National Theatre

Scene Change: Optimising business model innovation in the performing arts

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Foreword from Sir Damon Buffini

The performing arts are a cornerstone of British culture; a testament to our country's capacity for creativity. From the glittering lights of the West End to grassroots performances taking place in all corners of the UK, the performing arts not only entertain but enrich our lives, strengthen communities, drive economic prosperity and support British soft power.

Within the performing arts are companies that can rival film and television in global influence and revenue - the top five musicals have each grossed more than any film ever.[1] However, as this paper makes clear, the performing arts are not simply a market force, they are a public good. The sector also includes organisations that are finding innovative solutions to some of the UK's most pressing problems, including by combatting social isolation and improving educational attainment.[2] Together they make up a mutually reliant ecosystem, which includes organisations of all sizes alongside thousands of talented freelancers, and works in urban and rural areas across the entirety of the United Kingdom.

It is also a sector whose resilience in periods of adversity has been nothing short of extraordinary. In the face of significant challenges, including successive funding cuts and the aftershocks of a global pandemic, the performing arts sector has remained steadfast in its commitment to producing social value and artistic excellence.

Yet, despite the incredible achievements of this industry - from global phenomena like War Horse and Matilda to the smaller organisations improving people's lives every day - we must confront the underlying challenges threatening its future and thus ability to meaningfully contribute to a decade of renewal.

This research, informed by data analysis alongside deep consultation with more than 140 organisations in the industry, finds that the business models being used in the non-profit part of the performing arts sector are no longer working: organisations delivering vital public benefit are struggling to survive, and depleted reserves post-pandemic mean there is no money available to fund much needed innovation or capital infrastructure upgrades. Even those achieving revenue success in the for-profit sector are not always able to cash flow new projects.

It is clear that change is necessary. The performing arts are not a luxury; they are essential part of the fabric of British society, and even - or, perhaps, especially - in challenging economic times, funders, policymakers and the sector would best serve the public by working together to find new models and explore new ideas.

This report provides a 'behind the curtain' look at performing arts business models - how they operate, the value they deliver, and the challenges they face. It should serve as both a map and a manifesto - a blueprint for those who believe that the performing arts can continue to thrive and innovate in an ever-changing world. Our findings have led us to make bold recommendations to protect the performing arts for future generations:

We are calling for the **sector** to boost their technological capacity by creating the sector's first Tech Roadmap, and to unlock new opportunities for cost saving and revenue generation through a series of pioneering sector-authored playbooks.

We are calling on **partners** to support a once-in-a-generation match fund which would drive long-term sustainability and decarbonisation in the arts through capital investment, and to help organisations across the country with their tech and financial expertise through the creation of a board bank of experts.

And we are asking **policymakers** to step in to save vital cultural infrastructure facing financial collapse due to local government and development agency funding cuts. Following that, we are calling on them to introduce an Arts Business Model Innovation Fund, providing seed funds to pilot new ideas and approaches, and - put simply - to help organisations to make more money and do more good. Finally, we are asking them to enter into a service level agreement with the sector, speeding up tax credit processing timelines and developing cash flow finance solutions for the whole performing arts sector, thus stabilising finances and reducing vulnerability to cash flow issues.

Together, we believe that these steps pave the way for a more resilient, innovative, and sustainable future for the performing arts.

Sir Damon Buffini,
Chair, National Theatre

Foreword from Kate Varah

The UK's performing arts continue to astound with their resilience, innovation and commitment to powering creativity that changes lives - but the sector's ongoing success depends on the sustainability and adaptability of the business models that underpin it.

Those working in the performing arts are, by nature, entrepreneurial. As such, in recent years, organisations and individuals have been able to successfully overcome the significant challenges presented to them: despite being a sector reliant on in-person gatherings, organisations delivered innovative new digital work and social programmes during a global pandemic; and non-profit organisations have found ingenious ways to 'keep the lights on' despite unexpected cuts to their funding and a growing need for capital investment.

Non-and for-profits alike know that to survive and thrive they must continue to deliver baseline services alongside developing new work and innovating their business models - and yet, with depleted reserves following the pandemic and challenges accessing seed capital, that is proving difficult. For those who can access the transformative impact of the Theatre Tax Relief this supports the increased cost of making work. However, it leaves nothing remaining for years of built up capital infrastructure repairs or investment in innovation.

Many I speak to in the sector feel they are now at a breaking point with limited funds and conflicting demands. Non-profit and for-profit organisations, are responding to the need for social impact programmes which contribute to education, wellbeing and placemaking - but this is supported by limited, patchwork funding. At the same time, they are being asked to find new revenue streams to stimulate national economic growth with reduced core funding and no central, annual capital maintenance fund. Many I speak to in the sector feel they are now at a breaking point with limited funds and conflicting demands.

This is why in this moment the National Theatre has chosen to commission this research into the diverse business models within the performing arts. By investing in a deeper examination of these models, we hope to show how, together with policymakers and partners, we can foster a more sustainable and equitable ecosystem that supports both innovation and accessibility. In this critical moment of political change, domestic and international, we hope that our recommendations – drawn from qualitative and quantitative evidence – help these three key constituents to make the sector stronger and drive real change, together.

The creation of this report would not have been possible without the invaluable contributions of the independent advisory group and research network. Their expertise, guidance, and critical insights were instrumental in shaping the research approach and ensuring the report's findings reflect the complexity and diversity of the performing arts sector.

The advisory group, composed of leaders and experts from industry, policy, research and funding organisations provided strategic direction and acted as a sounding board for emerging ideas. Their collective experience allowed us to address gaps, challenge assumptions, and refine our methodologies to ensure the final report is both rigorous and relevant.

Equally vital were the insights of a wider research network, who fed into this research through a seminar and subsequent bilateral meetings. Their input enriched the analysis and ensured the report's recommendations were fully grounded in the existing evidence base.

Most importantly, we would like to thank the more-than-140 performing arts organisations who fed directly into the research team through the survey, bilateral meetings, or in-depth interviews. We hope this paper reflects their experiences, and serves as a rallying cry – marking a genuine turning point for our world-leading sector.

Kate Varah,
Executive Director and Co-Chief Executive at the National Theatre

Executive summary

The performing arts sector contributes significantly to the UK's economic vitality, wellbeing, and global cultural influence. The 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.[4]

Despite its enduring impact, the sector faces unprecedented challenges stemming from structural issues, including the limited availability of funding, post-pandemic economic pressures, and technological and capital under-investment. This paper examines the current state of business models within the performing arts and identifies transformative opportunities to ensure long-term resilience, sustainability, and innovation.

Key challenges

Data analysis and consultation with more than 140 performing arts organisations from across the UK revealed five key challenges facing the sector:

- **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),[3] 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 (e.g. Levelling Up 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.
- **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.

Although exacerbated by recent events, these are not new challenges. Instead, they relate to three drag anchors which have long been identified as hindering business model innovation in this sector: a lack of capital; a lack of reserves; and insufficient capabilities. In order to overcome these, policymakers, funders and the sector must work together to drive real and permanent change.

Opportunities for innovation

Through data analysis and detailed case studies, our research identifies - for the first time - five prevailing business models in the sector: 'Our House,' 'Big Tent,' 'Footloose,' 'The Social,' and 'Digi-enabled.' Each model offers unique strengths and opportunities for transformation through tailored interventions, including through:

- **Development of long-term funding mechanisms to support experimentation and sustainable growth;**
- **Development of long-term funding mechanisms to support activities which offer low-cost and effective ways of contributing to the UK Government's missions;**
- **Collaborative resource sharing across models;**
- **Investment in digital capabilities.**

Recommendations in summary

To address the factors constraining the business models of performing arts organisations, and to support these identified opportunities for innovation, this report makes a number of recommendations. In summary, these are:

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. **Trailblazing sector-authored 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 in cost efficiency.

Partner-led

3. **Historic 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 for Cultural Organisations:**
   This fund would provide revenue and capital support to 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. **Sector-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.

Full recommendations are provided on page 48.

Acknowledgements

We are incredibly grateful to the large number of experts from inside and outside the performing arts who have given their guidance on this report and its contents. We wish to particularly thank our advisory group and research network members, whose insights have been invaluable to the team. However, it is important to note that these individuals are not responsible for the contents of the paper, including its recommendations, and any mistakes are the authors' own.

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01.

Research aims and definition

'Well, I'm sorry to break the news, but if an organisation has a viable way to create, deliver, and capture value, it has a business model. It doesn't matter whether an organisation is in the public or private sector. It doesn't matter if it's a non-profit or a for-profit enterprise. All organisations have a business model.' [5]

Saul Kaplan
Founder, Business Model Factory

Research Aims

This study aims to dive deep into the anatomy of performing arts business models. Its ambition is to identify distinct, prevailing business models and to use these models to consider how different parts of the performing arts sector can be supported to scale their value and impact.

This is not uncharted territory, as our analysis highlights. Two decades of discussion and experimentation around business model innovation in the performing arts precede this research (see Appendix 2). However, this paper looks to deliver new insights to drive policy recommendations which we believe can provide an inflection point in the pace and scale of innovation.

The paper uses a mixed-method approach (see Appendix 1). By reviewing grey literature and conducting both quantitative and qualitative research, we present fresh survey data and case studies. These expose the dominant business models and the pressing challenges that must be addressed for performing arts organisations to unlock their full value-creating potential.

Definitions

In this research, we use the definition of the performing arts adopted by the **Office for National Statistics**:

This includes:

- **production of live theatrical presentations, concerts and opera or dance productions and other stage productions;**
- **activities of groups, circuses or companies, orchestras or bands;**
- **activities of individual artists such as actors, dancers, musicians, lecturers or speakers.**

It excludes:

- **activities of personal theatrical or artistic agents or agencies;**
- **casting activities.**[6]

This definition helped to define the scope for empirical work and shaped our engagement with the performing arts sector, enabling us to produce meaningful insights and recommendations.

However, it should be stressed that the arts and cultural sector operates within a deeply interconnected value-creation ecosystem. Innovation and impact often emerge through cross-artform collaborations and the burgeoning links between: the arts and the broader creative industries; public bodies and commissioning agencies; and the wider private and third sector.[7] Recognising these dynamic interconnections has been critical throughout our study.

'[The impact of the arts] depends not only upon the individual efforts of artists and arts organisations but also on an entire arts ecosystem—creators, educators, distributors and promoters, suppliers, funders, and audiences. The health of the ecosystem depends on five connections within it: (1) between different art forms; (2) between for-profit and not-for-profit organisations; (3) between different organisations working in different locations; (4) between arts organisations, local public bodies, and local businesses; and (5) between the arts sector and the broader creative industries.' [8]

Jonathan Deakin, Tom Meakin, Tunde Olanrewaju, and Van Nguyen
McKinsey

As a part of a complex ecosystem, enabling greater levels of business model innovation in the performing arts requires systemic thinking and systemic interventions rather than piecemeal reforms. As a result, our recommendations aim to support and deepen connections across this entire ecosystem to unlock new revenue streams and greater social impact.

On freelancers

The above definition of performing arts includes the freelancers who make up more than two thirds of those employed in the sector.[9] We hope that the recommendations of this report are able to support more stable, creative and impactful work for this cohort. As such, at several points in this paper we consider the impact of current challenges on freelancers. However, whilst freelancers do – of course – have their own business models, we recognise that it would be necessary to develop a separate framework to consider bespoke interventions to support them. This is, in part, because considerations of scalability are different when looking at the freelance workforce. By narrowing the focus to organisations in the performing arts, we have been able to provide deeper insights into organisational business models which we hope will help both these organisations and the freelancers who work with them. However, we would strongly recommend future research is conducted on business models for freelancers in the performing arts sector.

Business model innovation: definitions and context

For this study, we required clear definitions of both 'business models' and 'business model innovation.' Our literature review (see Appendix 2) revealed strong academic consensus that a business model explains how organisations create and capture value. We adopted this definition:

'a business model describes the rationale of how an organisation creates, delivers and captures value... A business model describes the value an organisation offers to its customers and illustrates the capabilities and resources required to create, market and deliver this value and to generate profitable, sustainable revenue streams'.[10]

To understand how a business engages with business model innovation involves rethinking how organisations identify customers, engage them, monetise the engagement, and organise the value chain to support these processes.[11]

Crucially, as American innovation specialist Henry Chesborough has emphasised, business model innovation requires organisations to use both external networks and internal connections to create and deliver new value propositions.[12] In this sense, as Enev and Liao note in their research on business model innovation:

*'Business model innovation goes beyond product and/or process innovation and continuous business performance improvement, and aims to understand **how to transform the way organisations operate and create value**'* [13]

In Search Of Transformations

Our research has sought evidence of *transformational business model innovation:* the mindsets, strategies, and actions needed to drive it - and the barriers preventing performing arts organisations from achieving it. These findings inform our suite of actionable recommendations to support the sector in unlocking its full value-creating potential.

02.

Understanding the external factors impacting the performing arts ecosystem

The performing arts are a British success story.

Individual performing arts shows can rival films and television in the revenue they can produce - evidenced by the fact that at least five musicals have grossed more than any film ever.[30] The highest-grossing production of all time - *The Lion King* musical - has now taken more than $10 billion (£7.95 billion) worldwide, compared to *Avatar's* global box office record of just under $3bn (£2.39 billion).[31]

At last count there were 10,370 performing arts enterprises in the UK, turning over £4.38bn and producing an annual GVA of £2.26bn.[14] This means there are more than three and a half times as many performing arts organisations in the UK as there are Tesco stores.[15]

Investment in the performing arts also has a multiplier effect - a study found that for every £1 spent on a theatre ticket, an additional spend of £1.40 is generated in the local economy.[16]

'The Edinburgh Festivals exemplify how the performing arts can fuel economic growth. Each year, thousands of visitors from around the globe gather to experience the talents of actors, comedians, and musicians from the UK and beyond. A 2022 analysis revealed the festivals generated a gross economic impact of £492 million for Edinburgh and £620 million for Scotland.'

Francesca Hegyi
CEO, Edinburgh International Festival

Nevertheless, whilst the performing arts sector has been edging towards recovery since the pandemic, many organisations - despite their desire to innovate (demonstrated in Chapter 3) - remain stuck in unsuitable business models which restrict growth and productivity.

