

# Business Model Innovation as Response to Sustainability: Non-Profit Arts Organization

Xinman Wang<sup>1</sup> and Fuangfa Amponstira<sup>2</sup>

<sup>1,2</sup>School of Management, Shinawatra University, Thailand

E-mail: <sup>1</sup>sophiawmw@gmail.com; <sup>2</sup>fuangfa.a@siu.ac.th

**Received** June 4, 2022; **Revised** September 13, 2023; **Accepted** September 15, 2023

## Abstract

This study aims to explore and analyze the key factors with strong impacts on the sustainable development of non-profit art organizations (NPAO). The sustainable development of the world's non-profit art institutions is related to the preservation and inheritance of the heritage of human civilization. Samples include several art institutions and non-profit art organizations in the United States, France, and China.

The research design used mixed-research methodology with qualitative approach as the leading one supported by quantitative approach of descriptive statistics. The research target are nonprofit art organization (NPAO). For this study, data were collected from art institutions such as Nature and the Arts Organization (USA), IMAJ-UNESCO Art Center (France), CGK-Contemporary Art Gallery Kunming, etc. Semi-structured interviews and revenue records of key employees of three representative arts organizations.

Several key findings highlight business model innovation and the direct and indirect benefits of business external partners, Value innovation, nonprofit art organization boundary collaboration is key to revenue and sustainability, and value identification also influences innovation and revenue generation. This study reinforces our knowledge of the economics of non-profit arts organizations. I believe that the sustainability of non-profit arts organizations needs to be combined with their own practices and cultural project innovations. Finally, I make some recommendations that organizational and technological innovation and value creation innovation can improve economic, market, and social performance, which will facilitate the practice and sustainable development of future non-profit arts organizations.

**Keywords:** Business Model Innovation; Revenue; Sustainability; Non-Profit Art Organization; Organizational Boundary

## Introduction

Non-profit art organizations, museum, galleries, art centers and institutes are located in every major city around the world. They are part of the cultural spirit of the city. Over the years, nonprofit arts organizations are facing an increasing need to accommodate a variety of public roles, while some nonprofit arts organizations are trying to reinvent and innovate. Innovation and Process Innovation, Technological Innovation and Administrative Innovation (Camison et al. 2009) there is a difference between them. Among nonprofit arts organizations, the most common innovations are changes in certain services and advances in the technology used (digital catalogs, virtual access, or web publications). In addition, Hull and Lio (2006) argue that process innovation is better suited to the interests of these organizations than product innovation because they are shown to be less risky and less costly. It is not only conducive to organizational management innovation, but also proven in the practical application of art organizations. Therefore, the strategic foresight and innovation is essential for the mission achievement of an organization.

## Research Problem

Raising the revenue of nonprofit art institutions is crucial, and no art institution is exceptional, there is little literature in the study of actual fundraising strategies for art institutions, and research that focuses primarily on the ethics of revenue sources rather than best practices in other disciplines has always been problematic because the theory it tries to apply does not always apply.

## Research Questions

1. How does NPAO organize its strategy for sustainable development?
2. How does a business model affect the sustainability of NPAO, a non-profit arts organization?
3. What is the main income of NPAO? Is NPAO's revenue a key factor in sustainability?
4. How does the need for sustainability affect value creation at NPAO, a non-profit arts organization? Monetary and non-monetary values?

## Research Objectives

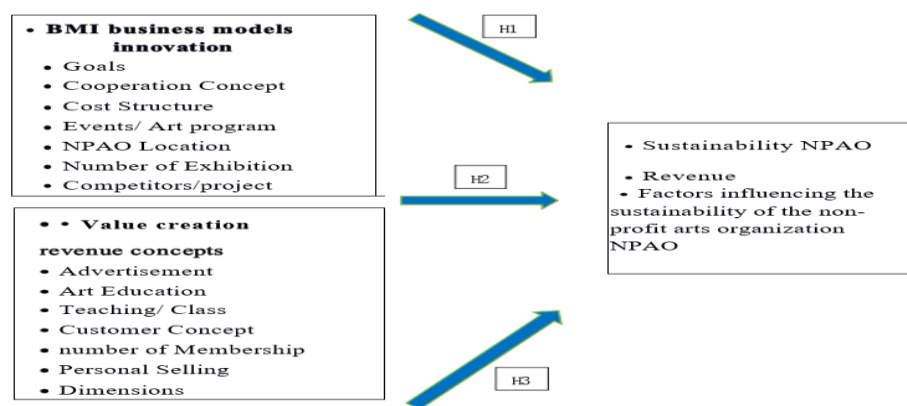
1. To investigate how NPAO organize its strategy for sustainable development.

