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# Articulating Growth and Cultural Innovation in Arts Museums - The Louvre's Business Model Revision

Emmanuel COBLENCÉ and Valerie SABATIER

**Abstract:** *In this article we question how organizations in the creative industries deal with the tension between the requirements for growth and for cultural innovation by revising their business models. Using a longitudinal study of the Louvre museum, we show how the pursuit of cultural innovation drove its recent business model revision. In particular, we analyze its transformation from a growth-oriented business model to a global and innovative business model, highlighting the organization's efforts to create symbolic value from its unique art collections through innovative exhibitions and displays. We describe the different drivers behind the shifts in value propositions, in the organization and in its resources and competences, and discuss how cultural innovation can be a powerful driver for revising and fine-tuning creative industry business models.*

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Recent research has highlighted the profound transformations that have been occurring in the landscape in which the creative industries operate: major shifts in matters such as types of

products, diffusion of institutions, organizational change and forms of consumption (Hirsch 2000; Jones and Thornton 2005). Our empirical setting in this article is that of arts museums, a sector that has faced considerable transformations in recent times, such as a quantitative boom in attendances, a broadening of missions and a pressure for value creation. Such transformations can be analyzed as the entry of the arts museum into the creative industries, and these shifts have brought renewed methods and strategies into museum management, which can no longer be considered as “archaic institutions far from the cutting edge of cultural innovation” (Healy and Witcomb 2006), but increasingly as being driven by innovation. However, the recent transformations have incurred higher complexity and a multiplication of goals at the organizational level, so that art museums struggle to combine these sometimes conflicting missions into business models which are both coherent and yet still evolving. In this article, we study the efforts implemented by one of the world’s largest arts museum - the Louvre in Paris - to revise its business model.

Numerous accounts have identified growth as the major challenge facing museums today. The last three decades have witnessed a world-wide explosion in the development of museums and galleries: scholars have recorded both the increasing number of arts museums and the rise in global attendances, from approximately 20 million visitors in the 1970s to more than 100 million at the turn of the century (Scott 2009). This unprecedented growth has also fostered competition between those institutions, which have increasingly developed market-oriented strategies and implemented approaches based on value creation. This competitive need for growth has challenged both existing business models and capabilities for creating value.

A second challenge - of equal importance - is the necessity for organizations in creative industries to innovate: this is not particular to them; indeed, the need to innovate has become a key issue in almost every sector. But innovation in the creative industries - where organizations are dedicated to producing and distributing cultural goods - is a particular type of challenge. In the theoretical section of this article we define cultural innovation as the organization’s capability to design, implement and distribute products that support renewed aesthetic and symbolic propositions. The role of cultural innovation remains understudied in the business model literature. Based on our empirical analysis, we argue both that cultural dimensions should be introduced into business model analysis, and that the pursuit of cultural innovation can act as a powerful driver of business model revision in creative industries.

Meeting these two challenges - growth and cultural innovation - is a difficult task. In organizations such as art museums, the need to create and capture value (by, e.g., increasing

visitor numbers, improving reputations, and generating greater revenues from attendances and by-products) can be compromised by the necessity to generate and distribute products that demonstrate cultural innovation (e.g., exhibitions/displays of the museum's collections that bear new properties at artistic, art-historical and symbolic levels). The difficult reconciliation of these two requirements is at the crux of the revision of such creative organizations' business models. We demonstrate in the empirical setting of the Louvre how transformations in the museum mission(s) have created organizational tensions. So we ask: how does a not-for-profit organization revise its business model?; what are the drivers of business model revision in the creative industries?; and how does an arts museum deal with the tension between the demands for growth and cultural innovation?

To provide empirical insights into these questions, we use a single longitudinal case study methodology. How has the Louvre revised its business model to capture value from its unique art collections and simultaneously maintain cultural innovation? The Louvre was founded in the 18<sup>th</sup> century, and its art collections cover several millennia of art history, from 4000 BC to the 19<sup>th</sup> century, and a large geographical area, from America to China. Its annual visitor numbers have risen significantly over the past years, from around three million in the 1990s to more than eight million today.

