

ARTS MARKETING AND PERFORMANCE MANAGEMENT: CLOSING THE GAP BETWEEN MISSION AND INDICATORS

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ABSTRACT

Marketing in the arts sector has evolved during the past decades from a functional tool to a business philosophy. At the same time, a relational view of art as experience has emerged in the contemporary arts philosophy, highlighting the role of arts consumers in the creation and reception of arts. As a consequence, arts consumers ask a central role in the artistic mission of arts organizations embracing a relational view of the arts, challenging the role of arts marketing both as a practice and as an academic discipline. Against this background, financial figures and audience numbers are insufficient indicators of the contribution that arts marketing makes to the functioning of arts organizations. This article suggests to evaluate the performance of arts marketing based on the contribution made to the achievement of the arts organization's artistic mission and proposes a model based on Kaplan and Norton's Balanced Scorecard to guide the artistic-mission-led evaluation of arts marketing performance. By paying attention to the new strategic role of arts marketing within the emerging relational view of the arts, and by integrating recent literature on performance management in nonprofit organizations, we make a theoretical contribution to the body of knowledge on arts marketing performance evaluation.

KEYWORDS: *artistic experience; artistic mission; Balanced Scorecard; marketing; performance evaluation*

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1. INTRODUCTION

Since the 1980s a fundamental change in managerial culture has occurred in the nonprofit and public arts sector. That is, arts organizations have shown a growing interest in managerial practices and ideologies stemming from for-profit business. The increased pressure on arts organizations to be more accountable for their behavior, to become less dependent on public funding, to stimulate audience participation, and to compete with the entertainment industry has, more specifically, resulted in a widespread adoption of marketing principles. The proliferation of arts marketing has been accompanied by an increasing number of academic publications on this subject (Rentschler 2002). Rentschler's examination of these publications shows that the focus in the arts sector during the past decades has evolved from marketing as a functional tool to marketing as a business philosophy and strategy. Arts marketing as a discipline has thus matured and become integrated into the organizational strategies of arts organizations.

A sign of maturity is the emerging research into performance of arts marketing, an inevitable next step within the maturing process of a managerial discipline. Recently a few first studies on arts marketing effectiveness have appeared (e.g. Voss & Voss 2000; Gainer & Padanyi 2002; Rentschler et al. 2002; Arnold & Tapp 2003).¹ The increasing acceptance of marketing strategies among arts organizations increases the pressure for an investigation of subsequent effects on organizational performance and the search for adequate performance indicators to monitor such strategies. Although arts organizations want to implement arts marketing strategies for the viability of their organizations, they are not yet supported by a sophisticated understanding of the relationship between marketing decisions and organizational performance. It is thus a task for arts marketing researchers to investigate how organizational objectives can be translated into arts marketing objectives and to find adequate indicators of arts marketing performance. Research into these issues is becoming an increasingly important academic challenge.

Research into the relationship between arts marketing and organizational performance is closely linked to the discussion on the strategic role of marketing within arts organizations. Once performance indicators are decided upon they will go on to set the agenda. The indicators and the theory behind them may sooner or later determine what is considered good or bad marketing practice. This implies that the selection of performance indicators should be based upon a well-thought-out concept of the strategic role of arts marketing. After reviewing the existing literature on the relationship between arts marketing objectives and performance evaluation, we explain our choice of the concept of arts marketing based on a relational view of the arts proposed by Boorsma (2006). Consequently, we propose a performance management model for arts organizations based on this concept and built upon the Balanced Scorecard (Kaplan and Norton 1992), which serves as a guide for an artistic-mission-led evaluation of arts marketing performance. Finally, limitations of the model are discussed and areas for further research are suggested.

2. ARTS MARKETING OBJECTIVES AND PERFORMANCE

In their textbooks on marketing for arts and cultural organizations, Kotler and Scheff (1997), Kotler and Kotler (1998), Kolb (2000), Colbert et al. (2001), and Klein (2001) offer systematic and practical overviews of how marketing principles can be applied to the arts and devote several sections to the formulation of marketing objectives, goal setting and performance evaluation.

Kotler and Scheff (1997: 54-55) as well as Kotler and Kotler (1998: 87-88) state that nonprofit organizations pursue objectives other than maximizing profits and propose the following set of possible management objectives for non-profit museums and performing arts organizations:

- *Surplus maximization* (maximizing revenues minus costs)
- *Revenue maximization*
- *Usage maximization* (maximizing attendance numbers)
- *Capacity targeting* (encouraging or discouraging demand so as to align it with existing capacity)
- *Full or partial cost recovery* (breaking even or putting a maximum on the annual deficit)
- *Budget maximization* (maximizing the size of the organization and the number of programs offered)
- *Producer satisfaction maximization* (maximizing the staff's own professional interests)

