

Much Ado About Nothing? Marketing Cooperations in the Performing Arts

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Abstract

Even though widely recognized in the profit sector, in performing arts the opportunities of cooperations have been ignored by academics and professionals alike. The decrease in public funding and the increasing competition on the European culture and entertainment market however suggests that the need for alternative models of coordination is rising. Since cooperations could offer economic and non-economic benefits direly needed by the Arts, this paper suggests a first framework for further in-depth research in this underestimated area of cultural management. The findings and theories of cooperations studies in the SME sector are tested for their validity in the Performing Arts in order to establish a working definition and a set of theoretical tools. The framework presented here can only be considered the beginning of a larger research effort and aims to encourage both academics and managers working in the sector to further explore the potentials of cultural cooperations.

Keywords

Cooperation, marketing, performing arts, collaboration, framework

Introduction: Much Ado about What Exactly?

"Cultural cooperation is a right and a duty for all peoples and nations, which should share with one another their knowledge and skills" UNESCO, 1966

Cooperations are important. Since the 1970s, economists¹ point out that the changing environment calls for alternatives to the conventional forms of market coordination 'make' or 'buy'. Instead of self-production or outsourcing, companies are to consider cooperations as a viable alternative. According to their findings, partners benefit greatly from sharing resources and expertise.²

Moreover, cooperations are important to the Arts in Europe. Supranational organisations like the Council of Europe, UNESCO and the European Culture Foundation have believed so since the early post-war years, with the European Union following their lead since the ratification of the Treaty of Amsterdam. Well-known scholars³ have pointed out the largely untapped potential of the field, and governments are adapting legislation in order to allow their cultural organisations to enter public-private-partnerships and sponsorship deals.

Despite this evidence, the opportunities of cooperation for the Performing Arts have remained largely ignored by both academics and cultural organisations. As the experiences with the EU 'Culture 2000' programme show,⁴ more than a publicity campaign will be necessary to remedy this situation. Opportunities and threats of cultural cooperations have to be researched thoroughly on the basis of the experiences and needs of arts organisations. Academics and professionals have to jointly establish models of best practice which have to be promoted by public and private stakeholders of the Arts.

First and foremost, however, a framework needs to be established that allows us to define the subject in its specific context. It has been shown repeatedly that purely economic theories cannot be transferred onto the Arts without adaptation. Therefore, the knowledge collected in Economics will have to be tested for its validity in the sector. This short text aims to contribute a sketch of such a framework for the Performing Arts in Europe, acting as an inspiration for further research in this area.

In order to do so, it will first highlight the current needs of the sector by establishing the economical situation of the Performing Arts in Europe (I). In the second section, it will try to develop a working definition of Performing Arts cooperations or, more specifically, marketing cooperations in the Live Arts (II). On the basis of this information, possible cooperations costs and benefits as well as methods to research these further shall be introduced (3). As these reflections form part of a larger context, they can only deliver a basic sketch of the subject.

The State of the Arts – Performing Arts in Europe from an Economic Point of View

To outline the state of the European Performing Arts in a few paragraphs is a venture doomed to failure for two reasons: firstly, the sector itself is a theoretical construct. Not only do the Performing Arts encompass a multitude of disciplines⁵, they are also created and staged in a wide range of contexts and structures. Thus, talking about *The* Performing Arts implies likening large-scale West-End musicals to freelance stand-up comedians and children's puppet theatre companies to experimental dance groups. The variety of genres and subgenres, of intention and dimension, of funds and stakeholders is broad enough to make the common quality, i.e. to offer live cultural presentations, pale into insignificance. Secondly, even though integration is progressing at a slow yet continuous pace, there is no such thing as a European market, let alone a comprehensive European cultural space. Even though most Europeans can soon pay for their tickets in the same currency and artists freely choose to perform in any EU country, cultural expression still mostly happens on a national, if not regional level. Nevertheless, some structural developments can be traced in most areas of the Performing Arts in nearly all of the EU Member States.

Rising Costs and Sinking Budgets

The widening 'income gap'⁶ in the Performing Arts, which Baumol and Bowen⁷ recognized as early as the 1960s might be old news, its effects however are only now hitting Europe with full might. This reprieve is nearing its end for several reasons:

Firstly, socio-economic factors extrinsic to the sector such as stagnating economic growth, increasing global competition, EU market liberalisation and a growing third sector⁸ both reduce government budgets and broaden the competition for remaining subsidies. Undergoing a process of decentralisation, many governments transfer the responsibility for the Arts to regional or local levels. This restructuring results in declines in national cultural expenditure hardly

matched by the slight incline in local cultural expenditure. In the current years, average federal expenditure for culture in Europe dropped by almost 1% per annum, while regional and local expenditure combined increased by approximately 1.2% p.a.⁹ The average annual increase of 0.2% doesn't even begin to compensate the average inflation rate over the last ten years of 2.6% p.a.¹⁰ in the EU25. Additionally, the shift from national to local arts funding leads to inter-sector competition: for local authorities trying to provide the necessary administrative, technical and social infrastructure, culture is just one of many areas competing for funds.

