

Strategizing and cultural business model strategy change: the case of a Dutch theatre

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Abstract

Surprisingly little is known about the contribution of top decision makers to strategizing and change initiation in cultural organizations (see DiMaggio & Stenberg, 1985 for an exception). With the help of an in-depth case study of a Dutch theatre undergoing a major transformation, we develop new theory on this issue. We demonstrate how executive succession is used to engender a strategic reorientation. However, strategizing activities also drive changes in the composition of the decision making group. By consciously seeking specific capabilities in the top management team that reflect the intended reorientation, the supervisory board and the CEO sought specific profiles for the new management team members. At the same time, our study traced the strategy change as an emergent pattern with contributions from multiple individuals. In our approach for this study, we took a broader perspective on strategic change in organizations: one that encompasses both change processes and content. The intended changes in the key resources, processes, value propositions and profit formulas of the organization were conceived as business model change which allowed us to draw implications from our findings for the discussion about the content and forms of cultural innovations as well as about the strategy praxis and practitioners in this underresearched context.

Keywords: business models, strategy change, executive succession, theatres, strategizing

Introduction

Understanding strategic change as an organizational adaptation mechanism following environmental shifts has been an elusive subject in the strategic management literature. While the earlier scientific debate focused on the primacy of external selection versus internal adaptation processes (e. g. Hannan & Freeman, 1977; Mintzberg & Waters, 1982; Pfeffer & Salancik, 1978), over the past thirty years the literature has progressed towards acknowledging both in their own right (Barnett & Carroll, 1995). Timely, transformative, organizational change building on existing competences can contribute to adaptation and survival (Haveman, 1992; Romanelli & Tushman, 1994), but making changes may also threaten firm performance as inertial forces limit the manoeuvring space to make adjustments in the structures and processes in order ensure a better fit with the changed environmental (Boeker, 1989; Hannan & Freeman, 1984). Empirical evidence has also mounted showing the relationship of strategic change with firm performance and survival in various contexts (Haveman, 1992; Kraatz & Zajac, 2001; Smith & Grimm, 1987).

Appropriating insights from upper echelons theory (Hambrick & Mason, 1984), more recently scholars have explored how the organization's top executives can define, interpret, or block strategic reorientations (Burgelman, 1991; Cho & Hambrick, 2006; Hambrick, Geletkanycz, & Fredrickson, 1993; Wiersema & Bantel, 1992). Particularly germane phenomenon in this respect is the notion of executive turnover and succession (Haveman, Russo, & Meyer, 2001; Virany, Tushman, & Romanelli, 1992; Wiersema & Bantel, 1993). Interestingly, researchers have linked succession to strategic change in a variety of ways and consensus among these views is yet to emerge. For some, executive succession is one of the elements of organizational change (Hannan & Freeman, 1984; Singh, House, & Tucker, 1986). Others see it as one of the main consequences of altering an organization's strategy (Wiersema & Bantel, 1993). Yet others stress the senior executives' agency in strategy formation and view succession as antecedent to strategic change (Tushman & Romanelli, 1985).

In this paper, we argue that some of the reasons for disagreement may lie in differences in the conceptualization of change itself. Strategic change can be analysed by focussing on the content, that is, what elements of the strategy are being changed, or the process – the notion of disrupting of

existing practices and processes (Barnett & Carroll, 1995). Others have acknowledged the fruitful path of viewing change as both process and content, for instance in order to understand organizational survival and failure (Amburgey, Kelly, & Barnett, 1993), but there is little theory that links change processes and content to executive succession.

We approached this theoretical gap by examining the case study of the strategic transformation of a Dutch theatre organization. The cultural sector in the Netherlands experienced significant environmental shift manifested by a rapid decrease of munificence following the decision of the government to reduce funding for artists and cultural organizations. This has a large impact on this industry, since traditionally it has relied heavily on subsidies granted by the government. As these subsidies are reduced or even eliminated, cultural organizations need to find other sources to generate income. Theatres, in particular, have undertaken important strategic changes such as revisions of their programming intended to reach more potential visitors, as well as an emphasis on the commercial exploitation of the venues under their management and establishing partnerships with other theatres.

With this paper, we make several important contributions to the literature. First, we address the issue of strategy change content by applying a framework from the emerging business model literature. Since the nineties, with the emergence of Internet and e-business, the amount of studies that conducted research on business models has increased enormously (Demil & Lecocq, 2010; Zott, Amit, & Massa, 2011). As pointed out by Teece (2010), business models provide a generic framework to evaluate business strategy. In situations similar to our context, a business model is a reflection of the firm's realized strategy (Casadesus-Masanell & Ricart, 2010). However, little research has linked top executive processes to changes in the business model dimensions.

Second, our study adds to process theories on strategy making (e.g. Bower, 1970; Burgelman, 1991) by explicating the process in reference to the strategy content changes undertaken by the organization. There exists a gap in the literature linking these two. Moreover, process studies typically assume continuity in the managers fulfilling the positions at different levels and originating strategic initiatives. We shed light on the dynamics in the organization affected by executive succession and the implications for the strategic initiatives undertaken and the overall change processes.

Third, this paper provides new insights to studies concentrating on innovation and change in cultural organizations (DiMaggio & Stenberg, 1985). While recent research has pointed out the challenges of such organizations in the context of changing environmental conditions (Castañer, 2013; Castañer & Campos, 2002), very little empirical research has been conducted to highlight the effective strategies used by managers in the sector to effectuate change and adapt their organizations.

Literature review and theoretical framework

Business model as a framework for strategy change

Since the focus of this paper is to reveal aspects of the complex process of strategy change by applying a business model framework, it is important to first provide a clear understanding of the business model concept. Although the concept has been extensively researched in the last decade, there is no widely accepted definition formulated yet. Moreover, 37% of the studies on business models do not provide a definition at all (Zott et al., 2011). The business model has been referred to as statement, description, representation, architecture, method, conceptual tool, design, pattern and framework (Morris, Schindehutte, & Allen, 2005; Zott et al., 2011). This lack of consensus leads to confusion and obstructs the progress of further research on this concept. A common denominator of these definitions is that the aim of the business model is the creation of value to the customer in a profitable manner (Baden-Fuller & Morgan, 2010). Simply put, the business model expresses the company's logic of earning money (Teece, 2010). It is about the value an organization delivers to its customers, how the organization is structured to deliver that value and how the organization will capture a part of this value.