For commercial and non-profit producers, higher capitalisation costs (which meant fewer works produced following the pandemic) have been mitigated through the financial cushion provided by Tax Reliefs.[17] Enhanced tax reliefs gave UK theatre companies the confidence to put on new and large-scale productions after the pandemic and their success may be one of the reasons that data suggests that visitor numbers to the West End have bounced back more successfully than, and may have even surpassed, those recorded in Broadway.[18]

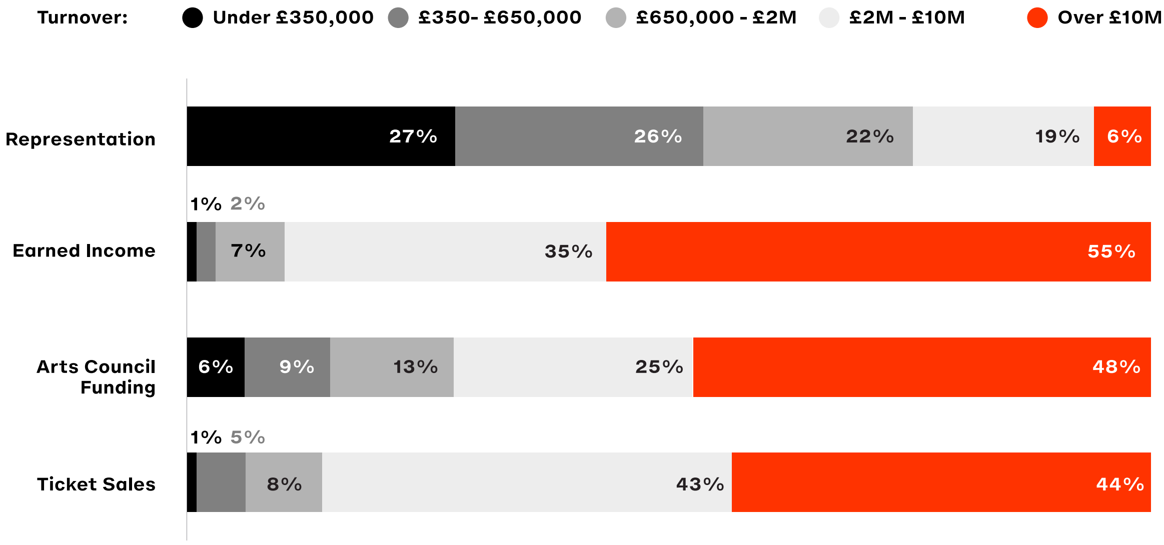
However, data and interviews with those working in the sector suggest that non-profits are still struggling to cash flow – and therefore to green-light – projects which could produce greater social value, develop fresh talent and IP, make their businesses more efficient, or help them to innovate and grow. Our interviews also suggest that some for-profit businesses are struggling to cash flow commercial projects, inhibiting their growth potential.

In this chapter we consider both non- and for-profits, identifying the key external factors impacting their business models.

Fig 1. Percentage representation of each income band for performing arts organisations funded by Arts Council England 2022/23

Source:
Arts Council England Open Data. N = 483. Filtered to represent only performing arts organisations. See appendix 1.2.

Note:
Earned Income represents aggregate of £728.5M. Arts Council Funding represents aggregate of £292.7M. Ticket Sales represents aggregate of 15.5M.



Non-profit Organisations

There are thousands of non-profit performing arts organisations based across the entirety of the UK, from Eden Court in Inverness to Duchy Opera in Cornwall.[19] These organisations vary vastly in size, and data from Arts Council England (ACE) reveals they also have highly differentiated funding models (Fig. 1), with some organisations earning the majority of their income and using public funds to support particular social impact, and others getting most or all of their funding from the public purse. There are also non-profit performing arts organisations who do not rely on public funding, and support their charitable objectives using solely philanthropic and revenue funding, for example Norwich Theatre runs a Learning Charity which receives no public funding.[20]

How organisations fund themselves is dependent on size, audience, remit and place. For example, organisations closer to large cosmopolitan centres are often able to attract higher levels of philanthropy and greater audiences, whilst - wherever in the country they are - organisations working exclusively with marginalised communities may not be able to bring in commercial revenue, instead relying on public funding in return for delivering social value.

Policymakers and funders have long understood the reasons for subsidising performing arts organisations: they are not simply a market force, they are a public good. Evidence consistently suggests that they can provide good value for money to the Exchequer in producing social and economic value.[21] They create joy,[22] have an inherent artistic value, are important to their communities,[23] drive tourism,[24] and help to develop new types of stories, find new audiences, train talent and innovate on behalf of the wider performing arts sector, and the entire creative industries.[25]

Take, for example, the National Theatre's War Horse: it began performances on the South Bank in 2007 after a development process over a number of years in the National Theatre Studio and since then has been seen by 8.3 million people in 14 countries around the world, on four national tours, and - alongside the original text – was the inspiration for a film which grossed $178 million worldwide.[26]

More specifically, the performing arts offer low-cost and effective ways of contributing to the UK Government's missions and milestones.

For example, the government is aiming to **end hospital backlogs**: programmes run by arts and cultural organisations can be scaled to tackle loneliness and the youth mental health crisis - two things that have an outsized impact on NHS waiting lists and costs.[27]

The government is also aiming to **give children the best start in life:** learners engaged in culture and arts education have better academic and non-academic learning outcomes with enhanced academic achievements, reading skills, creative and critical thinking, agility and collaboration skills.[28] Engagement in arts education also correlates with improved attendance, stress reduction, resilience, perseverance, and classroom behaviours.[29]

Case study insight: **Restoke**

Founded in 2009, Restoke is a small and dynamic performing arts organisation based in Stoke-on-Trent which provides free and pay-what-you-decide performances, events and workshops to help to build a more joyful and connected community in the city.

Stoke-on-Trent is one of the 20% most deprived districts/unitary authorities in England, with about 24% of children in the city living in low income families.[32]
The city population has worse health outcomes than the national average, including in areas like obesity, self harm and alcohol-related harm.[33]

Within this context, Restoke has built a programme of events for - and with - different cohorts living in the city. For example: **The Power Project** involves young people (12-17 years old) in every stage of the creation process of a new show - as writers, performers, technical support, front of house and backstage; **Dancing through the Darkness** is a weekly dance session where people with no dance experience can come together to "move, stretch, boogie and breathe"; and **Up Men** is a series of workshops and courses which use the performing arts to promote positive mental health in men through creativity and connection, bringing people together without fear of judgement.

Restoke aims to create a cultural space that values the arts as essential to society rather than as a charitable endeavor and works with a diverse range of commissioning partners who recognise its contribution to the local social infrastructure. In a model like this, the organisation has limited capacity to commercialise its work or generate additional revenue streams through ancillary activity as either of these things would compromise its mission.

For more about Restoke read the full case study. Link here

It is precisely because of their multifaceted benefits that publicly funded organisations have been encouraged by stakeholders, policymakers and funders to spread their work more widely, with organisations urged over the last twenty years to be more relevant to all segments of the population, and to be hyper local, and – where scale allows – national and international.[34] They have also been pushed to produce greater levels of social value – something which many have prioritised (see Chapter 3).

This push for greater equity of access and increased social value should undoubtedly be a good thing for the country. However, this effort coincides with a period when non-profit arts organisations are being challenged to find new and diverse income streams.[35]

Balancing these two goals is inherently difficult, as a focus on building a commercial business can distract from, or even conflict with, an organisation's other missions, such as offering affordable tickets.

Several external factors have made achieving both objectives even more challenging:

The first of these is that, **overall public spending on the arts across the UK has significantly decreased over the last decade-and-a-half,** driven primarily by a real term decline in local government funding.[36]

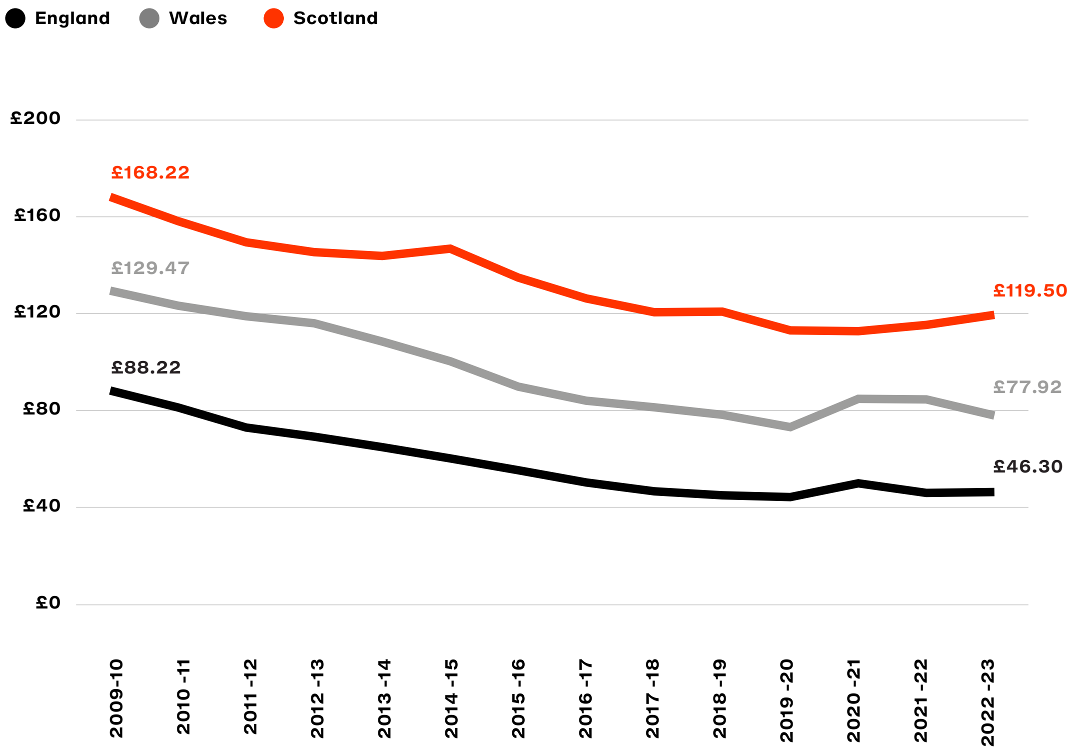
In every UK nation, local government has been and remains the largest funder of the arts, and the substantial decrease in funding they have made available to the arts (Fig. 2) and culture has not only put at risk their portfolio of investments, but caused a domino effect as other funders have attempted to make up the shortfall, without additional spend to help them to do so. Other investments in local arts have emerged over this time, including through: the UK City of Culture scheme; the Government's Towns Fund, Levelling Up Fund and Community Ownership Fund; Arts Council England's "priority places"; Creative Scotland's Place Partnership Programme; and Historic England's Heritage Action Zones and High Street Heritage Action Zones programmes.[37] However, the majority of these have been competitive processes, investing in specific areas for set periods of time and therefore can not replace the long term investment in key local infrastructure that local government funding historically provided.[38]

Compounding the impact of local government cuts, between 2009-10 and 2022-23, in real terms, core grant-in-aid funding of the Arts Councils per person decreased by 18% in England, 22% in Scotland, 25% in Wales and 66% in Northern Ireland.[39]

Overall, the UK now ranks significantly below many other European countries in terms of the proportion of GDP spent on culture.[40]

Fig 2. Local aurthority revenue spending on cultural and related services per person, 2009-10 to 2022- 23 (real terms, 2022-23 prices).[55]

Source:
The State of the Arts (University of Warwick & Campaign for the Arts, 2024).



Second, performing arts organisations are impacted by a legacy of **Covid-19 deficit budgets and reduced reserves**. The pandemic was a massive shock to performing arts organisations, who are particularly reliant on in-person gatherings. Whilst the Cultural Recovery Fund re-inflated some arts organisations' reserves, most were left in a financially worse place than before the pandemic.[41]

Moreover, many of the freelancers who make up the bedrock of the performing arts sector *'fell through the cracks'* of government policy initiatives to help those out of work and were unable to access pandemic support.[42] The impact of the pandemic on this part of the workforce was deeply unequal: evidence suggests that younger workers, women and those from ethnically diverse backgrounds were among the hardest hit in terms of losing work and income.[43]

'Post pandemic, and utilising the vital safety net provided by critical recovery funding, we invested in growing out of the pandemic and increased our earned income from 32% to 52% of our turnover. But set against three key factors of salary and recruitment inflationary pressures, paying artists the fees required for their own financial sustainability, and high inflation impacting on overhead costs, we simply cannot grow income fast enough and our reserves are taking the hit.'

Tarek Iskander
Artistic Director and CEO, Battersea Arts Centre

Third, the UK has an **overwhelmed and regionally unequal philanthropic sector** that is under pressure from intense scrutiny (as indicated by Baillie Gifford's withdrawal from arts sponsorship following a public backlash). Public support for the arts is at an all time high, with more than half a million supporters recorded at last count by non-profit Tessitura Network.[44] Whilst some of the largest organisations we interviewed have grown their philanthropy in challenging economic circumstances, overall, the total amount given by philanthropists to cultural organisations has fallen since the pandemic – donations to the UK's biggest cultural institutions from individuals and trusts and foundations hit a five-year high of £126.4 million in 2021, yet fell by 25% the following year to £97.2 million – whilst demand continues to rise. [45]

Place is also an important consideration when it comes to philanthropy of all kinds: charitable donations made through Gift Aid are four times higher in London compared to the UK average and over a third of all grants from the largest philanthropic foundations were made into London.[46] This is in part because many of the country's largest charities are headquartered in London. However, it is important to note that even for the largest, and most famous arts organisations philanthropy is only likely to make up a small proportion of total income. For example, cultural organisations directly supported by the UK Government, which include some of the country's most well-known organisations like the V&A and Tate, still only receive – on average – 10.2% of their income from philanthropy.[47]

The impact of all of these factors is further exacerbated by **general macro-economic uncertainty** caused by world events and specific local events, for example the recent budget's announcement that **employers' national insurance contributions will be increasing.** or context, across the four largest organisations supported by Arts Council England, this is likely to mean them finding an additional £4.25m per annum.[48]

As a result, subsidised organisations feel stuck. Organisations told us that they can identify clear areas of additional value they could develop but are struggling to do so when they have depleted reserves, and to innovate would have to risk removing resource from the main income generating activity of the business. Where public funding is available it is almost always based on an output that the organisation can evidence it will be able to deliver, limiting organisations' ability to try something genuinely new.

However, business innovation is clearly needed if they, or the publicly funded sector, wants to survive, and if we, as a society, want to continue to profit from its myriad of benefits.

A number of non-profit performing arts organisations are now at breaking point. Whilst some public arts organisations broke even or made a profit last year, the number that did has shrunk at an alarming rate. Looking at the Arts Council England data gives us a deeper sense of what is happening beneath the surface: of those organisations supported by Arts Council England the number of performing arts organisations reporting a net loss has grown 20% since 2019, with both large and small organisations affected. The median loss has increased from £57,000 in 2019 to £85,000 in 2023 – and where this loss used to typically be 6% above a company's revenue, it is now 12%.[49]

Business churn is a normal part of any economic cycle, but these are not all organisations who have been unable to achieve their value proposition. Rather, many are organisations who have been providing value for money to the public purse for many years, but have been impacted by sudden external shocks: for example, performing arts organisations facing drastic cuts as a result of the local City Council becoming bankrupt, rather than because they have failed to deliver on promised social or economic dividends.[50] It is also important to note that some of these organisations have long, historic roots, and are deeply connected to local people and place, meaning they cannot easily be substituted as it would take decades to rebuild the physical, resourcing or reputational collateral.

