

C
R
E
A
T
I
V
E
L
E
N
S
E
S

STRONGER ARTS
AND CULTURAL
ORGANISATIONS
FOR A GREATER
SOCIAL IMPACT

CREATIVE LENSES
Catalyst programme
Case study
KAAPELI

Authors
Dr Lucy Kimbell and Dr Sarah Rhodes

CREATIVE LENSES CATALYST PROGRAMME CASE STUDY KAAPELI

Published in Sweden in 2019 Copyright @ Trans Europe Halles, 2019

ISBN 978-91-985176-1-3

Author: Lucy Kimbell and Sarah Rhodes
Editor and coordinator: José Rodríguez
Design: Therese Severinsen
Photo Credits:

Creative Lenses is a four-year project, running from 2015 to 2019, that seeks to make arts and cultural organisations more resilient and sustainable by improving their business models and developing their long-term strategic and innovation capacities.

To find out more about Creative Lenses and its publications, visit www.creativelenses.eu



Creative Lenses is a project co-funded by the Creative Europe Programme of the European Union.

The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

CREATIVE LENSES PARTNER ORGANISATIONS



Introduction

This case study explores changes made by Kaapeli, a cultural venue based in Helsinki, Finland, as a result of thinking about its business model and the challenges encountered as part of the process. Business model is a contested term, but the following definition captures the essence of the idea:

A business model describes an organisation's activities and assets and the ways that they are combined to create value for the organisation itself, for individuals and for society.

This definition highlights that business models are not all about money-making. Business models are to do with how organisations combine resources to create and capture financial and other forms of value within different institutional logics. Creating a successful business model requires finding people, funders and partners that value what an organisation does and are willing to enter into financial or other exchanges to access it: directly, as a user or customer, or indirectly, as a funder, partner or donor.

There are several possible ways of describing business models. This case study uses a combination of dominant approaches in order to detail the important parts of the organisation as well as the relationships and behaviours that have enabled it to succeed over time. To situate the business model within its context, the case study highlights the mix of political, economic, social and technological factors informing existing business models whilst also indicating instances where contextual factors call for adjustments to the existing model or a shift between one model and another. Throughout the case study, the role of institutional logics, organisational cultures and personal motivations in shaping business model design and choices of how to change or modify business models comes into the frame.

This case study is one of eight written as part of Creative Lenses (2015-2019), funded by Creative Europe. As part of the project, the partners designed and implemented a series of eight 'Catalyst' projects in 2017-2018, during which an arts and cultural organisation was provided with resources to make changes. The project did not prescribe any particular type of change, leaving organisations to identify their own priorities and objectives. For Kaapeli the resources provided were: financial support (€20,000 plus €3,500 for audience development), mentoring support from Creative Lenses partners and a series of workshops attended by all the organisations and mentors.

As a kind of action learning, the research applied an analytical lens to the practices and experiences of the organisations participating in the Creative Lenses Catalyst Programme. The purpose of the research was to understand what approaches were taken to business model change and why, and to question how organisational cultures and institutional logics have shaped and been shaped by the process. The research explores the relationship between the frameworks of values underpinning cultural work, the organisation's particular mission and the need to produce sufficient income. Data were gathered through interviews, site visits, participation in workshops and document analysis. The case study was written by academic researchers and was reviewed by members of the organisation and its mentors.



Narrative Shifts: From Being a Landlord to Providing Cultural Services

Kiinteistö Oy Kaapelitalo ('Kaapeli' for short) is a limited company that operates two large cultural centres based in former factory buildings in Helsinki, Finland. Providing space to over 300 tenants, mostly arts and cultural organisations, Kaapeli has primarily been a landlord. But recognising its growing role in Helsinki's cultural landscape, and having an occupancy rate of over 99%, the organisation is looking for additional ways to grow its business by exploring the potential for direct relationships with visitors to its centres and by enlarging the service portfolio it provides to its tenants. It is moving beyond renting out space and hosting events to being a hub for audience engagement with the history of the building and providing services for cultural organisations. This case reveals how even modest changes can open up new thinking about organisational futures.

