Strategy and Performance Measurement in the Arts sector : the case of performing arts

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Abstract

Performance measurement and performance measurement systems have been the focus of exhaustive research in managerial accounting over the past few years. Recent publications on performance measurement incorporates more and more every type of organizations, be them small or even not profit oriented. The arts sector has been one of the new areas examined. In the recent academic literature, authors such as Kaplan and Norton (1992, 1996 and 2001, among other publications) put forward balanced approaches to measure performance. These approaches have generated a lot of debate in the accounting research community (see Ittner and Larcker, 2001). The pros and cons of other approaches, which incorporate the interests of various stakeholders in performance measurement systems (Atkinson, Waterhouse and Wells, 1997) or which are more specifically related to long term performance and value added, have also been discussed extensively in the literature.

Although there are sensible differences in the approach they prescribe in terms of performance measurement, most authors who have recently tackled this issue agree on three main aspects of the question. First, they unanimously agree that in the past, firms tended to put way too much focus on financial performance indicators like profits, and not enough focus on non-financial measures. Second, the generally conclude that a useful performance measurement system should incorporate both short term and long term performance indicators. Finally, and most importantly, most authors argue that a useful performance measurement system should be linked to the firm's mission, and also linked to the strategy in place to fulfill the firm's mission.

It is based on these three conclusions that we intend to articulate our research effort. We believe that a global approach to performance, which takes into consideration non-financial indicators and both the short and the long term aspects of performance, is the only valid approach to the nonprofit organization context. In such a context, often characterized by a complex property rights structure, it is much more difficult to synthesize a mission around a sole financial performance indicator, such as a bottom line financial result. Furthermore, nonprofit organizations generally incorporate socio-political or cultural goals in their mission, which tend to diminish the relative importance of financial indicators.

This research tackles a paradox that has been put forward in recent research which studied the arts sector. Many studies ran on samples of nonprofit organizations involved in the arts sector have shown that these organizations are held accountable according to budget based and financially based criteria (Chiapello, 1991; Schuster, 1997; Turbide, 1997). The question as to why stakeholders mainly use financial data to measure a performance which is, in essence, hardly synthesized financially remains open. We put this paradox in the heart of research program by asking to a sample of firms involved in Canadian arts sector why, how and for who do they measure their performance. To run our investigation, we proceed by gathering and analyzing information with respect to performance measurement systems used by organizations involved in the nonprofit performing arts sector. We present the results of a survey done by questionnaires sent to over 300 performing arts organizations located in the province of Quebec, Canada.

Introduction

Performance measurement and performance measurement systems have been an area of great interest in managerial accounting research over the years. Traditionally reserved to the "for profit" area, performance measurement systems were focusing solely on financial measures such as sales, profit or return on investment. However, in the 1990's, both practitioners and academics started to question the relevance of financial performance measurement systems and it became obvious that those systems needed to tackle both financial and non financial measures that were in line with the organizational strategy. (Kaplan, Norton 1992, 1997, 2001; Atkinson, Waterhouse and Wells,1997).

This concept of global performance quickly gained a lot of attention from the nonprofit arts organizations characterized by aesthetic as well as financial goals. Some authors have started to examine the issue of global performance measurement in American theatres (Voss and Voss, 2000) and in Arts Centers of the South of England (Gilhepsy, 1999, 2001). It is our objective in this paper to present our analysis of the ways performing arts organizations located in the province of Quebec measure their performance.

In a first step, we want to answer those three questions: why, how and for whom performing arts organizations measure their performance? In a second step, we want to investigate how organizations that adopt a global approach to performance measurement, characterized by the use of multiple measures that span several dimensions of mission fulfillment, assess their own performance. In fact, even if we assume that a global approach to performance evaluation is the only valid one for the arts context, it is shown in the literature that arts organizations are often held accountable mainly on budget and financially based criteria. (Chiapello, 1991; Schuster, 1997; Turbide, 1997). The question as to why stakeholders mainly use financial data to measure a performance which is, in essence, hardly synthesized financially remains open. We put this paradox in the heart of our research program, which is aimed at exploring the links between the use of performance measures in the nonprofit sector of performing art, and the organization's actual performance.[1] This paper is our first effort towards the achievement of the overall research program.

The paper is organized as follows. In the first section, we summarize the management accounting literature on performance measurement, focusing mainly on the papers dedicated to the nonprofit sector. The second section describes the investigation process, along with the theoretical background that supports it. The methodology used to investigate our research question is also described in the second section of the paper. Section three presents the results of our investigation. Section four concludes the paper by discussing our contribution and the limits that could be associated with our approach.