For-Profit Organisations

Whilst our interviews found that commercial organisations feel less constrained by business model challenges than their publicly funded counterparts, they are of course not unaffected by macroeconomic factors. In particular, the pandemic depleted the reserves of organisations and exacerbated cash flow issues as, following periods of mandated closures, organisations struggled to find the investment needed at the beginning of projects when revenue in the performing arts generally comes at the point at which performances can start. The pandemic also had long term impacts on the health and sustainability of the freelancers who make up the bedrock of the commercial performing arts.[51]

The Theatre Tax Relief (TTR) has been vital for commercial theatre businesses, boosting economic growth and creating jobs by encouraging private investment in productions.[52] However, the relief has limitations: it takes time to process and cannot provide upfront funding at the start of a project. Some organisations reported to us that they had experienced particularly long processing times, adding financial uncertainty and instability to their business operations.

In addition, UK Theatre and the Society of London Theatre (SOLT) have pointed out that the decrease in the overall funding envelope has meant non-profit organisations passing greater liability onto commercial producers, increasing risk.[53] As such, and in order to protect touring, SOLT and UK Theatre have suggested that the national arts funders work with commercial partners to identify and mitigate against the forced passing of commercial liabilities to other operators in the theatre sector from organisations they support.[54]

'In the commercial theatre sector, we recognise the great opportunities that come from closer collaboration with non-profit organisations. By working together, we can expand access to inspiring productions and bring high-quality work to the widest possible audiences, and in particular to regional venues.

Recent years have brought challenges but also significant opportunities and successes for both producers and theatre operators in the commercial sector. Following the devastating impact of the pandemic, the continuation and enhancement of Theatre Tax Relief has enabled commercial producers and venues to be bold and innovative. To build on this success we need to streamline and simplify funding processes for both non-profit and commercial organisations. New approaches to alleviate cash flow issues for producers would encourage innovation in the commercial sector, but for long term success the whole ecosystem must be supported.'

Michael Lynas
Chief Content Officer, ATG Entertainment

Conclusions

Organisations across the for-profit and non-profit divide want to innovate on their current business models, and are trying to prioritise innovation in income generation by seeking new forms of revenue and investment models. However, they are currently restricted in their ability to do so by cash flow challenges, lack of seed funding for innovation activities and unmet capital requirements. The next chapters of this paper aim to better understand the nuances of their business model approach, and then to support their entrepreneurial spirit with practical policy recommendations for industry, funders and policymakers, to help those working in this world class sector to find growth opportunities, make cost savings and build stronger businesses.

03.

The sector's approach to business model innovation

'Not everything that is faced can be changed. But nothing can be changed until it is faced.' [56]

James Baldwin

A 20-year diagnosis – but still waiting for a cure

'...the business models of publicly funded cultural organisations are often fragile, and generally lack the flexibility to address emerging challenges and opportunities, especially around the decline of public funding and the growth of new technologies' [57]

Arts Council England

This quote underlines that as Arts Council England (ACE) launched its current ten year strategy Let's Create, it was in no doubt about the business model challenges facing the organisations it funds. ACE's diagnosis reflected a consensus, which has built up over two decades of research and discussion about the distinctive challenges of non-profit business model innovation in the cultural sector across all four nations.[58]

The most influential research considering these challenges arrived between 2005 and 2010. During that period, the 'Mission, Models, Money' (MMM) initiative[59] published a series of reports culminating in an analysis of the three major 'drag anchors' hindering business model innovation in the cultural sector, namely:

- **A lack of capital;**
- **A lack of reserves;**
- **Insufficient capabilities (especially around digital, data, and financial / strategic planning).**[60]

The mirror that MMM held up to the sector presented an image of a partly 'frozen' cultural landscape, populated with undercapitalised organisations lacking in reserves, lacking in income diversification and not producing high enough margins to reinvest in their rapid growth and transformation.

Some twenty years on, the performing arts sector is still being held back by these three key drag anchors on business model innovation, with this long standing MMM diagnosis yet to be met with a decisive set of 'cures' from funders, policy makers, and cultural sector leaders.

The absence of cures has continued to sharpen the tensions performing arts organisations face in balancing the competing logics in their business models.[61] As we highlight in the case study analysis (Chapter 4), many non-profit performing arts leadership teams face a grinding structural battle in aligning their interlocking mandates of cultural and social purpose with sustainable commercial performance. As they blend commercial and mission-led practices - expanding their roles in areas like arts and health, place-making, and co-production - already-limited resources are further stretched.

These socially focussed business models prioritise non-financial value, as well as financial revenue.[62] In so doing, they are addressing vital market failures by providing services or products unmet by commercial markets or the state.[63]

Impact-driven organisations are constantly juggling these financial and non-financial imperatives, often with insufficient resources to pursue all of them effectively, as they struggle to generate a surplus from their core, mission aligned activities. The continued success of performing arts organisations depends on effectively managing these tensions.[64]

As a result of largely unreformed funding models, and systemic innovation blockers, the entrepreneurial energy of performing arts organisations is not being fully harnessed, and their full value creating potential remains unfulfilled. Indeed, since the MMM analysis, the structural barriers hindering more transformational business model innovation have deepened with performing arts organisations increasingly constrained by:

'Imagination is not a scarce resource in the cultural sector. Yet, financial support often falls into two extremes: grants (-100% return) or commercial investments (market return), lacking the nuance of modern financial sophistication and growing interest in social outcomes. This binary splits the sector into "commercial" or "subsidised," despite overlaps, like private companies excelling in community work or charities producing profitable shows.

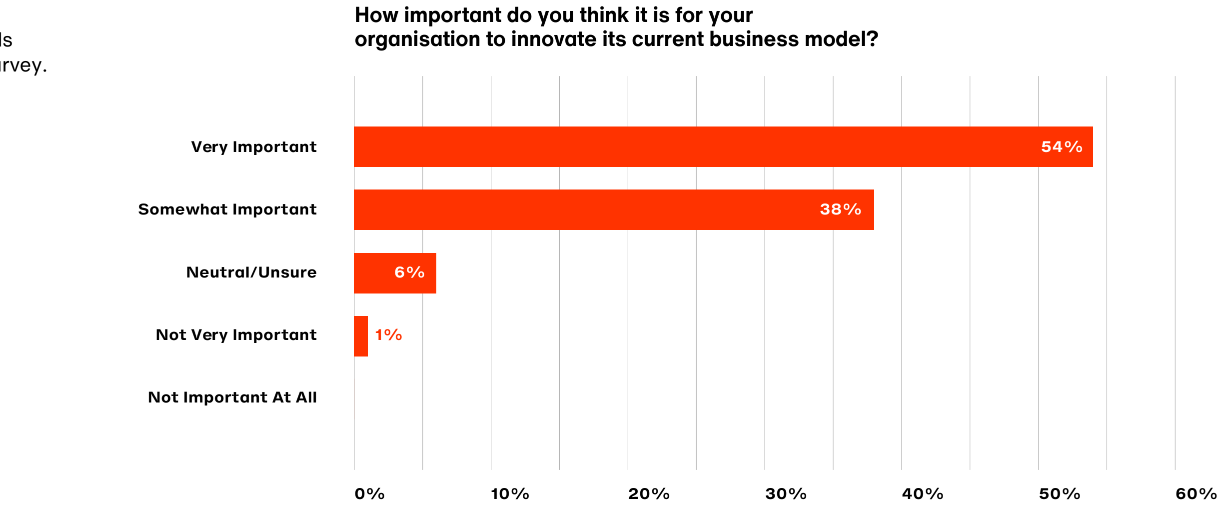
Innovative impact investment models blending financial and social returns could help to dissolve this divide, reshaping incentives, management, and innovation. However, to be ready for such investments, organisations must address scalability challenges to ensure they will be able to repay loans, and must improve their data collection to be able to adequately demonstrate their impact.'

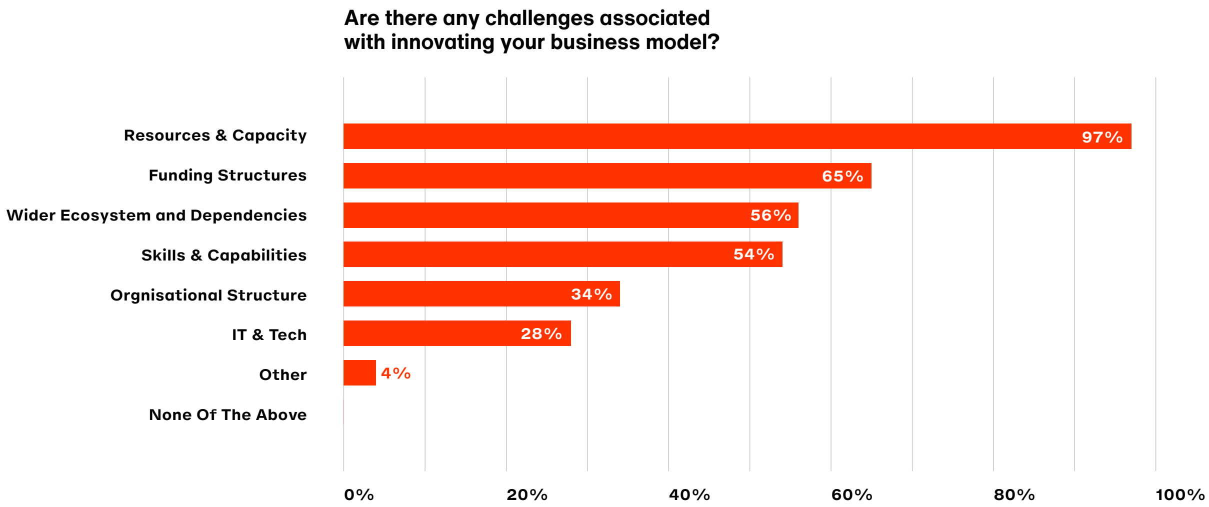
Fran Sanderson
CEO, Figurative

- **Under-investment:**
  Core organisational development, R&D, and infrastructure improvements are consistently deprioritised.
- **Risk Aversion:**
  Persistent financial instability discourages bold experiments.
- **Short-termism:**
  Funding systems often prioritise outputs over organisational development, perpetuating a *'subsidy mindset'*.[65] Public and philanthropic funding often defaults to a *'buying not building'* approach, which means the necessity of securing short-term delivery is privileged over the support of long-term resilience and innovation.[66] In turn, organisations are either operating from project to project or reluctantly aligning their planning cycles to the short term cycles of major funders.[67]
- **Technology Gaps:**
  High costs and outdated infrastructure limit digital adoption.
- **Workforce Issues:**
  Low pay means skills gaps have emerged, particularly where skills used in the performing arts are transferable to other sectors. Hybrid roles are sometimes introduced as a cost saving measure but can dilute a role's expertise. Overall, skills challenges are increasingly inhibiting the capability building that is essential to accelerated rates of business model innovation.[68]
- **Demonstrating Non-financial Outcomes:**
  There has been a transformative shift across the sector, emphasising broader forms of value creation alongside the consequent need to better measure social and public value impacts. While performing arts organisations have excelled in delivering value, they often prioritise resources for impactful delivery over the complex and resource-intensive evaluation of non-financial outcomes, which require sophisticated measurement techniques.[69] This limits the ability of organisations to access certain types of finance, and to partner with certain types of organisations (e.g. to partner with the NHS on health programmes, a high level of detailed impact assessment will often be required).

Fig 3. Perceived importance of business model innovation and key challenges.

Source:
Arts Business Models Research: Sector Survey.
N = 81.





Thwarted entrepreneurship in the performing arts sector?

Despite these unfavourable conditions for business model transformation, performing arts organisations continue to demonstrate their entrepreneurial spirit through their desire to innovate.[70]

Over half the performing arts respondents to our survey (54%) – which targeted those leading organisations across the UK – regard it as very important that they innovate their current business, and 92% of respondents thought undertaking business model innovation either somewhat or very important (Fig.3).

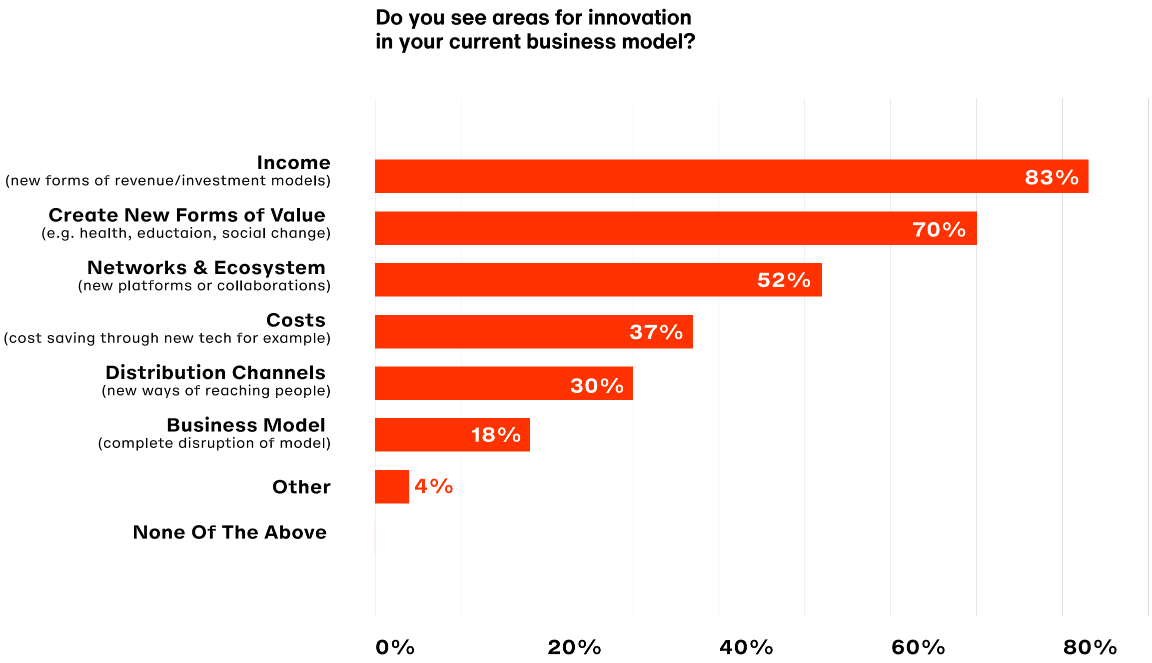
In terms of the main challenges to business model innovation, our respondents confirmed the continued salience of long identified factors, including resources & capacity (97%); funding structures (65%); skills and capabilities (54%); organisational structures (34%); and IT and tech (28%).

Perhaps more novel was the finding that over half the respondents (56%) identified the wider ecosystem and dependencies as an inhibitor of business model innovation. This underlines the observations made earlier in this paper about how performing arts organisations operate within a deeply interconnected value-creation ecosystem, and that weaknesses in one part of that ecosystem can have negative effects on another.

This insight from the survey data also highlights a feature of business model innovation that we have sought to explore in our case study analysis. Namely, that the development of new relationships and forms of knowledge exchange is vital to transformational business model innovation.[71]

Fig 4. Respondent identified innovation areas in their current business model.

