Business in the performing arts: Dual executive leadership and organizational performance
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1 Introduction

The obvious particularity of the art business is that it comprises of art and business. This simple fact has many consequences, some of which are explored in this thesis. The thesis focuses on the tensions between art and business, especially for the managers of organizations in the cultural industries: some people, for example, are more likely to say that the art business is business and art rather than art and business.

The business side and the art side are each associated with their own logic of practice (Bourdieu, 1983; Bourdieu, 1984; Eikhof & Haunschild, 2007; Glynn & Lounsbury, 2005). These field-specific logics can be understood as specific sets of norms, values and unwritten laws upon which the actions of all players in a particular field are based (Eikhof & Haunschild, 2007). The presence of artistic and economic logics of practice in the same environment can lead to tensions between individuals, between groups of individuals, and, sometimes, even within individuals themselves.

Cultural producers often mention artistic and economic tensions as determining factors in the production process. For instance, in the magazine American Theatre James Still playwright-in-residence at the Indiana Repertoire Theatre is quoted as saying “…While there are some theatres where I've worked that have certainly struggled with production and administration feeling like separate worlds, I'm also aware of enormous effort that's gone on to help those two groups feel more creatively connected in as many ways as possible. In my experience, it's been that effort that's key to managing the potential gap...”(Mayeda, 2003, p. 34). Michael Maso, managing director of Boston’s Huntington Theatre Company also states “...We talk to the artists we want to work with, directors, sometimes actors, sometimes playwrights: What do we want to do? How do we want these relationships to build? And there can come a point in the season planning where we say, "Oops, we can't afford to do all this. What are we going to do? ... Your ambitions and your willingness to stretch and take a chance come to some point where there has to be compromise...” (Mayeda, 2003, p. 75).

The cultural industries are extremely varied but there are a few dichotomies that help to understand major patterns. These dichotomies
appear ‘below’ the major art-business dichotomy characterizing the art business as a whole, but interact with it in various ways. First, there is the dichotomy between the highbrow or fine arts and the lowbrow or popular or applied or commercial arts. It might seem obvious that the emphasis in the fine arts will be more on the art and in the applied arts more on the business. Although this is a helpful first impression it allows for many exceptions. Even in the most applied fields, one can find producers prioritizing the artistic aspects and even in the most highbrow arts one can find producers who focus on the business side. Secondly, in some cultural industries, such as the visual arts, producers are mostly individuals, while in other industries, such as television, the core producers are organizations. These organizations employ artists and non-artists and as they grow larger they will be more likely to be run by managers who have to direct artists and non-artists to contribute optimally to the production of the cultural goods. Thirdly, some producers - individuals or organizations - in the cultural industries receive public support while others do not. Such support, especially direct subsidies, mainly targets the fine arts, but not all of it and not all producers. For some of the producers subsidies represent a significant source of income. This can have consequences for the way these producers position themselves on the art-business spectrum and, if the producers are organizations, for how the managers of such organizations position themselves.

The core object of study is dual executive leadership specifically within performing arts organizations and focuses on the first and third of the above dichotomies. Dual executive leadership means that there are two hierarchically-equivalent managers at the top of the organization (Reid & Karambayya, 2009). In many industries dual executive leadership means that the two managers have two separate fields of authority, not just that they run the organization together. In the cultural industries the most common form of this structure is the one in which the organization is run by one artistic or creative executive and one business or commercial executive. In this way, the art-business dichotomy is explicitly incorporated into the organizational structure. This does not, however, necessarily mean that the person occupying the role of artistic executive is all art and the one occupying the role of business executive is all business. Two chapters of this thesis will specifically explore the extent to which the individuals occupying these roles think differently about their environment, how these differences affect organizational performance (Chapter 2) and how they even affect the perception of performance of their own organization by the
managers themselves (Chapter 5). Chapter 3 will focus on how the managers handle the tensions of the art-business dichotomy. Chapter 4 will take a more external perspective on organizational performance and study the way in which the response to the artistic products of the organization, as perceived by other parties in the same value system, affects organizational performance.