Section 1: Performance measurement in the management accounting literature

The management accounting literature has traditionally considered one type of organizations to examine the concept of performance : the for profit firm, private or publicly traded where few or many shareholders and institutional investors are all interested in one aspect, namely their return on investment or other measures related to profit. Therefore, traditional approaches to performance measurement have all been interested by concepts related to profitability (e.g., profit margins, returns on investment or economic value added) or ownership (agency theory).

However, starting in the late 1980's, many criticisms has been expressed on that notion of "managing by numbers", and several researchers have admitted that the concept of performance and the way to measure it was not as simple as they thought. Kaplan and Norton (1992) were among the pioneers of a "new" approach to performance measurement the "balanced scorecard" approach. Their balanced scorecard method of measuring performance takes into account more than the financial measures derived from budgets, financial statements or any other financial documents. Three other perspectives are added: customer, internal business processes and

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learning and growth. They argue that with those four perspectives, an organization would be in a better position to ensure its shareholders about its actual (short term) and its future (long term) performance (Kaplan & Norton, 1992, 1997).

However, if for some the balanced scorecard (BS) is an "innovation", for others, it is still an incomplete approach to performance measurement (Atkinson et al. 1997) or a revised version of the "tableaux de pilotage" or "tableaux de bord de gestion" already well documented in the French literature (Malo, 1992). Even if the paternity of the balanced scorecard approach can be questioned, there is evidence in the management accounting literature that the turning of the 1990s' (which is corresponding to several publications of the Kaplan & Norton clan) is characterized by a re-thinking of the concept of performance measurement.

One interesting model that has emerged from that re-thinking is the model of Atkinson et al. (1997) called *Strategic Performance Measurement*. These authors have built on Kaplan & Norton's model to capture the relationships between performance, strategy and stakeholders. For them, performance per se is not the issue. What really matters is to identify the drivers of performance, which ultimately are the causes behind the achievement of objectives, may they be short term or strategic. Performance indicators can be financial and non financial, but they cannot only be related to shareholders and customers. That is because there are other "stakeholders", such as employees, community or governments, which could contribute or influence the achievement of strategic objectives for an organization.

These two models represent a limited subset of the multidimensional approaches that have emerged in the last 20 years. There is still a lot of debate in the accounting research community about the relevance of those models in practice. For example, Ittner and Larcker, (1998) argue that even if those multiple indicators approaches provide a richer understanding of performance measurement, it seems that monitoring those systems in practice and making sure that all the indicators are in line with performance is an issue that has discouraged managers to follow their balanced scorecard.

Although there are some criticisms on these new ways to measure performance, most authors who have recently tackled this issue agree on three main aspects of the question. First, they unanimously agree that in the past, firms tended to put way too much focus on financial performance indicators like profits, and not enough focus on non-financial measures. On that matter, most authors prescribe a more balanced approach, where financial along with non-financial performance indicators are used. Second, they generally conclude that a useful performance measurement system should incorporate both short term and long term performance indicators. Finally, and most importantly, most authors argue that a useful performance measurement system should be linked to the firm's mission, and also linked to the strategy in place to fulfill the firm's mission.

In the nonprofit area, the 1990s' have been characterized by increasing demands in terms of accountability and performance measurement. If we take our specific area of interest, i.e. the nonprofit arts sector, organizations have started to encounter severe competition for funding over the past few years. Governments, private donors, foundations are giving less and, therefore, were becoming more selective. Mainly they are choosing to fund arts organizations that can demonstrate their "effectiveness". However, the concept of organizational effectiveness, which has been widely documented in the nonprofit literature over the past 10 years (see Forbes, 1998, and Murray & Tassie, 1994) is often represented as a *problematic* concept " … in the sense that it can mean different things to different people" (Forbes p.183). It has also been presented as a socially *created notion* that exists and evolves because of the actions and interactions of stakeholders (Herman & Renz p.109). Therefore, in different ways, these authors and others argue that organizational effectiveness in the nonprofit sector cannot be captured using one universal model (Forbes, 1998) and that assessing organizational effectiveness will be best realized using multidimensional approaches[2].

