

Opportunities for Innovation Adoption in Art Galleries

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Abstract

This article introduces the opportunities for innovation adoption in art galleries. It provides systematised information on innovation processes and innovations used in business models of art galleries. The empirical research conducted has revealed the attitude of art galleries towards innovations, as well as the benefits and opportunities to realise them. The first part of the article distinguishes the stages of innovation process and management. The following part describes the factors that influence the management of innovation process. The final part of the article analyses the application of innovations for the improvement of a business model, with Business Model Canvas by Alexander Osterwalder and Yves Pigneur selected as the starting point for analysis and, finally, the outcomes of empirical research are provided.

Keywords: innovations; art galleries; business model innovation; innovation adoption; business model canvas;

1. Introduction

Art galleries undertake in trade (its traditional and electronic forms) as in any other branch of business, only the products they trade are the works of art. It is difficult to maintain the galleries because not only do works of art compete with one another, they compete with products from other industries as well. Moreover, a work of art is also a luxury good which requires an educated society. In order to remain in the market and maintain successful operations, it is recommended to introduce innovations into one's business model.

Innovations are perceived as a successful commercial exploitation of new ideas. They include identifying, developing and exploiting the value generated by new ideas (Prabhu 2014:53). Innovation is an outcome and a process, a fact and an act (Dodgson, Gann, Phillips 2014:5). Various types of innovations help organisations to achieve their social mission, ensure effectiveness (Garrido, Camarero 2010:215) and perpetually generate new experiences for the customers. Generation and realisation of innovations in business allows both accelerating the activity of organisation and gaining a long-term competitive advantage against the competitors. Therefore, the organisation will increasingly attract new potential clients and increase its income. Constant generation and realisation of innovations create new business opportunities. According to Hagoort, innovation is the nature of the creative world (Hagoort 2000:37). However, application of innovations in the management of galleries is a relatively new phenomenon. In scientific literature, innovations and application thereof are often analysed in the field of traditional business, rather than art organisations. Art organisations must learn from other business sectors and apply the newly gained knowledge purposefully, paying careful attention to innovations applied in other business models. A business model reflects all ways for an enterprise to develop, compete and understand the situation in an organisation.

The aim of this article is to analyse opportunities for innovation adoption in art galleries. In order to achieve this aim, systematic analysis of scientific literature and quality case analysis have been conducted. Empirical research has been conducted in innovative art galleries of different countries: Lithuania, Brazil and Sweden, yet they are all of similar size (based on the number of employees).

2. The Innovation Process: Stages and Management

Innovations are important to organizations that desire to be competitive in the market. However, they do not occur without an important component, namely, creativity, which can be described as the development of an idea. Von Stamm has derived a formula, stating that innovations = creativity + commercialisation (Von Stamm 2008:1-27). Without creativity there are no new ideas, technologies, etc. It is recommended to take the creativity process into consideration; this process consists of the following stages:

1. Preparation – identification of the problem;
2. Incubation – ceasing to think about the problem continuously;
3. Illumination – the moment when the new solution for the problem is generated;
4. Verification – verification of solution’s suitability to solve the problem identified (Von Stamm 2008:14).

First of all, the problem is identified, later the ideas are generated and finally the verification of the idea is conducted. In other words, it involves balancing the imagination and analysis (Von Stamm 2008:14), which is important at all times during the innovation process and especially at the stage of idea generation (which is usually one of the first stages of the innovation process).

Innovation process consists of certain stages introduced in **Table 1**.

Table 1. Stages of the Innovation Process.

Author, year	Stages of the Innovation Process
N. Thom, A. Ritz, 2004	1. Idea generation – finding and pitching ideas; 2. Idea acceptance – selection of an idea, creation of a plan; 3. Idea realisation – implementation of an idea, its conveyance to the addressees and acceptability control (Thom, Ritz 2004:135).
J. Tidd, J. Bessant, K. Pavitt, 2005	1. Research on environment, determining the signals of potential innovations; 2. Strategic selection of potential innovations; 3. Selection of resources; 4. Implementation of the innovation, growing it from an idea through various stages of development to final launch – as a new product or service in the external marketplace or a new process or method within the organization (Tidd, Bessant, Pavitt 2005:41); 5. Overview, evaluation of stages completed, successful and unsuccessful cases (Tidd, Bessant, Pavitt, 2005:41).
R. Tiwari, S. Buse, C. Herstatt, 2007	1. Conception – requirement analysis, idea generation, idea evaluation, project planning; 2. Implementation – development and testing; 3. Marketing – production, market launch (Tiwari, Buse, Herstatt 2007:5).
N. D. Preez, L. Louw, 2008	1. Idea generation; 2. Development; 3. Manufacturing; 4. Marketing and sales; 5. Commercial product (Preez, Louw 2008:2).

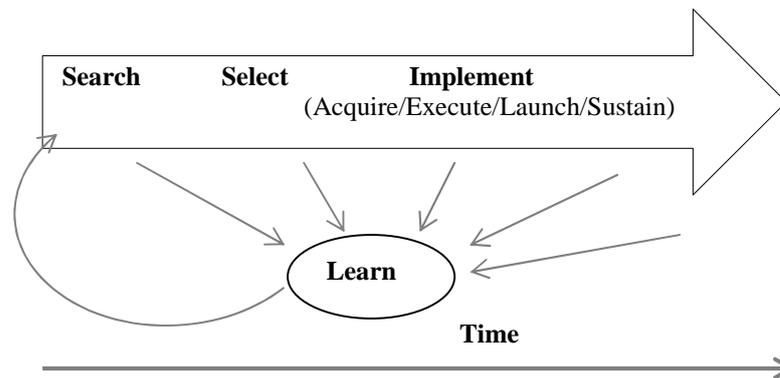
Author, year	Stages of Innovation Process (continued)
R. Orawski, J. Krollmann, M. Mörtl, U. Lindemann, 2011	1. Environment screening; 2. Opportunity screening; 3. Idea generation; 4. Idea evaluation; 5. Environment screening; 6. Go-No-Go for development – when it is decided whether to develop and adapt the innovation or not (Orawski, Krollmann, Mörtl, Lindemann 2011:18). If it is decided to develop the innovation, the stage that follows is the one of implementation / realisation.
M. Pichlak, 2015	1. Invention – idea generation, problem solving; 2. Development – performing a trial, checking feasibility of an innovation; 3. Commercialization – market introduction of an innovation (Pichlak 2015:58).

