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Designing a Model for the Economic Development of Theater

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ABSTRACT

The purpose of this research is to design a model for the economic development of theater. In terms of purpose, this study is applied, and according to the method of data collection, it is descriptive-survey. The data collection method in this research is quantitative. Quantitative data were collected using a researcher-developed questionnaire. The statistical population of this study includes artists active in various fields of theater, including directors, producers, actors, theater venue managers, and graduates of theater studies. Since accurate statistics regarding the statistical population of this research are not available, it was considered unlimited; therefore, based on Cochran's formula, a sample size of 384 individuals was determined and selected using simple random sampling. Furthermore, the discriminant and convergent validity of the questionnaire indicated its appropriate validity. Data analysis was performed using structural equation modeling with the SmartPLS4 software. The results showed that the model for the economic development of theater includes causal conditions, contextual factors (including physical infrastructure, education and research for training specialized human resources, and professional and specialized infrastructure), intervening factors, strategies (including infrastructure development, education and empowerment, financial support for productions, marketing and advertising, and international, national, and local collaborations), and outcomes (including economic growth, strengthening of cultural components, and the development of cultural, social, artistic, and political tourism). Given that all factor loadings exceeded 0.4, this indicates the model's appropriateness, and it can be stated that the model has a strong fit.

KEYWORDS: Cryptocurrency, Decentralized Finance (DeFi), Dynamic Economic Sanctions, Iranian Economy, Foreign Trade.

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1. Introduction

In the contemporary world, the cultural and artistic economy is recognized as one of the key domains for sustainable development and job creation in urban societies. This sector not only enriches the cultural fabric of communities but also functions as a dynamic economic driver. In this context, the Cultural and Artistic Organization of Tehran Municipality, as the primary institution responsible for promoting and developing cultural and artistic activities, plays a pivotal role in the creation and sale of cultural products and services. By aiming to elevate the cultural and artistic standards of society, this organization can enhance citizens' quality of life and foster social interaction (Nouri et al., 2024).

Performing arts occupy a distinctive and vital position within this landscape as one of the most dynamic and popular branches of art. Encompassing theater, street performance, puppetry, musicals, and other live forms, performing arts deeply influence audiences through their inherent liveness and interactivity, thereby shaping social and cultural attitudes. Economically, performing arts generate extensive employment opportunities across a wide value chain—including production, marketing, education, and service provision—and can significantly contribute to the growth of the creative economy. Moreover, they serve as a platform for cultural regeneration, social dialogue, and the enhancement of symbolic capital within society (Weinberg et al., 2021).

The economics of art can lead to monetization, ultimately fostering the growth and development of art itself. Therefore, it is essential to examine the key factors influencing the development of the art economy, with a specific focus on performing arts. In the modern world, for art to endure and flourish, it requires integration into economic processes that generate income and value for artists, ensuring its sustainability. Thus, art may be effectively analyzed and discussed as an economic discipline—more precisely, as the "economics of art" (Haeri Zade, 2021).

Theater, as a core component of performing arts, plays a crucial role in enhancing public culture, promoting social development, and shaping national identity. Despite this cultural significance, the theater sector in Iran (as in many other countries) faces serious economic challenges. Its economic structure remains heavily dependent on government subsidies, grants, and non-market-oriented support, lacking a sustainable model for independent financing. The absence of a defined economic framework for the production, distribution, and consumption of theatrical works has prevented practitioners from viewing theater as a viable and profitable creative industry. Currently, the economic processes of theater—from production and performance to marketing—are poorly aligned with the principles of cultural management and the creative economy. Fundamental issues include the lack of a clear value chain model, ineffective support policies, weak attraction of private investment, and inadequate professional marketing infrastructure.

Despite its high potential for employment generation, direct and indirect financial circulation, and its capacity to impact cultural tourism, theater is still not recognized as a significant contributor to the cultural economy. The core problem lies in the absence of a coherent, comprehensive, and locally grounded development model for theater economics capable of regulating interactions among artists, governmental institutions, the private sector, audiences, and the market. This gap has resulted in fragmented, short-term, and theoretically unsupported economic policymaking in the theater sector. Consequently, rather than playing an active role in the cultural economy, theater predominantly functions as a consumer of public funds and lacks economic sustainability.

