

Performance Measurement in the Arts Sector: *The Case of the Performing Arts*

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Performance measurement systems have received much attention in recent years. Traditionally, these systems were focused on financial measures such as sales, profits or return on investment. In the 1990s both practitioners and academics began to question the relevance of using solely financial performance measurement indicators. They argued that performance measurement systems should include non-financial indicators, which are deemed to be more directly related to firms' long-term strategy, to be better indicators of managerial effort and to be less subject to manipulation (Atkinson, Waterhouse and Wells, 1997; Kaplan and Norton, 1992, 1997; Banker, Potter and Srinivasan, 2000). Kaplan and Norton (2001), who are often cited as important developers of performance indicator systems that measure multiple dimensions, apply their performance measurement model to not-for-profit organizations (NPOs) and argue that financial measures are not the relevant indicators of whether an NPO is delivering on its mission. They stress that measuring performance using a multidimensional set of indicators, primarily based on non-financial indicators, is essential also in the not-for-profit sector.

These arguments are certainly valid in the case of performing arts NPOs. Since the mission of performing arts organizations is generally aimed at enriching the cultural

environment through artistic achievement, the performance measurement system they use should put more emphasis on the quality of live performances or customer satisfaction than on financial metrics. Therefore, we might expect the performance measurement systems for such organizations to use a fair proportion of non-financial indicators.

But there are limits to the types of indicators that are currently being used by NPOs. According to Cavaluzzo and Ittner (2004), the difficulty of measuring qualitative outcomes, the lack of technological capability to generate timely and relevant information, weak management commitment and the lack of employee training are important factors limiting the development of performance measurement systems in the public and not-for-profit sectors.

In this article we report the results of a survey investigating how performing arts NPOs measure their performance. The survey was aimed at establishing the extent to which NPOs in the arts sector use, as recommended by several authors (Connolly, Conlon and Deutsch, 1980; Herman and Renz, 1999; Kaplan, 2001; Kushner and Pool, 1996), multidimensional approaches in measuring their performance. The survey also covered some key aspects of NPO governance. Its main finding was that even though managers realize that the most important success factor of NPOs is artistic

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excellence, their performance measurement systems put as much emphasis on financial performance indicators as on non-financial ones. In addition, respondents ranked funding agencies as the most important group of stakeholders to whom they were accountable.

The article is organized as follows. In the first section we summarize recent developments in the management accounting literature on performance measurement in for-profit and not-for-profit organizations. In the second section we review the literature on performance measurement in NPOs. In the third section we describe the research process. In the fourth section we present our results. Finally, we offer some concluding comments.

Performance Measurement Framework

Historically, the management accounting literature addressed the issue of performance measurement mainly from the perspective of profit-oriented firms (Kaplan and Johnson, 1991). Early research in the area found that, for a wide variety of private- and public-sector firms, shareholders and institutional investors were interested mainly in their return on investment or in other profit-related measures. As a result, traditional approaches to performance measurement have focused on indicators tied to profitability (e.g., profit margins, return on investment, economic value added or stock price performance).

In the late 1980s, criticisms were raised concerning the notion of exclusively “managing by numbers” (e.g. Johnson and Kaplan,

1987). Academics argued that the concept of performance could not be adequately measured using unidimensional approaches focused on profit. Kaplan and Norton (1992) are among the most widely cited authors in this regard. Their “balanced scorecard” concept recognizes the weaknesses of using only lagged performance indicators¹ related to profit in order to measure performance.

The balanced scorecard concept addresses the question of performance from four perspectives. The balanced scorecard adds customers, growth and innovation, as well as internal business-process perspectives, to the financial perspective. Kaplan and Norton (1992, 1997) argue that an organization that measures its performance using four perspectives linked to firm strategy, and that includes forward-looking (leading) performance indicators, is in a better position to measure both short- and long-term performance.²

While some see the balanced scorecard as an innovation in performance measurement, others view it as incomplete. Sawhill and Williamson (2001), for example, argue that even with a multidimensional system for measuring performance “very few nonprofits have systematically linked their metrics to their mission” (p. 103). Atkinson, Waterhouse and Wells (1997) build on Kaplan and Norton’s balanced scorecard model to incorporate the influence of various stakeholders on mission, strategy and performance measurement. In their view, performance indicators may be financial and non-financial, but they cannot be related to shareholders and customers alone, as there are other stakeholders (e.g., employees, community, governments) that can contribute to, influence and assess an organization’s