Source: compiled by the author.

According to **Table 1** (*Stages of the Innovation Process*), there is a variety of ways to categorise the innovation process. However, the stages distinguished by all authors are similar in a way that the innovation process usually begins from environment screening, idea generation, followed by evaluation, selection, implementation and launch of an idea and, finally, monitoring and evaluation of all stages completed. The innovation process can also comprise of these elements: activities related to idea generation and their evaluation; it might also include the creation of inventions and their distribution among the customers (Lendel *et al.* 2015:863).

Innovation process is a certain sequence of actions; one of its aims is to generate innovations and to introduce it into a certain activity. It can be referred to as an organized and controlled sequence of activities where inputs in form of innovation ideas are transformed into outputs in form of innovations (Lendel *et al.* 2015:862). It can be said that during the innovation process, a thorough analysis of each element takes place; learning and innovation process is a cyclical and never-ending process. **Figure 1** introduces a simplified model of the innovation process.

Figure 1. Model of the Innovation Process

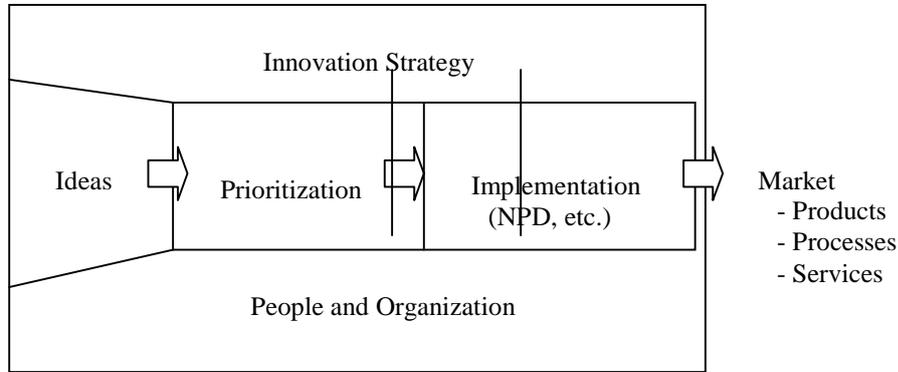


Source: Tidd, J., Bessant, J., Pavitt, K., 2005. *Managing Innovation. Integrating Technological, Market and Organizational Change. Third Edition.* England: John Wiley and Sons, Ltd., p. 89.

Figure 1 illustrates the principle that allows laying out the elements of innovation process. It can be seen that the main elements follow in a sequence: learning is always followed by a reaction to it, expressed through new innovations, developments and other aspects. It is noteworthy that the aspect of time must also be taken into consideration. It is recommended to adopt the stages of innovation process as soon as possible, because the

market and competition are currently developing very rapidly. In order to ensure the competitive advantage of the organisation by exploiting innovations, one needs to adopt a manifold approach. Goffin and Mitchell (2005) introduced the Pentathlon Framework depicted in **Figure 2**.

Figure 2. The Pentathlon Framework



Source: Goffin, K., Mitchell, R. 2005. Innovation Management: Strategy and Implementation using the Pentathlon Framework [pdf], pp. 5.

Figure 2 shows that the Pentathlon Framework consists of 5 elements: Innovation Strategy, Ideas, Priorities, Implementation, People and Organisation. Therefore, innovation management is not a linear process. Innovation strategy, people and organisation influences each stage: ideas, priorities, and implementation. As it is evident from the figure, these stages are laid out in a consequent manner, by initially starting from the idea, and completed with the implementation stage. It is noteworthy that innovation strategy is a part of the overall company strategy. Its generation requires the necessity to take into consideration the needs and time of customers and stakeholders.

