Top Management's Social Skills and External Ties and the Success of Privately Held Arts and Culture Organizations

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Abstract
Manager's external network ties have often been argued as critical to the success or arts and culture enterprises. In this paper, we develop hypotheses relating top managers' social skills to the quality of their external network ties, which in turn are proposed to be related to external expert evaluations organizational success. Conducting regression analysis on data from 156 arts and culture ventures, we find support for both hypotheses. Implications for theory and practice are discussed.

Keywords
Arts and culture enterprises, top management, social skills, network ties.

Introduction

For those responsible for cultural policies, city marketing and business development, the creation of a high-quality cultural scene is a major consideration in their strategic planning. The towns and regions compete for new ventures, start-ups, innovative and well-trained people as

well as for tourists and visitors (cp. Heinrichs 1999; Hummel 1990; Kleinegees 1994; Rauhe 1994, p. 21 et seq.). The cultural infrastructure, for example cinemas, music, fine arts, festivals, museums, etc., is important for improving the city profile. Especially new ventures and start-ups of small and successful organizers of cultural events based on private initiative have an impact that should not to be underestimated. Therefore there is no contradiction between artistry, cultural work, and entrepreneurship – nor should there be. Due to the shortage of public funds and a growing number of new start-ups in the cultural sector, a synthesis is even desirable nowadays. These privately financed cultural companies, which often act as non-profit-organizations, are not only assessed by their cultural quality, but also by their economic performance (cp. Bendixen 2001; Colbert et al. 1995). Founders and directors of such companies, who are mostly artists or cultural scientists, increasingly rely on entrepreneurial and managerial success measures.

In this paper, we argue that the social skills of an arts and culture venture's top management affect its external network ties, which in turn contribute to its ultimate organizational success. The remainder of this article starts with a conceptual discussion linking social skills to network ties, and network ties to organizational success. These hypotheses are tested using data from a large-scale survey of arts and culture ventures in Germany, as well as external and independent experts (members of the local cultural administrations and journalists from local culture magazines) providing evaluations of the organizational success of these ventures.

Hypotheses

It is the underlying assumption of this study that the quality of a culture venture's external network ties is influenced by its top management's social skills. For the purpose of this investigation, the term skills refers to a person's abilities to interact with other people (Faix & Laier 1996). This includes skills for effective communication, i.e., openly approaching others and clearly expressing one's opinions as well as actively and non-evaluatively listening to others (Stevens & Campion 1994). Social skills also include the ability to understand and respect others' opinions and activities, i.e., to put oneself in other people's positions. In short, social skills enable one to act and interact competently and responsibly in social settings. Therefore, it is considered to be important that top managers possess social skills that enable them to better collaborate within their organizations and with outside constituents (Hackman 1987; Manz & Sims 1987; Cohen 1994). Social skills permit people to openly express their views and to regard others' perspectives at the same time. This creates the basis for effective and efficient exchange of information and therefore relates directly to top managers' capability to initiate and maintain positive relationships with outside contacts, i.e., a high quality of external network ties.

Such social capabilities with regard to networks and relationships in the cultural sphere constitute a major – if not the most prominent – contribution in terms of problem solving and goal fulfillment (cp. cultural based, network and communication activities Oehrens 1992; cp. also Byrnes 1999). Only through the adequate establishment and cultivation of personal relationships with opinion leaders and decision-makers in politics, administration, cultural life, media and economy can the culture entrepreneur obtain important information and support for his firm. When a relationship-network with potent partners is established, challenging barriers can be surmounted by exploiting resources and winning sponsorship (cp. Gainer 1995; Ritter 1998, p. 52 et seq.; Walter 1998).

For both strategic and operational matters, the top managers need relevant and potent partners within their personal relationship framework. A network of high quality extern relationships

opens up resources such as public subsidies, sponsoring, popularity by multiplicative media coverage, which directly affect the economic success as well as the degree of popularity and establishment of a culture-firm.
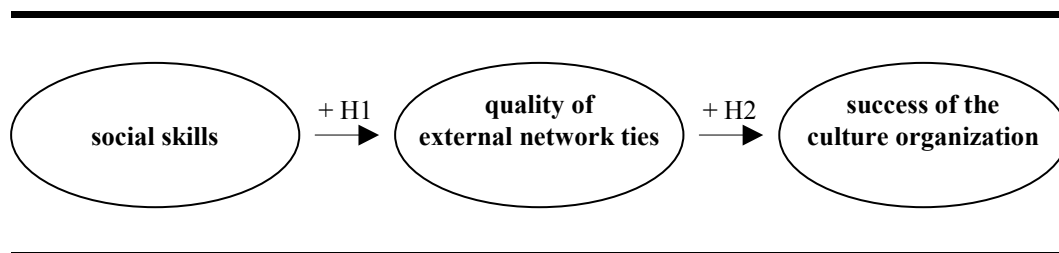
Hence, we posit the following hypotheses:

H1: *Top management's social skills are positively related to the quality of an arts and culture venture's external network ties.*

H2: *The quality of an arts and culture venture's external network ties is positively related to its organizational success.*

Figure 1 graphically displays the hypothesized relationships, documenting the underlying assumption that the relationship between top management's social skills and organizational success is mediated by the quality of external network ties. Moreover, we assume that these network ties are independent of whether the culture ventures works for profit or not for profit.