2. To identify a business model affect the sustainability of NPAO, a non–profit arts organization.

3. To analyze the impact of the various business models of BM, BMI and SBMI on the sustainability of NPAO.

4. To analyze the need for sustainability affect value creation at NPAO, a non–profit arts organization? Monetary and non–monetary values?

## Conceptual Framework



## Literature Review

### Organization Innovation

Over the past few decades, nonprofits have faced increasing external environmental challenges that have caught the attention of researchers. The government has been the traditional source of funding for NPOs (Wijkstroöm, 1997). At the same time, governments have been a source of uncertainty because many initiatives have not received adequate policy commitments (Kunle, 2004). At the same time, the organization provides professional development, advocacy and information (Shop Association, a non–profit arts organization in Australia, 2010).

### Non–profit art organization NPAO and revenue

According to Johnson, Christensen & Kagermann (2008), the concept of revenue is a blueprint that defines how companies can create value for themselves by providing their value proposition. Businesses must optimize revenue by entering or integrating secondary businesses. For example, revenue from tourist destinations can increase by selling real estate or by increasing the

revenue of car rental companies by offering fleets to corporate customers. Changes in the concept of income can also adjust the cost structure. Museum retail is seen as a panacea for reducing revenue. Recent international trends include store expansion, an increase in online stores, and e-commerce (Thau 2008). The development of e-commerce also faces challenges. The study highlights the need for more detailed empirical evidence (Mason and McCarthy 2008). Museums may also lack the skills and personnel needed for e-commerce (Brodie, Kane, and Clark 2012). Mason and McCarthy (2008) argue that these resource allocation issues may be more common in smaller organizations.

Non-profit organizations exist for a variety of purposes, including public health and safety, education, philanthropy, provision of food, clothing and shelter, labor, sports, politics, religion, advocacy, philanthropy, philanthropy, business support and civil rights (National Center for Philanthropy Statistics, 2009a; Wijkstro "m, 1997). The emergence of NPO is to meet the needs that neither the enterprise nor the public sector can meet (Etzioni, 1972; Kotler & Murray, 1975). The business cannot meet these demands because it cannot make a profit. The government cannot meet these needs because there is not enough public support. Non-profit organizations pursue a mission that is neither financially sustainable using for-profit business models nor has sufficient public support to drive government action and expenditure of taxpayer funds (Hansmann, 1980; McDonald, 2007; Valentinov, 2008). Therefore, non-profit organizations have a unique relationship between operation and revenue.

### **Sustainability non-profit art organization NPAO**

The "Reinventing Government" initiative (Osborne & Gaebler, 1992) and the New Public Administration (Kettl, 1997) changed the relationship between government and NPO. These changes have increased competition in the non-profit sector by attracting for-profit companies into markets traditionally served by non-profits (such as health care) (Ferris & Graddy, 1999; Kessler & McClellan, 2002). Similarly, as competition for donations within the industry has increased, the number of non-profits has also increased, leading to fluctuations in patron support (Chetkovich and Frumkin, 2003). These changes have forced Npos to adopt strategies aimed at building viable, sustainable organizations to continue to pursue their social missions (Bryson, Gibbons and Shaye, 2001; Chetkovich and Frumkin, 2003; The Dart, 2004; Goerke, 2003).

## Research Methodology

This research design of this study comprises the mix– research methodology. The qualitative research approach is used as the main functions supported with A total of 18 people from 31 institutions participated in a questionnaire survey of three non–profit arts organizations, while the three non–profit arts organizations provided nearly 3–5 years of operating figures as the basis for this study. The three non–profit arts organizations are: The Global Alliance for Nature and the Arts – San Diego, USA, the World Youth Art Center (Troyes, France), and CGK Contemporary Art Gallery Kunming (Kunming, China). Field research was done on the cities where three agencies are located, Troyes in France, Kunming China, and Santiago in the United States.

### Analysis of Data

Given that the last survey of arts organizations was conducted three years ago and only a small number of organizations participated, our data provide valuable insights into the industry for arts organizations. Since the questionnaire was sent to arts organizations in three different countries, in some cases we were able to compare data from the three countries as well. Questionnaires were sent to different regional institutions in China, France and the United States. We received responses, 18 of which were eventually available. The quantitative analysis tools is used to review secondary data in the form of revenue records. From 2019 to 2021, every case study needs to be documented. It is not possible to collect data records longer than this time, and the choice depends on the availability of income data, although all nonprofit arts organizations have created a series of economic documents, these documents have not been found to be standardized in practice.