Source:
Arts Business Models Research: Sector Survey. N = 85



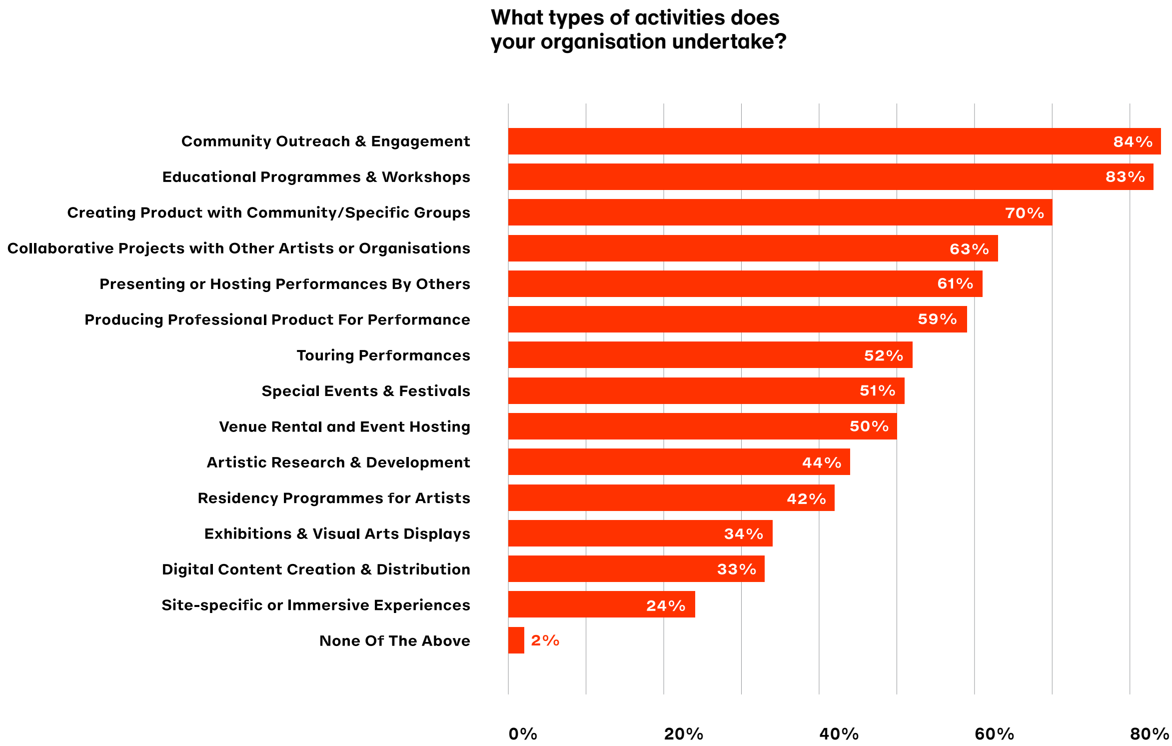
Research into business innovation consistently makes clear that platforms or healthy ecosystems that effectively connect peers, and expertise, are vital to collaborations that can create new ideas and value propositions. The survey respondents' identification of the wider ecosystem as an inhibitor of innovation suggests that many performing arts organisations are not finding it straightforward to identify and leverage the innovation potential of new relationships within and beyond the performing arts sector. This is an issue that needs to be addressed given that just over a half of the performing arts organisations who responded to our survey (52%) identified networks and ecosystems (new platforms or collaborations) as an important potential area for business model innovation (Fig. 4).

Unsurprisingly, the most commonly cited areas for ongoing innovation were income generation (new forms of revenue / investment models) by 83% of respondents, and creating new forms of value (e.g. health, education and social change) by 70% of respondents.

Only 18% of respondents saw the complete disruption of their business model as an area of distinct focus. Given the scale of the challenges facing the sector, this is a discouraging finding. Indeed, taken together the survey findings point to a performing arts sector that is highly motivated to deepen their business model innovation activities, but which is full of organisations that have not reached the level of resourcing and capability required to markedly accelerate more fundamental change. This is a theme explored in more detail in our case study analysis.

Fig 5. The main types of activities that performing arts organisations are undertaking

Source:
Arts Business Models Research: Sector Survey. N = 110



From cultural value to public value

The emphasis from respondents on the importance of new forms of value creation in business model innovation, embracing both cultural and wider public value (e.g. health, education and social change) (Fig. 4) was strongly underscored by the types and range of activities that performing arts organisations are now undertaking within their *'business as usual'* operations.

Fig. 5 features the self-reported categories of activities that the performing arts organisations who responded to our survey are currently undertaking. This data gives us a powerful insight into the activities that the majority of performing arts organisations are now engaging in.

One clear finding from our survey is the number of organisations who are now focussed on delivering social programmes, as organisations actively seek to create new forms of value by responding to the needs of their beneficiaries and communities.

Over 80% of respondents are undertaking community outreach and engagement, and are engaged in educational programmes and workshops. The large proportion of organisations undertaking collaborative projects (63% of respondents) and co-production activities with communities and specific groups (70%) demonstrates that performing arts organisations are responding to the needs and aspirations of their key beneficiaries, and are actively seeking to work and co-create with them. This desire for relevance, connection and civic contribution appears to be encouraging high levels of responsiveness across the performing arts. This, in turn, is consolidating the increasingly hybrid nature of performing arts business models, which have become firmly rooted in cultural, social, and commercial value.

These findings are aligned with recent research demonstrating that performing arts organisations have increasingly prioritised public value, engaging in activities that benefit communities, improve health, and foster civic engagement.[72] In response, we have seen the emergence of special purpose charitable agencies to support these shifts in value creation, for example in the areas of arts and culture social prescribing, and the development of place-based hubs to encourage new approaches to creative health.[73]

These examples serve to emphasise the incredible scale of the prize if the rate of business model innovation in the performing arts, and wider cultural sector, can be accelerated in the years ahead.

'Driven by the scale and quality of activity, the arts sector has an impact reaching way beyond its intrinsic value as a source of entertainment and stimulation. The sector contributes to the economy and to the lives of individuals—their health and education, for example—and helps improve the fabric of entire communities. It does so not only because of the efforts of individuals in the sector—artists, teachers, funders, venue owners, and audiences, for example—but also because of the strength of a series of connections between them, in a complex and dynamic ecosystem'. [74]

Jonathan Deakin, Tom Meakin, Tunde Olanrewaju, and Van Nguyen
McKinsey

Understanding hybrid business models to fashion systemic solutions

In the next chapter we present the prevailing business models in the performing arts that are helping to drive this complex and dynamic ecosystem of value creation.

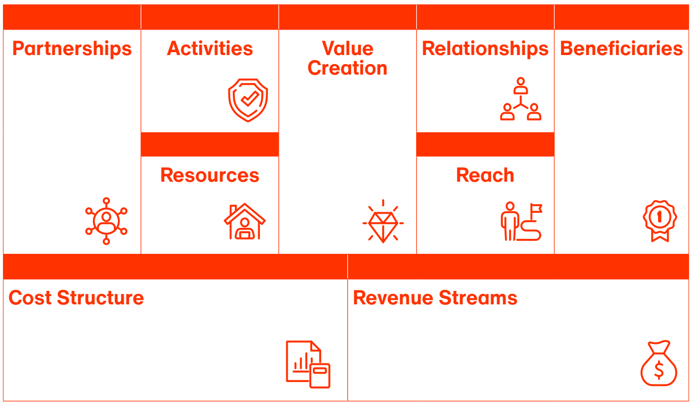
Our analysis has already demonstrated that we urgently need a business model innovation tide that lifts *'all ships.'* Here, we examine how prevailing business models are used by performing arts organisations, and how the challenges each of these business models are facing - singularly and collectively - can best be addressed by changes in funding, investment, sector leadership and support, and decisive coordinated action from all the key stakeholders.

04.

Identifying prevailing business models

Building the models

Performing arts organisations vary widely in how they operate, which can make it challenging for policymakers and funders to determine which interventions are best suited to specific parts of the sector. To address this, it is necessary to develop refined methods of categorising these organisations to better understand their unique value propositions. While acknowledging the complexity and diversity of business models within the sector, in this chapter we aim to - for the first time - create a framework of business model types that can inform future funding and policy decisions, and help organisations better understand their role within the broader sector ecosystem.



As outlined in Chapter 3, a review of the literature surfaces a range of business model logics and organisational characteristics currently prevalent in the performing arts sector.

To frame distinct performing arts business models, we mapped these characteristics onto the business model canvas tool - an alternative to a traditional business plan invented by Alex Osterwalder, a Swiss business theorist and entrepreneur, which conceptualises a complex business model on a single page.[75]

This produced five models which are not aiming to be exact representations of every model that exists across the performing arts sector, but rather represent dominant business model characteristics that cluster in certain types of organisations.

The intention behind this exercise was to build a shared language that transcends commonalities in 'product' and instead examines alignments in value creation, assets and resources which are the determining factors for unlocking innovation.

Our case study interviews confirmed that organisations see themselves in these five business models, although those with more complex structures could often identify both a primary business model type and a secondary business model that is also directly relevant to them in achieving their primary purposes.

The version of the Business Model Canvas used in the research was adapted to fit the language of the cultural sector, recognising the hard-wired logics of cultural and social purpose that lie at the heart of the social business models prevalent across the performing arts. Our focus was on exploring the sustainability of these current models, and uncovering triggers for innovation to better support all of the different models and ensure that charitable purpose and commercial mission could powerfully co-exist.

To achieve this, within the business model canvas we discussed **Beneficiaries** rather than **Customers** to ensure the nature of the transactions that exist between an arts organisation and its customer/audience/participant base could be fully captured. We also used **Reach** as opposed to **Channels** to better encompass the range of ways arts organisations approach interactions with those they form relationships with.

We retained the use of the term **Value Creation**, despite identifying that this is not a term that is frequently used in the sector. One of the distinct themes that emerged through the literature review was a need for arts organisations to be able to better articulate how they create a myriad of values - from social to financial. Therefore, this heading - which in its use in the business model canvas encourages organisations to identify how they solve a problem or fulfill a need - felt highly relevant to the business models in the sector.

Beyond these changes, the canvas was used in its original form to map common characteristics identified in the research and create a series of prevailing models. It was also used to present these models to sector leaders during case study sessions and to form the basis of discussions about potential areas for innovation.

Our five prevailing models are set out on the following pages, each using the adapted Business Model Canvas template. Through case study interviews, we sought to test and validate the scope and detail of these five models. Additionally, we constructed our performing arts sector survey questions and analysis in such a way as to allow us to derive which respondents fell into which of the prevailing business models (See Appendix 1), which we report on below.

We wanted to be confident that the prevailing models proposed covered the breadth of organisations that make up the performing arts sector, as well as capturing the distinctive components that differentiate those models. So, to further confirm the appropriateness of the five business models across a wider range of performing arts organisations, we used ACE's published data set on funded national portfolio organisations (NPOs) to examine whether the five models could be convincingly applied to all of the organisations that they fund. As indicated by the examples provided alongside each business model, we also considered the models' appropriateness for a selection of organisations who are directly funded by the UK's other national funders, as well as for a number of for-profit organisations.

Our House: Presenting/producing houses with a strong focus on a singular artform, and ticket sales as a key revenue stream.

These are venues with high overheads and strong connection to a place. They produce and/or present work, mainly single artform, and can bring in revenue through ticket and ancillary sales, which they directly control. They have direct access to data and aim to build loyal audiences.

Examples include:

Belgrade Theatre
(headquartered in Coventry)

The New Wolsey Theatre
(headquartered in Ipswich)

Eden Court
(headquartered in Inverness)

Lyric Hammersmith
(headquartered in London)

Partnerships

- Funders/supporters
- Sponsors
- Co-producers & presenters
- Communities/Schools
- Local Authority and stakeholders
- Suppliers

Activities

- R&D and Producing product
- Programming product
- Outreach
- Marketing
- Operational delivery
- Venue management
- Running retail spaces

Resources

- The Venue
- Public spaces e.g. box office/café/bar
- Specialist staff team
- Office base
- Pipeline product
- Appropriate IT systems

Value Creation

- Artform innovation & creative expression
- Representation of diverse stories and narratives
- Connections through outreach
- Artist development & career progression
- Offering access to culture, ideas and talent

Relationships

- Changing audiences
- First time experiences
- Some long-term loyalty
- Trusted third space
- Trusted delivery partner
- Data driven

Reach

- In venue and some off-site interactions (workshops/outreach)
- Website
- Ticketing systems
- Social Media presence
- Press coverage
- Loyalty schemes

Beneficiaries

- Audiences for live work
- Artists/Associates
- Schools/Young People/ Community groups
- Producing/Presenting Partners
- Funders/Supporters
- Retail customers

Cost Structure

- Artistic/Programme Costs
- Staffing Overhead
- Building Overhead
- Cost of Sales

Revenue Streams

- Ticket Sales
- Space Utilisation
- Licensing / Royalties
- Trading income
- Statutory Funding
- Fundraising

Big Tent: Multi artform community venues, mainly presenting houses but some have a commissioning/producing focus.

Otherwise similar to Our House, Big Tent leans more toward presenting and being multi artform. Big Tent organisations can be community centres as well as performance venues, with multi-purpose spaces at their disposal. Revenue comes from ticket sales and space hires. Audiences may vary more than those interacting with Our House, due to programme variety.

Examples include:

HOME Manchester
(headquartered in Manchester)

The Albany
(headquartered in London)

Southbank Centre
(headquartered in London)

Aberystwyth Arts Centre
(headquartered in Aberystwyth)

Tramway
(headquartered in Glasgow)

Partnerships	Activities	Value Creation	Relationships	Beneficiaries
Funders/supporters Sponsors Co-producers & presenters Communities/Schools Local Authority and stakeholders Suppliers	R&D and Producing product Programming product Outreach Marketing Operational delivery Venue management Running retail spaces	Broad offer/'something for everyone' programmes Artistic innovation & expression Multiple spaces for creativity and community cohesion Representation of diverse stories and narratives Connections through outreach Artist development & career progression Offering access to culture, ideas and talent	Repeat audiences First time experiences 'Bucket list' moments Long term loyalty Trusted third space Trusted delivery partner Data driven	Audiences for live work Artists/Associates Schools/Young People/ Communities Producing/Presenting Partners Funders/Supporters Retail customers
	Resources		**Reach**	
	The Venue Public spaces e.g. box office/café/bar Specialist staff team Office base Pipeline product Appropriate IT systems		In venue and some off-site interactions (workshops/outreach) Website Ticketing systems Social Media presence Press coverage Loyalty schemes	

Cost Structure	Revenue Streams
Artistic/Programme Costs Staffing Overhead Building Overhead Cost of Sales	Ticket Sales Space Utilisation Licensing / Royalties Trading income Statutory Funding Fundraising

Footloose: Primary focus on producing and presenting work. Commonly tour/present across a range of venues.

This model is focussed on production and distribution and, whilst organisations may own or run spaces, it's not their primary focus. Footloose organisations create and distribute product and run connected activities related to that product. They may be focussed on touring or festival models. Footloose organisations are mutually reliant on venue-based models (e.g. Big Tent, Our House): they can bring new audiences to the venue, and in return need the venue's capabilities to drive sales.

