

# Does Market Orientation Influence the Performance of Art Organizations?

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## **Abstract**

By drawing on market orientation, organization and arts marketing theory and management accounting literature, we suggest a framework model for evaluating the performance of arts organizations. We first define the concepts and then try to clarify the relationship between market orientation and performance.

With the help of the framework we first analyze how art directors define their indicators of performance and how they see the links between them. For this purpose we use qualitative data gathered in interviews with artistic and administrative directors of performing arts organizations. Moreover we use some documented statistics about the same organizations, and try to develop some objective performance measures. In the end we give some tentative results on the relationship between market orientation and performance.

Our results indicate that, as expected, market/customer orientation seems to increase the performance measured by ticket sales. Customer orientation was found to be negatively related to the share of public funding, but we do not know the direction of causation. Unexpectedly, customer orientation was also negatively related to the innovativeness of the organization (measured by the number of first performances). Innovativeness was more likely in organizations with a clear mission and high share of public funding.

## **Keywords**

Market Orientation, Performing Arts Organization, Performance, Indicator.

## **1. Introduction**

This study examines the performance evaluation of arts organizations and the relationship between various forms of market orientation and performance. The research tasks are to explain what is meant by market orientation and performance in performing art organizations and to study how market orientation is associated with organizational performance.

Our paper builds on an earlier empirical study on the role of market orientation in the program planning of performing arts organizations (Sorjonen 2004). In this study market orientation was conceptualized more comprehensively than in earlier studies. Especially, the cultural antecedents and different forms of market orientation were in focus. Cultural antecedents were addressed as separate and distinct both from structural antecedents and market orientation behavior. Now we will use the same data to examine what consequences market orientation may have on the performance of arts organizations. The data was gathered by interviewing artistic and administrative directors of ten performing arts organizations. The organizations were purposefully selected to represent different performing arts, organizational forms, and funding bases.

The paper is structured as follows. First, we present our concept of market orientation, and review previous studies on the market orientation–performance relationship in arts organizations. Based on the earlier study, we also briefly describe how market orientation was manifested in the program planning of the performing arts organizations under study. Second, we describe elements of performance, and develop a framework model for evaluating performance of arts organizations. Third, we analyze further the above-mentioned interview data for testing our performance model, and for examining how market orientation is related to the performance. Finally, we provide some concluding comments and discuss the results of the study.

## 2. Market Orientation of Performing Arts Organizations

### The Concept of Market Orientation

Market orientation is defined here as a management process directed at the creation of superior value for customers and other stakeholders by means of behaviors based on market information generation and dissemination in the organization (cf. Kohli and Jaworski 1990; Narver and Slater 1990). A performing arts organization is market-oriented when it designs and produces services that yield superior value for customers and activities are based especially on information about both the needs and expectations of customers and other stakeholders, i.e. artists, media, and competitors (Sorjonen 2004). This requires that certain elements of organizational culture support and promote market orientation behavior. These elements, values, norms, beliefs, and artefacts, are called *cultural antecedents* of market orientation.

Market orientation as a management process is understood as a part of the socio-structural system of an organization (see Allaire and Firsirotu 1984). Other important prerequisites of market orientation behavior are the commitment of top management, interdepartmental dynamics, and organization's decision making and reward systems, called here *socio-structural antecedents* of market orientation (cf. Kohli and Jaworski 1990).

Two different forms of market orientation, *reactive* and *proactive*, have been identified and classified earlier by Atuahene-Gima et al. (2001) and Jaworski and Kohli (1996). When an arts organization gathers information, and tries to understand and respond to the manifest needs and expectations of customers and other stakeholders, market orientation behavior is reactive. When an arts organization tries to uncover and respond latent, unmet needs and expectations, market orientation behavior is proactive.

The art organization can act even more radically and independently by *driving markets*, which refers to creating new options and changing the structure of the market and market behavior.

