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INNOVATION PRACTICES IN CULTURAL ORGANISATIONS: IMPLICATIONS FOR INNOVATION POLICY

Abstract:

This paper explores the innovation practices in a distinctive and vital part of the growing tourism industry; cultural organisations. These organisations have received limited attention from prior in-depth qualitative innovation practices research. The investigation in this paper is based on in-depth interviews with key-employees in 27 cultural organisations. The results suggest that the innovation practices when cultural organisations carry out incremental and liminal innovation activities differ from the practices used during more radical innovation activities. While the sources of incremental and liminal innovations often are stakeholders external to the organisation, such as the audience, the sources of more radical innovations are often internal employees, and in particular the artists themselves or the artistic management. These employees typically develop radically new cultural offerings with high levels of autonomy from the general management and the market. The paper discusses the implications these findings have for innovation policy.

Key words: Innovation policy; Innovation practices; Tourism; Cultural organisations; Creative industries

1. Introduction

The ability to develop new and innovative offerings is acknowledged as an important source of superior performance and competitive advantage for organisations in the service sector (e.g., Aas and Pedersen, 2011), including tourism (Hjalager, 2010). Research has also suggested that innovation has positive effects on the societal level (Fagerberg, 2005). The findings of Verspagen (2005) and Pianta (2005), for example, suggest that there is a

positive relationship between innovation and economic growth as well as employment. Due to the positive characteristics of innovation, policy makers in most western countries have implemented different innovation policies aimed at stimulating innovation and reducing the innovation barriers that organisations experience (e.g., Spilling and Aanstad, 2010).

The normative innovation policy literature (e.g., Edquist, 2011) suggests that innovation policies should be customized to the innovation practices of the actors in the innovation system, and the specific problems these actors experience. This means that since actors in different contexts and different innovation systems may have different innovation practices and may face different problems, an innovation policy that has worked well in a particular context is not necessarily transferable to another context or another innovation system (Edquist, 2011).

Thus, a fundamental question from an innovation policy perspective is what the key innovation practices of the actors in a specific innovation system look like. Recent research has indicated that innovation practices depend on several contextual factors. In particular it has been argued (e.g., Keuster et al., 2013) that there are large variations between different sectors and sub-sectors in what constitutes relevant innovation practices, and in depth empirical qualitative studies from different service sub-sectors have confirmed this (e.g., Aas et al., 2015; Zomerdijk and Voss, 2011).

However, tourism has received particularly little explicit attention in such qualitative in-depth innovation practices studies and a recent literature review by Hjalager (2010) concludes that *“there is an incomplete understanding of how innovation processes take place in tourism enterprises and organisations, including what types of capacities and incentives they draw on”* (p. 9). Tourism is a broad sector consisting of sub-sectors as diverse as accommodation and transportation and different types of experience provision. Therefore to contribute in filling the literature gap related to innovation practices in tourism we argue that several in-depth qualitative studies focusing different parts of the tourism sector are needed.

In this paper we have chosen to focus on one part of the tourism sector; cultural organisations, i.e. organisations delivering offers with an aesthetic or semiotic content (Scott, 2000). This part of the tourism sector has been chosen because these organisations have received particularly little attention from prior empirical innovation research (Brandellero and Kloosterman, 2010; Jaw, Chen and Chen, 2012) and because cultural products, services and experiences are arguably particularly important as a visitor attraction and “reason to visit” for many tourism destinations (Borowiecki and Castiglione, 2014). ‘Cultural tourism’ defined as *“all movements of persons to specific cultural attractions, such as heritage sites, artistic and cultural manifestations, arts and drama outside their normal place of residence”* (Richards, 1996, p. 24), is in fact according to a recent OECD report *“one of the largest and fastest-growing global tourism markets”* (OECD, 2009, p. 1).

Organisations providing cultural products, services and experiences often have some characteristics, such as a non-profit mission and a tendency to

develop “art for art’s sake” (Caves, 2000), that distinguish them from other types of organisations. How these characteristics in turn affect the innovation practices of cultural organisations is unclear. To contribute in filling the literature gap related to innovation practices in these organisations we therefore raise the following research question (RQ):

- RQ1: What are the key practices implemented by cultural organisations when they develop new offers and processes?

The identified innovation practices may have considerable implications for innovation policies that may be relevant for cultural organisations (Edquist, 2011). We therefore raise one additional RQ:

- RQ2: What implications do the innovation practices in cultural organisations have for innovation policy?

The paper is organized in the following manner: In Section 2 we review three research streams that are relevant for the paper: 1) Innovation practices, 2) characteristics of cultural organisations, and 3) innovation policy. The empirical methodology is described in Section 3. The empirical results are presented in Section 4 and the RQs are discussed in Section 5. Section 6 concludes and discusses further research.

2. Theory

2.1 Innovation practices

The term “innovation practices” refer to the activities organisations undertake when new offerings or production processes are developed (Dooley, Subra and Anderson, 2002). The degree of newness of the new offerings or production processes resulting from development processes may vary. Brooker and Joppe (2014) for example distinguish between three categories of newness: incremental (low degree of newness), liminal (medium degree of newness) and radical (high degree of newness). Different key aggregated dimensions of innovation practices have been suggested in the innovation management literature. Most suggestions are based on research on manufacturing firms. One example is Kahn, Barczak and Moss (2006) who suggest that the key dimensions of innovation practices are 1) culture, 2) strategy, 3) portfolio management, 4) process, 5) front end, 6) tools, 7) market research, 8) people, and 9) metrics and performance measurement.