The first part of the article explains the drivers of business model revision and the tension between growth and cultural innovation in arts museums' imperatives. The second is dedicated to our case study. We reconstructed the 1980s growth-oriented business model of the Louvre from prior research, and then analyzed the drivers of business model revision and the 2000s Louvre's revised model based on first-hand data. Our empirical case emphasizes the importance of cultural innovation as a powerful driver of that revision.

## **Theoretical foundations**

### *Business model revision*

A business model reflects management hypothesis about market opportunities and how to benefit from them (Teece 2010), and can be defined as "a set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives" (Seelos and Mair 2007). Business models deal with the tension of creating value for the firm, capturing this value, and transforming it into profits (Chesbrough 2010; Teece 2010).

Scholars have argued that a business model's value creation and capture aspects may have a wider focus than just the firm or organization itself, and can address different stakeholders or even society as a whole (Thompson and MacMillan 2010; Yunus et al. 2010).

From this perspective, not-for-profit organizations must also involve themselves in the complex processes of business model design. For instance, not-for-profit organizations have been shown to build social business models that allow them to cover the full costs of their operations. Being more cause than profit-driven, such organizations may not need to make surpluses - but in terms of their organizational structure and operations, they must be “a business” in every sense (Yunus et al. 2010).

At the firm level, business model evolution has been seen either as requiring radical overhaul, or as needing fine tuning. The latter process involves voluntary and emergent changes in and between three permanently linked core business model components (Demil and Lecocq 2010; Lecocq, Demil and Warnier 2006): the firm’s resources and competences; its organizational structure – which “encompasses the organization’s activities and the relations it establishes with other organizations to combine and exploit its resources” (231, 2010); and the value propositions it offers its customers; a framework referred to as RCOV (Resources and Competences, Organizational structure, Value propositions). Revising the firm’s business model can determine its longevity and durability. However, completely transforming a business model - rather than just fine-tuning it - is a more difficult task and it requires the transformation of organizational processes and an effectual attitude toward experimentation (Chesbrough 2010; Mitchell and Coles 2003).

#### *Drivers of business model revision*

Recent research contributions have specified business model definitions and emphasized the dynamic nature of the construct (Voelpel et al. 2004; Doz and Kosonen 2010; Mitchell and Coles 2003): as industries and markets evolve, organizations must regularly revise their business models. Six drivers of business model revision can be identified from the literature: technology, competition, environment, customer needs, profitability and organizational architecture.

*Technology drivers:* in a broad sense, it refers to technological discontinuities (Anderson and Tushman 1990), product or process innovations (Linton and Walsh 2004), and ICTs. For instance, the emergence of biotechnologies led to the widespread revision of incumbent pharmaceutical companies’ business models. So incumbents have restructured their organization in order to ally other firms to access new knowledge (Rothaermel 2001), and have also developed new competences in orchestrating networks (Sabatier et al. 2012) – although their value propositions to their customers have remained the same.

*Competition:* in their multiple-case study of the music industry, Huygens et al. (2001)

show how competition regimes lead to modifications of business models. For example, with the advent of the competitive ‘star system’ regime, music companies’ business models have changed from contracting artists to developing stars, and from billboard to radio and movie promotion.

*Environment:* it refers to regulatory and environmental factors, which have the potential to impact those models. Prahalad and Oosterveld (1999), considering the example of MTV India, argue that deregulation, privatization and globalization can put pressure to revise parts of firms’ business models. While MTV videos may look the same those shown elsewhere, the audio content has been altered to address the specific Indian audience. Globalization has led MTV to revise the value proposition it delivers to its customers, although the other components of its business model remain the same.

*Customers:* Amit and Zott (2001) emphasize the creation of value for customers in developing new business models. They suggest that, in addition to the novelty of the product or service itself, firms work on the efficiency of the purchase, the offer of complementary products or services, and create ‘lock-in’ incentives to raise switching costs for customers and strategic partners. The evolution of customers’ wishes can have a strong impact, as Encyclopedia Britannica discovered when its customers decided to switch from the printed to the CD-ROM versions (Voelpel et al. 2004), a shift which led the firm to revise its value proposition and competences.