It is worth noting that the literature seems to use the concepts of effectiveness and performance interchangeably. In this paper, we make the assumption that these two concepts, i.e. effectiveness

[2] Was the nonprofit sector ahead of its time in terms of defining the multiple facets of effectiveness and in the same continuum performance ? Even if it is not the purpose of this paper, it is worthwhile to note that the literature in the nonprofit area seems to have identified for a longer time the multiple constituencies of the effectiveness or performance concept.

and performance, are synonymous. Since effectiveness is defined in the management literature as "the extent to which an activity achieves desired outcomes" and performance is broadly defined as "a desired level of accomplishment of the objectives", we are comfortable with assuming that they represent a similar notion. In fact, Herman & Renz (1999) present performance evaluation, accountability and outcomes assessment as part of the concept of effectiveness.

Most of the research efforts in nonprofit effectiveness have been on trying to document what are the organizational phenomena associated with effectiveness (Forbes, 1998). On the 21 articles classified by Forbes, 14 were concerned by matching effectiveness to some organizational practices or characteristics, with a majority of studies interested by governance issues. However, as per Forbes (who did one of the rare reviews on the state of research on effectiveness in the nonprofit area), an emergent way of doing " is to address nonprofit effectiveness assessment not as a discrete analytical objective but as a subject area to be explored" (p.195). Instead of trying to work on the "how to" or the "what are", more researchers work on the "how are assessments of effectiveness made in various nonprofit organizations?"

This is essentially what we were looking for when we started to define this research project. Therefore, we were interested by studies in the nonprofit arts area, which were documenting, using a multidimensional approach, how the organizations were monitoring their performance. Essentially, we have found five empirical studies that could be of interest.

Kushner & Poole (1996), using a sample of 19 performing arts organizations, have tried to capture the links between effectiveness and organizational structure. They found that members' commitment to organizational structure was more important than the structure itself. Gilhepsy (1999, 2001) was interested in modeling a performance measurement system to be used by cultural organizations. His contention is to protect arts organizations from an outside evaluation of performance (central government in England) that would not take into account the distinctive objectives of cultural organizations. Gilhespy identifies 10 objectives that might be pursued by nonprofit organizations:

1) Access maximization;
2) Attendance maximization;
3) Diversity/multiculturalism;
4) Economy maximization;
5) Education;
6) Excellence;
7) Innovation;
8) Revenue maximization;
9) Service quality maximisation;
10) Social cohesion.

In his more recent study, Gilhepsy (2001) has evaluated the appropriateness and sensitivity of performance indicators related to the two first objectives previously identified (access maximization and attendance maximisation). The results of his empirical study, through which he interviewed 27 managers of arts organizations, reveal that some indicators may be useful for monitoring the achievement of the objective and for providing evidence for support to the funding bodies. However, these indicators are less useful for comparison purposes among cultural organizations since these indicators remain silent on the qualitative aspects of the cultural experience lived by the evaluator.

The same danger associated with using performance indicators for comparison purposes has also been advanced by Schuster (1997). He argues that performance indicators might have four distinctive effects: affect behaviour, evaluate behaviour, monitor behaviour, infer behaviour. In all four cases, there is danger that behaviour will try to match, in the most efficient way, the indicator. For example, if an announcement is made for a specific year that a funding agency will help to erase deficit, there are chances that some arts institutions will take some artistic risks and be less stressed about their deficit since the agency will be there to help. Schuster concludes that government should be concerned not only with the design of indicators but also with their use (See Schuster 1997, p. 266).

Finally, using a sample of theatres in the US, Voss & Voss (2000) make the assumption that “a more complete understanding of how organizational values interact with the external environment should lead ultimately to better strategic decisions and performance” (p.62). Their results mainly support their assumptions. A theatre manager should look first at internal values and try to promote a clear statement of mission. Then he should link that mission statement with strategic orientation and resources limitations. Finally, performance expectations should be in line with values, orientations and limitations.

It is based on the main conclusions of these studies that we intend to articulate our research effort. We describe, in the next section, the theoretical perspectives we have selected as well as our hypothesis.

Section 2 : Theoretical perspectives and research methodology

Inspired by the recent research efforts that have been made in the for profit management accounting literature in regard to the performance concept, we believe that a global approach to performance, which takes into consideration non-financial indicators and both the short and the long term aspects of performance, is the only valid approach to the nonprofit organizational context. In such a context, often characterized by a complex property rights structure, it is much more difficult to synthesize a mission around a sole financial performance indicator, such as a bottom line financial result. Furthermore, nonprofit organizations generally incorporate socio-political or cultural goals in their mission, which tend to diminish the relative importance of financial indicators.