Frohle and Roth (2007) suggest that the innovation practices dimensions resulting from studies in manufacturing are somewhat skewed in the innovation process direction and they therefore suggest a more balanced resource-process framework of service innovation practices. This framework has two key dimensions: 1) the innovation processes (process-oriented practices) and 2) the management of the resources necessary to support the innovation

processes (resource-oriented practices). Frohle and Roth (2007) further suggest that the resource-oriented practices may be subdivided into 1) intellectual resources, 2) organisational resources and 3) physical resources, and that the process-oriented practices may be subdivided into the stages of the innovation process such as 1) the design stage, 2) the analysis stage, 3) the development stage and 4) the launch stage.

In the framework of Frohle and Roth (2007) the perspective of all practices is seen from the organisational level. However, more systemic innovation practices including for example how organisations interact with external actors (Borras and Edqvist, 2013) or how they integrate with innovation policies, are not explicitly included in the framework. These more systemic aspects of service innovation practices have, however, been addressed by several authors. One example is Sundbo and Gallouj (1995). They used the “loosely coupled system” metaphor to describe that service innovation systems are rarely institutionalised.

We therefore suggest that a system dimension may be added to the framework of Frohle and Roth (2007) to make it more complete. Thus, the resulting framework of innovation practices that will be used in this paper to structure the empirical findings has three dimensions; 1) process-oriented practices, 2) resource-oriented practices and 3) system-oriented practices.

On this aggregated level it may be argued that the key dimensions of innovation practices in service organisations are relatively similar to those of manufacturing organisations (Hydle, Aas and Breunig, 2014). It is often on the more detailed level, inside the different key dimensions, that empirical research indicates that variations between different sectors and sub-sectors exist (de Jong et al., 2003). This is confirmed by the results of detailed qualitative studies of innovation practices. Based on a qualitative study of innovation practices in providers of production-intensive services Aas et al. (2015) for example state that “*our findings confirm the suggestion of prior authors (e.g., Kuester et al., 2013; Zomerdijk and Voss, 2011) that innovation management practices are contingent upon the type of industry and setting*” (p. 25).

Differences in innovation practices between sectors and sub-sectors are often explained by the fact that there are some fundamental differences between the operations in different sectors and sub-sectors and that these differences and characteristics in turn affect the innovation practices (Gallouj and Weinstein, 1997; Johnes and Storey, 1998). Some service offerings, for example, such as experiential services (i.e., service offerings aiming to affect the experience of customers and not just provide a functional benefit), have a high degree of intangibility, heterogeneity, inseparability and perishability (IHIP) (Zomerdijk and Voss, 2011), whereas other service offerings such as production-intensive services (e.g., telecommunication, banking, insurance and logistics services) have a lower degree of IHIP (Aas et al., 2015). Thus, from this perspective it is not surprising that the innovation practices identified in the study of Zomerdijk and Voss (2011) focusing on experiential services differ from those found in the study of Aas et al. (2015) focusing on production-intensive services.

2.2 Characteristics of cultural organisations

The degree to which the offerings or value propositions delivered by cultural organisations are characterized by IHIP (Zeithaml, Parasuraman and Berry, 1985) varies. Some offerings, such as a scene show or a music performance, often have a very intangible and heterogeneous nature and they are difficult to store, and are typically consumed and produced at the same time, often with the audience (customers) physically present. Other offerings, such as the design of the stage itself or the visual arts in a gallery, may be more tangible. These tangible offerings are often produced at one time and then displayed to the audience at a later stage.

Common for most offerings, however, is that the customer experience is not only a result of the quality or characteristics of the services and products provided by the cultural organisation, but also a result of interactions between individuals in the audience and depending on the cultural experience interactions with the provider (Zomerdijk and Voss, 2010). It has also been argued that cultural offerings, in the form of cultural services and products, have an aesthetic or semiotic content (Scott, 2000) that *“have an influence on our understanding of the world”* (Hesmondhalgh, 2007, p. 3). Both the nature of the creation of these offerings, as well as the audience’s judgement of the offerings are highly subjective (Brandellero and Kloosterman, 2010), and *“cultural industry products are part of a wider system of aesthetic judgement and social significance, constantly fine-tuned to the ‘air du temps’, past references, and existing genres and labels”* (Brandellero and Kloosterman, 2010, p. 63).

Furthermore, cultural organisations often experience particularly high demand uncertainty (Caves, 2000). The mission of these organisations is often also different from the mission of pure for-profit organisations, and Caves (2000) argues that cultural organisations have a tendency to develop “art for art’s sake” and not for economic value generation. Another characteristic is that there often is a particularly strong relationship between the skills and talents of the employees and the success of cultural organisations (Rosen, 1981).

Based on this discussion, it seems clear that cultural organisations deliver types of offering or value propositions that may be distinguished from the services offered by providers in other service sub-sectors. These differences imply that the innovation practices of cultural organisations may be different from the innovation practices of other types of service organisations. However, *how* the innovation practices of these organisations are different from the innovation practices of other types of organisations is unclear. Does, for example, the tendency to develop “art for art’s sake” and not for economic value generation imply that internal managers, as well as external investors or sponsors, are reluctant to fund innovations in cultural organisations? Since the answers to this and similar questions are unclear, in-depth qualitative innovation practices studies focusing particularly on cultural organisations are needed.