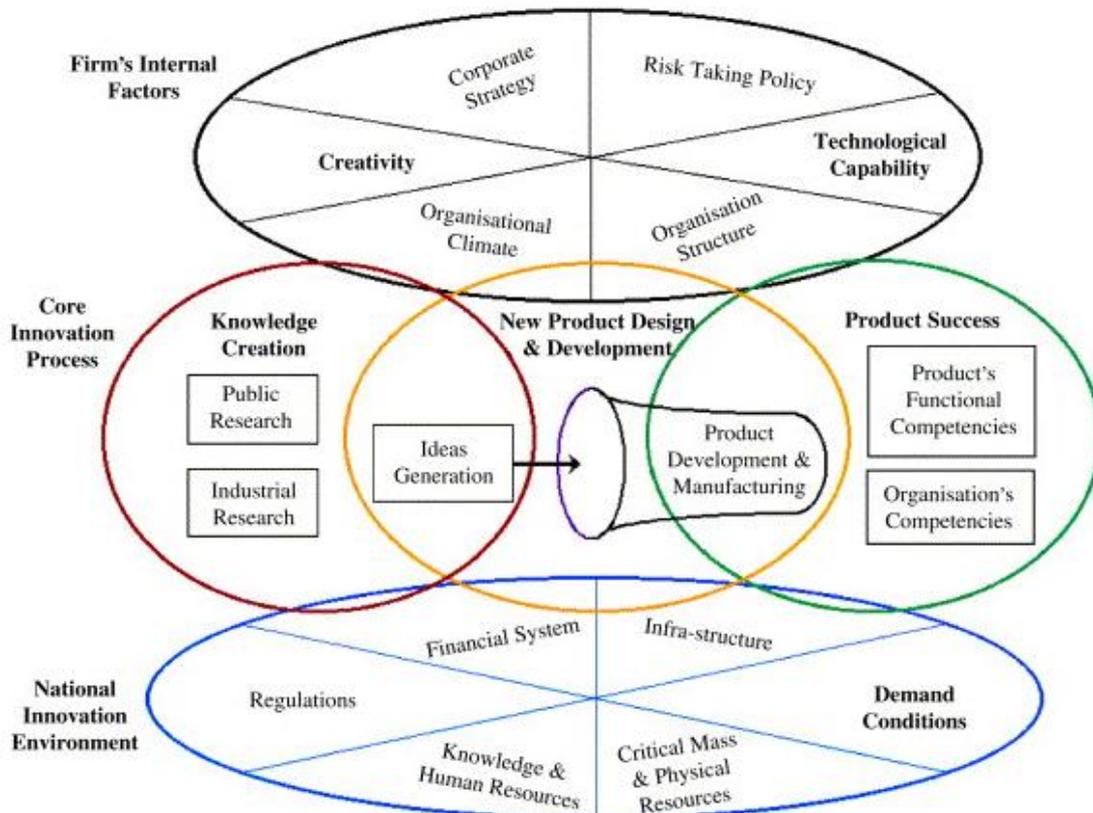
When it comes to people and organisation, this element is treated as reinforcing other remaining elements / stages. A company will not be innovative, if its employees will not be motivated, and if the atmosphere in an organisation will not be creative (Goffin, Mitchell 2005:5–6). An organisation must cultivate a certain culture of innovations; for example, the employees must be provided with the conditions to learn, experiment and work in teams. This is noted by Lendel *et al.* (2015) who analysed innovation competence that should be possessed by an organisation. Innovation competence consists of the elements of information assurance, innovation expertise, and performance evaluation (Lendel *et al.* 2015:863). Innovation expertise is related to employees and their experience with innovations. It is noteworthy that these elements are integral parts of management, which in its turn consists of planning, organisation, working with people and controlling them (Lendel *et al.* 2015:863). Therefore, all these elements are also integral to the entire innovation process management. It can be stated that an important part in it is occupied by communication (Lendel *et al.* 2015:864). It is evident that good communication helps to ensure better handling of innovation management and to avoid misunderstandings related to miscommunication of employees, misinterpretation of information and similar problems. Good communication allows successful results in an effective control (Catalunya Innovacio 2003:78). It also allows obtaining accurate information, seeing the results of activities carried out, the risks encountered and ways to neutralise them. It is noteworthy that innovation process is not always uniform; its individual aspects might differ, depending on certain sectors, the size of organisation, its strategy, innovation type, previous experiences and other factors (Pavitt 2003:4); therefore, its management is dynamic and there cannot be one pattern for it.

In conclusion, innovation process consists of the following stages: exploration of the environment, idea generation, idea assessment, selection, idea implementation, launch, monitoring and evaluation of all stages completed. Innovation process is a certain sequence of actions the aim of which is to create and apply innovations in the process. The Pentathlon Framework comprises of 5 elements: innovation strategy, ideas, priorities, implementation, people and organisation. Innovation process does not always follow the same pattern; it might differ in many aspects, depending of the size of organisation, its strategy, innovation type, experience, etc.

3. Determinants of the Management of the Innovation Process in Art Galleries

The innovation process is connected by internal and external actions which boost / aggravate the entire innovation adoption process (Sapiegien *et al.* 2009:242). **Figure 3** features the environment in which a new process / service is developed. As it is evident from the figure, the main innovation process depends on the national innovation environment and internal factors of organisation. Also adoption of innovations can be affected by the international environment (for example, the policy pursued by the European Union).

Figure 3. The Creative Factory Concept



Source: Galanakis, K. 2006. Innovation process. Make sense using systems thinking. *Technovation*, p.1231.

All possible factors depicted in the **Figure 3** are included into the process of the adoption of innovations. It is insufficient to conduct research, generate an idea and realise it. The success of a product / service depends on the national policy, infrastructure, human resources, etc. For example, the atmosphere of organisation contributes to the promotion of creativity, while the strategy of innovation adoption is included into the organisation strategy, etc. In order for innovations to be sustainable, the environment for a successful innovation to develop must be a favourable one.

It can be said that when implementing innovations, the organisation might encounter resistance from within, because innovating activities mean changes. Employees can treat it as a threat related to their work (Jakubavius *et al.* 2003:14). Of course, it depends on the innovation type; for example, adoption of innovations in organisation management or a business model. Therefore, in this case, the greatest role is played by managing authorities and how they communicate with employees.

The artists usually work at the gallery they are affiliated with; a gallery usually curates the artists (sell their works of art, represent them in art fairs of other countries, etc.). In this case, the supply of the works of art is generated and thus an innovation is created. Sustainability of innovations process depends on the following components:

- Creator and the creative team: their knowledge and abilities will determine whether the work of art will turn into a successful innovation, whether a bond will be formed with the users and sellers (i.e. the gallery and its clients);
- Creation resources: necessary resources;
- Creative process;
- Management of creative process: planning, organisation, monitoring of creative process, etc.;
- Creative medium in organisation (Ernevičius, Strazdas 2013:131-132).

It is the internal environment in which the creator creates the work of art; however, the external environment contributes as well:

- Another organisation which might be included into the creative process; the creative medium created by the city;
- Country's political, economic, technological and social environment (Ernevičius, Strazdas 2013:132).

