritage is not a collection of things, but “a process, or a performance, in which we identify the values, memories and cultural and social meanings”. Heritage is often politicized and contested, and its conservation is not a neutral practice (see for instance MacDonald 2009 and 2016 on “difficult heritage”). This is particularly relevant in a context like Poland, where heritage discourses involve “a rejection of many aspects of an immediate past, a resuscitation of other, previously suppressed pasts and a reconstruction of a new past in the service of the newly envisaged futures” (Ashworth and Tunbridge 1999, 105). According to the same authors, this process is not unproblematic, as it raises issues of what to do with monuments celebrating the recent past (communism), or with heritage that is out of keeping with narratives of national identity (i.e. Romani, Jew, or German heritage).

Placing conservation and access in their time and space means understanding the meanings and uses of heritage, the degree of consistency of activities, competences, and revenue streams, and how governance choices facilitate or hinder certain business models. We will return to this after the methodological section.

### **3. METHODOLOGY**

From a methodological point of view, the paper can be positioned within so-called “intensive research”. As opposed to “extensive research” (King, Keohane, and Verba 1994), the former focuses on in-depth examination of a limited number of cases to grasp the intrinsic complexity of political and social phenomena (Brady and Collier 2004; Hall 2003), including those related to administrative reforms (Eppel 2017). Those approaches prefer qualitative methodologies over statistical analysis, often using case studies (Gerring 2007) to foster learning and the transfer of innovation between different contexts (Barzelay 2003; Di Mascio and Natalini 2018).

Our three cases are built on qualitative evidence (i.e. documents, interviews and observation) collected during two field visits to Lower Silesia (Poland). The first field visit (September 2013) was for exploratory purposes, aimed at understanding the main actors involved in heritage conservation in Lower Silesia and selecting case studies. In this phase, we were assisted by a key informant, an assistant professor of public administration at Wroclaw University. He organized an initial meeting with public sector officers who presented us the relevant heritage-related legislation and funding mechanisms for conservation in Lower Silesia. The officers suggested that we focus our attention on three of the most important conservation initiatives in the Lower Silesia region, which were, according to them, also examples of best practice: Ksiaz Castle, the Shrine of Our Lady of Grace Abbey, and the Jelenia Gora Valley historic palaces.

Following this suggestion, we conducted additional research meetings at the three sites, each involving the key informant and actors involved in the conservation and management of these historic sites (meetings’ participants are listed in the upper part of Appendix 1). The meetings were not recorded; however, one of the authors took extensive notes. The key informant provided simultaneous translations when the meetings’ participants did not speak English or Italian. Besides, his support was

crucial to familiarize with the context. Thanks to these initial meetings, we realized that the three sites shared a similar transition from a situation of decay before the fall of communism to improved conservation in recent years, although with some differences. The conservation process entailed different combinations of governance and business models (more on this in the case-by-case description), thus making the three case studies particularly suitable for our analysis (Eisenhardt and Graebner 2007).

The second phase of data collection (March 2014) focused explicitly on these three experiences. We conducted a total of 20 semi-structured interviews aimed at understanding the transformation of the three sites over time, both in terms of conservation process and the current activities performed (see the bottom part of Appendix 1). All interviews were recorded in this phase. They lasted an average of 1 hour and 40 minutes, for a total of 33 hours. A Polish-English interpreter assisted us in four instances.

In parallel, we collected books and promotional material, which helped us to understand the history of the buildings/sites, the functions they had in the past, and the ones they perform now. Some interviewees showed us internal documentation during the interview to recall the exact chronology of specific events or to illustrate quantitative data – i.e. human and financial resources. Despite being in Polish, we collected those documents to check the original Polish names of people, places or legal entities, and triangulate numbers when needed (see Appendix 2). Extensive observation during site visits, videos, and photos also helped us see the physical transformation experienced by the buildings.

The first step of our analysis required drafting a detailed chronology for each site. Milestones consisted of the main transformations in the physical features of the buildings and changes in terms of ownership and management since the creation of the buildings. Next, we explored the major components of the current business model. Finally, for each site we focused on outcomes, including the current state of conservation and accessibility. The key findings of our analysis are detailed and discussed in the next sections.

## 4. FINDINGS

### 4.1 Ksiaz Castle

Ksiaz Castle is an impressive historical site originally built between 1288 and 1292 on the hills surrounding the city of Wazbrzych.<sup>3</sup> Once the private residence of an aristocratic German family, the castle was nationalized by the Germans during World War II, with a plan to transform it into one of Hitler's headquarters (Kulaga 2001). During the war, the Nazis built a system of tunnels underneath the castle, whose purpose is still obscure. After the end of the war, the castle became a base for the Red army. Ownership passed to the Polish state, which used it firstly as a military station, then as the headquarters of the Sudety Agricultural-Industrial Union, and lastly as office space for the Tourism and Service-Oriented Enterprise (Kulaga 2001). These uses seriously compromised the state of conservation of the castle, which by the beginning of the 1990s was in serious need of restoration. After the fall of communism in 1991, the municipality of Wazbrzych started a massive program of investment aimed at recovering the buildings, and turned the castle into one of the region's main tourist attractions (see Figure 2).

(Figure 2)

### *Governance*

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<sup>3</sup> For a short video on the castle, see <https://www.youtube.com/watch?v=EjgQiUTd468> (accessed 7 June 2018). For additional information see also the castle's official website [https://www.ksiazcastle.com/2/Ksiaz\\_Castle](https://www.ksiazcastle.com/2/Ksiaz_Castle) (accessed 7 June 2018).