Therefore, there is an urgent need to design an integrated and coherent model for the economic development of theater—one that preserves cultural and artistic values while establishing sustainable economic mechanisms to ensure the long-term growth of the theater sector. Such a model should contribute to cultural equity, artists' economic autonomy, and an increased share of theater in the creative economy. In light of the above, this study seeks to answer the following research question: **What is the development model for the economics of theater?**

2. Theoretical Foundations

The cultural and artistic economy examines and analyzes the impact of cultural and artistic activities on a society's economy. This concept reflects the complex interplay between economy and culture, illustrating how cultural components—such as values, beliefs, customs, and artistic expressions—influence economic performance. This field encompasses a wide range of sectors, including cultural and artistic programs, educational activities, library services, cultural and artistic products, cultural centers, participatory initiatives, visual arts, performing arts, literary creations, music and song, film and television series, among others. The cultural and artistic economy investigates how these activities affect production, supply, sales, and revenue generation. In other words, it is a branch of economics that studies the relationship between culture and economic outcomes (Nouri et al., 2024).

Thus, the production, distribution, and sale of cultural and artistic goods and services—as a core component of the cultural and artistic economy—exert multiple impacts on society and the broader economy. First, the sale of such goods and services can generate income and employment within cultural and artistic industries. Artists and creative professionals can earn livelihoods through the sale of their works, which in turn empowers them within these sectors and contributes to job creation and economic growth (Huggins & Thompson, 2015). Second, the sale of cultural and artistic products and services can stimulate the development of related industries. The production and distribution of a cultural good require an integrated supply chain involving raw materials, equipment, technology, and supporting services. Such demand can foster the growth of associated sectors—including printing, music recording and distribution, film and cinema, and others—thereby ultimately improving employment conditions and driving economic expansion (Montalto et al., 2017).

The cultural economy consists of three main components: production, distribution, and consumption of cultural goods. Cultural production constitutes one of the most fundamental initial stages of the cultural economy. In economic terms, production—comprising labor, land,

capital, and other inputs—involves the transformation of resources into goods and services. By extension, cultural production is a process through which cultural content, imbued with symbolic, aesthetic, and artistic elements, is created, developed, and sustained via production channels that include creation, education, human capital, distribution, evaluation, and preservation (Masoudinia et al., 2021). Among the most critical elements of cultural production are cultural enterprises or organizations, capital, human resources, and education. Cultural production firms, like other enterprises, combine capital, labor, and technology to generate cultural outputs (Erkan & Ceylan, 2021).

Nouri et al. (2024) conducted a study titled *"Developing a Model for the Economic Development of Culture and Arts with an Emphasis on Selling Cultural and Artistic Products and Services (Case Study: Tehran Municipality's Cultural and Artistic Organization)."* The research employed a qualitative approach, utilizing in-depth interviews with experts selected through purposive sampling. The analysis yielded 132 concepts, 39 subcategories, and 6 main categories. Based on the grounded theory framework, the study identified 14 strategies for the economic development of culture and arts. This model serves as an effective tool for raising managerial awareness of key concepts and categories influencing the development of the cultural and artistic economy. The findings contribute to identifying effective measures for strengthening sales infrastructures, increasing public awareness of cultural and artistic products, and ultimately fostering economic growth in this sector.

Izadkhah et al. (2024) investigated *"The Urban Policy Model for the Prosperity of Cultural Economy in Tehran."* Using the grounded theory methodology, they analyzed interview data through three coding stages: open, axial, and selective. Their paradigmatic model encompasses causal conditions, contextual and intervening factors, strategies, and outcomes. The results indicate that effective strategies for revitalizing the cultural economy include enabling, facilitation, education, and monetization. The dominant policy approach is economic, centered on value creation and revenue generation.

Alamineh et al. (2023), in their study titled *"The Negative Cultural Impact of Tourism and Its Implication on Sustainable Development in Amhara Regional State,"* employed a mixed-methods design to assess community perceptions regarding tourism's adverse cultural and economic effects. They argue that tourism—though a modern and rapidly growing industry with profound human impact—exerts significant cultural consequences due to its deep interconnection with local cultures. Their findings reveal that tourism has contributed to the commodification of culture, erosion of local socio-cultural assets, production of inauthentic cultural goods, and even the mass importation and presentation of foreign cultural products to tourists as local offerings. The authors emphasize that relevant stakeholders must assume responsibility for mitigating these negative impacts, which, if addressed, can enhance cultural sustainability.