From a strategic perspective, a business model is explained as the representation of value creation mechanisms and sources of competitive advantage based on networks and the boundary-spanning activity system (Zott et al., 2011). According to Casadesus-Masanell and Ricart (2010), the business model is composed of strategic choices made by management about how the organization should do business and the consequences of these choices. Strategic decisions can be made intentionally or based on external factors, and are related to policies, assets and governance

(Casadesus-Masanell & Ricart, 2010; Demil & Lecocq, 2010). For instance, the choice for a certain pricing policy may as a consequence influence the amount of sales. Based on this assumption, Casadesus-Masanell and Ricart (2010) argue that the business model is a reflection of the realized strategy of an organization. One can only observe the outcomes of a plan dependent on contingencies, such as economic turmoil or competitive forces.

Although strategy choices are assumed to have a large impact on the design of a business model, several authors (e.g. Amit & Zott, 2001; Casadesus-Masanell & Ricart, 2010; Demil & Lecocq, 2010; Johnson, Christensen, & Kagermann, 2008) emphasize that the components a business model encompasses are highly interactive and interdependent, and therefore consider the business model as a dynamic framework. Casadesus-Masanell and Ricart (2010) argue that these dynamics arise due to virtuous cycles in which the interdependent components of the business model affect each other. The strategic and dynamical view on business models can be used as a valuable approach to help organizations deal with the design and reconfiguration of their business model (Demil & Lecocq, 2010).

According to Sorescu et al. (2011, p. 7), business model innovation can be defined as “a change in one or more components of a business model and their interdependencies thereby modifying the organization’s logic for value creation and appropriation.” In order to discuss the innovation process, it is important to provide a clear explanation of the key components of a business model. Johnson et al. (2008) identify four core components of the business model: value propositions, key resources, key processes and the profit formula. The components are highly interactive and therefore an important source of dynamics (Demil & Lecocq, 2010). The integration of resources and processes could create competitive advantage rather than individual elements.

Value propositions

The value proposition determines how an organization creates and delivers value to its customers (Johnson et al., 2008). This proposition also includes how and to which target group the products or services will be marketed (Demil & Lecocq, 2010). Value propositions are strongly connected to key resources and processes, since these components determine the capability of an organization to

deliver and create the proposed value (Johnson et al., 2008). New value propositions can amongst others be created through acquiring new key resources or recombining key activities in a novel way (Demil & Lecocq, 2010). For example, the main value proposition of Arsenal is to provide an attractive football match in a comfortable stadium with a great atmosphere (Demil & Lecocq, 2010). A new stadium can, thus, improve this value proposition. Other possible innovations of value propositions can be a shift from products to services, the identification of new niches or the broadening of the target market.

Key resources

Key resources refer to physical and human assets such as technology, people, products, equipment, facilities, channels and brand required to deliver the value proposition of an organization (Johnson et al., 2008). This can be either developed internally or acquired externally (Demil & Lecocq, 2010). Partnerships or alliances can also be considered as key resources if they allow organizations to deliver their value propositions (Johnson et al., 2008).

Within the organization, it depends on the competences of the managers how these resources can be improved, bundled and combined in order to deliver a specific service (Demil & Lecocq, 2010). Compared to general resources, key resources can be recognized by their contribution to an organizations' competitive advantage (Johnson et al., 2008) and these key resources differ for each organization. Demil and Lecocq (2010) use the football club Arsenal as their case to show ways of business model innovation. Examples of innovation of key resources are building a new stadium, hiring managers with a high reputation, or implementing customer relationship management. In addition, resource innovations include multiplying channels to reach the customers or leveraging new technologies for new applications.

Key processes

According to Johnson et al. (2008), organizations have operational and managerial processes such as training, development and planning or rules, norms and metrics that support key resources to deliver

value in a certain way. For example, people are a key resource for a service firm. Training and development of these people are key processes to deliver the value proposition.

Profit formula

Eventually, revenues can be derived from the value propositions, while the costs depend on the structure of the organization. This results in a profit formula. This element explains how the company convert the enacted payments of the customers into profits. The profit formula consists of the revenue model, cost structure, margins and inventory turnover (Johnson et al., 2008). The revenue model is based on the turnover resulting from the value propositions, and it also includes interest, royalties and subsidies (Demil & Lecocq, 2010). The cost structure will mainly involve costs related to acquiring, developing and combining the resources required to deliver the value propositions (Demil & Lecocq, 2010; Johnson et al., 2008). The margins that will be generated depend on the difference between the revenues and the costs (Demil & Lecocq, 2010; Johnson et al., 2008). Business model innovation can also be realized, for example, by implementing a new pricing strategy or mechanisms such as dynamic pricing.

To summarize, the business model is a snapshot of an on-going dynamical strategy change framework (Barnett & Carroll, 1995) with interacting core components: value propositions, key resources, key processes and profit formula. Innovation of the business model occurs when the organization's logic for value creation is modified, which can be established in several ways such as the acquisition of new key resources, linking activities in novel ways or establishing partnerships.

The influence of executive turnover on organizational outcomes

The process of business model change evolves from a set of strategic choices, in which managers play a central role (Kor, 2003). According to Hambrick and Mason (1984), the organization is a reflection of its top managers. Their upper echelon theory suggests that there is a link between cognitions, values and perceptions of executives and organizational outcomes. Researchers have since studied various organisational outcomes (Carpenter, Geletkanycz, & Sanders, 2004). Since the purpose of this study is to gain insights in the role of executive succession for the process and content of strategy change, this study will concentrate on developing theory that links the two

concepts. In existing studies, executive turnover has been conceptualized as antecedent to strategic change (Haveman et al., 2001; Tushman & Romanelli, 1985), a consequence (Wiersema & Bantel, 1993), or one of the elements of strategic change itself (Hannan & Freeman, 1984; Singh et al., 1986).