*Profitability:* Johnson et al. (2008) argue that delivering a value proposition, which lacks a ‘profit formula’, does not constitute a successful business model design. Changes in either its revenue model or cost structure can change a model’s profitability. For example, the increasing costs of drug development led small biotechnology companies to modify their business models and start working in SME networks (Sabatier et al. 2010).

*The architecture of the firm:* it enables the organization to realize the value proposition. For example, the vertical separation of the design and production of semiconductor components, which created ‘fabless’ and ‘foundry’ companies, affected the resources and competences used by electronic devices producers (Linden and Somaya 2003), who therefore had to renew their organizational structures, resources and competences.

As noted, most of the literature to date has considered business model revision in cases of for-profit companies, and often in high-technology environments, with the result that the literature reveals two gaps. First, not-for-profit organizations remain understudied: only few articles consider such organizations specifically, and then tend to address business model design (Yunus et al. 2010; Thompson and MacMillan 2010) rather than revision. Second,

creative organizations are also understudied: again, only few articles consider the specific needs of creativity, symbolic goods and cultural innovation. Svejenova et al. (2010) detail how an individual's search for creative freedom can influence their organization's business model, but creative industry organizational level studies are rare indeed. Our article not only addresses both these gaps by investigating business model revision in non-for-profit creative organizations, but considers how this revision was propelled by a new form of driver not previously identified in the business model literature – the force of cultural innovation.

### *Growth and the rise of managerial issues in arts museums*

As noted in our introduction, the art museum sector has entered into the broader creative industries sector. Recent decades have witnessed an explosion in the development of new museums and, at the same time, their missions have broadened. Education is now considered as both one of museums' priorities and as a significant justification for their existence and continued public financial support (Hooper-Greenhill 1999). Museums also increasingly develop cultural actions and mediation between the art works they hold and their audience is viewed as a core managerial issue to provide experiential value for their visitors (Scott 2009). Numerous academic accounts have framed current museum trends as responding to globalization, pressure for value creation and for increasing revenues according to 'competitive' agendas (Schuster 1998; Vivant 2008).

Growth, mission diversification and competition have profoundly transformed the environment in which today's museums operate. These pressures have led them to make major shifts in their management methods, and more recently to enter a new era where strategic management, organizational change, project management and innovation capabilities have become critical, although their implementation has often been revealed as arduous (Janes 1999; Holmes and Hatton 2008).

First, organizational change is shown as a response to museums' changing missions and objectives: Janes's (1999) case study of the Glenbow Museum suggests the importance of organizational culture in such situations. Second, strategic management can be seen to emerge to establish objectives in a complex environment (Kovach 1989), through the multiplication of strategic planning, objectives and performance indicators and the building of teams dedicated to strategic processes. Third, the use of project management tools has grown considerably in museums, and many large museums systematically use such devices as a risk charts or GANTT diagrams when designing new exhibitions. Planning is built on Project Evaluation and Review Techniques (PERT) principles, while quality and performance

criteria involve achieving the traditional QCD (quality, costs and delay) triptych of pre-defined targets.

### *Art display and the stakes of cultural innovation in arts museums*

While sustaining growth and improving value creation has driven museums to implement revised business models, as creative organizations, the issue of sustaining cultural innovation is also at stake. Innovation in the creative industries is particular, since these organizations are producing and distributing cultural goods. Such goods bear a symbolic value (Ravasi and Rindova 2008), so renewing those symbolic properties is the core of innovation processes in the creative industries. Recent works have identified this renewal as a powerful value driver: it has been variously qualified as the pursuit of stylistic innovation in the fashion industries (Cappetta et al. 2006; Cillo and Verona 2008), the combination of technological and symbolic innovation to achieve competitive advantage (Ravasi and Rindova 2008), or the implementation of radical innovation of meaning in the design industry (Verganti 2008). From our perspective, such innovation in the creative industries falls under a broader category which we label cultural innovation, and which we can define as an organization's capability to design, implement and distribute products that support renewed aesthetic and symbolic propositions.

