

Presentation of

Ed. Yves Evrard

Le Management des entreprises artistiques et culturelles
(introduction and chapters 1 to 3)

Plan:

Intro: What is special about managing the arts?

- What is important about management anyway?
- What's the specificity of arts management?
- The structure of the cultural field

1: Strategy in focus

- Strategic analysis
- The other aspects of the general policy of the company (structure, decision-making, identity)

2: Marketing and Human Resources Management in short

- The specificities of cultural organizations regarding Marketing
- The specificities of cultural organizations regarding HRM

Remark: Evrard et al. in Hagoort's *Art Management*

Remark: Legal and fiscal matters, finance and accountability and control ["contrôle de gestion"] will not be given detailed attention in this presentation. Nevertheless, they are extensively discussed in the book, but with a strong emphasis on the French situation that lessens the interest of these chapters for the more general, not-country-specific purpose of this seminar (i.e. the fundamentals of arts management).

What is special about managing the arts?

From the introduction by Yves Evrard and Eve Chiapello

What is important about management anyway?

Management is not just a collection of techniques for managing activities in the sense of their daily administration ["gestion"]. "Management is the global piloting of a company

through a set of policies [...] contributing to the organizational project and translated in the organizational culture. It is a process [...] a strategic vision”.

What’s the specificity of arts management?

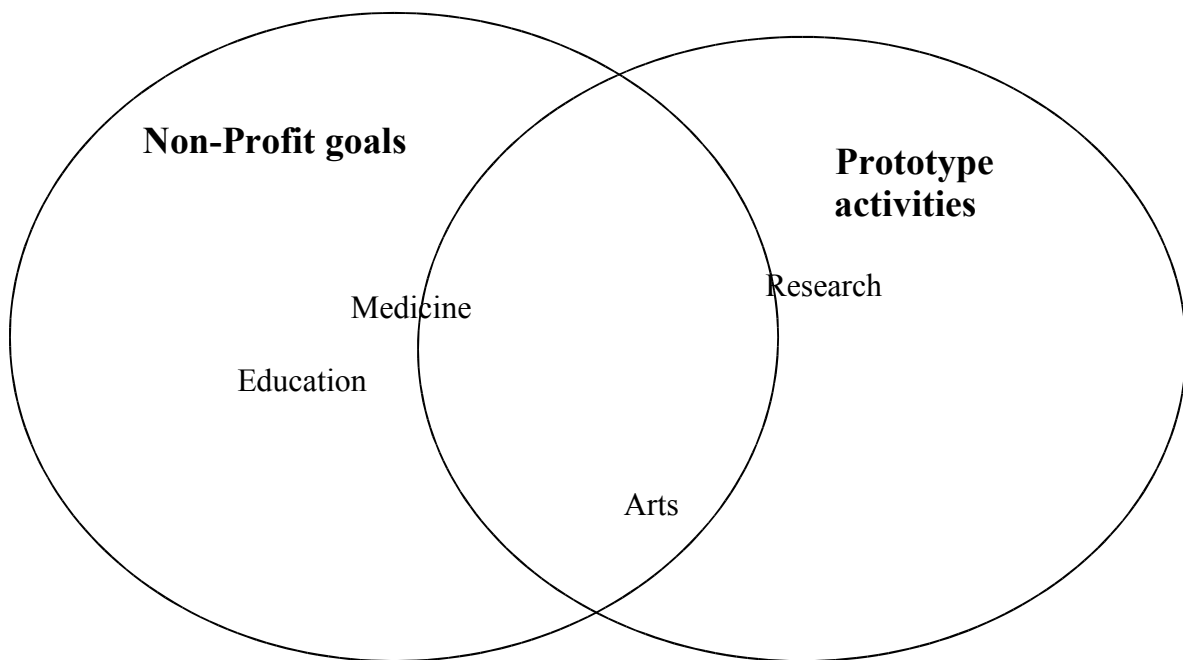
“Cultural managers have the responsibility to confront both cultural requirements and economic necessities.”

They can use classical methods and techniques, but with some adaptations taking into account some **specific traits of this sector**:

- artistic work : its goals go beyond financial profitability
- the nature of its products: characterized by innovation and constant renewal
- the weight of public intervention

According to the authors, the arts and culture do not need a whole new theory putting regular management theory out of business. **The specific character of cultural management** lies in:

- “*the nature of its goals*” (i.e. the primacy of artistic goals), which is a character shared with NPO’s in general.
- “*the nature of its activities*” (i.e. involving special skills tied to artistic expression : creativity), which is a character shared with other prototype activities (such as in science and high-techs)



“The structure of the cultural field”

The conditions of application of management vary according to the environment in which it is applied.

