Business in the performing arts: Dual executive leadership and organizational performance
Bhansing, P.V.

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6 Conclusion

The focus of the previous chapters has been on the tensions between art and business, especially for the managers of organizations in the performing arts. Much attention has been paid to the dual executive leadership structure, selection system orientations and organizational performance. This chapter synthesizes the findings of the four studies in this thesis. First, we summarize the major findings. Second, we discuss the implications of our findings for the main theoretical themes given. Third, we discuss the implications of the findings for public policy. Fourth, we discuss the implications for managers in the performing arts and organizations in general. Finally, the thesis makes suggestions for further research.

Major findings
Chapter 2 focuses on heterogeneity in the selection system orientations of dual leaders in theatre and dance companies in the Netherlands. In a dual executive leadership structure, the organization is led by two managers, each with their own role and tasks. Data from 51 organizations were analyzed. The first finding is that managing directors have stronger expert and market selection system orientations than artistic directors, while with respect to the peer selection system orientation there are no significant differences. The second finding is that heterogeneity in selection system orientations has a positive effect on organizational performance along the matching dimensions and in particular along the expert dimension. The expert selection system dimension is precisely the selection system dimension that is most important for the organizational survival of theatre or dance companies in the Netherlands.

Chapter 3 focuses on how film producers and directors manage the tensions generated by the art-business faultline. Film producers and directors are on different sides of the faultline, but together they also bridge it. A total of 24 Dutch producers and 14 directors were interviewed. The analysis of the interviews shows that producers and directors see their roles mainly on one or the other side of the faultline, that they perceive the director to be primarily responsible for the artistic success and that the producer has more influence on the commercial success than the director.
The faultline also manifests itself when producers and directors consider the selection of project team members. In general the producers and directors are more dominant in the selection process when this concerns team members that belong to their side of the faultline. Crucially, the findings show that if the director and the producer, as dual leaders who each represent one side of the art-business divide, form stable long-term relations on the basis of trust and mutual understanding, this has positive consequences for avoiding the pitfalls of strong faultlines and, in turn, for the performance of the organization as a whole.

Chapter 4 focuses on signals regarding past productions, i.e. product innovativeness, and regarding the past performance of organizations, i.e. organizational legitimacy and organizational reputation, that affect intermediaries in selecting or rejecting a new production by the focal organization. Scheduling data of 551 new productions of theatre and dance companies in the Netherlands were analyzed. The first main result is that there is a negative main effect of product innovativeness on scheduled capacity. The second main result is that the effects of legitimacy are much stronger than those of reputation. Thirdly, it transpires that companies with low legitimacy, those that effectively are already high-risk prospects for the schedulers, become more attractive if their product also becomes more innovative. In addition, the results show that scheduled capacity is not positively significantly related to past and recent attendance. Past audience success, therefore, is a poor signal for future success.

Chapter 5 focuses on differences between dual executive leaders in their perceptions of organizational performance. The core question was whether selection system orientation heterogeneity was a driver for this difference. Survey data of 59 performing art organizations in the United Kingdom with a dual leadership structure was collected and analyzed. The sensemaking (Weick, 1995) and upper echelon theories (Hambrick & Mason, 1984) suggest that cognitive systems such as selection system orientations determine how dual leaders interpret and process information regarding organizational performance. The first main result is that heterogeneity in selection system orientations is indeed an antecedent for differences in perception of organizational performance, at least in the expert and market selection system dimension. The second main result is that this relation is moderated by the degree of equivocality and uncertainty in information regarding the performance along the dimension of the particular selection system. With respect to this, the results show that the effects for the expert selection dimension orientation are stronger than the
effects for the market selection dimension. In addition, the results show that the quality of the communication between the dual leaders does not decrease differences in the perception of organizational performance.

**Implications for the main theoretical themes**

A major theme of this thesis is the nature and effectiveness of the dual executive leadership structure. Although this leadership structure is found in many different industries (Alvarez & Svejenova, 2005) there have been few studies that explore its antecedents and consequences. The main theoretical advantage of the dual leadership structure is that it creates information diversity at the top level of the organization. The results in chapter 2 and 5 show that dual leaders in different functional positions have different cognitive systems and that there is a difference between the dual leaders’ cognitive systems within organizations and, therefore, that there is likely to be more diverse information available in the dual executive leadership structure. Consequently, more strategic issues are identified than in a structure with a sole executive. It has been argued that organizations have multiple organizational objectives (Denis et al., 2001) and that the boundaries between sub-groups, for example, the creative people and the administrative personnel, need to be monitored since the performance of the organization as a whole depends on how these faultlines are bridged and managed (Lau & Murnighan, 1998). When each of the dual leaders represents one side of a significant organizational faultline, their collaboration can serve to bridge this faultline, to the benefit of organizational performance. The hierarchical equivalence of the dual leaders makes such ‘bridging’ collaboration more necessary. Therefore, a well-functioning dual leadership structure can be a solution to problems resulting from organizational faultiness (Chapter 3). However, the dual executive leadership structure is a double-edged sword. Since the dual leaders interact with their environment, others outside the organization may perceive that the dual leaders have different attitudes and beliefs regarding what type of value is important to create for an organization. If this is clearly visible to outsiders then this may signal uncertainty about the strategic direction of the organization, which may translate to uncertainty about new products.