Indeed, museums are today much more than 'deposit' organizations that merely store and display works of art after their creation. Although artists are the original generators of works of art, the challenge of museums is to be able to innovate in how they display their unique art collections, as well as to find other ways in which to improve their visitor experience and to engage in the diffusion of art in society. Cultural innovation strategies, aimed at generating new (even perhaps disruptive) aesthetic, art historical and symbolic propositions, have become central in the museum field (Coblence 2011), while exhibition design and art display focus on constructing and presenting renewed aesthetic viewpoints.

This approach exemplifies the development of a new locus of cultural innovation, at the museum level, to complement the traditional locus in the artist's workshop: the role of the museum is to generate, activate and implement new interpretations of its collections (Coblence 2011). Such cultural innovations, managed by the museum, take the collection as a central object of intervention and transformation around which it creates new symbolic propositions, which can be grounded in the virtual dimension of cultural objects: "Cultural objects present the ambiguity of being physically tangible as a museum piece, but also being subject to change according to the different perspectives in which they can be interpreted and



displayed” (Giaccardi 2006, 29). The transition from a curatorship-based model towards a cultural innovation-based model is rooted in the museum’s capabilities to regenerate how they display their works of art so as to forge new symbolic value from their main ‘product’ (their exhibitions and displays), while revising their business models to sustain growth.

## **The Louvre's business model revision**

### *Methodology and empirical setting*

This article is based on a two-year collaborative case study conducted by one of the authors on strategic renewal at the Louvre. The Louvre has recently experienced considerable organizational transformation involving several stakeholders - including government, foundations, visitors and employees. This particular organization was chosen as a single-case study setting, and our research methodology combined various qualitative methodologies:

*Semi-structured interviews.* We conducted a total of 50 semi-structured interviews with organizational members. Initially we interviewed people who we believed could provide rich and insightful information into the museum’s strategic revision and formulation. Later we deepened our understanding of the cultural innovation issues it faced by interviewing members of teams running innovative projects who outlined the difficulties and pitfalls of changing the existing exhibition formats. Interviews ranged from an hour to more than 2 hours, and were transcribed via detailed field notes.

*Construction of project management tools.* During our collaborative research at the Louvre we constructed and implemented several tools relating to innovative project management, especially at the Louvre-Lens project, in which the researching author was integrated as a team member. Collaborative research in management consists of designing, experimenting and implementing operational solutions within the organization, and was chosen to gain knowledge that was also useful to the organization (Hatchuel 2001). These project management tools provided rich insights on the value propositions explored and the strategic choices made during the design process for the Louvre-Lens museum, as well as evidence about its core missions.

*Internal corporate archives, reports, communication tools.* We also conducted an in-depth internal document analysis. We were given access to the reports of the different Louvre scientific, operational and management committees that showed how the organization revised its business model, as well as to internal documents (cultural program projects, communication briefs and benchmarking studies) that helped us understand the evolution of the Louvre exhibition design processes and the logic guiding its cultural innovation.

We used the RCOV framework (Resources and Competences, Organizational structure, Value propositions) proposed by Demil and Lecocq (2010) to analyze the Louvre’s business model revision, describing first the museum’s ‘traditional’ business model (based on three categories of products: permanent displays, temporary exhibitions and cultural goods), second the drivers of business model revision (highlighting cultural innovation as a new driver), and, third, the revised business model, focusing on constructing a global network of museums designed to achieve growth and cultural innovation simultaneously.

*The 1980s inheritance: The growth-oriented business model of the Louvre*

The Louvre has undergone considerable development since the 1980s (Gombault 2003; Coblenz 2011) from various perspectives: its audience has risen considerably, its collections have been significantly enriched to cover new fields of art history, its budget and staff have increased and its output of cultural productions, such as exhibitions and books, has grown. This growth followed the implementation of a client-oriented business model designed in the 1980s, which was not specific to the Louvre, but has become dominant within the sector, and has allowed many museums to generate economic resources. In the Louvre’s case this model resulted from the Grand Louvre project, which started in 1981, whose organizational consequences have been well studied (Biasini 1989; Gombault 2003): this prior research allowed us to reconstruct the Louvre’s 1980s business model.

