Transformative business strategies
and new patterns for value creation

Full Papers

Ca’ Foscari University, Venice
Department of Management - San Giobbe, Cannaregio 873

14-15 June 2018
Convegno Sinergie - Sima 2018

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14-15 June 2018

Referred Electronic Conference Proceeding

Full Papers

a cura di

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Al Lettore,


Di norma, la trasformazione di un settore prende il via dall’adozione di una nuova tecnologia. Tuttavia, ciò che rende possibili cambiamenti importanti di un settore è un modello di business che connette la nuova tecnologia con un bisogno di mercato, in modo da creare una nuova combinazione nel processo di creazione del valore.

Lo scopo del Convegno è discutere dei modelli di business “trasformativi” e delle necessarie evoluzioni strategiche come sfide per la gestione dell’impresa nel prossimo futuro, creando relazioni tra studiosi, diffondendo la conoscenza in campo economico-manageriale e promuovendo il contributo degli studiosi italiani al dibattito internazionale sui temi del management.

Claudio Baccarani, Marco Frey, Gaetano M. Golinelli, Alberto Pastore, Tiziano Vescovi
Entrepreneurship in innovative artistic production. Insights from the Italian context

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Abstract

Objectives. The work investigates the challenges imposed on artistic and cultural entrepreneurship in a period characterized by a general decline in public resources for culture and by a growing competition between traditional operators in the art world and in innovative cultural and creative start-ups. The analysis also aims to provide a framework on the specific skills that cultural artists/entrepreneurs must possess to ensure the success of their innovative projects.

Methodology. After a review of the literature on entrepreneurship in the arts and culture, the paper analyses the characteristics of over 200 operators and of their project proposals in the framework of the call “Ora!” of the Italian foundation Compagnia di San Paolo.

Findings. The paper highlights the centrality of skills related to teamwork management, interdisciplinary application of solid mono-disciplinary knowledge, product innovation through digital technologies, and networking. The work also suggests multi-stakeholder management practices that can be implemented in order to create more favourable conditions to support cultural production and entrepreneurship in the arts.

Research limits. The research is a first exploration. Further analysis will be carried out either by analysing subjects and projects candidates for other funding programs or by analysing individual case studies vertically.

Practical implications. Through the analysis proposed, insights are provided on the development of new ways to support entrepreneurship in the artistic and cultural field.

Originality of the study. The work aims at enriching through the use of new sources a field of studies still often limited by the few data available.

Key words: creative industries; entrepreneurship in arts and culture; innovation; support-policies

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1. Introduction

In the last twenty years the economic value generated by the industries producing cultural and creative goods and services and the potential growth of this macro-sector has turned the spotlight on the creative economy and has led to a rich academic literature in the field.

This attention, started in particular from the United Kingdom (DCMS 1998; 2001), has then spread rapidly to all the advanced economies and to developing countries during the years 2000, creating a global debate and a wide production of studies aimed at delimiting and quantifying the economy of creativity. This taxonomy, however, proved to be rather complex given the great dynamism and the variety of the sectors that comprise it (Roodhouse, 2008).

Literature on creative industries has focused on many different aspects. Scholars have engaged in analysing the potential of the creative economy (Caves, 2000; Howkins, 2002) and of the spatial concentration of creative talents for territorial competitiveness (Scott, 2000; Hall, 2000; Florida, 2002 et al.); cultural and creative industries have been described as a tool for urban regeneration (Communian, 2011), in terms of sustainable and “smart” economic growth and innovation (Potts et al., 2008; Bertacchini and Santagata, 2012).

In recent years, literature has also been developed on the characteristics of entrepreneurship in the cultural and artistic field (Greffé, 2016), on support policies and on the development of incentive schemes for entrepreneurship in the cultural and creative sector (Montanari, 2011), and on the role of education and training in supporting innovation in the arts and culture (Wilson and Stokes, 2005; Communian and Gilmore, 2016).

Many countries - from the United Kingdom, to Germany (BMWI, 2009), from Hong Kong (University of Hong Kong, 2003) to the USA (Americans for the Arts, 2005) - have mapped and quantified their own creative sectors, adopting ad hoc support policies and launching, particularly in urban areas, important investments, public and private. Investments have been directed to both general structural or sector-wide interventions and generic measures aimed at the development of innovative companies and creative start-ups (Foord, 2008).

Support policies to the creative economy have shown however significant limitations and studies demonstrate how these strategies, in some cases, have deflected a situation of growing market failure, particularly in traditional micro and small cultural activities (Foord, 2008; Hausmann, 2010).