Using an approach to performance measurement which is inspired by the most recent research aimed at assessing effectiveness (or performance) in nonprofit contexts (Forbes, 1998), the purpose of our investigation is to document how “performance” is assessed in the nonprofit performing arts organizations, and specifically if multidimensional approaches are used. In our investigation, commitment to the organization is taken into account, as well as the organization’s mission and stakeholders.

Once the approaches used in the nonprofit sector of performing arts are surveyed, described and discussed, we wish to investigate whether using a multidimensional approach influence the way the prominent actors in the organizations perceive how well they actually perform. This part of the investigation is mainly based on the assumption that a more balanced approach to performance measurement in the performing arts sector, as opposed to an approach which mainly focuses on financial performance, should result in better performance perception. Our investigation should also allow us to verify whether the combination of financial and non-financial performance indicators used results first, in a better assessment of performance, and second in better performance altogether.

In order to run our investigation, we first proceed by building a questionnaire that would take into consideration the multidimensional aspects of performance in the nonprofit sector. In the following, we present the various sections of our questionnaire. It is worth noting that these sections were all designed with a preoccupation of including the major elements of our investigation: mission and priorities, stakeholders, and both financial and non financial indicators.

The questionnaire is divided into six different sections. Section 1 is concerned with the organization identification and general information about artistic discipline, years of existence, mission statement and number of employees. Section 2 is about the organization's stakeholders (with a ranking scale) to fit the Atkinson et al.'s point of view, which consists in recognizing that many stakeholders are interested in the organization's performance. Section 3 deals with the classification of the organization's priorities in terms of goals achievement (to reflect one concern of Voss & Voss, 2000), in order to capture the relative balanced between financial and non financial objectives. With section 4, we aim to document on how the organization assesses whether or not its mission is fulfilled. We present seven major aspects to performance measurement, inspired by the work of Kaplan & Norton (2001), Atkinson et al. (1997) and Gilhepsy (1999). [3] In section 5, our interest is to identify what are the 5 most important indicators that organizations are using to measure their performance, and for what purposes they are using it. Finally, section 6 deals with measuring the performance against expectations using nine criteria related to different aspects of the organizational mission.

[3] The 7 aspects are : A)Artistic achievement B)Audience satisfaction C)Donor and funding representative satisfaction D)Personnel management E)Financial management F) Growth and competitiveness G) Image and reputation.

We have pre-tested the questionnaire with ten managers of organizations before coming to the final version. We have sent the final version (in French and English) to more than 300 General Managers of nonprofit performing arts organizations located in the province of Quebec.

Section 3 : Results

After gathering all the answered questionnaires and coding the data to construct our database, our first series of test is aimed at getting a sense of the pedigree of those who chose to respond. Table 1 includes a description of the sample, presented in terms of arts sector and organization size.

Insert Table 1 about here

Among the 95 organizations who responded to the questionnaire (a response rate of approximately to 30%, which is high for that kind of study), we find that a large proportion of organizations are either involved in the music sector (39%), the sector of theatres (30.5%) or in the sector of dance (20%). The remaining organizations are involved in multiple areas, including circus and other various form of entertainment.

Since there may be different ways to assess the size of nonprofit organization, we have asked our respondent to provide the number of full time and part time employees, along with the number of volunteers and artists who are involved with the organization. An analysis of the response provided leads us to believe that although the organizations who responded appear to be small compared to usual standards, they reflect the average size of the nonprofit organization involved in the arts sector in Canada. A fairly large proportion of the nonprofit organizations sampled employed less than 5 employees. In fact, 45% of the sample answered less than 5, while another 26% of the sample answered that the notion of full time employee did not apply. On the other hand, Table 1 reveals that more than 80% of the organizations involve more than 5 artists, while 40% involve mare than 30. Overall, a majority of organization involve more than 15 artists performing in various sectors, and this provides an interesting sample to study.

The next group of questions were aimed at assessing the governance of the sampled organizations. We believe governance is a key aspect with respect to the extent to which nonprofit organizations assess their performance. Weak governance will typically result in casual performance assessment, while tighter governance instruments are expected to result in a performance measurement approach which is closely tied with the organization's mission. To assess the strength of the organizations' governance, we have asked respondents to provide the size of their Board, and for each board member, to mention whether the member is an outsider. In section 2 of the questionnaire, we have asked respondents to assess whether they were accountable to various group of stakeholders, and the extent to which they believe they are accountable to those groups. Table 2 summarizes the results of the survey with respect to the dimensions related to governance.

