COMPETITOR ANALYSIS PRACTICES OF GRANT–AIDED PROVINCIAL UK THEATRE COMPANIES

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Introduction

In 2001 the United Kingdom had 1410 theatre venues, 1196 of which (84.8%) were located in the provinces outside London. Most of the 1196 provincial venues were grant-aided, receiving money from local government authorities, the Regional Arts Board, the national Arts Council and grants from lottery funds (Larder, 2002). Government support for the performing arts declined substantially throughout the 1990s (Murphy, 1999; Shellard, 1999; Smith, 1998), while competition for audiences from alternative leisure pursuits increased. This led to severe financial problems in many provincial theatres. These difficulties were exacerbated, according to Smith (1998), by the reductions in government aid resulting from the reorganisation in 1993/94 of the (state run) Arts Council and Regional Arts Boards and the fact that, by the end of the 1990s, more than a third of the Arts Council budget was being allocated to just four national theatres (which nevertheless continued to lose money). The UK government does now recognise the damaging effects of past policies and in March 2001 announced an increase in the level of annual public subsidy to theatres from £40 million to £70 million payable by 2004. (The extra funds were intended to encourage more artistic freedom and innovation in theatre production and touring companies.) However, throughout the decade immediately prior to the year (2002) the research was conducted, the theatre sector (particularly provincial theatres) was characterised by intense problems of finance and funding (Pattullo, 2002).

Audience lifestyles changed in the 1990s, and attendance at performing arts events declined (theatre admissions fell by 4.2% between 1995 and 2000 [Pattullo, 2002]). The downturn in audiences was particularly severe among young people. Yet the government was anxious to stimulate interest in theatre among the young, and used the ability to attract younger audiences as a criterion when awarding grants. Governmental pressures to expand and diversify theatre audiences, in conjunction with general financial exigency, allegedly forced theatre companies to acquire a knowledge of modern marketing methods, develop new products (Bennett and Kottasz, 2001a), find new markets for their offerings (Kotler and Scheff, 1997), and (critically) to become more *competitive* in orientation (Larder, 2002; Murphy, 1999; Shellard, 1999; Smith, 1998).

Competitive behaviour among theatres

Theatre is part of the overall UK leisure and entertainment market, which includes cinema, home entertainment (video rental or listening to recorded music for example), sporting events, and activities such as visiting museums, art galleries and concerts. Hence a theatre's competitors may be direct, indirect, explicit or implicit (Doyle, 1994). Kotler (1988) warned against the danger of "competitive myopia" whereby an organisation might define the range of its actual and potential competitors too narrowly. Competitive myopia carries the possibility that a dangerous but latent competitor will not be noticed until it is too late. It could arise if, for instance, a performing arts organisation regards its competitors as comprising only those organisations within travelling distance that offer productions that are close substitutes for each other (Kotler and Scheff 1997). Rather, the *feasibility* of substitution should act as the major criterion for identifying competitors (see also Lehman and Winer, 1988). Activities that the public sees as non-substitutable today might become substitutes in the future, depending on the vagaries of demand.

A key element of the operational side of sustaining a competitive advantage is the collection of information about and the analysis of competitors' activities (Chen, 1996; Porter, 1980; Rouach and Santi, 2001). The study of competitor analysis (CA) practices has occupied a central position in the academic literature concerning rivalry among purely commercial organisations (Subramanian and Ishak [1998] listed no less than 53 references to conceptual and empirical studies regarding the ways in which businesses assembled competitor information; see also Chen [1996]), particularly in situations where market growth is stagnant. This is not the case in the performing arts domain, however, despite the undeniable rise in the competitive intensity of the sector. It is relevant to note moreover that nowadays theatre companies are routinely expected to bid against each other for philanthropic donations from businesses and for commercial sponsorships (see Lane, 1996). Pattullo (2002) noted how the sponsorship of theatre and drama had reached a value of £15.4 million by 2000 and was critical for the survival of many small companies. The pitching process is likely to be rigorous and demanding and to require meticulous preparation, including a detailed prediction and assessment of rival theatres' proposals.