Secondly, the gradual development of alternative subsidy models cannot compensate for the rapid decline in governments' enthusiasm and ability for funding the Arts. While efforts to create the necessary legal and structural prerequisites for alternative models¹¹ are made, their implementation in a liberalising EU Common Market is a lengthy process. Unsurprisingly, in 2003 only 16 of the 21 EU Member States examined had laws to tax-exempt business sponsoring activities while only 8 implemented policies that promote public-private-partnerships.¹²

Thirdly, all performing arts genres are today competing on an ever-growing market for the favour of increasingly well informed, individualised consumers. The paradigm shift from traditional middle-class values to the increasingly hedonistic beliefs of today's generation has decreased the popularity of time-intensive, contemplative 'high culture'. Trivial entertainment and action-centred leisure activities appear more and more attractive in today's high-risk environment. Additionally, the competition between leisure time activities has been constantly increasing since the middle of the last century. Not only are consumers better informed about leisure products, the leisure industries, namely tourism, entertainment and fitness are among the fastest growing sectors.¹³

These trends can be substantiated using cultural statistics: in 1999, the average annual household expenditure on cultural events (including cinema visits) amounted to 105€, equalling only 11% of total cultural expenditure and 0,5% of total expenditure.¹⁴ According to a 2002 Eurostat Survey, most respondents admitted that they visit live performance less than once per year.¹⁵ While there is a general regression in audience numbers in Europe, it has to be noted that trends vary between Eastern and Western Europe as well as Northern and Southern Europe. While most 'old' European countries¹⁶ suffer from gradually decreasing audience figures, many new EU Member States are currently recovering from a drastic audience drop in the first half of the 1990s. Also, audience figures decline from Northern to Southern Europe, similarly to other indicators such as social welfare and education.

What Can Be Done?

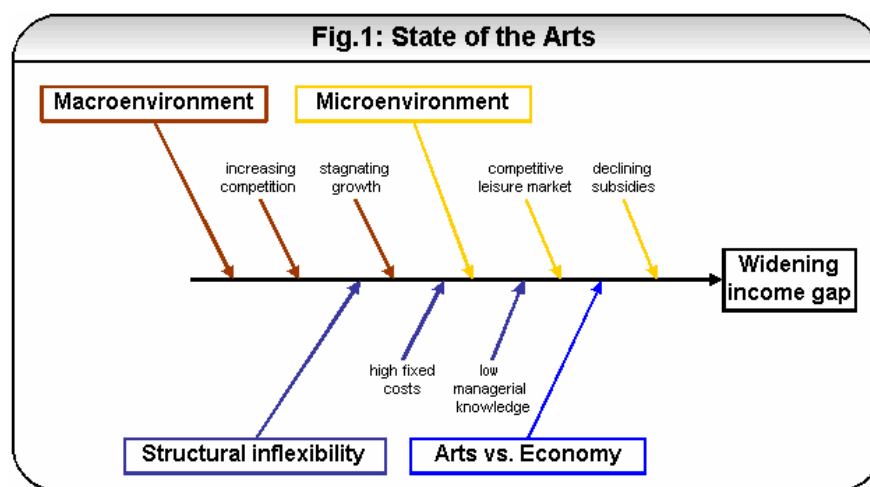
As shown in the preceding paragraphs, the Performing Arts are primarily affected by the change in their political, economical, societal, legal and technological environment. Many of these changes are supranational, if not international phenomena. While it is generally difficult for a sector to influence macroenvironmental developments, this holds specifically true for the (Performing) Arts. Considering that, according to a 2004 Eurostat survey,¹⁷ 2.5% of the total labour force works in the cultural field, that European cultural workers are educated above average,¹⁸ and bearing in mind the important role of culture – at least according to the lip service of countless politicians – in European integration, this might sound surprising. Smaller and less popular groups are known to pursue very successful lobbying on both national and European levels.¹⁹ However, of more than 1000 registered EU non-profit lobbying groups, approximately five are concerned with the Performing Arts. By comparison, environmental issues are represented by 132 organisations.²⁰ This drastic underrepresentation has structural

reasons: firstly, as noted before, the Performing Arts are a very heterogeneous sector involving profit, non-profit and third-sector organisations of all sizes. Secondly, it is a highly fractured sector characterised by very small companies. Only 13.2 % of the companies have more than 50 employees and the proportion of freelancers is very high.²¹ Finally, insufficient knowledge, information, time or resources often act as barriers to inter-sector collaborations. While this is true for small and medium-sized enterprises [SMEs] in general,²² it is particularly common in the non-profit sector.

Unfortunately, the Performing Arts are not only badly equipped to influence environmental change, they also face major difficulties adapting to it. On the one hand, even though there have been almost myth-like tales of strategies that can unleash income sources yet untapped,²³ it becomes increasingly unlikely that rising costs can be balanced with rising income in the long run. On the other hand, *significantly* reducing costs seems to be almost as improbable: any manager would be at a loss if asked to find ways to cut expenditure if costs consisted mostly of fixed expenses such as running performing arts venues or employing staff on irrevocable contracts. For cultural managers, often still imprisoned in the structures of public administration or recruited for their artistic rather than managerial reputation,²⁴ this task is even harder.

It is however untrue that all organisations in the sector are incapable of adjusting – there are many successful examples that contradict this stereotype. There is in fact another reason for the Performing Arts’ attitude towards environmental change often ignored by economists. While they have to act on it, it is not in their nature to simply adjust to economic trends. While volumes can be filled contemplating the purpose of culture in society and indeed scholars of various disciplines have done so, it is safe to conclude that culture “does not [and should not] necessarily follow the economic logic of industry.”²⁵

In short, a performing arts organisation has little influence over its environment and very little scope for adaptation. To illustrate this problem, the factors mentioned so far have been summarised in Figure 1.



While this seems to leave the sector in a bit of a dilemma, this study proposes, that there is a third path, leading away from the binary choice between ‘change or be changed’. This alternative has been studied in depth by Economics since the 1970s²⁶ and has generally been found to be particularly useful to SMEs with limited resources. It has however attracted little

attention in the Performing Arts: the field of cooperations or – more precisely – marketing cooperations.

