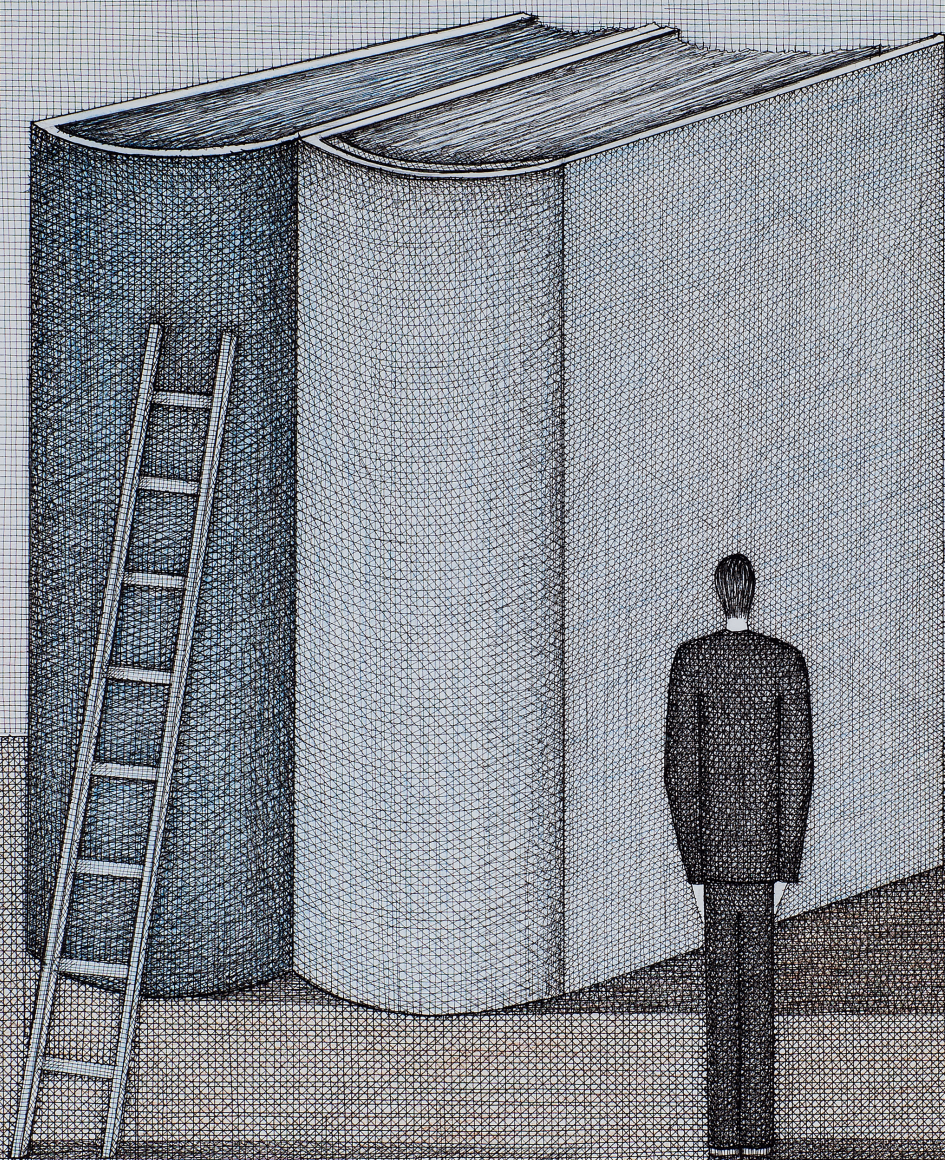


The Role of Cultural Institutions and Events in the Marketing of Cities and Regions

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Business Model of Culture and Creative Industries Incubator in creating social innovation

Introduction

There is a growing need to reconcile the global discourse around cultural and creative industries with the needs of the local community when developing creative places and initiatives, including the creation of social innovation, which will contribute to changes and building social capital. With respect to local culture and creative industries in Szczecin, Szczecin Incubator for Culture was established to bring together artists working in the fields of culture, arts and heritage. The activities concentrated in the Incubator for Culture involve individual artists and non-profit organizations, which should contribute to the strengthening of regional potential, cultural diversity and the ability to implement innovative solutions that improve the quality of life of the local community.

