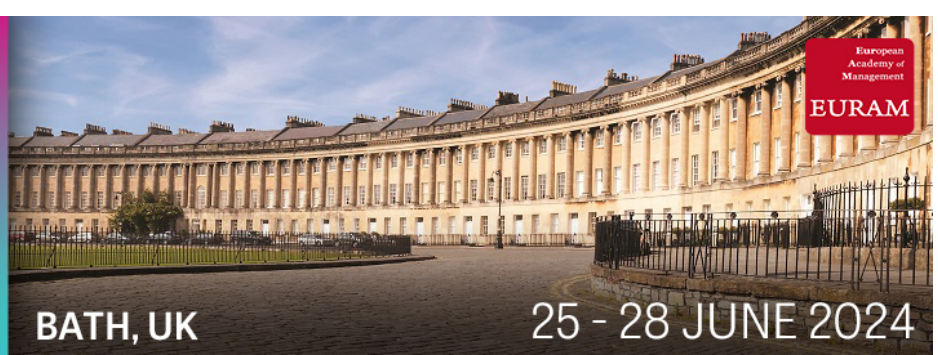


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FOSTERING INNOVATION
TO ADDRESS GRAND
CHALLENGES



The pursuit of economic sustainability for the creative and cultural industries

Francesco Badia
University of Modena and Reggio Emilia, Italy
Tiziana Landi
University of Sannio, Italy
Elena Bartolucci
University of Ferrara, Italy

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The pursuit of economic sustainability for the creative and cultural industries

Abstract

The purpose of this paper is to identify how it is possible to develop an innovative business model and to deal with sustainability issues by managing creative and cultural industries (CCIs) and related initiatives. The study presents a general theoretical framework for the notion of sustainability, provides insights into its economic aspects and investigates the social implications of its impact. It also analyses the evolution of CCIs across Europe and outlines the key concept of a 'business model'. The study implements a qualitative research method, combining an exploratory case study with field-based action research. The empirical part focuses on an Italian social enterprise that fosters local tourism through the promotion of heritage and the dissemination of academic research. The aim of this paper is to show that an improvement in economic sustainability is necessary to develop a suitable business model to overcome the new challenges faced by CCI organisations.

Keywords: social enterprise, sustainability, public funding, social impact, tourism

Introduction

Today, creative industries are seen as significant drivers of economic development in both mature and developing economies (Fleischmann et al., 2017). However, it is difficult to define what characterises a creative industry. Defining business models in this sector is equally problematic. First, the term ‘business model’ has increasingly appeared in not only managerial studies but also business practice (Klang et al., 2014). The concurrent pursuit of economic, social and environmental (or cultural) objectives requires that companies have the ability to develop an adequate business model to meet these challenges (Lumpkin & Dess, 1996). Some researchers have attempted to define how a suitable business model may improve sustainability to provide new and old enterprises with a development model that enables survival in more competitive and complex contexts. A business model is a conceptual tool that can address issues such as how the firm defines its competitive strategy through the design of the product or service that it offers to its market, how much it charges for this product or service, the production cost of the product or service, how the firm differentiates itself from other firms by its value proposition and how the firm integrates its own value chain with that of other firms in a value network (Bocken et al., 2014). According to some authors (Zott et al., 2011), a business model defines how a firm does business and how enterprises adapt resources and abilities to achieve economic sustainability and value, which have some implications for customers and their needs, the performance of competitors, cost and revenue (Teece, 2010). Other authors define a business model as a model that produces a competitive advantage by offering superior value for customers and defining a path towards sustainable development for the corporation and society (Bocken et al., 2014). In addition, such models allow organisations to perceive current challenges, such as financial crises, economic and social inequalities, material resource shortages and technological developments,

not as risks, but as opportunities to engage themselves in sustainability-oriented business model innovations (Joyce & Paquin, 2016). These definitions contain important concepts embedded in this work.