Conceptually, 'driving markets' falls in the category of proactive market orientation, if it is in some way based on acquired intelligence on customers and competitors. Market behavior can be modified directly by building real or imagined benefits into the buying experience of consumers, or indirectly by creating new preferences and reversing existing ones (see Jaworski et al. 2000). Audience education is one example of the driving market-approach. The purpose of education is to change the behavior of audiences, to urge them to accept and like the offered product (e.g. program or repertoire).

### **Previous Findings on the Market Orientation–Performance Relationship**

The results of Gainer and Padanyi (2005) support the assumption that there is a positive association between market-oriented culture, customer satisfaction and peer reputation. In their study, the focal dimension of performance was customer satisfaction. The respondents were asked to assess both the satisfaction level and the level of satisfaction compared to similar organizations. Gainer and Padanyi treat market-oriented culture and market-oriented activities as separate causally related constructs. However, they do not treat organization culture as separate from the socio-structural system of an organization, and consequently, they use cultural antecedents and activities in the operationalization and measurement of both concepts. Therefore, the intercorrelation between the two scales is quite high, and the claimed causal relationships of their model becomes problematic. They argue that client-oriented activities result in stronger client-oriented culture, and this in turn increases client satisfaction.

For example, contrary results have been presented by Voss and Voss (2000). They used multidimensional conceptualization of (market orientation) strategy that includes customer orientation, competitor orientation and product orientation. They found that customer orientation was negatively associated with both subjective and objective measures of performance when performance was measured by subscriber attendance, and had no effect on single-ticket attendance.

### **Programming Approaches and Market Orientation Associated with Them**

In an earlier study based on qualitative interview data, Sorjonen (2004) identified three different styles of programming: a *creativity-based* approach, a *resource-based* approach, and a *mission-based* approach. She also examined, how market orientation behavior manifested itself in the context of these three approaches (Table 1).

Artistic directors who applied the creativity-based approach viewed their programming as similar to the creative process of an artist, and saw the whole program as an art work or a musical drama. They explicitly mentioned that the repertoire was an artwork that is created by one person based on a creative planning process. Program choices are subordinated to the artistic vision of artistic directors.

The resource-based approach was identified in several types of art organizations: two music festivals, two orchestras and a theatre. The artistic directors of these organizations described their programming through available resources, tangible and intangible. The main issue in their program planning is what kind of program the available resources enable. A resource may consist of having an orchestra or an ensemble of particular size defined by economic resources, given venues, a given musical instrument, or the theatrical season with given dates for premieres.

The third approach was called a mission-based approach to programming. The mission of the organization was the leading idea of the programming for organizations in this group (two symphony orchestras and an opera). Their mission was to support, maintain and promote the national and Western concert music tradition, opera and ballet and to educate the audience by performing contemporary national and international music, opera and ballet.

**Table 1:**  
**Manifestation of Market Orientation and the Form of Responsiveness**  
**in Performing Arts Organizations**

<b>Components of market orientation</b>	<b>Mission-based approach to programming (3)</b>	<b>Creativity-based approach to programming (2)</b>	<b>Resource-based approach to programming (5)</b>
<i>Market intelligence generation</i>	Mainly generated from repetitive experience	Mainly generated from repetitive experience	Mainly generated from repetitive experience
<i>Market intelligence dissemination</i>	Not emphasized	Not emphasized	Not emphasized
<i>Interfunctional coordination</i>	Unformal	Unformal	Unformal
<i>Customer orientation</i> *Manifestation * The form of responsiveness	Unclear Reactive Proactive (unconscious) Market driving	Quite clear Reactive Proactive Market driving	Clear Reactive (Proactive) Market driving
<i>Competitor orientation</i> * Manifestation * The form of responsiveness	Not manifested	Clear/Unclear (Reactive) (Proactive)	Clear/Unclear (/Not manifested) (Reactive) (Proactive)
<i>Artist orientation</i> * Manifestation * The form of responsiveness	Clear Reactive (Proactive)	Clear Reactive Proactive	Clear Reactive (Proactive)
<i>Media orientation</i> * Manifestation * The form of responsiveness	Rather clear Reactive	Clear Reactive (Proactive)	Clear Reactive (Proactive)
<i>Financier orientation</i> * Manifestation * The form of responsiveness	Not manifested	Not manifested	Not manifested/(Unclear) (Reactive)