Method

Research approach

The research is conducted through a single case study, which is a suitable method for research when the context is relevant to the concepts of the study and a rich understanding of it is desirable. Where most studies of strategy processes have been done retrospectively, the outcomes of the business model initiatives of the case organization are unknown yet. Van de Ven (1992) argues that prior knowledge of success or failure of the innovation process biases the results of the research. The case study that is undertaken in this research aims to unfold the business model change process within Stichting Dans-en Muziekcentrum The Hague (hereafter called DMC) in the Netherlands. This theatre organization is situated in the theatre complex Dr. Anton Philipszaal (hereafter called DAPZ) and Lucent Dans Theater (hereafter called LDT) in The Hague. The cultural industry in general and the DMC in particular are subject to major changes for which innovative behaviour is required. A single case study provides the opportunity to gain insights in a relatively new phenomenon. Due to the restructuring of the organization, a new CEO and new managers, a new building and several initiatives for change that are coming up, this organization provide a fertile soil to reveal dynamics of the business model change process. This argumentation is line with Eisenhardt (Eisenhardt, 1989, p. 537), who suggests choosing a case where “the process of interest is transparently observable.”

Data collection

The main data sources of this study were semi-structured interviews with informants conducted in 2013. The selection of informants was based on their role within or relation with DMC. The selected informants were: the chairman of the supervisory board, the interim CEO, the new CEO, the new senior manager, the new marketing manager, the programming manager, the business controller, two employees of the marketing department and the marketing manager of the Residentie Orkest

(hereafter called RO), an organization with close cooperation with DMC. The other informants were all involved in certain business model initiatives or could provide other valuable information about strategy changes. All the initiatives taken during the business model change process were covered by this selection of informants.

In the interviews, the informants were asked to mention initiatives that have caused or will cause important changes within the organization. Based on the adopted definition of business model change of Sorescu et al. (2011) and the business model components of Johnson et al. (2008), the business model initiatives could be distinguished from other initiatives. For each initiative, the informants were asked to reflect in detail on the process that led to the respective initiative. The follow-up questions were executive turnover-related in order to discover the effects of executive succession on this process. The focus of the questions could vary depending on the specific function of the informant. For example, in the interview with the Marketing Manager of RO, the focus was specifically on the cooperation with DMC and the people that were involved.

In addition to the data collected through the semi-structured interviews, documents in which DMC presents its strategic plans for the period 2013-2016 as well as the cultural policy of the Municipality of The Hague have been used as sources for identification and better understanding of the motives for business model initiatives. Moreover, secondary data has also been used to complete information about the prior work experiences of the managers of DMC. This data has been collected on the Internet and involved LinkedIn profiles, websites and articles with information about the careers of the informants.

Data analysis

After the data of the interviews were collected, the audio-recordings first needed to be transcribed into a written document. Once the transcription was done, the computer software ATLAS.ti was used to analyse the data. The objective of the analysis was to convert the data into information that would provide valuable insights regarding the problem statement of this study. Each interview was first coded for business model initiatives. After these initiatives were identified through open coding, they were categorized into the four core components of the business model as discussed in the theoretical

framework. Next, each interview was coded for executive succession elements. Once the data was categorized, patterns within codes and relations between the codes could be discovered and analysed. In this phase, executive succession elements were linked to specific business model initiatives. Eventually, these results were connected to the theoretical framework in order to adequately answer the main research question of this study.

Research context

Case study organisation

DMC is a foundation that is responsible for the exploitation of the theatre complex DAPZ and LDT in The Hague. The theatre complex is rented from the municipality of The Hague. In addition to the exploitation, the DMC also takes care of 70% of the total programming of DAPZ and LDT. The remaining 30% is taken care of by the two permanent performing groups, which are the RO and the Nederlands Dans Theater (hereafter called NDT). DMC is the result of a recent merger, as of the 1st of January 2013, between Stichting Gastprogrammering (hereafter called GP) and the Stichting Exploitatie Muziekcentrum en Danstheater (hereafter called SEM). In the former construction, GP was responsible for the remaining 70% of the programming of DAPZ and LDT, while the separate entity SEM had a facilitating role concerning the maintenance of the complex, the offering of proper hospitality facilities and commercial exploitation. The structure of these organizations in this former situation could be considered as complex and inefficient. Representatives of GP, RO and NDT formed the board of the SEM. Thus, the CEO of GP also was automatically responsible for the accommodation. RO and NDT both have an independent organizational structure with their own management. As this construction was no longer tenable to operate efficiently, the decision was made to merge the complementary organizations GP and SEM into DMC. The consequences of restructuring the organization will be explained in further detail in the findings chapter of this study.

The DMC consists of five different departments, each with one manager. The five departments are Marketing and Publicity, Programming, Hospitality and Events, Technique and Facility Services. The managers of these departments are all in the management team together with the CEO. The

management team is supervised by the Supervisory Board, which consists of a chairman and four other members.

Venues

The DAPZ and LDT occupy a unique position in the region of The Hague as large podia for (international) dance and music shows, opera and musicals. Up to 2012, the programming of GP contained a large variety of genres such as international dance and music shows, tango, flamenco, classical music, and shows for families and children. DMC, former GP, organizes approximately 180 events per year, which attract between 80.000 and 90.000 visitors. The DAPZ has room for 1890 seats, and 2500 visitors fit in when the seats are taken out. The LDT has got space for a maximum of 1013 seats.

Governmental policies

Traditionally, the cultural sector relies heavily on subsidies granted by the government. In 2011, total turnover of theatres consisted for 8% of financial support from the national government and for 37% of subsidies granted by the municipalities (VSCD, 2012). In the cultural policy report for 2013-2016 (Ministry of Education Culture and Science, 2012), the government requires a change of the current cultural policy, because the cultural sector is too depended on the financial support granted by the government. With regards to performing arts, the Dutch government clearly gives the responsibility for accommodation to the local government. Therefore, the cultural policy of the local government has a large impact on the opportunities of theatres and performing arts. DMC does not receive any subsidies from the Dutch government and is therefore completely dependent on the Municipality of The Hague.

For the municipality of The Hague, the importance of culture is immense. Culture is the soul of the city, which highly contributes to the quality of life (Municipality of The Hague, 2012). The large theatres have an important promotional function on a national and international level, especially since The Hague's ambition is to become European Cultural Capital of 2018. Moreover, as noted above, high quality of cultural facilities contributes to the quality of life, which makes it attractive for companies to establish themselves in this city. Therefore, the Municipality of The Hague emphasizes

the need for more cultural entrepreneurship. Although an increasing amount of institutions already attempts to create other sources of income, there is too little attention paid to reducing the expenditure. Becoming more cost efficient and reducing overhead costs should be number one priority of the cultural institutions.