Here-under are a set of **different criteria for classifying arts organizations**. These criteria will have **more or less impact on the different dimensions of management**.

The Criteria are:

- *The nature of the activity*: the different forms of artistic expression. (classification of French ministry of Culture as of 1993: heritage,

performing arts, cultural industries, audiovisual _surprisingly this classification doesn't mention the visual arts and literature, leaving them implicitly in the category of heritage) (alternative classification: cultural services, word, sound, image). Such classifications are **relevant for management only at the level of legal and fiscal concerns**. This is thus not the most important criterion for management¹.

- *The production process*: delivering products (tangible) or services (intangible, co-produces by the consumer and with an essential role of human resources); the degree of permanence of the activity of the organization (is it discontinuous?); the degree of proximity to artistic work (production of art or its diffusion, upstream or downstream).
- *The size of the organization*: the most important criterion because of its influence on the complexity of management problems.
- *The degree of diversification* in the activities of the organization (also goes together with the degree of complexity).
- *The sources of financing*: the authors identify 3 types: private for-profit sector, public sector, and "subsidized private sector", different from the 3rd sphere/sector of the private gift, which is not mentioned).
- *The status of the organization*: public or private.

The relevance of each classification criterion for each management dimension/discipline:

Criteria/disciplines	Strategy	Marketing	Human Resources Management	Legal and Fiscal matters	Finance	Accountability and control
Nature of the activities				X		
Production process:	<i>[see</i>	<i>the 3</i>	<i>subsections</i>	<i>below</i>	<i>this</i>	<i>line]</i>
- product/service		X	X			
- permanence			X			X
- production / diffusion	X	X				
Organization size	X	X	X	X	X	X
Diversification	X	X				X
Financing sources	X	X			X	
Status (public/private)			X	X	X	

¹ Moreover, in both cases of this classification, cultural industries are included, which goes out of the scope of pure non-profit goals and pure prototype activities [thus inconsistency in the authors' choice of area of study: they include cultural industries, in which the 'specific character of cultural management' is weaker or absent].

Strategy

From chapter 1 by Alain Busson

Cultural organizations have some comparative advantages on the economic and social playground of today:

- The ability to act on very segmented markets where demand is rarely expressed.
- The organizational flexibility which is necessary for innovation and for managing prototypes.
- The ability to handle complex decision processes where different logics (political, economic and artistic) are confronting each other.
- The ability to mould an identity around a creative and fulfilling project.

To take advantage of this potentiality, the cultural company must be considered in its globality. This is done by the “**general policy of the company**”, which involves elaborating *strategies*, attributing tasks in a chosen *structure*, knowing and mastering processes of *decision-making*, and forging the company’s *identity*.

Strategic analysis

Strategy means **medium and long term thinking**. It aims to answer one question: “What is the *savoir-faire* of the company and in what way can it be sustainably valorised, taking into account the strengths of the organization and the evolutions in its environment?”

Busson uses the theory of Michael **Porter**. [I therefore refer to the former presentation by Merel for the description of that theory.] Apart from the level five competitive forces making up the *market environment* [Porter, see last week’s presentation], Busson insists also on the level of the *general environment* (the general economic and social evolution, technological innovation and political decision) and the level of the *value-creation process* of a company (its competitiveness). The analysis of these 3 levels will allow drawing several **alternative future scenarios** on which to build strategies.

Concerning the analysis of the *general environment*:

- Cultural activities are very sensible to the general state of the economy; they should thus watch out economic growth.
- They should also be aware of the evolution of communication technologies. Technological evolution plays an important role in the evolution of the cultural field, both for production and diffusion.
- Cultural organizations should also look at the social evolutions: demography (population size and composition, its geographic distribution), way of life (family-structure, work-habits, attitude towards education, consumption styles and leisure-habits) and social values (for each social-cultural category/class). Knowing the social environment will allow to put the cultural activity in the context of its potential global customer-pond, its relation to the time-budgets and financial budgets of households, its position in the dominant value-system.
- Last but not least, cultural organizations must watch very carefully the evolutions in the political sphere: identify influential political actors and

anticipate the evolution of regulation. Being heavily subjected to political constraints, this last point of analysis must be given a refined attention.