Today, a heterogeneous network of actors is involved in the castle's life. Starting from 1991, ownership was transferred from the state to the Wazbrzych Municipality<sup>4</sup>, within the overall decentralization process following the fall of communism (Regulski 2003). The municipality established a Limited Liability Company (*Spółka z ograniczoną odpowiedzialnością*) to run the castle, later specifying that its profit had to be totally reinvested in the company itself (and not retained by the Municipality), this being an issue that was left ambiguous at the moment of its creation. Three contracts currently govern relations between the municipality (the purchaser) and the company (the provider): a leasing contract for the first and second floors of the upper castle and the lower castle; a rent contract for the third floor; and a management contract for the palm house. While the company is responsible for overall castle activities and economic results, the municipality maintains the power to direct and control: the three-member board is nominated by the city mayor, and the CEO – selected through an open competition by the board itself – reports to the board and the city mayor on both investment choices and financial results. Conservation plans are approved by the regional conservation office, a public agency which can approve or reject submissions, or request modifications. According to our sources, no serious conflicts have ever emerged with the conservation office, which has generally agreed on all conservation plans proposed.

### *Business model*

The castle's revenue streams are mostly based on income from visitors and commercial activities, such as location rent, conferences and events organization. When we asked Ksiaz's director what the status of the castle was (meaning the formal recognition of the castle within the Polish heritage protection system), his answer was unequivocal: "It's a tourist facility!" The same director – the former CEO of an industrial park, with a managerial background – maintained: "My task is to find money to operate,

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<sup>4</sup> With the exception of the stable and the forest, which are still owned by the state.

look for grants and increase the number of visitors”. As an illustration, ticket income increased from about €300,000 to €950,000 between 2005 and 2013, driving the growth of net operating profit from €72,000 to €127,000 in the same years (see Table 1). The strategy involves hosting events (such as festivals, concerts, weddings, conferences, carnival balls, for a total of 176 initiatives in 2013), and promoting the site on television and in newspapers.

Key activities and competences are consistent with this broad orientation. Event organization, marketing and fundraising competences are well covered, but none of the 46 employees are defined as curator or art historian. Exhibitions and other cultural activities are very rare; no budget is allocated in a fixed percentage to new acquisitions, and no research activity is carried out by the castle’s administration.

In terms of capital investment, the fact that the castle is not included in the more prestigious presidential list of “monuments of history” explains the lack of financial support from the state, and the consequent need for the municipality to fill the conservation gap. In specific cases, renovation works may also be funded through EU funds (this is the case of the renovations on the third floor), or sought through private investment, as in the plans for the fourth and fifth floor.

(Table 1)

### *Outcomes*

With more than 200,000 visitors a year, the castle is one of the region’s major attractions. Currently, visitors can access the castle’s tower, 12 terraces, part of the Nazi tunnels, the palm house, the stable, the park, and two out of the five floors of the upper castle, where some copies of the original furniture can be found (the original ones were sold or plundered). Several tourist services have also been established, and today the complex hosts three hotels, a restaurant, a café and a gift shop. While the

exterior of the castle building has been somewhat preserved, the interior has mostly been re-adapted to host the Castle's offices, conferences or private-commercial events – often limiting access for the general public. Rather than being a historical object to be researched, discussed and communicated, Ksiaz Castle is interpreted as a sort picturesque container that can host different entertainment and profit-orientated content. The reasons for this are twofold. First, as described above, changes in governance and lack of public funding have fostered a business model focused on income-generating activities. Second, Ksiaz castle has a problematic relationship with the overall discourse on heritage in Poland. The building reflects, in fact, the splendor of German (not Polish) aristocracy, and the tunnels were excavated by the Nazi using forced labor (mainly Jews and war prisoners from the nearby Gross-Rosen concentration camp). Besides, as the director of the Castle referred us, “the relationship between locals and the Castle is a weird: especially at the beginning of our management they saw it as a giant and scary object. Even today, sometimes, when someone visit them, they bring them here, they buy tickets for them, and wait outside”. Judging the current situation at the castle is thus not straightforward. On the one hand, extreme commercialisation prevents discussion of alternative, more “difficult” meanings to emerge, and on the other, it could slowly foster a process of re-appropriation of the space by locals.

## **4.2 Shrine of Our Lady of Grace Abbey**

The Shrine of Our Lady of Grace Abbey complex consists of St Mary's Church, St Joseph's Church, a mausoleum, a tower and an ecclesiastic museum (see Figure 3).<sup>5</sup> Founded in the 13th century, the abbey was the largest Cistercian monastery in Europe until the end of the 18th century (Prociak 2013).

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<sup>5</sup> For more information about the abbey, see <http://www.zabytkidiecezjilegnickiej.pl/index.php/en/diocese/southern-route/item/87-dawny-ko%C5%9Bci%C3%B3%C5%82-klasztorny-cysters%C3%B3w-obecnie-parafia-wniebowzi%C4%99cia-nmp-w-krzeszowie> (accessed 7 June 2018).

When Prussia took over Silesia, the abbey was closed and in 1810 it was dispossessed of its estates. Czech Benedictines settled in the monastery after World War I. However, in 1940 the Nazis seized the monastery and used its premises firstly as a camp for displaced persons, and later as an arts storehouse. After World War II, Benedictine nuns from Ukraine settled at the monastery (Prociak 2013). In the following 47 years, with the country under communist rule, the structures decayed dramatically.