A number of definitions of CA have been suggested by the literature in the field. Five representative examples are listed in Table 1, from which it can be seen that the creation of useful knowledge concerning competitors' current and possible future capabilities and behaviour, the threats that competitors represent, and the assessment of competitors' intentions are usually regarded as key elements of the CA function. All the definitions characterise CA as a *process*.

Advantages and drawbacks of CA

Ghoshal and Westney (1991) surveyed the CA activities of a sample of 61 organisations, concluding that six major benefits arose from the practice: sensitisation, legitimation, inspiration, benchmarking, and improved planning and decision making. "Sensitisation" resulted from the organisation becoming aware of its vulnerability to attack by specific competitors (including potential as well as actual competitors and smaller organisations).

TABLE 1. DEFINITIONS OF CA

Author(s)	Definition
Prescott and Gibbons (1993 p. 19)	"A formalised process whereby the management team assesses the evolution of its sector and the capabilities and behaviour of its current and potential competitors to assist in maintaining or developing a competitive advantage."
Bernhardt (1994 p. 13)	"An analytic process that transforms data into actionable strategic knowledge about competitors' capabilities, intentions, performance, and positions."
Fletcher and Donaghy 1994 p. 5)	"A process of gathering competitor data from various sources both inside and outside the organisation, transforming them into timely, pertinent and meaningful information and holding it within a well structured system."
Simkin and Cheng (1997 p. 125)	"The process of identifying key competitors; assessing their objectives, strengths and weaknesses, strategies and reaction patterns; and selecting which competitors to attack or avoid."
Rouach and Santi (2001 p. 553)	"The collection, processing and storage of information and its dissemination to people at all levels of the organisation in order to help shape the organisation's future and protect it against current competitive threat."

"Legitimation" was the "justification of certain proposals and the persuasion of members of the organisation of the feasibility and desirability of a chosen course of action" (p. 25). This was particularly important when an organisation "planned to take actions conflicting with the interests and beliefs of influential internal members or external constituencies" (p. 25). Actions could be shown to be necessary in order to meet competitive challenges, or to have worked effectively for competing organisations. The employment of CA for "inspiration" involved the generation of fresh ideas about how to solve problems by identifying what other organisations did in similar circumstances. Benchmarking allowed an organisation to compare its performance and behaviour against objective external criteria.

Bernhardt (1994) and Rouach and Santi (2001) described the primary benefits of CA in terms of enhanced awareness of internal strengths and weaknesses (consequent to the systemic analysis of the strengths and weaknesses of competitors), and of external opportunities and threats. The assessment of competitors' strengths and weaknesses was said to serve two functions. It permitted an organisation to predict competitors' next moves and how they were likely to modify their activities in response to a challenge, while providing the organisation with information about the attributes desired by the public but not provided by competitors (see Kotler, 1988). Also it helped an organisation discern winning strategies that had been implemented elsewhere (Rouach and Santi, 2001). Competitors' strengths could be undermined and weaknesses exploited.

Engaging in CA allegedly encourages innovativeness. According to Farnfield (1999), the absence of CA resulted in a management approach that focused on "doing things well" rather than "doing things better than the opposition" (p. 251), leading to a lack of innovation that prevented the organisation from moving away from its competitors. Analogously, Simkin and Cheng (1997) argued that organisations which did not track their competitors' activities ran the risk of becoming excessively reactive to their rivals' moves. Such organisations lacked the "fighting spirit" conducive to innovation and possessed only a shallow understanding of external environments (p. 126). Practical benefits arising from CA were stated to include the development of more realistic targets (*via* an appreciation of the scale of competitors' operations), improvements in service levels to bring them in line with those of competitors, and the ability to imitate competitors' successful marketing communications. Subramanian and Ishak's (1988) survey of 85 US corporations found that profitability was significantly higher within the 24% of their sample that possessed advanced CA systems.