Micro and small cultural and creative activities, which in the past have been able to count on public resources, today find themselves competing in an increasingly crowded market with ever more limited economic resources. Moreover, artist-entrepreneurs often show a general weakness in terms of managerial and organizational skills, and in terms of process and product innovation, which penalizes them in accessing alternative resources from the private sector (Bilton and Cummings, 2015).

This requires today a rethinking of policies to support entrepreneurship in cultural and creative sectors. Consistently with literature on entrepreneurial innovation, the rethinking of these policies should be done taking into account several levels of analysis (Garud, Gehman and Giuliani, 2014), that is, the individual characteristics of the artist-entrepreneur, the role of team members and their networks and the different contexts in which artistic and cultural entrepreneurship develops.

Moreover, the issue concerns not only the public policy system but also non-profit organizations and private foundations that, in many countries, play a fundamental role in supporting cultural innovation.

In particular, some questions are: which subjects are able to generate processes of organizational and operational change with their interventions? How can different forms of financing trigger change in professional practices, and on entrepreneurial teams?

These questions find a particularly interesting context of analysis in Italy where artistic and cultural production is strongly supported by a number of newly introduced grant programmes such as Funder-35 and CheFare, both launched in 2012, and Culturability, launched in 2013. Among the different programmes supporting cultural productions, an important role is played also by Italian...
bank foundations, non-profit entities peculiar to the Italian context, acting both as operating and grant-making institutions in the exclusive pursuit of social purposes (Leardini et al., 2014). Specific areas of intervention of these institutions are the fields of arts and culture, which, together with the education, social assistance, and research areas, are absorbing the highest part of their funds. The great amount of financial resources and the high number of interventions supporting art, cultural activities and heritage by all the 88 Italian bank foundations, which knowingly act in a country where culture and creativity are strategic assets, represents also an important occasion for research. Given the highly non standardized nature of the organizations involved in the cultural production, the occasion for research derives from the recognition that the action of the bank foundation are actually creating, as a by-product, a privileged observatory for studying the characteristics and the organizational and economic practices of the subjects operating in contemporary artistic and creative production and that are applying for grants, in order to identify opportunities and critical issues related to their management and organization. In particular, the article aims at addressing two fundamental questions:

1. Is it a valid statement that artists should become entrepreneurs?
2. What are multi-stakeholder management practices that could be implemented in order to create supportive conditions for artists?

To answer these questions, 250 cultural and creative artistic organizations and their proposal of innovative cultural productions were analysed in the context of the requests for funding received by Compagnia di San Paolo, one of the main Italian bank foundations.

The paper is exploratory and represents an initial analysis of the collected data and is divided as follows. In the next section we illustrate some evidences on entrepreneurship in the creative and cultural field, integrating indications given by literature with some data on the Italian system and on the supporting action of Italian bank foundations.

Then, the methodological aspects of the work are exposed with an analysis of key evidences. Finally, the last part discusses most relevant knowledge gaps and suggests further research opportunities.

2. Entrepreneurship in arts and culture in Italy

As in other European countries, since the mid-2000s (Santagata, 2009), in Italy too there has been a growing interest in the creative industries in terms of added value and employment creation.

In Italy, in 2016, the cultural and creative production system (cultural industries, creative industries, artistic heritage, performing arts and visual arts, creative-driven productions) was worth about € 89.9 billion to reach 250 billion (16.7% GDP) when considering the entire cultural supply chain. The cultural and creative production system also provides work for 1.5 million people, 6% of the total employed in Italy (Symbola, 2017) and, over the years, the sector has shown a certain liveliness in terms of planning quality and of new start-ups.

Despite these numbers and the many reports available on the industry today, studies on entrepreneurship in the cultural and creative sector are still limited. Instead, this theme is particularly relevant today and at the centre of some debate in other countries.

The increase in creative cultural micro-small business activities in fact has been ascribed also to the sharp contraction of public spending in culture, at all levels of government, which has pushed many cultural and creative operators, already on the market or new entrants, in a sort of “forced entrepreneurship” (Oakley, 2014).

This also applies to many arts and culture organizations increasingly facing the same challenges of for-profit organizations (Weinstein and Bukovinsky, 2009).