The article presents a case study of Culture Incubator model in the regional market — Szczecin in Poland. On the basis of this case study, a design model has been deployed to carry out changes in local culture of innovation at the community level. In this study we used a model to build thinking and organization around the strengthening of local artists in creating the emerging artistic community. The results show a lot of different drivers and a combination of factors that determine successful organization of creative culture in regional market.

1. Creating social innovation

The ambiguity of the concept of innovation provides ample opportunities for its interpretation. This aspect offers the possibility of examining innovation at many levels in a convenient way and, thus, brings the opportunity to grow through innovation, creative skills, not only to scientists and researchers, but also to other members of societies in different forms, not only technologically but and socially (Olejniczuk-Merta, 2013).

By analyzing models of innovation we can see that innovation results not only from economic evolution but also from processes of social change. Hence, we can see rapid development of the concept of innovation in the social context. Just as the general term “innovation” also “social innovation” is defined broadly and in many ways.

Considering social innovation in general, it should be interpreted as new ideas, products or models for actions that meet societal needs, create new social relations and cooperation between different interest groups in society¹. According to the European Commission, the concept of social innovation means developing new ideas, services, with the participation of public and private stakeholders, including civil society, to better solve social problems and improve social services.

In the opinion of the European Commission actions in the context of social innovation can be helpful with respect to issues such as²:

- efficient and effective resolution of social problems with limited budgetary possibilities,
- support for life long learning education in order to ensure adequate living conditions,
- obtaining private funding and public funding to complement the financing from the state budget,
- assisting countries in undertaking reforms and other policy decisions based on knowledge,
- co-creating strategic social investment.

It is noted that in order to ensure development that would be socially, economically and environmentally sustainable, we need to take new look at social, health and employment policies. It is therefore necessary to develop an innovative approach to education, training and skills development supporting entrepreneurship, development of cities, regions, and many other issues. Social innovation can be an appropriate solution in this area.

Development of social innovation, particularly in the long term, can reinforce social attitudes among scientists, politicians and business practitioners so that they can operate at various levels in conditions of greater confidence in each other. Moreover, the development of social innovations actually enhances corporate social responsibility and the concept of shared value.

The process of creating social innovation is not particularly entrenched by numerous methodological requirements. According to the European Commission, social innovativeness measures activities based on the original use of resources shown in the diagram below.

¹ Kwaśnicki, W. (2013). Innowacje społeczne — dobry sposób na rozwiązanie problemów społecznych? Downloaded from: http://www.pi.gov.pl/PARP/chapter_86197.asp?soid=B06A8565AA4D4C348A780C309987EC0C.

² Social innovation (2013). Downloaded from: <http://ec.europa.eu/social/main.jsp?catId=1022>.