The key learning points from this case are:

- The process of thinking about the existing business model is a productive way of identifying new ways to achieve organisational goals
- Discussing business models helps an organisation explore different potential futures
- Focussing on the perspective of tenants, users and visitors can highlight new opportunities
- Stable funding and institutional support reduce the need for business model change

Organisational Overview

Kiinteistö Oy Kaapelitalo ('Kaapeli' for short) is a limited company that operates two large cultural centres based in former factory buildings in Helsinki, Finland providing space to over 300 tenants, mostly arts and cultural organisations. They are: Kaapelitehdas (or Cable Factory), a former cable factory, and Suvilahti, a former gas plant. Both centres are located near downtown Helsinki and both serve as diverse multifunctional centres. Kaapeli owns the buildings but it pays rent of about €1 million a year to the city for the land on which the buildings are located. Kaapeli receives no public subsidies for its activities. It renovates its buildings and runs its activities with the income it generates by renting space mostly for artists, arts and cultural organisations and creative industry businesses.

Kaapelitehdas houses three museums, 12 galleries, several dance companies and art schools, roughly 130 workspaces for artists, 50 rehearsal spaces for bands and numerous creative businesses. The building has a total area of 57,000 square metres. It dates from the 1930s and it was in industrial use until the beginning of 1990s. Kaapeli, the cultural centre, was established in 1991 to save the former cable factory from demolition and further development of the site, and make it available for the arts.¹

In 2008, Kaapeli took over a former power plant, Suvilahti, which comprises of nine buildings and an open area of approximately 2.6 hectares. Suvilahti has a variety of tenants including a brewery and bar, new circus companies, circus school, performance art groups, galleries, a restaurant, photographers and writers. The organisation's property portfolio is expanding further with the construction of a new Dance House venue for Helsinki due to open in 2021. The Dance House will be built as an extension to the Cable Factory. Kaapeli will own the building and rent it to the Dance House association that will run it. The Dance House will consist of two dance venues, a rehearsal space, a restaurant, office facilities and of an event square.

Kaapeli is a limited company owned by the city of Helsinki. The city owns companies in various specialist domains, managed through a special unit within the mayor's office. Kaapeli reports to a subcommittee of the City Council that is headed by the mayor. However, it also has close links to the vice mayor responsible for real-estate as well as to the vice-mayor responsible for culture. The organisation is governed by a board which includes city officials and elected politicians, as well as three representatives of its tenants and one independent chair.

Organisational Background

For many years, Kaapeli's main aim was to make the city more attractive to its inhabitants and visitors by providing affordable spaces for cultural players within Helsinki. Kaapeli has been a 'third place' providing cultural offerings in Helsinki by complementing on one hand the heavily-subsidised cultural institutions such as communal cultural centres, the opera, the state and city theatres and orchestras, and on the other hand the private cultural offering of cinemas, concert venues and other entertainment operators. Kaapeli has offered spaces for small and independent cultural organisations, art collectives, individual artists and creative businesses. It has done so by acting simply as a landlord that offers space for rent either for long-term or short-term purposes and by remaining strictly in the business-to-business realm.

¹ <https://www.kaapelitehdas.fi/en/info/history>



For 25 years, this strategy has been successful. It enabled Kaapeli to grow its business by renovating old industrial space inside its premises and by converting it to cultural use. By 2008, the original Cable Factory building had been completely renovated and Kaapeli took over Suvilahti, in order to keep growing and expanding its services. As Suvilahti's renovation will be completed in few years and the Dance House's construction phase is soon to begin, Kaapeli has had to revisit its strategy.

Strategic workshops inside the company revealed first that Kaapeli had little if any knowledge of its visitors. Secondly, they revealed that the company knew only very little about activities and practices of its tenants or about their needs and wants outside of the sphere of their space requirements. Thirdly, the workshops brought to light that the company had done very little in order to facilitate cooperation between its tenants or in order to cross-promote the tenants' activities and services to their respective customers or visitors. Finally, Kaapeli understood that the construction of the new Dance House and its successful implementation required it to revisit its strategy, in particular rethinking its engagement with tenants and visitors and take increasing responsibility over the overall experience of visitors to its centres.