Examples include:

National Theatre of Scotland (headquartered in Glasgow)

Hofesh Shechter Company (headquartered in London)

Wise Children (headquartered in Bristol)

Norfolk & Norwich Festival (headquartered in Norfolk and Norwich)

Fierce Festival (headquartered in Birmingham)

Partnerships	Activities	Value Creation	Relationships	Beneficiaries
Funders/supporters Sponsors Co-producers & presenters Community Stakeholders Local Authority and stakeholders Suppliers	Producing product Presenting product Artist Development Marketing & Comms	Artistic innovation & expression Distribution of produced live performance Associated outreach and artist development Creating access to culture and new ideas Animating places and communities Supporting new audiences for venues	First time experiences Unique experiences Brand loyalty Conversion to venue visits	Venue Audiences Artists/Associates Producing/Presenting Partners Funders/Supporters
	Resources		**Reach**	
	Producing capacity Talent Making space Office base		Live performances Streaming platforms Website Ticketing systems Social Media / Press	

Cost Structure	Revenue Streams
Artistic/Programme Delivery Staffing Overhead Ensemble where permanent Equipment/Office Overhead Cost of Sales High variable costs when touring/delivering	Licensing / Royalties Performance Fees Ticket income (splits vs) Statutory Funding Fundraising

The Social: Socially-focussed specialist organisations using performing arts to deliver social change.

An emerging trend of the last decade, reflected in our survey results in Chapter 3, is the increase in organisations in the subsidised sector who fit this model. This model bears similarities to Footloose, but the core focus of these organisations is on a stated social impact, for example working specifically with a marginalised group such as people experiencing homelessness or young carers. The model is distinct in that its mission is socially driven and utilises the performing arts to achieve that change. These organisations often have a broader funding base as they straddle sectors, but have fewer assets to enable additional income generation.

Examples include:

Cardboard Citizens
(headquartered in London)

Frozen Light
(headquartered in Norwich)

Clean Break
(headquartered in London)

Aesop's Touring Theatre Company
(headquartered in Woking)

Partnerships

Funders/supporters

Strategic partners – cross sector

Community Groups

Activities

R&D

Engagement delivery

Relationship management

Training

Marketing product

Resources

Specialist expertise

Making and engagement spaces

Partnerships and contacts

Office base

Value Creation

Artistic activity for social purpose

Addressing a specific social need

Relationships

Measurable social/personal change

Deep engagement and long lasting loyalty

Reach

Live Engagement Activity

Streaming platforms

Website

Social Media

Beneficiaries

Audiences

Communities

Artists/Associates

Delivery/Strategic Partners

Funders/Supporters

Cost Structure

Programme Delivery

Staffing Overhead

Equipment/Office Overhead

Cost of Sales

Revenue Streams

Delivery Fees

Service Level Agreements

Statutory Funding

Fundraising

Digi-enabled: Secondary model with income generation potential derived from digital activity stemming for the core business.

Our qualitative and quantitative analysis did not identify any organisations - at this time - for whom Digi-enabled was a primary model, but its importance is undoubtedly growing. This model has specific resource and skills requirements which mean it tends to operate quite distinctly from its parent model. Whilst this model's value creation is still found in creating access to creative ideas, it is a very different type of access in that it's less likely to be experienced collectively.

Examples include:

NT Live
(headquartered in London)

Rambert+
(headquartered in London)

Globe Player
(headquartered in London)

Partnerships

- Funders/supporters
- Co-producers/presenters
- Communities/Schools
- Local Authority and stakeholders

Activities

- Producing content
- Capturing content
- Marketing content
- Broadcast content

Resources

- Pipeline product
- Advanced IT systems
- Specialist skills base
- Film and broadcast capabilities

Value Creation

- Digital/Tech focussed artistic practice
- Digital broadcasting of live work
- Creating access to new ideas and ease of access

Relationships

- First time experiences
- Long term loyalty
- Conversion to venue visits

Reach

- Digital platforms (broadcast)
- Venue (digital practice)
- Website
- Ticketing systems

Beneficiaries

- Online Audiences
- Artists/Associates
- Producing/Presenting Partners
- Funders/Supporters

Cost Structure

- Content creation, capture and distribution
- Staffing Overhead
- Equipment/Office Overhead
- Cost of Sales

Revenue Streams

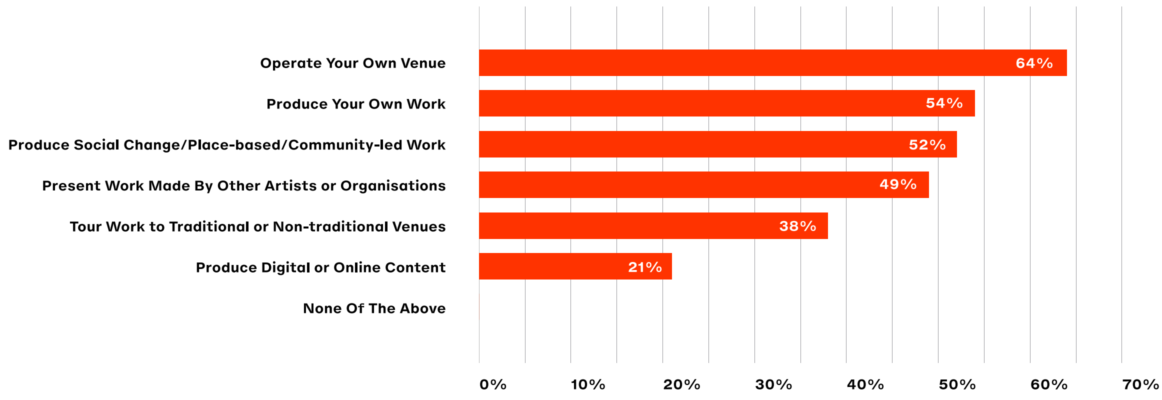
- Licensing / Royalties
- Advertising
- Tickets (for live)
- Statutory Funding
- Fundraising

Fig 6. Exploring the primary activity of performing arts organisations

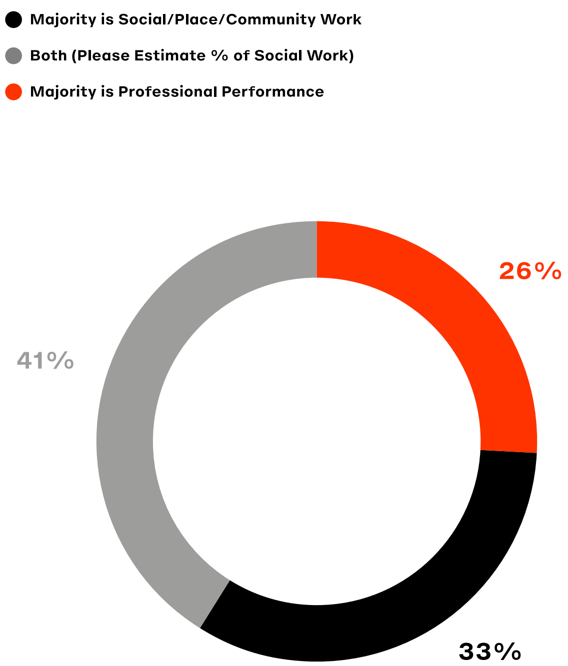
Note:
52% selected 'Produce Social Change/Place-Based/Community-led work'. These respondents were asked to estimate how much this activity respresented of their overall work. Only 33% said this work represented the majority of their activity. The median split reported was 50%.

Source:
Arts Business Models Research: Sector Survey. N = 94

Which of the following best describes your organisations primary activity?



How much of your overall organisational activity does your social/place/community work represent?



Validating the models through the survey data.

We distributed and collected 118 responses to a survey we conducted which aimed to give detailed information about the business models used by different performing arts organisations (see Appendix 1). We asked respondents about their business activities to help us to determine which prevailing business model was closest to that of their organisation. Respondents were first asked: *'Which of the following best describes your organisation's primary activity?'*

Respondents could select multiple options.
The options provided were:

- **Operate your own venue;**
- **Produce your own work;**
- **Tour work to traditional or non-traditional venues;**
- **Present work made by other artists or organisations;**
- **Produce digital or online content;**
- **Produce social change/place-based/community-led work;**
- **None of the above.**

We found that all organisations who responded to our survey were prioritising at least one of the activities we included, and that over half of respondents were prioritising social/community led work (Fig 6).

Fig 7. The interplay between core activities across the survey respondents

Insight:
Respondents were asked from a short list, which of the following best described their 'primary activity'. Respondents could select more than one option. This figure plots the percentage of respondents that selected an 'additional selection' based on their 'first selection'.

For example, 89% of respondents that selected their primary activity as 'Present work made by others' also selected 'Operate your own venue' as a primary activity.

No respondent selected 'produce digital or online content' without selecting at least one other option.

Source:
Arts Business Models Research: Sector Survey. Labels adapted for clarity. N = 94

Which of the following best describes your organisations primary activity?

Additional Selection

First Selection	Operate Your Own Venue	Present Work Made By Others	Produce Digital or Online Content	Produce Social Change Work	Produce Your Own Work	Tour Work
Operate Your Own Venue		67%	22%	47%	43%	21%
Present Work Made By Others	89%		30%	64%	59%	27%
Produce Digital or Online Content	68%	68%		79%	74%	37%
Produce Social Change Work	56%	58%	31%		67%	46%
Produce Your Own Work	47%	49%	26%	60%		66%
Tour Work	32%	32%	18%	58%	92%	

Survey responses also gave us a clear sense of the inter-relationship between the core activities within each of the models (Fig 7.). This grid shows the percentage of respondents who selected a specific primary activity (listed vertically) along with the additional activities they reported engaging in (listed horizontally). Cells where the same activity appears in both the column and the row are excluded, because they represent self-reported primary activities, not co-occurring activities.

This process allowed us to use the survey data to undertake a very clear model identification process, with an individual organisation's business model classification determined by respondents' primary activities and refined using secondary questions. For instance, organisations reporting that they *'operate their own venue'* are classified as either 'Big Tent' or 'Our House,' depending on the proportion of their activities devoted to presenting their own work.

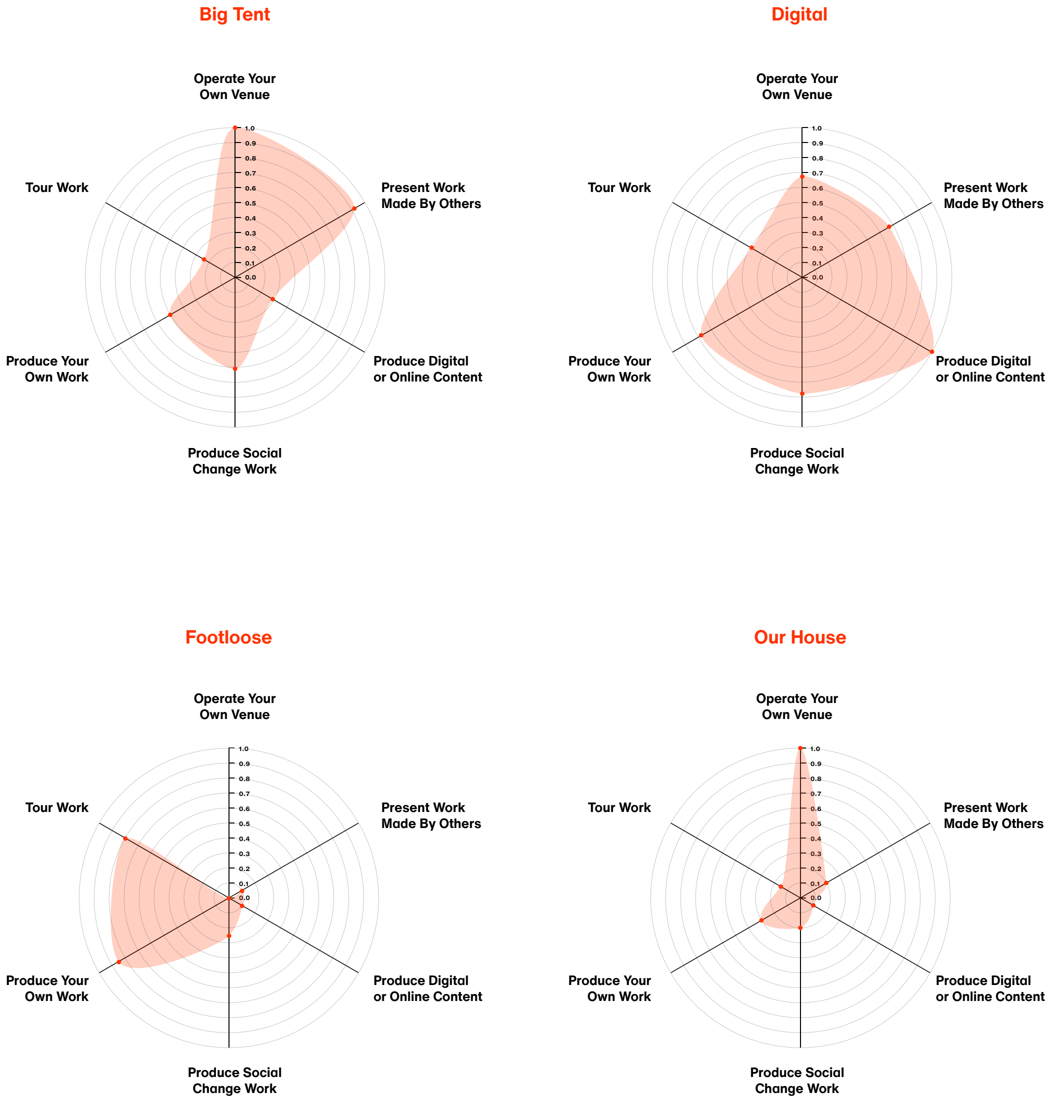
The survey analysis demonstrated that these business model types are highly effective categorisation devices, with respondent data making it easy to distinguish which organisations fitted into which business model type.

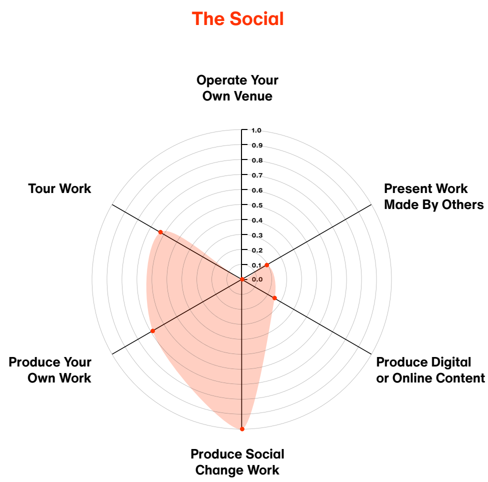
Fig 8. Radar maps by business model type

Insight:
Respondents were classified into one of four business model categories. 'Digital' is a complementary category. See Appendix 1.4 for methodology

This figure plots the percentage of respondents by business model type that indicated they were undertaking one of the 'primary activities' listed in the survey.

Source:
Arts Business Models Research: Sector Survey. Labels adapted for clarity. N = 94





The radar maps above (Fig 8.) demonstrate that the business models are genuinely distinct from each other. For example, if we compare the radar maps for Big Tent, The Social and Footloose, we can see that they have very different activity profiles. Unsurprisingly, the two predominantly venue based models (Our House and Big Tent) show the greatest degree of overlap, with Our House much more focused on producing and presenting their own work.