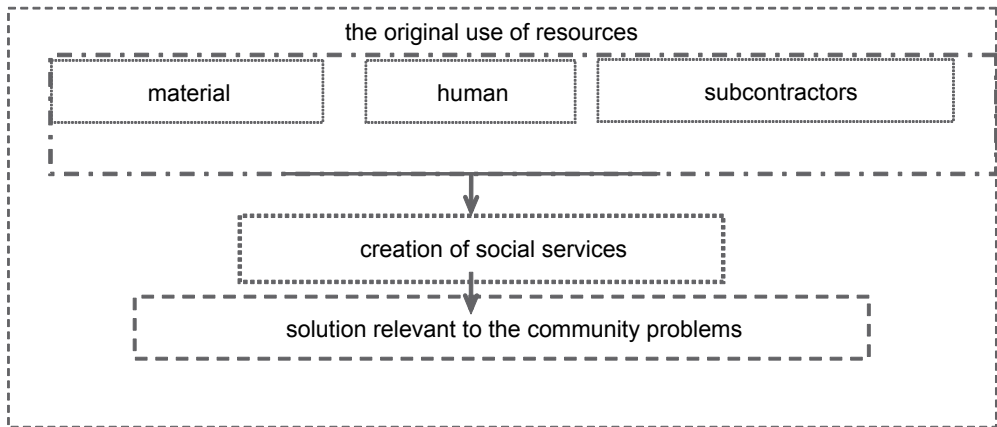


Figure. 1. The process of creating social innovations

Source: Authors' studies based on Olejniczuk-Merta, A. (2013). *Innowacje społeczne, op. cit.*, p. 21.

The absence of restrictions in proposing new solutions should become a characteristic feature of social innovation. These new solutions should break existing schemes and be innovative in their approach to solving social problems. This may involve the use of proven solutions for new social groups or in new activity areas as well as the development of fresh, even experimental solutions to well-known but still important issues³. From year to year, we can see more and more examples of social innovation both in the European Union as well as in Poland⁴.

Sustainable development can be achieved not only through innovations in the field of technology or economy, but also in social activities targeting residents. Thus, in the model approach to creating social innovation we need to involve entire communities, not just private and public entities, but local activists, workers, municipal institutions, NGOs, and all local stakeholders. Each project that aims to improve the life of the community can be socially innovative, depending on the creativity of those who implement it. There are more and more programs and schemes at local and national levels designed to support social innovation in substantive, organizational, and financial terms as well as in its development and implementation stages⁵.

Still, research collaboration between European institutions is needed to gain understanding of theoretical, empirical and policy foundations for developing social innovation in Europe. The project explores barriers to innovation, as well as structures and resources required to support social innovation at the European level. The aim is to identify what

³ Dabek, B. (2015). *W poszukiwaniu innowacji*. Available on: <http://www.ekonomiaspoleczna.pl/wiadomosc/1510258.html>.

⁴ **Some interesting** initiatives of social innovation include activities carried out by the Design Centre Gdynia Gdynia Citizen's Budget, "exchangers — an innovative space cooperation for young people," Course — Participation, Walks research, the Social Innovation Lab, as well as international consumer movement, NGOs, import and trade companies of small producers and cooperatives aimed at development aid for small producers. *Social innovation*. (2015). Available on: <http://ppnt.pl/pl/innowacje-spoleczne/innowacje-spoleczne>; *What is Fairtrade?* (2015). Available on: <http://www.fairtrade.net/what-is-fairtrade.html>.

⁵ Eg. Social Innovation Fund for Łódź, which is a multiannual program supporting innovative projects in the areas of: culture, education, participation and social support.

works in terms of measuring and scaling innovation, engaging citizens and using online networks to maximum effect in order to assist policy makers, researchers and practitioners working in the field of social innovation⁶.

2. Social innovation in the creative sector

For several years already the creative sector has been recognized as the future driving engine of growth in Europe, being, among other things, one of the largest employers in Europe. Creative industry covers actions that stem from individual creativity and talent and which imply both potential wealth and employment creation through the generation and exploitation of intellectual property rights⁷.

Creativity, which is the foundation of this sector, actively contributes to the creation and development of social innovations. What is more, the creative sector includes in its scope a number of industries that can naturally create social innovations based on the novelty, the use of new media, art, and social inclusion.

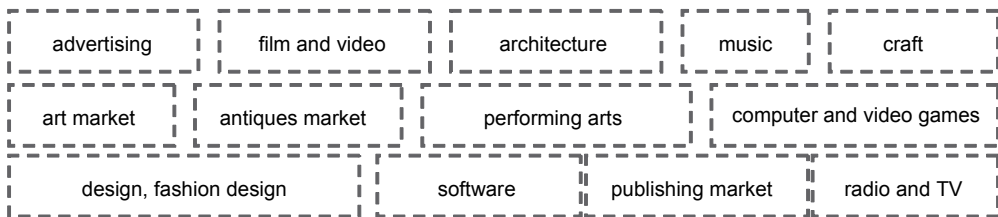


Figure. 2. Areas included in the creative sector

Source: Authors' own studies based on Roodhouse, S. (2006). *The Creative Industries: Definitions, Quantification and Practice*. Published in: Christiane Eisenberg, Rita Gerlach and Christian Handke (eds.). *Cultural Industries: The British Experience in International Perspective 2006*. Obtained from: Humboldt University Berlin, Edoc-Server. Available: <http://edoc.hu-berlin.de>.