Concerning the analysis of the *five competitive forces*:

- The menace of substitution products is real in the cultural sector: it can be internal (cinema vs. theatre) or external (other leisure-activities vs. cultural activities), and can be relevant on short term (a new theatre open nearby) or long term (people read less and see more images).
- The menace of the buyer group is especially relevant in the cultural industries (TV-channels).

Concerning the *value-creation process* of the company: the perceived added-value offered by a cultural company being of a very complex nature, it must be decomposed in several steps, in order to identify success factors at each step. Apart from that, there is no general methodology applicable. But there are a few useful techniques: The priority of each success factor must be weighted according to its relative importance in the audience's perception, according to the kind of audience targeted and according to the success factors of other competing cultural organizations.

The specificities of the cultural sector:

Two obstacles are on the way to long term analysis in the arts...

- *The ephemeral and uncertain character of artistic production*: Many producing organizations work around one project at a time. "Uncertainty is more than a structural particularity, it is almost a way of life." Each project can potentially endanger the mere existence of the organization. Short-term and hazard are especially present in a small-scale company.
- *The ephemeral character of leadership/ of some leaders*: In [French] public or subsidized structures, managers and artistic leaders have relatively short-term contracts that impede long-term approaches. What is present instead is personal carrier-strategies carried across the varied organizations that such a cultural entrepreneur manages successively.

Further specificities bend the strategic process:

- *The primacy of offer (over demand)*: Demand is often not expressed. Each product is an innovation and its production costs are sunk. Each creation is a bet. Offer creates its own demand.
- *The fragmentation of offer*: Each product offered on the market is unique, different from all others. This limits the experience phenomenon: mastering the production process does not guaranty success.
- *The signature effect*: Artistic goods, prototypes that are not substitutable, gain most of their market value through the signature of their authors.

What those specificities mean for strategy:

"It is the artistic or cultural project that must be the ground/foundation of strategic thinking". This means that strategic thinking must be turned upside/down: not starting from the needs of the market, but from the organization's project. "The cultural entrepreneur therefore has to engage a process that is more deliberate/intentional than reactive".

- *The strategy of production structures*: Production is "a fragmented activity". It has a lot to do with human relationships, flexibility and intuition. Differentiation is generally not sustainable; it is based on the creativity of artists and on the choice of a special genre, which is under the threat of changes in tastes. The performance of the production organization

is strongly linked to the entrepreneur's personal ability to find, attract and retain the 'good' artists, to his ability to secure his financing and to his ability to secure his outlets in the diffusion structures. *The strategy is therefore based not on competition but on privileged relationships with a number of partners in its environment. It is a relational strategy with the goal to increase security* (through stable relations with the environment).

- *The strategy of diffusion structures*: Being in direct contact with the public and fed by different producers, diffusion structures can think in terms of "aggregation": binding fragmented offers, binding behaviour and mixing new risky creations with recognized classics. The main tool is the "programming function", characterized by: the number of productions and the quantity of each, the weight of each different genre, the share of new creations and the organization of access to the productions. Contrarily to producers, diffusers compete directly with each other. This means a more traditional strategic process (market study, competition study, etc.). But when the proposed productions are unique (as is most often the case in the arts), competition is fundamentally indirect. Differentiation strategies are here plainly relevant (looking for an untapped strategic niche).

Remark: Busson makes an extensive analysis of the strategies of diversified cultural companies (involving strategic segmentation _to analyse separately each fundamental activity). But since this is relevant mainly for cultural industries, it will not in the scope of our seminar.

The other aspects of the general policy of the company

Issues of structure:

Once strategies are set, the attribution of tasks must be organized. This is done in the framework and limitations of an organizational structure. Busson refers to Chandler for theory of structure. A structure has three dimensions: *specialization* which determines the division of work (by functions, by products or by brand), *coordination* (vertical and horizontal) which sets the collaboration between the different units, *formalization* which indicates the degree of detail in the attribution of functions and of links between units.

The *choice of the structure* depends on:

- The *size*: Art organizations are mainly small and medium, thus do not suffer from coordination difficulties. The choices are simple: a collegial structure around a director or a functional structure.
- The *technology used*: Artistic creation is by definition non-repetitive, thus the closer activities are to artistic creation, the more flexible the structure must be. Diffusion structures can be more formalized.
- The *environment*: according to its degree of complexity and (un)certainly, it will call for more or less flexibility and more or less formalization.
- The *functional division best adapted to the occupation of the company*: In terms of horizontal division (in several managerial functions), small art organizations will have to group responsibilities on a limited number of managers, without forgetting to have all the functions carried out. In terms of strategic *chain of value* (division into key-functions at successive steps), the responsibilities can be clustered at each step (in a cultural centre for example: programming, communication, commerce).