In order for them to be able to evaluate performance, the chosen objectives have ideally to be restated in the operational and measurable form known as goals. This is possible for tangible objectives. For example, a museum's objective of increased attendance has to be turned into a goal, such as a 10 percent increase in the next twelve months (Kotler & Kotler 1998: 89). As to intangible objectives, e.g. *producer satisfaction maximization*, the formulation of operational and measurable goals is much more problematic. This might explain why the authors suggest that marketing performance be evaluated on the basis of three common quantitative control tools – revenue analysis, expense analysis, and ratio analysis – and two qualitative indicators for which different forms of operationalizations are available – customer satisfaction tracking and review of marketing effectiveness-efficiency (ibid: 337-341; cf. Kotler & Sheff 1997: 456-460). Colbert et al. (2000: 226, 236), look at sales figures, market share, and contribution to profits. In general, marketing objectives and performance evaluation tools proposed in the textbooks mentioned above focus on easily quantifiable aspects and are thus defined mainly in terms of audience numbers and financial results. Nevertheless, the authors warn of the necessity to be careful in applying the criterion of cost-effectiveness. They realize that the arts organizations' mission might "dictate" carrying on with activities and programs that are not cost-effective (Kotler and Scheff 1997: 460; Kotler & Kotler 1998: 341). Audience numbers and financial results are thus generally considered proper indicators for evaluating marketing *effectiveness* as long as *efficiency* considerations do not interfere with artistic decisions.

Measuring financial results and attendance numbers is also the dominant methodology in research focusing specifically on arts marketing performance evaluation. Voss and Voss (2000) measured the impact of product-orientation and customer-orientation in professional theaters on subscriber ticket sales, total income, and net surplus/deficit and found that customer orientation exhibits a negative association with these performance indicators. Rentschler et al. (2002) propose a mathematical model to assist arts managers to decide whether to focus their efforts on audience attraction or retention in order to maximize earned income. Arnold and Tapp (2003) investigated the influence of marketing efforts and direct marketing implementation by nonprofit arts organizations on sales performance, fundraising performance, and season-ticket subscription. They concluded that marketing efforts are effective and that direct marketing is an especially efficient way to increase season-ticket subscriptions.

The emphasis on financial and audience results in arts marketing textbooks and research is not consistent with the dominant approach found in the literature on performance evaluation in the nonprofit sector. Nonprofit researchers claim that, because nonprofits have multiple constituents, it is essential to examine performance on the basis of a variety of different stakeholder-related constructs and warn that it is necessary to be careful with the use of financial outcomes or attendance numbers (e.g. Herman 1990; Herman & Renz 1997, 1999). Evaluation on the basis of such outcomes can generate pressure to engage in inappropriate practices such as "creaming" which occurs when only the most eligible recipients are selected and served by the organization (Herman & Renz 1998: 121), a practice that is clearly in conflict with the outreach goals of many nonprofit arts organizations and those of publicly funded ones. In their study of the impact of the application of the marketing concept on the organizational performance of nonprofit arts organizations, Gainer and Padanyi (2002) thus explicitly chose not to evaluate performance on the basis of financial

indicators. Instead they used self-reported judgments based on three dimensions – client satisfaction, resource acquisition and reputation among peers.² Although this approach goes clearly beyond the common use of financial indicators, it still lacks a clear link between the evaluation of arts marketing performance and of mission achievement.

There are several reasons that can explain the preponderance of financial data and audience numbers among arts marketing objectives and performance indicators.

Arts organizations in Continental Europe are currently facing one of the largest managerial challenges in recent history. For a long time they could rely on public subsidies and were protected from pressures to respond to market changes in order to ensure their existence. The system of public subsidies made arts organizations less alert to changes in consumer behavior and to competition from the ever-expanding entertainment industry. Since the 1980s relevant changes have occurred. In most Western countries increasing audience participation has become one of the primary objectives of arts policy. At the same time government funding has been put under pressure and competition for the consumer's leisure time has increased steadily. These changes have forced arts organizations to become market-oriented, to respond more to market forces, and to develop strategies in order to stabilize and diversify funding sources. As a result, arts organizations are increasingly turning to marketing as a way of raising attendance and revenues (e.g. Kolb 2000, Rentschler 2002; Burton 2003). This context partly explains why financial data and audience numbers became the cornerstones of arts marketing goal-setting and performance evaluation.

Another explanatory source is formed by the assumptions underlying arts marketing theory, according to which the role of arts marketing is to support the accomplishment of the arts organization's mission without influencing the mission directly (Kotler & Kotler 1998: 322). Kotler and Scheff (1997: 36) describe arts marketing as the efforts of an arts organization "to sense, serve, and satisfy the needs and wants of its clients and publics within the constraints of its mission". Colbert et al. (2001) state that the artistic product plays the key role in any cultural organization and see the arts marketer's task in seeking a sufficient number of consumers who are attracted to the product "consistent with the mission of the cultural enterprise" (p. 15). These authors define arts marketing and artistic creation as independent tasks, each maintaining its own logic and responsibilities (see also Boorsma 2006). This view of arts marketing's role is based upon the conception of art as a self-contained autonomous phenomenon, as it has developed under the auspices of Enlightenment philosophy.