Strand et al. (2022), in their article *"Developing Arts-Based Participatory Research for More Inclusive Knowledge Co-Production in Algoa Bay,"* highlight the critical role of arts-based participatory research in fostering inclusive knowledge co-creation. This approach enables active involvement of non-specialists, integrating scientific knowledge with personal experiences and artistic creativity. The process generates novel, actionable knowledge that addresses socio-cultural and artistic challenges. Furthermore, it strengthens connections among researchers,

artists, and local communities, ultimately enhancing cultural and artistic values. They conclude that such research can promote inclusive knowledge systems, sustainable development, and the advancement of culture and art in diverse communities.

Khendestani and Raef (2021) examined *"The Feasibility of Benefiting from the Architectural Experiences of the World's Leading Performing Arts Centers in the Design of the Ahvaz Performing Arts Center."* Using a descriptive-analytical method based on library and online sources, their study found that performance—as a dynamic socio-cultural phenomenon—is intrinsically linked to human beliefs and values, playing an effective role in fostering social cohesion and enhancing cultural interactions. Moreover, the research confirmed the viability of drawing spatial and architectural inspiration from global performing arts centers to inform the development of domestic venues in Iran.

3. Methodology

This research is applied in nature with regard to its objective and descriptive-survey in terms of data collection approach. The study employed a quantitative methodology for data gathering. To compile and develop the theoretical framework and review prior research, a library-based (documentary) method was used.

Quantitative data were collected through a researcher-developed questionnaire. The statistical population of the study comprises theater professionals active across various domains, including directors, producers, actors, theater venue managers, and theater graduates. Given the unavailability of precise demographic data on this population, it was treated as unlimited. Accordingly, using Cochran's formula, a sample size of 384 participants was determined and selected through simple random sampling.

The reliability of each research construct was assessed, and the results indicated acceptable reliability of the measurement instrument. Additionally, both discriminant and convergent validity analyses confirmed the questionnaire's construct validity (see Table 1).

Table 1. Reliability of Research Constructs

Constructs	Cronbach's Alpha	CR	AVE
Causal Conditions	0.907	0.908	0.554
Contextual Factors	0.953	0.955	0.611
Intervening Conditions	0.931	0.932	0.603
Strategies	0.853	0.855	0.579
Outcomes	0.824	0.825	0.577
Theater Economic Development (Core Category)	0.815	0.817	0.532

As shown in the table, all Cronbach's Alpha and Composite Reliability (CR) values exceed the recommended threshold of 0.70, indicating strong internal consistency and reliability of the indicators. Furthermore, Average Variance Extracted (AVE) values are above the minimum acceptable level of 0.50, confirming adequate convergent validity.

To evaluate the overall model fit, structural equation modeling (SEM) was conducted using the partial least squares (PLS) approach via SmartPLS 3 software.

4. Findings

To evaluate the structural model fit, several criteria are employed, the foremost of which is the **significance of path coefficients**, assessed via the **t-statistic**. According to standard guidelines in structural equation modeling using partial least squares (PLS-SEM), a path coefficient is considered statistically significant at the 95% confidence level if its corresponding **t-value exceeds 1.96**.

The results of the path coefficient significance tests are reported based on the calculated t-statistics. Specifically, when the t-value for a given path is greater than 1.96, it can be concluded with 95% confidence that the independent variable significantly influences the dependent variable. Moreover, in alignment with accepted thresholds in the literature (e.g., Hair et al., 2017), **path coefficients with absolute values above 0.4** are deemed substantial and acceptable for theoretical interpretation and model validation. These criteria were applied to assess both the statistical significance and practical relevance of the hypothesized relationships within the proposed model of theater economic development.