9

This mission is now in the process of being refined with a new focus on enabling and supporting the activities of tenants, and developing services that directly benefit them:

*'The focus is no longer solely in providing space [...] Kaapeli now seeks opportunities to facilitate the operations of its tenants by a more comprehensive use of its infrastructure and its position as a "middle-man" between its different tenants. Kaapeli believes that it can grow its business by helping its current customers (tenants) to grow and by servicing directly Kaapeli's visitors in areas where its tenants are not active.'*²

While Kaapeli does not directly receive Finnish arts funding, cultural policy and funding directly shapes the strategies and working practices of the arts and cultural organisations that it houses. Public funding plays a major role in the field of arts and culture and for many years this was stable through well-established policies, schemes and grants at national and local levels, supporting both national arts organisations and smaller-scale or local arts activities.³ As Kaapeli is a major venue for arts and culture in both Finland and Helsinki, its representatives are often invited to join committees that form cultural policy in Finland and in Helsinki as well as informally

² Mentor report, 2017.

³ Unpublished project document, 2017.

influencing discussions. Growth in venues such as the new Dance House, and new services, have given Kaapeli more recognition in recent years.⁴

Current Business Model

According to its bylaws, Kaapeli is a for-profit company. However its owner, the City of Helsinki, has decided not to require dividends from the company, as it considers that it benefits more from the cultural offering that comes out of Kaapeli if the company can reinvest its surplus in its premises and activities. This arrangement offers Kaapeli long-term stability. However this does not mean the organisation remains static. For example, one member of staff introduced the idea of renewal in his definition of organisational sustainability: 'A sustainable organisation is able to keep renewing its value proposition to meet with the requirements of its customers/stakeholders. Sustainability is the measure of success over time.'⁵

Kaapeli has over 300 tenants and hosts around 700 events throughout the year in its seven event spaces and three meeting rooms. Around 1,000 people work in the main building daily and there are around 500,000 visitors annually. Its largest space, the Sea Cable Hall, can accommodate up to 3,000 people and is often used for major public events such as conferences and trade fairs. These figures are an estimate, based on tenants' audience reports because Kaapeli itself has not traditionally had a direct relationship with visitors and most users of its buildings.⁶

Kaapeli is staffed by a core team of 18, which is supported by various subcontractors it has worked with for the past ten years. The organisation is governed by a board of trustees. Key partnerships are with the City of Helsinki, its owner, and its tenants who rent space from it. Describing itself as 'a property management company', Kaapeli's key activity is being a landlord to its multiple tenants.⁷ Kaapeli rents spaces to cultural organisations as well as some individual artists, musicians and other creatives practitioners, some of whom sublet to or share their space with others. So although there are 300 tenancy agreements, in practice there may be many more tenants. For example, a band might rent a room from Kaapeli that is used by several bands as a rehearsal and recording space.

Annual turnover is around €6 million. The organisation receives rental income from its buildings, and does not receive public subsidy for its core activities. Major costs include personnel and maintenance of the buildings. Kaapeli manages its finances so that it does not make a significant profit, which

means it has substantial funds to invest in its buildings, infrastructure and other resources. The organisation pays rent to the city on the land on which the buildings are located, which is a relatively stable expense tied to the national cost-of-living index.⁸ Approximately 85% of its tenants are long term; around 15% of its income is from short-term hires such as events.⁹ Some additional revenue comes from EU-projects and sales of products (representing only 1-2% of total income).

However, the organisation's business model is not solely focussed on financial value. One member of the team, for example, offered a definition of a business model as: describing how an organisation generates income; its role in a value network; and its value proposition.¹⁰ This definition emphasises how Kaapeli's institutional set up is not tied to a purely commercial, financial framing, recognising Kaapeli's role as a service provider and hub within the Finnish arts and cultural landscape.