In order to create a more sustainable business model for cultural institutions, The Hague suggests that cultural institutions need to build tight and long-term relationships with entrepreneurial firms of The Hague to gain more expertise and develop more entrepreneurial behaviour. The foundation Cultureel-Ondernemen is founded to provide professional support to the cultural institutions during these trajectories. Furthermore, The Hague encourages leaders of cultural institutions to participate in a leadership program provided by the state aiming to increase the quality of leadership.

Besides establishing partnerships outside the cultural sector, The Hague also stimulates cultural institutions to enhance cooperation within the cultural sector. The Municipality of The Hague is convinced that these cultural partnerships will be a solid fundament for cultural education, development of the audience, and strong jointly profiling and marketing. Moreover, on the long term, these partnerships will contribute to an increased efficiency, reduction of costs and better development of cultural talent (Municipality of The Hague, 2012).

To conclude, the Municipality of The Hague considers culture as an important determinant for quality of life, of which social and economic value can be derived. Cultural behaviour is supported by partnerships within the cultural sector as well as partnerships between cultural institutions and entrepreneurial firms.

Issues and challenges for DMC

Several issues are facing DMC. Not surprisingly, the economic crisis is one of them. The crisis contains a dual effect on the cultural industry. The first one is that the government reduces the budget available for the cultural industry in order to realize the cuts that are needed. This results in a stricter approach of providing subsidies to cultural institutions like DMC. The request of DMC to increase their subsidy for the period 2013-2016 is rejected by the Municipality of The Hague (Municipality of The Hague, 2012). The second one is the declining visitor numbers (Ministry of Education Culture

and Science, 2012). The customer is affected by the crisis as well. Since a theatre visit is usually not high on the priority list when choices need to be made due to a deteriorated financial situation, this is one of the first cuts that are made by consumers. DMC needs to make sure that when the consumers are willing to go to the theatre, the DAPZ/LDT is the first theatre complex people will think of. Last, it is the challenge for the theatre institutions to make the customers change their spending pattern.

Besides the problems caused by the economic crisis which affects the whole cultural industry, the DMC also needs to deal with issues specifically related to their own organization. The first one is that the organization has a very unclear profile. The main reason for this is the complexity of the historical background of the theatre complex. As explained above, DMC is the result of a merger between GP and SEM. The merger was needed because of the inefficient structure, which caused several tensions between GP, RO and NDT. In 1987, the DAPZ and LDT were actually built for the RO and the NDT. Since these groups were not able to perform every single night, GP, guest programming, was founded to take care of the remaining part. Covering 70% of the programming, the name guest programming was not suitable anymore. As the new CEO stated:

“We work for guest programming, but it is actually the other way around. This is our house and we have 2 permanent performing groups, they are our guests. But it is our house!”

The chairman of the supervisory board of DMC indicated that other problems the organization dealt with were its elitist image and an unclear programmatic vision:

“GP was a non-descript, a receptacle of program elements. If people would ask us: What is your programmatic vision? Where does these buildings stand for? We wouldn’t have had a clear answer.”

In addition, due to a conflict with the former CEO and vacancies, the composition of the management team of DMC is subject to several changes as well.

Thus, DMC operates in a turbulent environment with many issues, challenges and opportunities that require changes within the business model to remain competitive. The initiatives for change, of which some of them are already visible, will be discussed in the findings chapter. Therefore, the case of DMC provides a fertile soil for research on the business model change process.

Results

Business model change initiatives of DMC

The first goal of the interviews was to gather data about the different initiatives for changes and the ways these changes could be made. This data could be categorized into the above mentioned core components of the business model framework. In Table 1, an overview is provided of all the identified initiatives that will be elaborated on in this section.

Insert Table 1 around here

Value propositions

In response to the issues discussed in the case description, DMC formulated three main pillars, which could be considered as their new value propositions:

1. International and national excellence in programming.

DAPZ and LDT have a long tradition of offering high-quality shows in dance and classical music such as opera due to the existence of the RO and NDT. Because RO and NDT are only able to take care of 30% of the capacity for shows in the theatre complex, DMC wants to complement the program in this genre in order to strengthen the pillar of international and national excellence.

2. Quality for a broad audience by programming popular genres such as pop concerts.

Although the DAPZ and LDT were already known for offering high-quality shows, there were still too many shows considered as mainstream by several informants. The CEO of DMC stated:

“If you would compare the programming of this season to those of Zoetermeer and Rijswijk, then you will see a lot of doublings. I don’t want that anymore.”

In addition to this, the chairman of the supervisory board had the following statement:

“Choices needed to be made. It wasn’t bad, but it wasn’t very special either. This means an explicit choice for a certain vision of programming, which contains elements that really suit in this theatre. No programming that you could see anywhere. Let special formats come back. So it is all about the recognition of the programming.”

Hence, an explicit choice has been made for exclusive shows of international and national excellence in order to differentiate from other theatres. The theatre aims to get the international shows to The Hague, under the condition that these groups will not perform somewhere else in the Netherlands. However, the CEO of DMC explicitly mentioned there is a difference between top-of-the-bill quality and high art for the elite:

“It has nothing to do with high art for the elite. It is just about the best quality of all different genres that we provide here. That could also be a spectacular circus performance from Australia.”

A good example that shows that DMC aims to reach a broader target group is the programming of pop concerts. One of the big issues the organization had to deal with was that the target group they reached was relatively old, even compared to other theatres.

The Marketing Manager of DMC explained that this was due to the type of programming:

“The average theatre visitor is 48 years old, which is a national average. We would like to bring that down. Here it is even higher because of the programming, especially in the Philipszaal. That is mainly classical music.”

To bring the average age of the visitors down and to reach a broader target group, DMC decided to programme pop concerts. In this way, the organization aimed to attract younger visitors to visit the theatre.

“By programming pop concerts, you will attract people that normally wouldn’t go to the theatre. With this concerts, you could build a new audience and maybe they would like to try some other shows as well.”