Defining Cooperations

In order to successfully apply the theories of economic business cooperation to the Performing Arts, a working definition has to be established that is flexible enough to cater for the vast variety of institutional structures, working cultures, objectives, organisational scales and scopes inherent to the field, while being accurate enough to maintain functionality.

Key Characteristics of Cooperations

Used regularly both in scientific and everyday context, the term ‘cooperation’ evokes a multitude of meanings²⁷. Due to language barriers, differences in academic culture and a variety of theoretical schools, it is hard to agree on a valid definition even within the field of Economics. Additionally, new sub-categories such as ‘strategic alliance’, ‘network’, ‘coalition’ or ‘collaborative agreement’ have been coined to highlight specific characteristics of cooperation. There are, however, a number of features generally agreed-upon: these concern the organisations involved, their rationale for cooperating and their timeframe. In the next paragraphs these shall be introduced in the context of the Performing Arts.

Protagonists: Contrary to mergers, cooperations take place between two or more economically and legally independent enterprises. Cooperations are therefore by definition voluntary agreements and not forced upon the partners by a third party. This first characteristic is already not viable for the Performing Arts: Only private sector enterprises possess full economic independence; both public and third sector organisations are dependent on public and/ or private subsidies, while public sector organisations are also dependant legally. In order to describe performing arts cooperations, *absolute* independence has to be reduced to *relative* independence: while each partner might be dependent on other structures of funds, they cannot be *directly interdependent* or indeed dependent on the *same* structures or funds (*indirectly interdependent*). To give an example: if two EU cultural organisations such as Opera Europe and the European Youth Swing Orchestra decide to coordinate their touring programme, it would not be considered cooperation: Both organisations rely almost entirely on EU funding²⁸ and define themselves primarily as “*EU ambassadors*”.²⁹ On the other hand, if several independent organisations decide to jointly apply for Culture 2000 funds, the above criteria they are cooperating: Their existence does not depend on the success or failure of their EU application; the subsidies are additional resources used to extend their programme.

Rationale: Cooperations are agreed upon in order to accomplish a common goal³⁰ by taking joint action in one specific area. The need for pooling resources arises due to one of the following reasons: either to secure the status quo in an increasingly challenging macro- or microenvironment or to expand existing markets and/or develop new services.³¹ Cooperations can free additional monetary and non-monetary resources (knowledge, contacts, time) when other options – such as rising efficiency, cutbacks in fixed or variable costs or an increase in sales – are either impossible or already exhausted.

Timeframe: While opinions about the defining timeframe of cooperations vary,³² the fact that all partners have to be able to terminate their engagement is widely agreed upon. If a collaboration becomes so close that its ending would endanger the existence of one of its partners, their legal or economical independence could be considered as infringed. Therefore, in the Performing

Arts, if two organisations have to share the same venue due to a lack of space and funds, it cannot be considered cooperation.

'Cooperations' will therefore be defined as voluntary collaborations between two or more organisations that are neither directly nor indirectly economically or legally interdependent. These collaborations have the expressed purpose of commonly maximising results in a distinct area of operation and can be freely terminated by either partner within the self-set boundaries of the formal or informal agreements. Emphasis shall be put on the strategic purpose, not the formal aspects of cooperation relationships.

Cooperations in the Performing Arts

Even from establishing the basic characteristics of cooperation it becomes evident, that the unique characteristics of the sector greatly influence their collaboration ability and scope: Performances are intangible services and their benefits are not objectively measurable. Therefore, customer satisfaction is highly individualised and depends on the extent of which expectations are fulfilled by the subjective experience (1), an experience that is affected not only by the performance itself but also by its environment (2). Finally, due to its unique structure, intermediaries (3) and stakeholders (4) are further markets for performing arts organisations. As these characteristics affect their scope for cooperation, they shall be addressed briefly.

(1) During live performances, audiences experience an unrepeatable, intangible service: every performance is different; created right in front of its audience's eyes (known as 'prosumption' or 'uno-acto-principle'). Neither can the product be standardised nor can its effectiveness be measured objectively. To complicate matters, customers attend for different reasons: to be entertained, to be educated and even to be provoked by the unexpected.³³ Nevertheless, they cannot sample the product in advance or exchange it, if unsatisfied. This high risk is inherent in all performing arts cooperations: The intangibility and subjectiveness of the services makes it hard to predict collaboration results. Notions of quality might differ and lead to conflict. Audiences can be opposed to partners that do not fit their subjective expectations. Thus, the compatibility of image and reputation are crucial to successful collaborations.

(2) Due to their unique mode of production – prosumption – the service environment, the people directly or indirectly involved in the production and the process of delivery itself are an essential part of the experience:³⁴ If a customer has to endlessly search for a parking space only to hear from an unfriendly box office staff that her reservation has now been cancelled and she therefore has to accept an uncomfortable seat with partial view of the stage next to chatting teenagers, her overall experience would be affected. In cooperations, the compatibility of these 'secondary' service characteristics has to be considered. Not only should partners agree on the processes of performance production and delivery (structure), but also on the style it is done (culture).

(3) Similar to business to business marketing, there is no direct contact between service producers (i.e. the artists) and consumers (i.e. the audience). Information is communicated through internal (marketing department, front of house staff) and external intermediaries (media, recommendations by friends). These 'opinion makers' are essential partners and have to be involved (or at least closely informed) in cooperations. Additionally, performing arts associations, educational institutions and other professional stakeholders, essential to the standing within the professional community, should be included in cooperation efforts.

(4) Since only few professional performing arts organisations can break even through ticket revenues alone, the vast majority relies on additional income through public or private subsidies. Similar to audiences, these clients have to be attracted and then bound to the organisation by information and involvement. While consumer marketing has been recognized as an important part of performing arts management in Europe since the 1980s, marketing efforts targeting public funding bodies, private sponsors and political stakeholders received less attention. In cooperations, this 'second market' can play an important role: joint lobbying, combined efforts to attract private funding or collaborations with research institutes to further knowledge are just some areas in which considerable synergy effects can be achieved.