(Figure 3)

### *Governance*

The abbey's "new life" commenced when the new Diocese of Legnica was formed in 1992. A diocese is a territorial administrative unit of the Catholic Church. It is headed by a bishop who enforces catechetical, economic and administrative control over the parishes included within its territory. In Legnica, the diocese not only managed the abbey's ordinary activities, but also fostered its recovery and development. Thanks to the entrepreneurial attitude of the diocese chancellor, EU funding opportunities were successfully used to finance an impressive conservation program, with the permission of the regional conservation office. The day-to-day management of the abbey, including masses and other religious, cultural or commercial initiatives, is the responsibility of the parish of Krzeszów, under strict control of the diocese. To ensure the effective management of commercial activities, the parish – at the initiative of the diocese – established a specific unit with seven permanent employees (including a director) and a few additional temporary workers during high season. Here again, a network of actors emerges, yet it is governed more through hierarchical relationships than through market contracts (as it was for the Castle).

### *Business model*

The parish of Krzeszów has developed a model of self-sufficiency based on donations from the religious community (about €50,000, or 20 per cent of the total revenues in 2013) and from tourist services (about €185,000, or 74 per cent of the total), with an annual inflow of about €250,000 in 2013. Current resources are sufficient to cover expenses and break even (there was a €140 surplus in 2013).

The major customer group of the abbey includes pilgrims from Poland and abroad. The services offered are those typical of a religious organization (ceremonies, commemorations, religious festivities), coupled with commercial services (ticket office, an audio guide service, a restaurant and a small shop). Consistently, crucial competences involve faith-related activities (the parish employs four priests). To attract EU funds for restoration works, a fundraising office was also created within the diocese, directed by a former bank manager with the support of two specialized collaborators. The development of in-house competences in project management proved successful also in terms of revenue streams: after Poland joined the EU, the conservation process improved dramatically, with a total of €10.6 million invested over six years (of which around 78 per cent came from the EU and the rest from the diocese).

### *Outcomes*

Currently the abbey is one of the most well-preserved heritage complexes in the area, including both the exterior and interior – which are widely accessible. European funds were also invested in audio guides, promotional materials, and the creation of a conference room, as a *sine qua non* of the overall grants. In terms of access, thanks to an effective communication program, today the abbey is one of the most important destinations for religious tourism in Central Europe, with around 120,000 visitors in 2013. However, the physical conservation and tourism promotion of the abbey cannot be detached from its religious meaning. Thus, the transformation of the abbey into a tourist attraction and the expansion of its cultural services went hand in hand with the conservation of the structures of the abbey, while

preserving its history and original function. Given the centrality of Catholicism in Polish society, it is possible to imagine that, if ever proposed, any use unrelated to religious purposes would be strongly resisted. This contrasts with Kzias, where actual changes to the function and commercialization were largely accepted, if not openly welcomed.

### 4.3 Jelenia Gora Valley

The Jelenia Gora valley is dotted with around 44 aristocratic palaces from various historical periods (see Figure 4), mostly belonging to German aristocrats until World War II (when the region was part of Germany).<sup>6</sup> As tangible evidence of the power of the German aristocracy, the Jelenia Gora valley palaces were nationalized by the Polish state and largely neglected, vandalized or used improperly during communism. The most important, Wojanow Palace – the former royal Prussian summer residence in the valley dating back to the 13<sup>th</sup> century – was plundered and used as an administrative building by its Polish owners, and more recently was completely abandoned (see Figure 5).

Myslakowice Palace, one of the most well-known Prussian palaces in the valley, was first occupied by the Red Army, then, in 1951, used as school by the Polish state, which completely destroyed its interior. After the fall of communism in 1989, some palaces started to be recovered and rediscovered.

(Figure 4)

(Figure 5)

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<sup>6</sup> For an introductory video to Jelenia Gora, see <https://www.youtube.com/watch?v=5Zhzx1hjWCY> (from 5:57 to 6:45 for the palaces –accessed 7 June 2018).

### *Governance*

Since the 1990s, the Polish state has started a massive process of devolution and privatization of the Jelenia Gora palaces and castles,<sup>7</sup> resulting in a multifaceted network of actors including the descendants of former German owners, wealthy Polish citizens, private companies, not-for-profit organizations and public bodies. Today, 23 of the 44 palaces and castles belong to private owners, 19 are in public hands (municipalities, state agencies, university) and the remaining two are owned by non-profit entities. The power to control conservation projects initiated by private parties is the legal responsibility of the regional conservation office. In 2005, a few palace owners created a non-profit foundation (*Fundacja Doliny*) with the aim of promoting the overall palace system through advertising, event organization and more general awareness raising on the cultural and historical value of the area. Thanks to the efforts of the foundation, a specific geographical area within the overall valley (including 11 palaces and parks), was included in 2011 in the national historic monuments list (*pomnik historii*). Following this remarkable success, the foundation is now preparing the application to register the valley in the UNESCO list.

### *Business model*

Among the 44 palaces, 11 have been completely restored and re-purposed as hotels (see table 2). They are all owned by private proprietors, who funded conservation activities on their own initiative<sup>8</sup>: none of the owners interviewed maintained that they have received significant financial aid from the state or

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<sup>7</sup>A specific state agency, the Agricultural Property Agency (*Agencja Nieruchomości Rolnych*), has been entrusted since the 1990s to sell historical palaces to private investors.