Kotler (1988) suggested that a critical benefit of competitor analysis was its capacity to pinpoint which competitors an organisation could (or should) compete with, and which competitors should be avoided. Thus it was necessary to ascertain the basic attributes that the public rated organisations against in a certain sector, and then to rank each competitor and the organisation in question in terms of these attributes. (A bad situation would involve the organisation ranking highly on minor attributes, but low on major attributes.) Then the organisation could focus its competitive strategy on taking business from weak competitors while avoiding retaliation from strong competitors. Kotler (1988) noted, however, that benefits have been known to accrue to organisations that deliberately targeted their strongest rivals, as this compelled them to "keep up with the state-of-the-art" and improve their capabilities (pp. 251-252). Furthermore, even a strong competitor might have some weaknesses and prove susceptible to attack. Organisations, Kotler continued, should *not* seek to compete with "good" competitors. The latter comprised organisations that played by the rules of the sector, made realistic assumptions about the sector's growth potential, wanted the sector as a whole to survive, and limited themselves to clearly defined segments of the market. Bad competitors, conversely, violated established norms, took large risks, and generally upset the sector's equilibrium (see also Porter, 1985). Moreover, a "good" competitor could actually *help* other organisations within the sector by increasing total demand through its advertising, by creating diversity, sharing the cost of market development, improving the sector's bargaining power in relation to government funding bodies and regulators, and providing a "cost umbrella" for the less efficient (Kotler, 1988 p. 252). Disadvantages associated with CA include the time, money and energy spent on tracking competitors, and the danger of initiating a competitive "war" that ultimately might destroy all parties. Also an organisation may become excessively reactive rather than pursuing a *consistent*, pre-planned strategy. A reactive organisation never knows where it is likely to end up, as this will depend on its competitors' initiatives and the organisation's own responses to them.

Sources and uses of information

According to Bernhardt (1994), at least 80% of all information on competitors that was gathered by commercial firms was obtained from “open sources” such as annual reports, newspapers, trade journals, on-line database services, etc. However, the yield from such sources was stated to be very small compared to that gained from primary, mainly human, sources. The latter might include conversations with competitors’ employees or encouraging people currently employed by rivals to apply for jobs at the organisation in question and asking them sensitive questions during interviews. More generally, Sutton’s (1989) survey of 315 US companies found that front line sales people were by far the best source of information on competitors. Fuld (1985) found that most organisations, independent of sector, sought competitor data in the same areas: competitors’ products, incomes, marketing strategies, and costs. They were generally uninterested in competitors’ human resources or management policies.

A crucial issue is the degree to which competitor information is used for *strategic* rather than tactical applications. Fletcher and Donaghy (1994) argued that a strategic approach was essential. Otherwise CA would entail the highly expensive gathering of “an excess of unstructured data which are so unmanageable that they have little or no value” (p. 6).. Manifestations of a strategic orientation, Fletcher and Donaghy continued, included the application of formal and systematic procedures to the analysis of information and its dissemination to all relevant people and sections within the organisation, and the integration of competitor information into *strategic* decision making activities.

Organisational attitudes towards CA

Actual conduct *vis-à-vis* CA is likely to depend heavily on the views of senior managers regarding the nature of the competition the organisation faces and the propriety of initiating competitive action. Rouach and Santi (2001) described five *genres* of managerial attitude and behaviour relating to CA: warrior, assaulter, activist, reactor, and sleeper. “Warriors” were highly pro-active in the search for information on competitors and constantly looking for opportunities. "Assaulters" had attributes similar to warriors, but not to the same degree. "Activists" sought *strategic* information on competitors, although their CA systems were informal and unstructured. "Reactors" only engaged in CA when competitors were overtly hostile. "Sleepers" showed no interest in CA and did not believe they had anything to fear from the competition. Kotler (1988), DeDreu and McCusker (1997) and others (see Baron and Byrne [2000] for details of relevant literature) have advanced two sets of possible explanations of differences in attitude towards competition and hence the need to analyse competitors. The first relates to market situation, the second to individual managers' traits and personal inclinations. A market situation characterised by "competitive reward structures" (whereby one organisation's gain is another's loss) is allegedly a major determinant of aggressively competitive behaviour (Baron and Byrne, 2000). Reward structures of this nature occur in stagnant markets. Kotler and Scheff (1997) argued that no performing arts organisation could afford to ignore its competitors if its markets were not growing. Another market situation conducive to intense competition occurs, according to Kotler (1988), in scenarios where organisations are equal *vis-à-vis* their resources and competitive abilities. Chen (1996) posited that competing organisations possessing comparable resource endowments were likely to have similar strategic capabilities, intentions and vulnerabilities in the marketplace. Thus, it was probable that any initiative that gave one organisation a competitive advantage would always be matched by rivals.

