
37 Management of the arts

François Colbert

Management is a relatively new discipline and the management of arts and culture an even more recent offshoot. The non-profit status of many arts and cultural organizations not only means that they must be managed in a particular way, it also imposes a specific set of professional requirements on the manager and the board of directors. In this chapter, we will examine these two aspects of cultural management. But let us begin with some background information.

The discipline of management

Management is a new discipline compared with age-old sciences such as physics, geometry and philosophy. The phenomena associated with organizational management were not examined in any systematic way until the very end of the nineteenth century, and the first treatises on this topic were not published until the early twentieth century, with Taylor contributing one of the seminal texts in 1911. The establishment of the general discipline of management eventually led to the emergence of other disciplines such as financial management, operational management and human resources management, which in turn gave rise to various subdisciplines. As they have developed, these various management disciplines have borrowed theories, concepts and knowledge from other fields, including economics, psychology, sociology, anthropology, mathematics and, more recently, information technology.

In the early 1960s, interest in the study of management increased significantly among both researchers and students. The number of academics in the field grew, as did the number of scientific publications. The body of management knowledge expanded considerably and was applied in an increasingly broad range of sectors. Researchers thus began to publish studies on the management of particular types of entities such as non-profit organizations, providers of financial services, hospitals and, in the early 1970s, arts and cultural organizations.

That being said, arts and cultural management is hampered by a twofold legitimacy problem. On the one hand, it is viewed with suspicion by the arts world, and, on the other, it is often taken less than seriously by management scholars. To counter this indifference, particularly among the scientific community, it is possible to adopt a proactive attitude, by highlighting

the contributions of arts and cultural management in general (Évrard and Colbert, 2000).

Spec. like
diskontinuita
produkcije
organizacija
usl. upravljanje
flexibiln.

Specific characteristics of the arts sector

In the arts world, discontinuous modes of production are the norm. Since many arts activities assume the form of individual projects (a show, a film), the organizations that produce them must be extraordinarily flexible. The task at hand is to manage, not continuous flow production, but rather the sequential production of new products. In fact, this continuing effort to market prototypes is one of the distinguishing features of the arts sector (Colbert *et al.*, 2001).

These discontinuous production modes also affect the management of human resources. The use of freelance workers requires a particular kind of human resources management. A small staff of permanent employees is responsible for the basic continuity of the organization, while its creative resources remain outside the organizational framework. This work structure has led to the emergence of charismatic leaders with highly personal motivational styles.

Avopisno
umjetnički
administrativni
spec. umjetnički
nebo organizacijski
radni

Another distinctive feature of arts production also affects human resources management. Indeed, the mode of project-based creation has made dual management possible, with artistic and administrative directors sharing tasks. Since these two administrators generally have the same status within an organization, potential conflicts are resolved by the board of directors. Though not universal, this form of organizational structure has become quite widespread in the arts and cultural milieu.

The manner in which arts organizations operate is remarkably consistent with Mintzberg's theory about the way organizations are structured. The organization is managed by a strategic apex comprising the board of directors, the artistic director and the administrative director. This strategic apex defines the mission of the organization and oversees its development. In the case of a theatre company, for example, each individual production is entrusted to a director, who assumes sole responsibility once the reins are handed over. From this point on, the strategic apex does not intervene in the production process. The success of the organization thus rests entirely on the shoulders of an external party. Functions such as marketing, human resources and accounting play only supporting roles and are dependent on artistic decisions. And the success of the organization is by no means certain, because when it comes to artistic endeavours the unknown is the rule and success almost entirely unpredictable.

Lastly, two characteristics of arts products complicate the task of accounting or financial analysis, namely, the immateriality of the product and its heritage value. A work of art is by definition an immaterial product

Neovisnost proizvoda, jedinstvenost umjetničkog djela
neovisnost - umjetničke organizacije aktivne organizacije

whose value depends on the evolution of public tastes (heritage value). These characteristics make it more difficult to determine the value of organizational assets (rights portfolio, market value of assets and so on).