As shown in Table 1, the customer orientation component of market orientation was found to vary from unclear to rather clear and clear, when evaluated through the market responsiveness component. Further, organizations representing these three programming approaches emphasized slightly different *forms* of market orientation, the reactive, proactive and market driving. However, there was no variation at all in the manifestation of other components of market orientation, such as market intelligence generation (in all organizations intelligence was

created mainly based on subjective experience), dissemination (no dissemination of market knowledge within the organization), and inter-functional coordination capacities (all exercised informal coordination). Since Sorjonen's (2004) study also shows that most variation can be found in customer orientation, this dimension of market orientation should be applied also in performance studies.

Table 1 shows further that there were no differences between the studied programming styles in their artist or media orientation; it was clear or rather clear in all organizations, meaning that artistic directors were responding to the needs and expectations of performing artists and media. There was no competitor orientation in mission-based organizations, whereas in other types or programming approaches it varied. Financier orientation was very rare in the interviewed organizations.

To conclude, when comparing organizations with different programming styles, we were not very successful in finding differences in any measures of market orientation (except the dimensions of customer orientation, and to a lesser degree, competitor orientation). In the following we will use the above mentioned results by selecting customer orientation as an indicator of a more general market orientation, and explore whether organizations with unclear and clear customer orientation differ in their performance.

### **3. Elements of Performance**

For examining the performance related to different manifestations of market orientation in arts organizations we first discuss elements of performance: the concepts of efficiency and effectiveness and various types of performance indicators. Then, we introduce a framework model for performance evaluation and present the research questions for the empirical study.

#### **The Concepts of Efficiency and Effectiveness**

Organizational performance can be assessed internally or externally. As Pfeffer and Salancik (Pfeffer and Salancik 1978, 2) posit, organizations survive to the extent that they are effective, and their effectiveness derives from the way they can handle demands of different interest groups upon which the organization depends for resources and support. Organizational *efficiency* is an internal standard of performance and measures how well an organization accomplishes its stated or implied goals or objectives given the resources used (Pfeffer and Salancik 1978, 33). The *effectiveness* of an organization is an external standard of how well an organization is meeting the demands of the various groups and organizations that are concerned with its activities. The effectiveness is sought as a natural outcome of the organization's requirements for survival. The first task of being effective is to have an adequate model of the reality within which the organization operates: to understand the factors that determine how the organization defines its world, because it responds to what it perceives and believes about the world. (Pfeffer and Salancik 1978, 11, 89)

Performance in the short term may conflict with the long term performance (Child 1984; Kanter and Summers 1994, 226). Also, different criteria may be appropriate for the short, intermediate, and long runs. For example, in the short term, criteria related to production, efficiency, and customer satisfaction are emphasized. In the intermediate term effectiveness can be defined in terms of environmental adaptability and the capacity to improve one's position on the market, and in the long run, in terms of survival in the competition, or in terms of cultural and social significance. Moreover, it has been proposed that performance criteria may vary according to

the stage of the life cycle of the organization (Scott 1998, 346). However, to study the social, long-term impacts or art organizations requires historical, qualitative data from a long period of time. Therefore, long-term performance is left outside the scope of this study.

### **Types of Performance Indicators**

Organizations often state their goals in very general terms, and they have to be articulated in more specific terms for the purpose of measuring performance or effectiveness (e.g. specifying quantitative and qualitative targets). Three types of indicators or measures of organizational effectiveness have been identified: indicators based on outcomes, on processes, and on structures (Scott 1998). *Outcome indicators* focus on specific characteristics of the quality of output or objects on which the organization performs some operation. To measure efficiency, the output should be related either to specific stated goals or resources used. Changes in the knowledge, attitudes or satisfaction of the visitors are examples of outcome indicators. Scott says that outcomes are never pure indicators of quality of performance, but they also reflect the current state of the technology and the organization's environment. Thus, Scott suggests that because of the inadequate knowledge of cause-effect relations, the performance should be compared with other organizations carrying on similar work, which means using relative rather than absolute performance standards.