Some studies of this kind have focused on the broader “experience economy” (Pine and Gilmore, 1999), to which cultural organisations, as well as many other tourism organisations, arguably belong. Some prominent examples include the studies of Zomerdiijk and Voss (2010, 2011) whose 2011 study of innovation practices in for-profit organisations delivering experiential services concluded: *“The case data revealed a number of practices specific to experiential services. These include a strong emphasis on gathering customer insights, in several cases obtained through empathic research and ethnographic research techniques. Other specific practices for experiential services include mapping customer journeys or touchpoints and storytelling. The case study companies also revealed a tradeoff between relatively formal, tight methodologies and more flexible, loose methodologies in NSD [New Service Development].”* (p. 63).

However, only very few innovation practices studies have focused explicitly on cultural organisations delivering services, products and experiences with an aesthetic or semiotic content (Scott, 2000). Some exceptions include Jaw, Chen and Chen (2012) who focused on how innovation in creative industries, including cultural industries, is managed, Noyes, Allen and Parise (2012) who focus on innovation in the music industries and Zukauskaitė (2012) who focused on the role of university links when cultural organisations innovate. However, an in-depth empirical qualitative study focusing explicitly on the innovation practices of cultural organisations delivering services and products with an aesthetic or semiotic content that is also discussing the policy implications of these practices is not readily available in the research literature. The present study was undertaken to contribute in filling this gap in the literature.

2.3 Innovation policy

Innovation policy is a part of the broader industrial policy of a country and is aiming to influence the economic progress of the country (Rodrik, 2004). In a broad sense innovation policy may be defined as *“actions by public organisations that influence innovation processes”* (Edquist, 2011, p. 1728). Hjalager (2012) refers to Lengrand (2002) when she categorizes innovation policy instruments in three generations: The first generation of instruments is based on the idea that innovation processes are linear and typically starts with R&D activities in a research laboratory, continues with development and commercialization activities and ends with a new offering launched in the market. The innovation policy instruments belonging to this generation often take the form of governmental financial support in the first R&D phase of the innovation process.

The second generation of innovation policy instruments recognizes that innovation processes are complex and not always linear. In particular, the innovation policy here takes into account that organisations in practice often collaborate with external actors during innovation processes. Thus, successful innovation processes are often to some extent open and involve many actors

(Chesbrough, 2003), often referred to as the 'innovation system' (Lundvall, 1992). Actors in the innovation system can come from industry, government and academia (Etzkowitz and Leydesdorff, 2000), as well as from existing or prospective customers (Carayannis and Campbell, 2009), and second generation innovation policy instruments often seek to stimulate communication and knowledge flow between the actors (Hjalager, 2012). The underlying idea is that increased knowledge flow between the actors in an innovation system in turn will generate new innovations (Hjalager, 2012). In other words; second generation innovation policy instruments have moved away from the direct support of specific innovation projects, to a more indirect support of innovation collaboration.

Third generation innovation policy instruments have moved even further away from the innovation projects by embedding innovation policy into policy areas that previously may not have been counted as part of innovation policy. Lengrand (2002) uses the metaphor "a fusion of policy areas" to describe third generation innovation policy instruments, and such a 'fusion' is recommended by the OECD (2010). Innovation policy may be embedded in policy areas as diverse as education policy, taxation policy, environmental policy, competition policy, trade policy etc. (Hjalager, 2012). The integration of innovation and environmental policies has been suggested to be particularly relevant (OECD, 2010).

However, the research literature discussing what type of innovation policy instruments that are relevant for tourism is limited. Existing research has either been conceptual (e.g., Hjalager, 2012) or has focused on other parts of the tourism sector than cultural organisations (e.g., Rodríguez, Williams and Hall, 2014). The conceptual study of Hjalager (2012), for example, concludes that innovation policy instruments of the second generation may be particularly relevant for tourism. The empirical study of Rodríguez, Williams and Hall (2014) confirms that second generation innovation policy instruments may "*stimulate the propensity to innovate*" (p. 76) for traditional for-profit tourism businesses. However, similar studies discussing the relevance of different innovation policy instruments for cultural organisations are not readily available. Thus, the current paper will contribute with empirical insights from a part of the tourism sector that has received little attention in innovation policy research.

3. Method

To explore the innovation practices of cultural organisations we deployed a qualitative case study approach (e.g., Yin, 2003). We purposely selected 27 organisations in Norway as case organisations. All case organisations offered products or services with an aesthetic or semiotic content. Thus, all organisations could be called 'cultural organisations'. All of them were also members of at least one 'business' network focusing on organisational development or innovation. In addition, an aim of the 'business' networks was to attract a higher number of visitors, including a higher number of cultural

tourists. This indicates a strong relationship between the sampled cultural organisations and tourism. We therefore expected that by studying these organisations we would be offered exceptional opportunities to learn about innovation practices of cultural organisations that are a vital part of the tourism sector. The sample of case organisations spanned many different types of art and cultural forms including for example theatres/stages, museums, art galleries, literature houses, music ensembles (jazz, classic, opera), events and festivals. The size, mission (for-profit vs. non-profit) and ownership (public vs. private) of the case organisations also varied.