Market commonality

Chen (1996) noted however that organisations with similar resources and abilities might not actually compete against each other because of differences in market focus. There might be little impetus to compete if the organisations concerned have few markets in common. Conversely, organisations with large overlapping interests in a single critically important market might be expected to compete ferociously. Chen (1996) defined overlapping interests of this nature as "market communality". A high level of market communality, he argued, exerted a powerful influence on competitor behaviour because it was visible (in contrast with the internal resource endowments of competing organisations) and provided the *motivation* to act. Possibly, the degrees of uncertainty surrounding and volatility within an organisation's environment might lead it to become more interested in collecting information on competitors. Subramanian and Ishak (1998) cited a number of studies which concluded that intense environmental turbulence caused businesses to take a keen interest in competitor analysis. On the other hand, environmental volatility (i.e., "a combination of radical and frequent change with a significant level of perceived uncertainty" [Wilson, 1999, p.20]) may induce organisations to adopt casual competitors' actions on the grounds that endemic uncertainty makes it impossible to do anything about them (see Bahrami and Evans, 1989; Cooper, 2000; Wilson, 1999 for information on relevant studies).

Individual inclinations

Baron and Byrne (2000 Chap 12) reported a number of studies in the field of social psychology which suggested that personal orientations were a critical determinant of the decision to compete (rather than to co-operate) when actual or potential conflicts arose. Some individuals allegedly possess more competitively aggressive innate instincts than others and, to the extent that such people occupy senior managerial positions, the behaviours of the organisations they manage are more likely to be aggressively belligerent. DeDreu and McCusker (1997) argued that there exists a certain personality type that will always focus on beating others, *even though* superior outcomes could be obtained through co-operation. Individuals of this nature, DeDreu and McCusker continued, were more likely to engage in hostile behaviour the more they stood to lose in a given situation.

Opposition to competitive behaviour

It may well be the case that there exists strong opposition within certain theatres to the very idea that performing arts organisations should compete against each other and, by implication, that they should engage in competitor analysis. Key stakeholders in a theatre (e.g., employees, volunteers, or supporters' groups) might believe that the organisation should spend its time and money on pursuing its cultural mission rather than on monitoring and beating competitors. Theatre is arguably one of a country's major cultural assets, and artistic rather than financial considerations may be the primary motivation behind a theatre's work (Bouder-Pailer, 1999; Peterson and Malhotra, 1999; Shellard, 1999). In Britain, the performing arts have a non-profit heritage and traditionally have occupied an educative role as well as providing entertainment. Kotler and Scheff (1997) noted how the "product" of a theatre was often "visionary and expressive" (p.14), so that sometimes the essential goal was to *create* rather than satisfy demand (using public subsidy as the means for achieving this aim). Does a theatre exist to challenge and stretch the imaginations of its audiences irrespective of financial considerations; or are its core purposes simply to maximise box office revenues and to entertain (see Voss and Voss, 2000). The fundamental ideological and philosophical orientation of a theatre in this regard (i.e., its "artistic identity") might influence its competitive behaviour.

The study

A questionnaire was drafted consequent to a review of relevant literature and pre-tested *via* (i) discussions with three academic experts in the theatre marketing field and four Directors of provincial UK theatres, and (ii) a mailout to 50 theatre companies selected at random from the sampling frame for the main investigation. The final version of the questionnaire had sections concerning the sources and uses of CA information (including its employment for sensitisation, legitimation and inspiration, cf. Ghoshal and Westney [1991]), attitudes towards competition and CA, market situation (cf. Chen, 1996; Kotler, 1988; Subramanian and Ishak, 1998, and the extent and organisation of CA activities. Apart from purely factual questions, items were presented as statements against which respondents could indicate their degree of agreement or disagreement (5 = strongly agree; 1 = strongly disagree). The questionnaire was mailed, together with a covering letter and a stamped addressed envelope, to 350 subsidised provincial theatres selected at random from the *British Performing Arts Year Book 2002/3* (Rhinegold Publishing). The survey only covered regional subsidised producing theatres, i.e. organisations which themselves are responsible for creating productions and thus take the primary risk *vis-à-vis* box office receipts. It did not consider venues which simply rent space to outsiders, charge a fee and sometimes take a small percentage of ticket sales, but without engaging artists. National theatres, fringe theatres, touring companies, and commercial theatres (mainly concentrated in London's West End) were also excluded. After a follow-up, 99 replies were received (28%). The mean values of the responses received from the earliest 30% of the replies were compared with the final 30%, no meaningfully significant differences becoming evident.