Marketing Cooperations in the Performing Arts

To quickly summarize, the Arts suffer from a high dependency on macroenvironmental developments³⁵ while exerting little influence on these occurrences. Due to the importance of mediators,³⁶ patrons and stakeholders³⁷, microenvironmental factors also play an important role. Commonly, enterprises use communication policy, more specifically lobbying, public relations and customer relations, to affect and react to environmental developments. Unfortunately, performing arts organisations often lack resources, time, bargaining power or experience in this vital area. Only when several organisations combine their resources, is it possible for them to have an impact on these developments.

Internal factors for suboptimal performance are as diverse as the aims of the organisations. Goals range from profit maximisation via audience maximisation to maximisation of reputation; emphasis can be put on artistic quality, entertainment or educational value. From an economic point of view however, all these factors can be grouped in two categories: lack of resources³⁸ and lack of knowledge. As most SMEs focus the production of specialised products and services, marketing is often an area of low expertise.³⁹ This observation also holds true for performing arts organisations.

To summarise, marketing cooperations are ideally suited to aid performing arts organisations in their areas of underperformance: they can improve their relationship to the external environment and increase internal expertise. Furthermore, marketing cooperations hardly infringe on the partners' (artistic) freedom. Since marketing – or market-orientation – encompasses all aspects of business,⁴⁰ the difference between marketing cooperations and other forms of cooperation is one in content rather than in form:

Marketing cooperations are those that aim to identify, anticipate and satisfy customer requirements more efficiently by teaming resources in all areas of enterprise. While, theoretically, marketing cooperations can focus on the any business aspect, in practice, they are most likely to be found on the operational level.⁴¹ While some authors limit the areas of marketing cooperations to communication and advertising, collaboration in other areas such as staff exchange (people), ticket sales (distribution), season ticket offers (price) etc. should not be neglected.

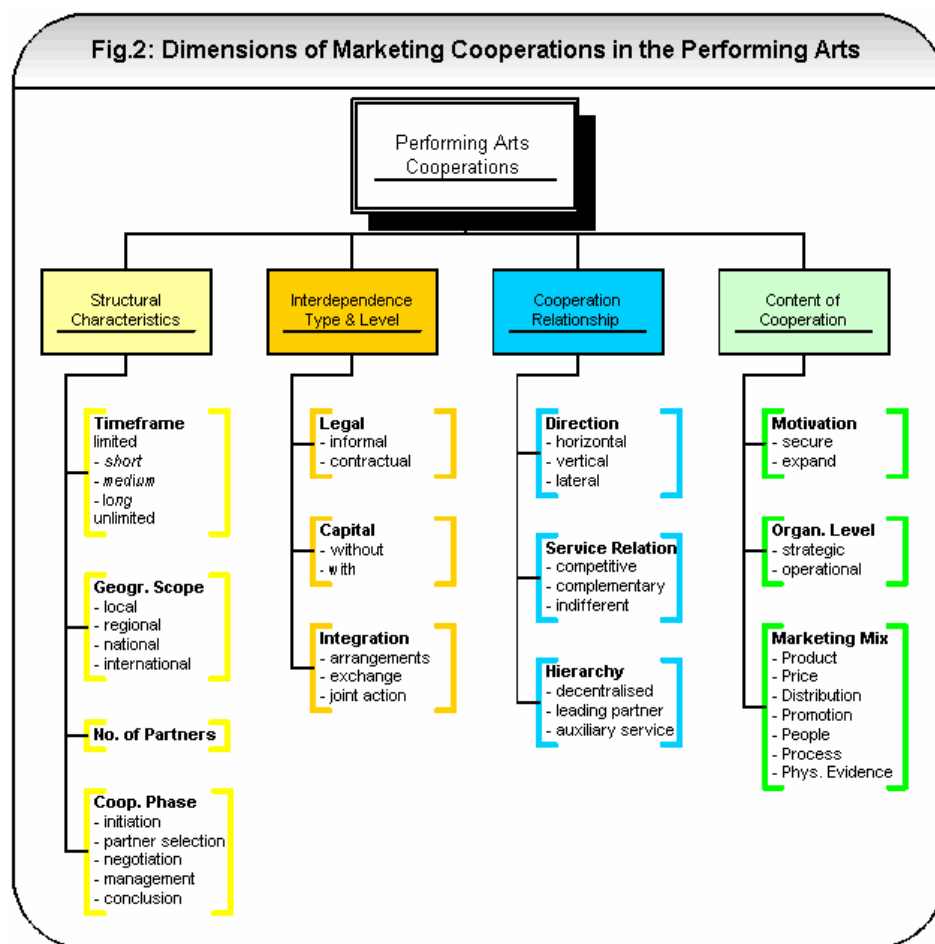
The Dimensions of Marketing Cooperations in the Performing Arts

While this paper limits itself to a well defined area of organisational cooperation, i.e. European marketing cooperations in the Performing Arts, it still includes almost as many types, models and subjects of collaboration as there are performing arts organisations. Since it would be

unproductive to compare, for instance, a project-based, EU-funded performance collaboration with a long-standing cultural European Economic Interest Grouping, cooperations need to be classified.

Almost all cooperation literature establishes such frameworks, labelling them as dimensions, systematisation, types, characteristics or variables of cooperations. While some of these vary according to the author's definition of cooperation, others are commonly agreed upon. In order to create a basis for classification, those variables relevant to performing art cooperations shall be shortly introduced in the following paragraphs.