It should be emphasized that multidimensional nature of creative industries makes them a potential instrument of multiple-layer socio-economic development. They represent social, economic and cultural aspects and relate to sustainable development as presented in the figure below.

Social innovation through its interdisciplinary and innovative character is present in the entities within the creative sector not only in theory but also in practice. The connection can be observed through the application of design thinking tools in the development of social innovations. This application is relatively natural because in order to successfully implement innovative solutions in the social space one cannot do without empathy and a thorough understanding of the needs of the society⁸.

⁶ *The Theoretical, Empirical and Policy Foundations for Social Innovation in Europe*. (2015). Available on: <http://siresearch.eu/social-innovation/project/tepsie>.

⁷ *Podwójna ochrona dla kreatywnych*. (2015). Available on: http://www.gazetaprawna.pl/podwojna_ochrona.

⁸ *Design Thinking, innowacje społeczne, kreatywność*. (2014). Available on: <http://designthinking.pl/design-thinking-innowacje-spoeczne-kreatywnosc/>.

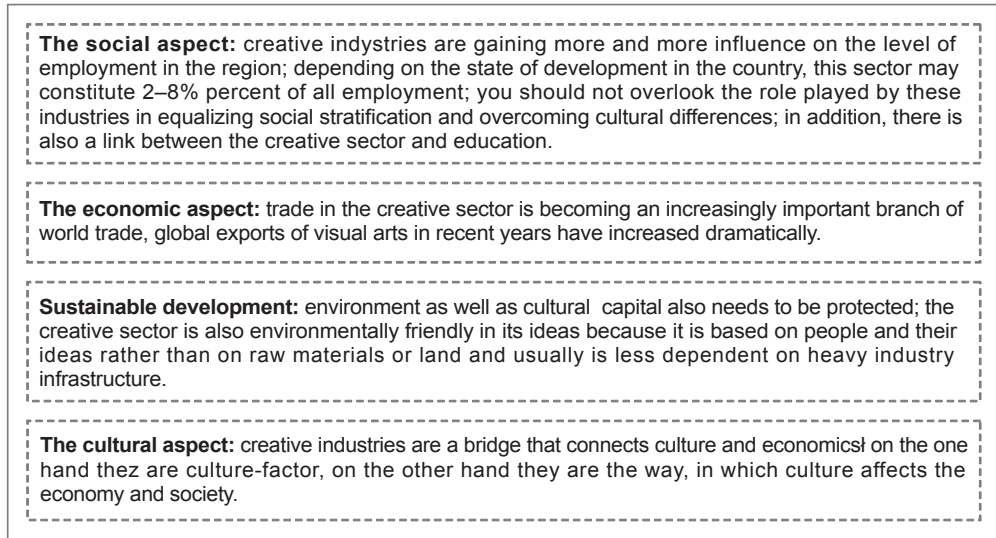


Figure. 3. Four dimensions of creative industries

Source: *Analiza potrzeb i rozwoju przemysłów kreatywnych* made on behalf of the Ministry of Economy and *Newsletter przemysłów kreatywnych* formed under the Creative self-employed, *Przemysły kreatywne* (2015). Available on: <http://www.kreatywna.lodz.pl/page/13.przemysly-kreatywne.html>.

Designers have traditionally focused on enhancing the look and functionality of products. Recently, they have begun using design techniques to tackle more complex problems, such as finding ways to provide, e.g., low-cost healthcare or environmentally friendly production. Businesses were the first to embrace this design thinking approach and non-profit organizations are beginning to adopt it too⁹.

