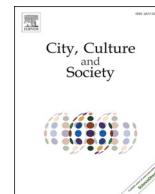




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An innovative social enterprise: Roles of and challenges faced by an arts hub in a World Heritage Site in Malaysia

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ABSTRACT

This research examines the roles of an arts hub in George Town, Malaysia, a UNESCO World Heritage Site. Operating largely as a social enterprise, it has fostered links between the local cultural sector, international arts actors, local communities, and tourists. But this innovative approach does encounter some challenges. This research employed a structured questionnaire and in-depth interviews with key persons, to understand the adopted management strategies and innovation practices. The arts hub has converted a derelict bus depot into an arts space serving both artists and local communities. This place-making effort has gained international acclaim for its innovations and community engagement. But it is a “meanwhile” space, precarious in nature due to land development threats as it is located at the edge of the old city centre, just outside of the world heritage site regulated zone. It also faces challenges in financial sustainability; further innovation in its business model is warranted particularly in revenue model innovation and partnership-building with the public sector and the tourism industry. The organisation is the focal point of an extended international and local art community in a mini-entrepreneurial ecosystem. It survives by finding innovative ways, taking some risks to obtain resources, retain and nurture talent, and reach out to the community. The research helps to provide a greater understanding of the potential roles and challenges faced by innovative social enterprises in the cultural and creative sector worldwide.

1. Introduction

The arts, their production, marketing and consumption, have grown in importance and variety, and changed enormously in recent years, in terms of their management, funding, style, content and impacts. In physical terms, AEA Consulting (<https://aeaconsulting.com/>) notes that in 2017 alone, 107 major new arts facilities were opened globally (see Rocco, 2019, p. 128). The number of new, smaller, local arts centres and hubs, performing arts centres, galleries, museums, and cultural districts is inevitably far greater. The arts have also become big business, and now work closely with many partners, including broadcasting, publishing, tourism and recreation, and rural and urban regeneration projects. A once very traditional and public sector funded area has become highly innovative, politically recognised, and, perhaps above all, entrepreneurial in many ways. This article examines the issues and

opportunities surrounding the arts sector in a small heritage city in a developing country in Asia, particularly the development of a new community arts hub, and examines how it now works with many different businesses, local communities, and has become an agent of cultural and societal change. This represents an effort of self-gentrification (Chan et al., 2016) by local community under the threats of commercial and tourism gentrification.

1.1. The research site

George Town, a post-British colonial town in Penang, Malaysia, has experienced the growth of tourism and an influx of external capital investment following its inscription as a UNESCO World Heritage Site (WHS) in 2008 (see <http://whc.unesco.org/en/list/1223>). As in other emerging tourist sites, gentrification can happen when planners attempt

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to develop a city or region as a tourist destination and offer opportunities for tourists, attracting investment and inducing economic development (Chan et al., 2016). Top down approaches to development might not always be successful in helping long-term local residents; in many instances, development is detrimental to the livelihood of local residents, causing their displacement and the erosion of their cultural heritage. However, there has often also been an increase in cultural activities, partly owing to their economic value to the rising tourism sector. Nonetheless, gentrification can also generate stronger place and cultural awareness among the local people, creating initiatives by local residents to reclaim their space (Chan et al., 2018), conserve their heritage and improve their economic and social standing. This is happening in George Town (Think City, 2016). But there is limited understanding of how local residents could achieve the above objectives sustainably and how they could cope with the challenges they encounter. In order to understand how a small creative sector formed by local residents can successfully secure its place alongside other existing organisations, governmental sectors, and particularly commercial and property development, this article looks into the innovations, development and challenges of a community arts enterprise in George Town.

Cultural producers, including artists, writers, curators, performers and marginalised groups, embody different narratives of a post-colonial city (Beswick et al., 2015). In the case of heritage and cultural-rich localities, creative workers and artists might be attracted to the areas and be among early gentrifiers. But they could also contribute positively by enriching local cultural content and diversity, as well as enhancing local resident engagement in cultural activities. The organisation examined in this article, formed by a group of private local investors with the intention of cultivating the local arts community, provides a platform and space, and works with both local and non-local artists. Although the organisation was meant to at least break-even financially, they have in practice prioritised their social mission as they do not face pressure from investors to achieve strong financial returns. Therefore, we argue that although the case study organisation was set up as a private sector venture, it uses a social entrepreneurship approach in practice, accommodating around twenty artists with extremely low rent as a support. We use the case of this artistic hub as an example to analyse and describe how an arts organisation can play the role of a creative and a social enterprise that cultivates its local art community and increases their connections with the resident community. To have a comprehensive understanding, we look into how they engage with artists and local residents, how they innovate and what type of innovations they have chosen, as well as their approaches to funding issues and the challenges of financial sustainability.

