

Who's the Boss? Governance and Architecture in Medium-Sized Lively Arts Organizations

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This paper is designed to explore the nature and impact of organizational structure and governance in the lively or performing arts. The target organizational population is the governing boards and lead staffs of approximately 30 medium-sized performing arts (dance, theater, and music) organizations in the Minneapolis-St. Paul metropolitan area. The study entails a combination of document reviews, board surveys, and lead staff interviews designed to address the following questions:

- Are members of the governing boards of these organizations clear about their roles and responsibilities?
- Is perceived board governance consistent with intended roles and responsibilities?
- Is role clarity or confusion linked statistically to fund-raising success or failure?
- Is role clarity or confusion linked statistically to organizational size or art form?
- Is the organization's "architecture" (assignment of decision rights, evaluation, and compensation) balanced?

All of the organizations which "produce" the performing arts bear strong resemblance to traditional for-profit firms. They sell tickets to performances or exhibits, secure resources to offer such events, and incur the costs of those resources. They also seek to raise funds by other means and, in many instances, they participate in financial markets as borrowers or as investors. Like other such entities, these nonprofit arts organizations are structured as hierarchies, with a governing board, a chief executive officer, and separate artistic and administrative staffs.¹

We cannot presume that these diverse individuals agree on their respective roles and responsibilities or that they are united in pursuit of a common set of goals. For example, board members seeking to enhance their prestige may succumb to the temptation to micromanage; the artistic director may seek to maximize his or her reputation among peers by creating the finest possible artistic experience, regardless of cost; and the managing director may be more interested in building a personal fiefdom at the expense of artistic quality. These disparate goals may give rise to "principal-agent" problems that inhibit organizational success.

The nonprofit organization form is said to reassure donors that their funds will be used for the purposes stated, yet there have been many instances of personal gain and aggrandizement at the expense of organizational quality and efficiency within the nonprofit community. Clearly, policy makers and arts administrators would benefit from more case studies and focused research on organizational structure and behavior in the nonprofit arts.

The performing arts constitute an interesting special case among nonprofit organizations. For the most part the smaller to mid-sized organizations exhibit common characteristics:

- Often guided by the artistic vision of a founding artistic director
- Organizational survival depends on ticket sales or “commercial” success
- Separate and often conflicting artistic and management functions
- Staff representation on governing board

The organizations selected for analysis include dance, music, and theater groups ranging in budget size from less than \$100,000 to more than \$1 million. The focus upon numerous organizations located in the same metropolitan area eliminates any confounding geography-specific determinants of behavior or performance.

Notes

¹ Nonprofit governance has been the subject of a number of recent studies. See Bogart (1995), Golensky (1993), Green and Griesinger (1996), Handy (1995), Kearns (1996), and Taylor et al. (1996).