The CEO's of the case organisations were contacted and asked if they were willing to contribute as informants in the study or alternatively if they could appoint another employee at the management level that could act as our informant. In most cases the CEO decided to act as informant him-/herself, but in some cases other members of the managerial staff, such as for example the CMO or CFO, or members of the artistic management, were appointed. In many case-organisations the informant decided to invite also other members of the staff to the interview and in these cases the interview took the form of a group-interview. See Table 1 for details.

(Insert Table 1 about here)

Data were collected through in-depth interviews with the selected informants. An interview guide was used during these interviews (see Annex 1). During the interviews the informants were first asked to provide examples of ongoing or recently terminated innovation activities. Thereafter one or two examples were selected and the informants were asked open questions about the process-oriented practices, the resource-oriented practices and the system-oriented practices. Follow up questions were asked to get details. Each interview lasted approximately two hours and the interviews were recorded and transcribed.

The analysis and coding of data started during the interviewing process. Data from each innovation example received during the interviews were mapped onto the three service innovation practices dimensions, i.e. the process-oriented practices, the resource-oriented practices and the system-oriented practices. This analysis process resulted in a two-dimensional matrix with the innovation examples in one dimension and the innovation practices in the other dimension. The systematic patterns of innovation practices were then identified. The results of this analysis suggested that the practices of incremental and liminal innovations differed from the practices of more radical innovations. These findings are reported in Section 4 and further analysed in Section 5.

4. Results

4.1 Innovation examples

During the interviews we received a high number of innovation examples in the sampled organisations. Figure 1 shows an aggregated picture of these examples. In Figure 1 the examples have also been categorized in relation to the degree of newness, as perceived by the informants, in two dimensions; the new to the market dimension, and the new to the organisation dimension.

(Insert Figure 1 about here)

As illustrated in Figure 1 the examples spanned from innovations that were perceived as incremental or liminal, with a relatively low degree of newness, by the informants, such as new program concepts and new booking systems to innovations that were perceived to have a high degree of newness. The innovations perceived most radical by the informants were typically related to development of groundbreaking new cultural content, i.e. development of new art.

The innovation practices in the three dimensions derived in Section 2 are now reported:

4.2 Process-oriented innovation practices

The innovation processes were organized in a relatively similar manner across the sample, meaning that the organisational mission, size and ownership did not seem to affect the innovation process considerably. However, the type of innovation to be developed seemed to affect the innovation process. In particular we found that the process when groundbreaking new art was developed seemed to be different from the process when other types of new products, services or processes were developed.

Our findings suggested that groundbreaking new art often emerged through an artistic creative process, where the artists themselves or the artistic management were the source of new ideas. According to our informants the artists often strived towards developing or displaying cutting-edge art (often that's why they became artists), surprising their audience, challenging and engaging their audience and giving their audience a deeper meaning or a message. They were typically also aiming to provide what they perceived as a "high-quality" artistic product for their audience, but the artists often did not allow the audience to define what a "high-quality" artistic product meant. Instead artists were often aiming to be recognized by their peers.

This practice may be illustrated by the following quote from one of our informants in an opera house (organisation no. 4):

"What [name of the artistic manager] wants, is to set up an opera that is not so well known in Norway, but it is well known internationally (...) It will be something very different from what they do in [anonymized] (...) Of course it may be difficult to promote an unknown opera to our audience, but the initiative has received

very good reviews from peers and we hope the audience will also be excited (...). From a marketing point of view this ambitious artistic strategy may be challenging, but if we as an organisation want to attract high quality artistic teams it has to be this way. In that sense, changing the artistic ambitions is indeed not our strategy for the next years."

As a second example we provide a quote from the CEO of a city museum (organisation 17):

"We have an ambition to be a place for provocation and challenge (...). To strengthen this core ambition we have had an idea for a long time to put actors in the old buildings at our museum (...). We were not sure what the actors should actually do in the houses, but we have hired two actors and have developed the content together with them (...)."

To what extent artists worked alone or in teams during the innovation process varied. The findings suggested that artistic team-work was more common for performing art-forms such as theatre and opera and less common in more creative art forms such as visual art. When the development of new art was done by an artistic team (and not by an individual alone), the team was often led by an artistic manager, recognized by peers.

General (administrative) managers of performing arts and cultural organisations were to a little extent involved during the development process of new content (art). Typically they accepted that the outcome of the innovation process leading to new art was uncertain, and they recognized that artists needed a certain amount of "freedom" and autonomy to be able to develop new and innovative high quality art. In other words; the artists were to a large extent allowed to work undisturbed during the development process.

Nevertheless, to a certain degree some parts of the administrative staff, such as marketing personnel and technical personnel, were involved to assist in carrying out specific tasks during the development process, especially in the later stages of this process. In many ways these persons acted as the link between the artist or the artistic team and the cultural organisation. Sometimes a tension was also experienced between the administrative staff and the artistic team, perhaps mainly due to conflicting aims. For example whereas artists aimed at developing cutting-edge art recognized by peers, marketing personnel wanted to attract the audience and fulfil their expectations. The administrative personnel were allowed to give input during the development process, but they were to a small degree allowed to considerably affect the outcome of the development process, i.e. the new art. The practice may be illustrated with the following quotes from senior managers in a museum and an opera house respectively:

"Often someone comes up with a new artistic concept, for example the 'art-in-resident' idea came from our artistic team. It was not intended to get a market effect, I think. The concept was developed due to artistic reasons. But I was

involved late in the process and made a marketing plan, and this new concept has had a huge market success, not only artistic success. (...)