## Research Result

Guided by a series of interviews, we identified and discussed the environmental threats affecting NPOs, as well as some of the creative BMI that NGOs are employing to mitigate these existential threats. The size of the organization represented is small and medium–sized in different countries and urban areas. While the intensity of the threat varies, in some cases, depending on the size or location of the organization, the common theme of survival innovation is universal for all NPOs represented by our informants, because the attributes are the same. In many cases, our informants readily admit that their organization's response is the result of experimentation and trial and error, as found in the BMI literature of commercial and nonprofit organizations. Some of these BMIs can be applied to many other types of NPOs and social purpose organizations and have proven to be effective for income generation and sustainability; Some arts organizations are showing hope;

The efficacy of others has not been determined. However, there is a general consensus that organizational innovation is very important and failure to creatively adapt to the dynamic environment in which these organizations operate, albeit somewhat unfavorably, is the secret to organizational failure. To this end, by categorizing the expected impact, value creation, delivery, and capture of these business model innovation BMI, we seek to provide a reference and reference for researchers and managers to better judge their potential for success so that they can continue to evolve as an arts organization.

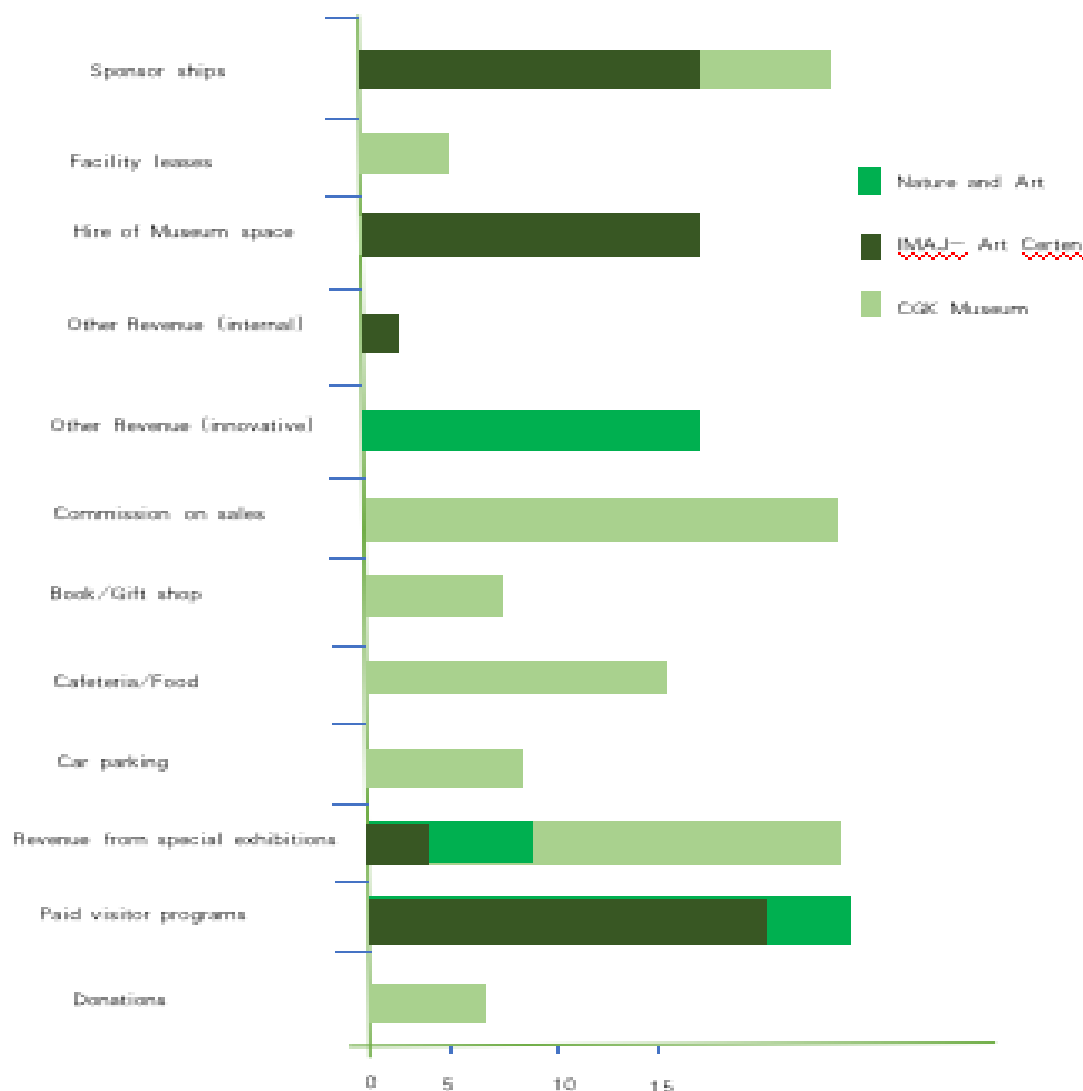


Figure.12 -2 2019-2020 percent of total income

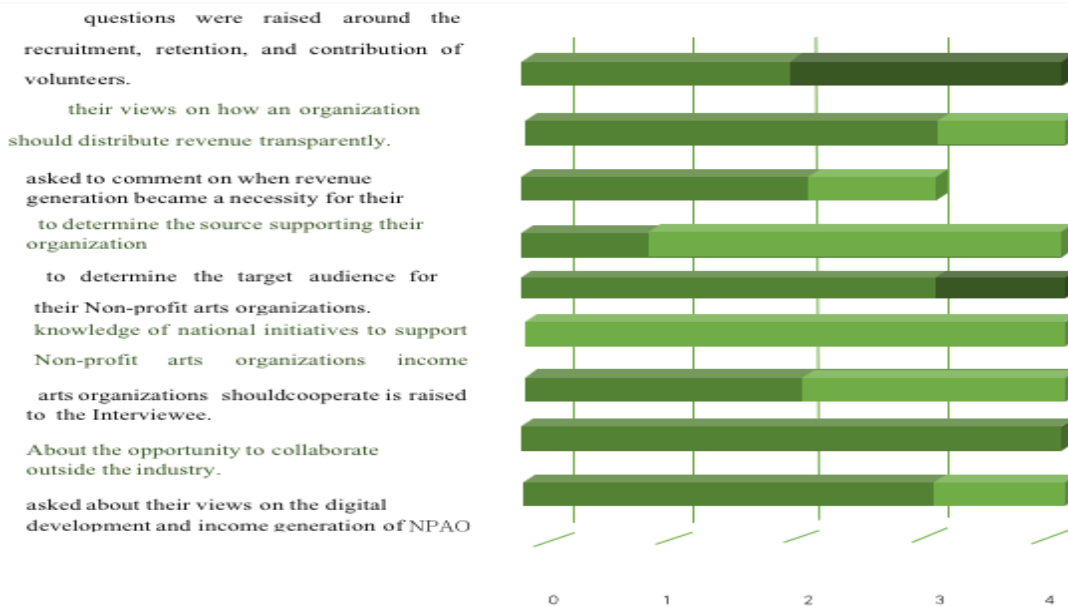
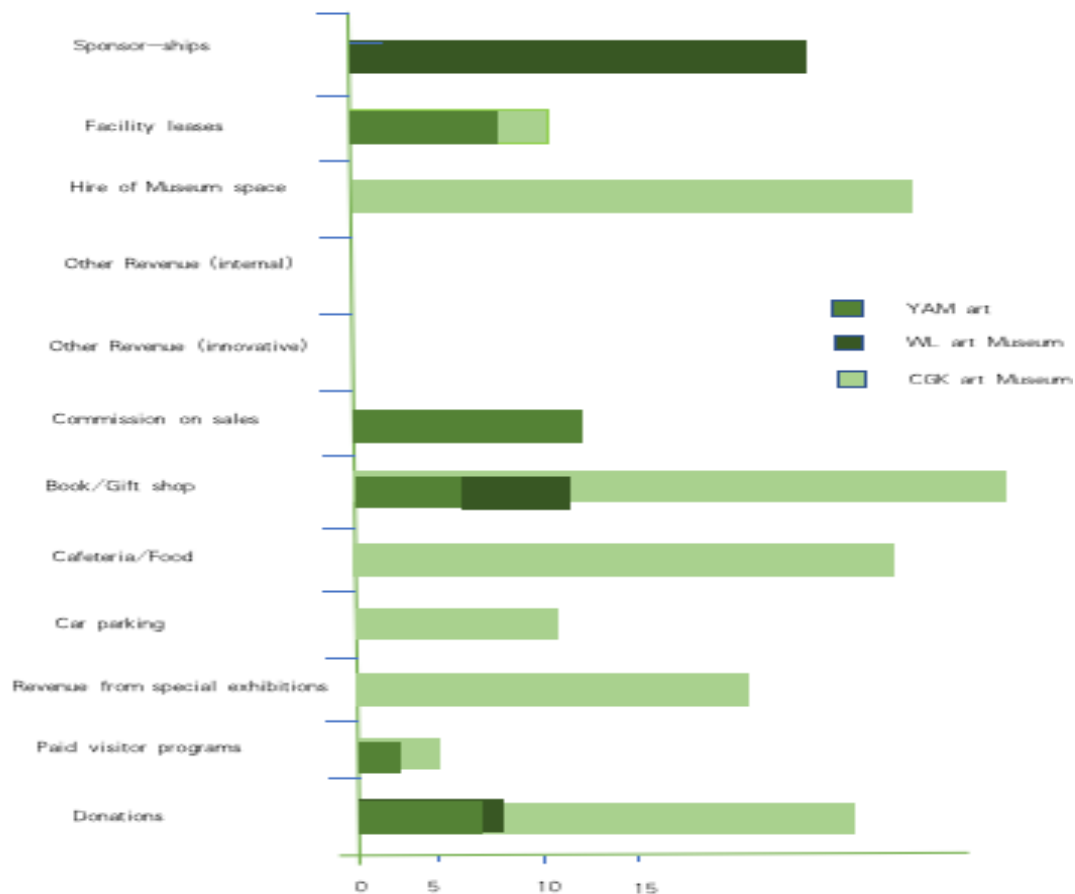