The persistent weakness of these subjects in their market effectiveness and survival, are widely reported in arts management and cultural entrepreneurship literature, and find empirical evidence from the many case studies available.
Despite difficulties in generalizing a universe of such different subjects operating in the creative and cultural sector, when taking into consideration only cultural and creative self-entrepreneurs and small artistic and cultural organizations, scholars have identified recurrent aspects of weakness and failure factors (Eikhof and Haunschild, 2006; Lange, 2006; Mc Guigan, 2010, Scott 2012, Miglietta et. al 2013), these are related mainly to: teamwork and project management, cross-disciplinary application of sound mono-disciplinary knowledge, product innovation though digital technologies, business planning, networking and partnership development. Part of the literature also focused on organizational weaknesses stemming from the peculiarities of the cultural and creative labour market (Hausmann, 2010, Menger, 2014 et al.). Based on these literature outcomes and by reinterpretting the framework proposed in particular by Hausmann (2010) for Germany, the following scheme on entrepreneurial functions and start-up success in the cultural context is proposed also for the Italian context (Figure 1).

**Fig. 1: Key variables and sources for the economic analysis of cultural production**

![Diagram](image)

Source: Own elaboration, based on Hausmann (2010)

How do Italian cultural and creative micro-enterprises and organizations that operate in artistic and cultural innovation enter this scheme? What systemic actions can be implemented to support them? What role does the context play and what role does the individual characteristics of the artist entrepreneur and of the project team have instead? To try and give an answer to this question it is possible to analyse evidences from bank foundations support actions in the artistic and cultural production field.

Art and culture are priority areas of action in need of both public and private support, due to the usual argument based on market failure (art as public good, generating externalities). Following this failure, according to the ACRI - the organization representing Italian banking foundations - foundations operating in “Arts and Cultural Heritage” in 2016 were 85, providing € 260.9 million to the sector through 7,007 interventions (ACRI, 2017). These concerned the conservation and enhancement of architectural and archaeological heritage; the support to artistic and literary creations and to innovative audience engagement practices; technological innovation; and the organization of various cultural events and activities.

With this spectrum of action and great financial resources, bank foundations play a fundamental role in Italy not only in supporting the sector but also for its knowledge and innovation (Barbetta, Cammelli, Della Torre, 2013; Segre, Longhi, Fornara, 2015). In fact, the operational mechanisms underlying foundations’ grant making processes allow us to gather valuable information on the operating methods of the beneficiaries and any critical issues. Moreover, as we will discuss in the following sections, being at the forefront in grasping the possible market failures of funded subjects, foundations are in an ideal position to study innovative solutions to support cultural projects development and creative start-ups, also in coordination with other local stakeholders.
3. Innovative artistic production: the sample and the support-action of a bank foundation

For the purposes of our investigation, we analysed organizations that have applied to one of the most important calls in the Italian scene of banking foundations’ grant making activities: the call “ORA! Contemporary languages, innovative productions”. The importance of this call as a sample for research is twofold. It is one of the few existing call specifically devoted to the support of innovative artistic productions, and it is promoted by the second largest Italian banking foundation, the Compagnia di San Paolo. Founded in Turin in 1563, the Compagnia di San Paolo is today one of the largest private foundations in Europe and Italy - at the end of 2016 it had a total market value of the financial assets portfolio of € 6.8 billion - and through calls, projects managed directly by its structure, and through its own instrumental bodies, is particularly involved both in the promotion of arts and heritage valorisation and in cultural innovation. The total amount of grants awarded in 2016 for the arts, cultural heritage and cultural innovation sectors exceeded € 35 million.

As part of its commitment to cultural innovation, in 2015 the Compagnia di San Paolo promoted the call for proposals “ORA! Contemporary languages, innovative productions”. The call aimed at promoting cultural production at national level by supporting projects in the visual and performing arts and in other fields of contemporary culture; encouraging the development of actors and projects with a strategic perspective of their cultural proposal and their economic sustainability; enriching the contemporary cultural offer of the Piedmont and Liguria regions by attracting new actors on the territory, and connecting them with the institutions.

Project proposals were to include creations in the visual and performing arts as well as in more expressive languages of contemporary culture such as exhibitions, events, workshops, video and performance art, installations, multimedia products, etc.). Projects had to be characterized by elements of originality, both in the creative process and in the final realization. Finally, projects had to: demonstrate the ability to foster cross-disciplinary exchange of creative experiences; identify original solutions with regard to the management, organization and economic-financial sustainability of the project; possess replicability characteristics.

The call, though was requesting to propose a project to be performed in the Piedmont or Liguria regions, for the first time in the history of the foundation was open to applicants from all over Italy. The call received 250 applications. Only non-profit organizations (such as associations, foundations, social and cultural cooperatives and public institutions) were allowed to apply. Figure 2 shows the percentage distribution between private non-profit organizations and public institutions (left side), and the percentage distribution of private organizations into different typologies (right side).