The main aim of the study is to outline the critical success factors for new cultural and creative businesses that are pursuing economic and social objectives. More specifically, it focuses on the difficulties that arise from the context of their development and the challenges of attaining sustainability. This work applies the broadest definition of sustainability, considering its economic and social (or cultural) dimensions. The following research questions are investigated:

- What are the most relevant challenges to reaching economic sustainability faced by organisations operating in CCIs?
- What type of business model is most effective for the implementation and promotion of cultural and creative initiatives?

This paper investigates these research questions using a method that combines action research with case study exploration (French, 2009; Yin, 2018). This qualitative mixed methodology enables a direct approach to analysis of reality (Dana & Dana, 2005) and enhances the interactions between the researcher and research subjects.

The study starts with a general description that provides a theoretical framework, divided into three paragraphs, in an attempt to:

- analyse the current literature on CCIs and illustrate the general definitions shared by the scientific community (Chapain & Stryjakiewicz, 2017; KEA, 2009; Lazzeretti, 2013);
- investigate the subjects of sustainability, particularly its economic dimension (Boström, 2012; GRI - Global Reporting Initiative, 2022; UNWCED, 1987), and the concept of the business model (Ghaziani & Ventresca, 2005; Klang et al., 2014); and

- provide relevant definitions of social enterprises and their emerging role, especially in Europe (Borzaga & Defourny, 2001; Galera & Borzaga, 2009; Kerlin, 2009; Pollitt & Bouckaert, 2011), to provide an example of an innovative business model for creative and cultural organisations to foster economic sustainability and long-term financial equilibrium.

The paper goes on to analyse the specific case study of an organisation (i.e. the subject of the action research) in an attempt to describe the challenges faced by organisations operating in CCIs, especially in the form of start-ups.

The results of this study illustrate the most common problems faced by these organisations, especially when managing cultural heritage projects and initiatives with long-term objectives. The main difficulty has been identified as a general inability to reach and/or maintain sustainability and overall economic balance (Holden, 2015), even when projects are designed and programmed in advance. These issues originate from a lack of innovation regarding business models created in CCIs, where innovation is often misunderstood and interpreted only in connection with technological applications.

Although there has been an increasing number of funding programs for start-ups that foster entrepreneurship in the cultural heritage area, little attention is paid to defining an organisation's legal status with an appropriate set of regulations, especially in the long term (Stockenstrand & Ander, 2014). This leads to further management issues that affect the employment of professionals, the success rate of an organisation and, ultimately, the survival of the organisation itself (Lounsbury & Glynn, 2001).

In this context, one possible model of success is the social enterprise model. In recent decades, the number of social enterprises has increased across Europe, not only in response to

dissatisfaction resulting from the emerging gap between states and markets but also because they represent real economic and social value for the regions in which they operate. Starting with an exploratory case study of a social enterprise operating in Italy, this paper describes some of the advantages and disadvantages of having the status of a social enterprise.

Finally, this paper suggests some possible suggestions, such as policy support for start-up funding systems, the development of network initiatives, investment in managerial skills and new business models based on risk reduction, co-working and the sharing economy (Hjorth et al., 2009).

Background

Key concepts: CCIs, sustainability, business model

Since the publication of Florida's (2002) *The Rise of the Creative Class* and the introduction of his theory regarding the emergence of a new social class that is ready to lead the global economy, CCIs have acquired a real and prominent role in the business world (Unctad, 2010). Although Florida's work was predominantly US-centric, CCIs have also had a strong impact in the European Union (EU). The European Commission has released several reports intended to tackle and enhance the economic potential of this social class (European Commission, 2010; KEA, 2006, 2009). Due to the recent global crisis identifying how CCIs can help the EU has renewed the debate about their contribution to the EU's economy and society. The focus of this debate has shifted towards the economic, social, cultural and environmental elements connected with innovation and the spill over effects on other sectors and occupational levels (Chapain & Stryjakiewicz, 2017; Hennekam & Bennett, 2016). Over the years, it has seemed that CCIs were exposed to a cyclical pattern in which every instance of economic growth stimulated investment