<sup>8</sup> An additional palace, Chojinik Castle, hosts tourism related activities and it is owned by a public entity (the Polish tourism organization). Chojinik Castle, however, has not been restored in recent times and presents today serious problems in terms of conservation.

the local government to cover restoration expenses. The main source of current revenue is hospitality (hotels' customers are usually willing to pay a premium for the beauty of the scenery, and for services including spas and gourmet restaurants) and their major customer group is national and international tourism. Accordingly, key activities and competences are mainly hospitality related. These are sometimes complemented by cultural events such as concerts or exhibitions, aimed at conveying the cultural value of the palaces to a wider audience, sometimes with the aid of the *Fundacja Doliny*.

Among the remaining 12 privately owned palaces, eight are used as private residences. Although their state of conservation is not excellent, the recent conversion to private residences has required at least a basic investment in restoration<sup>9</sup>.

Out of the 19 publicly owned palaces, only seven are currently used, and host different public services inherited from the communist period. Given the public nature of the services offered, current activities are mainly financed thanks to state or local government funding. None of those palaces has undergone restoration, and we are not aware of any public sector plan to partially or totally restore them.

Overall, eighteen palaces are still not used. Only one of them (owned by a not for profit organization<sup>10</sup>) has been completely restored, while two (owned by a private proprietor and a not for profit organization<sup>11</sup>) show an average state of conservation. Their use is currently under discussion. The remaining 15 – mostly publicly owned – are totally ruined. (see Table 2).

(Table 2)

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<sup>9</sup> Apart from Mniszków Dwor manor - which shows good physical conditions - and Maciejowiec palace - which is partially ruined – all palaces used as private residence are today in average conditions (see table 2).

<sup>10</sup> The *Fundacja Kutury Ekologicznej*.

<sup>11</sup> The *Fundacja Zamek Chudow*

## *Outcomes*

Today, the Jelenia Gora Valley is one of the most popular areas in Poland, offering mountain sports and wellness centres, as well as a fascinating network of historical palaces. The conservation and re-purposing of the palaces is strongly related to private initiative. Without it, there would be 44 dilapidated palaces. Leaving conservation and access to private interests has, however, specific implications. First, in the current system, conservation efforts focus almost solely on palaces that are not too dilapidated, thus representing a potentially sound investment for private owners. The result is that palaces in very poor condition are less likely to be purchased and restored. This means that their conservation and accessibility are seriously compromised both for present and future generations. Second, since conservation goes hand in hand with adaptive re-use of buildings as hotels or private residences, the shape of the buildings and the materials used frequently differ from the original ones to accommodate new owners' needs (it is also true that the palaces still owned by the state are in no better condition). Third, access to the palaces is restricted to hotels' customers or private owners (according to the legislation there is no obligation for the owners to ensure open access to their properties), although some hotel owners open them to the public (paying guests or free daily visitors) through specific cultural initiatives. However, these events have no strict relationship to the turbulent history of the palaces. In other words, they mainly foster a differentiation advantage *vis a vis* other hotels in the region, rather than as a mean to reflect on the past. Finally, private initiative is not free from risks, especially when coupled with the inability of the public administration and the legal framework to counterbalance and steer private efforts. As it emerged during the interview with a *Fundacja Doliny* manager in fact, although according to Polish law whoever is interested in buying historical assets should provide a plan for preservation, the State has no power to intervene if the plan is not implemented (it cannot "re-nationalize" the asset, nor impose any action).

It would be reductive, however, to explain the scarce interest of public bodies in the palaces as only a matter of lack of resources. Alternative uses of heritage – as hotels, private residences, or other services – are, in our view, legitimized by the fact that the Jelenia Gora palaces are a source of identity mainly for the German descendants who are buying back these buildings. For the population of the area, which hails from the eastern border of Poland, they do not serve any specific identity-related purpose. As a consequence, and similar to Ksiaz, the fact these specific heritage objects are primarily economic or productive assets is largely accepted.

## **5. DISCUSSION**

Conservation aims to transmit the significance of cultural heritage to “present and future generations in accordance with the principle of inter-generational equity” (ICOMOS Australia 2013). In public and cultural economics, this approach has led to defining cultural heritage as “merit goods” (if not pure “public goods” [Benhamou 2003]), meaning goods or services that should be provided to society for their intrinsic value, independent of the individuals’ ability to pay. As Benhamou (2003, 257) states, “These characteristics constitute a strong argument for public funding in order to correct market failure, and for the impossibility of grounding the choice of preservation solely on market forces”.

Findings related to the three Lower Silesian cases, however, show a different trend, where in order to take place, conservation requires self-generated revenue (both through fundraising and market-related activities) and an entrepreneurial attitude. Two governance-related elements are important here. First, due to the decentralization process, the Polish state has gradually abandoned actual ownership of many properties – including cultural heritage – in favor of the local government or private parties. Second, this has gone hand in hand with the withdrawal of the state from a wider coordination role, including professional control and financial support for heritage conservation, allowing the emergence of a more heterogeneous network of actors. At Ksiaz Castle, the relationship between the municipality

and the company is governed through specific market contracts and tight control mechanisms, but it is more oriented to financial control than cultural or professional issues. Conservation in Jelenia Gora Valley takes place thanks to a network of actors from which the state (central or local) is absent: conservation initiatives are undertaken by a small number of economically powerful players who pursue mostly commercial aims. At the abbey, the governance structure seems to reflect a hierarchical model within the Catholic Church itself, where the public sector is not involved. The Polish state has not provided financial support for conservation projects in any of the three cases.

Given the lack of public funds and support, the new actors responsible for heritage have developed distinct business models to ensure the economic sustainability of heritage buildings, with different implications for conservation (what is conserved and how) and accessibility. Using the case studies, three ideal business models for heritage conservation can be developed. While none of the case studies matches the ideal-types perfectly, we believe the models still provide a useful analytical key to make sense of these and other sites synthetically.