Although the impression one gets of the cultural industries is that it is a complex and unique environment very different from, for example, banking or software, this thesis will demonstrate that this is often not the case. Many themes important to understanding business in general are also present in the art business and vice versa. Indeed, in many ways the art business is leading the way for more traditional industries in terms of innovation and creativity.

**Main theoretical themes**

A major theme in this thesis is that of leadership structure. Of course organizations can be led by one top executive, but to meet the demands of their environment some organizations have chosen a leadership structure with two top executives. Such leadership structures are found in banking, high-tech businesses, media organizations, family businesses and especially in the cultural industries (Alvarez & Svejenova, 2005). When the executive position is divided into two functionally different positions we call this the dual executive leadership structure (Reid & Karambayya, 2009). In this structure there is often one director responsible for the organization’s economic objectives and another responsible for the non-economic objectives. For example, theatre companies are often led by an artistic director and a managing director. The artistic director is responsible for selecting and developing new productions, hiring artistic personnel and managing the technical and stage and costume design departments. The managing director is responsible for budgets, attracting subsidies and sponsorship and managing the administration. Both leaders in the dual executive leadership structure are focused on their part of the organization while maintaining an overview of and the end responsibility for the entire organization. The dual executive leadership structure is the crystallization of particular boundaries within the organization, in this case the art-business faultline. Naturally each leader is knowledgeable in their own area. Since two executives with different backgrounds, education or professional experience share the executive position it is likely that organizations become more responsive to and allow more coordination with their external
environment (Heenan & Bennis, 1999). This argument is associated with the upper echelon theory (Hambrick & Mason, 1984). The upper echelon literature suggests that the outcomes of the organization are related to the cognitive systems of its top managers - “…executives’ experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their choices” (Hambrick, 2007, p. 334) - and to differences between managers’ cognitive systems. Previous research on top management team heterogeneity has shown that positive effects include innovativeness (Bantel & Jackson, 1989; Murray, 1989), increased problem solving abilities (Hurst, Rush, & White, 1989; Nemeth, 1986), and flexibility and adaptability thanks to the diversity of skills, information sources and perspectives (Carpenter & Fredrickson, 2001; Carpenter, 2002; for overview see Finkelstein, Hambrick, & Cannella, 2009, p. 131-136; Geletkanycz & Hambrick, 1997; Sutcliffe, 1994; Wiersema & Bantel, 1993).

A second theme in this thesis is selection system orientation. The concept of selection system orientation essentially refers to an individual’s cognitions, such as attitudes and believes concerning stakeholders in different strategic sub-environments that play a role in determining the value of goods the organization - that the individual is a part of - produces. Within the upper echelon literature two approaches can be identified with respect to investigating cognitive systems of top managers: the demographic approach and the cognitive approach (Kilduff, Angelmar, & Mehra, 2000). The former has received far more attention than the latter (Nielsen, 2009). The demographic approach uses characteristics such as age, gender, tenure and education as a proxy for the manager’s cognitive systems and the cognitive approach attempts to measure cognitive systems more directly by survey methods. Focusing directly on cognitions is in line with studies that identify the weaknesses of the demographic approach (Carpenter, Geletkanycz, & Sanders, 2004) and suggest that demographics should be abandoned in favor of variables that embody, for example, processes, attitudes and judgments (Olekalns & Smith, 2005; Priem, Lyon, & Dess, 1999). Selection system theory (Wijnberg & Gemser, 2000) studies competitive processes by focusing on the actors whose judgments determine the value of the goods the competitors produce. Three ideal types of selection are distinguished: peer, expert, and market selection. Each selection system consists of the ‘selectors’, the actors whose evaluations determine value, and the ‘selected’, the competitors whose products are being evaluated. In market selection the dominant selectors are consumers.
In peer selection they are producers within the industry. In expert selection they are neither producers nor consumers, but organizations or individuals whose opinions can have a significant impact on the industry. Thus, organizational performance can be assessed in each selection system type. Of course it is possible that different managers identify different actors as dominant selectors and will therefore strive to let the organization satisfy the preferences they assume their ‘favorite’ selectors to have. Each manager will have a perception of the extent to which the value of the product is primarily determined by the opinions of selectors of a particular type, peer, expert or market. For example, a manager who considers that organizational success is primarily dependent on its evaluation by experts, while the opinions of ordinary consumers count for little, will have a high expert selection system orientation and low market selection system orientation.