From this point of view the choice of financial figures and attendance numbers as performance indicators is understandable. Moreover, who could be against more attendees and funds for the arts, especially when it is promised not to compromise the artistic mission? This line of thinking seems plausible and hard to refute. There are, however, opponents like Caust (2003), who claim that this way of thinking will ultimately lead to the production of safe, consumer-orientated arts products anyway. Caust does not question the importance of audience building for the arts, but makes a case against business-based performance evaluation. We agree with the argument that the adoption of business language and evaluation methods inevitably increases the risk that artistic sacrifices will be made. It is utopian to think that the implementation of financial evaluation will not affect the artistic functioning of the organization. In theory it is easy to promise that autonomy will be guaranteed, but in practice there will be constant pressure for this promise to be compromised. What happens if the artistic team proposes a fundamental shift in artistic policy with regard to a more experimental but less popular program? Will the practice of "creaming" occur, for instance when an arts organization offers a popular as well as an experimental program and marketing efforts are mainly directed at supporting the popular program in order to meet financial targets? Of course this can be a way for internal financing to keep the experimental program alive indirectly, but from an artistic point of view it might be preferable to expand the audience for the experimental program, which financially is seen as an unattractive choice. These kinds of managerial dilemmas are difficult to deal with and might become more apparent as arts management becomes more institutionalized and the position of arts marketers more influential. They result from the gap that exists between the objectives formulated in the

artistic mission of arts organizations and the approach adopted to evaluate arts marketing performance.

At the beginning of the arts marketing era, that is, in the 1980s and early 1990s, it seemed practical and unproblematic to use business-based indicators. In the transition phase there was much to be gained from this turn toward marketing. There was no direct pressure to sacrifice elements of the artistic program. There was a lot of leeway resulting from the time when arts organizations did not have to worry about reaching larger audiences and generating funds. But after more than two decades of arts marketing there is not much leeway left. Nowadays arts organizations have to deal with the harsh reality of turning a dollar. They have to live with constant financial pressure on the artistic program. It is clear that there is a need for an approach that closes the gap between mission and performance indicators.

3. ORGANIZATION'S MISSION AND ARTS MARKETING ACCORDING TO A RELATIONAL VIEW OF ARTS

The autonomy of art is a modernist concept. Under the assumption of autonomy, the arts organization's artistic mission is likely to be defined in terms of the works of art that the organization wants to create, present, collect, and/or distribute. According to Novitz (2001), modernists tend toward the view that the arts exist independently of particular cultures and times, that art can be defined on the basis of intrinsic properties, and that there are clear boundaries that distinguish art from life. A modernist formulation of the artistic mission describes what the artistic team wants to produce or present and not what they should achieve in relation to their audience or at a societal level. The assumption of the modernist boundary between art and life makes it possible to define the arts marketing task of finding and building audiences as an independent strategic task and to assume that marketing principles can be applied to distribute artworks without affecting or changing the artistic results. From a managerial point of view this is a convenient standpoint, but unfortunately it can no longer be considered generally valid within the contemporary arts scene.

Since the postmodern wave that was rampant during the second half of the twentieth century, the concept of art seems to have moved further and further away from the modernist view (e.g. Schaeffer 1998). The arts are no longer seen as a phenomenon that exists independently of general cultural practice: instead they are now seen as a culturally or socially embedded phenomenon. Works of art and their valuation are considered to be the product of social interaction. Recent thinking within the philosophy of art has favoured the view that the experience of the arts – and not the artifact itself – is the final criterion for artistic value (e.g. Shusterman 2001: 101). Schaeffer (1998: 47), for example, remarks that the question of experience is somewhat irrelevant as long as art is supposed to be only about art, but that in the present-day, where the arts are seen as an “intrinsic part of the ongoing construction and transformation of society”, the experience of the arts can “no longer be ignored or considered extrinsic to the core of art”. The emphasis on experience implies that the role of the arts consumer has become a crucial link in the arts production and reception processes: the arts consumer is not considered only as a passive recipient but as a sort of co-producer (Boorsma 2006). This is what we call a relational view of the arts.

The idea that the arts and artists are directly dependent upon their capacity to induce artistic experiences leads to formulations of arts organizations missions in terms of the experiences that the organizations and their artists want to provoke and of the relationship between their work and everyday human life, and, even more generally, in terms of the place of their work in society. For instance, The Northern Dutch Theater Company (NNT) presents itself as a producer of theatrical performances “that challenge spectators and make them aware of their doubts, angers, prejudices and fears; theater that actually says something about the world” and considers theater “a perfect means to analyze and unmask human and societal processes” (Strategic Plan NNT 2005-2008). The “challenge” is directed in the first instance to the “spectators”, that is, to the customers that experience directly the work of art. They are a bridge between the artists or arts organizations and the community in which they live and in which the artists or arts organizations operate. In this sense, the “challenge” is meant to reach the community in order to assure the functioning of arts within society (Boorsma 2002). In addition to the “challenge” to audience and community, artists and arts organizations also aim

to “challenge” their respective art-forms and their professional field. The NNT, for example, wants to cross the borders of the dramatic discipline by “including a mix of music, cabaret, stand-up comedy, and musical” in its performances and wants to work with a close-knit and motivated group of actors that “creates its own distinctive language” and “fights” to achieve professional quality as well as “recognition by the audience” (Strategic Plan NNT 2005-2008).