The advice committee of the municipality of The Hague supports the programming of pop concerts. Besides reaching a broader target group, they also see some other benefits. They would recommend DMC to intensify this element, because it will contribute to the publicity of the theatre, even outside the region of The Hague, and it could be expected to have a positive effect on the exploitation. The business controller of DMC emphasized the interdependency between the pop concerts and the pillar about international and national excellence:

“On the one hand, you want to have international excellence, for which you need to pay a high price. On the other hand, you also want to reach a broader audience such as immigrants. To make a pillar of that, you generate more income to attract the exclusive international shows.”

3. Being a home for all different groups of the society of The Hague.

The third new pillar of the DMC is that theatre needs to become a home for the whole population of The Hague. As the marketing manager mentioned:

“We are working on getting diverse groups from The Hague into the theatre. The Hague is a very multicultural city. That is not really reflected in the audience of the theatre. We want to become a theatre for the whole population of The Hague.”

As already mentioned, the theatre had a specific target group, which could be considered as quite old and high educated, while The Hague is a city with many different cultures and diverse groups. Therefore, the DMC wants to broaden their target group by providing events that are specifically focused on diverse groups of the population.

Key resources

In order to deliver these new value propositions, the DMC needs key resources. Although several key resources were obviously already available within the organization, certain new key resources are required. At this point in time, some of them are already developed or attracted, while some others are not available yet.

1. Strong brand

As explained in the case description, the DMC lacked a clear profile. The organization was founded to fill up the program of the theatres DAPZ and LDT, because the RO and NDT could only perform a certain amount of shows. The name guest programming did not do justice to the vision and goals of the organization. The organization did not have a negative image, it just lacked image. People still considered DAPZ and LDT only as the home of the RO and NDT. Although this is partly through, the DMC needs to make clear that it is mainly their house by improving their brand. The CEO of DMC stated:

“A change needs to be made. Internally, this needs to be reflected in the programming, profiling and marketing to the target group. This needs to become a strong cultural house with two permanent performing groups. That is the goal.”

The marketing manager complemented on that by mentioning that visitors should have the DAPZ and LDT in their mind when they want to go to the theatre instead of just going there because a specific show will be performed.

“We want people to say: “It’s holiday, what do we want to do? Let’s have a look at the Lucent Dans Theater, because they always do nice things for children.” Likewise for pop concerts.”

According to the chairman of the supervisory board, the lack of a strong profile is also caused by the complexity of the organizational structure and having two theatres in one complex. There was no common vision formulated by the three different organizations GP, RO and NDT.

“There was no strong drive to work together in marketing and branding. For example when you ask people what they think of the Concertgebouw, you will get answers about quality and admiration. I think that is more difficult here. People have a certain association with the Concertgebouw. I doubt that this association is here as well.”

“Therefore, we decided to restructure the organization. We wanted to have one person that would be the face of the theatre. That is the new CEO, the host of the theatre. (...) Our task is to give the branding of the theatre a face, not only in our hospitality, but also the programming. By 2018, I want to see a theatre that excels in hospitality. And whether you are in the top or the bottom of the demographic social spectrum, you need to say: it is accessible and I feel at home in this theatre.”

This is one of the reasons why the conservatory will become a permanent performer in the new building as well. The DMC hopes that this will result in a younger image.

2. New building

As already mentioned above, a new theatre will be built that will replace the old DAPZ and LDT. This new theatre will be called Spuiforum and needs to be ready by 2018, when The Hague will be the European Capital of Culture. The new building will help the theatre to deliver their new value propositions. As the Program Manager of DMC mentioned:

“It will have more facilities. More capacity, which makes it interesting for many pop groups. There is a need for a pop hall with a capacity of at least 2500 people.”

It could be assumed that a new theatre will have several benefits that will improve the image of The Hague as a cultural city. A new impressive building will contribute to the goal of DMC to strengthen their brand and build a strong cultural house, where shows of international and national excellence will be more willing to perform and the whole population of The Hague will feel at home.

3. Cooperation with RO and NDT

The improved cooperation with the two permanent performing groups RO and NDT could also be described as a new key resource. At this moment, the cooperation is mainly focused on efficiency and marketing. The marketing manager of RO considers this as an important first step:

“At this moment it has just started. On the long term I would like to have an overarching marketing department that will focus on the marketing of the complex. At this moment, we mainly try to achieve purchase benefits, so it is on a very small scale yet.”

The marketing manager of DMC agrees on this by emphasizing the importance of cooperation because of the overlap in visitors of RO and DMC.

4. Partnership ‘t Paard van Troje

The established partnership with ‘t Paard van Troje is a perfect example of a new key resource that is required to deliver a new value proposition. Through the relationship with ‘t Paard van Troje it will be a lot easier for DMC to program pop concerts. As a well-known pop stage, ‘t Paard van Troje could provide important expertise and their valuable connections in the pop business to DMC. The CEO of DMC said the following about the partnership:

“It was quite simple. ‘t Paard has got a capacity of 900. As certain pop groups will become too big for this stage at a certain moment, we are a great alternative. This partnership is important for both parties. It was very frustrating for ‘t Paard that they gave opportunities to groups to show themselves on the stage, but once ‘t Paard could make profit on them, they lost them. From our perspective, it is important to get the expertise and connections from ‘t Paard, because the pop business is very complicated. So there was a common interest. This means that when we program pop concerts with ‘t Paard, we share the revenues.”

5. New human resources

With, amongst others, the new CEO, a new marketing manager and a new senior manager, it could be concluded that there has been a major change in the human resources of the DMC. It could be concluded from the interviews that they all contribute in a certain way to the new value propositions or other key resources. According to the chairman of the supervisory board, the new CEO is seen as a cultural figurehead who will contribute to the development of a strong brand.

“Preferably, you would like to have one person who will be the host of the theatre. Since DMC is responsible for the main part of the visitors, we needed a CEO that could literally be the face of the theatre.”

Furthermore, there is also a new employee hired that is specified in organizing events that are focused on specific target groups to increase the diversity amongst the visitors and to become a home for all the different groups of the society of The Hague.

These people are examples of new human resources that are required to realize new value propositions or other new key resources. It could also work the other way around. Changes in human resources could potentially emerge new value propositions, key resources and processes based on individuals’ expertise, experience and network. Later on in this section, these dynamics will be discussed.