The distinctive nature of the business model types is significant. Firstly, this demonstrates that each model is making a singular value adding contribution to how the overall performing arts ecology creates impact. Secondly, it underlines that there is significant potential for greater collaboration and resource sharing across the models, which we explore further in the case studies.

Fig 9. Disposition to digital: the overall relationship of each primary model to digi-enabled as a secondary model

Insight:
Respondents were classified into one of four business model categories. See Appendix 1.4 for methodology.

This figure plots the percentage of respondents by business model. It splits the business models into two types, based on those that reported a significant proportion of their activity also involved producing 'digital or online content'.

Source:
Arts Business Models Research: Sector Survey. N = 94

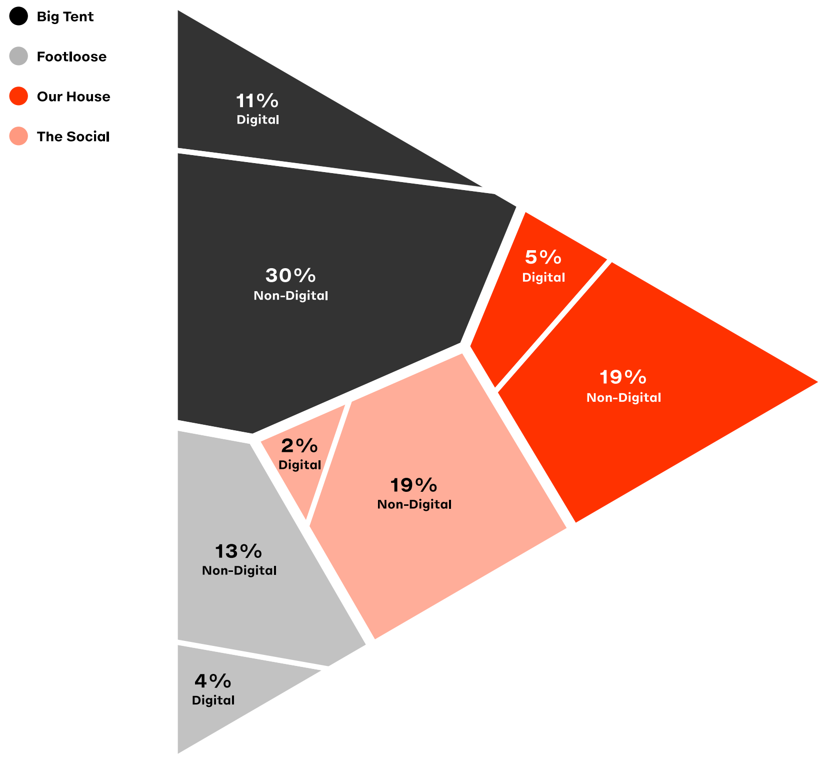
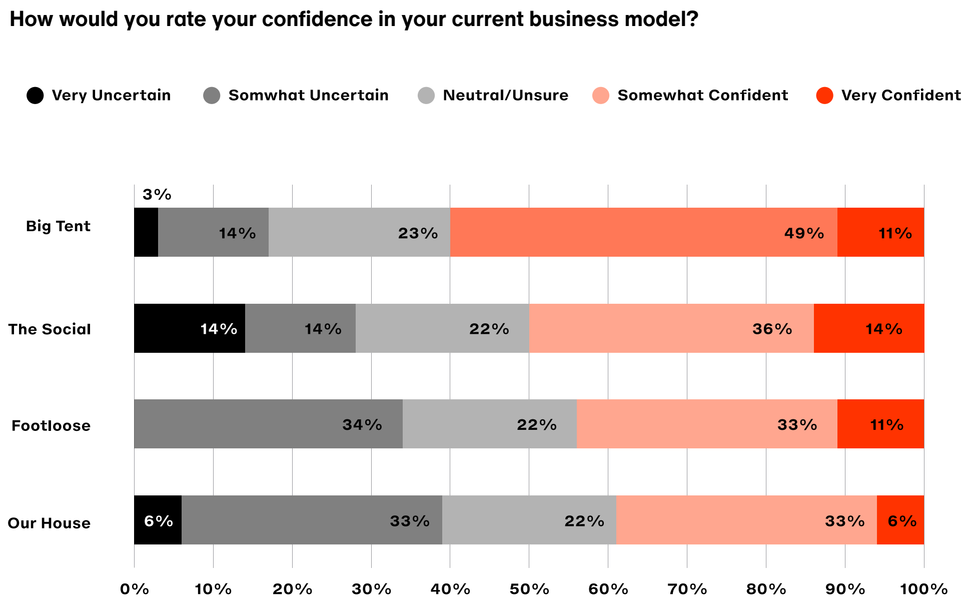


Fig 10. Survey results showing business model confidence by inferred business model

Insight:
Respondents were classified into one of four business model categories. See Appendix 1.4 for methodology. Respondents were also asked to rate their level of confidence in their business model.

This figure plots the split in those responses by the assigned business model. 'Big Tent' organisations were the least likely to report a low level of confidence in their business model, whereas 'Our House' were the most likely.

Source:
Arts Business Models Research: Sector Survey. N = 94



The findings of our survey also confirmed that, currently, digital is not a stand-alone primary business model in the performing arts sector, but can be a powerful secondary model across all models. As Fig 9 shows, whilst digital is emerging as a secondary business model in all types of organisations, Footloose touring organisations are the least likely to view digital as a secondary business model at this time (e.g. only 2% of Footloose organisations have digital as a discernible secondary model as compared to say Big Tent organisations of whom 11% have digital as a secondary business model).

Our survey also asked questions about organisations' confidence levels in their primary business model. In Fig 10, we report on the confidence levels of performing arts organisations who sit within each of the four main business models, including all those organisations in each of these models for whom digital is a discernable secondary model.

The findings are sobering. Performing arts organisations were asked to report their confidence on a five point scale from very uncertain to very confident. Of the four primary business models, the percentage of respondents reporting that they were either *'Very Uncertain', 'Somewhat Uncertain',* or *'Neutral / Unsure'* about their business model were: 61% for Our House; 56% for Footloose; 50% for The Social; and 40% for Big Tent.

In terms of those primary business models respondents who felt 'Very Confident' about their business model, the breakdown was: only 6% for Our House; 11% for Footloose; 14% for The Social; and 11% for Big Tent. Put simply, despite a clear drive to innovate (apparent in the data presented in Chapter 3), many in the sector are clearly experiencing a marked lack of confidence.

Case study insight: **Rambert Plus (Footloose/Digi-enabled)**

Rambert is a leading contemporary dance company headquartered in London. It gave its first performance in 1926, and in 2026 will become Britain's first dance company to become 100 years old. Rambert has long experimented with different business models. For example, alongside a successful touring portfolio, the company has raised £19.6 million to create a purpose-built home on London's South Bank (this opened in 2013).

Rambert was exploring growing an online business before the Covid-19 pandemic, and these efforts accelerated during lockdown. This led to the creation of the Rambert Home Studio platform. This platform not only provided digital performance content during Covid-19 but also helped gather audience data as tickets were sold via the venues to access their live streams. The platform gained nearly 30,000 users in lockdown, although numbers dropped significantly in the subsequent years.

Learning from the development of Rambert Home Studio, Rambert then launched Rambert Plus, an evolved model focussed on online dance classes. For a small monthly fee, anyone can become a "class subscriber" and choose from hundreds of on-demand, online dance classes with Rambert dancers. Whilst this platform has had good sign-up levels, business model challenges remain. Rambert leadership recognise a need to improve levels of user retention, but struggle to put resources into initiatives that might help to achieve this as staff are also managing regular duties including business-critical work related to touring productions like Peaky Blinders. Limited resources and lack of access to working capital mean it is difficult for Rambert to scale up Rambert Plus to a place where it becomes self-sustaining.

For more about Rambert read the full case study. Link here

Animating the models.

In order to bring the prevailing models to life, a series of case studies were conducted. A large sample of organisations from all 5 models were longlisted by the project team and then shortlisted by a steering group. Invitations were sent to 24 organisations. 16 responded agreeing to take part, and ultimately 12 in-depth interviews took place with organisations representing all five prevailing models.

During each interview the same structure was followed:

- **Project Overview:**
  Introduction to the NT Research Project, its rationale and approach.
- **Consultation Plan:**
  The sector consultation including online surveys and interviews.
- **Timeline:**
  Key dates and proposed sharing sessions.
- **Business Models:**
  Overview of the five prevailing models identified in the research.
- **Discussion:**
  The model, key risks/opportunities, resources and governance.

Our adapted Business Model Canvas was used to discuss the building blocks of a business and how and where innovation might take place. The following section outlines the headline findings from those interviews, and is underpinned by the quantitative survey data. Full case study writes up are available as web assets on the National Theatre website.

Headlines from the interviews.

1. **Broad agreement with the proposed prevailing models**

   Overall, there was strong agreement with the 5 models. All the interviewees acknowledged that their organisations had a dominant model and many articulated how they interact with, or use, others. All agreed with their assigned model with caveats about the aspects of other models. There was a lot of enthusiasm for the Business Model Canvas, which some had used before, but was for most a new discovery.

2. **'Digital' is scale dependant and capacity heavy at development phase**

   There was consensus that there needs to be scale in order to monetise digital activity in relation to streaming and broadcast. Where a clear income generation potential was identified, the skill sets within the organisations were seen as a barrier to growth. A lack of access to working capital in cultural organisations was seen as limiting innovation potential.

3. **Capital is a critical need**

   Under-investment in buildings is a significant drain on resources. There are many causes for this under-investment, including a decline in overall funding available to non-profits, the legacy of Covid-19, and inflationary increases in cost (these are further explored in Chapter 2). Maintenance costs are also increasing, putting further strain on many models. This is particularly the case for venues, but also those with studios and offices who are having to divert resources from other areas. In the Our House and Big Tent models, capital is fundamental to achieving real innovation both by increasing capacity but also adapting spaces to capitalise on emerging technologies and operational efficiencies.

Case study insight: **Curve (Our House)**

Curve is a theatre based in the heart of Leicester's Cultural Quarter. Opened in 2008, over one million people a year now engage with Curve through performances and projects locally, as well as across the UK and internationally.

Curve sold 251,230 tickets from 2023-2024 and had an annual turnover of £14.8 million.

Curve is also a registered charity with funding supporting their work with people of all ages and backgrounds, enabling them to access, participate in and learn from the arts, nurturing new and emerging talent and creating theatrical experiences. The City of Leicester has levels of poverty above and beyond that of the national average. Within this context, in 2023-2024 Curve facilitated 14,200 people to take part in free or low cost activity, ran programmes with local schools and universities, and provided hands-on experience of the theatre industry for 5-18 year olds through the development of **Curve Young Community Companies** (with 37% of those attending receiving a bursary or free place).[76] To support this activity they received £2.25 million in public funding (15.2% of total income).

One of the most significant challenges undermining Curve's business models is a need for capital investment. Although relatively young, maintaining and upgrading its facilities is increasingly costly as the organisation - and building - ages. Financing capital projects is challenging, but a decline in quality of facilities could reduce the unique appeal of Curve's modern, flexible space.

Capital investment would also create opportunities for growth. Curve's model is centered on ticket sales, and so boosting seating capacity could greatly increase revenue potential for the organisation. Greater capacity would allow the organisation to lower the average cost per ticket whilst also increasing profits. Additionally, a larger capacity could attract bigger productions and events, improving the venue's reputation, bringing more culture to Leicester, and attracting bigger audiences.

For more about Curve read the full case study. **Link here**

Case study insight: **Cambridge Junction (Big Tent)**

Cambridge Junction is a venue in the South West of Cambridge which showcases theatre, music, comedy and the arts in all of their forms. Alongside a core programme of performances, Cambridge Junction works intensively with local communities through a range of interventions, and each year engages over 5000 young people in programmes that develop skills and improve wellbeing. The organisation is a charity and social enterprise, and is driven by its mission to remove barriers so everyone can take part in creative opportunities

One opportunity to transform Cambridge Junction's business model is through improvements to their IT infrastructure. The company's systems are being well maintained by an external IT provider, but staff are still relying on personal laptops. Whilst cloud solutions like SharePoint and Teams are being utilised to support flexible working and collaboration, these are not always being used coherently and effectively across teams.

The team recognise that a lack of integrated IT infrastructure and data analysis capabilities means decision-making is not as efficient as it could be. Systems like Spektrix (for ticketing and customer relationship management (CRM) and Illuminate (for audience data collection) are used but are not fully effective due to skill gaps in the organisation and data being distributed across different platforms. Greater investment in infrastructure, alongside staff training, has the potential to unlock the benefits of comprehensive data analysis and inform decision making. Those running the organisation also recognise that in the future there may be opportunities to develop new revenue streams by providing tech-driven immersive experiences, but that the limitations of their IT infrastructure and skillsets could be a barrier to doing so.

For more about Cambridge Junction read the full case study. **Link here**

4. IT Infrastructure & Digital Skills investment is lacking investment and strategy

Though not always stated explicitly, the implication from the interviewees' descriptions of IT provision pointed to a lack of capacity and capability in performing arts organisations. Some organisations interviewed had purchased hardware using Cultural Recovery Funding (e.g. laptops to allow home working) but lacked the financial capacity to maintain and upgrade equipment at the rate required. There was little sense of the baseline standards businesses should adhere to in their approach to software, systems or maintenance.

A general fear of Artificial Intelligence (AI) was expressed, not least because of the risks the technology may pose to artists. This, in turn, may be limiting exploration of its potential benefits, including the development of partnerships with sectors who are more advanced in their utilisation of new technologies.

In total, 9 of the 12 interviewees referenced a lack of data capabilities within their teams with many specifically mentioning their lack of ability to collect, cross reference, and analyse data in a way that can support the articulation of social impact, reach and progress. Data collections systems were often seen as part of a funding requirement, rather than a tool for continuous improvement and self-evaluation.

Approach to IT infrastructure inevitably varied across models. For those in The Social and Footloose models, data sources are harder to access, and participants are often not predisposed to digital engagement with surveys and forms. Venue based models have a greater potential to warehouse and maximise audience data sets, although not all are doing so. One respondent from a Big Tent organisation pointed out that a sophisticated approach to data in venue based organisations could produce insights that would benefit the entire sector.

5. **Governance focus and skills sets vary across the models**

The case studies reveal that governance priorities and skill sets vary significantly across different organisational models. In many organisations, executives and boards face the dual challenge of generating high social value while addressing intense financial pressures. For some boards, a desire for financial stability has understandably resulted in a cautious approach to risk and innovation. Conversely, others recognise the importance of strategic investment and decision-making to achieve long-term goals.

Larger organisations interviewed were more likely to have business focussed boards with specialist skills in areas like commercial investment, whereas in smaller organisations board members were more likely to be local, with roles closely connected to the organisations' main outputs (e.g. artists, sector leaders).

Participants in the case studies generally reflected on their own boards' qualities rather than commenting on the governance approaches of other organisations. However, by taking them together, the interviews highlighted significant differences in board engagement, structure, and membership across the surveyed organisations.