The Grand Louvre project constituted a fundamental reorganization and modernization event in the institution’s history. The project was based on analyzing the museum’s structure, the physical spaces it dedicated to curatorship and to exhibiting its collection, and how it addressed visitors - aspects which had not (or only barely) evolved for decades. Most notably, the conditions for visitors were judged insufficient, considering the reputation of the museum and the quality of its collections - the galleries were uncomfortable and the interpretation spaces small - and these factors were blamed for the lack of growth in its visitor numbers (Gombault 2003). The Grand Louvre project substantially redesigned the museums’ resources, competences, organization and value propositions (Table 1).

Table 1  
**The growth-oriented business model of the Louvre inherited from the 1980s**

| <b>Business</b> | <b>Main characteristics in the Louvre’s case</b> |
|-----------------|--|
|-----------------|--|

| <b>Model components</b>          |   |
|----------------------------------|---|
| <i>Resources and Competences</i> | <ul style="list-style-type: none"> <li>- A tripled physical exhibition space for the permanent collection display</li> <li>- Increased budgets for acquiring works of art and enrich the art collection</li> <li>- Increased budget (through corporate sponsorship and ticket revenues) and recruitment of managerial competences</li> </ul>  |
| <i>Organization</i>              | <ul style="list-style-type: none"> <li>- New kind of organization in 1993: from a state-run organization to a more independent organization directed by a president and governed by a board that allows greater management autonomy</li> <li>- New organizational design: highly specialized curatorship departments, each devoted to the study of a specific art historical discipline, supported by 16 services (logistics, communication, finance, HR...)</li> </ul> |
| <i>Value propositions</i>        | <ul style="list-style-type: none"> <li>- Permanent collections display</li> <li>- Temporary exhibitions and diversification of cultural products</li> <li>- Merchandising and products generating revenues</li> </ul>   |

In particular, the table shows that the value propositions the Louvre offered its customers were threefold: displays of its permanent collections, temporary exhibitions; diversification of cultural products; and merchandising other products to generate commercial revenues. Displaying its outstanding permanent collection is at the heart of the Louvre's activity and the basis of its reputation. The permanent collection was displayed in the Palais du Louvre in Paris, in a building that had been completely renewed in the mid-1980s as part of the Grand Louvre project. The permanent display was designed to allow the museum to demonstrate the quality and range of its collections to large audiences. Besides giving access to and knowledge about its collections through permanent displays, the Louvre developed a policy of designing large-scale temporary exhibitions - of which it mounted six a year in the 1990s - to give visitors fresh perspectives. The Louvre also developed a wide range of cultural goods to sell in its gift shops. Altogether, the Grand Louvre project's redesign of the museum's offer around these three value propositions contributed to make the Louvre a leader in the sector during the 1990s.

*The turn of the millennium: The drivers of the Louvre business model's revision*

A second wave of reorganization occurred at the Louvre in the early 2000s. Our primary empirical data (qualitative interviews) reveals that all the drivers mentioned in the literature impacted this revision (Table 2), and that these drivers are interdependent.

*Technologies* - mostly ICTs – are known to act as “catalysts for innovation and change” (Peacock 2008). They have contributed to change the Louvre's vision by enabling processes such as digitisation, virtualisation, networking, or user-generated content. The

museum has launched numerous ICT-based services, including PDAs, apps, podcasts... extending customer experiences. As highlighted by the manager of the digital guide project, “the possibilities offered by online technologies not only allow the museum to propose new cultural products, but to implement a deeper reflection on the experience lived by visitors and the ways to renew it as often as possible”.