that nourished creativity and innovation, leading to new investment until an breaking point was reached (Landoni et al., 2019). A stress peak was reached, but both society and CCIs were generally unprepared for it. This forced CCIs to face the effects of their own economic growth while addressing the consequent need to reorganise and develop new policies and structures (Dubina, Carayannis, & Campbell, 2012). Today, the main challenges facing CCIs involve finding a way to move past the standstill while taking into consideration the cultural and creative sectors within their own territorial and sociological contexts (Schiuma & Lerro, 2016). In this respect, studies that map CCIs are an important tool for identifying and defining the main traits of these industries, how they contribute to innovation and economic growth within their countries and the spatial patterns that define their clustering (Lazzeretti, 2013; Schieb-Bienfait et al., 2018). Examination of the relationship between spatial and sectoral dynamics is of particular relevance in Europe, where the development of CCIs shows different trends in each country (Chapain & Stryjakiewicz, 2017).

According to the literature, European CCIs seem to display a strong link between culture and heritage, the latter of which plays a key role in the establishment of tourism clusters. Decades ago, Florida (2002) identified the correlation between CCIs and urban regeneration, acknowledging that creativity has strong economic value and is capable of attracting a flow of professional and creative people and transforming suburban areas into attractive residential areas. The role of creativity has become an indicator of the quality of places; art and culture contribute to the ranking of cities in the global competition to attract human capital (Kagan & Hahn, 2011). Nevertheless, some authors have noted that increasing government funding for culture and creativity in the tourism sector does not necessarily correspond to a higher economic impact and that the excessive exploitation of heritage areas can have negative effects (Korez-Vide, 2013).

This phenomenon is particularly relevant in creative cities, which can easily become ‘closed cities’ where gentrification processes gradually replace the local population with a richer ‘creative class’ (Dimaggio, 1982). As a result, those cities may be perceived as marketing brands rather than places inhabited by people (Kagan & Hahn, 2011).

Sustainability is a concept that aims to ensure—or, possibly, to improve—the social and environmental living conditions of future generations. The Brundtland Report offered the first definition of sustainable development, stating that it ‘meets the needs of the present without compromising the ability of future generations to meet their own needs’ (UNWCED, 1987, p. 16). Based on this definition, to achieve sustainability, one must consider other notions, such as intergenerational equity, social justice, respect for nature and the environment, and satisfaction of the needs of individuals (Kuhlman & Farrington, 2010). In the business context, one possible output of sustainability policies is a sustainability report, which can be integrated with traditional financial reporting in order to provide information about the capacity of a company to sustainably fulfil its business goals.

Although there are no mandatory standards for sustainability reports, over the years, guidelines have been developed by independent international bodies to spread the logic of sustainability reporting. The Global Reporting Initiative (GRI) contains the most widespread guidelines, the most recent of which were published in 2019 (GRI, 2019). The design of GRI sustainability reporting considers the way that different categories of stakeholders are defined and the reasons for their inclusion, the concrete form and frequency of their actual involvement and how this kind of information can be used in decision-making processes. The GRI aims to promote a uniform framework for reporting the economic, social and environmental dimensions of

organisational results, in line with the triple bottom line (TBL) approach introduced by Elkington (1998).

The first of the three dimensions of sustainability—the economic dimension—concerns the ability of an organisation to obtain favourable results that allow that organisation to pursue, over time, the purposes for which it was established (Basiago, 1998). The second dimension—social sustainability—is a concept that can be adapted to various contexts and different interpretations (Boström, 2012). In the context of a business, social sustainability tends to primarily concern the human rights of transparency, fairness and lawfulness of business practices—especially for workers—and the quality of relationships within the supply chain. The third dimension—the environment—concerns the environmental impact of the business and the development of ecologically competitive strategies (Shrivastava, 1995).

From a broader perspective, which considers not only natural and ecological impacts but also the ecosystem in which an organisation operates, the environmental dimension of sustainability can include or overlap the cultural dimension. As argued by Throsby, ‘intergenerational equity can be considered as applying principally to the management of cultural capital, because the stock of cultural capital, both tangible and intangible, embodies the culture we have inherited from our forebears and which we hand on future generations’ (Throsby, 2003, p. 167).