These characteristics are not necessarily common to all cultural organizations. In fact, it is appropriate to distinguish between organizations based on individual sectors. Generally speaking, cultural organizations belong to one of three major sectors: the arts, cultural industries and the media. The defining characteristic of organizations in the arts sector is the production of prototypes, while cultural industries market reproductions of prototypes and the media rely on powerful tools that make it possible to deliver cultural products directly to consumers. Each of these sectors has a distinct logic, but all three offer products with a high degree of creative content. However, while most companies in the arts sector are product-rather than market-oriented, the reverse is true for cultural industries and the media. In fact, one of the defining characteristics of the arts sector is that artistic vision takes precedence over market considerations. Rather than selling a product that satisfies the needs and desires of consumers, these organizations offer an artistic vision likely to be of interest to a certain audience. In practice, the job of the marketing staff is to identify a market segment interested in the product being offered, not to provide consumers with what they want to see.

The board of directors: a fundamental entity

Non-profit arts and heritage organizations are not managed in the same way as for-profit organizations in other sectors, for the simple reason that their social missions are different; and the role of the board of directors must of course reflect these different management styles. Since cultural organizations do not modify their products to please consumers, they obviously incur greater risks. It is to allow these custodians of heritage and creators of culture to fulfil their missions that governments provide them with funding. This money, which comes directly out of the pockets of taxpayers, is meant to serve the greater good and to allow the entire population to benefit from past and present intellectual advances. This unique mandate of cultural organizations, along with their product orientation, means that a suitable set of criteria must be used to assess their performance. The success of such organizations cannot be measured in the same way as that of companies seeking to maximize profits. Concepts such as profit, per-share profit and market share have no relevance for a non-profit organization with a social and educational mission. Rather, the appropriate performance-measurement criteria must be centred on the achievement of the organizational mission.

The roles and functions of the board of directors thus extend well

1
e
,
e
e
e
r
f
l
s
e
-
l
-
e
g
l
.
e
t
e
-
e
l
s
e
l
y
l
1
-
e
-
l
t

10/17
17. d. 2010 - 2011 - 2012 - 2013 - 2014 - 2015 - 2016 - 2017 - 2018 - 2019 - 2020 - 2021 - 2022 - 2023 - 2024 - 2025 - 2026 - 2027 - 2028 - 2029 - 2030 - 2031 - 2032 - 2033 - 2034 - 2035 - 2036 - 2037 - 2038 - 2039 - 2040 - 2041 - 2042 - 2043 - 2044 - 2045 - 2046 - 2047 - 2048 - 2049 - 2050 - 2051 - 2052 - 2053 - 2054 - 2055 - 2056 - 2057 - 2058 - 2059 - 2060 - 2061 - 2062 - 2063 - 2064 - 2065 - 2066 - 2067 - 2068 - 2069 - 2070 - 2071 - 2072 - 2073 - 2074 - 2075 - 2076 - 2077 - 2078 - 2079 - 2080 - 2081 - 2082 - 2083 - 2084 - 2085 - 2086 - 2087 - 2088 - 2089 - 2090 - 2091 - 2092 - 2093 - 2094 - 2095 - 2096 - 2097 - 2098 - 2099 - 2100

beyond financial considerations. Since a cultural organization is an institution with a social and educational mission and is financially supported by society as a whole, the primary responsibility of the board of directors is to ensure that this mission is fulfilled. As a non-profit organization, it has no actual shareholders to hold it accountable. However, the society that provides the organization with funding can be regarded as its principal shareholder. The board of directors is thus responsible for safeguarding the organizational mission on behalf of this collective shareholder.

The most important decision that the board has to make is the selection of the executive director, or the artistic and administrative directors, of the institution, after which it is responsible for assessing the performance of the individual or individuals chosen. Safeguarding the organizational mission, and choosing and evaluating the performance of the director – these are the key tasks of the board of directors of an institution resolutely focused on its product rather than the market.

So how does the board of directors fulfil its role? By selecting new board members very carefully and by equipping itself with strict rules of governance. The application of these rules is very much at odds with the unfortunately widespread notion that the role of a board member of a cultural organization can be summed up by the phrase 'give, get or get out'. Organizational governance can be defined as follows: the process and monitoring structure employed by the management of an organization to ensure that it can effectively fulfil its mission. Governance thus involves monitoring the organizational mission. Monitoring entails relations with management, and relations entail rules of conduct and the clear definition of roles. These various elements must be clearly set forth in a governance document.