For the purpose of this study, twelve pertinent dimensions have been identified and classified in the following four categories: structural cooperation characteristics (1), variables that describe the type or level of interdependence (2), variables that describe the partners' relationship (3) and cooperation content (4). An overview is given in figure 2.



(1) Cooperation Structure

The most commonly found variables are those describing the structural framework of cooperations, i.e. their intended duration, their geographical scope, the number of partners involved and the collaboration phase currently underway:

Cooperation can end with the completion of a certain task or project, e.g. the end of a joint tour, or it can be part of a medium or long-term marketing development, like, for instance, an ongoing collaboration of a European training institution with recruiting theatres. Ideally, project-based collaborations can be transformed into more stable, long-term partnerships, a development that the EU cultural programmes try to foster. Both the number of partners and the geographical expansion affect the culture and structure of cooperation. Locally-based bilateral or trilateral relationships are less complex than international networks. As cooperations have lifecycles, they can also be classified depending on the cooperation stage they are currently undergoing.

(2) Cooperation Intensity

Secondly, variables concerned with collaboration intensity shall be examined. These concern the level of legal and economical interdependence and the level of integration:

Even though cooperations are most likely to be founded on contractual agreements, it is not unheard of that Performing Arts collaborations are initiated by informal arrangements between key players and are only formalised at a later stage. On the other hand, while the partners are likely to devote resources to the cooperative efforts (e.g. network memberships fees, management time, part of the marketing budget), true capital contribution is both highly unlikely and goes beyond the scope of definition of cooperation employed in this text.

Levels of integration can vary from simple arrangements without direct interaction (e.g. display of a logo on all advertising material) to reciprocal exchanges of knowledge or resources and finally to joint action (e.g. a joint concession scheme). These can be executed within the structures of the participating companies, they can be outsourced to external organisations (e.g. market research institution) or performed by a newly founded cooperational substructure.

(3) Cooperation Relations

Thirdly, characteristics concerned with the relative positions of the partners within the cooperation are to be considered. Here, the best known variable is the direction of the cooperation, relating to the stages of the production and distribution chain the partners are involved in and closely linked to the criteria of the partners' market relations. Additionally, the partners' relative power and influence has to be considered.

Horizontal cooperations (e.g. between several modern dance companies) are generally distinguished by a competitive relationship between the partners as they are likely to target the same audiences and funding agencies. By collaborating, these players can decrease direct competition and increase their joint competitiveness within the subsector. Horizontal partnerships are particularly valuable when opening up new markets. Mutual guest performances that bring new audiences to the venue and increase the visiting company's reputation or joint application for EU funding are examples for horizontal cooperations.

Vertical partnerships are agreed between performing arts organisations and their upstream suppliers and / or downstream channels. Vertical cooperations are therefore usually non-competitive. Common examples include cooperations with ticket agencies or support-in-kind by suppliers. Lateral cooperations are those with organisations that supply complementary goods or services (e.g. between an international festival and an airline that offers special rates for ticket holders). They also include collaborations that have no detectable common marketing interest and are most likely to be based on a personal contact (e.g. regular support by a 'business angel').

(4) Cooperation Content

Finally, variables concerned with the aims and contents of the cooperation agreement shall be examined. These can be primarily divided into cooperations that aim to secure existing markets (e.g. joint lobbying against the Bolkestein directive or a combined PR campaign) and those trying to access new markets (e.g. gain international sponsors, larger audiences or international reputation). Additionally, cooperations can be categorised by the type and number of operational areas involved in the cooperation. While focusing entirely on marketing cooperations, collaborations still focus on different aspects of the marketing mix.

Even though strategic planning usually remains independent, cooperations can touch on both operational and strategic areas of marketing. Since the procurement and use of information are part of the strategic planning process, collaborations that aim to exchange experience and information, develop of 'best practice', share knowledge or gain further insights through joint marketing research touch strategic aspects of marketing.

Operational marketing cooperations are those concerned with one or several aspects of service development, pricing strategies, promotion, distribution, staff coaching and artistic training, development of customer management processes and finally development of facilitating and supplementing goods and services.

Joint service development can entail programme coordination, the development of a joint production, the creation of a joint 'seal of quality' or even co-branding (e.g. the Mercedes Theatre Festival). Promotional cooperations are found in joint advertising (e.g. a joint season programme), cooperative public relations (e.g. joint press campaigns, political lobbying) and in joint efforts of sales promotion (e.g. donating concert tickets to a tombola, combined school visits). The most common pricing collaboration, charging comparable admission fees for similar performances is often achieved without any formal agreements, while the creation of joint pricing schemes (e.g. season tickets, free use of public transport/ discounted restaurant meal with performance) has to be based on contractual arrangements. Distribution cooperations can involve the mutual use of venues or the creation of a combined ticket hotline, to give just two examples. Joint workshops of vocational training can cut education budgets, increase knowledge but also lead to increased motivation for artists and administrative staff alike. Evidently, human resource development is not limited to intra-sector exchange, but can create further synergy if professionals from different (sub)sectors are involved (e.g. musicians and dancers but also bank managers and actors).

Outlook - Cooperation Research in the Performing Arts

After defining marketing cooperations in the Performing Arts in the specific economic context of the 21st century European Union, a theoretical framework for further research can be established. As mentioned in the introduction, this theoretical blueprint has to be evaluated against the practical findings of empirical cooperation research. However, while the information presented here might give us an understanding of the subject itself, it can offer no answer to the hermeneutic question: 'why cooperate' or, as it appears to be the case in Europe, 'why avoid collaboration'. Evidently, these are the very questions that need empirical investigation.