This article shows how the organisation, as an established resident in George Town, initiated innovative approaches and sought opportunities to improve the social standing of the local arts community. It has built an extended network based on previous collaborations, enabling it to adopt a social enterprise approach to support its members, placing it into a key position in the local creative industry and cultural sector.

1.2. Literature review

1.2.1. Gentrification

Gentrification (Glass, 1964), a global phenomenon in many World Heritage Sites, results in the displacement of long-term residents and can erode local culture and heritage. In Glass (1964), the term gentrification was used to describe the phenomenon of changing housing stock in Islington, London, caused by new industrial structures (Ley, 1981, 1996) and the changing preferences and working patterns of incoming white-collar workers (Butler, 1997; Ley, 1980). Since the 1990s, gentrification has been seen as a “generalized urban strategy for municipal governments in consort with private capital in cities around the world” (Lee & Han, 2020; Smith, 2002, p. 441). As a result of structural changes in the economy from industrial manufacturing to post-industrial business, the lower classes were displaced by

upper-middle classes (Smith, 2002; Zukin, 1995). State-led gentrification is increasingly a feature of many Asian cities (Kim, 2016), while local governments adopt gentrification as an urban regeneration policy: “inter-urban competition intensifies the homogenisation of urban landscapes at the expense of visual and conspicuous urban transformations led by local governments through activities such as festivals, exhibitions, and various cultural events, thereby dismissing everyday lives on the level of mundanity” (Kim, 2016, p. 134). This policy also results in the manufacturing-based economy being replaced by post-industrial knowledge and service-based economies such as tourism, creative industries, and cultural sector - a phenomenon in making in the research site in Penang, Malaysia (Chan et al., 2017).

According to Zukin (2010), artists who have the ability to interpret the meanings of cultural values would also be able to become involved in framing the spatial appropriation and selling cultural products. For example, in New York and Los Angeles, the presence of artists in studios and galleries and displays of art has contributed to cities claiming world status (Zukin, 1995). Furthermore, the presence of artists would also attract other professionals who share the same or similar cultural capitals (Lloyd, 2002; Peck, 2005). In addition to artists, Lloyd (2002) examined ‘digital bohemia’, including young musicians, and designers in media and technology industries, around Wicker Park in Chicago, concluding that their subcultural affiliations also play important roles in forming the post-industrial economy. And Romero-Padilla et al. (2016) extend those linkages to coastal tourism destinations in Mediterranean Spain: successful destinations attract creative capital, and that can form a virtuous circle between tourism and the creative industries.

1.2.2. Cultural entrepreneurs and social enterprise

Apart from government policies, the influx of creative classes (Florida, 2002) can also transform urban areas. Peck (2005) points out that among the creative classes, there are many service workers and low income cultural producers. It is also important to understand their strategies of living and working in urban areas (Doucet, 2009). Zukin (2010) uses the term cultural entrepreneur to refer to artists, writers, musicians and other cultural producers, with roles as both artists and business people, who are mainly based in local communities. Cultural entrepreneurs could be seen as those who occupy the upper-middle class in the overall creative class. However, instead of replacing or displacing others, they provide comfortable social spaces (Kim, 2016). In particular, the ability to accumulate and manipulate cultural capital is key for cultural entrepreneurs who have the distinctive taste, skills and knowledge for turning cultures into business (Bourdieu, 1984). Cultural entrepreneurs were defined by DiMaggio (1982) as “cultural capitalists” who recognise the opportunities in producing value in the cultural domain.