The TBL is a relatively widely understood perspective from which to consider an organisation’s economic, environmental and social conceptual framework. In order to design business models that support more sustainable action, it can be useful to employ the Triple Layered Business Model Canvas (TLBMC) (Joyce & Paquin, 2016). Osterwalder and Pigneur (2010) developed the traditional model of Business Model Canvas (BMC) as a tool to facilitate discussion, debate and exploration of potential innovations in business models. Through it, users can develop a

more systemic perspective of an organisation that highlights its value and generated impacts. It was developed based on design science methods and business model development theory, with a focus on providing an accessible visual representation of a business system to guide the creative phase of prototyping, gathering feedback and revising iterations for business model innovation (Osterwalder & Pigneur, 2010). The BMC takes into account customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partners and cost structure. It aligns profit and purposes to support more sustainability-oriented value creation. Environmental and social value are implicitly deemphasised due to the tool's explicit 'profit-first', or economic value, orientation (Joyce & Paquin, 2016).

As mentioned previously, developing a single comprehensive definition of a business model is difficult. The concept has been analysed in various fields with different aims and objectives, resulting in a multiplicity of definitions within the literature, which does not facilitate precise interpretation of the theoretical construct (Morris et al., 2005). However, it does allow for a wide overview of the concept that highlights its many complementary aspects.

When defining a business model, some authors focused more on the logic of economic profit (Chesbrough, 2010), while others highlighted its strategic dimension (Osterwalder & Pigneur, 2010), underlining the roles of the involved actors and their potential benefits as well as opportunities to create value for the sustainable development of the enterprise. This is frequently connected with the use of new technologies (Timmers, 1998). Scholars have also attempted to outline the main components of business models. Alt and Zimmermann (2001) identified six basic components: mission, structure, processes, revenues, legalities and technology. Other authors focused on offering-related factors: market factors, internal capability factors, competitive strategy factors and economic factors (Morris et al., 2005).

Comparison of the proposed suggestions, the difficulty of developing a unified approach is evident. However, making a list of the components that recur in various models can be useful to identify the main aspects that should be considered when developing a business model (Lumpkin & Dess, 1996). Generally, the most important are elements such as supply and demand (and the ability to meet value propositions), customers (including targeting and segmentation), the main channels of communication and distribution and sales. Many scholars also suggest considering internal management (key resources and activities), external management (partnership, suppliers, collaborations) and economic factors such as costs (which are directly related to internal and external management) and revenues (which are related to customers). Finally, some authors include strategic goals (i.e. the vision and mission of the company) as key elements of a business model. Although this list should not be considered exhaustive, it can be recalibrated and, possibly, applied depending on the case in question (Dess & Lumpkin, 2005).

Social enterprise as a proposal for an innovative business model

After the 1990s, the attention of European lawyers and policy-makers shifted toward facilitation of public action at local levels. In the first years of the 21st century, these aspects and the development of CCIs may have contributed to the increased growth of social enterprises. The social enterprise model responded to a series of evolving social and economic needs that could not be answered by the rigid dichotomy of a state–market society (Burkett, 2013). Social enterprises’ most important role is to facilitate special relationships between organisations and clients/users that define a value capable of promoting ‘civilisation’ processes in the community (Amatucci et al., 2018). However, defining the characteristics of social enterprises is

challenging, as evidenced by the wide variety of country-specific legal regulatory structures that are closely connected to the role of the non-profit sector and voluntary organisations.

The importance of the non-profit sector indicates the renewal of civil society in association with public authorities in an attempt to address the recent economic global crisis and the weakening of the welfare state. Today, the non-profit sector is involved in the allocation of resources through the production of public goods and services, which was primarily the role of the state (Borzaga & Defourny, 2001).