- The *number of occupations of the organization*: Diversification calls for structuring in departments. This applies to cultural industries, and to a few other large cultural organizations [See the Louvre Museum in Stefano's presentation].

The main types of structure in arts organizations²:

- *Small companies*: Collegial structure, managerial deficiency... preoccupied by the artistic project, only artistic functions are well-developed, the administrative personnel is under-qualified and polyvalent, procedures are informal.
- *Functional organizations* (larger organizations with more than one mission): For example, a museum has two missions (scientific mission of conservation and cultural mission of relationship with the public), these two missions are translated in the structure as two divisions.
- *Integrated structures* (production and diffusion): Such strategies occur frequently in the cultural field. In small scale organizations considering production and diffusion as complementary activities belonging to the same project, structural decisions are not easy. In principle, the production activity is then organized on the model of a temporary association, while the diffusion activity is on the opposite based on the model of permanence. But then, on the long term, fixed costs tend to absorb the permanent resources of the organization, endangering the creative activity.
- Busson proposes to replace the failing integrated structure with a *matrix structure*: (using the same means for different missions) the divisions are organized along the missions and the common means used; each person depends from at least two hierarchies. In this framework, each production project is autonomous and headed by a "production director" [Hagoort talks of 'project manager'] who calls for the support of the rest of the organization according to the needs of the project.

The structural peculiarities of cultural organizations:

- *Professional bureaucracy* (Mintzberg): The cultural sector is characterized by the special situation of artistic work in the production process, being both its yeast and its legitimacy. Thus a priority is given to this artistic service, and to the artist, rather than to the organization. Therefore the "operational centre" [I guess Busson means the strategic apex] is hypertrophied at the expense of management functions. This is especially true because the artistic professionals in arts organizations have gone through "initiation rituals designed to reinforce their attachment to the clan, forging their identity around their profession more than around their organization. The organization is often seen as a nuisance, and this professional culture is often hostile to a reinforcement of the management.
- *artist/manager relationship*: The success of a cultural enterprise depends on depends on the harmonious resolution of the duality artist/manager. Several modes are possible: *dual-head* (an artistic director + an administrator) with difficulties arising from the confrontation of the logics of those two; *cohabitation* (production director + diffusion director) with guest artists "en résidence" who don't have a global responsibility; *hybridizing* (the artistic director and the administrative director are supervised by a general manager

² Here again, I did not include the types corresponding exclusively to cultural industries...

with the global responsibility) which only works if the top manager has double-skills, double-legitimacy and a strategic vision; *triangulation* (global management by a third party, such as a board of trustees).

Decision-making:

Understanding decision-making in the cultural sector implies taking into account the *political model of the organisation* [and not ignoring it as Hagoort does]. In this model, the organization is conceived as a group of actors who have their own interests and own objectives and who control certain resources. The organization does not have clear a-priori goals. Its goals are discussed and redefined from the interpretations that different actors have of them, according to their relative power. A decision is chosen because of its capacity to raise a consensus between diverging interests. Decision then is a process of successive adjustments.

For example, in a French “Centre Dramatique National” [national theatre], three categories of actors intervening in the decision-making process have their own interests: the theatre direction of the ministry of culture (pursuing objectives defined in an unclear cultural policy), the director of the CDN (pursuing his own personal artistic career and peer-recognition) and the permanent personnel of the CDN (pursuing workers’ interests).

Identity:

Cultural organizations have a high potential for developing a strong organizational identity, which nevertheless needs to be harnessed and legitimized.

Identity is more than organizational culture. Busson refers to the theory of Larçon et Reitter³, with four types of factors forging the identity of a company:

- *Political factors*: the characteristics of the power-holders above the company (shareholders, public bodies, and power struggles among the power-holders); the personality of the leader (the cultural sector is very sensible to this, depending on one individual with his/her conviction power _to get financing and consecration power _to establish a product or an artist); the strategy of the company (and the image of the company that the strategy imprints on the personnel).
- *Structural factors*: the structure of the organization, its informal power-structure, its management procedures (if too bureaucratic, will not make the members feel responsible); the ideology and the organizational symbolism (the discourse of the company about itself, its texts and pictorial symbols); the organizational ecology (space and time planning _in performing arts a flexibility in this is desirable, but incompatible with bureaucracy; in museums inconvenient opening hours for visitors reveal an ambiguous identity).
- *The organizational imagery*: the image each individual has of the organization (original/banal, powerful/weak, coherent/fragmented, etc.); the image each individual has of the work he/she carries out and of the required skills (in the arts this image is generally very strong and valorising).
- *Symbolic productions*: the organizational culture... Here the cultural organization has an immense power, being primarily a producer of symbols and meanings, of myths, beliefs and taboos.