6. New organizational design

The merger between SEM and GP could also be considered as an important change that affects the business model of DMC. The main change is that RO and NDT are no longer responsible for the exploitation of DAPZ and LDT, as the CEOs of both organizations left the board. The merger is important for the development of DMC in the future, since it has become easier for to create a strong profile.

“I noticed that the merger came just in time to play a role in the discussion about the exploitation and programming of the new theatre. In November, the city council discussed openly about the option for a commercial operator. But because of the merger, they are convinced that the exploitation needs to be done by the DMC. It gives me a better opportunity to profile ourselves as the operator and programmer of this house.”

Key processes

Several key operational and management processes of the DMC are changed in order to deliver the key resources and value propositions. Since (2008) describe rules, norms and metrics as protectors of the status quo, these changes are required to ensure the organization will be able to move forward and realize its goals.

1. Customer-focused approach

Several informants mentioned the shift to a more customer-focused approach as essential. Until recently, the theatres just created a program in line with the preferences of the artistic employees without involving the needs of the customer in this process. The senior manager said the following about this shift in approach:

“The cultural industry has lived on a pink cloud for a long time. I believe that it is very important that the whole organisation will adopt a more customer-focused approach. That is something I preach. You always need to realize that the customer is priority. It starts with your visitors. The theatre competes for visitors.”

This approach needs to become an operational norm incorporated in all strategies, plans and initiatives of the organization in order to fulfil the needs of the customers and reach a broader target group. The marketing department has started with building a Customer Relationship Management System, which enables DMC to create customer profiles and approach different customer groups in different ways.

2. Performance demands: targets

The introduction of key performance indicators and targets indicates the process of increasing professionalization within DMC. As it seems to be very normal for an organization to have these targets, it was not incorporated in the cultural industry in general and DMC specifically due to the subsidies. Several informants indicated that the subsidies offered space to a program that was more composed based on feeling instead of a structured method that takes the costs and potential revenues into account. According to the business controller of DMC, setting targets creates a certain pressure and responsibility.

“Now you can say to the programming manager: you can do the negotiations, but in the end you have to gain 100.000 euro on all shows.”

The business controller explained that the advantage of setting targets is that one can monitor the process and intervene when it seems to become difficult to realize the target:

“Earlier we just looked after the show if the expected amount of visitors was realized. Then you’re always too late. If you monitor in time that it will be difficult to realize the target, you can already respond on a low ticket sale beforehand.”

3. Automation and digitalization

Automation and digitalization of processes and systems will also contribute to the efficiency of the organization. One of the best examples that shows that DMC is behind on this aspect, is that the organization still works with paper tickets instead of e-ticketing. The marketing manager mentioned that although paper tickets and brochures are way more expensive than digital versions, most visitors of the traditional target group prefer the physical ticket. Therefore, the e-ticketing system is not introduced yet, but should be implemented soon to, amongst others, reduce costs.

In addition, the new senior manager strives to simplify all the processes by implementing a new POS system:

“There is a lot of work to do. You’ve got all kind of different systems: a hospitality system, accounting system, planning system. These all need to be connected with each other. Sometimes manually, sometimes digitally. It is fun to provide insight on that and to investigate where you could simplify things by using new technological opportunities.”

Although these changes does not seem to have a large impact on delivering the value propositions and key resources on the first sight, without these essential changes the organization will not move forward as fast as it could be as money and time will be wasted.

Profit formula

DMC has not made radical changes to their revenue model or cost structure. However, some incremental changes caused by the new value propositions, key resources and processes have been noticed.

1. Increase in quantity of programming

DMC aims to generate more revenues by increasing the quantity of the programming. When the theatre hall is empty, it only costs money and a chance is missed to gain revenues. Therefore, the intention of DMC is to fill up the hall as much as possible.

2. Reducing costs through efficiency

The implementation of a more professional attitude and more structured organizational processes within the organization will eventually lead to more efficiency, which consequently will save costs and also increase revenues. The CEO of DMC gave an example on how this may be realized:

“For example, when it turns out that requests for commercial exploitation are rejected 8 out of 10 times, because the theatre is not available, we can try to bring that down from 8 to 5 times. How can we do that? Do we need to program less shows? Or do we need to program on different days? And do we want that? First you need the information, then you can make a plan to manage this.”

The main purpose of the improvements in the business model is to attract more visitors in order to increase the revenues of the organization. However, no explicit changes such as a new pricing strategy or cost structure are made so far.

Interdependencies between and within core components

There are some clear interdependencies between several new key resources and new value propositions, which is line with the proposed business model frameworks of Johnson et al. (2008) and Demil and Lecocq (2010). These interdependencies can roughly be divided into two categories. The first category consists of key resources and processes that are developed or attracted intentionally to deliver the new value propositions. Examples of this are the established partnership with ‘t Paard van Troje to deliver the pop concerts and the hiring of an employee specialized in target group specific events to become a home for all different groups of The Hague. The second category of interdependencies is the result of side effects. For example, DMC aims to attract international and national excellence to the theatre, this will automatically affect the profile of the organization. The same can be expected from pop concerts. Through these new value propositions, people will presumably associate the theatre with high quality as well as a broad genre of shows. Vice versa, the

development of a strong brand will make it easier for DMC to attract these excellent shows to the theatre, because these shows only want to be identified with the greatest theatres. Furthermore, a strong brand will also contribute to deliver the new value proposition to become a home for all different groups of the population of The Hague. These dynamics are side effects in the sense that the main purpose of building a strong brand is to attract more visitors.

The results also show interdependencies within core components. For example, the new value proposition to program pop concerts will also strengthen the DAPZ and LDT as a home for all diverse groups of the population of The Hague. Through the pop concerts, DMC will be able to reach a different target group than it reaches with the programming of classical shows. Therefore, the two value propositions overlap each other because they both broaden the target group of the theatre.

The influence of DMC's managers on the business model change process

The initiatives for business model change discussed above have been the result of ideas of the people that are or were responsible for the management of DMC, the former GP and SEM. In this section, the decision processes that resulted in these initiatives will be analysed. By doing this, insights can be gained in the effects of executive succession on the type of business model change initiatives.

In Table 2, an overview of the main prior work experiences of the developers of the business model change initiatives is provided.