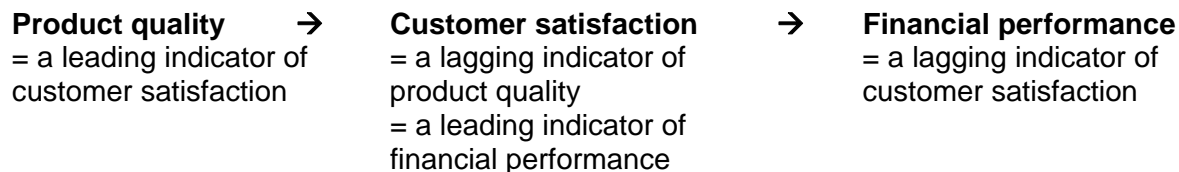
Since there are many difficulties in assessing and interpreting outcome measures (e.g. timing of measurement, losing contact with the customers served), *process measures* are often preferred. Process measures focus on the quantity or quality of activities carried on by the organization, and they assess effort rather than effect. For example, they assess how well a program or plan is followed, but not the adequacy or success of the programs themselves. Unfortunately, to gather information on real work inputs and processes may also be problematic and expensive, and self-reported activities may be biased. Therefore, *structural indicators* of effectiveness are used. They assess the capacity or competencies of the organization to achieve effective performance (e.g. number of work force, expertise of the personnel, size of budgets). Structural indicators mainly focus on inputs as surrogate measures for outputs. They focus not on the work performed but the capacity to perform work (Scott 1998, 354-359).

Some typical performance indicators of arts organizations are defined by Gilhespy (1999), Soren (2000) and Sorjonen (2001) among others. They include (1) outcome measures such as attendance and sales or ticket income as indicators of customer satisfaction; sponsorship revenue as an indicator of stakeholder satisfaction; quality ratings of customers as indicators of artistic quality; statements of critiques and reviews as indicators of artistic quality and peer satisfaction; (2) process measures such as the number of new compositions and first performances in the programs (measuring innovativeness); and (3) structural measures such as the number of musicians and actors, and the share of public funding in the budget of an arts organization. As regards to the last-mentioned indicator, the share of public funding, as efficiency/effectiveness measure it is ambivalent and can be interpreted at least in two ways. It indicates either high quality of performance or inability to function without public support in a nationally or locally significant cultural field.

In the management accounting literature, control models describing performance measurement systems are often recursive (see e.g. de Haas and Kleingeld 1999). The idea of the so called feed-forward control means that we should have foreknowledge about which process variables will be mediators in achieving outcome targets. Having this foreknowledge, those process measures should be selected that possess anticipatory capacity and consequently, have predictive value regarding related outcome or result measures. Kaplan and Norton (1996)

suppose causal links between so called leading and lagging performance indicators in their framework called Balanced Scorecard. Following their line of thought we can reflect on relationships between product quality, customer satisfaction, and financial performance (see Figure 1).

**Figure 1:  
Causal Links Between Leading and Lagging Indicators**



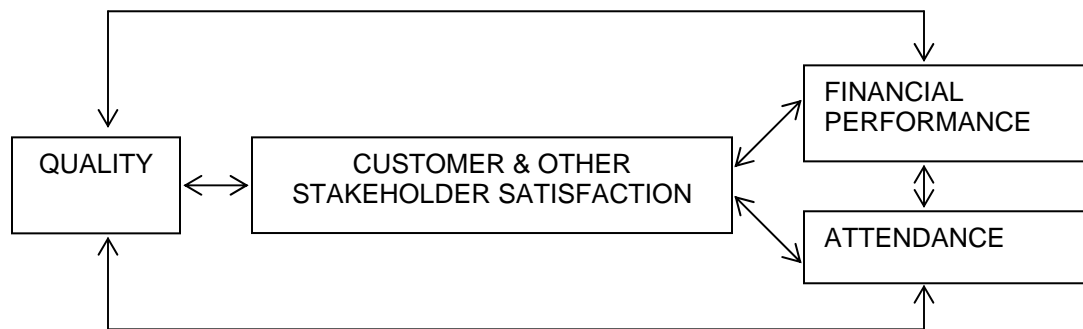
Customer satisfaction is a leading indicator of financial performance, but as it is determined partly by product quality, it also is a lagging indicator of product quality and production process. If financial performance is weak, we need to improve product quality provided that the assumption of the causal chain between product quality, customer satisfaction and financial performance is valid. Epstein and Manzonni (1997) claim that, in practice, the notion of leading vs. lagging indicators is a continuum. As any notion of causality is merely assumed by organizational actors, de Haas and Kleingeld (1999) warn that the validity can at best be demonstrated only afterwards, when success or failure in achieving the target indicators has been established.