Embracing a relational view of the arts, it can be assumed that artists and arts organizations perform three kinds of artistic functions for three main stakeholder groups: customers, community, and professionals. More specifically, they create three kinds of artistic values (Boorsma 1993):

1. *Customer value* by providing customers with artistic experiences;
2. *Societal value* by adding to the ongoing (re)construction of culture;
3. *Professional value* by adding to the development of the professional field of the artistic discipline concerned.

These three functions are interrelated. For instance, the contribution to the (re)construction of culture depends, among other things, upon the nature and number of artistic experiences, but also upon the distinctive quality of the artwork in relation to the works of other artists in the field.³ In the following this set of functions will be referred to as “*the strategic triangle*”.⁴ This triangle can be used as a basic structure for the formulation of the arts organization’s mission. Filled in and completed with a clear specification of the selected audience groups and the products and services offered to them, it forms a clear point of departure for the organization’s strategy.

Besides the triangle of artistic functions, arts organizations perform non-artistic functions as well. From a consumer point of view the arts also fulfill social and entertainment needs and can satisfy educational interests. Non-artistic societal functions include, for example, social harmony, quality of rural life, national identity and prestige, and economic impact. Fulfilling these functions can help to strengthen the relationships between the arts and key stakeholder groups, but, within a relational view of arts, their relevance is secondary when compared with the primary artistic functions of the arts organization.

The adoption of the relational view of art as experience has fundamental consequences for the presuppositions of arts marketing theory. Under the modernist assumption of autonomous art – as mentioned before – arts marketing can be defined as a strategic task focused on creating audiences and generating funds within the constraints of artistic choices. On this view, it helps to accomplish the arts organization’s mission, but only in an indirect manner.

If the autonomy of art no longer forms the point of departure for arts marketing theory, then artistic objectives and marketing objectives can no longer be considered to be independent of each other. The relational view of the arts forces a redefinition of the role of arts marketing. The idea of the arts consumer as a co-producer of art puts the arts marketing task in a different light: marketing activities aimed at influencing the behavior of arts consumers interfere with artistic performance by definition. Under the relational view, arts marketing has a direct influence on the achievement of the arts organization’s mission and is responsible for the co-creative role of arts consumers (Boorsma 2006). Arts marketing should primarily aim to optimize the consumer’s co-creative role. This implies that the success of arts marketing depends upon its capacity to support and reinforce artistic experiences. In order to optimize the consumer’s role, the marketing department should develop supportive services, create a trustworthy and open atmosphere for communication, and assist consumers in developing the necessary skills and attitudes. This new logic for arts marketing is summarized by Boorsma (2006) as follows: “*the stimulation of exchange with selected customers, by offering service-oriented support to the co-creation of artistic experiences and by building and maintaining relationships with these customers, for the purpose of creating customer-value and achieving the artistic objectives simultaneously.*” The artistic experience is thus the core customer value to be co-created.

The artistic experience, as mentioned before, is not the only benefit the arts consumer receives. The artistic experience is part of a “total package of experiences” also including recreational, sociable, and learning experiences that provide the consumer with artistic value

as well as a variety of non-artistic consumption values (e.g. Kotler 1999; Botti 2000; Kotler & Kotler 2000; Radbourne 2002; Rentschler & Gilmore 2002). From the arts marketing point of view the creation of non-artistic values is relevant, too. Customer satisfaction with the full package of offerings can play an important role in the competition with the entertainment industry and in building up tangible and intangible assets enabling the organization to continue the creation of artistic values in the future. An established reputation with the audience and durable relations with customers form important intangible assets that can be created by a strategy focused on overall customer satisfaction. The same holds for the generation of financial assets through earned income from customers. Building up these kinds of financial and non-financial assets is a relevant marketing task as well. Compared to the co-creation of artistic value, however, the generation of assets is of secondary importance within a relational view of arts. Assets play first and foremost an enabling or constraining role.

The adoption of the relational view has consequences for the evaluation of arts marketing performance. The artistic experience and the co-creative role of (potential)⁵ customers should form the primary basis for performance evaluation. This can be supplemented with secondary indicators monitoring the ability to build up tangible and intangible assets.