"After the artistic plan has been made, we start to make a [marketing] communication plan. We try to find good stories to tell. In that sense opera is a gift. There are always stories to tell. (...)"

The findings also suggested that the potential audience, customers or users were seldom involved in the process of developing groundbreaking new art. For example when we asked the informant from the previously mentioned city museum how customers had been involved during the development of the new artistic content (actors in the old buildings), he simply answered:

"We did not involve the audience."

The process when other, typically innovations perceived as more incremental or liminal, such as improvement of existing offers, new program concepts, new booking systems or new infrastructure, were developed was very different from the process of developing ground-breaking new art. The sources of these innovation ideas came from various internal (e.g. the managerial staff and front-line employees) and external (e.g. the audience/customers and governmental policy regulations) sources. General management were typically heavily involved during this development process. Notably, however, the artistic staff was seldom involved in these development processes neither as a source of ideas, nor as a resource during the development process. The following statement from an informant in organisation 25 may illustrate the incremental or liminal innovation practice of the sampled organisations:

"Right now we are doing an insightful analysis based on qualitative research and in-depth interviews with our customers (...). We will use this insight to further develop and improve our offers. (...) We also do customer surveys quite often (...). One thing we have learned from these surveys is that we have a lot of very young children coming here together with their parents, but in the past we did not have anything to offer to them. Therefore we made a construction site for the youngest children – it has also been a success for the older children (...)."

The following quote from the artistic manager of organisation 21 (a visual art gallery) is another example of this practice:

"When you are an artistic director at an art gallery, you have to have sensors out and think – what can I bring to this gallery that will create a debate in the society. (...) If we show one of the world's leading artists, for example - it does not mean that our audience here know him or her. (...) We just have to make sure that our audience can get some challenges if they come to our exhibitions (...)."

4.3 Resource-oriented innovation practices

As explained in the previous section we found that the human resources involved when (radically) groundbreaking new art was developed were different from the human resources involved when other more incremental or liminal innovations were developed. The development of new art was driven by artists and artistic management. Whether these resources were permanently employed in the organisation or hired/contracted on a more temporarily basis varied. Most organisations studied, however, had a combination of permanent and temporary artistic staff, and it was argued by several informants that this combination was important from an innovation point of view. It was also argued to be important that the artists had good skills in their art-form, either as a result of education or training or demonstrated through peer recognition. The following statement from an informant in organisation 1 may in part illustrate the practice:

“In the old days, when I was working at [anonymized], it was the greatest happiness for an actor to get a permanent job at [anonymized] (...). Young actors today are not like that. They would like to try different things. (...) So now we have quite a few persons hired on a temporarily basis (...). This is good for the persons (...), but also for us as employers. It gives a totally different flexibility for us (...). It is clear that when I was at [anonymized] and we had 50 permanently employed actors, this affected the artistic planning (...). In many ways the skills of the permanent staff defined the premises for how we selected our repertoire. In the long run that is a tricky situation for a good theatre. Therefore, the mix of a permanent and temporary artistic staff promotes innovation. Absolutely.”

The human resources involved when other innovations were developed varied on a case to case basis. However, two personnel categories seemed to be contributing in most projects; marketing and technical personnel. This may be due to the fact that most innovation projects identified through our interviews, except those related to new art development, seemed to have an ambition to increase customer attention and/or satisfaction and the implementation of new technology was often needed to reach this ambition.

4.4 System-oriented innovation practices

Our findings also suggested that the innovation system when groundbreaking new art was developed differed from the innovation system when other innovations were developed. When groundbreaking new art was developed most organisations in our sample searched for a partnership with an external private or governmental institution/organisation that could fund parts of the development process. Our findings suggested that most organisations preferred that the funder did not aim to affect the outcome of the development process (i.e the art), due to the fact that the organisations wanted to secure the “freedom” of their artistic staff. Thus, a deep trust between the organisation and the funder was needed.

Perhaps surprisingly the organisations interviewed had experienced that private funders/sponsors were often willing to provide this freedom to a higher extent than public funders, and for this reason private funders were often perceived preferable by the organisations in our sample. The CEO of organisation 26 for example stated:

“If you go for governmental support you have to write a lot of applications and document a lot of things. Therefore my partner said: ‘Go for private sponsors’. And we did. We have for example received money from [anonymized], [anonymized] and [anonymized] (...). They all liked the concept and wanted to be sponsors and did not demand affecting any of our content. (...) However, since we were not able to raise enough private money we also had to approach the public sector (...) I held a presentation for the political management of the municipality. Some politicians (...) liked the idea, but some (...) wanted to decide certain things, such as the location, which I could not allow (...). In the end, however, I got support from them, in part because I had been able to raise private money as well, I think (...)”

The innovation system when other more incremental or liminal innovations were developed differed from that of art development. Here external funders were seldom involved or searched for. Instead the organisations often searched for commercial partners that could complement the offering. An example was provided by the informant of a museum (organisation 15)

“We decided to start with lunchtime concerts. (...) We wondered if it would be an idea to approach the cruise market and made deals with the shore agents. (...) It has been a huge success (...)”

