

Scene Change: Optimising business model innovation in the performing arts

Executive summary

The UK's performing arts sector is a vibrant and essential part of British culture. Acting as an interconnected ecosystem, it encompasses everything from blockbuster musicals to community-focused grassroots performances. This sector turns over £4.38bn and produces an annual GVA of £2.26bn, drives tourism to the UK, and makes those who interact with it happier and healthier.

In recent years the performing arts have had to endure substantial challenges, including successive funding cuts and the impact of a global pandemic. These have put the sector's success in jeopardy. Now, organisations that provide essential public benefits are struggling to stay afloat, financial reserves have been exhausted leaving no funds for critical innovation or necessary infrastructure upgrades, and generating cash flow to support new projects is a significant challenge.

This executive summary outlines the key findings, challenges, and recommendations from a new and comprehensive study of business models in the performing arts sector, drawing on the insights of over 140 organisations from across the UK.

Key challenges identified

54% of the performing arts respondents we surveyed regarded it as very important that they innovate their current business, with 92% of respondents thinking undertaking business model innovation either somewhat or very important. However, many were struggling to see how business model innovation could be realised. Our work revealed five key challenges inhibiting their ability to innovate:

- **Fragile business models:** Performing arts organisations, particularly those in the non-profit sector, struggle with depleted reserves, declining public funding (the UK now ranks significantly below many other European countries in terms of the proportion of GDP spent on culture), and rising operational costs. For-profit and non-profit organisations both face challenges in short-term cash flow management, limiting their ability to develop new projects.
- **Under-investment in capital:** The current need for investment in bricks-and-mortar is undermining organisations' potential for revenue creation and their ability to deliver social impact. Recently introduced capital funds have often been competitive processes which invest in specific areas for set periods of time and therefore do not substitute for stable investment in infrastructure across the country.

Recommendations

Impact of technological gaps:

Digital adoption and IT infrastructure are significantly underdeveloped across the non-profit sector. While some large scale organisations experiment with digital revenue streams, widespread technological inefficiencies hinder innovation and audience engagement.

Hybrid value creation:

Organisations increasingly blend cultural, social, and commercial value. Community-driven activities and educational outreach have become central to non-profit operations, but these add layers of complexity to already stretched resources. Many performing arts leadership teams face a grinding structural battle in aligning interlocking mandates of cultural and social purpose with sustainable commercial performance.

Barriers to innovation:

Structural impediments, including risk aversion, short-term funding cycles, and a public funding system which expects predictable outputs, constrain organisations' ability to explore new business models.

Business models and innovation opportunities identified

Through data analysis and detailed case studies, our research identified - for the first time - five prevailing business models for organisations in the performing arts:

- 1. Our House:**
Producing/presenting venues focused on a singular art form, reliant on ticket sales.
- 2. Big Tent:**
Multi-artform venues serving as community hubs.
- 3. Footloose:**
Organisations producing/presenting work across multiple venues.
- 4. The Social:**
Entities using performing arts for social impact, such as education and wellbeing.
- 5. Digi-enabled:**
Models incorporating digital activity for income generation.

Recognising the need for a multifaceted approach to innovating business models in the performing arts, the study provides a novel response by recommending a series of measures the sector can implement alongside advocating for a suite of interventions and funding initiatives.

For more detail on these recommendations and their impact please see page 45-46 of the full report.

Sector-led

- 1. Tech Roadmap for adoption and efficiencies:**
A sector-led tech roadmap would set clear benchmarks for technology adoption, driving efficiency and sustainability across performing arts organisations.
- 2. Sector Playbooks to unlock revenue and support cost-saving:**
The first of these would highlight best practice and practical advice for approaches to shared procurement and strategic mergers, reducing operational costs and establishing best practice incost efficiency.

Partner-led

- 3. Leveraged Capital Fund for sustainable infrastructure:**
A once-in-generation leveraged capital fund, combining government and private investment, would support arts organisations in building and maintaining sustainable infrastructure.

4. Pro Bono Tech & Financial Advisor Network:

A network of pro bono tech and financial experts would support small performing arts organisations with tailored advice and strategic guidance to enhance resilience and growth.

Policy-led

- 5. Urgent Stabilisation Fund:**
An urgent stabilisation fund would support successful performing arts organisations in regions affected by funding cuts, ensuring long-term stability and continued public benefit.
- 6. Arts Business Model Innovation Fund:**
A two-stage innovation fund would enable arts organisations to generate new streams of revenue, providing seed and follow-on funding that would allow them to experiment with new sustainable and socially impactful business models.
- 7. HMRC Service Level Agreement:**
A service level agreement with HMRC would streamline tax credit claims and improve cash flow for performing arts organisations, ensuring timely processing and supporting financial stability.



This research was commissioned by the National Theatre and conducted by **Erskine Analysis and Intelligence Agency**

To read the full paper please visit:
www.nationaltheatre.org.uk/about-us/research/business-models-2025/