Rules of governance must be established in collaboration with the executive personnel of the organization, because they are directly affected by this process. Although the role of the board is to establish the organizational objectives and to assess the extent to which they are achieved, its actions must be based on a strategic plan formulated in collaboration with those responsible for managing the organization. This plan must outline the short- and long-term objectives of the organization and the means by which these objectives will be met, as well as the performance criteria. At this stage, the role of the board members is to guide and advise management with regard to the strategic planning process, and then approve the resultant plan. From this point on, it must regularly review the assumptions underlying the plan and ensure that appropriate corrective action is taken, based on the results obtained. Of course, to ensure that relations between the board and management are harmonious, it is essential that the board allow management to manage the institution on a daily basis and not interfere in day-to-day matters. The distinction between the respective roles of

role
with board
responsibility

strategic
plan

the board and management is a key and sensitive element of the governance document, and as such merits careful consideration.

To be in a position to assess compliance with the strategic plan, the board must ensure that the main risks associated with the finances and physical assets of the organization are identified and that the appropriate risk-management systems are put in place. A non-profit cultural organization does, of course, face financial risks, but the primary risks are associated with its organizational mission; and these are the aspects of the organization that new board members must ensure they thoroughly understand.

One of the key tasks of a board of directors is to select new members, but it must also ensure that they receive the appropriate training. This task is facilitated by the formation of a governance committee responsible for advising the board with regard to all matters associated with governance problems. This committee should be the mechanism of choice for assessing the skills that board members require and should also be responsible for assessing the effectiveness of the board as a whole, including each of its committees and the contribution of each director. It is important for the organization to embrace the notion that even a board of directors can be evaluated – just as volunteers can, and should, be subject to an evaluation process.

To be able to fulfil its role effectively, the board must be made up of a group of people who are capable of understanding the various aspects of the operations of the institution. Not all board members can or should be expected to have expertise in all these aspects at the same time – hence the importance of having a well-rounded group of members. The organization must be able to rely on a complementary and comprehensive set of skills, as must non-profit organizations in other economic sectors. It is of course important to find people who can assess the financial performance of the organization and others who have sound knowledge of the target markets, but what is most important is to ensure that there are people on the board who can objectively and effectively assess the extent to which the institution is achieving the fundamental objectives associated with its mission. Lastly, the board must include members who can ask the appropriate questions and who will not settle for less-than-adequate responses.

Conclusion

By virtue of their mission and product orientation, cultural organizations are risky ventures. The risks they face have to do with both the quality of the works presented and the balancing of budgets. The board of such an organization always operates amidst uncertainty and must account for its performance to the shareholders, namely, the taxpayers who fund the organization via the governments they elect. An effective board of directors and equally

LNK souvisí s kvalitou produkce a
výrovnáním rozpočtem

effective management are the markers by which such an organization must gauge its success. A carefully considered governance structure, accepted and monitored by all concerned, will help the organization engaged in managing prototypes and discontinuous operations to fulfil its difficult and demanding mission.

See also:

Chapter 43: Non-profit organizations; Chapter 47: Performance indicators.

References

- Colbert, François, Jacques Nantel, Suzanne Bilodeau and J. Dennis Rich (2001), *Marketing Culture and the Arts*, Montreal: Chair in Arts Management/HEC-Montréal.
- Évrard, Yves and François Colbert (2000), 'Arts Management: A New Discipline Entering the Millennium', *International Journal of Arts Management*, 2 (2), Winter, 4-14.

38 Marketing the arts

François Colbert

Traditional marketing theory maintains that a company seeks to fulfil an existing need among consumers in order to be successful. In the traditional model, the marketing components of the model must be considered a sequence that starts in the 'market'. The market is thus both the starting and the finishing point for this process.