A second theme is selection system orientation. Selection system orientation is a new concept that can be applied to upper echelon theory (Hambrick & Mason, 1984) and is based on the selection system theory (Wijnberg & Gemser, 2000). Selection system orientations represent a
specific type of cognitive system and upper echelon theory proposes that
cognitions of top managers influence the organization’s outcomes. A
manager’s selection system orientation denotes their attitudes and beliefs
regarding the relative importance of the judgments of different types of
selectors who also can be considered to represent stakeholders in different
strategic sub-environments. Moreover, organizational performance can also
be measured along the same dimensions as the orientations.

This thesis shows that the concept of the selection system orientation
is a useful way to classify the mindset of a manager in relation to the
competitive environment in which they operate. With selection system
orientations cognitive systems are measured more directly than with
demographics, which have been used as a proxy for cognitive systems in
many studies. It has been argued that the demographic approach has
weaknesses (Carpenter et al., 2004) and that demographics should be
abandoned in favor of variables that embody processes, attitudes and
judgments (Olekalns & Smith, 2005; Priem et al., 1999). Chapters 2 and 5
do exactly this. In addition, this thesis suggests that selection system
orientations expand the boundaries of the upper echelon perspective
(Chapter 5). Previous upper echelon research has already discussed the fact
that managers use their cognitions to identify issues and problems in their
strategic environment (e.g. Hambrick & Mason, 1984). The findings in
chapter 5 suggest that cognitions of managers have an influence not only on
which issues top managers notice, but also on how they interpret the
outcomes of organizational behavior with regard to these issues.

Thus, chapters 2 and 5 show that selection system orientations are
effective in measuring cognitive heterogeneity. Chapter 2 indicates that
functionally different executives have different strengths in their selection
system orientations. As result of differences in the setting this was less so
in chapter 5. Heterogeneity, however, between dual leaders of an
organization in selection system orientations was found in both studies.
Moreover, this thesis shows that selection system orientation heterogeneity
is related to organizational performance (Chapter 2). The findings of
chapter 2 and 5 support the findings of Houghton and Neubaum (1994) and
Voss, Cable and Voss. (2006), which suggest that top managers in different
functional positions have different perceptions of their business
environment. They also support the findings of Kilduff, Angelmar and
Mehra (2000) and Mello and Ruckes (2006), which show positive
relationships between cognitive heterogeneity and organizational
performance.
A third major theme is the role of outsiders’ perceptions of organizations and their products. By showing that signals of product innovativeness interact with signals of organizational legitimacy this thesis provides insight into how intermediate buyers handle uncertainty about new products and their producers. This contributes to theory development regarding the risks and rewards of innovation. Intermediaries balance the uncertainties arising out of high innovativeness with the uncertainties arising out of low legitimacy (Chapter 4). Organizational reputation did not have an effect on the selection decisions of intermediate buyers. This thesis shows that research should make a distinction between the perceptions of organizational legitimacy and organizational reputation because both organizational perceptions of past performance can have different effects (Deephouse & Carter, 2005; King & Whetten, 2008) especially in their interaction with other perceptions of the focal product or producer.

A fourth major theme in this thesis is sensemaking and differences between dual leaders’ perception of organizational performance. The sensemaking literature (Weick, 1995) discusses how individuals extract cues and give meaning to events. Cognitive systems play an important role in this. However, few empirical studies focus on what these cognitive systems are like. This thesis does this by using the selection system orientation concept to explain how managers make sense of their organization’s performance. The extent to which managers attach relative importance to the opinions of particular types of evaluators colors the way in which they observe the world around them and affects which cues they extract to interpret reality. Chapter 5 provides empirical evidence for the fact that selection system orientations are fundamental to how managers construct an understanding of their business environment. Moreover, findings suggest that the relation between the uncertainty and equivocality of particular types of cues and the influence of selection system orientations is highly relevant for understanding the extent to which cognitive systems can affect interpretations of events. In addition, the results in chapter 5 question the importance and effectiveness of communication between managers as part of their sensemaking processes. Ideally managers should come to a common perception of an event by communicating (Weick et al., 2005), but the results in chapter 5 show that the quality of the communication between the managers has an insignificant influence on differences in the perception of organizational performance.
Implications for public policy
The general tendency in policy development in the Netherlands regarding cultural industries has been to reduce the subsidies for the performing arts. Such policy developments seem to call for a stronger market orientation on the part of performing arts organizations. However, as shown in chapter 2, the managers of Dutch theatre companies do not score particularly highly on that dimension. Moreover and maybe more importantly, this is also the case for the business managers, from whom a strong market orientation would be expected. Policy makers should realize that the current managers of performing art organizations in the Netherlands may not have the right strategic orientations for a business environment that relies much more on the market. In fact, the research presented in this thesis suggests that cognitive heterogeneity is quite low among managers of subsidized theatre companies and a first step towards making these organizations more likely to survive in the rapidly changing environment would be to promote greater heterogeneity. Changes in policy that emphasize the market earning capacity and business capabilities of cultural organizations can, in the medium term, lead to a more dominant, or less subservient, position for the business manager, especially if these business managers are selected on the basis of their managerial training and experience. Since such changes cannot happen overnight, it would not be sensible to expect immediate results of policy changes, which in turn suggests that public authorities should act with care to give temporary protection to organizations that are still too focused on peer and expert success, but without taking away the incentives for internal reform.

