Managing and Innovating Business Models of Culture Organisations

Prof. Giovanni Schiuma
Director of the Innovation Insights Hub
University of the Arts London
Agenda

- Understanding Business Models
- Analysing and representing business models
- Characterising the business models of culture organisations
- Integrating strategy and business models
Cultural Activities and Value Creation Dynamics at a Time of Economic Transition

Do you feel comfortable with the use of the term business in the cultural arena?

Is there a terminology issue……??!!
What is a Business Model?
The Business Model is what distinguishes an organisation

Think about organisations such as:

Starting from 1950s McDonald's Restaurants and Toyota;
From 1960s Wal-Mart;
From 1970s FedEx;
From 1980s Blockbuster, Intel and Dell Computer;
From 1990s eBay, Amazon.com, Google and Starbucks
From 2000 Facebook, Booking.com and Twitter.
Each organisation has its own specific business model.
A Business Models defines.....

The Business Model Ontology

How?  What?  Who?

How much?

- Partnership
- Value Proposition
- User requirements
- Channel
- Customer

- Capability
- Value Configuration
- Relationship

- INFRASTRUCTURE MANAGEMENT
- INFRAM
- FINANCIAL ASPECTS
- Cost
- Profit
- Revenue

The National Centres of Competence in Research are managed by the Swiss National Science Foundation on behalf of the Federal Authorities
A Business Model is….

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts.

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts.

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts.
A Business Model tells a story of your business...

The Business model can be defined as the story that explains how an enterprise (organisation) works.

The main characteristics of a Business model ...

A business model consists of four elements: a customer value proposition, a profit formula, key resources, and key processes.
What is a Cultural Organization?

A CULTURAL ORGANISATION IS A PHOTOSYNTHESIS FOR LIFE

SOCIETY

PEOPLE IN ORGANISATION

COMMUNITY

CULT ORG

organises human encounters with the power to transform people & society

G. SCHIUMA
Frameworks to understand, analyse, design and innovate Business Models
The key questions of a Business Model:

- **WHO**
- **WHY**
- **WHAT**
- **HOW**
- **WHEN**

Who are my key stakeholders
Why you do what you do - What value we create
What kind of services/products we produce
How we operate
When or in which conditions we deliver
Key dimensions of a Business Model:

- **WHAT**
  - Cultural Services & products
- **WHO**
  - My Audience
- **VALUE**
  - Satisfaction of audience
- **How**
  - Operation of Cultural centre
Two main interpretative views of Business Models

Pipes/Process/Value chain Perspective

Platform/System-based perspective

The definition of a business model equals to the identification of the components/building blocks of how your organisation works as well as the relationships among the components.
# IBM – Business Model Components

<table>
<thead>
<tr>
<th>Directing</th>
<th>Business Planning</th>
<th>New Business Development</th>
<th>Relationship Management</th>
<th>Servicing &amp; Sales</th>
<th>Product Fulfillment</th>
<th>Financial Control and Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlling</td>
<td>Business Unit Tracking</td>
<td>Sector Management</td>
<td>Account Planning</td>
<td>Sales Planning</td>
<td>Fulfillment Planning</td>
<td>Portfolio Planning</td>
</tr>
<tr>
<td>Executing</td>
<td>Staff Appraisals</td>
<td>Product Management</td>
<td>Relationship Management</td>
<td>Sales Management</td>
<td>Fulfillment Monitoring</td>
<td>Compliance</td>
</tr>
<tr>
<td></td>
<td>Account Administration</td>
<td>Product Directory</td>
<td>Credit Administration</td>
<td>Sales</td>
<td>Product Fulfillment</td>
<td>Reconciliation</td>
</tr>
<tr>
<td></td>
<td>Product Administration</td>
<td>Marketing Campaigns</td>
<td></td>
<td>Customer Service</td>
<td>Document Management</td>
<td>Customer Accounts</td>
</tr>
<tr>
<td></td>
<td>Purchasing</td>
<td></td>
<td></td>
<td>Collections</td>
<td></td>
<td>General Ledger</td>
</tr>
</tbody>
</table>
The Business Model Canvas, is a strategic management and entrepreneurial tool. It allows you to describe, design, challenge, invent, and pivot your business model.
9 main building blocks

Describing any business model in visual and holistic way
The Business Model Canvas in practice

1. Value Propositions
   - Which one of our customer’s problems are we helping to solve? or
   - Which customer needs are we satisfying?
   - What is the specific product/service?
   - What are the features that match customer needs?

2. Customer Segments
   - For who are we solving a problem or fulfilling a need?
   - Who are the customers?
   - Does the value proposition match their needs?
   - Is this a single-sided or multi-sided market?

3. Channels
   - Through which Channels do our Customer Segments want to be reached?

4. Customer Relationships
   - How will we Get, Keep and Grow customers?

5. Key Activities
   - What Key Activities do our Value Propositions require?

6. Key Resources
   - What Key Resources (suppliers, etc.) do our Value Propositions require?

7. Key Partners
   - Who are our Key Partners?

8. Revenue Streams
   - What is the revenue model? What are the pricing tactics? For what value are our customers willing to pay?

9. Cost Structure
   - What are the most important costs in our business model?
Contextualising and extending the business model canvas to culture sector

What are the specific features of a culture business model?

What are the specific components distinguishing culture business models?
Keeping in mind an independent cultural center elaborate the components of its business model

Tell us a story/narrative (using the canvas) of a culture business model characterizing an independent cultural centre
Integrating strategy and Business Models
Strategy and business model
Implementation Ability = Plan + Measure + Corrective Action

Vision
A successful business model has to deliver performance

Business Objectives

Promotional Affairs Managers add significant value to the effectiveness of claim statements

Promotional Affairs Managers demonstrate appropriate risk management in the optimization of promotional messages from available data

Complaints are effectively managed in both directions to maintain competitive advantage

Measures and Metrics

Mean satisfaction rating

Evaluation of quality of Promotional Guides

Satisfaction rating from individuals’ input to general promotional activities

Interpretation of # complaints received/successfully defended/business significance of outcome

Interpretation of # complaints made/successfully concluded/business significance of outcome

What are the 3 KPIs of a culture organisation?
Monitoring the quality of business models through measure:

- **Financial Perspective**
  - How do we look to shareholders?

- **Customer Perspective**
  - How do customers see us?

- **Internal Business Process Perspective**
  - What must we excel at?

- **Innovation & Learning Perspective**
  - Can we continue to improve our employees’ skills and create value for our clients?
The key insight on a bag tag
Thank you

Giovanni Schiuma
Director, Innovation Insights Hub
University of the Arts London
Central Saint Martins
g.schiuma@arts.ac.uk