Insert Table 2 around here

It is important to notice that these initiatives for change were not all developed at the same time. Due to, amongst others, their interdependent characters, as discussed above, it is a consecutive process that could be distinguished into four different stages up till the moment the case study was conducted at DMC (Figure 1).

Insert Figure 1 around here

Stage 1: Initiating the business model change process

In the case of DMC, there is a clear marking point where the process for business model change is started. As the chairman of the supervisory board stated:

“A conflict has clearly been the catalyst to bring parties together. I was responsible for the latter as a chairman of GP. When the conflict broke out, I also became chairman of the SEM. So I managed that process.”

The chairman has several clear ideas about improvements within the organization and towards what direction the organization should move. Based on his experience for leading organizations in the profit sector, the chairman identified certain issues. During his first years within the organization, he had noticed that the complicated organizational design caused several tensions. As former general director of an advisory company that amongst others is specialized in structuring organizations, he understands the importance of a transparent administrative construction. The chairman of the supervisory board also emphasized the need for a strong brand in order to show the importance of the theatre for The Hague. There was no clear programmatic vision and no structured branding and marketing strategy. Furthermore, the theatre needed to have a CEO that could be the face of the organization, a cultural figurehead.

Stage 2: Shaping the right conditions for the new business model

After the former CEO left, an interim CEO was appointed by the Supervisory Board to effectuate several changes. One of the main tasks of the interim CEO was to simplify the organizational structure. As being an interim CEO for already thirteen years, mainly within the non-profit sector, he is very experienced in dealing with managerial conflicts and simplifying complex administrative situations and organizational designs.

“Because the conflict also revealed the problems between the boards of SEM and GP, my task was to identify how this could be better organized in the future. I was asked to do this because of my experience with similar situations.”

Because of his extensive experience with realizing mergers, the interim CEO was able to come up with a proposal to simplify the organizational design. However, he emphasized that this design was

specifically developed for the situation of this theatre, since there is not just one model that could be applied in any situation.

The interim CEO created the administrative basis for the further strategic initiatives of the theatre. Furthermore, the interim CEO tried to diminish the tensions and rivalry and improve the cooperation between DMC, RO and NDT in order to contribute to the development of a strong cultural centre in The Hague. This was achieved through his style of leadership.

“I am someone who cooperates. I have been director of the Chamber of Commerce for a while. In this function, you do not do anything else than bringing parties together and support cooperation. (...) What contributes to the development of a stronger profile are the joint marketing efforts of the DMC, RO and NDT.”

Besides the cooperation with RO and NDT, the interim CEO also established a partnership with ‘t Paard van Troje concert podium to co-program pop concerts in the future. This proves that the extensive context generic human capital of the interim CEO, which consists of knowledge about specific strategic issues and prior experiences in amongst others organizations outside of the cultural industry has been really important for the first initiatives of business model change in the case of DMC.

Stage 3: Developing and implementing business model initiatives

In the first two stages, the chairman of the supervisory board and the interim CEO undertook the first initiatives towards a revised business model of the organization. This resulted in the appointment of the new CEO, who has a lot of experience within the cultural industry.

Prior experiences as CEO at amongst others the Stadsschouwburg of Utrecht allowed him to make relative fast decisions on what direction the programming of DMC should move to. One of the most important initiatives the new CEO introduced was the programming of special target group focused events in order to attract all the diverse groups of the population of The Hague.

“This has to do with my personal history. This is already the third theatre I work for and I always made that a main pillar.”

Another value proposition, which is about offering quality for a broad audience, is developed by the new CEO. Although the first ideas to attract a broader target group were already shaped in stage 1, the new CEO strengthened this value proposition by emphasizing the importance of exclusivity. As quoted earlier, the CEO did not want to program mainstream shows that are also programmed in other regular theatres. His large amount of knowledge and experience gathered during his prior management jobs at several organizations within the theatre industry enabled him to easily distinguish excellence from mainstream. Thus, this value proposition is also a clear result of his large industry-specific human capital.

Stage 4: Continuing towards a sustainable business model

To complete the new management team, the CEO hired a new marketing manager and a new senior manager. This marks the start of the fourth stage, in which the new managers developed their ideas that will contribute to the change of the business model. The marketing manager emphasized that DMC needs to offer more than just the show:

“We want the children to have a whole theatre experience. They will be there an hour before the show and stay one more hour after the show as well. We want the parents to say: ‘That is fun, it is a whole afternoon full of theatre related activities with a show in it as well. This is where we want to go with shows for kids.’”

The programming manager confirmed that the expertise of the marketing manager on this specific topic as a result of prior experiences is important for the theatre:

“I notice that she has got a lot of experience in the theatre industry. She has some interesting ideas about how to make the shows more attractive, especially the program before and after the show. (...) We’re making steps in the right direction, because she has already done similar things in the past.”

In addition, the marketing manager also mentioned the opportunity for DMC to distinguish itself with an excellent service level such as VIP treatments where people will pay for extra services.

The new senior manager, which is very experienced in internal business operations, contributed with ideas for automation and digitalization of certain systems. As a business manager for many years

at different organizations within the cultural industry, he aimed to implement a realistic business approach in order to gain better insights in the opportunities of the organization.

As shown on Figure 1, during the different stages, the composition of the management team has changed and the business model evolved due to the initiatives taken by the chairman of the supervisory board, the CEO's and the new management team members.

Discussion

The data analysis explored and traced the relationships between executive succession and strategic change, viewed through business model initiatives lens. The initiatives were a reflection of the contributions of the decision makers of DMC, which is in line with the general postulates of upper echelon theory where an organization is a reflection of its top managers' characteristics (Hambrick & Mason, 1984). DMC's managers developed their ideas based on knowledge gathered through their prior work experience. Not surprisingly, they pursued initiatives they had previously implemented successfully within other organizations.

Another important insight from the analysis is that the type of executive succession matched the stage of the business model change process. Each stage within the process required different knowledge and skills. Although a certain manager could be highly qualified to manage an organization, it could be that this manager would not fit that specific situation well. Instead of immediately hiring a new CEO who is extremely experienced in programming shows and has an extensive network within the theatre industry, DMC's Supervisory Board decided that some other characteristics and skills were needed first in order to create an optimal basis for success. Therefore, the interim CEO with his extensive knowledge about reorganizations was appointed first to shape a basis on which the new CEO with his industry experience could build further on. As a result, different managers with different backgrounds were behind the initiatives that composed the organization's strategy. In the first two stages, initiatives were developed with generic skills to shape a basis, which can be built on in the next stages with more industry-specific capabilities.