4. AN ARTISTIC-MISSION-LED APPROACH TO ARTS MARKETING PERFORMANCE EVALUATION

Our basic proposition is that arts marketing should provide a valuable contribution to the achievement of the organization's artistic mission. This implies that models and indicators of arts marketing performance should be derived from the way overall organizational performance is defined and evaluated. In this article, overall performance of the arts organization is defined by how effectively and efficiently it creates the values for the stakeholders expressed in the arts organization's mission and strengthens the ability to create these values over the long term. Arts marketing's performance is defined by how effectively and efficiently arts marketing efforts contribute to the creation of these values and to the ability to create them over the long term. Currently, no model for the evaluation of arts marketing performance which is explicitly based on these ideas and on a relational view of the arts is available (Toepoel 2008). In this section, we present a performance management model for arts organizations based on our relational view of arts and built upon the Balanced Scorecard by Kaplan and Norton (1992), which serves to guide an artistic-mission-led evaluation of arts marketing performance.

4.1 A performance management model for arts organizations based on the Balanced Scorecard

The mission of an arts organization defined according to a relational view of the arts is characterized by the objectives of creating artistic values for the key stakeholders expressed in the strategic triangle (see above). These values are difficult to evaluate; they are intangible and hard to operationalize, and the necessary data cannot be obtained easily. The literature on organizational performance in the nonprofit sector shows that the difficulty of operationalization forms an important concern for nonprofits and nonprofit researchers in general (e.g. Herman 1990; Forbes 1998; Herman & Renz 1999). Most of the authors agree that financial measurements by themselves are inadequate to evaluate performance. In addition, they claim that performance evaluation in nonprofit organizations cannot rely on a limited or singular indicator, since organizational effectiveness in these organizations is a multidimensional concept. This multidimensionality reflects the role of multiple stakeholders as well as the use of different perspectives like outcomes, internal processes and resources (e.g. Herman 1990; Herman & Renz 1997, 1999; Kaplan 2001; Speckbacher 2003).

Some researchers (e.g. Kaplan 2001; Speckbacher 2003) advocate a performance management model that is based upon the ideas that underpin the Balanced Scorecard that was developed in the 1990s by Kaplan and Norton (1992). The Balanced Scorecard is a well-established concept that uses financial as well as non-financial indicators and monitors the organization's ability to build up tangible as well as intangible assets like the skills of employees and market knowledge. Performance indicators are derived explicitly from the

organization's mission and strategy, using four different perspectives that are connected by cause-and-effect relations: *financial*, *customer*, *internal process*, and *innovation and learning*. Financial indicators are related to profitability, e.g. return on investments, sales, operating income, and cash flow. Customer performance indicators focus on customer acquisition, satisfaction, and retention. The internal process dimension addresses what the organization must excel at in order to achieve its financial and customer objectives. It includes, for example, employee skills, customer information systems, and unit costs. Innovation and learning performance indicators are related to the ability to make continual improvements to the offerings and processes. The scorecard brings together, in a single management report, the performance in these four areas and is designed in such a way that performance objectives, indicators, targets, and results are presented simultaneously along with the initiatives taken to achieve the objectives.⁶ The rationale behind the Balanced Scorecard model is to put mission and strategy – not control – at the center (Kaplan & Norton 1992, 2001).

The Balanced Scorecard was originally developed for the private sector. It is an interesting concept that meets most of the requirements of nonprofit performance management. According to Kaplan (2001) the standard model is easily transferable to nonprofit organizations by moving the financial perspective from the top to the bottom and putting the customers on top. Speckbacher (2003) argues that this simple adaptation is not sufficient. He claims that it is particularly important for nonprofit performance management to define clearly what key stakeholders have to give the organization in order to fulfill the mission and how to satisfy these stakeholders in return. The Balanced Scorecard model acknowledges the existence of different stakeholders, especially customers and shareholders, but presupposes that shareholders form the “primary stakeholder group with unanimously definable goals at the top of the hierarchy” (Speckbacher 2003: 277). Speckbacher offers the suggestion of redesigning the model by skipping the primacy of shareholders and placing the key stakeholders – including customers – on top of the Balanced Scorecard for nonprofits.⁷

Speckbacher's suggestion forms an interesting point of departure for the development of a performance management model for nonprofit arts organizations, especially for arts organizations that have adopted the strategic triangle as the basis for their mission and strategy. As argued earlier, arts organizations perform three kinds of artistic functions for three types of key stakeholder groups: customers, community, and the professional field. It is important for arts organizations to be able to monitor their relationships with these key stakeholder groups. First of all, the performance management model must facilitate the evaluation of the achievement of the primary objectives, the creation of highest artistic value for key stakeholder groups as expressed in the arts organization's mission (See the first row of table 1). To achieve these primary objectives, and to continue achieving them in the future, it is important to strengthen the relationships with these stakeholders and to build a strong and trustworthy reputation and competitive advantage. These kinds of objectives are important not in their own right, but because they support the achievement of the primary objectives and form important intangible assets that drive future performance. Atkinson et al. (1997) advocate distinguishing explicitly between primary and secondary objectives as regards the evaluation of the relationships with stakeholder groups.