### **A Framework Model for Evaluating the Performance of Arts Organizations and Research Questions**

The purpose of the framework is to assist in examining further how performance is related to different manifestations of market orientation in arts organizations. Therefore, the performance indicators preferred should be in some way related to the behavior of customers and other stakeholders and they should be responsive to signals from the market. The indicators should reflect the attainment of the goals concerning current and future customers, artists, media, and funding bodies. In addition, the indicators should form a continuum (causal chain), and the model should be interactive or recursive in nature.

In our simplified model for evaluating performance of arts organizations, the main dimensions are quality and customer and other stakeholder satisfaction (see Figure 2). Quality refers to the product/service quality. Two kinds of artistic quality have been distinguished in the literature: innovation (e.g. demanding, highbrow repertoire) and quality of production such as virtuoso performance, high-quality staging, lighting or costumes (DiMaggio 1987, 207). Stakeholder satisfaction is determined by quality and reflects the attainment of the goals of customers, artists, media and funding bodies. Financial performance and interest in further attendance are seen as the consequences of stakeholder satisfaction, but there are also effects in the opposite direction and feed back effects. As shown in Figure 2 good quality, good financial performance and high attendance all increase stakeholder satisfaction.

**Figure 2:**  
**A Framework Model for Evaluating the Performance of Arts Organizations**



The dimensions of the model form a continuum or chain with the indicators of dimensions having leading and lagging effects on each other. There exists no common list of performance indicators suitable for every organization, instead performance indicators depend on the art form and are often organization-specific. Each organization should therefore design its own measurement system of outcome indicators, process indicators, and structural indicators measuring efficiency and effectiveness. This also requires a careful analysis of causal links between the leading and lagging performance indicators.

In the empirical part of the study, our research questions are twofold:

- How is performance perceived by artistic and administrative directors representing different programming and market orientation styles? Does their talk reveal assumptions about causal chains between the different components of performance as presented in the model, and is this reasoning associated with their market orientation?
- Is there any relationship between market orientation and performance of arts organizations measured by some quantitative indicators?

We start from the assumption that organizations with clear market orientation perform better than organizations with an unclear market orientation. When exploring this relationship we use as an indicator of market orientation the customer orientation (clear or unclear). As an indicator of performance we use one output measure (growth of ticket sales), one process measure (number of first performances), and one structural measure (percentage of public funding). Because our data comes from limited number of organizations, and covers only a narrow time period, the results will be very tentative.

### **Data on Performance Indicators**

The subjective interview data were collected in the earlier study and reinterpreted and further analyzed for the purpose of this paper. Interview data were gathered 2001-2003 from ten purposefully selected performing arts organizations: two theatres, three music festivals, four orchestras and one opera. The interviewed persons were artistic or administrative directors responsible for the program planning.

The quantitative data on performance indicators were collected from the annual reports 1999-2004 published by the national associations of orchestras and theatres. Annual reports contain



information on attendance, sales record, sales revenue, sponsorship revenue, and programs (first performances) of respective member organizations. Festivals are private entities and their association publishes only attendance figures but no financial or other information.