Results

Theatres in the sample had a range of 50 to 4,000 seats, the median number being 690 and the mean average 850. On average, each of these theatres had a mean of 39 full-time employees (median 24) and 14 part-time employees (median 11). The questionnaire did not explore the precise contractual status of the "employees" of the theatres in the sample as this was not its main purpose. Some theatre Directors and other senior managers are technically self-employed, and members of the Boards of Governors of smaller theatres sometimes work for their theatres. It is possible moreover that some respondents classified self-employed providers of services to theatres as "employees" thus overstating the actual size of the workforce. Sixty-eight per cent of the theatres had been in existence for more than 15 years.

The respondents were asked whether and how often they analysed their competitors' activities. Five categories of competition were specified (with examples): other performing arts organisations in the theatre's catchment area; cinemas; cultural attractions such as museums and art galleries; leisure facilities such as fitness centres, squash or badminton clubs, sports venues, etc.; and home entertainment (e.g., video shops, drama broadcasts on TV and radio). The outcomes are shown in Table 2, from which it can be seen that whereas (i) *all* the theatres in the sample monitored the activities of other performing arts organisations and (ii) 76% monitored local museums, art galleries and similar cultural attractions; only 30% tracked local cinemas. Only eleven per cent kept an eye on what was happening *vis-à-vis* local leisure facilities, while just eight per cent bothered to monitor trends in opportunities for home entertainment. Responsibility for CA was stated to rest with the theatre Director alone in 18% of the organisations, with a team of people in 26% and with a marketing manager or marketing department in 30%. In the remaining 26% of the theatres the task was delegated to a non-marketing member of the general staff.

TABLE 2 FREQUENCY OF CA

	Frequency					
	Continuously	**Monthly**	**Quarterly**	**Every 6 months**	**Annually**	**Never**
Other performing arts organisations	33%	18%	24%	15%	10%	-
Cinemas	15%	10%	5%	-	-	70%
Museums, art galleries, etc.	15%	8%	15%	24%	14%	24%
Leisure facilities	6%	-	5%	-	-	89%
Home entertainment	4%	-	4%	-	-	92%

Sources and uses of information

Overwhelmingly, the theatres in the sample used “open” sources to obtain information on competitors. Seventy-seven per cent examined newspapers and magazines; 80% the “trade press”; 70% the promotional materials of rival theatres; and 76% the Internet. Three quarters of the Directors reported that “conversations with employees of rival organisations” were an important source of information. Fifteen per cent of the theatres completed audience surveys or convened focus groups about competitors; 26% used published market research reports, none of the organisations in the sample commissioned market research companies to investigate rivals. Table 3 shows the main uses of information on competitors by the 99 theatres. It can be seen from Table 3 that, in general, the sample organisations employed competitor information for the purposes recommended by the CA literature in the commercial management domain (see above). Legitimation (items a and j), benchmarking (items c, k and m), inspiration (items d, e and f), and sensitisation (items h, i and n) emerged as important CA uses (cf. Ghoshal and Westney, 1991). Competitor information was also employed heavily for developing marketing communications (items b and l) and for strategic planning (items g and o) (cf. Bernhardt, 1994; Fletcher and Donaghy, 1993;). Table 3 omits the results for uses of CA that were queried but