In international contexts, the term ‘social enterprise’ is often misinterpreted because of its philanthropic roots in the United States, where it is often associated with the concept of doing charity *by* doing trade rather than doing charity *while* doing trade, and because of its cooperative roots in the United Kingdom, the EU and Asia. In other countries, the emphasis of such enterprises is on concepts such as community organising, democratic control and mutual principles (Kerlin, 2009). However, this lack of common understanding should not be interpreted as a limitation, but as a starting point for an international debate to encourage reconsideration of the theoretical definition of social enterprises and their legal structure (Galera & Borzaga, 2009). The economic sustainability of social enterprises is often linked to governmental funds that are granted to them in recognition of their distinctive contributions to the community (Laville & Nyssens, 2004). Currently, in a scenario dominated by economic and social instability, the public sector is faced by limitations and restrictions regarding the use of public funds. Concepts like trust and accountability have become crucial for transforming public organisations into functional structures that are capable of achieving better social impacts and financial results. New public management and public governance approaches influenced such concepts. The objective of these approaches is to retrace the boundaries and responsibilities of governmental

bodies and principles such as public responsibility, subsidiarity and co-production, with an emphasis on the concepts of economy, efficiency and effectiveness (the three ‘E’s) in the provision of public services (Pollitt & Bouckaert, 2011).

These approaches have affected social enterprises by requiring them to consider their actual social impact and the way they are currently evaluated regarding accountability in the expenditure of public funds. Other important aims of social enterprises are to respect the expected quality standards of service provisions, consider customers as citizens and citizens as customers and measure the degree of cooperation with public administrations and other private-sector firms in order to achieve the general purpose of enhancing public–private partnerships and initiatives.

Research method

The case study

The research questions addressed in this paper focused on defining which type of business model is most effective for organisations operating in CCIs that aim to achieve economic sustainability and positive social impacts. A qualitative research method—exploratory case study analysis—was used to investigate the research questions in combination with action research. Adopting a case study methodology (Yin, 2015) ensured a solid basis to verify the assumptions of the theoretical framework, while the flexibility of action research provided a wide range of methods to analyse the variety of research outputs collected in the field with an adequate degree of accuracy (Eden & Huxham, 1996). For these reasons, this investigation opted for the action research approach proposed by Steven French (2009), which involves a combination of action research cycles (Coughlan & Coughlan, 2002) and an action research criteria/methodology list (Zuber-Skerritt & Perry, 2002). During the action research, one of the authors acted as a

managing consultant and was directly involved in the management of the case study and decision-making processes. Due to this latter condition, the authors of the paper understood that the topics of enquiry had to be investigated using a methodology that was capable of achieving scientific accuracy when exploring theoretical objects as well as evaluating practical elements.

The subject selected for this exploratory case study was an Italian social enterprise working on cultural and creative initiatives to promote history and heritage in the Emilia-Romagna region, which is known for local tourism. This small-sized enterprise (SME) was officially founded in December of 2017 by four members. However, the analysis starts about a year prior to its foundation, when the founding members of the company were active in a voluntary association that aimed to promote history and archaeology through, for example, cultural tourism, school education and edutainment initiatives.

The main reasons for choosing this specific case study were as follows:

- It presented an opportunity to study an organisation that has operated in a CCI from its inception and that developing its system of management through an evolutionary process (it began as a voluntary association and became a social enterprise).
- It presented an opportunity to analyse the evolution of a business model in relation to the evolution of the activities carried out by the organisation's members.
- It allowed for evaluation of the opportunities of a social enterprise model in the CCI context, especially if a social enterprise can favour the pursuit of sustainability (in both the financial and social dimensions) in cultural initiatives and their impact on the area.

A business model is critical for designing an effective and sustainable enterprise. However, compared to ordinary businesses, businesses operating in CCIs find it more difficult and complex to develop an adequate business model that can balance a social mission with economic

sustainability. In this context, the social enterprise could be a suitable way to balance both interests. Managing a social enterprise involves creating a skill set that is more than the sum of its parts. At the same time, when designing a feasible and sustainable business model, it is necessary to consider both the skills that are capable of delivering a social impact and the cost involved in doing so (Burkett, 2013). There may be cost implications in addition to challenges related to key activities, customer relationships and key resources. Income may not actually cover the wages needed to pay workers or be enough to sustain the additional costs, such as activities to engage internal and external stakeholders. Therefore, it is necessary to explore options for accessing the non-trade income needed to pay for additional supports and to ensure that employees can sustainably participate in the workforce over time.