Figure 15 : Respondent s' over all answer s to closed questions



## Conclusion

For art institutions and museums, digitalization is the development trend, and art education needs to be integrated into the digital process of art institutions. For art education, digital technology

is a means. Digital technologies should be organically integrated with educational goals and content. On the one hand, the content of excellent offline art education projects should be digitally transformed, and on the other hand, special teaching content should be produced according to the characteristics of users and digital technologies.[49] In other words, communication has evolved from informative to participatory and inclusive, as current analysis of examples of Chinese art institutions and museums has seen. While the current analysis is limited to WeChat, it has been shown that there are indeed art institutions that have explicitly chosen the "Social Museum" or "Online Art Institution 2.0" model.

Second, the study gathered meaningful recommendations and showed that during the coronavirus pandemic, in some cases, Chinese nonprofit art institutions and museums have been catalysts for social media action. These institutions have not only increased their activities, but have also published content with greater educational value (advocating for the conservation of biodiversity through the arts). However, many institutions remain stuck in the knowledge diffusion model, which is still some way from projects that are truly rooted in constructivism and connectionism, and these case list studies show us that in this paper, only 12.2% of Chinese nonprofit art institutions have researched and developed educational exchange 2.0 programs. In a way, when art institutions and museums apply the discourse of educational communication strategies, they try to overcome financial barriers to buying tickets or entering space, avoiding physical places and integrating culture, art, and science. Therefore, any content or strategy with distinct educational characteristics can achieve the true education that all people have can access.

Finally, during the lockdown against the global spread of the virus, Chinese nonprofit art institutions confirmed that their websites were getting more traffic, as were other museums internationally. What matters, however, is how art institutions and museums enhance their activities in the 2.0 space and, more importantly, the diversity of content types they offer. The lockdown may have accelerated the process of 2.0 educational exchange activities that art institutions have begun. In this case, changes in conditions and reduced liquidity will accelerate changes in the way institutions communicate and interact with users, leading to more participatory projects on social media. In addition, this new educational space offers different ways of active participation that should be explored and utilized for further understanding. In China, a few apps have recently been launched, such as the Coloring Dragon community website (<http://cizg.china>) or the Chengjiang Fossil Land Natural Museum in Yunnan Province, which is a leader in the classification of



archaeological heritage and the creation of citizen science projects related to heritage education. Participatory and collaborative citizen science initiatives for sustainable development.