TABLE 3. USES OF COMPETITOR INFORMATION

		Mean	Standard deviation
(a)	Persuading people within the theatre of the need for change	3.8	1.2
(b)	Improving the theatre's marketing and advertising	3.8	0.9
(c)	Assessing internal strengths and weaknesses relative to competitors	3.8	0.9
(d)	Learning how other theatres have solved problems	3.7	0.9
(e)	Generating new ideas	3.7	1.0
(f)	Identifying sources of competitive advantage	3.6	1.0
(g)	Strategic planning and decision making	3.6	0.9
(h)	Assessing competitors' current capabilities	3.5	0.8
(i)	Assessing the theatre's vulnerability to competitors' actions	3.5	1.1
(j)	Justifying certain courses of action	3.4	0.9
(k)	Comparing the theatre against external criteria	3.4	0.9
(l)	Improving the theatre's marketing methods	3.3	1.1
(m)	Benchmarking the theatre against competitors	3.3	1.0
(n)	Deciding which organisations to avoid competing with	3.0	1.0
(o)	Predicting competitors' future behaviour	2.8	0.9

Five-point scales: 5 = strongly agree; 1 = strongly disagree were not reported as being important (i.e., those with response mean values lower than 2.5). These included finding out about competitors' human resources and management policies (confirming the conclusion of Fuld, 1985), improving the quality of service provision (contradicting Simkin and Cheng, 1997), predicting competitor's reactions to initiatives (contradicting Bernhardt, 1994), routine day-to-day decision making, and setting targets.

Organisation of the CA function

Majorities of the respondents agreed or strongly agreed that their theatre "takes CA very seriously" (67%) and that "top management fully supports the organisation's CA efforts" (64%). Conversely, 82% disagreed or strongly disagreed that "substantial amounts of resources are devoted to the analysis of competitors' activities", and 70% claimed that their theatre had "informal and loosely structured" systems for gathering competitor information (although half had "systems for keeping files on competitors"). Eighty-five per cent of the charities did *not* prepare periodic summaries of competitors' activities. The activities of rival theatres were "regularly discussed in management meetings" in 65% of the organisations. However, this occurred in relation to *other* (non-performing arts) sources of competition in only nine per cent of the theatres. Less than a fifth of the respondents agreed that information on competitors was widely circulated within their organisation, and only 20% of the respondents alleged that information on competitors was integrated with the strategic decision-making process of the company. The high cost of CA appeared to explain these findings: 84% of the sample agreed that their theatre "would like to do a lot more competitor analysis but simply does not have the resources".

The respondents were asked about the types of rival organisation their theatres would monitor. A majority (66%) stated that their theatre examined the activities of smaller actual or potential rivals as well as larger competitors or theatres of about the same size. Fifteen percent claimed that their organisations looked carefully for "the possibility of new forms of competition arising from completely fresh sources". Thus, few of the organisations in the sample recognised the threats posed by emerging as well as current competition. Moreover, "emerging competition" was usually interpreted to mean recently established or small *theatres*, not fresh competition that might arise from more general leisure pursuits.

Warriors and sleepers

Competitor analysis warriors, according to Rouach and Santi (2001) constantly reviewed rivals' activities, possessed formal and highly structured CA systems, and devoted substantial resources to CA activities. Sleepers, conversely, only completed CA when rivals behaved in a hostile manner, spent little on CA, and were slow to react to competitors' moves. In the present study, responses to the five questionnaire items that measured these matters (five-point scales: 5 = strongly agree, 1 = strongly disagree) correlated significantly among themselves ($R > .41$ in all cases) and with replies to the following items similarly relevant to whether a theatre was a CA warrior or sleeper ($R > 0.41$): regularly preparing summaries of rivals' activities, widely disseminating information about competitors throughout the organisation, discussing rivals' activities extensively during management meetings, and assigning specific people to watch particular competitors. Hence the nine scales were combined to form a single variable reflecting the CA warrior-sleeper continuum (see endnote 1).

Twelve of the 99 theatres fell in the top two of the five response categories of the warrior/ sleeper scale, and 44 in the bottom two categories. Within the latter 44-strong group, however, there was little evidence of resistance to the idea of competition among theatres. Three quarters of the 44 respondents disagreed or strongly disagreed (i) that "employees and/or other important stakeholders believe that the theatre should not be competing with other theatres". The same figure applied to the proposition that most people within the theatre "regard other theatres more as partners than as rivals". However, *neither* of these items correlated significantly with the warrior-sleeper composite: the presence of anti-competitive attitudes among employees and other stakeholders did not appear to affect a theatre's behaviour.