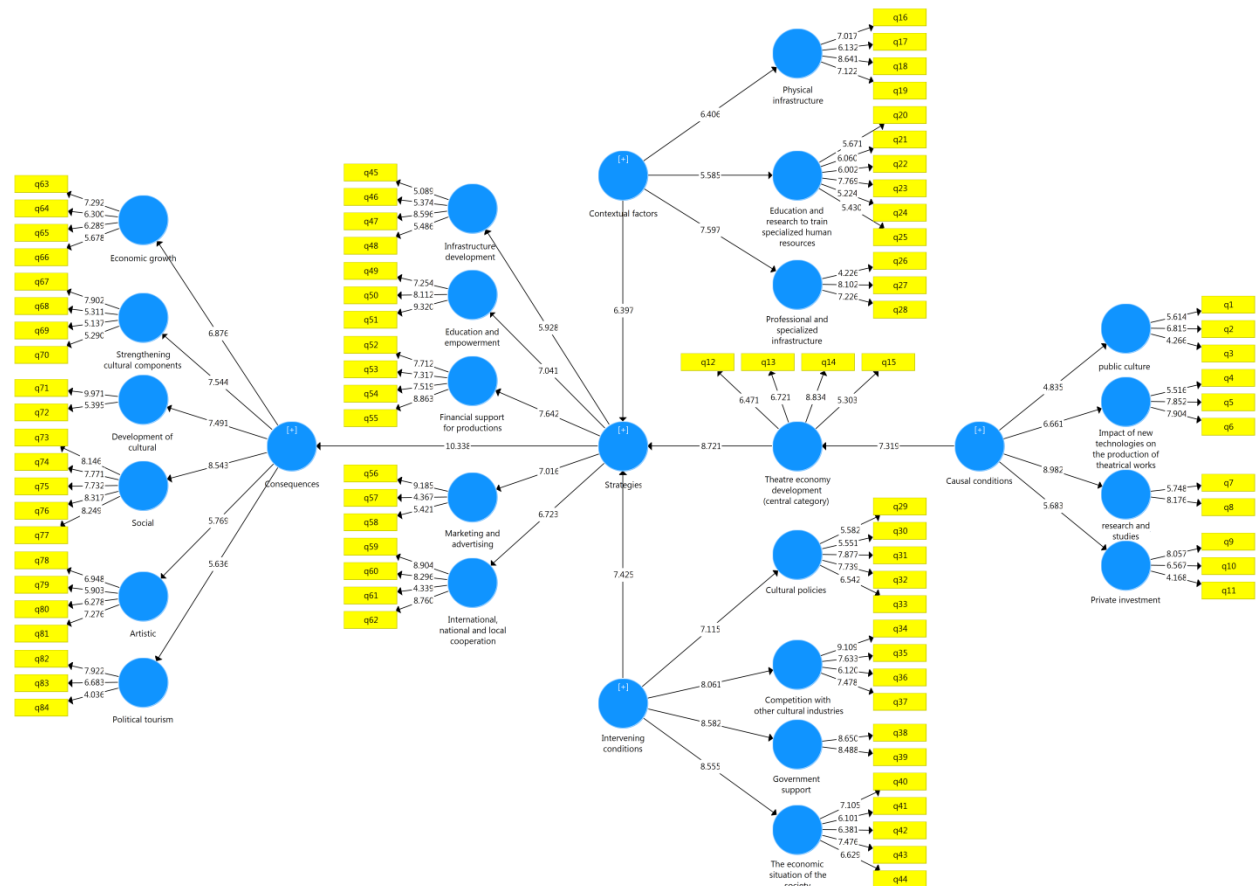


Figure 1: t-values indicating statistical significance of the paths

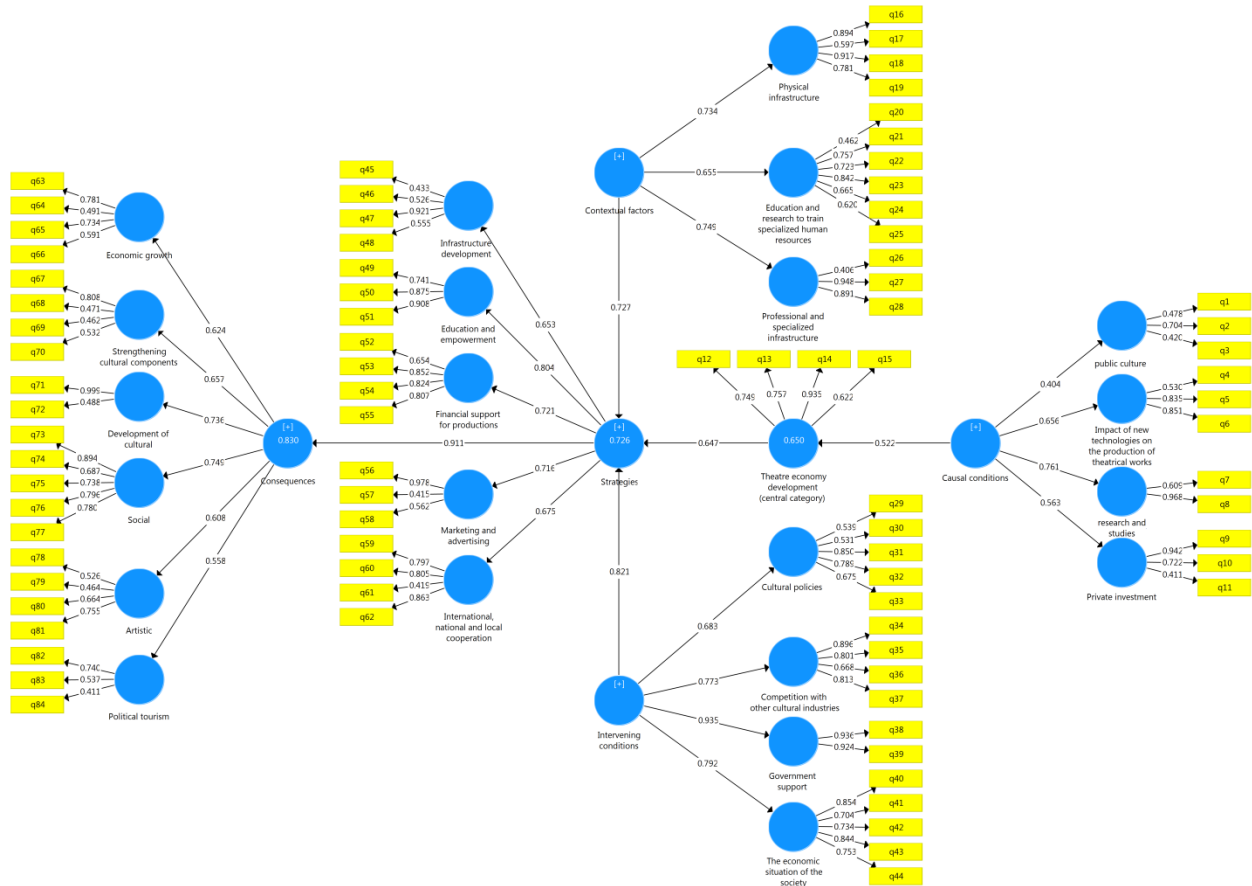


Figure 2: Standardized path coefficients illustrating the strength and direction of relationships

Coefficient of Determination (R²)

The **R²** value reflects the proportion of variance in an endogenous (dependent) construct explained by its exogenous (independent) predictors. It is calculated **only for endogenous constructs**; for exogenous constructs, R² is by definition zero. Higher R² values indicate better model explanatory power.

Chin (1998) suggests the following benchmarks for assessing R²:

- **0.19**: weak **0.33**: moderate **0.67**: substantial

Table 2. Coefficient of Determination (R²)

Dependent Construct	R ²	Strength
Strategies	0.726	Strong
Outcomes	0.830	Strong
Theater Economic Development	0.650	Strong
Average	0.735	Strong

All R^2 values exceed the 0.67 threshold, confirming that the model exhibits strong explanatory power.

Predictive Relevance (Q^2)

The Q^2 index, obtained through blindfolding procedures, assesses the model's predictive relevance for endogenous reflective constructs. According to Hair et al. (2009), the following thresholds apply:

- **0.02**: weak **0.15**: moderate **0.35**: strong

Table 3. Predictive Relevance (Q^2)

Dependent Construct	Q^2	Strength
Strategies	0.322	Strong
Outcomes	0.307	Strong
Theater Economic Development	0.325	Strong
Average	0.318	Strong

Although the average Q^2 (0.318) is slightly below the 0.35 threshold for "strong" predictive relevance, it is well above the 0.15 benchmark and is widely interpreted as indicating **substantial predictive power** in applied research contexts.

Goodness-of-Fit (GOF)

The **Goodness-of-Fit (GOF)** index provides an overall measure of model fit in PLS-SEM, calculated as:

$$\text{GOF} = \text{Communality} \times R^2 = 0.735 \times 0.318 = 0.48$$

Wetzels et al. (2009) propose the following benchmarks:

- **0.01**: weak **0.25**: moderate **0.36**: strong

With a **GOF of 0.48**, the model demonstrates **strong overall fit**.