In this article, an arts organisation, is selected as a case study to illustrate an instance of cultural entrepreneurship where the entrepreneurs teamed up and operate in a social enterprise approach with an intention to cultivate and develop the local arts community. The organisation empowered local residents to self-gentrify in a city where gentrification is taking place. This article demonstrates how they ride against the wave of gentrification, trying to occupy the “space” and helping their community of artists to excel, as well as promoting art and appreciation of arts among the local residents.

With the rising emphasis on cultural and creative industries, the number of arts-based social enterprises has increased (Terjesen et al., 2012); while the art market and investment is gaining in popularity and growing globally in recent years as reported in (Deloitte Art and Finance Report 2013, 2017), government funding for the arts is declining. McQuilten et al. (2015, p. 15) argue that “in a context where there is a greater reliance on self-generated income due to lack of government and philanthropic support”, social enterprise in the arts is commonly found in the areas of textile art, craft, fashion and design as opposed to the areas of exhibitions, dealership and gallery sales, where access to capital is easier. Initiated by the mission of empowering the local community,

the organisation studied in this paper shares the characteristics of a social enterprise, recognised as an organisation that applies business approaches to achieve its social mission (Dees, 1998; Nicholls, 2007).

In addition to social enterprise, arts entrepreneurship is a specific form of entrepreneurial activity that has attracted increasing interest in the arts management literature and in the broader entrepreneurship literature. It is defined as the management process through which cultural producers can create artistic as well as social and economic value, while they maintain their autonomy and support their creativity (Chang & Wyszomirski, 2015). Courses on arts entrepreneurship have been added to arts school curricula and there is increasing emphasis on how artists can attract new audiences; the need to attract younger, more technologically savvy audiences and the decline in government support for the arts are factors driving arts entrepreneurship (Chang & Wyszomirski, 2015). Sacco and Segre (2009) have discussed how fostering local entrepreneurship contributes to a region's cultural development. However, arts administrators have raised concerns that arts entrepreneurship shifts the focus towards monetary success rather than artistic merit (Beckman, 2007).

Although creating wealth is not the priority of social enterprises, they still have the same challenges that private enterprises have in order to survive in the market. Social enterprises operate as an enterprise but serve a social mission. Their hybrid characteristics also raise new challenges (Alter, 2004). Compared with private sector organisations, Austin et al. (2006) point out that social enterprises have more difficulties in obtaining enough resources, such as recruiting talent, and limited financial resources. It has been recognised that applying management strategies from private enterprises could help social enterprises to secure resources and manage the organisation effectively (Kearns, 2000; Renz and Associates, 2010). To proactively face the challenges, Dees (1998) suggests it is necessary for social enterprises to emphasise their innovation and social influences, while achieving different objectives in different stages in order to eventually have a great impact of the society.

As the study from Social Enterprise UK (2013, p. 32) demonstrates, "social enterprises are considerably more innovative than their SME peers". Westall (2007) argues that innovation is important for a social enterprise, helping the organisation to explore opportunities and tackle limitations, as continual innovation makes the organisation more capable of obtaining resources, finding opportunities for collaborations and creating tangible impacts.

1.2.3. Innovation

The importance of innovation was suggested by Schumpeter in the early twentieth century. He stressed that, in developing economic entrepreneurship, innovation is essential for any entrepreneurial activity that creates economic growth. He believed that innovation (new, at least, to the said sector, country, but not necessary entirely new to the world) is critical for profit, however defined, and pointed out five types of innovations (Martin, 2016; McCraw, 2007; Schumpeter, 1934, p. 65):

1. A new or an improved product;
2. A new or an improved process;
3. The opening of a new market;
4. The acquisition of a new source of supply of raw materials or semi-finished goods;
5. An organisational change

All these types of innovation are still related to entrepreneurship in the present day; now neo-Schumpeterianism has started to take more social factors into account. Although technological innovation is the most common form of innovation, other areas, such as innovations in organisational, institutional and social perspectives are now recognised (Hanusch & Pyka, 2007).

McQuilten et al. (2015) suggest that innovation for social enterprise in art needs to focus on the strategies of "constant research for new markets and products, and innovative ideas for production and design

aimed at increasing the level of creativity among the employees" (McQuilten et al., *ibid*, p. 28). This suggestion of McQuilten et al. (*ibid*) is particularly useful in this research, as the organisation under study is considered a social enterprise in the creative sector.