Insert Table 2 about here

The average respondent has a Board comprised of 8 members. This reinforces our beliefs that the sample of respondents are of an interesting size, and that they have a fairly serious approach to running their business. Among Board members, we were surprised to see that the key roles of the Board were distributed mostly to outsiders. Between 55% and 60% of the respondents named at least one outsider to positions such as President (Chairman) of the Board, Vice president or Treasurer. As Boards get larger, we notice that a weaker proportion of other administrators are outsiders. In fact, as the number of other administrators gets larger, the proportion of outsiders decreases, to get to levels of around 15%. This is not unusual, as we would expect to see a number of internal administrators sharing their views with outsiders during Board meetings. Overall, we were pleasantly surprised to see that a fairly large proportion of the sampled organizations appear to have an adequate approach with respect to governance, as far as this approach can be characterized by Board composition.

In terms of accountability, we can split our results with respect to three levels of accountability. Among the primary groups of stakeholders to which organizations are accountable to, Table 2 reveals that funding agencies and the Board of directors are the two main groups of stakeholders belonging to that category. The secondary groups to which organizations assess their accountability includes artists and the artistic community (an average score of 2.4 and 3.1 out of 8, respectively), along with groups such as promoters, their general public and donators (average scores of 2.5, 2.6 and 2.8, respectively). This latter group can be seen as a second layer of fund providers. It is interesting to see that organizations consider those groups to be as important as artists in terms of accountability. To some extent, it reveals that their financial results do not clearly dominate their artistic mission, in terms of accountability.

The third group of stakeholders to which organizations are accountable to includes the community in general (score of 3.5), the volunteers (score of 3.6), and the critics (3.8). This result can be interpreted as an indication that although organizations believe they do have to fulfill a social role, as scores around 3.5 out of 8 reveals, this role appears to be less important than artistic mission. The fact that critics are last with a score of 3.8 may indicate that organizations see critics as necessary, but not crucial.

The next section of the questionnaire was aimed at assessing which strategic dimension of the organization is perceived by the respondent as being a key success factor. Respondents were asked to rank from 1 to 12 a series of pre-determined success factors, including artistic, financial and more managerial factors. The answers provided in this section of the questionnaire are helpful in assessing the respective weights of the financial and artistic dimensions in terms of key success factors. Results with respect to the ranking of the key success factors are summarized on Table 3.

Insert Table 3 about here

The results included in Table 3 clearly reveal that artistic excellence is the key success factor that dominates all the other factors among those included in the series. With an average score of 1.3, this factor is almost unanimously chosen as a primary success factor. The financial dimension, which is expressed in the form of "balancing income and expenses" as a success factor, is third in terms of priority (score of 3.5 out of 12). Although far from artistic excellence in terms of score, this factor appears to dominate other success factors related to artistic achievement, such as “meeting the demands and expectations of artists” (score of 3.8) and “increase accessibility of your arts” (score of 3.8).

More managerial aspect, such as “ensuring good working conditions for volunteers” (score of 4.2) and “supervise volunteers” (score 7) appear to be important, but less than the artistic and financial factors. Overall, the results included in Table 3 is consistent with a view where artistic achievement would be the most important success factors of our organizations, financial requirements would also be important but to a lesser extent. Managerial factors, such as those related to supervision, are dominated by the artistic and the financial aspect of the mission.

In this section of the questionnaire, we have added complementary questions to assess whether organizations do some financial planning. Results with respect to questions 13 to 15, summarized in the bottom part of Table 3, reveal that respondents appear to identify their strengths and weaknesses, as well as market opportunities, but are less bothered by threats. This assessment might be related to the fact that organizations do not see themselves as competing with other with respect to artistic achievement, and this might be why they perceive market threats as being les important.

Section 4 of the questionnaire surveyed organizations with respect to the performance indicators that they actually monitor. We have grouped performance indicators in six general categories, including audience satisfaction, funding agencies or donor satisfaction, personnel satisfaction, financial management, competitiveness and image. For each of these categories, we have identified between 2 and 5 key indicators, and we have asked respondents to assess whether they monitor the indicator, and if yes, how they perform such monitoring. In this paper, we focus more on whether they do monitor the indicator. Results with respect to the proportion of respondents who monitors each of the indicator for all six categories are summarized in Table 4.

Insert Table 4 about here

Results that appear in Table 4 are a good representation of the results displayed for key success factors (see Table 3). The performance indicators which appear to be the most popular, i.e. the ones for which we have the largest proportion of respondents who mention they do some sort of monitoring, are those indicators related to artistic achievement and financial management. Perhaps a little more striking is the fact although almost 78% mention that they monitor artistic achievement, we also see that close to 90% monitor financial management by tying budget to actual results. A closer analysis of financial management monitoring reveals that a very large proportion of respondents also do some sort of cost control (80%), while a much weaker proportion of respondents monitor profitability (42%).