It is noteworthy that a work of art that has been created must find its way to the customer. If there is no customer for the work of art, there is no sustainability of innovations as well, and innovation is thus deemed to be a failure. The creation and trade in the works of art are closely related: when creating the work of art, the trade in it and realisation in the market is simultaneously planned as well. Trade innovations that would enable successful trade in the works of art are possible as well. They also have internal and external factors that would determine sustainability of innovations. All actions must be encouraged and favourable to the innovation in progress, as it is the only way to create a sustainable innovation.

According to Ragauskas and Krauionienė (2008), whose approach is based on the research conducted by Mansfield, successful creation of innovations and realisation thereof can be achieved only when there is a qualified manager in charge who puts the success of the project above everything else (Ragauskas, Krauionienė 2008:85–100). The point of view, vision and coordination of the manager determine the nature of innovations and their culture (Bandzevičienė 2011:39). He / she must be the conductor of the entire process of innovation adoption, because each employee or a group thereof must work in accordance with a well-planned scheme of the entire activity.

As it has already been mentioned, innovation generation requires creativity that can be developed only in a suitable cultural environment of an organisation. It is assumed that persons working in art galleries are inherently creative. However, this does not mean that all problems will be successfully solved or insights about a successful innovation will occur. Even though art galleries are usually small organisations, but management practice, distribution of tasks (at least among several employees), etc. are important as well. The work atmosphere determines whether innovation projects are implemented successfully.

If a gallery curates artists, it can encourage them to create more innovative art forms by the motivational means of financial resources. This way, they will not have to concern themselves with financial resources to acquire necessary tools and similar issues and thus a favourable medium for innovations to appear in the art form will occur.

There are four main aspects of the atmosphere in an organisation:

1. Interpersonal relationships;
2. Nature of hierarchy: whether there is the team spirit, how the solutions are found, etc.
3. Work nature;
4. Support and reward: whether the work is evaluated, etc. (Ahmed 1998:31).

In conclusion, adoption of innovations is affected by internal factors of organisation and external environmental factors. Successful adoption of innovations in the art gallery is possible with a qualified manager, a leader, in charge, as he/ she organises the innovation process. Creativity arises in a suitable environment of organisational culture. The following main aspects of organisational climate are distinguished: interpersonal relationships, nature of hierarchy and work, and support and reward.

4. Application of Innovations Perfecting Business Models

Art gallery is at the centre of the art economy. It is an intermediary between the artist and the buyer. In literature, art galleries are classified in accordance with certain features that reflect a particular business model. Moureau and Sagot-Duvaurox (2012) distinguished three types of galleries:

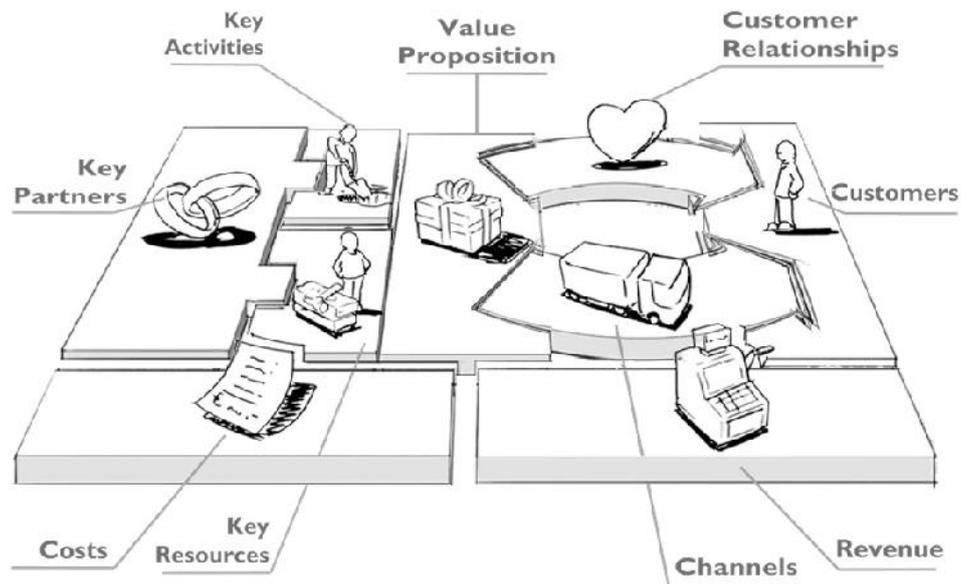
1. **Point-of-sale galleries:** the main role is that of an intermediary. First of all, they organise exhibitions. Galleries of such type rarely support artists but can trade in the works of art. The aim is to draw the contract with the artists in order for the artist not to leave for another gallery; moreover, it also develops small collaboration networks. Artists are selected in accordance with the opinion of critics and advertising.
2. **Promotion galleries:** first it promotes the innovatory / innovative art. The managers usually have degrees in art history and critique, etc. Galleries collaborate with different galleries abroad, and participate in art fairs and other art events. Selection criteria for artists are represented by the previous activity of the artist and his / her career. The activity is risky.
3. **The springboard gallery:** they are usually non-profit galleries that support themselves from subsidies. Such galleries provide starting points to art students. They sometimes introduce more famous artists and collaborate with other galleries and do not require financial investment from artists (Moureau, Sagot – Duvaurox 2012:48-50).