Organisational Culture and Values

Staff at Kaapeli do not see a tension between the financial value that the organisation generates and other forms of value generated by arts and cultural organisations resulting from being a for-profit company. They see their focus is providing services and creating value for their tenants, and more broadly Kaapeli's owner, the City of Helsinki.

The fact that Kaapeli owns the buildings provides security and organisational stability that is not characteristic of the broader arts and cultural sector. For Kaapeli, providing space to arts organisations and to some individual artists, and renting out space for events, positions the organisation as a landlord and service provider. Its longevity and stability mean that some of these relationships are long-term. One member of staff said, 'We know our customers and our main asset is the networks and the stakeholders that we have'.¹¹ This leads to flexibility when dealing with tenants that a commercial landlord might not offer. For example, if a tenant is struggling to pay rent, Kaapeli will help them to set up a realistic payment plan.¹²

In addition to providing tenants with access to space, current services Kaapeli offers include digital services, access to makerspaces for woodworking and electronics, co-working spaces, meeting room hire, joint marketing as well as postal services and a joint vehicle. Many of these are focused on business support – enabling the tenants to achieve their organisational or individual goals. There is growing recognition inside the organisation about the need

⁴ Unpublished communication, 2018.

⁵ Helsinki workshop, 2017.

⁶ Mentor report, 2017.

⁷ Unpublished project document, 2017.

⁸ Unpublished communication, 2018.

⁹ Mentor report, 2017.

¹⁰ Helsinki workshop, 2017.

¹¹ Interview, London, 2018.

¹² Interview, London, 2018.

to understand more about tenants, and their visitors, audiences and publics, and identify opportunities to play other roles in relation to the arts and cultural sector. As one member of staff puts it: 'We want to create a family environment with the artists, even with the business companies. We want them to feel that Kaapeli is more than just the walls they are renting, people feel secure, to feel it's a society.'¹³ But recognizing the shift to opening up to delivering services to customers, staff recognised that this change was a 'huge, huge paradigm shift, [Kaapeli is] not just walls, we are something else ... more important than service design.'¹⁴

Creative Lenses Catalyst Project

At the early stage of defining how it would use the financial resources, mentoring and discussions associated with the Creative Lenses Catalyst Programme in 2017-2018, the team from Kaapeli told their mentors they did not want to make drastic changes to the business model, but would be open to 'doing things a little better'.¹⁵ Examples they gave were: sharing learning and exchanging best practices; trying something new starting with 'low hanging fruit'; collaboration with tenants and stakeholders; and developing the team's experience to enhance the experience of visitors to Kaapeli.

On the surface, the action they took was a modest vision of developing and offering 'Kaapeli Walks': a guided tour around the building, emphasising its history and introducing visitors to its diverse tenants, their creative office interiors and providing access to unusual businesses. These walks have increased in popularity and are now a source of income for the organisation. However, through idea generation and discussion, staff realised that Kaapeli Walks could be a way of building relationships with tenants too. This would be advantageous should Kaapeli decide to pursue the strategic move towards becoming a service provider to cultural organisations working under its roof. In the end, what resulted from the project was insight into Kaapeli's own business model and a shift from thinking of itself as a landlord for arts and cultural organisations to a hub or enabler of the arts and culture more broadly.

Kaapeli Walks have developed organically over the past two decades. Staff have been giving occasional tours of the Cable Factory building to visitors such as corporate clients, students or officials. In 2016 Kaapeli decided to develop this initiative by creating a regular tour. These walks were informal in nature, free and guided by Kaapeli staff. Groups that requested tours were either interested in the building's history, the contemporary use of the cable

¹³ Interview, London, 2018.

¹⁴ Interview, London, 2018.