For analysing innovation in the creative sector, Miles and Green (2008) suggest a diamond framework as a taxonomy for types of innovation, identifying six dimensions: i.) Cultural product; ii.) Cultural concept; iii.) Delivery; iv.) User interface; v.) Technology employed; vi.) Process of production (see Fig. 1). The first four dimensions are on the horizontal plane of the diamond framework, representing the types most prominent in creative sectors but hidden from most of the major innovation indices and data (Miles & Green, *ibid*).

Innovation could happen in either the "Cultural product" or the "Cultural concept" embedded in the product. The product is the "form" (e.g. street mural, painting, sculpture, film, video, photograph, play, or a set of design specification), which carries cultural meaning and information - the "content" (Cultural concept). Innovation in "Delivery" refers to new approaches in the product's consumer accessibility, for instance, through online, social media or gallery display. Nonetheless, there is increasing demand for active user participation rather than primarily one directional, passive reception of the cultural product and content. Therefore, innovation in user/audience interaction i.e. "user interface" innovation, has gained substantial attention in order to enhance user experience. Technology (and innovation in its usage, such as immersive technologies) has increasingly played an important role. These dimensions are used for the analysis here, but the focus is placed on examining organisational innovation to enhance innovation activities in cultural product, content, delivery and user interface.

Wilson and Stokes (2006) argue, for entrepreneurs to take any innovative development, it is necessary to work with others, to best mobilise resources. SMEs in the creative industries are often constrained financially (DCMS, 1999), therefore, strategies for channelling resources are essential in overcoming limitations. Osborne and Flynn (1997) recognised these issues in social enterprises noting that an innovative organisation tends to be more outward-oriented and have a stronger strategic network. "Relational resources" (Dacin et al., 2010, p. 48), such as actors' social networks and social interactions would attract attention

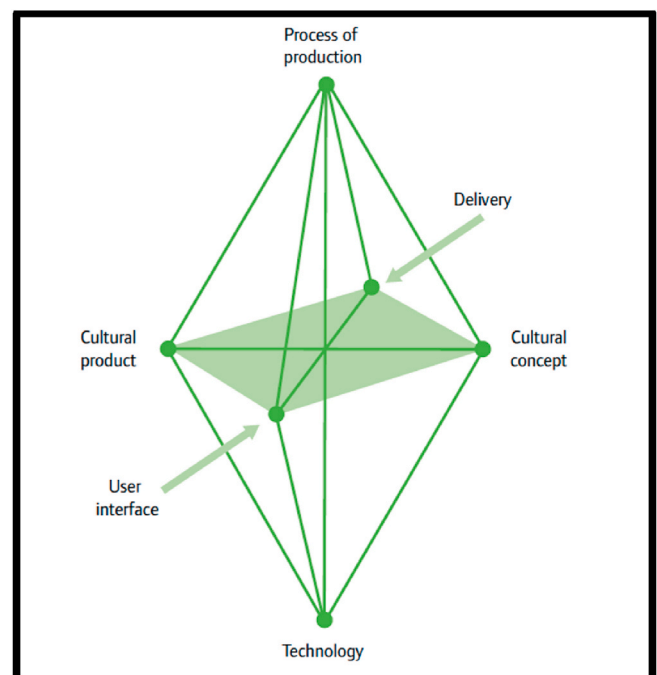


Fig. 1. Diamond framework of innovation in creative sector. Source: Miles and Green (2008).

from social entrepreneurs in order to introduce external resources and further minimise limitations (Dacin et al., 2010). As Freeman (1991) stated, there are many actors involved in innovation development, therefore, the network and relationships with other organisations are also the subject of the examination in this research in order to understand why and how innovations take place in a cultural sector.

2. Methodology

This study examines the development of the organisation, its achievements and challenges, through a combination of questionnaires, social network analysis and qualitative data collection methods via interviews. The research was conducted as part of a research project to understand the overall network and innovation development of the creative and cultural sectors in George Town, Malaysia. The chain-referral method was used to identify and select sample organisations which met the main criteria i.e. be part of the creative and cultural sector. Data collection included a semi-structured questionnaire and then followed with in-depth interviews with the management team.

To build the general picture of George Town's creative and cultural sectors the semi-structured questionnaire was designed, focusing on 3 main sections: i.) Respondent's background and organisation information; ii.) Innovation activities; iii.) Social network.