This is not the only classification of galleries. Resch (2011) who based his categorisation on other authors introduces four different categories which also reflect a certain business model of a gallery (creation of value):

4. **Alpha “brand gallery”**: in the primary market, it works with the highest-level works of art (of living or late authors), and sets the highest prices. It is one of the main players in the secondary market. It conducts high-scale sales, investment, and works with a lot of collectors. It is a globally known gallery;
5. **Beta “the gallery of trends”**: in the primary market, it works with high quality works of art (of living or late authors) and can regulate art trends. It undertakes in resale in the secondary market, collaborates with other galleries, museums and collectors;
6. **Gamma “main street gallery”**: in the primary market, it works with those works of art which have not been suitable for other galleries (Alpha and Beta galleries). In the secondary market, might be of the same level as Alpha or Beta gallery but it does not have constant collectors, collaborations with other galleries and museums. It is not a globally known gallery;
7. **Delta “vanity gallery”**: in the primary market, it works with all artists who pay for exhibition. This gallery does not participate in the secondary market, does not have collectors and does not collaborate with museums (Resch 2011:52-56).

Most art galleries participate in the global market, where competition is even harsher. Therefore, in order to gain a competitive advantage and stay in the market, organisations use innovations in business models.

Figure 4. Canvas of a Business Model.



Source: Osterwalder, A., Pigneur, Y. 2010. *Business Model Generation*. New Jersey: John Wiley & Sons, pp. 18-19.

A business model and innovations reflect how an organisation creates the value and organises its resources to create it (Schiuma *et al.* 2015:12). In this article, the Business Model Canvas by Osterwalder and Pigneur has been selected as a reference point, according to which an organisation can create its own business model. The canvas consists of 9 main blocks showed in **Figure 4**.

The Business Canvas Model depicted in **Figure 4** is also a tool of entrepreneurship which allows defining and discovering new business models. Not only does an organisation have to focus on product innovations and technologies, it must also implement innovations in a business model as well, provided it wants to increase its competitiveness in the market and develop its activities further on.

According to Figure 4, all blocks of the business model are interrelated. Osterwalder and Pigneur started from the block of **Customers** (Osterwalder, Pigneur 2010). Customer is at the core of the business model. There is no company without customers. The company must determine its customer segments and their needs as they will come into focus when creating the products and value offers (Osterwalder, Pigneur 2010). The audience and its development must be one of the key sustainable elements in the strategy of art galleries (Royce 2011:29-30). It is important to work on the development of the audience because it strengthens the connection and bond with the existing audience and the variety thereof which might result in attraction of new customer groups (Bakhshi, Throsby 2010:56). In order to ensure an easier access to the customer, Dümcke (2015) recommended an innovation called gamification. This means that the use of game elements which have nothing to do with the gaming industry (Dümcke 2015:10). It employs certain game elements adapted in various activities. This way, it is possible to change the customer behaviour (Gatautis 2015). Art exhibitions and introduction of works turn into some sort of game.

The segment of potential clients can be identified in accordance with the following factors:

- Demographic and geographic criteria;
- Personality and life-style;
- Customer benefit and shopping behaviour;
- Social and economic status (Schiuma *et al.* 2015:14).

The following block is the **Value Proposition** (Figure 4) which defines what value is generated and offered for a certain segment of customers. It is a reason why customers should select this particular organisation instead of any other. The values can be related to quantity (for example, price, and the speed of the services) or quality (customer experience) (Osterwalder, Pigneur 2010:22). In this block, various innovations are also possible in art gallery value proposition. Giesen *et al.* (2007) who analysed innovations of business models suggested a type of innovation called the industry model, i.e. innovation of industry value chain and switching to another industry. It includes modification of an existing content and creates a completely new one. For example, Virgin has started from a records studio and switched to the railway industry and other business areas. The company encompasses several different business areas (Giesen *et al.* 2007:27–28). Art galleries can also include several different business areas but they are also related to their main area of activities. Cultural innovations are also possible: new interpretation of meanings of works and events that allow crossing art disciplines, conferences and other activities (Coblence, Sabatier 2014:13).

Art galleries are related to experiences. Customer experience can be stimulated by using various means, while their knowledge is combined with an emotional response. The customer wants to receive a freedom of choice; therefore, galleries must provide it by offering as wider variety of products as possible and increasing the use of new technologies in the consumption of art. Resch (2011) noted that customers are afraid that they will find art galleries boring and they will simply waste their time and money.

Moreover, a lot of people in art galleries feel uncomfortable as they lack knowledge and experience (Resch 2011:152).

Further in the Business Model Canvas (Figure 4) an important role is played by the **Channels** selected, i.e. in what way the value offered will be introduced. **Customer Relationships** can also be considered, since the channels used also help to maintain relationship with customers. It is important for art galleries to establish a connection with their visitors. The aim is to maintain the existing and attract the new customers and thus increase sales. Collaboration with customers can be supported by various means, for example, when customers communicate directly with the representative of customer service, seller or indirectly through the provision of all means necessary for the customer (Osterwalder, Pigneur 2010). Various technological means are used, for example, mobile marketing, web 2.0 applications, etc. (Schiuma *et al.* 2015:14).

According to this Business Model Canvas (Figure 4), the Customer is at the core of the business model, while the flow of revenue is its artery. Product / service price is determined in accordance with the value and willingness of each customer segment to pay for it (Osterwalder, Pigneur 2010). However, there is a problem faced when selling works of art, namely, determination of price. There exists more than one way to determine the price of a work of art. The price is determined by various factors, for example, how recognised is the name of the author, artistic quality of work, professionalism, rarity, etc. All works of art cannot be expressed through one formula and physical indicators (Vitkauskait 2015:10). Plenty of factors must be taken into consideration: the work of art itself, its symbolic and artistic significance, without much regard to the expectations of most of the customers. However, certain incentives can result in the loyalty of them, i.e. making them return to the same gallery again and again (Resch 2011:161). For example, after an exhibition, a visitor brings home some gift and thus remembers the exhibition and the gallery. It is also possible to create a system for buying the works of art, when the visitor purchases a work of art also receive a symbolic gift free of charge. For example, if a person purchases an expensive painting, an invitation to the VIP opening of the next exhibition might be presented as a gift. The value of a gift might vary and depend on the value of an object purchased. This way, the customer is encouraged to purchase the works of art from the same art gallery. According to Resch (2011), the marketing of art galleries can take advantage of the happy hours, when the price of some works of art are reduced for a limited amount of time, thus encouraging an impulsive purchasing of the said works (Resch 2011:166). However, the use of this model might pose some risk as it might have a negative effect on artist's reputation. Art galleries are also advised to take advantage of franchise which is a relatively new concept in the sphere of art (gallery business). It is used most frequently in the sphere of traditional business and cinema industry. However, a gallery can also try to exploit this source of income (adding it to the block of key resources) by signing the franchising contract with other companies.