## References

- Agarwall, S., Erramilli, K., & Dev, C.H. (2003). Market positioning and performance of service companies: the role of innovation. *Journal of Service Marketing*, 17(1), 68–82.
- Argyris, C., & Schon, D. (1978). *Organizational Learning: A Theoretical Perspective on Action*. Reading, Massachusetts: Addison Wesley.
- Bakhshi, H. & Throsby, D. (2009). *Innovation in Arts and Cultural Organizations: A Mid–Term Study*. London: Nesta.
- Baumol, W. J. & Bowen, W. G. (1966). *Performing arts. Economic hardship*. New York: Twentieth Century Fund.
- Benham, F. (1998). *The Contradiction of De'se'tatization: a non–profit art organization in France*. In P.B. Boorsma, A. Van Hemel, & N. Van der Wielen (Eds.), *Privatization and Culture*. Dordrecht: Creweville.
- Bertschek, I. & Entorf, H. (1996). Nonparametric estimates of the Schumpeterian link between innovation and firm size: evidence from Belgium, France and Germany. *Journal of Empirical Economics*, 21(3), 401–426.
- Burton, C. & Scott, C. (2003). *Nonprofit Arts Organizations: Challenges of the 21<sup>st</sup> Century*. *International Journal of Arts Management*, 5(2), 56–68.
- Caladarci, T., & Cobb, C. D. (1996). Extracurricular participation of high school students, school size, achievement, and self–esteem: a national perspective. *Journal of Rural Education Research*, 12(2), 92–103.
- Camarero, C. & Garrido, M. J. (2008). The role of innovation in the relationship between market orientation and performance in cultural organizations. *European Journal of Innovation Management*, 11(3), 413–434.
- Camiso'n, C., Lapiedra, R., Segarra, M. & Boronat, M. (2009). A meta–analysis of innovation and organizational scale. *Organizational Research*, 25(3), 331–361.
- Cohen, W.M. & Klepper, S. (1996). Company Size and Re–emergence of R&D. *Economic Journal*, 106, 925–951.

- Gainer, B.& Padanyi, P. (2005). The Relationship Between Market-Oriented Activities and Market-Oriented Cultures: Implications for Market-Oriented Development of Nonprofit Service Organizations. *Journal of Business Research*, 58, 854–862.
- Heilbrun, J., & Gray, C.M. (1993). *The Economics of Arts and Culture: An American Perspective*. Cambridge: Cambridge University Press.
- Hult, T., Hurley, R. & Knight, G. (2004). Innovative: its predecessor and impact on business performance. *Industrial Marketing Management*, 32, 429–438.
- Kamien, M. I. & Schwarz, N. L. (1982). *Market structure and innovation*. Cambridge: Cambridge University Press.
- Kawashima, N. (1999). Privatize the services of a non-profit arts organization for local authorities in the UK. *New managerialism in action? JMP*, 1(2), 157–178.
- Kirchner, T. A., Markowski, E. P. & Ford, J.B. (2007). The relationship between government support, marketing activities, and the financial situation of nonprofit performing arts organizations. *International Nonprofit and Voluntary Sector Marketing Journal*, 12, 95–116.
- McDonald, R. (2007). A Nonprofit Innovation Survey: The Role of Organizational Mission. *Non-Profit and Voluntary Sector Quarterly*, 36(2), 256–281.
- McNichol, T. (2005). Creative Marketing Strategies for Small, Nonprofit Arts Organizations: Proximity and Innovation. *International Nonprofit and Voluntary Sector Marketing Journal*, 10, 239–247.
- Mottner, S. & Ford, J. (2004). Measuring the Performance of Nonprofit Marketing Strategies: A Case Study of a Nonprofit Arts Organization Store. *Journal of Business Research*, 58(6), 829–850.
- Olson, J., Belohlav, J. & Boyer, K. (2005). Operational, Economic, and Mission Elements in Nonprofit Organizations: The Case of the Chicago Symphony Orchestra. *Journal of Operations Management*, 23(2), 125–142.
- Pinkas, A. L. (1998). *Tanglewood: The Clash Between Tradition and Change*. Boston: Northeastern University Press.
- Scheff, J. & Kotler, P. (1996). Artistic Crisis: Marketing Responses. *California Management Review*, 39(1), 28–52.
- Schuster, J.M. (1998). *Beyond Privatization: A Mix of Nonprofit Arts Organizations and Architectural Heritage*. In P.B. Boorsma, A. Van Hemel, & N. Van der Wielen (Eds.), *Privatization and Culture*. Dordrecht: Kluwer.
- Stock, G. N., Greis, N. P. & Fischer, W. A. (2002). Enterprise scale and dynamic technological innovation. *Technological Innovation*, 22, 537–549.

Voss, G., Montoya–Weiss, M. & Voss, Z. (2006). Align innovation with the market characteristics of the nonprofit professional theatre industry. *Journal of Marketing Research*, 43(1), 296–302.