The other results presented in Table 4 are also interesting. In fact, these results basically mirror what was found in Table 2. Funding agencies and artists are the most important stakeholders, which is consistent with the fact that artistic achievement and financial objectives are more closely monitored. The secondary layer of fund providors, donors and patrons, are next in terms of stakeholder's importance, and performance indicators related to those stakeholders are also less closely monitored. The proportion of respondents who monitor audience satisfaction is closer to 70%, while the proportion of respondents who monitor donors or promoter satisfaction is between 40 and 60%. Employees and volunteers are the next group of important stakeholders, and the proportion of respondents who explicitly designed performance indicators for that group is around 50%, on average.

Results in Table 4 are also consistent to what was found in Table 3. In fact, market competition does not appear to be explicitly monitored, with a proportion of respondents monitoring such concepts typically below 40%. This is consistent with the fact that organizations do not see market competition as a threat. Presumably, it is more competing for available funds that is key to the organizations' survival, and the organizations see artistic achievement and a sane financial situation as key factors to get more funding.

In section 5 and 6 of the questionnaire, we tried to get a sense as to how the sampled organizations actually use the performance indicators, and how the assess their own performance. More precisely, through the questions asked in section 5, we have asked respondents score how the performance indicators which they have defined help them to track their performance with respect to twelve possible uses of performance indicators. The results as to how the respondents scored the use of performance indicators are fairly homogeneous, and are not presented. Basically, each of the twelve possible uses labelled in section 5 of the questionnaire have an average score of between 3.6 and 4.2.

In section 6, respondents were asked to assess their actual performance with respect to their expectations, according to nine potential performance indicators. Some of these indicators are related to artistic achievement (indicators 1 and 8), some are more related to financial management (indicators 3, 6 and 7), while the remaining indicators reflect various other success factor, like market share growth, social role, optimal use of human resources and management of the organization's image. Again, the average score of each the performance assessment is quite homogeneous (scores between 3.2 and 3.9), and is not central to our investigation.

In fact, the real interesting aspects of sections 5 and 6 is how they relate to one another, as well as to how they relate to the answers given by the respondents in the earlier section of the questionnaire. For example, we would expect that organizations with tighter governance instruments to have a more positive assessment of their performance. Along the same line, we would expect organizations with a more complete set of performance indicators and those who make a more intensive use of performance indicators, as revealed by their answers in section 5 of the questionnaire, to have a more positive assessment of their performance.

In order to test whether these relationships exist, we have computed the correlations that exist between some aspects of governance and the performance assessment given in section 6. In a similar fashion, we calculated the correlations between the answers given in Section 4 (performance indicator defined) and in Section 5 (use of performance indicators) to the performance assessment given by respondents in Section 6. These results are summarized in Tables 5, 6 and 7, which take the form of correlation matrix where only the correlations coefficients significantly different from 0 appear.

With respect to governance, results show that our conjecture is not confirmed by the data. In fact, organizations that have larger boards, or key positions like presidents and treasurer held by outsiders, do not perceive themselves as performing better. To the opposite, it appears as though organizations with larger boards perceive themselves as poor performers with respect to creativity. This result also holds when outsiders are holding key positions on the Board. When this is the case, we also note that organizations perceive themselves as poorer performers with respect to the optimal use of resources.

Insert Table 5 about here

These results are surprising, but there exists a logical explanation for them. In fact, a Board mainly comprised of outsiders is likely to monitor very closely the use of the resources available, and to some extent, sacrifice some creativity to make sure that organizations in a constrained situation do not overspend. We suspect outsiders are likely to be even more conservative, especially since that for some specific obligations, like employees salaries, members of the board may be held personally accountable.

The relationship between the sensitivity of performance assessment to the monitoring criterion define within the organization is presented in Table 6. These results are more in line with our expectations, as many coefficients are positive and significantly different from 0. Quite consistently, organizations that closely monitor audience satisfaction tend to see themselves as performing better with respect to market share growth, budget constraints and revenue growth. Interestingly, the organizations that monitor donor and other funding agencies satisfaction see themselves as performing better with respect to cost control, social role and image, while they see themselves as performing worse with respect to creativity. This is consistent with a view where controlling cost would be detrimental to creativity.