Impact of market situation

The perception that competition had "greatly intensified in recent years" was overwhelming: 85% of the respondents agreed or strongly agreed with this statement. Two-thirds of the respondents regarded competing theatres as "dangerous". Opinion was divided (i.e., about a third agreed and a third disagreed) as to whether (i) the respondent's theatre was "quick to react to competitors' moves", (ii) rivals "reacted quickly and strongly" to the behaviour of the theatre in question, and (iii) the basic instincts of the people in charge were to compete rather than co-operate with other theatres. Sixty-eight per cent of the respondents agreed or strongly agreed that there had been very little growth in total income within the theatre sector in their locality. Two thirds agreed that their theatre competed in a fundraising environment "where one theatre's gain is automatically another's loss".

In order to assess the impact of market situation on CA behaviour a regression analysis was completed using the degrees of intensity of (i) the competition faced by a theatre, and (ii) the CA activities undertaken by the theatre, as the dependent variables. Competitive intensity within a theatre's market was measured by a composite (see endnote 2) of five items suggested by the work of Chen (1996) and Subramanian and Ishak (1998), e.g., "we compete aggressively with rivals", "our competitors are very dangerous", and "competitors react very quickly to our activities". The intensity of a theatre's CA activity was assessed using the above mentioned warrior-sleeper composite. Market communality, resource similarity, market stagnation, the level of environmental turbulence, and the degrees to which (i) a theatre's managers possessed competitive instincts, and (ii) internal stakeholders opposed the idea that the theatre should compete with other theatres, were employed as independent variables. Also included was a composite variable designed to capture the nature of a theatre's artistic identity.

Market communality was measured *via* four questions regarding whether the theatre operated in the same market segments (opera, pantomime, serious drama, etc.) as rivals, the same geographical markets, the same overall markets, and whether it “fished in the same pool” for audiences as did its competitors. The four items were highly intercorrelated (see endnote 2) and thus were combined into a single scale. Resource similarity was evaluated by asking whether a theatre’s competitors tended to be of same size and have similar resources, skills and competencies, and financial and physical assets as the organisation in question. These items were also significantly intercorrelated (see endnote 2) and hence were combined. Market stagnation was proxied by the amalgamation of two items; the first concerning agreement or disagreement with the proposition that one theatre’s audience gain within a certain locality would automatically be another’s loss, the second involving agreement or disagreement with the statement that there had been very little growth in total box office revenues within the local geographical area in recent years (R = 0.59). Environmental turbulence was measured *via* the combination of scales querying whether the theatre’s market environment was uncertain, turbulent, and “subject to rapid and unexpected change” (R > 0.58). A theatre’s artistic orientation was measured *via* the five item instrument devised by Bennett and Kottasz (2001 (b)) for this purpose. Examples of these items are “we regularly put on *avant garde* productions of high artistic quality even though we know they will not attract large audiences”, “our philosophy is that it is more important to challenge audiences intellectually than to make profit”, and “we believe that our mission is more to do with education than entertainment” (see endnote 2).

The outcomes to the regression analysis are shown in Table 4, from which it can be seen that competition was fiercest and CA activities most intense within stagnant local markets. Market communality and resource similarity encouraged competition and CA. Theatres managed by people with aggressively competitive instincts were more likely than others to engage extensively in CA activities (cf. Baron and Byrne, 2000). However, turbulent fundraising markets *discouraged* competition, presumably because the risks and uncertainties associated with them caused theatres not to want to initiate hostile moves. Equally, the existence of a turbulent environment significantly encouraged theatres operating within it to monitor their rivals very closely. The independent variable reflecting the extent of internal stakeholder opposition to the idea that theatres should compete was insignificant at the 0.05 level and was deleted from the regressions. Also insignificant was the artistic identity composite: theatres with strong artistic orientations were just as likely to compete aggressively and engage in CA as were others.

TABLE 4. INTENSITIES OF COMPETITION AND CA ACTIVITY

Dependent variables A: Intensity of competition within the market

B: Intensity of a theatre's CA activities

	A	B
Resource similarity	1.49 (1.99)	1.73 (2.08)
Market communality	1.55 (2.01)	0.76 (2.01)
Market stagnation	3.11 (3.29)	1.99 (2.44)
Environmental turbulence	-0.55 (2.11)	0.29 (1.99)
The theatre's managers possess innately competitive instincts		1.04 (2.09)

T-values in parentheses. All coefficients are significant at the 0.05 level or less.