Ksiaz Castle today employs mostly what we call a *theme-park business model*. This model aims at increasing the site's self-generated revenues through ticketing or events and puts at a central stage activities and competences relating to marketing and promotion. Within a theme-park business model, heritage-related meanings are enhanced (and – in our case – rediscovered), but become instrumental to a wide range of leisure activities. By comparison, although the abbey integrates some features of the theme park business model, it is closer to what we call a *heritage reserve business model*. Within this model the development of commercial activities can contribute to the overall economic sustainability of the site, but taxpayers' money (or donations in the distinctive case of the abbey) remains crucial to cover the conservation gap and current expenses. Unlike the theme park, conservation in a heritage reserve business model is not necessarily instrumental to commercialisation, but is part of an overall

process of elaboration, research and promotion of the cultural characteristics of the site, both in its tangible and intangible (spiritual in this case) elements.

The case of Jelenia Gora demonstrates an *adaptive reuse business model*. In this model, heritage conservation is funded by changing site functions to obtain spaces for commercial activities – hotels in this case – or private residences. Within this business model heritage-related meanings are exploited mainly as potential source of differentiation towards competitors (other hotels or other areas, within territorial marketing strategies). Adaptive reuse is feasible when heritage is not too dilapidated and/or remote, thus representing a potentially sound investment for private actors. The presence of private funding is, in fact, crucial in this model, thus marking a difference with the heritage reserve one.

Since each site incorporates the features of more than one ideal business model, the main issue becomes understanding complementarities or substitution risks when business models are combined (Sabatier et al., 2010; Casadesus-Masanell and Tarzijan 2012; Aversa, Furnari, and Haefliger 2015). For instance, the abbey supports spiritual activities through commercial revenue streams, without apparent interference between the two. On the other hand, Ksiaz Castle administration is considering joining the list of UNESCO World Heritage sites, thus enhancing its cultural relevance, while also looking for an investor to open a five-star hotel on the 4<sup>th</sup> and 5<sup>th</sup> floors to exploit the castle's commercial potential even further. In our view, these two goals and related activities are substitutes, which makes trade-off attempts quite difficult to achieve given the distance between the two alternatives.

Figure 6 sums up our findings, plotting the three cases according to Zan and Yu's (2018) framework, highlighting the site's position in terms of uses before and after communism (i.e. prior to 1991).<sup>12</sup>

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<sup>12</sup> For the Jelenia Gora palaces hosting public services or having no use (see table 2) the situation "after" is very similar to the situation "before".

(Figure 6)

The analysis presented in Figure 6 allows three main comments. First, the figure shows the way in which the communist regime was able to radically impoverish the meanings of the three sites, collapsing the richness of space into the bottom right vertex (see the position of the three sites “before”). With the end of communist regime, all three sites moved towards the upper vertex. This transition reflected the renovated centrality of heritage-related meanings in Poland, which were re-integrated in all three sites thus explaining conservation efforts. This went hand in hand with the search for capital and revenues, in a context of central state withdrawal.

Second, as evidence provided in the paper show, this transition was not univocal. Depending on the centrality of the historic site in the heritage discourse in Poland, in fact, distinct solutions were explored and exploited, reflecting different business models: while theme-parkization or extensive adaptive reuse would be impossible at the abbey, the same processes were unproblematically accepted at Ksiaz Castle and Jelenia Gora, which represented examples of German rather than Polish heritage. Specific heritage-related meanings associated to each site, thus, help us in explaining the heterogeneity of business model solutions (the slope and the ending points of the three arrows differ in Figure 6).

Lastly, data from the case studies demonstrate that, far from being neutral, specific business model affected conservation and accessibility (what is conserved, how and for whom). When a theme park or an adaptive reuse business model is used, as in the case of Ksiaz and Jelena Gora, the exterior of the buildings might be well preserved, but the interiors are usually transformed to host revenue-generating activities. Revenue can be maximized by attracting large numbers of diverse visitors (theme park), or by restricting access to high-margin ones (adaptive reuse as hotel). In a heritage reserve

business model, like the one characterizing the abbey, however, sites tend to be conserved in their entirety (exterior and interior in the case of the abbey), and access may be restricted, but not for revenue-related reasons (i.e. access may be regulated because overcrowding can harm fragile heritage).

## **6. CONCLUDING OBSERVATIONS**

The paper shows how governance and business model changes affect conservation outcomes and access. We illustrate how governance changes following the fall of communism triggered distinct business model combinations with different outcomes, which also depend on the meanings associated with each heritage site. In this concluding section, we examine the implications of the study at three levels: for the literature about cultural sector change in Eastern Europe; for discussions around meanings in heritage conservation; and for better understanding the use of a business model framework to comprehend public service delivery.

Prior studies regarding the cultural sector in Eastern Europe underline how market pressures pave the way for increased commodification and commercialization of cultural products, marking a strong difference with the pre-1989 system, which was rich in supply, heavily state subsidized, and largely de-commodified (Toepler 2000; Ilczuk and Wieczorek 2000; Murzyn-Kupisz 2008). While commercialization is a common aspect across our three case studies, we believe that its implications are more nuanced than usually observed. In this context, in fact, commercialization saved historic buildings from total destruction. For these three sites, current modes of commercialization do not preclude different uses in the future, reflecting values that are only dormant at present.