Of primary importance is developing a suitable business model for social enterprises. Starting from the previous definitions of business models, the BMC could be a suitable managerial tool for building a clear picture of social objectives that takes into account all economic and financial dimensions. Understanding these objectives is imperative for social enterprises to effectively manage feasibility and sustainability aspects. On one hand, these enterprises cannot work if their business model does not survive financially, but on the other hand, they cannot work if the social objectives are not realised within the business (Burkett, 2013). The aim of social enterprises is to facilitate a connection between the impact and financial and economic sustainability. In this way, the social enterprise becomes an intermediary that enables the delivery of a sustainable social impact through a feasible business model. The way to represent this on the BMC is to differentiate between the side (or sides) of the social enterprise that is oriented toward the impact and the side that is oriented toward commerce. By separating and visualising both sides on the canvas, it is possible to learn how two sides interact.

Action research

The action research part of the analysis was made possible because one of the authors was a consultant for the voluntary association, and later for the enterprise, from October 2016 to June 2018. Action research was selected not only to enable analysis of a specific context but also to support the formulation of new grounded theories of social interest for the community. According to some authors, 'observation about the specific situation will, for the researcher, raise broader questions that are of interest of a wider community working in a wider variety of contexts and will raise issues of linkage to broader statements made by others' (Eden & Huxham, 1996, p. 79).

The action research has been conducted in several steps, including active collaboration with members of the enterprise. The four members of the initial voluntary association commissioned one of the authors of this work as a consultant in order to identify an innovative business model for the organisation and evaluate its implementation. One of the fundamental starting points for cultural and creative activities was a business model capable of attracting the attention of private and public institutions that aim to foster creativity and as well as attracting local and regional funding. The research team attempted to fulfil the organisation's request for such a model by expanding the analysis through the research questions described above.

The study was carried out in three phases that aligned with the three action research cycles conducted at three different stages of the evolution of the organisation:

- From October to December 2016, the first business model proposal was developed so the organisation could compete for local funding in order to foster cultural and creative initiatives and business ideas. The organisation won this funding in December 2016.

- From January 2017 to December 2017, the first business model was re-oriented due to the evolution of the cultural and creative activities.
- From January 2018 to June 2018, the business model was implemented and analysed by considering the activities implemented from the foundation of the organisation to the first months of activity.

These three phases were analysed according to the following process:

- development of a work plan to achieve the objective requested by the founders (i.e. an effective business model with a high degree of innovation);
- implementation of the work plan through a series of actions that take into consideration the different aspects of the commissioned study;
- observation and assessment of the collected evidence after completion of each action; and
- analysis of the evidence to improve the business model and refine the actions planned for the next phase/action research cycle in light of emerging factors in the investigation.

The types of data that were collected were consistent with the action research method, which was conducted as follows:

- analysis of the academic literature to support the development of an innovative business model;
- review of international and national documents regulating CCIs and social enterprises in Europe and Italy;
- documents released by private and public institutions that call for efforts to foster CCIs;
- direct observation notes and debriefing reports written by the consultant-researcher about the organisation, including internal meetings (board meetings, meetings with employees)

and external meetings with other consultants, network partners active in the territory, public authorities and institutions, and investors;

- observation and reflection notes about the actions taken in the three action research cycles performed to date; and
- analysis of strategy documents describing the implementation of the innovative business model and its evolution.

The data collection method ensured the internal and external validity of the study and satisfied the principles of credibility and reliability. The collected data are discussed in the following section (Yin, 2015). The data were shared not only within the research team but also with the members of the organisation in order to facilitate the development of an innovative business model. For the BMC, different focus groups were organised with internal and external stakeholders in order to fill the canvas and determine which social goals should be achieved by which human resources and key activities as well as which economic and financial parameters should be taken into account.