¹⁵ Unpublished project document, 2017.

factory or the administration of Kaapeli. They offered various formats, some presenting a historical overview of the building, tied to 20th century Finnish industrialisation, while others offered a more corporate view including a look behind the scenes at the workspaces of some tenants. Kaapeli's incentive to accommodate these requests was to strengthen its reputation of Kaapeli. But ultimately, developing Kaapeli Walks led to changes in how the organisation itself understood the wider landscape and to a reconfiguration of its strategic goals.¹⁶

Having decided to develop Kaapeli Walks, the main aims agreed were:

- Learning about current visitors
- Enlarging the customer base
- Creating a tourist attraction
- Finding new business models for tenants
- Creating new strategic stakeholder connections.¹⁷

To take these forward, Kaapeli liaised with tenants to find out what they wanted from the walks. They researched and compiled a 12-page document of the history and stories of the cable factory, including information about current tenants, which they used to redesign the Kaapeli Walks tours. Sources of information about the history of the building included books on Finnish industrial development and its former managing directors as well as conversations with people who used to work in the building.

Kaapeli staff believed that developing the Kaapeli Walks could be beneficial in numerous ways, allowing them to:

- 'Generate a new income stream
- Document and formalise existing processes
- Involve a lot of people from the staff enabling them to learn new things
- Involve our tenants and their services
- Strengthen the brand and explain the brand and story to tenants
- Promote what is happening at Kaapeli to visitors
- Develop stakeholder connections that had not been exploited before
- Market Kaapeli's services
- Explore a new kind of business model'.¹⁸

During the pilot, Kaapeli tested various routes and different kinds of guiding people round the building and providing information. They selected and told stories associated with different people and aspects of Kaapeli's history such as Olympic wrestler Verner Weckman, the first managing director of the Cable Factory. Costumes and props associated with these stories were

¹⁶ Unpublished project document, 2017.

¹⁷ Unpublished project document, 2017.

¹⁸ Unpublished project document, 2017.

available for participants to put on to have their photo taken in. Kaapeli prototyped the walks with their own staff, journalists and tenants.

The result was that within a few months, Kaapeli was offering Kaapeli Walks every Saturday at a cost of €25 per ticket, as well as bespoke tours for groups, attracting fluctuating numbers of people, from one to 15 participants.^{19,20} It advertises the Kaapeli Walks in local newspapers and establishes relationships with potential participants by sending 'welcome packages' to people who move to the area, which also explain the services they offer.

The development of the Kaapeli Walks strengthened relationships with tenants, by meeting up more regularly and getting their feedback on services and issues. Further, being able to discuss the walks and the insights it produced for Kaapeli provided an example staff can use in discussions about organisational sustainability and innovation.

One staff member explains,

*'[We can] give tenants an example of how to change a business model. Through this we sell the idea to them and also improve our services which combines us and the tenants together to create the society of Kaapeli.'*²¹

The change in language in this comment is evidence of a shift from what might be considered business-orientated language to using terms such as 'society'. Members of staff at Kaapeli interviewed stressed that the Creative Lenses Catalyst programme had provided an opportunity for them to put the Kaapeli Walks into practice and importantly providing a valuable process, timeline and financial resources and mentoring: 'Without the Catalyst programme it would have been harder to do and of course, schedules and deadlines, pushed us to do it, make the changes.'²²

Alongside the Catalyst action, within the Creative Lenses project Kaapeli also programmed and hosted an international conference in 2017. Kaapeli initiated and organised SULA: Sustainability and Love for Arts, an international conference and workshop programme held over two days in October 2017 attended by 400 people. The theme of the conference was 'melt' (sula in Finnish). This was chosen to describe the melting pot of creative thinking and working that the conference aimed to provide for professional art practitioners, creative entrepreneurs, intermediaries and business support networks. Its aim was to provide a space for people involved in the arts and cultural sectors to meet peers and explore new influences, and also to present their ideas to potential

¹⁹ <https://www.kaapelitehdas.fi/en/kaapelwalks>

²⁰ Interview, London, 2018.

²¹ Interview, London, 2018.

²² Interview, London, 2018.

new partners through a series of pitching sessions. The Sula conference resulted in new dialogues with technology companies. A larger, follow-up programme was planned for 2019 in partnership with the Finnish broadcasting company Yleisradio Oy. Programming its own event on this scale was new for Kaapeli. It resulted in new connections, increased visibility for the organisation and a new sense of purpose.