Furthermore, it is advisable to adopt those elements of the Balanced Scorecard that have proven to be of practical value, especially since the mission-and-strategy-driven rationale that underpins the model has demonstrated its success (Kaplan & Norton 1992; Kaplan 2001). The four perspectives of the Balanced Scorecard – financial, customer, internal, and innovation – should be incorporated, too, but in a different form. Customers form one of the key stakeholder groups. The key question is how to deal with the remaining three perspectives. The organization's performance in these areas is very much connected with how the organization manages its relations per stakeholder group. For example, each stakeholder group forms a separate source of financial assets. When evaluating the financial results, it is best to distinguish the financial contributions per stakeholder group. The same holds when evaluating innovativeness; arts marketing innovativeness cannot be evaluated by comparing it to artistic innovativeness. Therefore we propose to evaluate the financial, internal, and innovative performance not at the aggregate level, but separately for each

stakeholder group. Financial, internal, and innovative objectives fall into the category of secondary objectives.

To complete the model, we want to suggest a final, minor, refinement. Many arts organizations depend heavily on the efforts of external partners in order to be able to create and deliver the values expressed in the mission. In the Dutch theater system, for example, the domains of production and distribution are widely separated. Most theater venues are completely maintained by local authorities, and do not possess their own theater company. State-subsidized theater companies travel daily from place to place and from venue to venue to present their productions (Van Maanen 1998b). This implies that theatrical companies need to cooperate with venues to build structural bonds with their audience and vice versa. It is important that the performance management model adopted helps to monitor the quality and results of these forms of cooperation too. In this article the internal process dimension is extended and renamed *internal and external processes* in order to address explicitly the cooperation with external partners in one of the existing categories of the Balanced Scorecard.⁸

The resulting performance management model has the form of a matrix, with the stakeholder groups on one axis and a number of primary and secondary performance dimensions on the other. In fact, this results in a model that consists of three Balanced Scorecards in parallel – one for each key stakeholder group – with the artistic functions expressed in the mission on top. The basic structure of this threefold Balanced Scorecard is presented in table 1. Each cell of the matrix represents a separate, but non-independent, performance domain, containing objectives/critical success factors, for which performance indicators have to be defined. These domains are vertically connected by cause-and-effect relations between secondary and primary objectives/critical success factors, and horizontally by the interdependence of the artistic functions expressed in the mission and possible conflicts and trade-offs between the needs and roles of stakeholder groups.

TABLE 1: Basic structure of a Threefold Balanced Scorecard for Arts Organizations

PERFORMANCE DIMENSIONS		KEY STAKEHOLDER GROUPS		
		Customers	Community	Professional field
P r i m a r y	<p>Arts organization's mission</p> <p><i>How to fulfill the artistic functions expressed in the mission by creating the highest artistic value for key stakeholder groups, and how to support their co-creative role</i></p>	<p>Primary customer value: Nature and intensity of artistic experiences per artwork per audience segment, and the influence of supportive services</p>	<p>Primary societal value: Total number of artistic experiences, spread amongst social groups, and the dissemination within general culture</p>	<p>Professional value: Nature and number of artworks and role within the professional art field</p>
	<p>Stakeholder relationships</p> <p><i>How to build a strong reputation and durable relationships with stakeholder groups and how to beat the competition</i></p>	<p>Total customer value (including non-artistic benefits); Customer education, satisfaction, acquisition, and retention; Reputation among the audience and competitive advantage</p>	<p>Total societal value (including non-artistic functions); Reputation among the general public; Relationships with and reputation among subsidizers, philanthropists, sponsors, and volunteers</p>	<p>Reputation, relations, and competitiveness in the professional art field</p>
	<p>Financial assets</p> <p><i>How to manage the contribution of stakeholder groups to the financial assets that are needed to continue to create artistic values</i></p>	<p>Revenues from customers</p>	<p>Subsidies and funds from governments, philanthropists, and sponsors</p>	<p>Prize money and scholarships</p>
	<p>Internal and external processes</p> <p><i>How to optimize internal processes and the cooperation with external partners, in order to support mission accomplishment and to optimize the tangible and intangible contributions of stakeholder groups</i></p>	<p>Skills of marketing and education staff to acquire, support, educate, and bind customers; Customer information systems; Capacity planning; Cooperation with suppliers and/or distributors; Connected budgets, costs and efficiency</p>	<p>Public relations and publicity skills; Marketing skills to increase total reach and support dissemination; Fundraising skills; Connected budgets, costs and efficiency</p>	<p>Artistic skills; Artistic cooperation with other art producers in the field; Connected budgets and costs</p>
	<p>Innovation and learning</p> <p><i>How to learn and improve to support mission accomplishment and to optimize the role of stakeholder groups.</i></p>	<p>Development of innovative services to acquire, support, educate, and bind customers; Satisfaction and career development of responsible staff</p>	<p>Development of innovative activities to increase total reach and support dissemination; Improve public relations and fundraising efforts; Satisfaction and career development of responsible staff</p>	<p>Development of innovative contributions to the professional field; Satisfaction and career development of artistic staff</p>