Meanings and values are at the center of much debate in the heritage literature as well. However, heritage scholars tend to ignore the fact that they are just one of the elements influencing the use and the conservation outcome of a heritage site. While activities, competences and revenue streams are

influenced by the values people draw from heritage, it is also true that without consistent resources, competences, and activities (i.e. a specific business model), certain values and meanings cannot be served. For instance, education and research purposes are usually achieved with a certain level of public resources; in a similar fashion, improving self-generated resources requires competences that are usually not part of the training of an archeologist or an art historian. In this sense, the three ideal business models outlined above could serve as a reference point to plan consistent solutions, and inform decision makers about the possible implications in terms of conservation and access.

On the other side, discussion about the socio-historical nature of meanings is still underdeveloped within the business model literature, especially where change is concerned. This stream of research, which focuses mainly on for-profit organizations, tends to see change as a linear process, where less successful business models are substituted with more profitable ones, usually under the influence of technological change (Chesbrough 2010; Gambardella and McGahan 2010). However, as a business model approach start to be used to investigate how public services are delivered (Kaplan 2011; Osborne et al. 2014), our socio-historically situated understanding of changing values may allow to detect variations across times and places. Indeed, as with heritage, functions that other systems such as education, healthcare or defense perform are historically and politically defined (Ballas and Tsoukas 2004; Bracci 2009; Catusus and Gronlund 2005; Marcon and Panozzo 1998).

The idea that emerging values and business models are strictly related to governance changes should inform future research. A better understanding of the relationship between governance, business models and outcomes is thus fundamental in order to grasp possible risks and conflicts deriving from changes in the overall role of the state. And this is true not only in Eastern Europe – where the shift from a planned to a market economy makes this challenge evident in many sectors – but also in western countries, where issues of privatization and decentralization are constantly on the political agenda.

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Figure 1: Conflicting uses of heritage areas - a framework (Zan and Yu, 2018)