- i.) Interviewee background questions focused on their position within the organisation, including years of involvement, other roles in the town and experience of working in the creative/cultural sector.
- ii.) Questions on innovation were further divided into: a) innovativeness, b) risk taking and c) pro-activeness (Anderson et al., 2015; Chan & Lean, 2018; Miller, 1983). For each question, respondents had to select, on a 5-point Likert scale, how their organisations or managers strategize behaviour pertaining to the above dimensions of entrepreneurial orientation, and provide explanations for their answers.
- iii.) For social networks, categories included: the funding network, the information network and value chain actors. The funding network included questions about the flow of the funding into the organisations and the outflow if the organisation funds others. Similarly, the information network included sources of information (has the organisation received any advice?) and whether they provided advice/information to other organisations. The value chain actors assessed their collaborations with the other organisations. Collaborators were defined as other organisations they worked with but without paying or receiving money from them.

There were three in-depth interviews conducted: with the general manager, the gallery manager and an on-site graphic designer, in early 2018. These emphasised management goals and strategies, and their advisory and support network in the area as well as their relationships with other organisations. Two main sections included innovation development and the organisation's network. We asked about the origins of the venture and how their first temporary exhibition led to a permanent gallery. We further asked about their perspectives on the whole arts and creative industries situation in the city and region, and the responses of the general public/community, leading to discussions about motivations and approaches to innovation development. Other areas included the short and long-term intentions of their network, their sources of talent and ideas, working with other arts organisations, international artists and governmental parties. Finally, we invited them to share their plans for the next 5–10 years.

2.1. The context of the arts hub, and its position in the sector

The George Town arts hub is located in a heavily developed central

area, where space for leisure and the arts is scarce, and connections between the arts community and local residents are limited. A bus depot was built on the site in 1947 and operated by a private company. It was closed in 1999 and left empty as private cars and motorbikes become the main mode for mobility in Penang. Until then colourful buses from diverse operators roamed the streets of Penang (see Fig. 2).

In 2013 the bus depot was reused as a temporary “meanwhile” place to host an exhibition by a visiting Lithuanian artist, who had gained fame with the introduction of street murals. To hold the exhibition, the depot was repaired and renovated. The new exhibition attracted attention from the public and media. The managing team was then encouraged by the State Government to manage the place as a contemporary art space for Penang. It expanded from a mural art space to include a gallery, deck, mural garden, lawn and retail outlets. It now includes an art gallery, innovative shops, artists' workshops and a pop-up art market held every Sunday morning. It became a creative hub for young artists and businesses with innovative approaches, especially start-ups. Most significantly, it has attracted many local residents as well as overseas tourists.

The hub plays an active role in the arts community. Its managing team of four consists of managers, curators and designers, responsible for exhibitions, creative events and business. Unlike other fine art galleries, the hub is positioned to provide a platform for emerging artists and aims to increase the accessibility of the arts to the general public. The general manager says, ‘we really want to focus and do good art ... you know people come, people start to enjoy the art and hang out and enjoy the space as well.’ The focus is on offering creative experiences to its local community and to be an incubator for young artists. It distances itself from the ‘white cube’ kind of galleries and identifies with the popular trend towards street or public art. Five years ago, interactions between the arts community and the public in Penang were limited: now they are increasingly the new norm.

The hub is located at the edge of the World Heritage Site (WHS) buffer zone. This helps attract visitors to the WHS but avoids the restriction of the planning regulations imposed in the WHS. Festivals, especially the George Town Festival, founded in 2009, have increased the trend of ‘bringing art outside’, “you can see the more like the alternative way in Malaysia It is not just street art but we call it more public art. Topography outside, sculptures are outside, interactive art outside and not just inside a confined space”, stated the manager. Public art has been established as a distinctive strength of the hub: it attracts more artists and has developed into an influential creative hub.