Before beginning to analyse the data collected through the action research, it is necessary to acknowledge some caveats of the data. Although validity, credibility and reliability were ensured whenever possible, it is possible that the nature of each type of data may have led to some bias. The documentation and archival records were collected in a broad and unobtrusive way, but it was not possible to collect data in the same way for each action research cycle. The availability of data was subject to recoverability, our access and the way the data were compiled and presented. Similarly, reports and notes taken at internal and external meetings were not drafted in a consistent way. Moreover, even though direct observation reports can be useful in terms of reflexivity, they are subject to the unwitting selectivity of the researchers and the people drafting

them. This could result in critical elements being unintentionally overlooked. The following considerations emerged from analysis of the three phases of this study.

To achieve both the economic and social objectives, the organisation's business model needed two revisions to reflect the direction of the company's activities. The first of these was a response to a local call that offered funds for fostering creativity, which the organisation won in December 2016. The revision was mainly oriented toward an innovative application of Internet technology to promote cultural activities. The second revision was drafted as part of the organisation's participation in another competition for SMEs in the Emilia-Romagna region. The organisation expanded its area of interest with the aim of being given management of three museums that promote local gastronomy. It focused on not only innovation but also managerial aspects, such as the organisation of activities and effective use of human resources. For this reason, the scope of the proposed innovation shifted from technical goals to social and economic/financial goals. The organisation did not win this competition, but the value of the cultural project format for the promotion of cultural tourism initiatives was recognised by a public sector company owned by the Emilia-Romagna region, and one of its consultants offered a series of free meetings regarding the creation of a new business model.

In January 2018, the organisation applied to the local Chamber of Commerce for registration as an innovative start-up with a social aim. Its proposal was rejected due to a lack of descriptive detail about the degree of innovation and a poor description of the innovative technology development and proposed applications. However, the stated purpose of the enterprise was to produce innovation through a business model oriented towards the quality of historical research, the production of sustainable cultural itineraries promoting local destinations and audience development. As the organisation saw the application of technology in these activities as a

supporting tool rather than an indication of the degree of innovation, a review of this decision is pending.

Discussion and conclusions

The impact of founding the social enterprise and subsequently expanding the range of its cultural activities in the region was quite positive. The decision to adopt the social enterprise juridical form facilitated the transition from a voluntary association to a registered company. The nature of the new enterprise allowed it to maintain and consistently develop a network of partners in the area. When it changed its juridical form, the board members decided not to close the association, but to resign from their positions. They wanted to pass the association on to its younger members so the board members could engage in other volunteer-based activities and improve their professional skills with the help of the pre-existing organisational structure. Thus, the voluntary association could continue its work and act as an incubator for future enterprises.

The management of the organisation's human capital and definition of their duties became critical factors at the end of the third action research cycle (Guillon, 2017). Each founding member took charge of a specific area of the organisation, but defining the tasks to be performed for each area was problematic. The expansion of the network of public and private partners had an unseen consequence closely connected with these management issues. The rapid growth of the organisation's reputation led to a general increase in collaboration with local events and other institutional partners in the area, such as municipalities. This resulted in significantly increased work hours that could not be covered by the staff. Additionally, funding for the immediate expenses of these cultural activities was not sufficient for the number of new projects that were taken on, and the revenue accruing from these projects was only received at the end of the year. This is still a critical issue for the organisation, and it is currently exploring new ways to fund its

activities. As stated before, by using the BMC to map elements and relationships, it will be obvious to an attentive observer whether the social enterprise management team is wrongly expecting to be able to fund a significant and complex social initiative with a flimsy and unrealistic commercial model (Burkett, 2013).

In September 2018 was developed a third version of the business model. The next section will reflect on and explore the findings in order to answer the research questions listed in the introduction of this paper.