ABSTRACT

This study addresses the issue of performance measurement in not-for-profit organizations (NPOs) within the performing arts sector. Previous studies in the arts and culture sector have shown that although their mission is articulated around the concept of artistic achievement, arts organizations are held accountable based mainly on budgetary and financial criteria. A survey sent to more than 300 performing arts organizations in the Canadian province of Quebec found that a majority of organizations use multiple performance indicators spanning several dimensions of mission fulfilment to assess their own performance. It was also found that even though performing arts NPOs acknowledge that their most important success factor is artistic excellence, their performance measurement systems place as much emphasis on financial as on non-financial indicators.

KEYWORDS

Not-for-profit organizations, performance measurement, financial indicators, survey data

achievement of its mission. To some extent, the Atkinson et al. approach expands on the balanced scorecard approach, to focus on the mission by taking a wider set of stakeholders into account.

In terms of the implementation of performance measurement systems, there is debate within the accounting community on the relevance of balanced models. For example, Ittner and Larcker (2001) argue that even if a multidimensional approach provides a richer understanding of performance measurement, the practical implications of implementing such an approach limit its applicability. Ensuring that performance monitoring effectively takes place and defining indicators that are in line with performance are concerns that prevent managers from attempting to implement multidimensional approaches such as the balanced scorecard (Ittner and Larcker, 2001).

Although balanced approaches to performance measurement have received criticism, at least three generally accepted conclusions have emerged from the debate surrounding performance management systems. First, the management accounting literature agrees that firms previously tended to place too much emphasis on financial performance indicators such as profit and too little on non-financial measures. Most experts now prescribe a more balanced approach using financial as well as non-financial indicators (Atkinson, Waterhouse and Wells, 1997; Ittner and Larcker, 2001). Second, researchers generally conclude that a performance measurement system should incorporate both short- and long-term indicators (Dutta and Reichelstein, 2003; Kaplan and Norton, 1992, 1997; Simons, 2000). Finally, and most importantly, most authors agree that a firm's performance

measurement system should be linked to its mission, as well as to its strategy for fulfilling that mission (Atkinson, Waterhouse and Wells, 1997; Sawhill and Williamson, 2001).

Measuring the Performance of NPOs

The literature on performance measurement in the not-for-profit sector is certainly not as extensive as that for profit-oriented firms. The literature we have reviewed is mainly normative, focusing on how managers of NPOs should measure performance rather than on how they actually do so. Forbes (1998) conducted a rare literature review of the state of research on the concept of effectiveness in the not-for-profit sector, and reached the same conclusion. He found that researchers were still struggling with the definition of performance for NPOs and with governance practices that, once implemented, would lead to better performance. He concludes that the performance of NPOs remains an area to be explored (p. 195).

The Concept of Performance in NPOs

In the not-for-profit literature, the concept of organizational effectiveness is often substituted for organizational performance³ (Forbes, 1998; Murray and Tassie, 1994). According to many authors, organizational effectiveness is a problematic concept "in the sense that it can mean different things to different people" (Forbes, 1998, p. 183). Herman and Renz (1999, p. 109) believe that NPO performance

RÉSUMÉ

Cette recherche s'intéresse à la mesure de la performance dans les organismes sans but lucratif du secteur des arts de la scène. Des études antérieures ont montré que, même si leur mission s'articule autour du concept de réussite artistique, ces organismes doivent majoritairement rendre compte de leur performance en utilisant des données budgétaires et financières. Un questionnaire envoyé à plus de 300 gestionnaires d'organismes du secteur des arts de la scène du Québec a permis de documenter le fait que la plupart des organismes ont recours à une approche multidimensionnelle pour mesurer leur performance. Les auteurs ont aussi validé l'hypothèse que, même si la performance artistique est jugée comme étant la plus importante par les répondants, ceux-ci mesurent tout autant la performance par rapport au budget et la performance financière.