5. Discussion

In the introduction of this paper we raised two RQs: 1) What are the key practices implemented by cultural organisations when they develop new offers and processes? 2) What implications do the innovation practices in cultural organisations have for innovation policy? These questions are now revisited, and discussed:

5.1 RQ1 – Key innovation practices

Section 4 answers RQ1. To summarize we may state that the degree of newness seems to affect the innovation practices in our case organisations. As explained in Section 2.1 Brooker and Joppe (2014) distinguish between three categories of newness: incremental (low degree of newness), liminal (medium degree of newness) and radical (high degree of newness). In our data material we distinguished between these three categories based on the informants' own perceptions. We found that the innovation practices when cultural organisations carried out innovations perceived to be *incremental* and *liminal* were relatively similar to the practices identified in empirical innovation practices studies of

other service sectors. For example, our findings suggested that the new incremental and liminal ideas in cultural organisations came from a number of soft sources, including especially customers and front-line employees. These findings are not surprising. Prior research in other service sectors, as diverse as for example banking (Menor and Roth, 2008), business services (Mansury and Love, 2008) and experiential services (Zomerdijk and Voss, 2011), have come to the same conclusions. Like prior research in other service sectors (e.g., Mina, Bascavusoglu-Moreau and Hughes, 2014) our findings also suggested that cultural organisations often involved a number of both external and internal actors in open processes when new incremental and liminal offerings were developed. Based on this discussion Proposition 1 (P1) is offered:

P1: Managers of cultural organisations need to understand how to involve both internal staff (e.g., front-line, marketing, sales, technical staff) as well as external actors (e.g., customers) if they would like incremental and liminal innovations to prosper.

However, at the same time our findings suggested that the practices when groundbreaking new art, with a high degree of newness, was developed were different from the practices when more incremental or liminal innovations were developed. The development of new art was driven by the professionals, i.e. the artists and the artistic management, of the cultural organisations in our sample. These individuals or artistic teams had a very high autonomy and other stakeholders were to a limited degree involved in the development process, especially in the early stages. Based on these findings it may be argued that the professionals acted as intrapreneurs in the case organisations.

Some recent research from other service sectors, such as scale-intensive services (i.e., standardized services provided at a large scale) (Hydle, Aas and Breunig, 2014), has provided results that suggest that professionals also in other service sectors often act as intrapreneurs. However, in other sectors these intrapreneurs usually involve other stakeholders, such as technical and marketing experts, front-line employees and customers, early in the process to accelerate the development process (Hydle, Aas and Breunig, 2014). This did to a limited extent seem to be the case in the cultural organisations in our sample. In our sample stakeholders such as marketing and technical experts were indeed also involved in the development process, but typically at a late stage, and not as (co-)drivers of the development process.

In light of the findings of innovation management research in the broader 'experience economy' our findings may be somewhat surprising. Zomerdijk and Voss (2011) for example found that the experiential oriented firms in their sample made extensive use of 'need-pull' search strategies to come up with new service ideas. In particular they used empathic and ethnographic research techniques to gather customer insight, and they used customer journey and storytelling techniques to design new services (Zomerdijk and Voss, 2011). Thus, to a large degree the innovation processes in the experiential for-profit

firms studied by Zomerdijk and Voss (2011) were driven by customer needs, which did not seem to be the case in the organisations in our sample.

However, in light of prior innovation practices research in cultural organisations, our findings are not that surprising. For example when studying the creative sector in Taiwan Jaw, Chen and Chen (2012) found, in the same manner as we did, that the development of new art to a large degree was driven by the artists themselves. In particular their findings suggested that “*in the creative sector, creative aspiration is the driver to trigger cultural production innovations*” (Jaw, Chen and Chen, 2012, p. 265). It should in addition be noted that the findings of Jaw, Chen and Chen (2012) also suggested that “*in the creative sector, cultural production innovations are combined with market orientation or historical identity*” (p. 263). Thus, based on our findings and the findings of other studies (e.g., Jaw, Chen and Chen, 2012) we may state that development of radically and groundbreaking new art does not happen in total isolation from the environment, artists do collaborate with other stakeholders, but it is the artistic ambitions that are the main drivers of the overall development process.

We believe that these practices may in part be explained by the characteristics of cultural organisations and what they offer. For example the fact that there often is a particularly strong relationship between the skills and talents of the professional employees (i.e. artists) and the success of cultural organisations (Rosen, 1981), and the fact that the creation of new art is subjective (Brandellero and Kloosterman, 2010), may explain why artists need autonomy when developing new art. Furthermore, the demand uncertainties often experienced by cultural organisations (Caves, 2000), as well as the subjective judgement of new art (Brandellero and Kloosterman, 2010), may explain why cultural organisations to a limited degree use market insight as a source of radically new art ideas.

The identified innovation practices obviously have implications for innovation management in cultural organisations. From a managerial point of view it seems important to accept that radical new art innovations emerge through artistic processes. Thus, general managers need to give professional artists, and artistic managers, freedom, autonomy and resources to enable radical innovations to prosper, but at the same time carefully allocate enough marketing and technical resources to ensure not only an artistic success but also a commercial success. Based on this we offer P2:

P2: Managers of cultural organisations need to give internal professionals autonomy if they would like radical new art innovations to prosper, but at the same time they also need to allocate marketing and technical resources to the innovation process.