Insert Table 6 about here

Another interesting finding is the fact that organizations which closely monitor the satisfaction of their human resources (i.e. volunteers, artists and employees) see themselves as good performers with respect to their social role. Unsurprisingly, the organizations that monitor their financial management see themselves as good revenue maximizers, and using their resources optimally. Perhaps a little more surprising is the fact that those organizations who monitor financial management do not see themselves performing better with respect to cost control and budget constraints. Also, the negative correlation between the closer monitoring of financial management and the development of new productions is interesting. Again, the financial aspect appears to be detrimental to artistic achievement.

The last interesting result presented in table 6 is related to the negative correlation that exists between a close monitoring of growth and cost control. The organizations that feel the need to be competitive and to grow appear to see themselves as poor performers in terms of cost control, which may indicate that they need to use more resources than what is available to support growth. Since so few organization monitor image, it is not surprising to see that there exists no correlation between monitoring image and performance assessment.

In Table 7, we attempt to establish a relationship between the specific use which the organizations make the performance indicators that they define, and the assessment they make of their performance. It is interesting to note that the organizations which use performance indicators to monitor the extent to which they fulfill their objectives see themselves as performing better with respect to their optimal use of resources and their image. Also interesting is the fact that the organization who use their performance indicators as means of communication within the organization see themselves as performing better with respect to their market share growth, the optimal use of their resources and the revenue growth. Since internally sharing results with respect to performance indicators within the firm reflects a fairly extensive use of performance indicators, this latter result may support the notion that organizations which closely and explicitly monitor performance tend to do better.

Insert Table 7 about here

The other main result which appears in Table 7 is related to the use of performance indicators to understand finance. When performance indicators are used for such purpose, negative correlation indicate that organizations tend to see themselves as poorer performance to the development of new productions and creativity. Once again, the paradox which appears to be underscored in the nonprofit art sector is that financial constraints appear to be detrimental to artistic achievement. Yet, since financial resources are essential to firm survival, performance with respect to financial constraints needs to be closely monitored.

Section 4 : Conclusion

The purpose of this paper was to describe why nonprofit organizations involved in the nonprofit sector assess their performance, to whom they feel they are accountable to, with respect to performance, and how do they actually assess performance. A second part of the investigation was aimed at assessing the extent to which the systems used to assess performance had an influence on how performance is perceived within the organization.

We were pleasantly surprised to see that although relatively small, the organizations surveyed were first of all conscious of the many constraints imposed on them by their environment, and organized their governance in such a way that they can make sure they can be accountable to most of the important stakeholders. Further, we document that a majority of organizations adopted some form of a multidimensional approach to performance. Finally, we document some interesting relationships between how performance is measured and perception with respect to performance assessment. Not surprisingly, organizations tend to perceive financial constraints as limiting their development and creativity, and those who focus more on the financial aspects see themselves as worse performers with respect to development and creativity.

Although they are quite interesting, these results are subject to some limitations. First of all, our sample size is relatively small. Also, looking at the specific Quebec area could limit the kind of generalization that we can make with respect to our results, especially if organizational funding, identified as one of the most important constraint by many firms, is specific to the Quebec environment. Nonetheless, we believe our first take at the database provides interesting insights into the performance measurement systems adopted by nonprofit organizations in the sector of performing arts, and further research in the area could indicate more specifically how performance assessment influence organizations' actual performance.

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Table 1
Description of the sample

Artistic area	Circus	Dance	Mutliple areas	Music	Theater	Variety	Other
Proportion of sample	1,05%	20,00%	12,63%	38,95%	30,53%	2,11%	2,11%

Size	Less than 5	Between 5 and 15	Between 15 and 30	More than 30	NA
Full time employee	45,26%	20,00%	2,11%	4,21%	26,32%
Part time employee	43,16%	13,68%	15,79%	12,63%	13,68%
Volunteers	22,11%	25,26%	11,58%	15,79%	20,00%
Artist	5,26%	29,47%	13,68%	40,00%	8,42%

Table 2
Governance Pattern

	President	Vice presiden	Treasurer	Other Administrator					
Board composition				1	2	3	4	5	6
(% external)	55,79%	55,79%	58,95%	54,74%	48,42%	32,63%	23,16%	17,89%	13,68%

	Average	Standard deviation	Minimum	Maximum
Board Size	8,0842	5,4199	0	32
Accountability to:				
Funding agencies	1,3978	0,7681	1	5
Board of directors	1,5465	0,9537	1	7
Artists	2,4267	1,2753	1	5
Promoters	2,5333	1,0651	1	5
General Public	2,6087	1,4473	1	6
Donators	2,7959	1,1543	1	5
Artistic community	3,0667	1,349	1	6
Community (in general)	3,5455	1,4378	1	8
Volunteers	3,5952	1,2506	1	6
Critics	3,8333	1,1776	1	5