MOTS CLÉS

Organismes du secteur des arts de la scène, systèmes de mesure de la performance, indicateurs financiers, enquête par questionnaire

is also problematic because it is a socially created notion. In their view, stakeholders' assessment of performance will depend on how the NPO achieves the specific objectives that are important to it. Since the stakeholders may have conflicting objectives, rarely will there be a unanimous assessment of a given NPO performance.

In a recent study, Morrison and Salipante (2007) focus on how NPOs should be held accountable for their performance rather than on how performance should be defined. They present the concept of accountability in NPOs as accounting for performance. They suggest a *broadened accountability* concept that is multidimensional and includes "rule-based accountability" and "negotiable accountability." The former "encompasses each of the forms of accountability that respond to explicit and objective standards of assessment," while the latter refers to "each of the forms of accountability that respond to implicit and subjective standards of assessment" (p. 199). Morrison and Salipante argue that "negotiable accountability," which relates to the mission of the organization or "what works get done," is too often neglected by NPOs blinded by the facility of reporting in ruled-based accountability.

Although these authors describe their theories in different ways, they all agree that organizational effectiveness in the not-for-profit sector is a multidimensional concept that cannot be captured using one universal model and should consider different stakeholders.

Performance Measurement Models for NPOs in the Arts Sector

Based on the consensus that NPOs need to manage conflicting objectives through

multidimensional performance measurement systems, many authors have proposed performance measurement models that include guidelines for defining best practices specifically for NPOs. In this section we review these models from the simplest to the most complex, and we conclude by stressing the role of funding agencies in performance measurement for NPOs.

The most basic guideline as to what principle should inspire performance measurement is provided by Voss and Voss (2000). This simple but often forgotten principle is that effective performance measurement rests on a clear mission statement. To support their claim, Voss and Voss examine a sample of not-for-profit theatres in the United States. They 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 indicate that performance is linked to an organization's values and strategic orientation, and therefore that, while seeking performance solutions, managers should define their organization's internal values and strategic orientation to promote a clear mission statement.

This basic principle is, however, not easily implemented by NPOs in the arts sector. One of the main difficulties in this sector is balancing the amount of resources needed to achieve artistic excellence with the dire need for funding. Acknowledging that managers are confronted with aesthetic purposes and market imperatives, Lampel, Lant and Shamsie (2000) see cultural organizations as evolving in a complex managerial environment where these two objectives are in conflict. These authors argue that performance evaluation is a "balancing

RESUMEN

Esta investigación se concentra en la medición del desempeño en los organismos sin fines de lucro que actúan en el sector de las artes escénicas. Investigaciones anteriores han demostrado que, aun cuando estos organismos articulen su misión colocando la excelencia artística como objetivo último, en su gran mayoría no escapan a la obligación de rendir cuentas por su desempeño siguiendo criterios presupuestarios y financieros. Los resultados de una encuesta enviada a más de 300 organizaciones del sector de las artes escénicas en Quebec señalan que la mayor parte de estos organismos utiliza un enfoque multidimensional para medir su desempeño. Las respuestas demuestran también que, si bien los organismos otorgan la mayor importancia al éxito en el plano artístico, sus mediciones abarcan el desempeño presupuestario y financiero en igual medida que los logros artísticos.

PALABRAS CLAVE

Organismos del sector de las artes escénicas, sistemas de medición del desempeño, indicadores financieros, encuesta por cuestionario

act” between creative freedom and commercial imperatives (p. 265). While their research is not centred on how arts and culture organizations should account for these conflicting objectives, it does contribute to our understanding of the characteristics of the sector.

Schuster (1997) was among the first to translate these conflicting objectives into foundations for a comprehensive model to measure performance in arts and culture NPOs. He points out the risk associated with using a limited number of indicators in order to monitor performance in the cultural sector. Assuming that performance indicators can serve many purposes – not only evaluation purposes but also attention-directing ones – he argues that in using an incomplete set of performance indicators NPOs run the risk of encouraging undesirable behaviour. For example, an NPO that puts too much emphasis on budget monitoring is likely to infer too much attention on the budget and too little on the other aspects of mission fulfilment on the part of employees. Nonetheless, an organization that fails to emphasize budget constraints runs the risk of losing the support of funding bodies. Schuster concludes that funding bodies (mainly governments) should be concerned not only with the nature of the performance indicators but also with their use (p. 266).