As *competition* between art institutions becomes intense, museums adopt market-oriented strategies. Following this perspective, the Louvre has organized increasing numbers of large-scale events: the pace of the Louvre’s temporary exhibitions has accelerated to nearly twenty a year. In another expression of increased international competition, other museums have been designing new branches. The design of the Guggenheim Foundation in Bilbao seems to have inspired many museums - like the Louvre, the Tate Gallery, the Centre Pompidou, and the Hermitage - to establish external branches. The Louvre has undertaken several such ‘beyond -the-walls’ projects, notably in Lens (northern France), Atlanta (USA) and Abu-Dhabi (United Arab Emirates), which will allow it both to increase its audience (e.g., it expects the Louvre-Lens to attract 600,000 visitors annually), and to generate revenue from its museum-design expertise (e.g., designing the Louvre-Abu Dhabi will generate some US\$ 400 million for the museum): “The Emirates have chosen the Louvre mainly for its secular reputation, its curatorship expertise and museographic capabilities. [But] the large financial outcome of the negotiation with Abu Dhabi is also the evidence that the museum is well-managed (...) especially compared to the other institutions that could have been chose instead” (Manager of the Louvre-Lens project).

*Environment* factors have also driven a revision of the Louvre’s business model. The museum has strengthened its management tools and control processes, particularly under the impetus of a new contractual commitment with the French state in 2003 that obliged the museum to develop a strategic plan. Giving the museum more autonomy in its governance impacted its organizational processes towards increased efficiency and accountability.

*Customers.* Museums have been looking for new ways to enhance customers’ experience and attract audiences. The Louvre builds on identification and membership to implement marketing strategies. The result is that “progressively, thanks to [these] programs and strategies, it is the basis of a ‘new economic model’ that is constructed, in which artistic, educational and economic processes tend to converge” (Marketing director).

*Profitability.* Like any French public art institution, the Louvre is subject to a detailed financial monitoring from its guardian authorities. The overall balance of receipts over expenditures and the adequacy of the museum’s means to its objectives, as well as more

specific ratios relating to staff costs, operations, and scientific expenditures, are monitored (source: Louvre Performance Contract 2008). As quoted by a member of the executive committee, “this process is virtuous because it allows the organization to reap the fruits of its inner performance, to enjoy a fuller control of its financial resources and thus to implement long-term innovative projects”. So the museum started to promote its brand and increase sales of tickets and by-products.

The *Architecture* of the organization to realize the value propositions has led to revisions in the business model. Acquisitions management and the publishing business were transferred to the museum’s management between 2003 and 2005. At the same time, the institution of the Louvre continued to grow, with the incorporation of the Tuileries Gardens in 2005, the Delacroix museum in 2004, and the launch of major external projects, both in France and abroad, redesigning the architecture through the setting of new partnerships.

Table 2  
**Impact of the drivers of business model revision on the Louvre’s business model components**

| <b>Drivers identified in the literature</b> | <b>Impact on the Louvre’s business model components</b>   |
|---|---|
| <i>Technology</i>                           | <b>Value proposition:</b> ICT lead to renewed visitor experience, development of media products   |
| <i>Competition</i>                          | <b>Organization structure:</b> presence of the museum with branches and new alliances with other museums abroad<br><b>Value proposition:</b> mounting more temporary exhibitions per year                         |
| <i>Environment</i>                          | <b>Resources and competences:</b> due to the greater autonomy prompted by the government, increasing use of management tools, monitoring and control processes. More workforce directly under Louvre’s management |
| <i>Customers</i>                            | <b>Value proposition:</b> membership programs, numerous by-products   |
| <i>Profitability</i>                        | <b>Resources and competences:</b> resources reorganization to promote brand, attract more visitors and increase sales of tickets and by-products  |
| <i>Architecture</i>                         | <b>Organization:</b> new partnerships implemented with other international museums and art institutions   |

*Cultural innovation: A driver for business model revision*

However, these six drivers cannot fully explain the revision of the Louvre’s business model: our primary empirical data shows that cultural innovation was also a power impetus in this revision. The Louvre has promoted cultural innovation, presenting it as an objective all museum projects should aim to meet: “Everyone at the Louvre who has participated in this project has opened paths to the most innovative ideas, imagining new forms of displaying and presenting art, inventing new ways to educate visitors in how to look at a piece of art” (the

Louvre president's introduction to the Louvre-Lens scientific and cultural project).