A third theme in this thesis is the role of outsiders’ perceptions of organizations’ past performances and their role in reducing uncertainty about new product outcomes. In the cultural industries there are, in general, more products offered than the market can accommodate and the uncertainty about product outcome is high. This makes it difficult for intermediate buyers to decide which products to select and which to reject. There are many industries where the intermediate buyer is an important and powerful gatekeeper, for instance supermarkets as intermediate buyers for household consumption goods. Since intermediaries in the performing arts cannot form a value judgment before the product is ‘consumed’ they rely on signals to reduce uncertainty about the product outcomes (Debenedetti, 2006; Gemser, Leenders, & Wijnberg, 2008; Shrum, 1991). On the product level past records of innovativeness i.e. how many times a production has been produced before in the industry can be a useful signal for intermediaries. Many organizations have adopted innovative product strategies because innovativeness is generally seen as a valued product characteristic in the high arts and innovativeness can be a dominant strategy for organizations in distinguishing themselves from their rivals (Hellbrun, 1993). Thus in the performing arts, as in many other industries, innovativeness can be perceived as a signal for the quality of a product (Wijnberg & Gemser, 2000). However, innovativeness may also increase uncertainty about the product’s acceptance in the market. Empirical research in the high arts has shown that the end-consumer does not always value innovativeness (G. B. Voss, Montoya-Weiss, & Voss, 2006; Werck & Heyndels, 2007). In addition, intermediaries may focus on signals
concerning the quality of a product at the organizational level such as organizational legitimacy and reputation. Organizations have legitimacy when they are perceived as meeting the minimum requirements of belonging to a particular group (King & Whetten, 2008). When several products of an organization are discussed in, for example, newspaper reviews, this shows that the products of an organization, and, therefore also the organization, are a legitimate object of attention. Reputation indicates whether an organization is positively distinctive within its peer group (King & Whetten, 2008). Organizational reputation in the cultural industries can be regarded as a form of capital that is created by an accumulation of past judgments by expert critics (Cameron, 1995).

A fourth theme in this thesis is sensemaking by different managers and their perceptions of organizational performance. The sensemaking literature (Weick, 1995) describes how managers create an understanding of cues in their environment and how this serves as a trigger for action. The main question that this literature stream tries to answer is, How do managers construct what they construct and why? (Weick, 1995, p. 4). Sensemaking occurs by putting cues into a framework (Starbuck & Milliken, 1988) which attributes meaning to events (Sackmann, 1991). The cues that managers extract have a certain degree of equivocality and uncertainty. Equivocality concerns the degree to which information is open to different interpretations (Daft & Lengel, 1986) and uncertainty is the difference between the information available to managers and the information required for managers to complete tasks (Tushman & Nadler, 1978). The sensemaking literature suggests that cognitive systems play a key role in how top managers interpret cues in their strategic environment. How managers make sense of their organizations’ performance is important because their perception of organizational performance tells them whether the organization is on track in realizing organizational objectives and indicates whether managers should adapt or revise strategies (Atkinson, 2006; Goold & Quinn, 1990; Goold, 1991; Otley, 1999; Tavakoli & Perks, 2001). The degree to which the extracted cues are clear and certain in a specific dimension of organizational performance determines to what extent dual executive leaders might have different interpretations of their organizations’ performance in that dimension. That top managers of the same organizations perceive performance differently is not uncommon (Mezias & Starbuck, 2003). Since selection system orientations are a type of cognitive system it is likely that this is related to how dual leaders differ in their perception of organizational performance in a specific selection
system. For example, in theatre companies the artistic and managing directors may be asked how the organization is evaluated by experts. Both leaders will have a view about the evaluations that the organization has received from expert critics in the past few years. The artistic director may have a stronger expert orientation than the managing director and therefore extract and value cues differently. The artistic director remembers the evaluations that the company has received by expert critics well and that they have in general been positive. The managing director may have a weak expert orientation; they may remember a few newspaper reviews and think expert critics have a negative opinion about the theatre company. As a result the managers may believe that different actions are necessary to create or sustain successful organizational performance in the expert selection system dimension.