The literature proposes a number of comprehensive models for measuring performance. Kushner and Poole (1996) suggest that effectiveness has four components: satisfying audiences, donors and volunteers; identifying and obtaining financial and human resources; efficiently organizing resources into technologies to present arts performances; and achieving performing arts program objectives (p. 122). To test their model, they collected data on 19 American performing arts NPOs through interviews, documentation and observations. One of their major findings is that the most effective organizations in the sample were those where organizational members shared a high level of engagement in monitoring the four components of organizational effectiveness. In their view, managers need to create structures that promote such engagement in order to maintain effectiveness (p. 132).

Gilhespy (1999, 2001) also proposes a performance measurement system for cultural institutions. He argues that external evaluation

of a cultural institution’s performance, including evaluation by the central government, does not take into account the distinctive objectives inherent in the arts sector. Gilhespy (1999) identifies 10 objectives that NPOs can use to protect themselves against adverse performance evaluation by public funding agencies. These include measures of artistic excellence, innovation, social cohesion, public attendance and financial objectives.

In a more recent study, Gilhespy (2001) evaluated the appropriateness and sensitivity of performance indicators for objectives related to attendance (access and attendance maximization). The results of his interviews with 27 arts managers reveal that some indicators (e.g., students/total attendance, unemployed/total assistance, subscribers/total assistance, regional users/total assistance) could be useful for assessing the extent to which an organization has achieved its objectives. The indicators also appeared to be relevant for funding bodies and could therefore help to generate support from them. However, they supplied no information on the qualitative aspects of the cultural experience offered by the organization, and hence are not useful for comparing performance across cultural organizations.

Finally, Krug and Weinberg (2004) propose a model for assessing strategic effectiveness and test it in eight American and Canadian not-for-profit museums, art galleries and aquariums. Their multidimensional model takes into account three types of contribution related to strategic effectiveness: contribution to mission, contribution to money and contribution to merit. They argue that their model is in line with approaches like Kaplan’s balanced scorecard and goes “well beyond mere financial or ad hoc measures that limit the effectiveness of nonprofit decision making” (p. 326). While validating their approach with NPO managers, the authors learned that decision-making in NPOs “cannot be well made without first exposing managerial assumptions, conducting more rigorous measurements, and fixing missing or fuzzy mission statements, inadequate financial systems, and overly subjective or non-existent performance evaluations” (p. 341).

The Role of Funding Agencies

Many authors stress the influential role of funding agencies in the process of measuring performance in NPOs. Funding shortages primarily explain why the 1990s were characterized by increased demands for accountability and performance measurement.⁴ More specifically, in the not-for-profit cultural sector, the early 1990s saw a sharp increase in the competition for funding (Brooks, 2000; Hughes and Luksetich, 2004; Krug and Weinberg, 2004). Brooks (2000) argues that the mid-1990s saw a significant decrease in public funding within the American not-for-profit arts sector. A recent study by the Canada Council for the Arts (2005) found that Canadian arts NPOs stand far behind those in major European countries in terms of both financing per capita and total government financing sources (federal, provincial/state and municipal).

In such a competitive environment, how do organizations demonstrate their organizational effectiveness to funding bodies? Froelich (1999) cites Peterson as arguing that “government agencies require far more formalized and standardized documentation, evaluation and accountability than other patrons of the arts” (p. 256). The dependence on funding bodies could clearly affect the nature and use of performance indicators in the arts and culture sector. Given the shortages of available funding, there is a risk of arts managers focusing more on measures of financial and budgeting performance than on measures of artistic quality (Hughes and Luksetich, 2004).

In summary, authors seem to unanimously believe that performance should be monitored using multiple dimensions. However, because NPOs largely depend on funding agencies that focus on budgeting and financial results (Froelich, 1999; Schuster, 1997), NPOs in the arts and culture sector could have a tendency to also focus on these aspects. As a result, NPO managers might be inclined to design performance measurement systems that put too much emphasis on financial indicators and too little on true mission fulfilment (Hughes and Luksetich, 2004; Schuster, 1997; Turbide, 1997; Voss and Voss, 2000). The models proposed in the literature tend to advise NPO managers to resist this natural tendency and to

base their performance measurement system on a clear mission statement.