For instance, the introduction of contemporary art in a museum which by tradition collects works prior to 1848 is indicative of the Louvre's cultural innovation efforts. The innovative exhibitions the Louvre has mounted since the mid-2000s - such as the *Contrepoint* exhibitions - were really new to the organization, and illustrated the museum's desire to pursue the idea of creating dialogue and links between pieces from the permanent collection (in a room or wing of the museum) and contemporary art: "These contemporary art exhibitions are designed to re-open the meaning of the Beaux-Arts and archeological collections. (...) By implementing these confrontations, we manage to modify the regard of visitors (...) as well as to rejuvenate our audience" (Contemporary art curator of the Louvre). As Wolf (2005) notes, "*Contrepoint* is not an ephemeral initiative designed to wake up the art organization ... It is on the contrary a long term involvement. This strategy of exhibitions is part of a broader corporate strategy, as the Louvre is now run and managed under a cultural industrial logic" (Wolf 2005, 4).

To propose new symbolic interpretations of its collections, the Louvre does not just address contemporary painters, but has also developed an annual 'Grand Invité' program, a set of 'cross-over' events designed to transcend artistic disciplines, such as exhibitions, live performances, concerts and conferences, designed by significant cultural figures such as Pierre Boulez, Umberto Eco or Patrice Chéreau. Such cultural innovations have changed the museum's value propositions, allowing it to attract new visitors (e.g., contemporary art visitors who would usually not visit museums of 'old' art), as well as demanding the development of new resources and competences, and the revision of the organizational structure.

Cultural innovation has also had an impact on the way new branches of the Louvre are being designed. For instance, the Louvre-Lens will present semi-permanent exhibitions (changing every three to five years) from the Louvre's permanent collections, allow the works of art involved to gather new symbolic associations. The will is to not only send part of the collection as it stands but to create a new meaning: "the [chronological] logic that is chosen in the Louvre-lens display is designed to give historical milestones to the visitors that express more and more this need. (...) It will create a universal and historical journey among our collections that was never visible before" (Louvre-Lens scientific committee 2007).

Our empirical analysis shows that cultural innovation within the museum i.e., a renewed art display, which prompts the redefinition of the symbolic properties of the collections has been used by the organization as a driver to revise the 1980s business model.

But cultural innovation has also driven organizational change, such as the creation of a team dedicated to research into museum use and exhibition innovation: “The pursuit of innovation and experimentation that underscore many missions and actions of the Louvre, both in France and abroad, justifies the emergence of a formalized research function that could feed its development and reinforce its strategy” (Louvre 2009-2010 performance contract). By impacting all major components of its business model (see Table 3), the pursuit of cultural innovation also supports the organization’s ability to continue its rapid growth.

Table 3  
**Impact of cultural innovation on the Louvre’s business model’s components**

| <b>Driver identified in the case</b> | <b>Resources and Competences</b>  | <b>Organizational structure</b>   | <b>Value proposition</b>   |
|--------------------------------------|---|---|--|
| <i>Cultural innovation</i>           | Regeneration of the display of the museum’s art works.<br><br>Renewing of management of collections.<br><br>Cultural innovation leads to the creation of expertise in innovative exhibition design which is exploited for example in the Louvre’s international partnerships. | Creation of a new department and new positions such as conservator of contemporary art.<br><br>Transversality of the museum’s curatorial departments.<br>Partnerships beyond the museum sector (theatre...) | Renewed exhibition design and other art displays activities focusing on constructing new aesthetic properties: innovative semi-permanent displays, annual ‘season’ programs with invited guests. |

*Global and innovative: The revised business model of the Louvre*

Resulting from the effects of these different drivers (technology, competition, environment, customers, profitability, architecture and cultural innovation), the Louvre is becoming a global museum with several branches, and has introduced cultural innovation into every component of its business model. This revised business model, articulating growth and cultural innovation is presented in Table 4.