Surveys and interviews result in little more than unscientific and ultimately unviable opinion polling, if the underlying assumptions – i.e. the research methodology – have not been explicitly established. The assumed benefits of cooperation can only be validated or invalidated by testing

of distinct predictions or 'hypotheses'. The following paragraphs give an very condensed overview of the theories commonly used in economic cooperation research.

Marketing Cooperations in the Performing Arts: Tools for Analysis

The models most commonly used for analysing economic cooperations are the Transaction Cost Approach (1), Principal-Agent Theory (2) and Game Theory (3). Resource-based models⁴² (4) offer further explanations for behaviour in cooperative business relationships. Since none of these methods alone suffices to fully understand costs and benefits of marketing cooperations in the Performing Arts, a combined approach is recommended here. In order to show both benefits and shortcomings in relations to our field of interest, each approach shall be shortly introduced.

(1) Transaction Cost Theory [TCT]

TCT is concerned with the economic analysis of coordination devices such as institutions, organisations and contracts. Drawing from political sciences, sociology, and economics, TCT offers a useful model for measuring the costs and the viability of cooperations. It renounces the notion of actors as rational '*homines oeconomici*' and but portrays their decisions as opportunistic choices based on the limited options in a complex environment that they understand only to a certain extent. According to TCT, the initiation, control and adaptation of product transfers create additional costs on top of production costs. These 'coordination costs' vary according to the types of resources, the exogenous and endogenous insecurity and the frequency of the transactions. Therefore, transaction costs can be used to measure cooperation efficiency and to determine the most suitable form of coordination.⁴³

While theoretically, TCT offers useful insights by introducing a means to measure the viability of cooperations in a complex environment, transactions costs have proven to be almost impossible to measure and operationalise. As many economic models, TCT ignores non-economic factors. Apart from establishing costs, the relationship and interaction between cooperating entities remains undefined and little is said about cooperation structures other than 'market' and 'hierarchy'.

(2) Principal-Agent Theory [PAT]

Principal-Agent Theory employs a similar actor model: as in TCT, players are assumed to strive for individual profit maximisation. PAT however focuses on the interaction of these players that TCT pays little attention to. According to PAT, opportunistic behaviour is encouraged by the asymmetric distribution of information between the principal (patron / supervisor) and the agent (contractor/ subordinate).⁴⁴

A principal cannot full identify the agent's qualifications (hidden characteristics), control all aspects of his work (hidden action) or fully asses its quality (hidden information). While some of these qualities might become apparent after the end of the relationship, the agent's true motivations might never become apparent (hidden intention). To avoid that agents abuse the relationship for their benefit and at the principal's cost, the interest of both parties have to be aligned – either by control or incentives. The additional costs arising from these efforts are known as 'agency costs'.

While PAT helps to examine cooperation relationships in a purely economic world, it too neglects non-monetary incentives such as agents' professional dignity, their enthusiasm and –

most importantly – the need for long-term relationships between principals and agents. Additionally, the empirical validation of Agency Costs is problematic.

(3) Game Theory

Game Theory is mentioned here because it does address cooperations as dynamic, long-term relationships. By applying mathematical Decision Theory to economic problems, Game Theory tried to develop effective interaction strategies. In dynamic models, or 'games', players encounter each other over several rounds and are asked to decide on opposing tactical choices: cooperative or opportunistic behaviour.

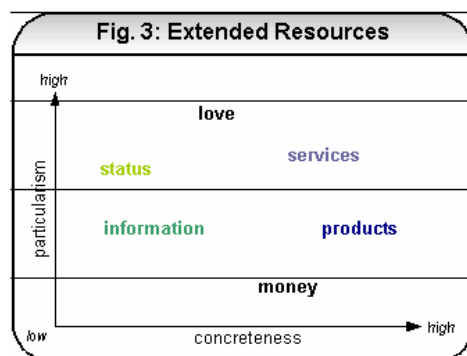
Using such tests, Game Theory shows for instance how the appraisal of the future importance of the partnership influences the current behaviour⁴⁵ and how cooperative behaviour depends on the level of *additional* benefit for the respective partner.⁴⁶

While Game Theory adds a dynamic dimension to cooperative relationships, it ignores the asymmetrical distribution of power and information between players. Moreover, it assumes purely rationally acting, profit maximising 'homo oeconomicus'.

(4) Resource-based Theories

The deficit of all theories introduced so far, the focus on purely monetary factors, is balanced by Equity Theory and Resource Theory of Social Exchange. By introducing immaterial (i.e. moral and emotional) costs and benefits into the equation, it offers valuable additional insights when analysing in performing arts cooperations. These resource-based theories focus on the *net* benefit, rather than the absolute economic gain in cooperative relationships: one partner's performance deficits can be balanced by uneconomic 'assets' such as social support.

In order to structure these non-economic features of social interaction, Foa and Foa⁴⁷ extended the traditional definition of 'resources':⁴⁸ The accepted means of market interaction – goods, services, money and information – are complemented by two further categories: love and status. All six are placed in a two-dimensional grid with the axes *particularism* and *concreteness* (see Figure 3). These qualities, inherent in all resources to some extent, describe their relative correlations: Status and information are intangible, services and goods are very concrete resources. The level of satisfaction received from particularistic resources is closely linked to the qualities of the participating partners (e.g. love); universalistic resources fulfil their requirements independent from the identities of the participants. Since resources become the less objectifiable with rising particularity and declining concreteness, comparison becomes increasingly difficult.



While all theories introduced greatly improve the tools for describing and analysing performing arts cooperations, they also highlight a problem intrinsic to the subject of research: in order to ensure generalizability, objective, quantifiable measures have to be employed. In order to obtain valuable insight however, qualitative and subjective variables are clearly needed when analysing cooperations in the Performing Arts. Instead of a conclusion, the following paragraphs give an outlook how these theories can possibly employed in a balanced and productive way.