Case study insight: **Middle Child (Footloose)**

Middle Child is a company which creates gig theatre (meaning performances combine original, live music with new writing). Operating in Hull, the fourth most deprived local authority in England, affordability and accessibility are central to the ethos of charity.[77] Their commitment to these missions is reflected in their low-cost tickets and the delivery of programmes like **Reverb**, an artist development programme which provides opportunities for Hull-based artists across disciplines in the city.

The leadership of Middle Child have recognised that there is increasing competition for funding to pursue social impacts - and, specifically, an increase in the number of organisations adopting community-focussed models. They suggest the reason behind this increase may be that organisations are trying to respond to funders' preferences.

'It feels like we're delivering public services at times. And broadly, I really like Let's Create. I think it's been positive in many ways. But one of the challenges we've faced is that everyone is doing the same thing now. Everyone is engaging in community outreach, participatory work, and looking at the NPOs, we all use the same language and address the same issues and communities. Now suddenly everyone is attempting to do the same thing.'

Middle Child warns that this convergence creates risks. The pressure to meet funders' expectations can push organisations towards unsustainable practices or lead to duplication of outreach efforts, weakening organisations' unique contributions. They argue that arts organisations should be encouraged in their delivery of diverse social impacts to address the UK's wide array of challenges effectively.

For more about Middle Child read the full case study. **Link here**

Case study insight: **Battersea Arts Centre (Big Tent)**

Housed in a historic town hall building in Battersea, South London, Battersea Arts Centre (BAC) is a venue which showcases theatre and performance, and provides a home for community activities and programmes. BAC is a charity and its mission is particularly focussed on supporting young people including through: **Beatbox and Dance Academies**; a **Young Producers programme**; and **The Agency** (a creative entrepreneurship programme enabling young people from underserved areas to generate social change projects based on the needs they identify in their communities). BAC also has facilities and programmes aimed at the wider community (including a **community hub** and **garden**), and directly supports emerging artists.

BAC has recognised it needs to grow its output in order to build a more sustainable funding and supporter base. Its leadership team understands that in order to truly scale they need to embrace the idea of resource-sharing and find ways to facilitate mutual exchange of assets with other organisations.

For example, when considering their **Academy** programme (which offers free-to-access skills development for young people who otherwise have little access to creative activity), BAC have the space and capacity to double output, but to produce sessions themselves requires a heavy investment in people and skills, at a time when BAC cannot afford to increase overhead costs.

Other companies already have those skills but have a lack of space. A logical step would, therefore, be to form a partnership with one of these organisations and to deliver the programme together. This would give the partner access to space, brand association and venue data, and allow BAC to deliver a high quality product and - most importantly - to have greater impact.

BAC leadership recognise that in order for such a partnership - and, indeed, mergers of any type - to be successful, it is important that it comes from this sort of clearly aligned strategic need rather than as a result of an urgent funding imperative.

For more about Battersea Arts Centre read the full case study. **Link here**

6. Resource sharing, mergers, and the perceived associated risks

Despite recognising shared challenges and dependencies, most of those interviewed did not mention existing shared services or opportunities to collaborate or merge with other organisations to achieve efficiencies or enhance impact.

This is despite the fact that our research suggests that prevailing models are differentiated enough to be able to support each other's success. For instance, The Social and Footloose models could leverage the assets of venue-based models. Similarly, venue based organisations facing rising expenses might benefit from learning from The Social's low-cost strategies for increasing footfall and fostering relationships.

Mergers, when mentioned, were generally viewed as emergency measures, often initiated by funders. A common reluctance from non-profits to disclose risks to funders further limits the likelihood of innovation through resource sharing or mergers. To encourage progress, our findings suggest that a shift in narrative is needed - one that emphasises differentiation while recognising the value of shared unique assets. Funders can play a critical role in fostering this change, as demonstrated in the case studies of Middle Child and Battersea Arts Centre.

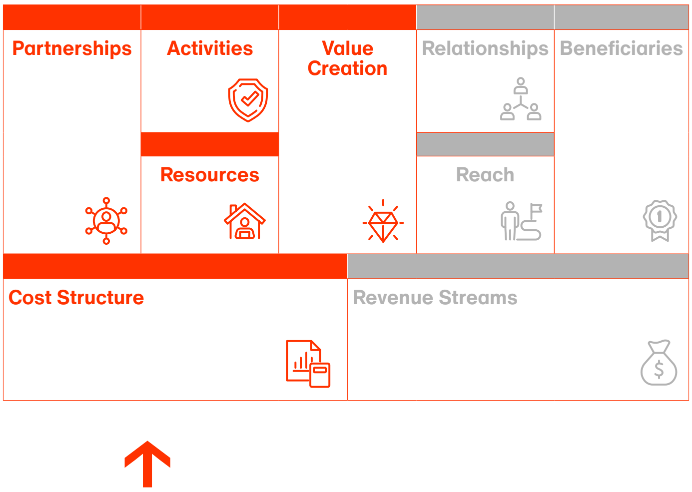
05.

Business model innovation potential across the models

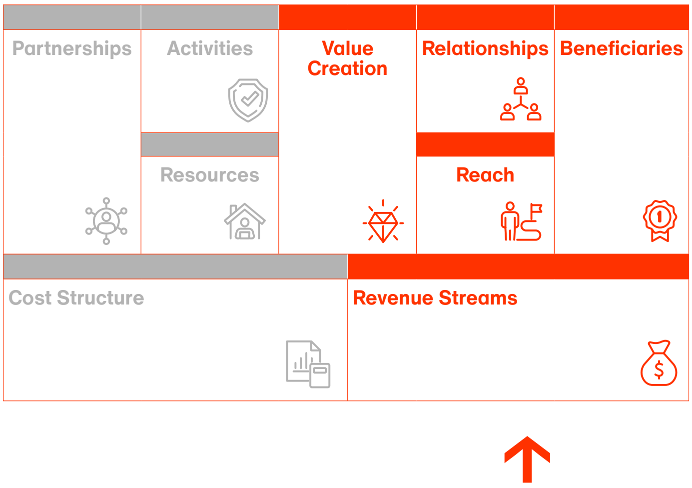
Business model innovation potential across the models

The case studies reveal that most innovation thinking is concentrated within the sections of our Business Model Canvas which refer to Cost Structures, Activities, and Resources, with very little activity occurring outside of these areas.

Innovation is taking place here:



Rather than here:



Across all case studies, we found that the primary strategy to mitigate inflationary pressures and income limitations has been reducing costs, such as staffing and building overheads. While these measures have helped, few organisations have managed to reduce costs sufficiently. Many have restructured their activities and staffing resources to align with funding requirements and demonstrate strong social impact. However, interviewees consistently expressed that these shifts are unsustainable in the long term.

Throughout the case studies, there was notable evidence of organisations rethinking the value they create for their beneficiaries: many were looking to explore new value propositions but found funding such changes a significant barrier.

As discussed in Chapter 3, few performing arts organisations identified the innovation potential of building relationships with organisations inside and outside of the sector. Partnerships with other performing arts organisations, in particular, were rarely considered as a way to enhance value propositions or strengthen offerings for beneficiaries.

Additionally, interviewees largely perceived mergers as a last-resort measure to be used during crises, reflecting their experience of high-profile examples from the sector. The overwhelming focus for non-profits on satisfying key funder expectations - and without explicit funder support for initiatives like mergers, such actions are unlikely to become a priority in leadership strategies of these types of organisations.

Using the Business Model Canvas helped us to segment the models and isolate potential innovation activity. From here we could explore how performing arts organisations are innovating and in what part of the business models innovation is taking place. Our analysis is summarised in the table below:

Business Model Canvas Segments	Potential Innovation Activity	Case Study Evidence
Revenue Streams Activities	**New Revenue Models:** Exploring new ways of generating revenue that either aligns with, or does not distract from, the core mission of the organisation.	Many interviewees had previously considered business model innovation only through this lens. Merchandise, licensing, pricing strategies, training packages were all referenced as important approaches: for example, Curve referenced ticket pricing as a key area of growth, ensuring the market value of their product is fully recognised in their higher tier price bands alongside maintaining accessible affordable tickets for all shows.
Value Creation Activities	**Value Proposition Innovation:** Developing innovative output that delivers new value or unique benefits.	Some interviewees had experimented with this approach to innovation. Rambert's online classes are a particularly strong example of innovation in value creation and activities. Their classes offer a unique benefit that aligns with the organisation's mission and differentiates Rambert in the market. However, a lack of capacity and capital are preventing significant growth.
Cost Structures Resources	**Cost Structure Innovation:** Identifying cost saving opportunities that can reduce the overhead and ongoing project costs. Using new technologies to increase efficiency and utilising assets more productively.	Cost cutting was a high priority for many organisations, but few organisations recognised the innovation potential of efficiencies/revenue driven by new technologies. Battersea Arts Centre referred to this area as an innovation priority where it is seen as a pathway to releasing capacity into under-resourced growth areas for the business.
Reach Relationships	**Distribution Channel Innovation:** New channels or new ways of using existing ones to reach customer segments.	Most organisations interviewed admitted that their distribution channels had not been a priority for innovation efforts. For instance, organisations were using the same communication channels for all audience types. Technological skill gaps may be one factor inhibiting this area of business model innovation.
Partnerships Resources Value Creation	**Network and Ecology Innovation:** Platforms or ecosystems that connect peers and create more value through collaboration, resource sharing and new models from mergers and acquisitions.	Several interviews highlighted that shared resource initiatives rarely extend beyond back-office services. While organisations recognised the potential of a more cohesive approach, non-profits suggested that achieving this outside of the commercial sector would require significant support from policymakers. This is due, in part, to concerns about how such initiatives might be perceived by funders.

06.

Reaching recommendations

Through our research we have identified and explored five distinct business models prevalent in the performing arts and assessed their potential for innovation.

Taken in summary, the findings from our case studies, supported by new survey data, and analysis of existing academic and grey literature, help us to identify the types of interventions that could drive impactful change across the performing arts ecosystem. These interventions aim to foster a wave of business model innovation that could benefit the entire sector.

The research advisory group, comprising sector experts, funders, government representatives, and members of the business community, provided additional thoughts on a set of proposals, drawn from our analysis.

In this table, we show the relationship between the challenges identified in our research and our recommendations, and highlight which parts of the sector they will most impact, as well as the transformed state we hope that they might bring about.

We found 7 challenges facing performing arts organisations	These challenges block organisations from innovating their business models	All types of organisation are affected, some severely					We make 7 recommendations to unblock innovation	Projected transformed state by 2028
		Our House	Big Tent	Digi-enabled	Footloose	Social		
1. Low investment in IT infrastructure and skills	• Cannot realise the potential of new technologies • Potential for cost efficiencies is unrealised • No skills to realise data-driven innovation						**1.** Tech Roadmap for performing arts sector	√ Organisations have improved infrastructure and capabilities √ New projects created to engage young people, foster connections with different communities and reach broader audiences √ Tech-based efficiencies found √ Lower cost or free joint procurement of technology √ New training opportunities for the workforce √ New products better serve customers and participants
2. All obvious routes to grow income and cut costs have been exhausted	• Rising overheads outstrip revenue creation • Lack of innovation deters investors and philanthropists						**2.** Sector Playbooks to unlock income and savings	√ Improved business practice around many areas of cost saving and revenue practice (e.g. shared services, mergers) √ Benefits to commercial and non-profit organisations
3. Urgent capital investment is needed	• Missed opportunity to earn income from building-based amenities and services • Rising maintenance costs suck up organisational resource and capacity • Buildings are unsustainable, risking reduced appeal, usage and income						**3.** Leveraged Capital Fund	√ Performing arts sector infrastructure is more stable after maintenance and upgrades √ Government investment and convening power has helped unlock philanthropic funds √ UK infrastructure is recognised as the most environmentally sustainable in the world √ Capital upgrades have driven local placemaking, social capital, tourism and soft power
4. Unequal access to talent to drive innovation	• Smaller organisations and those outside major business centres have less access to business and tech expertise • Boards and executive teams cannot access the full range of skills and capacity needed to deliver change						**4.** Tech and Financial Advisor Network	√ Step change in the skills and experience on boards of trustees √ Fresh talent drives innovation and business development, increasing revenues and social impact

- **Critical Impact On Business Model Threatening Future Sustainability And Operational Uncertainty**
- **Major Impact On Business Sustainability And Creating Major Risks In Need Of Additional Capacity And Resource**
- **Moderate Impact On Business Model Creating Ongoing Organisational Risks That Drain Day To Day Resources**
- **Unlikely To Have A Direct Impact On The Organisations Ability To Deliver**

We found 7 challenges facing performing arts organisations	These challenges block organisations from innovating their business models	All types of organisation are affected, some severely					We make 7 recommendations to unblock innovation	Projected transformed state by 2028
		Our House	Big Tent	Digi-enabled	Footloose	Social		
5. Recent budget cuts by local authorities have deepened the impact of cumulative reductions in funding	• Historic funding models - particularly local government funding - can no longer support core operations • Organisations struggle to pivot to meet new, and sometimes unexpected, challenges • Reserves levels have fallen, risking insolvency • Trustees become increasingly risk-averse in their approach to financial management						**5.** Urgent Stabilisation Fund	√ Key local cultural infrastructure is retained √ Performing arts organisations have deepened their role as 'anchor' institutions for civic and place-based regeneration
6. Lack of funding to facilitate experimentation and change	• Lack of experimentation across the sector • Little opportunity to develop new revenue streams • Low incentive to drive change, so business models continue to stagnate						**6.** Arts Business Model Innovation Fund	√ Higher levels of experimentation, development of new revenue streams and movement between business models √ Greater ability to drive social change in areas like health and education; boosted income; increased use of alternative finance √ Organisations who were not seen as investment-ready have been able to pilot initiatives, collect evidence, and unlock investment
7. Cash flow issues constrain risk-taking	• Commercial and non-profit organisations are becoming more risk averse • Production output may drop due to cash flow risks and lack of working capital						**7.** HMRC Service Level Agreement	√ Sector has reduced cash flow issues, as they have greater security on timelines for tax reliefs √ Treasury-led work with financial providers and the cultural sector has broadened the range of cash flow financing available to the performing arts √ Increase in product investment and agile business model development

Critical Impact On Business Model Threatening Future Sustainability And Operational Uncertainty

Major Impact On Business Sustainability And Creating Major Risks In Need Of Additional Capacity And Resource

Moderate Impact On Business Model Creating Ongoing Organisational Risks That Drain Day To Day Resources

Unlikely To Have A Direct Impact On The Organisations Ability To Deliver

Assessing business model impact and risk:

Methodology:
Having identified the components of the business models and cross-referencing them with the identified challenges facing the sector, we are able to assess the potential scale of impact each challenge has on each model.

07.

Conclusions and recommendations in full

Conclusions and recommendations in full

The challenges described in this paper are long-term and structural, impacting the entire performing arts system. That is why the solutions also must be long-term and led by policymakers, funders, and by the sector itself.