Table 4  
**Global and innovative, the revised business model of the Louvre**

| <b>Business Model components</b> | <b>Main characteristics for the Louvre</b>  |
|----------------------------------|---|
| <i>Resources and Competences</i> | <ul style="list-style-type: none"> <li>- Competence in designing branches (Lens, Atlanta, Abu Dhabi) across every parameter: architecture, organizational structure, program and art display</li> <li>- In some branches, contract implies the cession of the Louvre brand to generate revenues (e.g., €400 million for the design of Louvre Abu Dhabi)</li> <li>- Creation of an endowment fund</li> </ul> |
| <i>Organization</i>              | <ul style="list-style-type: none"> <li>- Transversality within curatorial departments (and introduction of multidisciplinary project teams)</li> <li>- Introduction of research teams and functions in the structure</li> <li>- Increased management of partnerships with other museums</li> <li>- Creation of a contemporary art curatorial team</li> </ul>  |
| <i>Value propositions</i>        | <ul style="list-style-type: none"> <li>- The existing value propositions remain: permanent collections / exhibitions / merchandising and by-products</li> <li>- New forms of art exhibition and displays (contemporary art or live theatre performance)</li> <li>- Innovative semi-permanent displays (e.g. Louvre-Lens) that re-interpret traditional art displays</li> </ul>                              |

## **Discussion and conclusion**

Recent contributions on business models have started to reveal how they can be revised, and identified the potential drivers of such revision as: technology, competition, environment, customers, profitability and architecture of the organization. This research has documented the impact of these drivers on the revision of the Louvre's business model. In this case, the development of ICTs, the competition between the world's large museums, the increased management's autonomy, the evolution of visitors' experience, the need to increase the organization's profitability and the setting up of partnerships and branches necessitated the revision of the museum's growth-oriented business model it had inherited from the 1980s.

In this article, we have shown how cultural innovation - defined as an organization's capability to design, implement and distribute products that support renewed aesthetic and symbolic propositions - is a powerful driver of business model revision for creative organizations. The analysis of the Louvre business model revision demonstrates that, while the usual drivers of business model revision apply, the pursuit of cultural innovation also drove the organization to reconsider its resources, competences, organizational structure and products. Today, the Louvre's revised business model - global and innovative - bears unique characteristics that allow the organization to sustain both the growth and cultural innovation imperatives simultaneously.

Organizations need continuously to configure a set of capabilities to enable value creation consistent with their strategic objectives (Seelos and Mair 2007). As Mitchell and Coles (2003; 2004) underline, the continuous improvement of an organizations' business model is a way to avoid a competitive disaster in the face of competitors who are undertaking



such transformations. In our empirical setting, we have seen that the pressure from large, global competitors means museums must continuously evolve to attract larger audience. Chesbrough (2010) and Doz and Kosonen (2010) argue that firms transform their business model in the pursuit of strategic innovation: for the Louvre, while the strategic objectives include growth and value capture, they are also linked to the museum mission of promoting innovative aesthetic, symbolic and art-historical propositions. In this case, cultural innovation was clearly driving specific responses, in terms of products and organization.

At the theoretical level, our study suggests that cultural innovation is a specific form of business model innovation that is adapted to the specificities of creative organizations, and which impacts all business model components simultaneously. The pursuit of cultural innovation has increased the museum's avenues of value creation and capture. As Chesbrough (2010) proposed, business model evolution also requires the transformation of organizational processes. The Louvre has been restructured to foster transversality among its curatorial departments, changed its established divisions of labor, shaped new partnerships that involve contemporary artists, and new value propositions designed around the offering of new approaches to its collections, and to art in general. The turn of the millennium has seen intense transformation for the Louvre, and has been accompanied by an unprecedented intensification of scientific and cultural projects, in which the institution has mobilized the works of art more intensively than ever.

We rooted our analysis in a single-case study within the art museum sector, but we believe the business model revision processes we followed are not only relevant to museum-specific settings, but are also representative of the changes that currently face most creative industries. While our empirical study has shown how the cultural innovation dimension could be fruitfully introduced in business model analysis, unpacking the role of cultural innovation in business model revision in other creative sectors could represent an interesting opportunity for further research.

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