Many social enterprises already intuitively use some aspects of design thinking, but most stop short of embracing the approach as a way to move beyond today's conventional problem solving. Certainly, there are impediments to adopting design thinking in an organization. Perhaps the approach is not embraced by the entire organization. Or maybe the organization resists taking a human-centered approach and fails to balance the perspectives of users, technology, and organizations¹⁰.

It is imperative that all countries take advantage of their creative industries and do their part to strengthen the industries' greatest assets: people, through offering policy guidance, entrepreneurial training, and marketing programs, sharing best practices of other countries, and financing creative industry start-up companies. This support will help foster an environment that recognizes the economic and social value of the creative and cultural industries to secure a sustainable growth paradigm¹¹.

⁹ Brown, T., Wyatt, J. (2010). *Design Thinking for Social Innovation*. Available on: http://www.ssireview.org/articles/entry/design_thinking_for_social_innovation.

¹⁰ *Op. cit.*

¹¹ Farmakis, E. (2014). *Fostering the Creative Economy*. Available on: http://www.ssireview.org/blog/entry/fostering_the_creative_economy.

4. Business models in the activities of the creative sector

This approach allows a business model to identify the factors that may pose the greatest influence on the logic of a company or organization. For example, Petrovic et al. (2001) explain the logic of their business model to create value through the business system. Osterwalder and Pigneur (2010) show a business model as a conceptual tool comprising a set of elements and their relationships and allow to characterize the company's business logic. However, few studies have focused on implementing business models of organizations operating in cultural and creative industries.

There are different approaches to the concept of business models that make it difficult to clearly identify factors that have the greatest impact on companies operating logic. In addition, business models are an important tool to facilitate decision-making, identify the exact structure of the current business model, and determine strategic direction of the organization. In addition, business models are an important tool that allows you to quickly test planned changes. The business model is also an open system of links with organizations, including relationships with environmental organizations, where supplies are converted to outputs (products, services, funds) and then forwarded to the environment. There is a certain value at all the stages starting from the conception connected with the idea of meeting environmental needs. Literature describes different business models focusing on elements, where authors emphasize topics related to revenues and profits, insist on making money, customer values, resources, corporate structure, relationships with partners, suppliers and customers, or logic, as well as methods and strategies to compete. According to Magretta (2002), a business model is a set of assumptions that allow organizations create value for all stakeholders on whom it is dependent, which means that the organization creates value not only for its customers. In fact, the model, in theory, is constantly verified by the market (tested).

The business model can be described as the logic of making money under the current economic circumstances. The model contains suggestions that the organization develops from all stakeholders. The key to success is planning and coordination of strategies, in line with customers' expectations. As well as controlling the activities, which the company introduced to the market in order to benefit on the basis of promises and uses what he receives in return. An example of where the money (earn) is the main theme, which is the business model is the definition of Malone et al. (2006). The definition of this author says, that the business model describes what the company does and how it makes money. The business model presented by Rapp (2004) describes it as a method of doing business, where the company can survive, which, in practice, in the long run means a company's profitability. As shown Betz (2002) business model is an abstract description of how to make money in business.

The analysis of the literature shows that many definitions emphasize that the value for the client and logical operation of an organization are the core of any business model. Customer value is understood as the sum of benefits expected by customers minus their expenses. And the logic of the company is to do business, so that customers receive these values. KMLab company's business model describes the term as a way of choosing to create value for buyers in the market. According to this definition, business model describes a unique combination of products, services, image and method of distribution.

It also describes organizational and operational infrastructure, in which these activities are conducted. Petrovic et al. (2001) confirm that a business model represents the logic of creating value through the business system and consists of seven components: client's accounting, resources, products, sources of income, relationships with buyers, markets and capital models. The business model by Afuah (2004) is a set of actions, which a company undertakes to ensure benefits for customers and profit for itself. As suggested by Obłój (2002), business model should combine technology and business strategic concept with its practical implementation. This set is defined as effective operation of the value chain enabling the company to renew its resources and skills.