The evaluation of the structural model yields the following conclusions:

- All path coefficients are statistically significant ($t > 1.96$) and exceed the **0.4** threshold for practical relevance.
- R^2 values indicate **strong explanatory power**.
- Q^2 values confirm **substantial predictive relevance**.
- The GOF index (0.48) reflects **strong overall model fit**.

Therefore, the proposed model for the economic development of theater demonstrates **robust psychometric properties and strong structural validity**, confirming its suitability as a theoretical and practical framework for policy and strategic planning in the theater sector.

5. Conclusion

The primary objective of this study was to design a comprehensive model for the economic development of theater. The findings reveal that the proposed model comprises five interrelated dimensions: (1) **causal conditions**—including public cultural awareness, the impact of emerging technologies on theatrical production, research and scholarly studies, and private investment; (2) **contextual factors**—such as physical infrastructure, specialized education and research for human capital development, and professional and institutional frameworks; (3) **intervening factors**—including cultural policies, competition with other cultural industries, government support mechanisms, and the macroeconomic environment; (4) **strategies**—covering infrastructure development, capacity building, financial support for productions, marketing and promotion, and local, national, and international collaborations; and (5) **outcomes**—including economic growth, reinforcement of cultural dimensions, and the advancement of cultural, social, artistic, and political tourism. The structural assessment of the model demonstrates **strong goodness-of-fit**, with all path coefficients exceeding the threshold of 0.4 and all t-values surpassing 1.96, confirming both statistical significance and practical relevance. Additionally, the high R^2 and Q^2 values, along with a GOF index of 0.48, attest to the model's explanatory and predictive power.

These findings align closely with prior studies by **Nouri et al. (2024)** and **Izadkhah et al. (2024)**, who similarly emphasize the multi-dimensional nature of cultural economic development and the critical role of integrated policy frameworks. This consistency reinforces the validity and applicability of the proposed model. The results indicate that theater's economic development is shaped by a complex interplay of internal and external forces, systematically organized within this conceptual framework. **Causal conditions**—particularly public culture, digital innovation, private investment, and research—serve as foundational drivers. Public cultural engagement directly influences demand and market formation, while new technologies expand audience reach, enhance production quality, and reduce operational costs. Private investment and localized research foster economic sustainability and innovation, transforming theater from a subsidy-dependent activity into a dynamic creative industry.

Contextual and intervening factors act as enablers or constraints. Robust physical, educational, and professional infrastructures ensure the consistent production of high-quality, competitive works. Conversely, macro-level variables—such as national cultural policies, economic conditions, and competition from other entertainment sectors—can either accelerate or hinder growth. Therefore, policy interventions must be adaptive and holistic.

Accordingly, the identified **strategies**—infrastructure enhancement, professional training, financial support, strategic marketing, and multi-level collaboration—must be implemented in an integrated manner to achieve desired **outcomes**: economic viability, cultural enrichment, and the expansion of artistic tourism.

Critically, this model underscores that the economics of theater is not merely a financial matter but deeply interwoven with **cultural, social, and political dimensions** of society. As such, it can serve as a practical roadmap for policymakers, cultural managers, and arts practitioners seeking to build a resilient, autonomous, and impactful theater sector.

Based on the findings, the following actions are recommended:

1. **Encourage private sector participation:** Cultural policymakers should prioritize creating sustainable infrastructures and incentives to attract private investment in theater production, distribution, and marketing—thereby reducing reliance on public funding.
2. **Strengthen specialized education:** Academic and research institutions should develop curricula in **arts economics**, equipping theater artists and managers with competencies in financial management, cultural marketing, and digital technologies.
3. **Develop professional infrastructure:** Invest in standardized performance venues, professional rehearsal spaces, and specialized guilds or associations to professionalize the theater ecosystem.
4. **Promote national and international collaboration:** Support cultural exchange programs, international festivals, and the export of Iranian theatrical works to elevate Iran's global theatrical presence and stimulate economic, social, and cultural growth.

In sum, the proposed model offers a theoretically grounded and empirically validated framework for transforming theater into a self-sustaining pillar of the creative economy—capable of contributing meaningfully to national development while preserving its artistic and cultural integrity.

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ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.