4.2 Using the model to evaluate the contribution of arts marketing

The main purpose of the proposed performance management model is to give a new direction to the evaluation of the performance of arts marketing. This should be based on the contribution made by arts marketing to the achievement of the artistic mission of arts organizations, that is, to the creation of the artistic values expressed in the strategic triangle (see above). The possibility for individual organizations to use the model in order to implement its own performance management system would constitute a natural development of the model, but is not the focus of our article. Thus, we will only discuss this possible development in the final section of the article. When it is known which department is responsible (or partly responsible) for which cell/performance domain – or even better, for which objective/critical success factor – the model provides information about the performance of specific business functions like marketing. Some cells fall almost 100 percent under the responsibility of the marketing department, particularly the cell that concerns the relationships with customers (first column, second row).⁹ For others there is a shared responsibility, for example the cell that concerns the creation of primary (artistic) value for customers (first column, first row). This value is co-created by the artistic staff and the customers themselves and is partly influenced by the efforts of the marketing department to support the customer's role. Finally, there are cells that fall outside the realm of marketing, for example the cell named "professional value". Nevertheless, in order to have a thorough picture of the contribution of arts marketing activities to the achievement of the artistic mission, the proposed model is to be adopted integrally and cannot be split into independent subsystems. In fact, the cells form an interrelated complex. Overemphasizing some of the cells because they are more explicitly related to marketing activities or neglecting others might lead to sub-optimization and hide indirect but relevant contributions made by arts marketing.

While the structure of the model, with its logical links between the cells along the different categories per each stakeholder group, gives clear directions about the general approach to the evaluation of arts marketing performance, the content of the cell presents several unresolved challenges for researchers. Objectives – and above all artistic objectives – in the model are generally formulated in qualitative terms. Their translation into performance indicators and corresponding operational targets is an essential step for the use of the model. This topic is complex (Chiaravalloti & Van der Meer 2007) and cannot be exhausted within this article. Nevertheless, a few issues must be noted.

At first, it is important to make choices and to minimize information overload by focusing on the most relevant objectives/critical success factors per cell, and thus define just a handful of performance indicators. Examples of useful performance indicators, particularly of societal performance, can be found in Gilhespy (1999, 2001) and Towse (2001). Secondly, although it seems practical to search for indicators that are easy to obtain, it is argued that they do not always provide the best information (Chiaravalloti & Van der Meer 2007). Audience numbers and revenues, for example, are relatively easy to obtain. They can provide a rough indication of customer satisfaction, but together form a surrogate measure that is biased and focused on the past. It would be better to evaluate customer satisfaction on the basis of surveys, interviews, or the number and nature of complaints. In particular, measuring the artistic values created for key stakeholders is difficult and problematic. In the case of the investigation on the quality judgments by theatrical arts consumers in relation to a drama production of the Northern Dutch Theater Company NNT (Boorsma & Van Maanen 2003), one of the aims was to evaluate the attainment of the artistic goals formulated in the company's strategic plan. By using surveys, the study provided useful information about the role of occasional theater attendees and the effectiveness of marketing communications. Nevertheless, if the customer value consists of the consumer's experience of the artistic product, surveys do not seem adequate to get the process aspects involved in an artistic experience. Qualitative methodologies might offer better insights for research in arts consumer behavior and inspire the use of new forms of indicators (Chiaravalloti 2008). Reactions of consumers on the Internet and observations of consumer reactions by the staff can be valuable indicators, too. Many of these indicators do not meet the "SMART criteria"

(i.e. Specific, Measurable, Achievable, Results-based, and Time-specific) that are commonly prescribed for the operationalization of organizational objectives. The same holds for indicators of professional value, professional reputation, public reputation, or dissemination of the arts products in general culture. Suitable indicators of professional value include, for example, newspaper reviews and reports of arts councils, and discussions in the general media and audience reactions can also provide an indication of the level of dissemination. These soft indicators cannot be translated precisely into SMART targets. Nevertheless, the use of soft data and indicators should be preferred to not evaluating anything at all, or even worse, evaluating the wrong surrogates just because they can be quantified. Finally, these subjective performance judgments can be quantified afterwards. They can be expressed in quantitative terms by using, for example, a 100-point scale running from very poor performance to excellent performance (e.g. Roberts et al 2004). Sometimes it can be useful to use this sort of scale to standardize all the performance results in a second round. This offers the possibility of computing (weighted) average results in order to create a comprehensive overview, and makes it easier to compare the results of different periods or organizations.