The creative space attracts young artists with affordable rents and extended networks, however, it still struggles to be financially self-sustainable. Not only is its size relatively small but there are also constraints in buying capacity of the local art market. Its financial performance has not grown as much as its reputation. Thus, compared to other



Fig. 2. A private company bus in Penang, photographed in 1976 by Peter Vasey

traditional art galleries, the art hub claimed to be more welcoming for young artists and supportive of high risk ideas, but, their productions do not always guarantee good returns. This raises a key question of long-term financial sustainability. In addition, the “meanwhile” nature of the space places it under the threat of increasing land and property prices in the vicinity of the booming city centre.

2.1.1. Roles of social network

The extended network that the arts hub has created has been its biggest advantage in building its reputation as a creative space and achieving its mission of assisting local young artists. Although it participates in Penang’s wider business network, such as MICE (Meeting, Incentives, Conventions and Exhibitions) under the Penang Convention & Exhibition Bureau, the hub builds its connections mainly on its own staff’s personal and informal networks. The managing team states that the art community is relatively small and considered friendly and supportive. The hub is not owned by, or a member of any other formal groups (Penang society has intertwined business, tradition, and culture dimensions in a very compact local network), but there are many opportunities to establish new connections and build on existing ones. Their flexible networks also reflect the nature of the creative class in other parts of the world (Florida, 2002), which simulate the fluidity of resources and innovations. This is an essential element assisting the hub in forming a more comfortable space for other artists (Kim, 2016).

Although the hub does have a small team of regular staff, their experiences, gained in the arts industry in previous employments or collaborative networks, give them extensive connections, helping build a good reputation and sustaining this “meanwhile” space. It has worked with many freelancers based locally or in Malaysia. These relationships range from temporary internships to opportunities for exhibitions of their works.

The early collaboration with the Lithuanian artist, (described as the Penang arts ambassador), helped the hub establish many international connections. It has also established other international institutional links including the US embassy and the Japan Foundation. These connections are a strong source of inspiration for innovative ideas, and new approaches and have helped them access additional project resources, for example, funds from Germany, Taiwan and Korea. The manager points out, for example, ‘Japan Foundation is one of the few foundations, which has done many shows here’; bringing special objects from Japan, or a Japanese artist as an integral part of the show.

2.1.2. Innovation development

After its incorporation into a formal organisation, the management team developed a strategic approach to running the space. The hub was the first public art space in Penang, conventional management techniques for established fine art galleries, and innovative ideas were needed to fit their public engagement mission. Calcagno and Balzarin (2016) point out that it is common for arts entrepreneurs to face the dual challenges of artistic responsibility and basic business requirements. Here the hub management team is responsible for business and operational issues, such as recruiting talent, retaining talent, acquiring more resources, and building capacities. Analysing in accordance with the diamond framework (Miles & Green, 2008), this article examines the innovation performed by the hub under two main innovation issues, (a) organisational innovations to support cultural concept and product innovation; and (b) innovations in delivery methods and the user interface of its cultural products.

2.1.3. Organisational innovations to support cultural concepts and product innovation

To sustain and build the reputation of a creative hub, an arts organisation is dedicated to increasing the input of talents and ideas as well as looking into innovative solutions and to improving its management ability. This approach has also been observed by Moulaert et al. (2005) and Van Slyke and Newman (2006). Working with various artists,

curators and designers offers the hub particularly great opportunities to learn new approaches, new knowledge and ideas for generating innovation in cultural concepts and products. Some of their new connections have also led them to further regional and international connections: a much-extended network. A British author and curator, introduced through the Lithuanian artist, led to a collaboration with Berlin based *Urban Nation*, for a street art festival. Collaborations like these not only introduced fresh ideas about art and exhibitions, they also brought channels for the organisation to expand its community further.

Consistent with their organically growing international collaborations, most of their local and Malaysian connections, are also built through individual artists, curators, art collectors and project managers rather than through formal or governmental organisations. The current management team were hired for their arts related backgrounds: the interns and freelancers were also mostly recruited from personal networks. Locally based freelancers are particularly helpful in management aspects, such as project management and space management.

Attracting like-minded people, such as artist partners, is the other strategy for managing the identity of the space. Many new activities and businesses now take place in the premises; coffee shops, retailers and smaller galleries, plus 18 other artists are based in the outer area recently bought by the organisation. The pop-up market offers young artists the opportunity to gain exposure and market their works. As the manager comments, they “also have attracted many experimental ideas. Despite the space is also used by the local community and thus some of the ideas were not very well accepted, we still welcome these ideas”.