³ Jean-Paul Larçon et Roland Reitter, *Structures de pouvoir et identité de l'entreprise*, Nathan, 1979.

Marketing and Human Resources Management in short

From Chapter 2 by Yves Evrard and Chapter 3 by Alain Keravel

The specificities of cultural organizations regarding Marketing

An erroneous vision of marketing (from king-consumer to manipulated consumer) brings some leaders of cultural organizations to reject marketing. But marketing is merely a tool for **mediation between the work of art and the public**. It allows the organization to *redefine its offer* (the product redefined being not the artistic production itself but the conditions of access to it, such as the opening hours) and to *elaborate action on the demand*.

The **consumption process of cultural products** has a specific character:

- The *motivations of consumption*, expressed through preferences, include not only material dimensions (parking-places, comfort, etc.) but also *symbolic dimensions* which can be oriented towards others (such as Veblen's conspicuous consumption) or towards oneself (such as hedonic consumption, and aesthetic consumption).
- The process of *preference formation* is linked to the problem of *comparability of products* that are unique... but comparison does take place when the consumer decides to allocate time and money to a specific activity.
- *Satisfaction is relative* for the consumer (relative to expectations), and depends on the previous experience and information level of the consumer. Moreover, an immediate negative reaction can turn later into a positive effect (social awareness raising, existential philosophical understanding of life, etc.)
- This consumption process has *two sources of variation*: the circumstances of consumption influencing the individual (being in a group/alone, being a tourist/local resident, etc.), and the degree of involvement of the consumer in the product.

The **specificities of the cultural field concerning market studies**:

“The core object of market studies in the cultural field is not to elaborate an offer on the basis of the needs of a market [...] but to *know the public and study its reactions to the offer* in order to improve the coherence between offer and demand [...] to be sure that the largest possible share of potentially interested public will have the opportunity to enter in contact with the work of art.” *Three types of studies* are therefore helpful:

- *Audience studies* showing the actual composition of the audience and its needs that can be satisfied through adapting the non-artistic components of offer.
- *Marketing action impact studies* testing the reaction of the audience to the marketing-mix: reaction to price, efficiency of communication (what did the audience understand about the product?).

- *Audience satisfaction studies* to understand the reactions of the audience to a work of art, and to estimate the scope of the “word-of-mouth” interpersonal communication mechanism.

In the cultural field, **demand has a latent character**. According to the degree of this latency, an equilibrium will be found between:

- *A demand market* with consumers looking for a specific genre, place or artistic expression (classical music or a western).
- *An offer market* where the cultural company reveals a latent demand or creates a whole new demand.

“The dynamism of the cultural field is situated in this equilibrium between continuity (allowing the consumer to locate offer in his/her reference models) and innovation (satisfying the consumer’s desire for surprise and stimulation).”

Moreover, in the cultural field, **demand is dual**: It does not only include the final consumers, but also the financiers, and the interactions between these to demands.

Segmentation of target-groups in the cultural sector:

Segmentation can be done according to the *characteristics of consumers*:

- *Age*: specific children programming for instance.
- *Fidelity*: through subscription-schemes in a theatre for instance.
- *Artistic genre expectations*: the amateurs of dance, classical theatre, comedy or operetta are clearly distinguishable target-groups for a theatre.

The choice of segments can lead to *three different strategies*:

- *Undifferentiated*: targeting the whole market with one catch-all offer (the case of large productions with ‘stars’).
- *Differentiated*: targeting different segments with different offers (often the case in cultural centres).
- *Concentrated*: targeting only one segment with one specific offer (often the case among producers, a classical ballet company for example).

Segmentation can also be applied to *the financiers*: national vs. local public funding bodies, small vs. larger sponsors.

The brand:

The cultural offer also acquires its own identity through its *brand* (Evrard refers to the theory of Kapferer⁴), which *crystallizes identity*. The brand can be a name, a logo, a symbol, a place, an artist, a group of performers or a genre.