Source: Own elaboration
The maximum possible granted amount was € 45,000, expressed as maximum 80% of the total budget of the proposed project. Figure 3 shows the budgets of the proposed projects.

Of the 250 candidate projects, 20 were selected for funding, for a total amount of € 740,000. However, since the aim of the paper is to assess the level of management skills either of artists or included in the project team involved in innovative cultural entrepreneurship in the Italian scene, we mainly concentrate our analysis on the sample of the 250 applicants.

4. Research methodology

The analysis covers all the candidate institutions and was divided into two steps. The first phase involved the construction and analysis of a full and original dataset on the 250 institutions that participated in the call. The information contained in the dataset includes legal and economic characteristics of the subjects applying to the call, the composition and experience of the project teams, and the main cultural and artistic characteristics of the proposed projects. The data are obtained from the analysis of statutes, balance sheets, and project sheets in order to obtain information about the organization in terms of legal nature, foundation year, staff, working group CV’s, financial and economic data, area of activity, and partnerships. Moreover, information about the project was collected, mainly in relation to the two principal characteristics of the call: cross-disciplinarity and use of digital technology.

Although the dataset has some limitations concerning both the synthesis of complex project documents and the focus on a single call, nevertheless the collected data can be considered representative of project activities carried out by Italian micro and small realities operating in the artistic and cultural sector. This is also confirmed by comparing the results obtained with those of other evaluation projects carried out in other foundations (Fondazione Cariplo, 2016).

In order to investigate the characteristics of cultural entrepreneurship, the analysis of the dataset is concentrated on three main aspects, following the scheme presented in Figure 1. First of all, we concentrate on the examination of the professional skills involved both in the organizations and in the proposed project. Secondly, we look at the economic sustainability of cultural organizations. We complete the analysis by investigating the main features for the competitiveness of innovative cultural productions.

5. Results: main features of cultural production

The analysis allowed to outline the main characteristics of the organizations and artists on the Italian contemporary artistic production scene. The sample of 250 cultural producers can be divided according to three main cultural domains: 30% belong to the performing art sector (theatre, live music and dance), 17% belong to contemporary art sector, and 16% are working in cultural promotion. The other areas of activity (37%) concern audio-visual, digital, social and artistic training. This representative sample of the wide-ranging types of cultural production allows highlighting several characteristics of the entrepreneurial strategies carried on by artist and cultural managers.

5.1 Artistic and professional skills: looking for “artepreneurs”

One third of the organizations have been active on the cultural scene for 5 years or less: 80 organizations were established after 2012 and the remaining ones are also relatively young. Most were born after 1996 and in particular after 2008, and this “youth” is also reflected on the experience of the work teams.

Moreover, although functions among team members are clearly outlined in the organizational structure, the analysis of the curricula shows a greater specialization in the field of art while project management and economic-financial skills are underrepresented.
About 34% of applicants identify an artist as the project manager, 48% indicate individuals with a heterogeneous work experience (artistic and in project management at the same time) and, only 18%, a trained and experienced project manager.

Cultural planners are a few and in most cases they are younger than the other project managers: this seems to confirm the fact that the cultural planner is a more recent professional figure whose tasks and skills in the past were absorbed by the artists.

The professionals who collaborate with the proposing institutions have in most cases less than 35 years and the percentage of under-35 increases significantly for institutions born after 2010 (Figure 3).

Particularly interesting was the outcome from the analysis of project managers and artist’s curricula, which show very fragmented professional paths. This evidence is widely confirmed by literature and if on the one side represents a great wealth in terms of experience gained on the other highlights certain fragility with the coexistence of very different work experiences and a resulting economic instability.

\textit{Fig. 3. Age of artists and cultural entrepreneurs}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{age_distribution.png}
\caption{Age distribution of artists and cultural entrepreneurs}
\end{figure}

Source: Own elaboration

5.2 The economic sustainability of cultural entrepreneurship

Comparability in the analysis of the financial statements of the proponents is particularly complex due to the diversity of the adopted accounting systems.

Most applicants have revenues of less than € 20,000 per year (Figure 4). Organizations with more solid budgets are those that operate in the social field and those that manage spaces for performing arts.