Unlike traditional art galleries that are described as ‘white boxes’ by the curator, the hub is an open space gallery, which is considered to be more inviting for the public and allows various of types of artworks to be presented. Through working with people from different backgrounds and artists at different career stages, arts organisations absorb experiences and knowledge from external parties and becomes a platform for the artists to share knowledge, techniques and ideas, a key strategy identified by March and Simon (1958).

2.1.4. Innovation on delivery and user interface

To communicate with its communities is the biggest motivation for the organisation to develop new tools or apply new technologies. It relies on online platforms to manage their connections, with a newsletter as the main tool reaching out to their communities and visitors, a method used after learning about the experiences of other arts actors. It allows them to receive feedback and invite more people to visit the gallery. It is especially effective, because their biggest audience is the younger generation: an audience that receives information from social media more often than in traditional ways. Other social media, such as Facebook and Instagram, are also part of their new two-way communications approach. Nevertheless, because of limited resources, market research has not been conducted in a structured and systematic way but only in a relatively informal way: the managing team admitted “we don’t have any formal survey with the audience because of the funding”; engagement with the local community is mainly from informal communication and observations.

Although the management team has emphasised their communication with local communities, the greatest effort is on communication with the arts community. A database of all the exhibitions they have held assists them in managing relationships with collaborating partners. In future they plan to apply new technologies such as QR code, to deliver information about exhibited artworks to their visitors, and create an online platform to allow them to trade their art collections online.

The managing team claims to have full autonomy in running the site from the investors. Instead of prioritising profit, they welcome creative ideas and encourage artists to take risks in exhibitions. The on-site graphic designer recalled a sensitive topic exhibited in their gallery but with the full support of the managing team, even though society was not fully appreciative. They are, however, cautious in dealing with any art that carries sensitive political overtones.

3. Discussion

This analysis has shown that the organisation has applied different types of innovative approach to improve performance as well as achieving their mission, building the local arts community and offering a platform for young artists. Although the arts hub is not run as a non-profit social enterprise - it still tries to generate profit by renting out spaces and taking commissions from sales, making its operation profitable and becoming sustainable financially is still a major challenge, especially when prioritising profit contradicts the goal of supporting emerging, lesser known artists.

However, as discussed in the literature, instead of judging solely on economic performance, the measurement of a social enterprise also emphasises achievement in increasing social value. In this case, the increased social value can be found in their widely known reputation as an encouraging platform for rising young artists as well as an inviting arts space for the community. From the discussion on innovation in user interface, the organisation has, however, dedicated more effort on connections with the arts community, earning the recognition of artists, art organisations and local government, whereas for the local community, it is still arguable how far the distance between artists or other cultural producers has been shortened.

Furthermore, the sustainability of the space has been one of the biggest concerns for the managing team. There are three main issues. The first is how to become financially self-sustainable. As the general manager states, '[u]ntil today, we are still not able to sustain this place. I still have to ask [the] owner for money ... Very obvious the art work does not sell good. Every exhibition will do but we don't really make any money at all'. Apart from selling art and holding art exhibitions, renting out space is another income resource for the organisation. The managing team prefers to rent their space to creative and passionate people, however, '[b]ecause you want creative environment, you want creative people with passion, so you have to reduce the rental. Usually rent with no money'. Similar to many social enterprises in other sectors attempting to integrate social welfare and commercial logics, the hub faces challenges of pursuing dual goals that frequently conflict with each other (see [Wry & York, 2017](#)). To date, the hub has a stronger social welfare emphasis but suffers in building commercial strength that would enable financial sustainability. Further innovation in its revenue model is warranted.

The second concern is the unknown future of the physical space. Its relatively central location is an advantage, but the area's attraction as a future focus of city development, brings concerns for the management team that the site "will eventually be developed". This is a typical challenge of a "meanwhile" space as gentrification creeps in and property prices rise ([Chan et al., 2019](#); [Moore-Cherry & McCarthy, 2016](#)), where spaces that play a significant but temporary role in the community/creative scene are unable to provide a sense of longevity. As a result, instead of having a grand plan for the space, the emphasis for the future is to continue building the reputation of the space, sustaining it as long as possible. Their concerns are not helped by a state project, Penang Art District, which is intended to be an art space and platform to encourage public engagement. Its proposed location is only few blocks away from where the hub is; another second art space could potentially become a threat. However, according to the manager they actually welcome the project and could support it in building links to the local community, and to "take the burden off them". This raises the collaborative nature of cultural and creative sectors in socially tight communities ([Chan & Lean, 2018](#)).