The following block of the canvas is the aforementioned **Key Resources** which defines the most important resources necessary for a business model to be adopted and operating (Osterwalder, Pigneur 2010:34). The resources are categorised into human resources as well as material, financial and intangible resources. When it comes to human resources, it is noteworthy that even in England the activities in the art sector are not managed that well and the general level of entrepreneurial skills is rather low (Royce 2011:29-30). This means that employees do not develop their business skills and the shortage of the experts in art managing can be felt.

One of the innovations included into the key resources is called crowdsourcing (Dümcke 2015:6-8), i.e. voluntary services. Another one is called crowdfunding, when various platforms of crowdfunding are used (e.g. Kickstarter), where the author introduces his or her idea and the amount of money necessary to realise it. People who like the idea can fund it by a certain amount (Galdikien 2014).

There is also a block of **Key Activities**, which might include production (activities related to making a product and the production process itself), problem solution (dominating in the service sector), and platform / network. Finally there is the block of **Key Partners**. This block defines the main partners and providers (Osterwalder, Pigneur 2010:37-39), distinguishing three forms of collaboration:

- Horizontal collaboration refers to partnership between competitors in the same level as compared to the value created;
- Vertical: advanced / behind in the creation of value chain;
- Lateral: partnership between companies from various areas or businesses (Schiuma *et al.* 2015:17).

Partnership among organisations from different areas enables promotion of brand in different areas of the industry (Schiuma, Bogen, Lerro 2015:17). The name of the art gallery can reach a wider audience and attract new clients.

The final block in Business Canvas Model is **Costs** which specify all the costs of the business model. If the costs exceed the revenue, organisation experiences losses and a radical change of the current business model must take place.

One type of innovations found in the scientific literature is the enterprise model, i.e. the change of rules in the value chain, modification of the systems related to the relations with the clients, suppliers and employees and competitors (Kinderis, Jucevi ius 2013:90). It partly confirms that it is possible to adopt innovations in all areas of the activities of art galleries.

It is noteworthy that both the upcoming and already adopted innovations should be evaluated (irrespective of the block of the business model into which they have been introduced). Evaluation should take into consideration both the customers and competitors. However, Castaner and Campos (2002) raised a question about evaluative criteria of art innovations, since they do not have a clear referent for comparison, as opposed to technological innovations which have clearly defined competitors to compare the innovations against them. There are three competitors of art innovations or referents:

1. Cosmopolitan referent (all organisations in the field across world);
2. All local organisations;
3. Self-referent (comparing the current and previous activities within organisation (Castaner, Campos 2002:31).

Art innovations are usually evaluated by art critics. If the third referent is taken into consideration only, it contradicts the definition of innovations. It means that an art gallery can exhibit works of art of other world-renowned artists (not their own) which have not been exhibited in the gallery and claim that it is an innovation. Therefore, it would be erroneous to compare innovations against this referent only; other referents must be taken into consideration as well.

In conclusion, there are various ways to classify galleries which reveal a certain business model: there are point-of-sale galleries, springboard galleries, promotion galleries, *alpha* (brand gallery), *beta* (the gallery of trends), *gamma* (main street gallery), *delta* (vanity gallery). The Business Model Canvas by Osterwalder and Pigneur consists of nine main

blocks: Value Proposition, Customers, Customer Relationships, Channels, Key Activities, Key Partners, Key Resources, Costs and Revenue. Customers form the core for the business model and they should be attracted by various means (e.g. gamification). Value Proposition defines what value is offered for the customer; industrial innovation model is one of the options. Channels block indicates resources through which the product / service reaches the customer. It is noteworthy that it is important for galleries to establish relationship with customers and maintain them in a variety of ways, like, for example, communicating with them directly. Revenue is the artery of a business model. The industry of art galleries can take advantage of franchise (which can be assigned to the block of main resources, defining the most important ones). The main innovations are the following: crowdsourcing and crowdfunding. Key Activities are characterised in accordance with production, problem solution and platform / network. This block is followed by the Key Partners block, which describes the main partners and providers. There are also three forms of collaboration: horizontal, vertical and lateral. Innovations can be adopted in all of these blocks.

5. Art Galleries' Attitudes towards Innovations and their Adoption Opportunities

The opportunities to adopt innovations in business models of art galleries have been analysed through method of empirical research designed to analyse the attitude of art galleries towards innovations, their usefulness and realisation opportunities. The aim of research is to analyse the attitude of art galleries towards innovations, benefits and realisation opportunities in the business model.

Quality research and case study have been conducted and target selection of cases (innovative art galleries) has been applied. Taking into consideration the research ethics, the names of art galleries were omitted. The study deals with two art galleries from Lithuania, and one art gallery from Brazil and Sweden. Data analysis uses the names of the countries. Art galleries are similar in size (in accordance with the number of employees). It is noteworthy that in this study, an innovative art gallery is a gallery which generates and adopts innovations (e.g. uses IT in sales, participates in art fairs, their activities and works of art are described favourable by art critics and other criteria). A gallery is not only a location, where works of art are exhibited and sold.