Results and Discussion

Whilst Kaapeli's plans seemed modest at the outset, a number of outcomes resulted beyond the original scope. The Kaapeli Walks constitute a new service opening up the organisation to new visitors, in collaboration with tenants. Arguably this represents an ancillary activity with a separate business model, but this is not going to replace the main one of earning income through renting out its spaces. But the Kaapeli Walks and the Sula conference are indicative of how the organisation is reframing its purpose with a shift from being a landlord to being a service provider for the cultural sector and other creative businesses it houses. As cultural organisations look to become more resourceful and sustainable, there is potential for Kaapeli to increase revenues and retention of tenants by establishing itself as a 'Landlord +', providing bundles of space, support and services tailored to the needs of tenants. Central to this shift in purpose is having greater insight into tenants, visitors, and audiences:

*'First and foremost, developing Kaapeli Walks has been a learning journey for our organisation. It has forced us to think about [the] Cable Factory from the perspective of end consumer/visitor, which hasn't been in the focal point of the company in the past. This has enabled us to understand the needs of our tenants better and we will be tuning our service offering for our tenants based on these experiences.'*²³

The development of the walks gave Kaapeli the opportunity to have new dialogues with tenants, including exploring other services they could provide them with. For example, one result was that Kaapeli facilitated a two-day workshop for tenants about presenting and speaking in public, to enable more of them to be involved guiding the walks. These are transferrable skills that their tenants may be able to utilise in their own work. This is reinforced by one member of staff who explains this shift:

²³ Unpublished project document, 2017.

*'[The] Catalyst programme and Kaapeli Walks changed our thinking to be a cultural centre and this could not have happened if we weren't participating in this Creative Lenses project. Maybe it would have happened, but later. Moneywise it's small steps, but in a larger scale it's changed us to think something more ambitious, services and something to attract tenants, business associates.'*²⁴

In addition to developing new capacities and experimenting with a new service, the project enabled Kaapeli to explore and articulate a more expansive future vision for the organisation as a leading European cultural centre:

*'[We developed] some really bold statements, decided we will be influential in policy making in Finland and the Baltic region and maybe Europe. We need to do a lot, adapt to a different environment and change around us, in our core values.'*²⁵

As an example of business model change, this case illustrates how small projects can enable organisational learning and identification of potential new opportunities. Kaapeli is a well-established, well-resourced organisation operating in a relatively stable context and with institutional support resulting in a business model that works – renting out space to cultural and creative organisations. With its secure base and medium-term future, Kaapeli is now reflecting on its business model to identify and explore new ways of working. These have the potential to lead to new services for its existing tenants and potential new partnerships that make the most of its core resources – its tenants and their networks, audiences and visitors.