In general, data show two different situations: that of organizations that have just started their business and that of associations that work for years with minimum budget and trying to take advantage from call to obtain resources necessary to structure themselves in a more solid way.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{revenue_distribution.png}
\caption{Revenue distribution}
\end{figure}
Most of the applicants do not work through fundraising campaigns - 179 out of 250 - and only 71 organizations are active with structured fundraising strategies, raising between 2,000 and 3,000 euros per year.

Moreover, only a few projects are designed to diversify revenues from their artistic idea. The most common sources of revenue are:
- Tickets sales for performing arts shows
- Replication of the project in different places
- Use of different distribution channels for the same project idea
- Rent of technical material or technological infrastructure acquired for the project

5.3 The outcome: the role of networks and cross-disciplinary approaches

A final analysis concerns three aspects particularly relevant for the purpose of the call and for the projects’ success: the ability of projects and proponents to activate collaborative networks; the innovative use of digital technology; and the adoption of a cross-disciplinary approach (i.e. to design projects the intersection between different disciplines as a distinctive element of innovation).

Only a third of participants operated according to a true cross-disciplinary perspective by integrating different forms of expression even though many projects involved actions in different artistic fields.

In particular, it is interesting to note how cross-discipline, requested by the project, was conceived according to two models: as an interpenetration of several disciplines or as a juxtaposition of disciplines.

Comparing the curricula of different organizations and project teams, and the adoption of an approach rather than the other, it can be seen that those who have already carried out cross-disciplinary cultural activities are slightly more inclined to build cross-disciplinary projects than those who do not adopt this working approach.

Organizations that do not show a cross-disciplinary curriculum but propose cross-disciplinary project tend to follow a mere juxtaposition of disciplines. Moreover, the ability to propose cross-disciplinary projects tends to be greater for those most able to build regional, national and international partnerships.
As the complexity and range of the partnerships that organizations are able to weave grows, the ability to propose cross-disciplinary projects also grows. Who over time has created and maintained international relations, in fact, is twice as likely to present cross-disciplinary projects and vice versa (Figure 5).

**Fig. 5: Relationship between territorial scope of partnerships and multidisciplinary nature of projects**

Source: own elaboration

In general, partnerships activated by the project are for the most part at the local level (49%) while national or international networks are present only in 17% of the projects; activated or planned partnerships demonstrate a good degree of congruity with respect to the range of action of the projects.

6. Conclusions and further research

The analysis highlights some first interesting results with regard to cultural, economic and organizational characteristics of the applicants and main evidences concern:

- Artists and micro-small cultural entrepreneurs experience a great fragmentation of professional paths, which on the one hand can be seen as a great wealth in terms of relationships and opportunities for growth, but which, at the same time, represents a critical issue for the acquisition of solid skills and financial stability.
- A lack of professional figures specialized in the planning of cultural actions and with more specifically economic-managerial skills.
- In most cases, there is no plan on the possible elements for building economies of scale in projects.
- Organizations show a limited ability to design and implement projects on their own resources, and to acquire additional resources beyond those required within the call for proposals.
- There is a difficulty in adopting multidisciplinary and cross-disciplinary approaches.
- Specific skills in the digital field are lacking, both in the conception and in the implementation of the project.

If these evidences are reflected in what in literature, they are also a fundamental area of work for the future development of policy makers and grant-makers actions.

A first question emerges in particular: future actions will have to focus on the complex and varied world of those working in the cultural and creative field and in artistic innovation, or they
will have to work more closely with counterparts that show more solid skills and greater chance of emerging on the international scene, thus concentrating resources on few projects?

How can organizations and project teams be supported in reinforcing missing skills?

In this regard at least two solutions can be identified: 1) training, in order to allow project teams to integrate the missing skills; 2) the construction of dedicated areas within the grant-making parties to provide all the project teams with lacking technical skills.

The first solution is clearly easier to implement in the short term, but finds limits in the very composition of the teams, which often lack the figures that could take care of the design aspects, of the concept development, of the supply chain management, and of business planning issues. This approach should also closely connect to the training system already present in the area.

The second path is more onerous from an economic and organizational point of view and needs to be studied in depth in relation both to possible similar cases at the international level and to the connections with other initiatives at the local level.

However, this second approach could, in a more systematic way, be able to accompany artists and cultural entrepreneurs in the development of their intuitions and their artistic projects, also laying the foundations for the economic sustainability of cultural organizations.

In this perspective, the research developments of this exploratory paper will be directed towards greater detail in the quantitative analysis of the collected data. Further in-depth analysis could be carried out either by analysing subjects and projects candidates for other funding programs or by analysing individual case studies vertically to find more robust considerations for the definition of future actions.

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