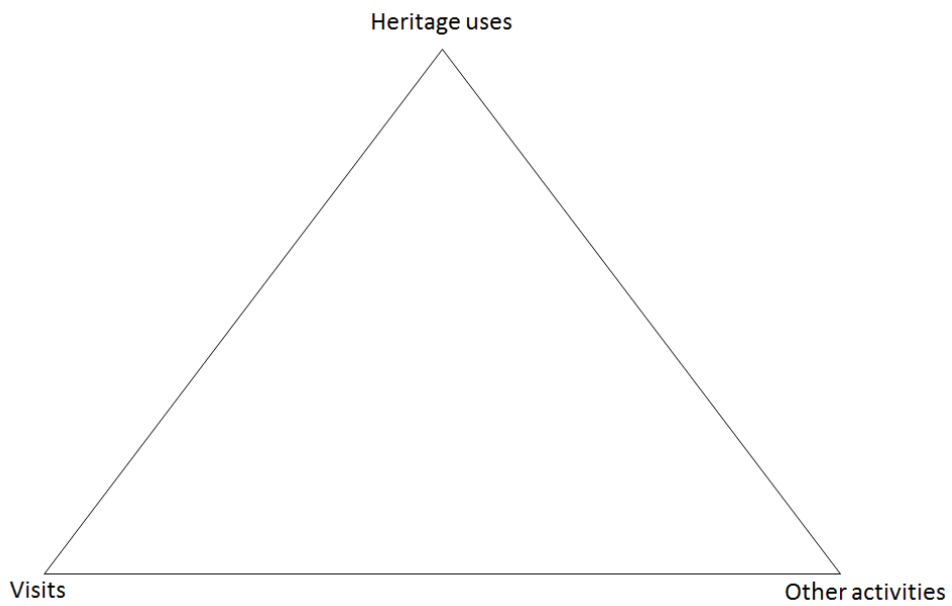


Figure 2: The Kzias Castle



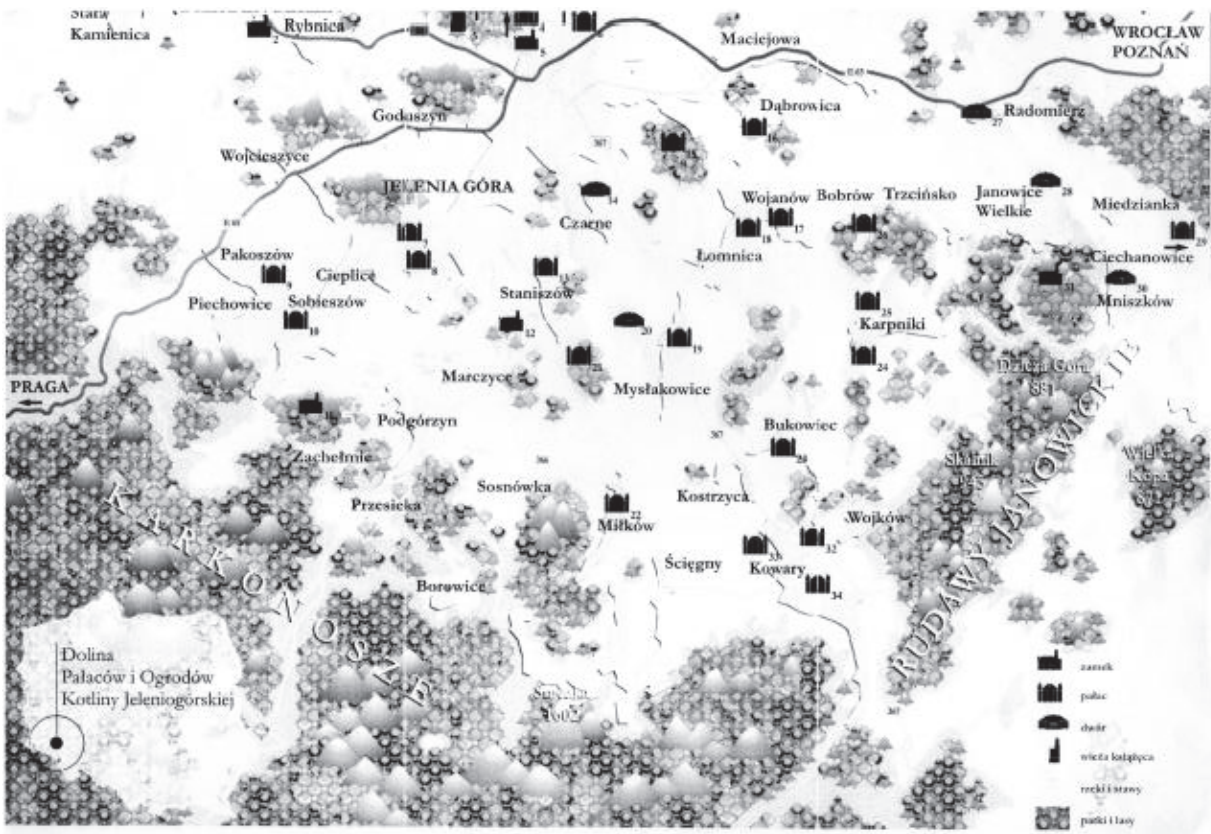
Source: Photo of the authors

Figure 3: St.Mary Church at the Shrine of Our Lady of Grace Abbey



Source: Photo of the Authors

Figure 4: Map of the Jelenia Gora most important castles



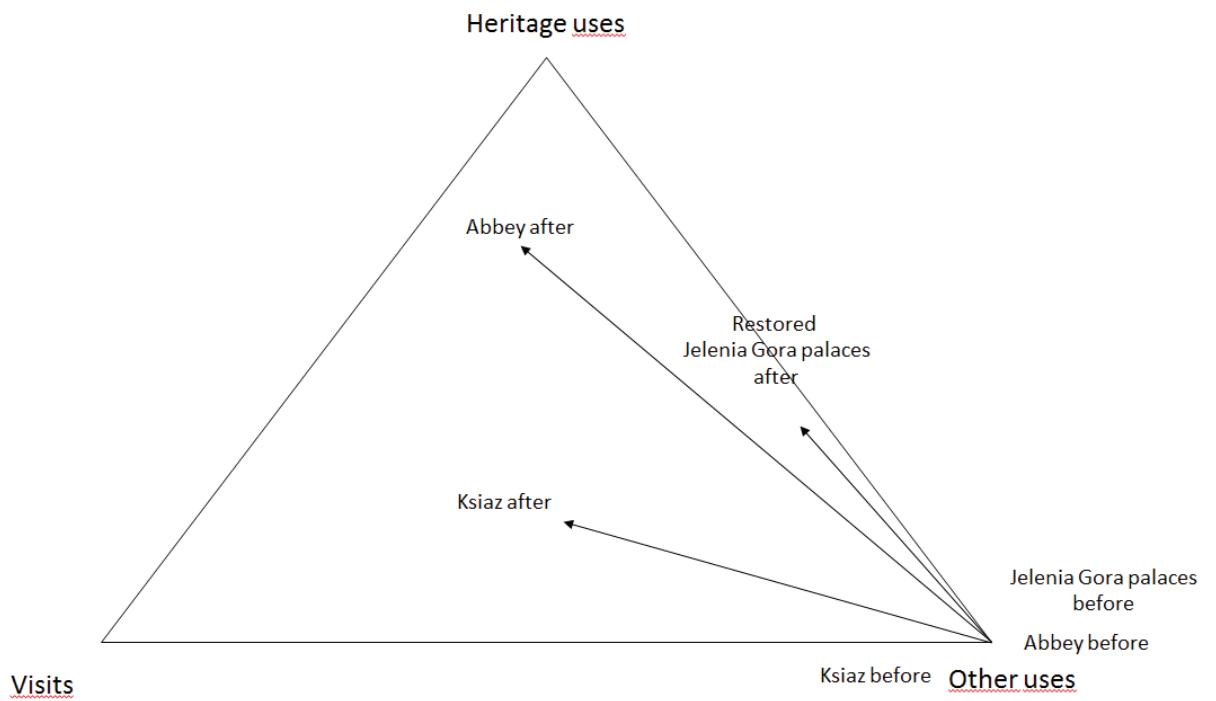
Source: Promotional Panflet of Jelenia Gora Valley

Figure 5: the Wojanow Palace in the Jelenia Gora Valley



Source: Photo of the authors

Figure 6: Positioning the three case studies according to Zan and Yu (2018) framework



Source: authors' elaboration

Table 1: Ksiaz Castle – visitors and income from tickets 2005–2013

Thousand €	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Visitors</b>	181,6	198,0	216,9	254,7	227,7	196,9	210,5	215,0	244,6
<b>Income from ticket (euro)</b>	292,8	351,6	437,0	588,7	618,1	541,3	640,3	797,2	947,4
<b>Net income (euro)</b>	72,1	86,5	61,2	58,2	91,1	3,7	-11,4	27,8	127,5

Note: The larger increase in ticket income compared with the number of visitors is due to the increase in ticket price that occurred in 2012, and to the incomplete reliability of visitor data before 2011.