The literature review also reveals that although performance measurement models are being proposed, evidence as to how NPO managers in the arts sector measure their performance remains sparse. Our research attempts to fill that gap by determining how and for whom performing arts organizations assess their performance. In the next section we describe the methodology we used to determine how NPOs in one specific performing arts sector measure their performance.

Methodology

We conducted a survey of more than 300 general managers of not-for-profit performing arts organizations in the Canadian province of Quebec. The survey approach allowed us to collect data from a large sample. Assuming that the organizations that responded to our survey represent an unbiased sample of the population, our results could be generalized within the boundaries of the arts sector.⁵

We used a six-part questionnaire asking managers to describe their approach to performance measurement. Given its level of detail, the questionnaire could assess the proportion of effort devoted to measuring performance in financial versus non-financial terms. Part 1 concerned organization identification and general information about artistic discipline, years of existence, mission statement and number of employees. We also collected data with respect to the board of directors, in order to analyze some governance aspects that are key to the analysis of performance indicators (Miller, 2002). Part 2 covered the organization’s stakeholders, using a ranking scale of importance to align with Atkinson, Waterhouse and Wells’s recognition of stakeholder interest in an organization’s performance. This data addressed the *for whom* part of our research question. It was also helpful in assessing some aspects of the organization’s governance.

Part 3 dealt with classification of the organization’s priorities in terms of goal achievement. It allowed us to capture the balance between financial and non-financial objectives and to address concerns raised by Voss and

Voss (2000) and Krug and Weinberg (2004). The questions in Part 4 were concerned with how the organization assessed whether its mission had been fulfilled. Inspired by Kushner and Poole (1996), Atkinson, Waterhouse and Wells (1997), Gilhespy (1999), and Kaplan and Norton (2001), we used seven major aspects of performance measurement (see Table 4).

In Part 5 we examined how the metrics resulting from the performance measurement system were used by the NPO managers. Respondents were asked to identify the five main indicators used by their organization to measure performance, and the purposes for which these indicators were used. In line with Schuster's (1997) concern with respect to the use of performance measures, this section tells us *why* performance was measured.

The questionnaire was pre-tested with 10 managers. An amended final version was sent, in both French and English, to managers of organizations. A total of 95 organizations responded, for a response rate of approximately 30%.

Results

Descriptive Data and Governance

Table 1 describes the sample, which is divided into performing arts subsectors and organizational age and size. A large percentage of the respondents were organizations in the

music sector (39%), theatre (30.5%) or dance (20%). The remainder were active in a variety of areas.

Since there are different ways of assessing the size of an NPO, we asked respondents to provide number of full-time and part-time employees as well as number of volunteers and artists involved in the organization. Close to half (45%) of the organizations surveyed had fewer than five full-time employees.⁶ Another 26% said that the concept of full-time employee did not apply to them. Moving from employees to artists, Table 1 shows that more than 80% of the organizations involved more than five artists, with 40% involving more than 30. Overall, the majority of the organizations involved more than 15 artists performing in various sectors.

Part 2 explored key governance aspects. This analysis is useful because variations in approaches to governance relationships can influence the extent to which NPOs assess their performance (Holland, 2002; Houle, 1990; Miller, 2002). Miller (2002) empirically observes that weak governance typically results in a casual approach to performance assessment, while tighter governance mechanisms will induce performance measurement approaches that are closely tied to the organization's mission: "When boards had no general consensus about how to measure non-profit organizational effectiveness, my findings indicated that board members tended to monitor in ways that reflected their personal or professional competencies" (p. 444) "rather than paying attention to measures that would

TABLE 1 DESCRIPTION OF SAMPLE

Artistic discipline	Circus	Dance	Multiple	Music	Theatre	Variety	Other
% of sample	1.05	20.00	12.63	38.95	30.53	2.11	2.11
Age of organization (years)	< 5		5 < X < 15		15 < X < 30		30 <
% of sample	7.37		32.63		47.34		12.63
Average = 17.92							
Size of organization	< 5		5 < X < 15		15 < X < 30		30 <
Full-time employees (%)	45.26		20.00		2.11		4.21
Part-time employees (%)	43.16		13.68		15.79		12.63
Volunteers (%)	22.11		25.26		11.58		15.79
Artists (%)	5.26		29.47		13.68		40.00

indicate progress toward mission-related priorities” (p. 446).