The informants were the managers of art galleries and their representatives which can provide the most accurate information on adoption of innovations in their galleries. The data has been collected using the interview method via direct or indirect contact, depending on the location of the gallery. According to the number of participants, it has been an individual interview. The questionnaire has been semi-structured and formed in accordance with the Blocks of Business Canvas Model defined in the previous part. The data collected have been analysed using the table of categories and content analysis.

The research conducted has revealed that art galleries analyse the needs of society, market and learn from other experiences. However, it raised a question: whether the customer plays the most important role in the field of the visual art? If an art gallery trades only in works of art that are demanded by the customers and the works created by an artist will reflect only customer demand, it poses threat to the quality of art, the trends of its

development, art education, etc. All of it depends on education of customer and his/ her understanding of art. A work of art is a complex creation; therefore, galleries must consider the employment of educational art programmes. However, it is possible to create and take advantage of innovations after the analysis of social needs, which will help to attract the customer.

It is noteworthy that art galleries have defined their visitor segments and they are depicted in **Figure 5**.

Figure 5. Segments

CONSUMER						
Society	Intellectual, whose income is above the average	Local / Regional and National Public Sector	Private collectors	Art Community	Museums	Art Auctions

Source: compiled by the author.

According to **Figure 5**, the segment distinguished by the galleries is the Society. This segment is a very wide one, because it encompasses all people interested in art who do not buy works of art or those who are not even interested in art, etc. It can be said that this segment should be narrowed down, but art galleries also perform the educational function; therefore, they must be oriented at the customer who is not interested in art but which one day might become interested and even become the buyer of the works of art. This segment mostly comes into focus organising various events, programmes, exhibitions, etc. When trading in the works of art, galleries mostly focus on an intellectual customer with average or above-average income. Another target audience is private collectors. Most of art galleries that trade in high quality professional art, especially the ones by acknowledged artists, focus on this segment. As it is evident from the figure, there is an art community segment as well. It is a wide segment, yet it is narrower than that of the society because it includes only customers interested in art. Another segment important to art galleries includes museums which are important to galleries that work with globally acknowledged artists. However, the gallery must be already established.

The segments identified reveal that art galleries try to attract as wider audience as possible. However, when it comes to the sale of works, the focus is on a customer with above-average income, private collectors and other potential buyers. It is noteworthy that educational activity can attract and educate a new segment of customers. Therefore, the aim is to generate and realise innovations that would allow changing the behaviour of potential buyers through education.

When it comes to the blocks of **Channels** and **Customer Relationship**, the galleries that participated in a study have revealed that they use a variety of channels and ways of communication (through IT, etc.). However, exhibitions, art fairs and programmes taking place in a gallery are also treated as channels and maintaining relationship. However, the function of maintaining relationship also serves as an encouragement to purchase a work of art. It has been noticed that the greatest space for innovations to appear is the Internet and that galleries have not taken advantage of it to the maximum. Moreover, innovations are usually implemented by IT specialists, later adapting their innovations to the activities of the gallery. It can be said that collaboration between art galleries and IT organisations can be significantly beneficial when offering the value to a customer.

It is noteworthy that art galleries earn the trust of customers through various programmes, shows and exhibitions they host. When customers know what the gallery believes in, then it becomes easier to maintain good relationship with them and to adopt innovations as well.

Analysis of the sources of revenue has revealed that the greatest revenue of art galleries comes from the sale of works. The sources of income also depend on the legal status of the gallery. For example, one gallery from Lithuania that participated in research is a (non-profit) public enterprise that receives income from project activities (support from various funds), publishing, and 2% income tax paid by the citizens. In the percentage, the largest part of income comes from project activities, and the trade in the works of art is in the second position. The status of this gallery indicates that it is a non-profit institution; therefore, it aims at exploiting the entire amount. If a gallery is, for example, a limited liability company, its main source of income will be the sale of the work of arts. Moreover, the income of galleries and acquisition of funds depend on the current state policy. For example, a gallery from Sweden participating in research receives a constant co-funding from region.

Adoption of innovations in art galleries is mostly based on financial and human resources. However, it is noted that art galleries face poor development of entrepreneurial and managerial skills. Financial resources might also become a problem quite often and they are necessary when creating innovations. This happens because the free market of art is not a perfect one; semi-public goods and creativity must fight commerce and other factors puts it at a disadvantage. In this case, the state should provide adequate support for innovations, both direct and indirect (through the legislative framework, for example, tax deductions for those who support art projects). Funding can be received from private sponsors, European Union and other funds, loans and other sources. As it has already been mentioned before, funding depends on the legal status of the art gallery and the current art policy and market of a specific country. Private and public funding can be combined. Only after a careful planning of resources it is possible to think of adapting innovations to one's operations.

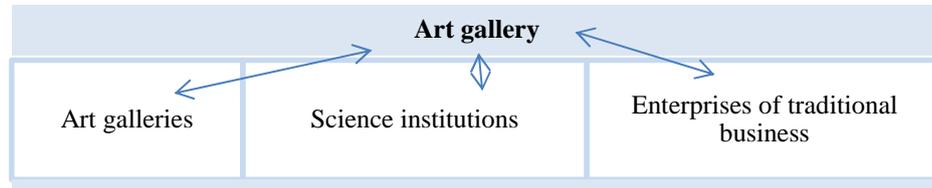
Galleries attempt to apply more modern smart operations. Smart support operations refer to practice arising from the private business but used in the art sector, for example, outsourced book-keeping or work with freelancers. It is a part of outsourcing, delegating tasks to be performed in another organisation; share services might also be used, i.e. a certain group of organisations might be gathered, then enabling "friends" to work towards the common goal (Royce 2011:31-35). Galleries mostly take advantage of the services of freelance curators.