Implications for managers
Above we have discussed the fact that the dual executive leadership structure has its advantages and disadvantages. If an organization finds itself in an environment that poses multiple demands and these demands can be linked with different selection systems, then a dual leadership structure, where two executives clearly have different strengths in their selection system orientations, seems a useful way to manage such an organization: in this way each executive can serve a different set of stakeholders and the organization benefits from information diversity. At the same time, if such a solution is chosen, the organization should take care, in the selection of managers and in the structuring of their roles, that the dual leaders not only work together well, but also devote efforts to bridging the faultlines that the dual leadership structure makes explicit.
What is more, dual leaders may have different perceptions of how the organization is doing and where it is going (Chapter 5). Organizations should endeavor to create processes to align dual leaders’ perceptions of organizational performance so that the formulation of subsequent strategies becomes easier and more effective. Good communication between the leaders alone may not be enough (Chapter 5).

Another implication that is more specific to the performing arts is that demand forecasts are very hard to make and that some cause and effect relations that seem obvious are not in fact obvious. Performing art organizations should not rely only on their past successes with the audience or past evaluations by expert critics. These signals are not a given for future success. Scheduled capacity is, for example, positively related to past and recent attendance but not significantly so, and organizational reputation is not significantly related to scheduled capacity. High organizational legitimacy, which is signaled by the number of expert reviews, has a significant effect on scheduled capacity. Therefore, it is recommended that performing art companies invest in creating organizational legitimacy. By showing that one is a serious player in the field one can reduce uncertainty about the quality of one’s products. This thesis shows that critics play an important role in building organizational legitimacy, even if the importance of what the critics actually say can be very limited. On this basis, performing art companies would be well advised to deploy relational and marketing activities in order to become more prominent in the minds of expert critics.

**Further research**

Investigating selection system orientations and heterogeneity in the selection system orientations in other contexts can validate both the underlying measures and the generalizability of selection system orientations. This thesis focuses on the performing arts in the Netherlands and the United Kingdom. Future studies could investigate the antecedents and consequences of selection system orientations in different regions and industries. Also, this thesis has mostly addressed cultural organizations that received at least some subsidies. Further research could usefully include, for example, organizations in industries that fully depend on the market. It would be interesting to see whether selection system orientation heterogeneity exists in these types of organizations and how this is related to financial performance. Additionally, selection system orientations should also be investigated in the contexts of other leadership structures. It would
be interesting to investigate within one industry whether the selection system orientations of ‘single’ CEOs differ from the average selection system orientations of dual leaders, and how this would affect organizational performance.

Further research can link selection system orientations with external perceptions of the organization as a whole, such as reputation, legitimacy and status (status is not studied in this thesis, but it is conceptually related to reputation and legitimacy). One could argue that, for example, in organizations with a single CEO, those that have a high expert orientation are more capable of creating organizational legitimacy because they may create high visibility of their organization among experts. CEOs with high market selection system orientations may be more capable of creating reputation since in many industries previous market success creates a positive image. CEOs with a high peer orientation may be more capable of creating status since they may attempt to mimic signals of high status peers in their own organizations.

Selection system orientations can also be studied in lower levels of the organization. In large organizations teams in different departments are likely to differ from each other in their dominant selection system orientation. For example, the communication department may have an expert orientation because they find organizational legitimacy important and the sales department may have a high market selection system orientation because servicing the market is their primary task. What effect does such a difference in selection system orientation have for the performance of the organization as a whole? Also, since innovation and creativity play an important role in many industries, what role does selection system heterogeneity play in the innovative output of teams? On the one hand one may argue that innovation requires a dominant peer orientation in a team because the new product development of competitors determines the relative level of innovativeness. On the other hand a team where all the members have a dominant peer selection system orientation will have low heterogeneity, which is associated with low levels of innovativeness (Bantel & Jackson, 1989; Murray, 1989).

This thesis began by stating that the most obvious particularity of the art business is that it comprises art and business. In a way each organization has its ‘art’. All organizations generate an output and it is an ‘art’ to do this in such a way that the highest possible quality is created with the available resources. This thesis hopes to encourage other researchers to
investigate further how ‘art’ and business can be combined in order to create different types of organizational success.