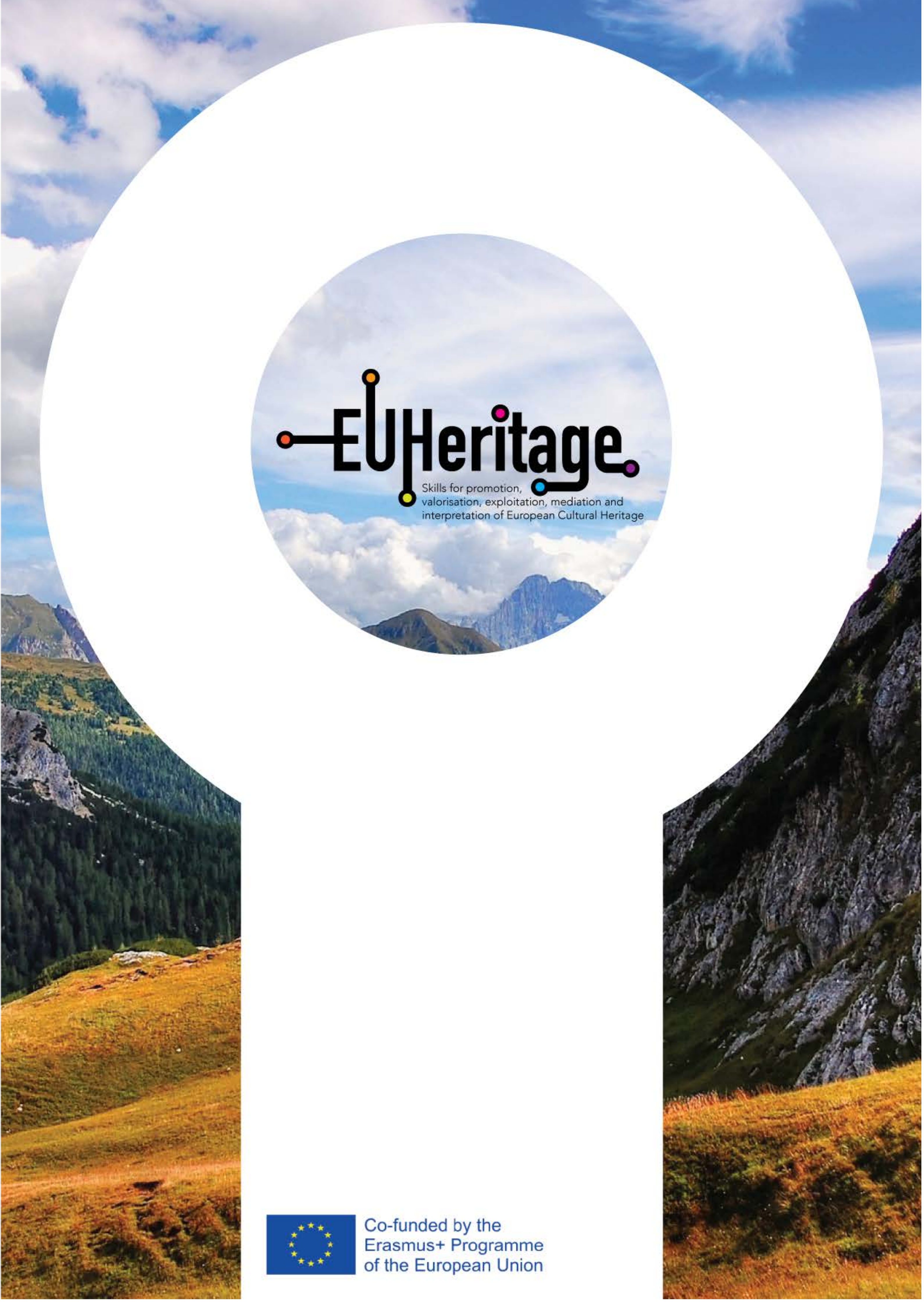

EUHeritage

Skills for promotion, valorisation, exploitation, mediation and interpretation of European Cultural Heritage

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Video Transcript
SU 4.3.3
Riccardo Tovaglieri
Patrimonio Cultura

Module:	Module 4: Entrepreneurial strategies for innovative cultural heritage and tourism management
Sub-Unit:	4.3.3 The different financial models & organisational structures for cultural heritage & tourism
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Try to define the different financial and organizational structures of the cultural heritage and tourism sector is particularly challenging.