Satisfaction with CA activities

The respondents were not generally satisfied with the outcomes to their CA endeavours. Twenty-two per cent agreed or strongly agreed that they were satisfied; 32% disagreed or strongly disagreed; 46% of the replies fell in the neither agree nor disagree category. Sixty-eight percent did *not* believe that their theatres' CA had led to their having "a deep understanding of competitors aims and actions" (just 19% agreed with this proposition). These satisfaction scales correlated positively and significantly with the CA warrior/sleeper composite ($R > 0.44$, $p = 0.01$ in all cases); with the employment of CA for strategic planning and decision making ($R > 0.39$, $p = 0.01$); and its use for "improving the theatre's marketing and advertising" ($R = 0.59$, $p = 0.01$). However, the correlations between CA satisfaction and responses to the questionnaire item "Our financial performance has been substantially better than those of other theatres in our area during the last few years", were low (ranging between $R = 0.09$ and $R = 0.13$, $p < 0.4$). This financial performance item did not correlate significantly with any other major dimension of the analysis, including the CA intensity composite and the individual items within it. The latter result failed to confirm the finding of Subramanian and Ishak (1998) that organisations with extensive CA recorded superior performance.

Conclusion

The results suggest that the theatres in the sample had begun to emulate the attitudes and behaviour of their counterparts in the corporate sector insofar as competitor analysis was concerned. However, they did not seem to have employed CA effectively. The theatres in this particular sample overwhelmingly believed that their "competitors" comprised *other theatres* (and to some extent other kinds of arts and cultural venues [museums for instance]) rather than entertainment activities generally. Overall, the respondents believed that competition had greatly intensified in recent years. This increase in competition for an essentially static (or declining) total audience has presumably induced theatres to adopt CA practices akin to those commonly observed in the commercial world. Thus, for example, the same (largely "open") sorts of sources of information on rival organisations were examined as are known to be employed by businesses (cf. Bernhardt, 1994), and the information gathered was used for much the same purposes as happens in firms (e.g., legitimation, sensitisation, benchmarking strengths and weaknesses, obtaining new ideas for advertising and marketing campaigns). The intensity of competition within markets (and hence the intensity of CA activity in the sample theatres) was significantly influenced by resource similarity, market communality, environmental turbulence and market stagnation.

Relatively few resources were spent on the CA function; *ad hoc* and informal approaches were commonly applied; and levels of satisfaction with outcomes were low. Critically, no linkages could be discerned between high intensities of the application of CA and superior financial performance. Such findings imply that CA has not been well-managed in the theatre sector. For instance, none of the organisations in the sample commissioned market research companies to undertake professional appraisals of their rivals (a common occurrence in the commercial sphere). Thus an immediate lesson that theatre companies might learn from the corporate sector is how to hire, work alongside and effectively manage market research firms in order to procure and process useful information on rivals. Arguably, more resources should be devoted to CA tasks, and more *strategic* approaches to CA should be adopted. Fletcher and Donaghy (1994) noted the futility of gathering copious amounts of unstructured data on competitors and not configuring it into a useful and easily managed form. Little evidence of the adoption of systemic strategic approaches to CA emerged from the present study. In particular, only a minority of the sample theatres bothered to disseminate competitor information throughout the organisation, or regularly discuss such information in management meetings, or have anyone periodically prepare summaries of competitors' activities.

Endnotes

1. The first factor emerging from a factor analysis of the nine items explained more than two-thirds of the total variation within the data. Cronbach's alpha for the nine items was 0.84.
2. The four market communality items were factor analysed. All the items loaded significantly onto a single factor that explained 62% of total variation within the data. Cronbach's alpha for the four items was 0.76, indicating a reasonable degree of internal

reliability. Unidimensional solutions also emerged for resource similarity (lambda = 2.88, alpha = 0.75) and the competitive intensity of the market (lambda = 2.49, alpha = 0.79). The five artistic orientation items had a dominant factor explaining 67% of total variance and a Cronbach's alpha of 0.81.

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