Although the marketing model for cultural enterprises contains the same components as the traditional marketing model, the marketing process for product-centred cultural enterprises is different. As Figure 1 shows, the process starts within the enterprise, in the product itself, as stated in the definition below. The enterprise tries to decide which part of the market is likely to be interested in its product. Once potential customers are identified, the company will decide on the other three elements – price, place and promotion – for this clientele. In this type of company, the process order would be company (product)–information system–market–information system–company–residual marketing mix–market. The starting

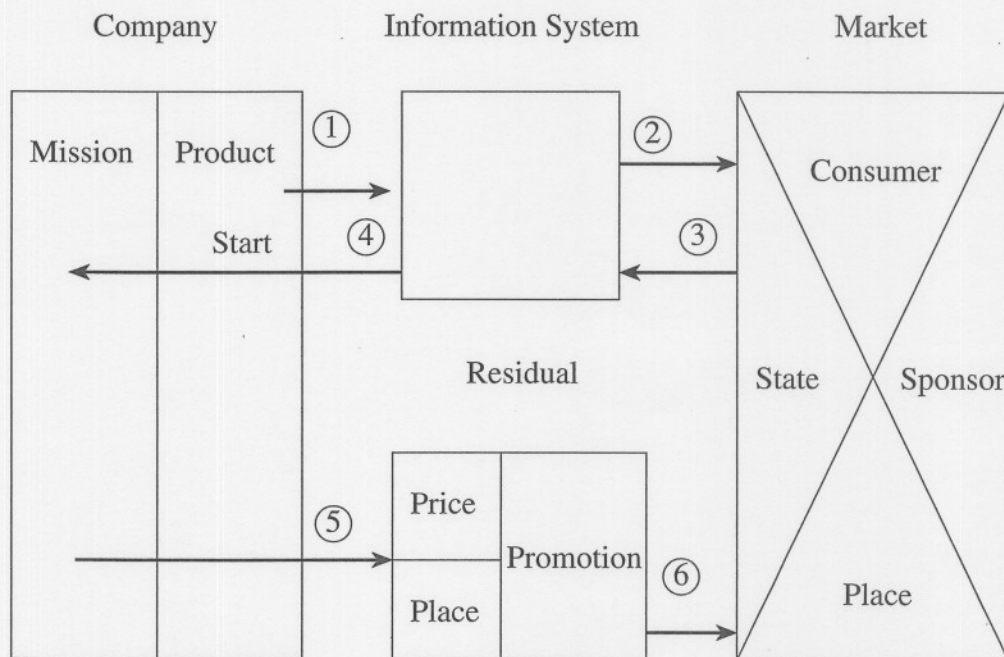


Figure 1 The marketing model for cultural enterprises

point is the product and the destination is the market. This 'product-to-client' approach is truly typical of the not-for-profit arts sector.

Therefore we can define cultural marketing as

the art of reaching those market segments likely to be interested in the product while adjusting to the product the commercial variables – price, place and promotion – to put the product in contact with a sufficient number of consumers and to reach the objectives consistent with the mission of the cultural enterprise. (Colbert *et al.*, 2001)

Let us briefly examine the different components of this model.

The market

A market is a group of consumers expressing desires and needs for products, services or ideas. The notions of need and desire are the cornerstone of marketing and the key to any marketing strategy. Thus a consumer expresses needs, and a cultural enterprise will seek out consumers with needs likely to be met by the works produced. These consumers could be either individuals or other organizations.

A cultural company may serve four different markets: state, sponsor, distribution agents and, of course, the ultimate consumer. These are, in effect, distinct markets responding to different motivations.

State

'State' is used here to denote the different levels of government, federal, provincial and municipal, that support cultural enterprises in various ways. The state plays a dominant role in the cultural sector in most industrialized countries. Sometimes it acts as a consumer, or it may intervene to varying degrees, in different guises – from simple partner to patron controlling the entire cultural sector of a nation.

The level of state involvement is quite different depending on countries; the two extremes may be exemplified by countries such as the USA, where a small percentage of the companies' budgets in the arts is coming from the different levels of government, while in Europe, some countries, such as France or Germany, will see their respective governments represent as much as 80 per cent of the total budget of symphonies or theatres.