5. LIMITATIONS AND FURTHER RESEARCH

Evaluating the contribution of arts marketing on the basis of financial figures and audience numbers is insufficient and out of step with the recent view of the arts and the functional approach to the arts organization's mission. Moreover, these factors can give misleading signals for improvement; they could, for example, promote behavior that sacrifices mission achievement for financial results. Appropriate evaluation of arts marketing performance is tightly connected with organizational performance and driven by the organization's mission and strategy. This is particularly true if the artistic mission is formulated according to a relational view of the arts that emphasizes the interdependency between artistic objectives and arts marketing objectives. In this article we have thus recommended evaluating the performance of arts marketing based on the contribution made to the achievement of the arts organization's artistic mission.

In order to support a mission-led evaluation of arts marketing performance we have proposed a performance management model that is based on the Balanced Scorecard by Kaplan and Norton (1992) and that puts the artistic mission at the center, by explicitly addressing the different sorts of artistic value created by the arts organization for the key stakeholder groups: arts consumers, the community, and the professional arts field. The creation of specific forms of artistic value for each individual stakeholder group is the primary objective of those arts organizations that embrace a relational view of the arts. In order to pursue the primary objectives (primary performance dimensions), a number of secondary objectives have to be achieved. These are divided in four secondary performance dimensions (stakeholder relationships, financial assets, internal and external processes, and innovation and learning) based upon the Balanced Scorecard categories, and are also defined specifically for each individual stakeholder group.

Our theoretical contribution (Whetten 1989) adds to the extant literature on arts marketing performance by identifying a new direction in this area of research and by proposing a model that can guide this research. Further research should focus on the limitations of our model. As mentioned above, the main challenge is to translate qualitative objectives, and above all the artistic ones expressed in the strategic triangle, into performance indicators that deliver valid and reliable information on the degree of achievement of the individual objective. One might feel tempted not to take on this challenge and to avoid any risk by relying on traditional, quantifiable marketing performance indicators. We argue that to do so would mean that research would be safer but less relevant, since it would offer no new insight in the strategic role that arts marketing can have in arts organizations.

As to the practical contribution, we think that arts organization might benefit from the use of our model with respect to the implementation of performance management systems. In this respect, it is necessary to test the level of acceptance of the proposed model within arts organizations and to investigate how the model can be refined or modified in order to facilitate the implementation of effective performance management systems in arts organizations, that is, systems based on the use of indicators that provide the management

with useful information about the overall organizational performance. For instance, referring to the three key stakeholder groups used in our model (*customers, community, professional field*), it is plausible that they will assume a slightly different and more concrete shape when the model is used in specific organizations. In the case of publicly funded opera companies in continental Europe they would probably be translated into the three key stakeholder groups *audience, government, and artistic staff* (Chiaravalloti & Van der Meer 2007).

Case-based research offers an adequate methodology both for coming up with innovative forms of performance indicators and for analyzing the potential of the proposed model as a guide for the implementation of performance management systems within individual arts organizations (Chiaravalloti & Van der Meer 2007, Chiaravalloti 2008). Rather than waiting for the moment arts organizations have to adopt a performance management model within the schedule and agenda imposed by their patrons, a few organizations which might be interested in autonomously developing their own performance management systems, could be approached. The active involvement of researchers helping to adopt and adapt the model offers the opportunity to test it and to study the implementation process simultaneously, with advantages both for researchers and for arts organizations.

NOTES

1. There are a number of other publications on the measurement of the performance of cultural organizations, for instance Gilhespy (1999, 2001) and Towse (2001), but these studies are not focused specifically on the effectiveness of arts marketing.
2. Measuring client satisfaction is not new. Arts marketing scholars like Kotler and Sheff (1997) and Kotler and Kotler (1998) also consider client satisfaction a suitable control measure, but only when based on the assumption of a clear cause-and-effect relationship between client satisfaction and long-term revenues.
3. See also Van Maanen (1998a) who proposes a model with which the functioning of a theater system can be studied. He makes a distinction between (1) the production domain, (2) the consumption domain, and (3) the domain of dissemination into mental or ideological systems. A refined version of this model can be found in Van Maanen (2001).
4. In Boorsma (1998) a similar concept is used to discuss the notion of total artistic quality based upon the “magic triangle” developed by Staudt & Hinterwaller (1982) in order to analyze the total quality of products in general. We prefer the term “strategic triangle”.
5. For the role of incidental and non-specialist arts customers see Boorsma (2002).
6. Performance reports have the following structure: (1) objective (derived from mission and strategy), (2) performance measures, (3) targets, (4) initiatives (Kaplan 2001: 355; Kaplan & Norton 2001: 91).
7. Atkinson et al. (1997) argue that the undervalued position of stakeholders is a general shortcoming of the Balanced Score model and claim that for-profits also should monitor their relations with stakeholders.
8. The alternative is to add a fifth category, called, for example, *external cooperation*.
9. Audience education could be the task of a specialized education department. In that case the marketing and education departments would have to work closely together and would both be responsible for building and maintaining audience relationships.

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