Synergy or Disergy in Performing Arts Cooperations? An Invitation to Further Research

According to Game Theory, organisations will decide to cooperate if they assume the benefits of combining resources to be greater than the effect of the same resources used separately. Unfortunately, the teaming of assets alone does not guarantee synergetic effects; it can also lead to disergy, the state of coordination costs surpassing cooperation benefits.⁴⁹ While the de facto balance between costs and benefits can only be evaluated ex post, it is possible to establish hypotheses of likely results. These are related either to the cooperation environment (external effects), the cooperation itself (internal effects) or the agents involved (psychological effects).

(1) External Effects

As mentioned before, marketing cooperations in the Performing Arts can increase the partners' resources in market power and influence: by addressing these markets together, competition for audiences and funding can shift from an individual to a group level, thus making their messages stand out more. Marketing partnerships can also reduce the costs of micro- and macroenvironmental risks: through joint information compilation, they remain up-to-date on relevant developments whereas joint PR increases the bargaining power to give just a few examples. Additionally, partners can benefit from each other's reputation or 'status', thus attracting more interest and possibly new clients – an effect counted on by sponsors.

On the other hand, collaborations can also endanger the partners' position: if structural or cultural differences are not addressed, joint production and communication becomes impossible or diluted at least beyond recognition. In this case, the cooperation might bind valuable resources without producing worthy results. This effect can be observed when large associations try to adapt to environmental change.

As 'status' is one of the performing arts organisation's greatest assets, the danger of being negatively affected by a partner's reputation is not to be underestimated: while it might be helpful to accept funding from cigarette producers in the short-term, it could result in negative audience reactions or lead to problems in attracting other backing (e.g. news coverage, endorsement by certain groups).

Often mentioned in collaboration studies is the so-called 'free-rider problem', the effect that third parties might benefit from joint action without contributing to it. While the psychological effect of this threat cannot be overestimated,⁵⁰ the net effects of cooperation are most likely to surpass the costs of free riders in the Performing Arts.

(2) Internal Effects

Most internal opportunities to create synergetic effects are summed up under the heading of economies of scale and scope and well described by TCT. Economies of scale describe the phenomenon of decreasing production costs with increasing production volume. While the effect

is higher with standardised goods, performing arts marketing cooperations can also benefit from it. While the opportunities to increase efficiency are severely limited on stage – it still requires as many musicians and takes the same amount of time to perform Beethoven ‘Ode to Joy’ as it did during its first performance in May 1824 – venues, administrative and technical processes can benefit from economies of scale: When fixed assets (e.g. venues, printing press) and non-artistic labour is employed more efficiently, the average marketing costs per ticket sold can be lowered. Additionally, tasks can be divided between the partners, with each specialising on his or her core competencies.

Economies of scope, i.e. the reductions in cost which arises from producing a several products or services together, are particular relevant to marketing cooperations. Thus, when several organisations decide to join their advertising force to promote a bundle of performances through combined channels; more people can be reached with each Euro spent. Other positive collaboration effects can be a balance of resource deficits (i.e. special technical equipment / venue of a certain size) a decrease of knowledge deficits (i.e. marketing skills, language skills, performance skills) and an increase of innovation.

Naturally, cooperations can just as easily lead to disergetic internal effects. It is possible, especially in people-intensive performing-arts collaborations, that the ‘agency costs’ – i.e. the costs for administration and control exceed the achieved benefits. Cooperations can have a demotivational effect on the agents – artists and other cultural workers alike – just as they can inspire them to greater achievements. These dangers are known as diseconomies of scale. Diseconomies of scope refer to the problem of rising complexity. Conveying a clear message or creating a worthwhile production can become more complicated and hence more costly with a growing number of partners.

(3) Psychological Effects

The effects individuals have on cooperation results should not be forgotten. While often ignored in purely economical studies, the resources of ‘status’ and ‘love’, e.g. clashes in personality, management style, work dynamics and decision-making techniques play a crucial part in any cooperation. According to Lilienstern,⁵¹ these ‘psychological’ sympathies and antipathies determine collaboration outcomes to as much as 40%. As mentioned above, cooperations can challenge and inspire, but also lead to personal conflicts of interest. Additional threats lie in the often unclear or hidden agendas of cooperation instigators: apart from rational motives, opportunistic reasons such as increase in personal influence, covering managerial mistakes or personal favours can affect the willingness to cooperate. Asymmetrical information can lead to a subjective or objective imbalance of cooperation investments and outcomes. While psychological factors are particularly important in a people-centred sector like the Performing Arts, it should not be forgotten that cultural workers have experience in working with strong, clashing characters.

While it is useful to establish a certain classification of possible effects in order to create working hypothesis, the last section made it obvious, how closely external, internal and psychological factors are intertwined. Additionally, possible areas for applying the models of Transaction Cost Theory, Principal-Agent-Theory, Game Theory and Resource Theory to the Performing Arts have been highlighted. Since describing their adaptation within a thorough and valuable research methodology would require more than fifteen pages itself, this last section wants to be understood as a mere outlook and hopefully an inspiration to further research.

Instead of a Conclusion

“Despite good intentions, [...] attempts by the cultural sector, government departments, European institutions, artists and cultural organisations to work together have been less than adequate. All of which has meant that little impact has been made on civil society's attitudes to the importance of cultural action. The existing paradigms must change.”⁶²

This text might have given a first insight into possible reasons for this discouraging assessment: cooperations are complicated. They depend on a great number of highly individualised and often subjective factors. Many of these are external to the collaborations and can hardly be controlled.