Source: authors' elaboration on Ksiaz Castle 2013 managerial report

Table 2: Data summary on the Jelenia Gora Palaces

Function		Name	Ownership	Physical Conditions
Hotel	1	Chojnik castle	Public (Polish tourism organization)	Partially ruined
	2	Wleński Gródek castle and palace	Private	Good
	3	Łomnica palace	Private	Good
	4	Kowary palace 2	Private	Good
	5	Staniszów palace	Private	Good
	6	Milków palace	Private	Good
	7	Paulinum Palace	Private	Good
	8	Wleń palace	Private	Good
	9	Wojanów palace	Private	Good
	10	Staniszów manor	Private	Good
	11	Pakoszów palace	Private	Good
	12	Karpniki palace	Private	Good
Private residence	1	Czernica Palace	Private	medium
	2	Mniszków Dwor manor	Private	good
	3	Radomierz manor	Private	medium
	4	Komarno palace	Private	medium
	5	Kowary palace 1	Private	medium
	6	Podgórzyn manor	Private	medium
	7	Maciejowiec palace and manor	Private	Partially ruined
	8	Grabary Manor	Private	medium
Public services*	1	Nielestno palace	Public (Local Government)	medium
	2	Janowice palace	Public (Local Government)	medium
	3	Bukowiec palace	Public (Local Government)	medium
	4	Mysłakowice palace	Public (Local Government)	medium
	5	Plakowice palace	Public (Local government, leased to the church)	medium
	6	Cieplice Śląski Zdrój	Public (Wroclaw Techical University)	medium
None	1	Stara Kamienka castle	Public (Local Government)	totally ruined
	2	Lausepelz Castle Ruins	Public (Local Government)	totally ruined
	3	Barcinek manor	Public (Local Government)	totally ruined
	4	Wleński Gródek castle ruin	Public (Local Government)	totally ruined
	5	Bolzenschloss Castle Ruins	Public (State Forest Agency)	totally ruined
	6	Molkenschloss Castle Ruins	Public (State Forest Agency)	totally ruined
	7	Falkenstein Castle Ruins	Public (State Forest Agency)	totally ruined
	8	Von Reuß Castle Ruin	Public (State Forest Agency)	totally ruined
	9	Sobieszów palace	Public (State Forest Agency)	Partially ruined
	10	Trzczańsko palace	Public (State)	totally ruined
	11	Miedzianka palace	Public (State)	totally ruined
	12	Maciejowa palace	Public (State)	totally ruined
	13	Dziwiszów palace and manor	Private	Partially ruined
	14	Dąbrowica palace	Private	medium
	15	Bobrów palace	Private	totally ruined
	16	Galgenberg Castle Ruins	Private	totally ruined

	17	Siedlęcın Castle	Not for Profit (Fundacya Zamek Chudow)	medium
	18	Czarne Palace	Not for profit (Fundacya Kutury Ekologiczney)	Good

\* Nielestno and Janowice palace host an elderly hospital; Bukowiec palace hosts the offices of the local government; Mysłakowice palace is a primary school since 1945; Plakowice palace hosts a sanatorium; Cieplice Śląski Zdrój hosts the university.

Source: authors' elaboration

Appendix 1: Meetings and interviews

	Case study	Job/role	Language during interview
<b>Phase 1: Research meetings (RM)' participants</b>	RM1 General	Provincial Conservation Office	Polish
		Main specialist for the preservation of historical monuments	Polish
		Vice Chairman of Jelenia Gora County Assembly	Polish
	RM2 Ksiaz	Head of Ksiaz castle tourism and culture department	Polish
	RM3 Abbey	Abbey Chancellor	Italian
		Director tourist services company	Polish
		Former CEO of Kamiennogórski County	Polish
	RM4 Jelenia Gora	Owner of Lomnica palace	English
		Director Fundacja Doliny	English
	<b>Phase 2: Interviews</b>	Abbey	Abbey Chancellor
Abbey		Head of fundraising office	English
Abbey		Director tourist services company	Polish
Abbey		Benedictine nun	Polish
Ksiaz		Director of Ksiaz castle	English
Ksiaz		Director of contemporary art gallery	English
Ksiaz		Major of Walbrzysk & Head of the city investment dept.	English
Ksiaz		Head of Tourism and Culture Department	Polish
Ksiaz		Director of the stable	English
Ksiaz		Head of marketing department	English
Ksiaz		Head of accounting department	Polish
Jelenia Gora		Owner and director of Pakoszow Palace	English
Jelenia Gora		Marketing manager of Wojanow Palace	English
Jelenia Gora		Project manager of Palace Schaffgotsch-Sobieszow	English
Jelenia Gora		Owner and director of Brunow Palace	English
Jelenia Gora		Director of Fundacja Doliny	English
Jelenia Gora		Owner and director of Lomnica Palace	English
Jelenia Gora		Manager of Staniszw Palace	English
Jelenia Gora		Manager of Palace on Water	English
General		Associate Professor - Wroclaw University	English

Appendix 2: Internal documentation in Polish used during interviews

<b>Case-study</b>	<b>Source</b>
Ksiaz	Legal document certifying property transfer from State to City (1991)
Ksiaz	Legal document regarding the creation of the public company (1991)
Ksiaz	Report to the board (2013)
Ksiaz	Price list for conferences and other events (2014)
Ksiaz	Price list for weddings (2014)
Ksiaz	Newspaper article on Agrocomplex (1975)
Ksiaz	List of the actual location of the castle Collection (2014)
Ksiaz	Application for presidential list inclusion (2014)
Ksiaz	Visitors figures 2005-2013
Abbey	Activity Program year 2014
Abbey	Statement of income 2013
Abbey	Report on EU funded projects between 2004 and 2012 (2013)
Abbey	Activity report of the Abbey's fundraising office (2013)