#### 4. Preliminary Results

##### What are the Subjective Performance Criteria of Artistic Directors?

The performance criteria in performing arts organizations can be derived from success conceptions expressed by artistic directors. As shown in Table 2, all interviewees mentioned the appreciation and recognition by colleagues and media as important indicators of success. Positive, approving comments and reviews, *“excellent reviews”*, by media were interpreted as recognition. Media visibility indicates success. *“Even if we play extremely well, but the world does not know it, there is no success,”* as one orchestra intendant expressed it. Colleagues are seen as *“experts of the highest level”* (theatre director) and therefore, it is important to achieve peer appreciation. Appreciation and recognition are related to the stakeholder satisfaction. The number of positive statements in reviews and the prizes and awards received from the artistic community are indicators of these attributes.

Artistic directors who applied a mission-based approach and who had an unclear market orientation emphasized artistic integrity as the main indicator of success. Artistic integrity was expressed as follows: *“...our doings be it recordings, international activity etc. will not be questioned [by anyone]”*.

Artistic directors representing a creativity-based approach and some customer orientation emphasized strongly artistic accomplishments, such as the maintenance of artistic excellence judged after their own criteria and the ability to convey the spirit of art works. These attributes are related to the product quality and its qualitative assessments.

**Table 2:**  
**Conceptions of Success by Artistic Directors, by Programming/Customer Orientation**

<b>Mission-based approach/Customer orientation unclear</b>	<b>Creativity-based approach/Customer orientation rather clear</b>	<b>Resource-based approach/Customer orientation clear</b>
Appreciated by colleagues Recognition received The artistic integrity of the organization Ticket income and attendance(secondary)	Appreciated by colleagues Recognition received Maintaining artistic excellence Ability to convey the spirit of art works Attendance Ticket income	Appreciated by other artists and colleagues Recognition received Well-known, strong image Attendance Ticket income Sponsorship income Economic integrity

Further, for artistic directors having resource-based approach to programming, success was manifested by being well-known and having a strong image among customers and media, both home and abroad. They described the image strong when the organization is perceived as a well-known brand, and the audiences and media trust in the quality of its offerings. These

attributes are related to the stakeholder satisfaction and can be appraised through qualitative ratings. Contacts and recognition coming from different parts of the world indicate that the organization is internationally known.

All interviewees mentioned attendance and ticket income as well as other income as indicators of success. For artistic directors having resource-based approach to programming, attendance indicated box-office success, and ticket income indicated economic success. Also sponsorship income and the capability to balance the budget were essential indicators of success. One director told that the goal of his organization was economic integrity, referring to the goal that the organization would be less dependent on public subsidies. The artistic directors having mission-based approach to programming emphasized that for them audience and financial performance mean success only if the artistic ideals and criteria of the organization are first met.

### **Causal Links Identified between the Components of the Performance Model**

In the context of the creativity-based approach to programming, we found in the talk of artistic directors several indications of reasoning in causal terms and on long term about the performance. The music festival director told that a two–three week festival is designed to form a whole of separate concerts under one theme. For holistic impression of the themes, a customer should stay a couple of days at the festival. On the average, the visitors stay five days. Long stay proves about customer satisfaction, which leads to better attendance numbers and financial performance. Also the artists are satisfied in seeing the same loyal customers in the audience from one concert to another.

One of the music festival directors believed that investments in the quality of the festival increase stakeholder satisfaction. He compared a high quality music event with a visit to a three star Michelin restaurant. The festival visitor having great expectations and investing both time and money to the visit has to be served with high quality offerings. This in turn reduces the need of marketing communication activities, which decreases expenses and leads to better financial performance. He said: *“In the long run, an honest high quality work of passionately investing on the artistic quality will be rewarded and then, a relationship of trust and commitment between the audience and the producers will be developed ... the significance of marketing then considerably diminishes, because we have been able to keep this audience thinking in the same way as we ourselves.”*

The high quality of the festival also leads to better artist satisfaction. The inspiring atmosphere of the festival attracts artists who see the festival as an important forum for their musical development. Every artist is paid the same fee, irrespective of whether he or she is world famous or nationally recognized and consequently, lower artist costs lead to better financial performance. Further, the artistic director told examples of the satisfied artists all over the world praising the festival in the media and to fellow artists, which in the long run leads to increased attendance.