Osterwalder and Pigneur (2010), the most popular authors recently writing and studying business models assume that a business model is a tool that includes a set of components and relationships among them, allowing to characterize company's business logic. Each company has got its own unique business model, which determines how the company develops, publishes, collects value, and generates revenue. The authors have proposed a universal structure of the business model, which allows to characterize the logic of the functioning of any organization, regardless of its specifications or activity area.

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost structure			Revenue streams	

Figure 4. Business model structure by Osterwalder and Pigneur

Source: A. Osterwalder, Y. Pigneur. (2010). *Business Model Generation*. Wiley, New York, pp. 18–19.

According to Osterwalder and Pigneur (2010), the business model of the organization shown in Figure 4 must be completed. To present these key activities, the following points should be taken into consideration: novelty, productivity, personalization, aesthetic value and quality of design, brand, price, cost reduction, risk reduction, accessibility and usability. Information on relationships with customers may be related to customer service, personalized customer service, self-service, automated customer service or community of customers and contribute to the leading product/service. The exact characteristics of the clients must also solve the problem: the mass market, niche market, multilateral segment of the market, market. Cost structure refers to main sources of costs generated by an organization, which can be stimulated by cost, value, fixed costs and variable costs, economies of scale and economies of scope.

In addition to many advantages proposed by Osterwalder and Pigneur (2010), such as simplicity and versatility, placing the client in the centre also has some disadvantages. The main disadvantages of the matrix are: static image, the lack of a monitoring mechanism of opinions on the adequacy to organizations and that it not fit to beginners, rapidly growing organization. This latter feature is used by Maurya (2012), who in his work derives less from business theory of mature businesses and more from management practices and consulting companies. The author has created his own business model, for start-up organizations, allowing them to configure the logic of thinking about business.

Case study model of Culture Incubator

In line with design thinking, “Media Dizajn” Association used this approach to create the Incubator for Culture. To achieve multi-perspective thinking within the project, they organised a creative session to design business model as suggested by Osterwalder and Pigneur (2010). Incubator for Culture was funded by the local government of Szczecin in 2011, it focuses mainly on non-profit organizations working in the field of culture, arts, heritage and people working in the same areas. The idea was to help the associated partners become self-empowered organizations operating in cultural and creative industries in a period not longer than 30 months. In addition, the aim of the incubator is to support artists in becoming reliable partners in relations with business, science, public administration and industry.

The authors considered the Incubator for Culture in the ecosystem in order to create value and innovative solutions. Key partners of the incubator come from three different fields: government — Town Hall as a founder and the Marshal Office of the West Pomeranian region; science — University of Szczecin and the Academy of Arts; business environment institutions Technopark — West-Pomerania Regional Development Agency.

Activities of the Incubator for Culture are based on an experimental model not existent before. Its clients are organizations, informal groups and individuals that are either new on the market or have little managerial competence and require support of the Incubator. Incubator for Culture has got three groups of creative workers:

1. Associations and foundations — receive professional support, how to manage registration procedures. At the time of accession to the incubator, the first step is to analyze the organization and plan their career path in the realities of the market.
2. Informal groups — use ad hoc aid and free counselling in the field of business or pay to use the facilities available in the Incubator.
3. Individual artists — enjoy legal personality of the incubator.

All organizations, informal groups and individuals associated in the incubator can find place for themselves and may use premises on a commercial basis — **key resources** (offices, open space, rooms, cinema, guest rooms), technical equipment, and services for sharing data and knowledge. It is also possible to have only a postal address (virtual office) in the Incubator for correspondence purposes instead of being actually based there.

Key activities of the Incubator for Culture include: education, sharing knowledge and experience through participation in free of charge workshops, seminars and consultations. Education focuses on accounting, finance, marketing, copyrights, applying for external funding, including grants and participation in projects. The aim of addressing education to artists and people in creative industries is to prepare them in the incubation period to manage autonomous non-profit organizations. Currently, new sessions are on the way, “let’s go together” — multi-day trips for representatives of the creative class. They visit places and institutions particularly important from the point of view of creativity and networking. Workers of the Incubator for Culture constantly monitor current needs of organizations associated in the Incubator and the environment, in which they operate. This monitoring allows to adapt educational offer to current and future needs of these organizations.