Sponsor

The sponsor's support may take two forms: contributions and sponsored events or products. Contributions may be made by individuals, foundations or companies; however, sponsorships come mainly from companies. A contribution is normally a philanthropic act, whereas sponsorship is a promotional initiative in exchange for publicity or advertising. Sponsorships are

given according to advertising benefits calculated in advance. The corporate sponsor then judges the performance of the investment in terms of visibility, rapid response awareness, and the vehicle's reach – that is, the number of consumers receiving the message.

Donors, on the other hand, provide disinterested assistance based on personal tastes and preferences. In the case of a foundation, its mission and goals will determine the choice of a cause. Donors are rewarded by some form of recognition, but this does not usually motivate their philanthropic gesture.

The distribution market

Although some companies sell their product directly to the ultimate consumer, many must use the services of an agent or intermediary. The distribution market comprises these agents or intermediaries. In the performing arts for instance, the presenter is a distribution agent. A touring company uses a presenter to reach consumers in a specific city or region. There is a distribution market in almost all cultural sectors.

The consumer market

Surveys focusing on the sociodemographic profile of consumers of cultural products have been carried out in nearly every European country (both East and West), as well as in Canada, the United States, Australia and Japan. These surveys have systematically, unequivocally and consistently revealed a strong polarization among audiences and consumers. They show, for example, that cultural products catering to high art attract educated consumers, while, conversely, those catering to popular culture draw upon a less-educated population segment. Other sociodemographic variables are also linked to attendance; these include personal income (high in the first case and low in the second) and the type of occupation (white-collar workers in the first case and blue-collar in the second). Moreover, attendance rates at high-art performances is nearly identical across all industrialized countries, with some variations attributable to the specific cultural heritage of given countries (for example, attendance is higher for opera in Italy and for classical music in Germany).

Audiences in the arts are mainly female (Gainer, 1993). In dance, for example, one may count as much as 70 per cent of the spectators being female; usually, halls for performing arts, or museums, are filled by 55 per cent to 65 per cent females; in sports, it is the reverse: roughly two-thirds of the spectators are men. The reason for this phenomenon resides in the way boys and girls are raised. Parental attitude (Gainer, 1997) has a major impact on the preferences of children. Arts are high involvement products and are perceived as a way of expressing one's emotions. Parents see boys

as needing activities that will permit them to release their natural aggression, while they see that, by nature, girls are more passive and emotional. These widely shared parental attitudes affect what activities adults will suggest to their children: playing the piano and taking ballet lessons for girls, and playing sports for boys. These attitudes act then as social norms and define roles and preferences of the future adults. This does not mean that all parents are pushing this kind of stereotype. Actually, parental attitude towards the arts is one of four elements that affect future consumption of the arts, but it is the main factor as far as gender bias is concerned. The three other documented elements that explain preference for the arts are the attitude of the school system towards the arts, the fact that a child will be exposed to live art or museums when they are young, and the practice of an art form as an amateur. These, with parental attitude, are the four factors that can explain the future consumption of cultural products. However, the gender effect will always be present unless there is a major shift in attitude by parents.

The environment

A marketing strategy cannot be drawn up in a vacuum; there are many external restrictions affecting the market and the firm. The environment is composed of two elements that constantly influence all organizations: competition, over which the company has some control, and macro-environmental variables, also known as 'uncontrollable variables'. There are five main variables in the macro-environment: demographic, cultural, economic, political-legal and technological; these variables are in constant evolution and affect all firms in the long term and, sometimes, even in the short term.

The marketing information system (MIS)

Marketing information systems rely on three key components: internal data, secondary data published by private firms or government agencies, and the data collected by the company itself. 'Internal data' means all information available from within the firm itself. The firm's accounting system actually provides more than financial analysis; it is a rich source of internal data for the marketing specialist. The term 'secondary data' is used to describe data published by public-sector agencies, such as a Statistics Bureau, Arts Councils or Ministries of Culture, and private-sector firms that specialize in producing research reports.

If all the internal and secondary data do not provide the information required in the decision-making process, it may be useful to gather primary data. In other words, the consumer must be questioned directly. This is commonly called a market study.