One theatre director also believed that there is a link between a high artistic quality and stakeholder satisfaction. For example, a contemporary play in the program may reach today a quite small audience, but it receives high media visibility because media always becomes interested in new plays. Through the media visibility achieved it will tomorrow and in the long run attract audiences to the theatre. Actually, the interviewees had witnessed an immediate increase in sales after positive reviews in newspapers.

The artistic directors having resource-based approach to programming talked explicitly about the causal link between programs and attendance: *“Of course we must have such program that gets people to come”*. They clearly pointed out the stakeholder satisfaction: *“[the concert] should be an experience [for the audience], it is important for us artists”*. They also believed that the stakeholder satisfaction manifested as media visibility and recognition will nourish *“new success and esprit de corps”*. Media visibility promotes awareness and attendance, which is important, because as an orchestra intendant said, *“the orchestra lives on its audience ... the audience is needed for the success”*.

In contrast to the directors having creativity or resource-based approach to programming, artistic directors having mission-based approach mainly talked about the artistic quality and did not ponder the components of the performance and their interdependencies. Only one of them stressed the attendance as the outcome of the quality. However, all of them mentioned the link between the high artistic quality and customer satisfaction.

### **Does Performance Vary According to the Degree of Market Orientation?**

In this section, we present preliminary results of performance comparisons between organizations manifesting clear or rather clear customer orientation and organizations manifesting unclear customer orientation. As performance indicators, we use three quantitative measures: the average annual change (%) of ticket sales (an outcome measure), the percentage of public funding of all expenses (a structural measure), and the number of first performances (a process measure).

Table 3 supports the idea that market orientations leads to higher performance. The average annual growth of ticket sales (%) is higher in the organizations having clear or rather clear customer orientation as compared to the average growth of the whole industry. However, there are some exceptions (Table 3).

**Table 3:**  
**The Average Annual Change (%) of Ticket Sales by Customer Orientation 1999-2003**

Type of arts organization / Customer orientation	Customer orientation unclear	Customer orientation clear or rather clear	Average change (%) of whole industry
	Average change (%)	Average change (%)	
Orchestra 1		18	
Orchestra 2		18	
Orchestra 3	-1		
Orchestra 4	-6		
Whole industry			1
Theatre 1		18	
Theatre 2		-1	
Theatre 3	-1		
Whole industry			0,4
Festival 1		2	
Festival 2		2	
Festival 3		-9	
Whole industry			-4

There are two exceptions in the clear customer orientation category: the growth rates of one theatre (-1 %) and festival (-9 %) are below the industry averages (0,4 % for theatres, and -4 % for festivals). One explanation for the exceptions may be a change in the competitive environment. In the city where these organizations are situated, a new concert hall was opened in 2001. As a venue for the concerts (orchestra 1) it seems to have attracted customers from the theatre and the festival which perform in other venues of the same city. The average ticket sales change of other customer oriented organizations have however increased more than the average, which indicates that customer-oriented arts organizations may perform better than those which are not customer-oriented.

Table 3 shows that performing arts organizations adopting customer orientation perform better when it comes to sales figures. However, there are limitations for the use of sales growth as a measure of performance. The seat capacity will hinder sales growth, if the usage rate of the seat capacity continues to be close to full capacity, 90-100 %. In the organizations studied, this was not a problem. Hence, we propose that customer orientation increases ticket sales in performing arts organizations.

Public funding can be seen as a resource that enables an arts organization to concentrate in artistic considerations instead of financial problems, which may result in a higher artistic quality. On the other hand, an arts organization that with a smaller public support than other organizations produces artistic quality that satisfies customers and other stakeholders can be seen as a more efficient performer. Table 4 describes the relationship between public funding and market orientation. We examined the share of public support in arts organizations with different manifestations of customer orientation.