In the cultural field, the complex nature of offer has an effect on the notion of brand: an offer can integrate many brands (place, title of the product, author, interprets, etc.). This makes the identification of the global offer and its image more difficult. It can even lead to a feeling of incoherence which the public may strongly dislike, instead of grouping the audiences of different ‘brands’.

The life-cycle of cultural products and services:

Generally, the life-cycle is limited [see the presentation of Stefano about Colbert] and its diffusion to the public follows different steps.

Typically, some cultural products that have become *classics* reach an ever larger audience and eventually become society-wide references (the impressionists for example).

⁴ J.N. Kapferer, *Les marques, capital de l’entreprise*, Editions d’Organisation, 1991.

Besides, the decline phase can be reversed, being a *phase of oblivion* after which the product is re-launched and becomes a re-discovered classic.

The life-cycle of cultural products is very *sensible to general cultural evolutions* (tastes, fashion-cycles, struggles among artistic movements)

The communication strategy:

Communication is the most widely used variable of marketing-mix in the cultural sector. Besides, this sector benefits from *spontaneous communication* (in the media and through word-of-mouth).

The small communication budgets and the recognized role of word-of-mouth in this sector mean that the prioritized target-group of communication is made of *influential and prescribing people* (who have effective contacts with financiers and audiences).

The specificities of cultural organizations regarding Human Resources Management

Specific obstacles to HRM in artistic and cultural organizations⁵:

- *Clan culture (in the performing arts)*: The sector is partitioned, each artistic discipline living in a closed system and recruiting new members only within their own closed circuits. Professional mobility takes place inside each discipline, and experience in one artistic discipline is hardly recognized in other disciplines. The whole system is like a besieged fortress, closed to the outside. Entrance to it is regulated through personal networks and rituals. The absence of legal regulation of the status of artist reinforces this informal clan culture. But this phenomenon makes the very concept of HRM very hard to apply, endangering the relationships of reciprocity in the clan... "A clan does not manage its people: it loves them." HRM means introducing more distance, bureaucratic rules and market rules. The clan system can exist without HRM, having an internal stability maintained through the promises of symbolic rewards. The clan also attributes absolute informal power and legitimacy to the artist, leaving non-artistic personnel aside; this can bring serious problems to the organization. Therefore, the clan sees HRM as a danger. Indeed, HRM introduces criteria for promotion and recruitments which are different from the "initiatory ordeal of the field".
- *The constraints of public status (in public organizations)*: Civil servants are subjected to many constraints. The direct superior of a civil servant can usually neither sanction his performance, nor control his career (which flows anyway upwards with the number of years spent in civil service). [Keravel discusses the French cases of the "corps administratifs"...]. The public status of the personnel can thus bring difficulties in motivating the members of the organization.

HRM as a stake for artistic and cultural organizations⁶:

⁵ Keravel refers here to the theories of E. Schein (*Organizational culture and leadership*, San Francisco, 1985) and P. Di Maggio (*Managers of the arts*, Seven locks Press, 1987).

⁶ Keravel refers here to the theories of Trist (E.L. Trist et al., *Organizational choice*, London, Tavistock, 1963) and L. Mathis (*Gestion prévisionnelle et valorisation des ressources humaines*, Les Editions d'Organisation, Paris, 1984).

As we saw earlier, strategy is relevant to the cultural and artistic organizations. HRM is a part of this strategy. It is a necessary tool, in order to:

- foster more responsibilities on the part of the members of the organization
- adapt the activities and functions of the members to the continuous evolution of artistic professions
- differentiate the ‘actors’ of the organization according to their performances, skills and abilities to develop themselves
- integrate these ‘actors’ around the identity of the organization

This is why HRM is necessary in this sector, even with the difficulties described above. [For more detailed information on how HRM can improve both *differentiation* and *integration* in cultural organizations, read the chapter by Keravel].

Remark: Evrard et al. in Hagoort’s Art Management

Hagoort explicitly mentions Evrard et al. on p. 70, about strategy. He mentions mainly the arguments presented by Evrard and Chiapello in the introduction: Strategic thinking “need [s] to be bent a little towards cultural organizations” because of their “typical characteristics”.

But he does not mention the arguments about the matrix organization, although this concept is covered in his book (on p. 163). Nor does he use the political model of decision-making, preferring to play a witch-hunt against political processes in cultural organizations.

(The question is then: Did Hagoort read more than the introduction?)