Figure 1:
Conceptual Model


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┌────────────┐  +H1  ┌──────────────────┐  +H2  ┌──────────────────┐
│            │ ────► │   quality of     │ ────► │  success of the  │
│ social skills │     │ external network ties │     │ culture organization │
└────────────┘       └──────────────────┘       └──────────────────┘
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Methods

Data Collection and Sample

For a better understanding of the issues of culture-entrepreneurs a qualitative preliminary study was necessary. In this regard, nine CEOs and founders of selected socio-cultural centers and registered culture-associations as well as four executive editors of city events magazines (feature pages and culture magazines) were interviewed in face-to-face question and answer session. One important result was the observation that directors and general managers of such private culture firms can act as qualified key informants (for more detail on the use of *„key informants"* q.v. *Kumar/Stern/Anderson* 1993, p. 1634).

In the main study a total of n =167 usable personal interviews throughout Germany were conducted with a standardized interview-guideline which has been appropriately pre-tested.

One of the most important pieces of information about private culture-event organizers is their legal entity. It comes as no surprise that more than half of them (n = 89; 53.3 %) are registered associations, because in the regional culture-event sector in Germany socio-cultural centers are dominant (cp. Badelt 1999). The members of this group (partial sample) have the clear and explicit attribute of non-profit-orientated culture firms. The second group consists of limited liability companies (n = 28; 16.8 %), followed by purely individual enterprises (n = 18; 10.8 %).

In Germany, other legal entities comprise the relatively new non-profit private limited liability companies, as well as foundations, trusts, along with free groups and clubs. For this paper the comparison of profit- and non-profit-organizers is based on 67 clearly and explicitly profit-orientated culture-firms (n = 67; 40.12%). The basis of this comparison between profit- and non-profit orientated culture firms is therefore a total sample of n = 156. Over 80 % of the founders and CEOs had a university degree in arts or in artistic or cultural science education.

Parallel to the main data collection, a second data collection was done with external and independent experts based on a structured interview guideline. A total of 81 members of local cultural administration and 86 journalists from local culture magazines were asked to evaluate the culture-firms' organizational success, including their publicity and establishment in their region (cp. q.v. the results of this external evaluation Konrad, 2002, p. 73-92).

Measures

The measurement of the constructs is based on multi-item scales. All the items pertained to seven-point rating scales. We conducted reliability analyses (Cronbach's Alpha) as well as factor analyses to ascertain internal consistency and uni-dimensionality of the scales.

The measurement scale for '*social skills'* of top management (Construct K1) is based on six items (q.v. table 1). The respondent was mostly the founder or the CEO of the culture company. The measurement scales were derived from the relevant literature (Stevens & Campion 1994; Faix & Laier 1996).

Table 1:
Operational measurement: social skills

construct K1: <u>social skills</u> of 1 top management member
α = .83; V = 55.7 %; M = 4.72; SD = 0.86
1. I have the ability to go up very good to other people.   **2.** I have the ability to get own needs very good across to other people.   **3.** I have the ability to understand the needs of other people very good.   **4.** I have the ability to put myself very good in the position of other people.   **5.** I have the ability to understand very good the behaviour of other people.   **6.** I have the ability to promote good cooperation with other people.
α = Cronbach's alpha   V = cum. variance   M = arithmetical mean   SD = standard deviation

The items in construct K2 "q*uality of external network ties*" (q.v. table 2) reflect the intensity of relations between important network partners within the culture sector, e.g., exponents of cultural administration and politics or members of the local press. The items represented the maximum value of all members of top management.

Table 2:
Operational Measurement: Quality of External Network Ties

construct K2: <u>quality of external network ties</u> of all top management members
α = .82; V = 65.6 %; M = 4.57; SD = 0.99
1. Good relationships to important persons of local culture life **2.** Good relationships to important persons of local public culture administration **3.** Good relationships to important exponents of local media and press **4.** Good relationships to important local opinion leaders
α = Cronbach's alpha V   = cum. variance M   = arithmetical mean SD = standard deviation

The measurement scale for organizational '*success'* (construct K3) is based on items evaluating the degree of establishment, positive publicity and image as well as potential for future development (q.v. table 3). These evaluations were done by local external experts (e.g. Hauschildt 1990, p. 466 et seq.) as described above.