Primarily however, this contribution attempted to substantiate the great potential of cooperations that economists, cultural experts and many governmental and non-governmental bodies concerned with the Arts have certify them for decades. A need for alternative forms of market coordination clearly exists, a need that is likely to increase in the future. This paper also tried to show that the models of enterprise cooperation can indeed – after certain adaptations – be transferred to the sector. Clearly, existing attitudes toward cooperations in the Performing Arts have to be reconsidered – hopefully, this article is a first step in this ‘paradigm change’.

Notes

¹ e.g. Weinhold (1974), Meffert and Steffenhagen (1975), Bidlingmaier (1974) and Grochla (1972)

² e.g. concerning legal requirements and specific cultural features

³ e.g. Kotler/ Scheff (1997), Ziegeler (1994)

⁴ the lack of information is so great that the success rate for cooperations applying for ‘Culture 2000’ funding in 2000/01 amounted to over 40% - a staggering ratio considering the enormous amount of potential applicants and the insignificant size of the EU's budget for culture

⁵ ranging from theatre and opera to stand-up comedy and multimedia performances

⁶ i.e. the ever-widening negative gap between maximum box office revenue and minimal production costs in the Performing Arts mainly due the rising cost of labour without the benefit of productivity improvement

⁷ Baumol /Bowen (1966)

⁸ i.e. non-governmental non-profit organisations in need of financial support

⁹ Council of Europe/ERICarts (2003)

¹⁰ Between 1995 and 2004, the highest level was reached in 1996 (3.1%) and the lowest in 1999 (1.6%). Inflation rate in 2004 has been 2.1% Source: Eurostat (2005)

¹¹ foundations, sponsorship, public-private-partnerships, donations

¹² Council of Europe/ ERICarts (2003)

¹³ Terlutter (2000), p.21f

¹⁴ Planistat France (2001) p.25ff

¹⁵ Eurostat (2002) p.11: The survey is broken down into concerts, theatre and dance, for each category, the average number of visits was “less than once per year”

¹⁶ i.e. EU 15

¹⁷ Eurostat (2004), p.1

¹⁸ 40% of cultural workers hold university degrees, compared to 24% of the total workforce (ibid. p.2)

¹⁹ E.g. environmental organisations. Even the best-known EU lobby group, the European Round Table of Industrialists (ERT) represent less employees (though a much higher turnover)

²⁰ CONECCS (2005)

²¹ European Commission (2001) p.25f

²² Baur (1975) p.18, Kerka/Thomzik (2000) p.10

²³ e.g. the expected hypnotic effect of marketing on audiences in the 1980s, the highly overestimated potential of sponsorship in the 1990s and politicians that expect to solve the funding crises through the promotion of public-private-partnerships today

²⁴ see for instance Abbing (2002), Anthony (2003) p.70ff, Herderlein (1994)

²⁵ Planistat France (2001) p.9

²⁶ e.g. by Weinhold, Meffert, Steffenhagen, Bidlingmaier, Grochla

²⁷ i.e. psychology, economic theory, political theory employ very different concepts of 'cooperation'

²⁸ EU funds constituted 81% (Opera Europe) and 57% (Swinging Europe) of the organisations' overall resources in 2001 respectively (European Commission (2003) p.7)

²⁹ European Commission (2003) p.6

³⁰ at all, more effectively or more efficiently

³¹ according to Ansoff's classification

³² e.g. Mariti/Smiley (1994), Porter/ Fuller (1986), Rotering (1993), Sell (1994) define cooperations as medium to long-term partnerships, while Baur (1975), Lutz (2004) also include short-term, project-based collaborations in their definition

³³ described as by Holch (1995) p.40f as the "expectation paradox" of the Arts

³⁴ Extended Marketing Mix as introduced by Booms and Bitner

³⁵ e.g. changes in political power, periods of recession, education and lifestyle development, technological development esp. in the entertainment industries

³⁶ e.g. media, networks of friends and benefactors, opinion-makers, ticket-agencies

³⁷ e.g. direct competitors, neighbours, schools and universities

³⁸ including not only financial resources but also human resources (good actors/ dancers), lack of time and lack of space/ venue

³⁹ pointed out by Baur (1975) p.2

⁴⁰ Three major lines of thought can be determined in marketing definitions: (1) marketing as the process of connecting an enterprise with its market [e.g. Kotler, Rodger], (2) marketing as a business philosophy [e.g. Meffert, Drucker] and (3) marketing as a social theory of interaction [e.g. Bartles, Erich Fromm]. This study will draw mainly on the second one.

⁴¹ Arguably, if strategic planning (an organisation's vision and mission, long-term goals and objectives) is coordinated, the independence of the partners is lost and the cooperation becomes a merger

⁴² i.e. Resource Theory (Porter, Penrose) and Equity Theory (Foa & Foa, Lurie)

⁴³ While market coordination is best suited in case of low coordination costs and hierarchical coordination structures (i.e. organisations) lend themselves to complex transactions, cooperations are most suitable for transactions with medium coordination costs.

⁴⁴ in cooperations between two equal partners, both take on the role of 'principal' and 'agent'

⁴⁵ 'Tit for Tat Strategy': the most successful behaviour in long-term interactions is to repeatedly imitate the opponent's decision after initially displaying cooperative behaviour

⁴⁶ tested by the well-known 'Prisoner's dilemma'

⁴⁷ Foa & Foa (1974, 1980)

⁴⁸ i.e. all means that enter the production process

⁴⁹ see Transaction Cost Theory

⁵⁰ and might indeed be one of the most often mentioned reason for withholding knowledge and information

⁵¹ quoted in Baur (1975) p.25

⁵² European Cultural Foundation (2004) p.52

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