In addition to that, the highly interdependent initiatives were not all developed simultaneously, but consecutively. Therefore, four different stages of business model content change could be

identified at DMC. Strategy change followed a purposeful, teleological process (Van de Ven & Poole, 1995). The initiatives were added to and built upon each other in multiple ways in order to achieve the desired goals. The end state of the process can be considered as a state of rest.

Once the initiatives were identified, the role of executive succession could be revealed. Throughout these different business model change stages, different types of turnover played a role in the development of the initiatives, as new managerial human resources were acquired for the organization. Thus, in this case the organization's executive turnover can be considered both as a predictor and consequence of the strategy change. The type of succession that an organization needs depends on the stage of the business model change process. In the first stages, more generic skills may be required to shape the framework and basis for business model initiatives in the next stages. This was accompanied by turnover at the generalist positions in the TMT. In the next stages, more specialized knowledge and capabilities were required, when these initiatives were more related to the value propositions of the organization.

The findings of this study contribute to the literature by showing that business model change can be considered as a teleological process that consists of a sequence of events and stages. This conceptualization provides valuable insights on 'how' and 'why' strategy change occurs. In addition, relating business model change to the concept of executive succession increases the understanding of how business model change arises and what factors play an important role in this process. Business model change is not a stand-alone concept. It is the result of a set of strategic choices taken by the senior executives of an organization and the motives on which these decisions are based cannot be viewed separately from their profile and capabilities as they ascend on their positions.

This study provides valuable insights regarding business model change to any organization in general and theatre organizations in particular. The results create awareness on the different stages within the business model change process, which could help organizations better identify what kind of knowledge and skills are needed in a specific situation. In the case of theatre organizations, some phases require managers with broad profile above managers with extensive knowledge within the cultural industry. Moreover, if organizations already have set some directions for future business model change initiatives, these findings will make it easier to select a manager that has the right type

of profile to come up with ideas that suit with the envisioned directions. Although this study predominantly focuses on executives and managers that are new within the organization, future research should investigate how managers that already work for the organization will relate to strategy change. Will their resistance to change increase or will succession be accelerated? What is the role of the CEO to prevent this process? In this case, the strategy change process started at the same time a new CEO and new managers were appointed.

This study contains several limitations. The first limitation is about the lack of generalizability of the findings. The case study strategy incorporated a single case instead of multiple cases. Moreover, the context of the organization is specific, which makes it difficult to draw conclusions regarding business model change for organizations outside the theatre industry. Another limitation is related to the focus on succession as a broadly defined concept. Specific characteristics of managers such as their human capital, social capital or cognition (Adner & Helfat, 2003; Kor & Mesko, 2013), which were not incorporated in this research, might influence their business model change initiatives as well. The third limitation concerns the performance outcomes of change initiatives. Since the initiatives for business model change were only recently developed and some of them were not even implemented, it was not possible to conclude whether the initiatives are successful or not. Therefore, it might be difficult to use the business model change of this organization as a blueprint for other theatre organizations. However, these outcomes were irrelevant to the main purpose of this study, which is exploring the role of executive succession for strategic change.

The findings of this study imply several directions for future research on this topic. In response to the limitations mentioned above, a multiple case study or quantitative study could be conducted in order to confirm and generalize the outcomes of this study, within and outside of the theatre industry. Moreover, the same organization could be researched in a couple of years again to measure the outcomes of the initiatives taken. Furthermore, the different stages of the business model change process could be investigated in more detail. It is interesting to identify whether these stages are different for other organizations or if similar patterns for business model change can be discovered. It could also be interesting to focus on the degree of strategic change. In that case, the question would be if the type of executive succession affects the degree of business model change. Furthermore, the

turbulent environment in which theatres and other organizations within the cultural industry are currently operating in and the subsequent changes in behaviour, culture and structure, provide a broad range of opportunities for research to other management and organizational issues such as leadership or mergers and acquisitions. Since business model change is a relatively new concept, there are many opportunities to reveal unknown aspects of this concept. Since this study is only focused on the initial phase of business model change initiatives, it would be interesting to investigate what other concepts are important when the process develops.

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Tables and Figures

Table 1 Initiatives for business model strategy change of DMC

Business model core components	Strategic initiatives
Value propositions	<ol style="list-style-type: none">1. International and national excellence2. Quality for a broad audience3. Being a home for all different groups of the society of The Hague
Key resources	<ol style="list-style-type: none">1. Strong brand2. New building3. Cooperation with RO and NDT4. Partnership with 't Paard van Troje5. New human resources6. New organizational design
Key processes	<ol style="list-style-type: none">1. Customer-focused approach2. Performance demands: targets3. Automation and digitalization
Profit formula	<ol style="list-style-type: none">1. Increase in quantity of programming2. Reducing costs through efficiency

Table 2 Main prior work experiences developers of business model change initiatives DMC

Position within DMC	Date started at DMC	Main prior work experiences
Chairman of the supervisory board	2006	<ul style="list-style-type: none"> • Director Shell The Hague • Director advisory company Boer & Croon Amsterdam • Chairman Red Cross The Hague
Interim CEO	Sep 2011	<ul style="list-style-type: none"> • Interim manager/consultant - multiple projects focused on cooperation and mergers, predominantly within cultural industry • Director Chamber of Commerce Gelderland
CEO	Sep 2012	<ul style="list-style-type: none"> • Director Stadsschouwburg Utrecht • Director Theater Instituut Nederland • Member Raad van Cultuur • Several positions at other theatres
Marketing manager	Oct 2012	<ul style="list-style-type: none"> • Marketing manager Stadstheater Zoetermeer • Brand manager Heineken Aruba • Stage Entertainment – Sales and marketing for Circustheater and Beatrixtheater
Senior manager	Apr 2013	<ul style="list-style-type: none"> • Director Het Lab Utrecht – theatre production house • Founder Het Kantoor, nieuwe zakelijkheid in podiumkunsten • Business manager Stichting Hal 4 • Owner hospitality company

Figure 1 Overview of business model innovation process of DMC