In addition to all key activities, the Incubator for Culture organises networking meetings to establish relations with potential customers. The purpose of establishing relationships with customers is to strengthen cooperation between related organizations and to help them continue operations in the long run. The aim is to establish long-term partnerships and build mutual trust based on social contract.

Accordingly, Incubator for Culture exploits various channels (newsletter, website and social media — Facebook and Instagram) to present the best practices in the field of cultural and creative industries and cross-border industrial cooperation. In 2014 it was mainly focused on cultural animation. The intention is to find a leader in cultural animation — a person who, thanks to her/his knowledge and social competence, is able to achieve long-term cooperation based on partnership relations with the environment.

In Incubator for Culture costs are divided into two parts. The first one includes the maintenance cost of infrastructure: electricity, heating, other utilities, and rent, which in total account for about 80% of all costs. The second part covers the costs of management and services, which is 20% of the total cost of the incubator. All costs are covered by the revenue and grants.

Grants come from the City of Szczecin. Szczecin Incubator for Culture is a project, which outsources public services managed by the Media Dizajn Association. The idea of the project is to regenerate a villa in the city centre by introducing services offered to the sector of culture into it. All services offered by the Centre in Szczecin are Incubator — either for free, e.g., workshops, individual consultations with experts or at a very low cost, such as renting offices, workshop rooms and a cinema.

One of latest initiative of Szczecin Incubator for Culture was REcreation — Professional Social Manager project. The participants experienced intensive work, planning and acquired leadership skills within the framework of non — formal education. They fought a paper battle, painted a few tables, shared a lot of ideas, and, as if that were not enough, shot a music video. Enough impetus to participate Recreation project — Professional Social Manager can work together to move mountains. REcreation team is a group of 21 animators from the Szczecin Metropolitan Area selected in the recruitment process. From September to December 2014 the participants jointly acquired knowledge and skills in the implementation of socio-cultural activities. Although participants to the REcreation — Social Professional Manager did not receive ready-made answers and recipes for success, they acquired competencies that help them navigate in the “labyrinth of institutional landscape” to be able to practically demonstrate their skills in practical terms by delivering a project in the public space¹². The 21 leaders together designed 7 micro-projects that were directly inspired by end-users, citizens, needs. Some ideas are still on even if projects connected with them have already been completed.

Conclusions

During the study we found out that the business model is a tool containing conceptual elements and their relationships allowed the identification of non-profit organizations operating in the business logic in the cultural sector. These results extend those of Osterwalder and Pigneur (2010), confirming that the logic of the local cultural industry structure — following which an organization makes profit and provides added value from the use of the environment, while meeting clients needs — determines the success of non-profit organizations in the cultural sector. In addition, we have created an interdisciplinary team to meet the needs of potential customers within limited competition guidelines contained in an open discussion, the city of Szczecin. In connection with this study, we can indicate that the design thinking process can be extended to the business model to fully identify needs and create social innovations for cultural and creative in-

¹² [Http://inkubatorkultury.szczecin.pl/rekreacja/przylacz-sie-do-rekreacji/](http://inkubatorkultury.szczecin.pl/rekreacja/przylacz-sie-do-rekreacji/).

dustries in the community. First of all, this is the first study, to the best of our knowledge, to examine the design thinking applied to business model design in non-profit cultural and creative industries to create social innovations. Our results provide evidence that a Culture Incubator creates conditions for local artists to boost creative potential of the artistic community. They also show many different drivers and the combination of factors that determine success of non-profit organizations in the regional market of culture. Of course, the whole process of creating a Culture Incubator is iterative and it is constantly improved. Future research should therefore include steps before projects are submitted in response to the next open invitation to the Incubator for Culture to be announced by the City of Szczecin in 2017.

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