**Table 4:**  
**Public Funding (%) of All Expenses 1999-2003 by Customer Orientation**

Year/ Customer orientation	Customer orientation unclear (%)		Customer orientation clear or rather clear (%)	
	Opera (1)	Orchestras (2)	Theatres (2)	Orchestras (2)
1999	78	86	81	75
2000	80	90	77	74
2001	79	89	74	77
2002	79	88	77	77
2003	81	90	78	73
<b>Mean</b>	<b>79</b>	<b>89</b>	<b>78</b>	<b>75</b>

As shown in Table 4, for orchestras we found a negative relationship between market orientation and public funding. The orchestras with clear or rather clear customer orientation received less public support (mean 75 % of all expenses) than those with unclear customer orientation (mean 89 % of all expenses). Market/customer orientation seems not to be associated with public support of the theatres and opera.

Public support may be art specific. The economies of scale at the opera, as compared to orchestras, might somewhat explain the differences between them, as the attendance per performance is much larger at the opera than at the orchestras. However, more data is needed for examining the relationship between public support and customer orientation. Based on our tentative result, we propose that customer orientation may decrease the need for public support in performing arts organizations.

Next we try to assess the relationship between market orientation and innovativeness of the organization. First performances are premieres of new compositions and plays. The number of first performances is considered as one aspect of innovativeness and therefore, as an indicator of artistic quality.

**Table 5:**  
**The Number of First Performances in Various Art Organizations 1999-2003,**  
**by Customer Orientation**

Year/ Customer orientation	Customer orientation unclear			Customer orientation clear or rather clear			
	Orch.	Orch.	Opera	Theatre	Theatre	Orch.	Orch.
1999	5	2	8	1	3	1	0
2000	6	5	8	1	1	4	2
2001	6	2	10	2	1	5	2
2002	5	2	8	3	4	5	0
2003	7	3	9	0	3	5	1
<b>Mean</b>	<b>6</b>	<b>3</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>1</b>

As shown in Table 5, we found a negative association between innovativeness and customer orientations. The number of first performances is smaller in those organizations where customer orientation is clear. The differences may be explained by the type of performing arts organization (opera and some orchestras being more innovative). However, when we look at the numbers of orchestras only, the difference still remains. Hence, we can at least propose that customer orientation probably does not have any positive influence on innovativeness. Since information about the attendances of first performances was not available, we are not able to assess, whether the more innovative organizations also show better values of outcome measures.

## 5. Discussion

In this study, we first developed a framework model of the relationship between market orientation and performance. Before that, the multifaceted concepts of market orientation and performance were discussed in detail. The model presented a simple causal chain and the idea of leading and lagging components of performance.

With the help of the model we first studied with qualitative interview data, how artistic and administrative directors perceive the performance and success of an art organization, and how they understand the links between performance measures. In the talk of directors we could recognize causal linking of the elements of performance. Especially this causal reasoning took place in organizations with a clear market orientation. Some earlier studies show that this kind of recursive thinking of managers results in better performance (Ittner and Larcker 2003). Further studies are needed to show whether this kind of recursive thinking in arts management results in better performance like in business firms.

We also tried to examine the market/customer orientation—performance relationship with the help of some quantitative, objective measures. As quantitative performance indicators we used sales (sales growth), the share of public funding, and as an indicator of artistic quality and

innovativeness we used the number of first performances. Our tentative results support the assumption that customer orientation as one component of market orientation increases performance measured by ticket sales. Secondly, the results show that market orientation is negatively associated with public support, or has no effect on it. We conclude that possibly market orientation decreases the need for public support. In contrast to our expectations, our study indicates that market/customer orientation has no positive effect on the product quality and innovativeness of an art organization. We conclude that innovativeness is probably not at all related to market orientation. Causal explanations for innovativeness have to be found elsewhere; maybe it is the mission-based approach of art organizations that leads them to experiment with new first performances. In some cases, security about the public financing may also release the management to select more risky productions.

Due to the small data base and difficulties to find documented figures on the selected measures, these results are rather speculative. However, perhaps our qualitative study helps to formulate interesting hypotheses for further research on the market orientation and performance of art organizations.

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