This is a complex sector, with specific characteristics that make it unique.

A first important concept to be clarified is the difference between for-profit or not-for-profit organizations.

While for-profit organizations (mainly) exist to generate economic value for the shareholders or for private interests, sometimes there is a misunderstanding about what really means to be a not-for-profit organization.

This doesn't mean that such organizations aren't allowed to breakeven or have greater revenues than expenses. It just means that all the profits must be re-invested in the cultural mission and can't be distributed to the shareholders.

There is also a third model, spreading more and more in the last years: the so-called benefit companies.

These are a combination of the previous two: they operate as a traditional businesses in many ways, but they exist primarily to provide social benefits rather than to maximize financial returns.

It seems evident therefore that both non-profit and for-profit organizations, in order to guarantee the fulfilment of their mission, have to put a great deal of attention on their sustainability and especially on their economic equilibrium.

Despite the kind of organization, it is vital to have clear and well-defined business and financial models.

The first one refers to the way in which organizations generate value for their costumers, visitors or audience.

A great way of representing it is the CANVAS model. This is a general model of how the business works and how it responds to needs of the people, providing some valuable experience, good or service.

With its 9 building blocks, schematic and easy to understand it has become one of the most used worldwide, moving from cost structure to revenue stream, passing through production activities, value proposition, customer relations and vending channels.

Financial models, on the other way, represent how organizations generate profits, cash-flows, and are financially sustainable.

In this scenario, fundraising can have a terrific and transformative role in fostering sustainability, leveraging the strengths and the uniqueness of your offer. Furthermore, it can be an effective way not only to increase revenues but also to decrease costs. Fundraising also rhymes with "fund-saving": indeed, through partnership and technical sponsorship it is possible to get goods or services from companies at no-cost or with significant discounts.

From a sustainability point of view, the diversification of the source of revenues and the creation of a specific funding mix is a key part of any business model.

We talk about funding mix, because any cultural or non-profit organization needs to approach several fundraising markets. These go from public funds (both nationally and internationally), to institutional grants, corporate sponsorships or individual donations.

Each market has specific features and approaches and there's no one-for-all solution. Each organization, according to its field, its geography, its network must find its unique mix, which can also change through time.

Generally speaking, we can say that the more we get closer to pure charitable organizations or non-profits the more the public investment is strong. National and supranational organisms, like the EU, generally provide grants, that are non-repayable contributions with no expectation of economic return. On the other extreme, where we can place traditional businesses, there are all the forms of financial investment, including venture capitalists and business angels which are primarily driven by financial returns.

In the middle, the field of social investing and social impact is constantly growing. In this case, investors try to match the positive impact of the business and its public interest with an economic profitability.

Encouraged also by the European Union, the public and private sectors are developing partnerships also in the cultural field. Public-private partnerships allow public entities to valorize their heritage, often under-used, together with the managing, investing and operational skills, typical of the private sector.

At the same time these long-term agreements guarantee significant levels of partner investment and reliable funding streams.

By strategic collaboration between the public and private partners, revenues can be increased and the local economy boosted by a superior cultural and touristic offering.

The last year and a half were particularly challenging for the business models in cultural and tourism sector. The Covid-19 pandemic has demonstrated why non-profit organizations need to be more resilient, sustainable and entrepreneurial.

Undeniably, it had an exceptionally negative effect on the smallest, less capitalized and less recognized organizations.

On one hand, we may assist soon to a phenomenon of "natural selection" or "concentration" of the organizations in this sector, on the other one, those who resist might experiment with new business models, often with a focus on new and digital media.

Due to closure of many cultural spaces and theatres we have assisted to a blooming of WebTVs, virtual tours and digital channels both in the heritage and in the performing art sector, sometimes also with great results in term of audience.

For instance, several Italian and European Opera Theaters launched new webTVs to connect with their audience, often accompanied by fundraising campaigns or new revenue-models. While in the past digital channels were mainly promotional or communication tools, they are becoming more and more expressive and artistic products, planned and created for only a digital consumption. Organizations are trying to capitalize these experiments and develop new business approaches, from pay-per-view to subscription or donation.

If these new products will substitute (at least in part) live events or will integrate in a holistic experience, it's still an open question.

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