Introduction of the chapters
This thesis is a collection of four studies, three of which have been carried out in close collaboration with my supervisors Mark Leenders and Nachoem Wijnberg. The second study was carried out together with Joris Ebbers and Nachoem Wijnberg. Two different research methodologies have been applied. First, multiple regression analysis was used to determine the influence of heterogeneity in the selection system orientations of dual leaders of theatre and dance companies on selection system performance and differences in the perception of selection system performance. We also used multiple regression analysis to determine the influence of product innovativeness, organizational legitimacy and organizational reputation on the scheduled capacity of productions of dance and theatre companies. Second, interviews with film producers and directors were held in order to provide insight into the selection process of project team members, the long term relationships between producers and directors and the way in which they perceive their own and each other’s roles and responsibilities.

This thesis is structured as follows. The first study (Chapter 2) focuses on the dual leadership structure and dual leaders’ selection system orientations. In this chapter it is argued that heterogeneity in orientation is beneficial for the performance of the organization. A survey among the executives of subsidized theatre and dance companies in the Netherlands was conducted. Using data from both the artistic and managing directors of 51 organizations the drivers of a particular selection system orientations (peer, expert or market) and the effects of possible heterogeneity in orientation were studied for each selection system type.
The second study (Chapter 3) specifically focuses on how dual leaders manage the tensions generated by the art-business faultline. The term faultline indicates the presence of boundaries between two or more subgroups (Lau & Murnighan, 1998). The film setting is used to show that dual leaders have different ideas about how they create value for their organization. In this study it is argued that the roles and responsibility of the dual leaders, their long term relationships and the process of team selection play an important role in the performance of the organization. A total of 24 Dutch producers and 14 directors were interviewed. They were selected from a population of producers and directors involved in the production of feature films released in the previous 10 years.

The third study (Chapter 4) explains the scheduled capacity of theatre and dance companies. In this chapter it is argued that signals regarding past performance of products of an organization can affect the performance of new products of the same organization. The study discusses the fact that product innovativeness can have a positive or negative relation with scheduled capacity because the industry and the audience have different values. In addition, it investigates whether there are interactions between product level signals (product innovativeness) and organizational level signals (organizational reputation and organizational legitimacy) that affect scheduled capacity. 551 new productions of subsidized high art companies in the Netherlands were studied. A database of theatrical productions was used to assess the level of product innovativeness and newspaper reviews of productions were collected to construct measures for organizational legitimacy and organizational reputation.

The fourth study (Chapter 5) focuses on the dual leaders’ perception of the organization’s performance. With respect to this we studied dual leaders’ selection system orientations. Here it is argued that managers who have access to the same information and who operate in the same context can have different perceptions of the organization’s performance. Three types of organizational performance are distinguished along the same three basic dimensions suggested by selection system theory. The study also presents arguments for why the level of uncertainty and equivocality could differ between the signals denoting performance along the different dimensions and how greater uncertainty and equivocality of the signals allows more room for the selection system orientations to affect the perceived performance. Survey data of 59 performing art companies in the United Kingdom led by dual leaders was collected and analyzed.
The different findings of the studies and the relations between them are discussed in the conclusion (Chapter 6). Also, implications for theory, managers and public policy are presented. We finalize the thesis with suggestions for further research.