Further studies could analyse a broader sample of social enterprises operating in the cultural and creative sectors by conducting multiple case studies or by focusing on mapping activities within Europe. This study found a close connection between the creative and cultural sectors and the way district policies are influenced by their evolution, especially in relation to innovation and start-up funding initiatives (Fillis & Rentschler, 2010). However, it also showed that those policies are insufficient. CCIs are highly dynamic and require constant investment in managerial skills and support for the creation or re-orientation of new business models based on concepts such as risk reduction, co-working and the sharing economy (Lounsbury & Glynn, 2001).

Research should continue to raise awareness of the need to provide support to CCIs, especially managerial support (Lumpkin & Dess, 1996). Even if organisations operating in CCIs can achieve a high degree of innovation, they may continue to experience issues related to survival and market competition due to a general lack of attention paid to business model innovation and managerial challenges.

In this concluding section, the evidence collected and analysed by the research team is grouped according to three main concepts: economic sustainability, the degree of innovation when creating the business model and the impact of cultural and creative activities on the affected

community (taking an economic and social perspective). These three concepts were explored by analysis of the exploratory case study and the action research analysis. Based on the findings, the research questions can be answered as follows.

The first research question asked about the most relevant challenges to achieving economic sustainability faced by organisations operating in the CCIs. Analysis of the case study showed that in Italy, as described in the literature examining the European context more broadly, there is a growing market for cultural and creative activities, especially those oriented towards cultural tourism and the promotion of heritage cities, their districts and their neighbouring towns and villages. The reasons for this growth are probably connected with increased awareness of the importance of, for example, local history and cultural identity. Some of the elements that are important may differ from those of large heritage cities, such as cultural heritage, architecture and gastronomy, but are often complementary to them. It follows that organisations operating in CCIs should exploit this situation to reach new potential customer segments and increase their revenue. However, extensive exploitation of cultural heritage may lead to a wide range of negative environmental and social phenomena, including the decay or gentrification of heritage structures. Additionally, networks of public and private institutions that promote cultural and creative initiatives in local areas are still very limited.

Social enterprises operating in creative industries struggle with pressure to be simultaneously innovative and creative, which requires access to unique resources, such as knowledge and creative potential, as well as effectiveness when taking actions. Their competitive advantage is based on creative potential, which is rooted in building and maintaining internal relations. As a result, in creative industries, it is crucial to develop relationships with internal and external stakeholders that are strongly based on trust (Radomska et al., 2019).

This situation might represent an opportunity for new businesses and increase the number of good job opportunities for young professionals working in CCIs. If this is true, not only is it possible to pursue economic sustainability in cultural tourism but also it may be possible to mitigate the effects of cultural exploitation that are typical in large heritage cities. From a social impact perspective, this could result in redirection of tourist flows toward other cultural attractions in neighbouring areas, creating new occupations within the sector and promoting pride in the history of a place or district. It could be also an opportunity to enhance the organisation's economic and financial sustainability strategy, improve public-private partnerships and develop crowdfunding activities.

The second research question asked about the most effective type of business model for the implementation and promotion of cultural and creative initiatives, referring to the emergent cultural and creative context and its social implications. The case study showed that the business model is a key factor defining the managerial and organisational aspects of an enterprise and its cultural products. The development of the model should start by defining the value derived from the actions of an enterprise (Lounsbury & Glynn, 2001). The concept of innovation applied to a business model is not solely dependent on the exploitation of technology; it is also applicable to innovation in the form of promotion of cultural activities, even if some institutions (both public and private) still have difficulties separating the term 'innovation' from 'innovation of technologies' and finding new tools or activities to improve revenue and funding.

A business model is not a static tool; it should be adapted and re-oriented according to the needs and dynamics of the organisation (Lumpkin & Dess, 1996). A well-structured business model also influences the organisation's relationship with its network partners and the district in which

it operates. If this is true, it may be especially important for social enterprises, which are closely related to the non-profit sector, to interact with national and local authorities and administrations. From this perspective, social enterprises are suitable for CCIs, especially those focused on the promotion of cultural tourism. However, adoption of a juridical form is not the only possible way to foster economic sustainability. The prevailing theory in the literature seems to confirm that looking for innovative business tools and managerial activities is needed to guarantee the survival of CCIs by balancing the social and economic/financial dimensions.

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