It is noteworthy that artists are resources as well, attributed to the category of human resources. Artists are selected for the work with the gallery in accordance with the quality of works; the attempt is also made to control the artist (signing of the contract stating that the gallery represents an artist, etc.). According the representatives that participated in research, opportunities for innovations to occur and implement them are possible in all areas of resources.

The research conducted has revealed that the value proposed by art galleries is a creative and professional art, understanding of art, etc. It is the value that arises from art and the work of art. Galleries consider that most opportunities to adopt innovations are related to the representation of the product, for example, the use of digital technologies.

The research has revealed that the key activities of the galleries include projects, organisation of exhibitions, sale of the works of art, participation in art fairs, various events, various types of cooperation related to education, etc. As it has already been mentioned, partnership is a very important area in the field of art, especially collaboration with other areas of business (not from the area of art). **Figure 6** presents gallery partners.

Figure 6. Collaboration



Source: compiled by the author

Figure 6 reveals that collaborations take place with other art galleries, science institutions and enterprises of traditional business. A gallery from Lithuania has noticed that collaboration is usually based on the principle of trade. However, collaboration with science institutions takes the form of participation in various project activities. The representative of a gallery in Brazil has noted that greatest opportunities to create and realise innovations become possible collaborating with institutions that aim at providing different experiences for artists, for example, residencies for artists. Such collaboration contributes greatly to the creation of art innovations. All galleries collaborate with different institutions and realise that it helps to adopt innovations, yet what they lack for the said adoption is time and financial resources. Financial resources are the most notable problem of art galleries, but a creative solution of a problem becomes an innovation. A partnership can create a new business model. For example, an art gallery that collaborates with a chain of restaurants might enter into the contract on the basis of which there will be a café established in the gallery and this will be mutually beneficial for both parties.

The analysis of **Costs** block in the Business Model Canvas has revealed that the main costs of art galleries are the following:

- Wages;
- Utilities;
- State taxes;
- Costs for organisation of exhibitions (insurance of works, transportation, etc.).

One of Lithuanian galleries has noticed that the highest percentage of costs consists of organisation of exhibitions followed by the wages.

The costs also include additional costs required to adopt the innovations. Usually the costs of art galleries constitute a large percentage of gallery's income. Sometimes income and costs are similar. Therefore before adoption of innovations, the art gallery must perform accurate calculation determining the benefits brought by the innovations in order for the innovation to be as beneficial as possible.

The administration of art gallery that develops innovation activities also plays an important role, especially in case of a small gallery, where the entire administration comprises of the sole director. This has been confirmed by art galleries that participate in research. The representative of the Lithuanian gallery confirmed that all innovations and actions are usually initiated by the manager. Therefore, innovation process depends on the experience and skills and other innovation-related aspects and qualities possessed by the manager. As a result, the manager carries great responsibility.

In conclusion, art galleries analyse the needs of society, market and learn from other experiences. The following customer segments can be distinguished: Society, an Intellectual Segment the Income of which is above the average, Local / Regional and National Sector, Private Collectors, Art Community, Museums and Art Auctions. Innovations generated and adopted would allow changing the behaviour of new purchasers through education. The greatest space for innovations to appear is the Internet. Adoption of innovations requires human and financial resources. The problem of financial resources is encountered most often. Art galleries try to adapt the most modern support operations. The value offered by galleries is a high-quality professional art and knowledge related to it, while opportunities for innovation lie in the presentation of a product. Art galleries communicate with other art galleries, science institutions, enterprises conducting traditional business thus allowing the generation of innovations. Usually in a gallery, innovations are initiated by its director; therefore, he or she carries most of responsibility for innovation activities.

6. Conclusion

Innovation process is a certain sequence of actions; one of its aims is to generate and implement innovations. Innovation process consists of the following main elements / stages: environment screening, idea generation, followed by evaluation, selection, implementation and launch of an idea and, finally, monitoring and evaluation of all stages completed. Innovation process is followed by continuous learning. Process stages must be implemented as soon as possible, because market and competition develops very rapidly. Innovative process is cyclical and uninterrupted. The Pentathlon Framework consists of five elements: innovation strategy, ideas, priorities, implementation, people and organisation. Innovation competence consists of information assurance, innovation expertise, performance evaluation; these elements are integral to management; management in its turn consists of planning, organizing, working with people, and controlling. All of these stages form the management system of innovation process.

A successful adoption of innovations depends on external and internal environmental factors. Adoption of innovations in art galleries depend on the art director and leader who plans the innovative activities. In order to foster creativity, the culture in organisation must be suitable for it. The aspects of atmosphere in an organisation are the following: Interpersonal Relationships; Nature of Hierarchy and Work, and Support and Reward.

There are various ways to classify galleries which reveal a certain business model: there are point-of-sale galleries, springboard galleries, promotion galleries, *alpha* (brand gallery), *beta* (the gallery of trends), *gamma* (main street gallery), *delta* (vanity gallery). A business model reveals how an organisation creates value and organises its resources to generate it. The Business Model Canvas consists of nine main blocks: Value Proposition, Customers, Customer Relationships, Channels, Key Activities, Key Partners, Key Resources, Costs and Revenue. Innovations can be implemented in all of the blocks. Customer is at the core of the business model. Customers form the core for the business model and they should be attracted by various means (e.g. gamification). Value Proposition can be based on quality or quantity. The Channels block indicates the way through which the value is introduced. Relationship with customers can be direct and indirect. Revenue is the artery of a business model. There are various innovations possible, for example innovative system for purchasing works of art, or franchise (which

can be assigned to the block of Key Resources). The resources are categorised into human resources as well as material, financial and intangible resources. Key Activities are characterised in accordance with production, problem solution and platform / network. There are also three forms of collaboration: horizontal, vertical and lateral. The block of Costs defines all costs of the business model. It is noteworthy that both the upcoming and already adopted innovations should be evaluated.

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