Table 3
Descriptive statistics on organizational strategy

	Average	Stand. Dev.	Minimum	Maximum
Ranking of strategic success factors (1-12)				
To ensure the artistic excellence of your productions or products	1,3441	1,0682	1	9
To foster creativity and innovation within your artistic discipline	3	2,4405	1	12
To balance your annual income and expenses	3,4839	2,5092	1	12
To be committed to your audience’s satisfaction	3,6264	2,3412	1	12
To meet the demands and expectations of your artists	3,8242	2,0795	1	10
To increase accessibility to and appreciation for your art within the community	3,8602	2,5177	1	11
To ensure good working conditions for your personnel	4,1932	2,559	1	12
To meet the demands and expectations of your various funding representatives	4,7442	2,6972	1	12
To increase or maintain your reputation within the artistic community	4,8242	2,6017	1	11
To increase your market share in your geographic area and activity sector	5,0952	2,7968	1	12
To increase your sponsorship revenues and donations	5,625	3,1305	1	12
To supervise your volunteers	7	3,2297	1	12
Extent to which are assessed (Likert scale 1-5):				
Strengths and weaknesses	4,1158			
Opportunities	3,9579			
Threats	3,3579			

Table 4
Identification of performance indicators

	Proportion	Average for class
Artistic achievement		
	77,89%	77,89%
Audience satisfaction		
Criterion 1	70,53%	
Criterion 2	55,79%	
Criterion 3	76,84%	67,72%
Funding (donor) satisfaction		
Criterion 1	63,16%	
Criterion 2	40,00%	
Criterion 3	61,05%	54,74%
Personnel satisfaction		
Criterion 1	32,63%	
Criterion 2	55,79%	
Criterion 3	63,16%	
Criterion 4	70,53%	54,53%
Criterion 5	50,53%	
Financial management		
Criterion 1	80,00%	
Criterion 2	42,11%	
Criterion 3	89,47%	70,53%
Growth and comptetiveness		
Criterion 1	10,53%	
Criterion 2	17,89%	
Criterion 3	43,16%	23,86%
Image and reputation		
Criterion 1	64,21%	
Criterion 2	54,74%	59,48%

Table 5
Relationship between governance and performance assessment

	1 New Prod.	2 Mkt share	3 Cost Ctl	4 Opt. Use	5 Social role	6 Budget	7 Revenue	8 Creativity	9 Image
Board Size								-0,1820	
President (external)				-0,2096				-0,2372	
Vice president (external)				-0,2311				-0,2372	
Treasurer (external)				-0,1887				-0,2752	

Table 6
Relationship between sensibility to indicators and performance assessment

	1	2	3	4	5	6	7	8	9
	New Prod.	Mkt share	Cost Ctl	Opt. Use	Social role	Budget	Revenue	Creativity	Image
Artistic achievement									
Audience satisfaction									
Criterion 1		0,1906				0,1955	0,1853		
Criterion 2		0,3352			0,2043	0,1907	0,2659		0,2659
Criterion 3									
Funding (donor) satisfaction									
Criterion 1								-0,2422	
Criterion 2			0,2099		0,2511				0,1746
Criterion 3									
Personnel satisfaction									
Criterion 1					0,2521			0,186	
Criterion 2				0,2852	0,2805				
Criterion 3					0,1845				
Criterion 4									
Criterion 5				0,1958	0,1804				
Financial management									
Criterion 1				0,191					
Criterion 2							0,2181		
Criterion 3	-0,1818			0,1813					
Growth and comptetiveness									
Criterion 1			-0,1862						
Criterion 2									
Criterion 3									
Image and reputation									
Criterion 1									
Criterion 2									

Table 7
Relationship between use of indicators and performance assessment

	1 New Prod.	2 Mkt share	3 Cost Ctl	4 Opt. Use	5 Social role	6 Budget	7 Revenue	8 Creativity	9 Image
Tie to objective				0,1863					0,2416
Examine KSF									
Variance analysis									
Coordinate activities						0,1766			
Develop common view				0,2108					
Communication		0,1895		0,2226			0,2094		
Favor creativity								0,3228	
Ease decision								0,2611	
Foreseeing									
Understanding finance	-0,1868							-0,2065	
Decision justification									
Realignement							0,2205		