The third difficulty is to recruit and retain local staff and artists; even more difficult to attract overseas talents. Even though the managing team is optimistic about the art industry, they still struggle to extend the working relationship beyond short-term projects. However, under weak financial standing, the difficulty of employing long-term staff seems inevitable, with complex side effects. Staff may be offered better opportunities following their work with the organisation. For instance, the

on-site graphic designer chose to leave for further education after 5 years. As the gallery manager noted it is still difficult to plan long-term for a career in the arts sector in Penang. But, some short-term working does allow easier access to new talent and prevents over-institutionalisation.

4. Conclusions

This research shows the possibilities for, and the challenges involved in the development of an arts organisation, with a pro-community approach using cultural entrepreneurship as a tool. It illustrates and discusses a new phase in the management of culture and the arts around the world. That new phase is part of a process that brings new management and funding ideas to an area that was previously solely led and funded by the public sector. It also exemplifies the role of the arts in urban regeneration, and the re-use of redundant, often architecturally important buildings, as a meanwhile space.

Academics have examined this new phase for some years now (see [McGehee & Meares, 1998](#)). This article, however, gives much more detail about critical management areas, innovation, and the value of network building. It also provides information about the evolution of a local/regional arts organisation in Asia, a continent that has seen few articles in English on this subject.

This article describes and analyses how a viable arts hub was created using a form of social entrepreneurship, deploying organisational innovations and innovation in the delivery of cultural/creative products to its target audience. This is greatly achieved through setting up an expanded contact network and establishing an influential position in the arts industry. In addition, the hub has a specific mission of building connections with the local community. Nonetheless, the authors notice a lesser effort in developing innovation in user interface, with using model technology to achieve a more interactive dynamic with the audience.

Since George Town became a World Heritage Site, the area has attracted significant external investment, become a strong tourist destination and undergone further urban development, with rising living costs: the process of gentrification has started. Despite being a "meanwhile" space and in a precarious state, the hub hopes to modify that gentrification process through its social mission - a more pro-active self-gentrification approach ([Chan et al., 2016](#)) in contrast to the more assertive and activist approach ([Lee & Han, 2020](#)).

One aspect of the hub's social entrepreneurship involves renting out space to local artists at a low rent, to help create a supportive community network for emerging local artists. Nonetheless, this social logic can contradict the hub's commercial logic ([Wry & York, 2017](#)), raising the question of long-term financial sustainability. Further innovation in its business/revenue model is necessary to break through the current dilemma, in particular where state intervention is insufficient (see the review of Arts Housing Policy in Singapore by ([Su, 2020](#))).

[Austin et al. \(2006\)](#) suggests that to tackle the challenges of scarce resources, organisations establishing an extended network can improve their communication skills, promote their social value, thus gaining more opportunities to secure new resources. The organisations would gain a vitally critical position if it could influence both the local and international art communities and on government plans for the creative sector in Penang.

This work has wider application than that of local arts development. The ideas discussed here are relevant to many forms of conservation, and heritage management, especially where local communities need help or could have a special role. There is tension between heritage conservation and innovation among the communities and different organisations or groups have a diverse appetite and capabilities on implementing innovation ([Chan, Hashim, Khoo, Lean, & Piterou, 2020](#)), this article demonstrates that there are wide varieties of approaches in and contents of innovation that enrich culture and heritage as well as strengthen the resolutions of the locals. [Lane \(2016\)](#) notes that heritage railway conservation has successfully used alternative management and

funding methods to increase their viability. That specialist area has also benefitted from a caring bottom-up approach, especially when fund raising or seeking to change political thinking. Better partnership working between tourism interests and the arts could also help.

Limitations and future research

This article is an output of a wider long term research project on the creative and cultural industries in the World Heritage Site, Georgetown, Malaysia. More outputs are planned. This is a snapshot of the current situation; a longitudinal study would be valuable.

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