5.2 RQ2 – Implications for innovation policy

The innovation practices identified in our study also have important implications for what types of innovation policies that may be relevant for cultural organisations. Based on our findings we now discuss the relevance of

the three generations of innovation policy instruments identified by Hjalager (2012) from a cultural organisation point of view:

Relevance of first generation innovation policy instruments

Innovation policy instruments belonging to the first generation often take the form of governmental financial support in the first R&D phase of specific innovation projects (Hjalager, 2012). In a conceptual article discussing the relevance of different innovation policy instruments for tourism in general Hjalager (2012) concluded: «*Significant tourism sectors such as hotels, restaurants and transportation seldom carry out formal research activities, and hence, the idea of launching financial support, in line with the first generation of policy actions can hardly be regarded as efficient for the stimulation of innovation*» (p. 349). Our findings suggest that incremental and liminal innovation processes in cultural organisations do not start with R&D. They are also often a result of an emerging process, rather than a result of a planned and formal process. Our findings also indicated that cultural organisations rarely experienced the lack of funds as a barrier for incremental and liminal innovation processes. Thus, for these reasons we argue that the relevance of first generation innovation policy instruments is most likely limited for cultural organisations' incremental innovation processes. We offer P3:

P3: The implementation of first generation innovation policy instruments is unlikely to stimulate incremental and liminal innovation in cultural organisations.

However, as discussed, the practices of more radical innovation processes, resulting in groundbreaking new art, in cultural organisations differed from the processes of incremental and liminal innovations. Our findings indicated that cultural organisations needed external funding to be able to carry out development of radically new art. However, the starting point of the radical development process was rarely R&D. Instead professionals needed a high degree of autonomy to be able to develop radically new content in their own way. Thus, financial support in line with traditional first generation innovation policy instruments, where the government supports R&D activities financially, does not seem to be relevant. However, if the government instead provides financial support in a way that secures the autonomy of professionals it is likely that radical innovation will be stimulated. The problem with this type of 'free' funding is of course that it is difficult to find relevant and fair criteria to be used to decide what initiatives to fund. Private funders in our material based their decisions to fund radical art development projects on trust. This may be a difficult criterion to implement for public funders, due to its subjectivity. However, in our material we identified that one public funder required that the project had already received funding from at least one private sponsor. Future research should investigate whether this is an efficient criterion for public funders. At this stage, however, we are able to offer P4:

P4: The launch of financial support to specific radical innovation projects in a way that does not reduce the autonomy of professionals, is likely to stimulate radical innovation in cultural organisations.

Relevance of second generation innovation policy instruments

Second generation innovation policy instruments seek to stimulate communication and knowledge flow between the actors of an innovation system (Hjalager, 2012). In her conceptual article Hjalager (2012) argues that this generation of innovation policy instruments is relevant for tourism in general. Some empirical articles draw the same conclusion. One example is Rodríguez, Williams and Hall (2014) who studied the effects of a second generation innovation policy instrument, a cluster programme, in the traditional Spanish hospitality sector, and concluded that implementation of the instrument had stimulated innovation. Our findings suggest that cultural organisations often collaborate with external actors during incremental and liminal innovation processes. Thus, it is likely that the implementation of innovation policy instruments stimulating collaboration, such as cluster programmes, will also stimulate incremental and liminal innovation processes in cultural organisations.

However, our findings suggest that cultural organisations rarely collaborate with external actors during the more radical innovation processes resulting in groundbreaking new art. Neither are there any indications in our findings that such inter-organisational collaboration is needed to succeed with radical innovation. Based on this we suggest that the relevance of second generation innovation policy instruments for radical innovation processes is limited. P5 is offered:

P5: The implementation of second generation innovation policy instruments is likely to stimulate incremental innovation in cultural organisations, but unlikely to stimulate radical innovation.

Relevance of third generation innovation policy instruments

Innovation policy of third generation refers to a policy where innovation policy is embedded into policy areas that previously may not have been counted as part of innovation policy (Lengrand, 2002). In her conceptual article Hjalager (2012) concludes that this generation of innovation policy may be relevant for tourism in general. Our data neither confirm nor deny that this conclusion is correct also for cultural organisations. However, our findings indicate that particularly radical innovation processes in cultural organisations are in need of external financial support (see P4). Based on this it may be questioned if the general taxation policy may be used to stimulate private stakeholders, including tourism businesses, to sponsor radical innovation projects in cultural organisations. We suggest that future empirical research should investigate this.

6. Concluding remarks and further research

This paper has investigated the innovation practices of cultural organisations qualitatively, and discussed the implications these findings may have for innovation policy. The discussion resulted in five theoretical propositions. These propositions suggest that the innovation practices when cultural organisations carry out incremental and liminal innovation activities differ from the practices used during more radical innovation activities. While the sources of incremental and liminal innovations often are stakeholders external to the organisation, the sources of more radical innovations are often internal professionals.

From an innovation policy perspective this implies that the implementation of first generation innovation policy instruments is unlikely to stimulate incremental and liminal innovation in cultural organisations, while the implementation of second generation innovation policy instruments is more likely to stimulate incremental and liminal innovation in cultural organisations. Radical innovation may be stimulated through the launch of financial support in a way that does not reduce the autonomy of internal professionals.