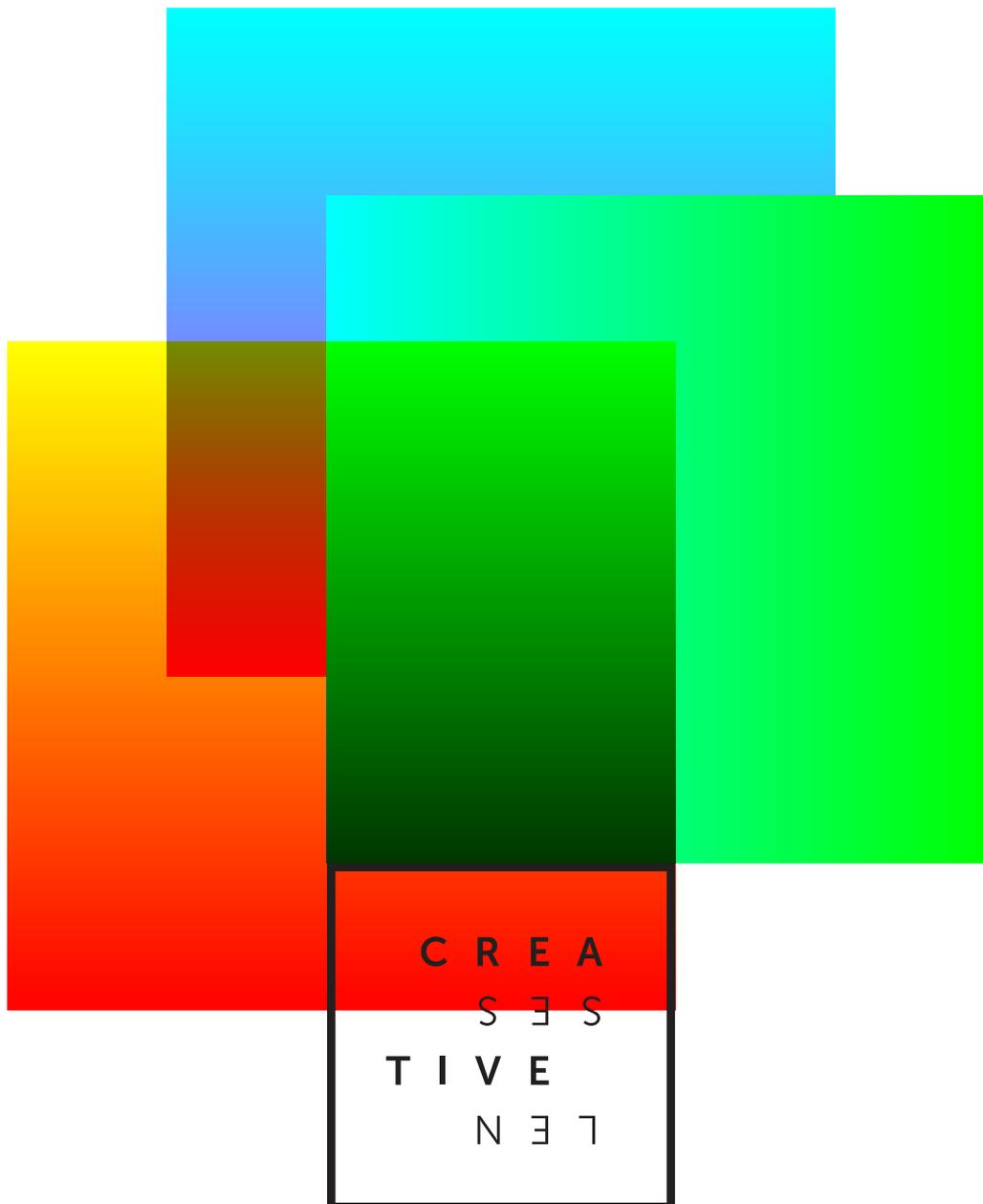
²⁴ Interview, London, 2018.

²⁵ Interview, London, 2018.

ABOUT THE AUTHOR

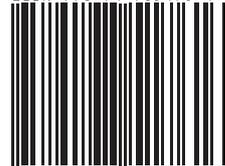
Dr Lucy Kimbell is professor of contemporary design practices and director of the Innovation Insights Hub at University of the Arts London. She is also associate fellow at Saïd Business School, University of Oxford. Her expertise is in design thinking and the use of design to address social and policy issues. Lucy led UAL's contributions to Creative Lenses which included research, knowledge exchange, evaluation and training. Current funded projects include developing 'smart regulation' to address the challenge of anti-microbial resistance in India and exploring the potential for AI in professional services firms.

Dr Sarah Rhodes is knowledge exchange manager at Central Saint Martins, University of the Arts London. She was previously research fellow at UAL working on Creative Lenses and other funded research projects including Public Collaboration Lab, a collaborative project with London Borough of Camden. Her expertise is in participatory design, particularly in its use to bridge the divide between marginalised groups and its utilisation for social innovation and sustainable practices.



**STRONGER ARTS AND CULTURAL
ORGANISATIONS FOR A GREATER SOCIAL IMPACT
WWW.CREATIVELENSES.EU**

ISBN 978-91-985176-1-3



9 789198 517613