As detailed in the previous chapter, we have developed recommendations to directly respond to our findings, aiming to address the factors which are constraining the business models of performing arts organisations by:

- **Ensuring performing arts organisations are equipped to address technological gaps;**
- **Supporting new hybrid value models to flourish, unlocking social and economic value;**
- **Ensuring adequate levels of sustainable capital investment;**
- **Addressing cash flow issues;**
- **And unlocking barriers to innovation.**

Sector-led

1. **Tech Roadmap for adoption & efficiencies**

   We propose that the sector develop a roadmap with benchmarks to provide performing arts organisations' leadership and boards with clear indicators of what 'good' looks like in terms of tech adoption. This will enable tech-driven efficiencies across all the identified business models. The roadmap should also help to identify opportunities for the sector - as a whole - to work with technology companies to procure for free or at a discounted cost, and support the creation of bespoke training opportunities and products.

2. **Trailblazing Sector-authored Playbooks to unlock revenue and support cost-saving**

   We recommend the first of these trailblazer sector-led playbooks should be into shared services - collating best practice and providing evidenced benchmarks for success. It should uncover the potential benefits of a variety of sharing models – from shared procurement, to co-production and joint social programmes, to mergers of functions – and it would be driven by an ambition to unlock new opportunities for income generation and to reduce operating costs through more efficient joint working.

   This would be followed by other targeted sector-written playbooks, aiming to identify and unlock opportunities for revenue generation across the sector, for example by sharing data and best practice related to ticketing strategies. Private sector funders may need to support the sector to ensure the development of these playbooks is properly resourced.

Partner-led

3. Historic Leveraged Capital Fund for sustainable infrastructure

The current need for investment in bricks-and-mortar is undermining revenue creation. To address this the government has rightly committed capital investment to support the UK's arts infrastructure. We propose that there is a generational opportunity to transform this investment into a leveraged capital scheme, aimed to appeal to a new generation of benefactors and corporates, which would bring in a philanthropic match to the government expenditure. The government, alongside sector leaders, could use their convening power to target new kinds of philanthropists to support this fund, specifically those interested in supporting organisations to prioritise sustainable approaches (both in terms of carbon footprint and financial sustainability). A percentage of this fund could be reserved and invested to support maintenance costs over the next two decades.

This fund could support:

- Feasibility work and practical and peer support for planning, implementation and management of capital projects aimed at decarbonisation/retrofit;
- Capital grants structured as a match fund to attract additional philanthropy into the sector;
- Catalytic grants to attract investment capital motivated by environmental outcome metrics into a structured vehicle which can provide long-term repayable finance to support projects expected to deliver cash savings to organisations over the medium term.

4. Pro Bono tech & Financial Advisor Network

We propose that tech companies, accountancy firms and other relevant organisations should support the creation of a bank of tech and financial strategists. Individuals from these organisations should be encouraged to volunteer time to work with small performing arts companies around the country, providing bespoke advice (level 1) or sitting on the board (level 2). This proposal could be an extension of work already being undertaken by organisations in the sector, as well as initiatives within relevant companies like KPMG's Governance for Better Programme.

Policy-led

5. Urgent Stabilisation Fund for cultural organisations

We recommend that revenue and capital funds must be found to support those parts of the cultural infrastructure which are important to a local area or region but are now in severe distress as a result of the current crisis in local government funding. Longer term, stabilisation of the funding environment (including funding through local government) is essential to ensure publicly funded organisations can continue to deliver public good.

6. Arts Business Model Innovation Fund

We propose establishing a two-stage business model innovation fund to support experimentation, the development of new revenue streams, and transitions between business models. This fund would be backed by the Arts Councils and relevant Government departments, including DCMS and MHCLG. It would provide seed funding to organisations around the country seeking to explore new areas of work, whether they are looking to achieve specific social goals (e.g. improving local health or education outcomes), diversify commercial income, or start providing a shared service with another organisation.

The initial seed funding phase should encourage organisations to take bold risks. However, to secure follow-on funding, organisations must demonstrate that their business model can deliver a sustainable revenue stream. For business models tied to social value outcomes, the seed funding stage would allow organisations to build relationships with relevant partners. For example, if an organisation wants to target health outcomes, the pilot phase might involve building partnerships with the Department of Health and Social Care, a local NHS trust, or health-focused philanthropists. The pilot period should also be used by organisations to collect appropriate evidence and data to demonstrate their commercial viability and/or social impact, allowing them to subsequently unlock other types of investment, including commercial and social impact investment.

7. Sector-HMRC Service Level Agreement

We recommend that a service level agreement between the sector and the HMRC should be created to reduce the financial vulnerability of performing arts organisations as a result of cash flow challenges. It would do this by providing an agreement around timelines for the processing of orchestra and theatre tax credit claims (including providing additional resources to the HMRC to manage applications), as well as a commitment to work with financial providers to support the development of cash flow finance mechanisms for the sector.

By fostering technological advancements, promoting sector-led collaborations, and unlocking business model transformation, these recommendations aim to enhance the resilience, sustainability, and innovation of the performing arts.

By doing so, we expect they will be able to amplify the sector's significant contributions to social impact, which include proven benefits relating to health and education (further detailed in Chapter 2).[78]

Additionally, they would help to position the performing arts as a catalyst for economic growth, cultural diplomacy, and regional revitalisation, directly supporting the government's goals of social equity, community empowerment, and global competitiveness. Together, we hope that these steps can secure the performing arts' future while delivering wide-ranging public benefits.

Endnotes

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Appendix 1: Methodology

1.1 Purpose of the research

The purpose of this research was to explore and understand the business models of performing arts organisations in the UK. This involved analysing data including that relating to Arts Council England's National Portfolio Organisations (NPOs) for the years 2018/19, 2021/22, and 2022/23, alongside results from a survey distributed to organisations within the sector. Case study interviews were also undertaken with a limited set of invited organisations to explore concepts and test the application of research findings.

1.2 Data sources

Arts Council England (ACE) NPO data

The NPO data was sourced from ACE and covered three years; 2018/19, 2021/22, and 2022/23. To focus specifically on performing arts organisations, a classification system was developed using the "Main Discipline" field provided in the dataset. The disciplines considered representative of performing arts were "Dance," "Theatre," "Music," and "Combined Arts." Other disciplines, such as "Literature," "Museums," "Visual Arts," and "Not Discipline Specific," were excluded as they were deemed not typical of performing arts organisations. Additionally, organisations that did not deliver "performances," as indicated by their self-selected "delivery types" in the dataset, were excluded. The question used to classify "delivery type" was asked by ACE within the annual survey, with a set list of options:

"[Please] select which of the following your organisation used to show/deliver work between 1 April and 31 March"

This classification reduced the sample sizes across the years as follows:

For multi year analysis, only variables that were consistently available across all three years were included, ensuring comparability over time.

We recognise that by using ACE data we excluded performing arts organisations based in Scotland, Wales and Northern Ireland from some parts of our analysis. For this reason, wherever possible, we endeavoured to manually check that the experiences of performing arts organisations in other parts of the UK were likely to be in line with those covered by the ACE dataset.

Figure 1. Filtered NPO Data – 'Performing Arts' Classification

Year	Aggregate N	Filtered N
2018/19	620	451
2012/22	614	428
2022/23	615	438

Source: *Arts Council England NPO Annual Data Survey* – Open Data; 2018/19, 2021/22 and 2022/23. Analysis by Culture Counts.

Survey data

A bespoke survey was developed by the research team in collaboration with the National Theatre's research advisory committee. It was hosted on the Culture Counts platform and made available to respondents between 16 August and 4 October 2024. To improve retention, the survey design was revised on 9 September 2024, reordering questions to prioritise sections deemed most valuable for the study. The survey was divided into three sections:

1. **Activities and types of work delivered by the organisation.**
2. **Business models and financial structures.**
3. **Key metrics such as staffing and income.**

Respondents could choose to remain anonymous but were encouraged to identify their organisation for data cleaning purposes. The survey included the following notice:

"Providing your name helps us use public data to significantly improve our research (e.g., cross-referencing with the Arts Council England open dataset or public accounts data). Your responses will remain anonymous. Your organisation will not be identifiable to anyone other than the three independent researchers of this project."

In total, 118 responses were recorded, with 69 respondents fully completing the survey. Incomplete responses were included in analysis on a per-question basis, except where cross-analysis (e.g., income segmentation) required full data. The report includes notes on the n counts and analysis methods for each chart, where appropriate.

The survey was shared through social media channels and promoted by the research team and the National Theatre. Self-selection bias is acknowledged due to the opt-in nature of the survey and noted where appropriate in the analysis within this report. Respondents came from across the United Kingdom.

Case study interviews

See Chapter 4 for details of how the case study organisations were selected, approached and researched.

1.3 Analytical framework

Quantitative Analysis:

Both the NPO data and survey responses were analysed quantitatively. Analysis was performed in Python, and no weighting adjustments were applied, as the findings are intended to compare models rather than present a representative picture of the entire performing arts sector. Comparative analysis was conducted on filtered NPO data across the three years, with additional contextual notes provided to account for potential inconsistencies due to changes in policy, cohort composition, and the impact of Covid-19 on 2021/22 data.

Qualitative analysis:

Where applicable, open-text survey responses were reviewed and coded for thematic insights. These were used to complement quantitative findings. In addition to the survey data, qualitative analysis was conducted through case study interviews with a select group of organisations. Interviews informed the development of the business model classification framework. Interviews were semi-structured, allowing participants to discuss their operations, challenges, and strategic approaches in-depth.

The qualitative insights gathered from interviews were used to test and validate our initial hypothesis about the different prevailing business models within the performing arts sector. This hypothesis was tested and refined through the quantitative survey data, enabling a structured exploration of business models at scale. This iterative process sought to ensure that the business model classifications were grounded in real-world experiences and validated by a broader dataset.

1.4 Business model classification

To analyse the business models of performing arts organisations, a classification system was developed to utilise survey data collected. The classification aimed to categorise organisations according to their primary activity and the nature of their work. Four primary business model types were identified, along with a fifth secondary category for organisations producing digital work. This system was constructed using responses to one primary question and three secondary questions, with a total of 94 survey respondents providing data for this section.

Respondents were first asked: *"Which of the following best describes your organisation's primary activity?"*

Respondents could select multiple options. The options provided were:

- **Operate your own venue**
- **Produce your own work**
- **Tour work to traditional or non-traditional venues**
- **Present work made by other artists or organisations**
- **Produce digital or online content**
- **Produce social change/place-based /community-led work**
- **None of the above**

Organisations selecting "Operate your own venue" were further divided based on whether they primarily presented their own work or the work of others. Similarly, organisations focussed on community-led work were identified by responses to specific secondary questions.

Secondary questions

While most categorisations were based on the primary activity question, some secondary questions helped refine the classifications:

- **Venue operators:**
  Respondents indicating they "Operate your own venue" were split into two groups:
  - Venue operators primarily presenting their own work or exclusively operating a venue.
  - Venue operators primarily presenting work by others.

This classification was done through a secondary question:

Does your organisation primarily present your own work or the work of others?

- **Social/place-based organisations:**
  Given that many organisations are believed to undertake social/place-based/community-led work, a refinement question was asked to determine if this type of work represented the majority of their overall activity. This was identified through the question:

"How much of your overall organisational activity does your social/place/community work represent?"

- **Digital work producers:**
  Respondents producing digital or online content were grouped into a secondary category for analysis. Digital content could involve live broadcasts, original productions, or other forms of digital work. Organisations in any primary category could also be tagged as digital producers, depending on their reported activities.

Respondents who provided insufficient data were marked as "Uncategorised" and excluded from the main analysis. No respondent who responded to the primary activities question did not subsequently fit into the classification system. 94 respondents provided sufficient data to categorise. Respondents who choose not to provide information about their revenue data or business model confidence were excluded from subsequent analysis where appropriate, but are still included in the overall business model groupings analysis.

Business model types

Based on survey responses, organisations were classified into four primary business models, with an additional secondary category for organisations producing digital content. These categories were designed to reflect the diverse ways in which organisations operate within the performing arts sector:

1. **Big Tent:**
   Organisations that operate their own venue and primarily present work created by other artists or organisations. These venues typically function as spaces for external productions and performances rather than focusing on their own creative work.

2. **Our House:**
   Organisations that operate their own venue and primarily produce and present their own work. These venues are often integral to the organisation's creative output, serving as both a production and presentation space.

3. **Footloose:**
   Organisations that do not operate a venue but instead tour or present work to/in traditional or non-traditional spaces. These organisations rely on partnerships with external venues or use unconventional locations to present their performances.

4. **The Social:**
   Organisations that focus on community-led, place-based, or social change activities, and do so without operating their own venue. These organisations are believed to prioritise engagement and co-creation processes over the final performance or product, often working closely with local communities.

5. **Digital work (secondary category):**
   This category was applied to organisations that produce digital content, including live broadcasts of stage productions, original digital productions, or other forms of online engagement. Digital work producers could belong to any of the primary business model types and were tagged as digital producers if a significant proportion of their activity involved digital content production.

Additional descriptions for each of the business models are provided in the report. The classifications presented here are for summary purposes only, as they relate to the classification mechanism.

Testing against ACE's funded NPO portfolio data.

Having derived the five business model types, we then tested the models against ACE's published list of funded organisations, using our existing sector knowledge of the missions and activities of these performing arts NPOs (and where required some additional desk based enquiry) to confirm that the five models 'fitted' in a comprehensive way the current cohort of publicly funded performing arts organisations.

1.5 Key considerations & limitations

'Performing Arts' classification system:
The classification of performing arts organisations relied on the ACE NPO dataset's self-reported "Main Discipline" and "Delivery Types" fields. While consistent with the dataset's structure, this may exclude organisations whose work does not fit neatly into predefined categories.

Survey bias:
As an opt-in survey, responses are subject to self-selection bias. Organisations with specific interests or capacities may have been more likely to participate.

Changes in NPO cohorts:
The NPO cohort changed between 2018/19 and 2022/23 due to shifts in funding policy and new organisations joining the portfolio. Comparisons between these years must be interpreted with caution, as they may reflect structural differences beyond performance trends.

Covid-19 impact:
The Covid-19 pandemic had significant effects on performing arts activities in 2021/22, influencing trends in both financial data and organisational activity. These impacts were not explicitly controlled for in the analysis but are noted as a potential source of variation.

Survey revisions:
Adjustments to the survey after its launch, while intended to improve data quality, may have introduced minor inconsistencies in responses across the collection period.

'Arts Centre' model classification:
The variable nature of activities that arts centres deliver creates complexity in the business model classification system, as it is an exclusive classification system, with only 'digital' as a secondary category. This suggests that respondents who deliver a wide variety of activities, such as arts centres, will be more difficult to classify, than smaller or more-focussed organisations. Analysis that explores the primary activity responses of each business model category is provided in the report to address this.

Appendix 2: Selected Bibliography

This bibliography includes sources that informed the research and context of Chapter 3 of this paper, including works that are not directly cited in the text. While detailed citations are provided in the endnotes for specific references, the bibliography acknowledges works that were particularly informative or may be useful for further research. We hope this bibliography can become a resource for readers who might want to delve deeper into the topic of performing arts business models.

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