The propositions confirm that innovation practices and relevant policies are contingent upon the service sub-sector. The innovation practices of cultural organisations were found to be somewhat different from the innovation practices of organisations in other service sectors (e.g., Aas et al., 2015). It is also expected that the innovation practices identified are somewhat different from the innovation practices of organisations in other parts of the tourism industry, although our detailed knowledge of innovation practices in tourism is still limited (e.g., Hjalager, 2010).

However, just as in all other studies the present study also has weaknesses and limitations. One limitation with the study is that the innovation practices observed during the investigation may already be affected by the existing innovation policies of the country or the region. Thus, the identified innovation practices may not be the 'ideal' or preferred practices. We tried to reduce this risk by asking the informants about how existing innovation policies had affected their practices and got the impression that the current practices to a limited extent had been affected by current policies. However, there still is a certain risk that the identified practices are not 'ideal'.

Another limitation is that since we derive our innovation policy propositions from identified innovation management practices, we are not able to test whether the innovation policies suggested are actually relevant for cultural organisations. In other words, the research method in our study does not enable us to measure the effects of implementing real innovation policy instruments for cultural organisations.

Due to these limitations we recommend that more empirical research is needed to confirm what types of innovation policy instruments that are relevant for cultural organisations. We suggest that further research should follow two tracks: First, more in-depth innovation practices studies, similar to the present study and the study of Jaw, Chen and Chen (2012), focusing cultural organisations in different regions and countries are needed to be able to

assess whether the propositions offered in this paper are universal. Second, empirical studies evaluating the effects of specific innovation policies that have been implemented in practice are needed to confirm or deny the innovation policy propositions offered in this paper. A few studies of this kind have been conducted in tourism (e.g., Rodríguez, Williams and Hall, 2014), but to our knowledge none have yet focused specifically on the cultural industry.

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Annex 1 – Interview guide

1. What is your background and your role in the organisation?
2. Please give some examples on new or improved products/services/process introduced by your organisation lately, or recent activities aiming to develop new services/products.
3. Please select one or two innovation projects that you know well and, for each project, explain: a) where did the idea come from, b) why did the organisation decide to invest in the project, c) did you reconsider the investment decision during the development stage, d) how did the development process work (please provide detail about the stages and activities within your process, including who and which departments were involved), e) what kind of tools were used during the development process, and f) how did you measure the results of the project.
4. Are the management practices related to the projects described in the previous question the typical practices for the management of innovation projects in your organisation?
5. What is the strategy of your organisation? What is the relationship between innovation and strategy? Do you have an articulated innovation strategy? Do you measure how innovation contributes strategically?
6. What is your organisation's approach to ensure that you have the right intellectual resources (i.e., competence, skills, etc.) to carry out innovation activities?
7. What is your organisation's approach to ensure that you have the right organisational resources (i.e., organisational structure etc.) to carry out innovation activities?
8. How does your organisation ensure that you have the right physical resources (i.e., offices, IT resources etc.) to carry out innovation activities?
9. How would you describe the organisation's culture? To what degree does this culture hinder or promote innovation? What is done to develop the culture?
10. What does your organisation do well in terms of innovation? What areas need improvement?

Figures

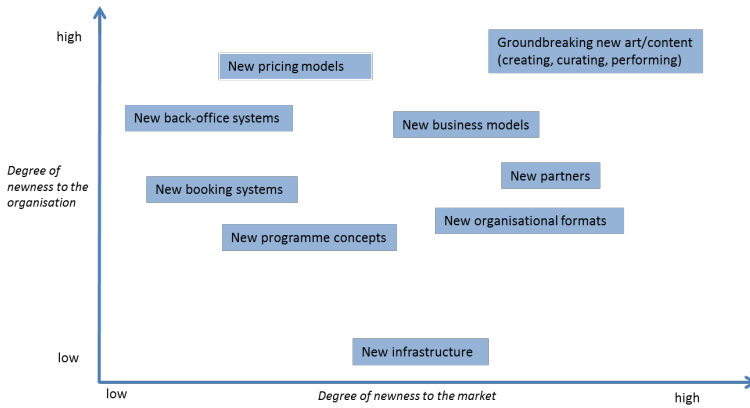


Figure 1: Innovation examples received during the interviews

Tables

Table 1: The sample

Org no.	Type of cultural offers	Informants
1	Theater and concert hall	CEO, Finance director, Marketing director
2	Theater and concert hall	Program director
3	Theater	Artistic director
4	Opera	Program director
5	Classical music performance	Marketing director
6	Music festival	CEO
7	Music festival	Artistic director, Marketing director
8	Concert scene	CEO
9	Concert scenes	Marketing director
10	Concert house	Artistic director, Marketing director
11	Scene	CEO
12	Jazz concert organizer	CEO
13	Museum	CEO
14	Museum	CEO
15	Museum	Marketing director
16	Museum	Department leader
17	Museum	CEO, Marketing director
18	Museum	CEO, Marketing director, Department directors x 4
19	Art museum	Marketing director
20	Art museum	CEO, Finance director, Marketing director
21	Art gallery	Artistic director
22	Art gallery	Artistic director, Finance director, Marketing director, Administrative director
23	Art gallery	CEO
24	Art performance	CEO
25	Science center	CEO
26	Literature house	CEO
27	Science center	CEO, Marketing director, Finance director, Educational director, Innovation director