Table 3:
Operational Measurement: Success of the Culture Organization

construct K3: <u>success</u> of the culture organization (extern evaluation)
α = .84; V = 61.8 %; M = 4.61; SD = 1.22
1. I estimate, that the nominated culture organization is broadly well-known. **2.** I estimate, that the nominated culture organization is very famous. **3.** I estimate, that the nominated culture organization has a high image. **4.** The reputation of nominated culture organization increased in the last 2 years. **5.** The publicity of nominated culture organization increased in the last 2 years.
α = Cronbach's alpha V   = cum. variance M   = arithmetical mean SD = standard deviation

Table 4 describes the arithmetical means, the standard deviations, the correlations, the Cronbach's Alphas and the variances of all the designed constructs of the model based on the total number (sample) (n = 156).

Table 4:
Model Correlation

constructs	M	SD	K1	K2	K3
			constructs		
K1 social skills	4.15	1.29	—		
K2 quality of relationship framework	5.28	1.16	.396**	—	
K3 success	4.27	0.96	.291**	.507**	—
Cronbach's alpha			.83	.82	.84

n (total) = 156
　　M　= arithmetical mean
　　SD　= standard deviation
**: p < 0,01; correlation (after Pearson) on level 0,01

Results

The model was tested in a series of multiple regression analyses, controlling for possible influences of the organization's age (years) and its size (number of employees). The regression analysis provides support for both hypotheses. The quality of external network ties is significantly related to the success of the culture company (β = .51; p<.01) and the social skills of the top management are significantly related to the quality of external network ties (β = .40; p<.01). Moreover, hierarchical regression analyses demonstrate that the influence of social skills on organizational success is fully mediated by the quality of external ties. I.e., the significant effect of social skills on organizational success turns non-significant upon entering external network ties into the regression equation (q.v. table 5).

Table 5:
Regression analysis

Independent Variables		Dependent Variable: **External Network Ties**				Dependent Variable: **Success of the Culture Organization**		
		Full sample	For profit only	Non-profit only		Full sample	For profit only	Non-profit only
Control Variables	Organizational size (no. of employees)	.05	.13	−.03	Organizational size (no. of employees)	.12	.14	.15
	Organizational age (no. of years)	.14*	.13	.19*	Organizational age (no. of years)	.04	.05	.05
Main Effects	**Top management's social skills**	.40**	.32**	.48**	**External Network Ties**	.51**	.46**	.54**
	R^2	18.0	13.2	26.8	R^2	27.4	26.1	32.0
	F	11.90**	3.77**	10.37**	F	19.27**	7.91**	12.89**

N = 156
** significant at the 0.01 level.
 * significant at the 0.05 level.

On a more exploratory note, we checked if these external network ties varied by profit orientation of the arts and culture venture, expecting the relationships found to be robust with regard to this criterion. Our inclinations were confirmed by the results of separate regression models for non-profit and for-profit organizations.

Conclusions

The results of this study demonstrate that top manager's social skills indirectly affect organizational success through their impact on the organization's external network ties. As such, this study contributes to the small but growing quantitative empirical research base on arts and culture ventures. Specifically, this research demonstrates a key antecedent to a much cited success factors of arts and culture ventures, their relevant external network ties (Colbert et al. 1995; *Colbert* 1999, Oehrens 1992).

On a practical level, this study points to the importance of incorporating social skills into top management teams of arts and culture ventures. This can occur through skills development of the existing top management team, or through the addition of top managers with strong social skills to complement the necessary knowledge, skills, and experience with regard to the arts and cultural sector. As such, these results are not to indicate that such "content knowledge" may not matter. It does highlight, however, the critical importance of top management's social skills with regards to the ultimate success of arts and culture ventures, that are so dependent upon the quality of their external network ties.

While outside the specific scope of our empirical analysis in this paper, top managers' social network ties are likely to facilitate the growth of arts and culture ventures in several ways. First, strong ties with individuals in public and private entities support fund raising initiatives. Depending on the national context, public funding of (even private) arts and culture ventures can be substantial, e.g., most Western European countries. Second, a portfolio of relationships helps overcoming operational obstacles when organizing arts and culture events that require approval or support by public authorities. In a similar way, network ties to local governments and political leaders can help identify opportunities for new arts and culture initiatives in line with culture policies and strategies. Third, top management's ties with the media and local cultural opinion leaders can critically support a new arts and culture venture's efforts in getting established, both with regard to their work and their financial position.

This study establishes top management's social skills a one main driver of their external network ties. This raises the question of how social skills can be emphasized in educational programs of arts and culture management. Such "soft skills" are regularly asserted as important, however, surprisingly little is being done with regards to their development. This study may prompt to re-evaluate the curriculum of arts and culture programs to include more "hands-on" development of social and networking skills.

Outlook

This study points to further questions that future research should address. For instance, what other variables (besides social skills) determine top management's external network ties as well as the success of arts and culture ventures? It would be beneficial to examine possible influences on several levels of analysis, including individual factors, group factors, organizational factors, as well as regional and national characteristics. We believe that more

conceptual, and particularly empirical, inquiry is needed to further our understanding of this particular business context. Moreover, we hope that our study provides a starting point for such necessary further research moving us towards a comprehensive theory of arts and culture management (Bendixen 1996) as well for entrepreneurial leadership in arts (Colbert 2003).

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