Governance

In terms of governance, we asked the respondents about the size and composition of their boards. We also asked them to assess the extent to which they were accountable to a given set of different stakeholder groups. Table 2 summarizes the results with respect to these aspects of governance.

The respondents reported boards with an average size of eight members. Between 55% and 60% of respondents reported that at least one board member was from outside the organization. These external members occupied various positions, such as president (chair), vice president or treasurer. Even relatively small organizations apparently appoint external members as key officers, in order to project an image of independence and transparency. Based on these results with respect to governance, it can be argued that although

the NPOs surveyed were evidently small, they tended to respect the basic principles of sound governance as expressed by many authors concerned with governance best practices in NPOs (Drucker, 1989; Houle, 1990; Olson, 2000; Wolf 1984).

In terms of identifying the stakeholder groups that respondents felt accountable to, the results are split among three groups. Table 2 shows that funding agencies and boards of directors were the two primary stakeholder groups to which the respondents felt they were accountable. The secondary group includes artists and the artistic community (average scores of 2.4 and 3.1, respectively, out of 8), along with groups such as promoters (2.5), the general public (or customers) (2.6) and donors (2.8). This latter group can be seen as a second layer of funders. The third stakeholder group includes the general community (3.5), volunteers (3.6) and critics (3.8).

These results help us to understand performance measurement approaches. First, the fact that the respondents considered funding

TABLE 2 GOVERNANCE STRUCTURE

Board composition	President	Vice President	Treasurer	Other directors				
				1	2	3	4	5
External (%)	55.79	55.79	58.95	54.74	48.42	32.63	23.16	17.89
Board size	Average	SD	Minimum	Maximum				
	8.0842	5.4199	0	32				
Accountability to ¹ :								
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/customers	2.6087	1.4473	1	6				
Donors	2.7959	1.1543	1	5				
Artistic community	3.0667	1.3490	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				

1. Respondents were asked to rank, in descending order of importance, the 10 different groups to which they were likely to be accountable; the same ranking could be used more than once.

bodies just as important as their board of directors in terms of accountability reinforces the resource dependence theory advocated by some researchers (e.g., Froelich, 1999; Morrison and Salipante, 2007). As we have seen, if funding agencies are more interested in financial indicators, we might expect to see a dominant use of these types of measure by arts NPOs. Second, our results show that artists are considered as important as donors in terms of accountability. This could reflect a concern with artistic performance. The arts councils of both Quebec and Canada invite artists to sit on their peer-assessment committees – which suggests that artists are an important group of stakeholders. This position confirms the crucial role that artists might play in terms of the allocation of public funds. Finally, artists contribute to legitimacy, because when a community of artists considers that an organization

performs well, there are important returns to that organization. Therefore, it is not surprising to see artists scoring high in terms of accountability. It shows that artistic excellence should be part of performance measurement.

Mission and Strategy

The purpose of Part 3 was to determine which strategic dimensions the organization perceived as key factors in its success. Respondents were asked to rank from 1 to 12 a series of predetermined success factors taken from the literature. These factors included artistic, financial and managerial components. The results of this part of the questionnaire are helpful in assessing the relative importance of financial and artistic dimensions. Results with respect to the ranking of the key success factors are summarized in Table 3.

TABLE 3 DESCRIPTIVE STATISTICS ON ORGANIZATIONAL STRATEGY

	Average	SD	Minimum	Maximum
Ranking of strategic success factors¹				
• To ensure the artistic excellence of your productions or products	1.34	1.07	1	9
• To foster creativity and innovation within your artistic discipline	3.00	2.44	1	12
• To balance your annual revenue and expenses	3.48	2.51	1	12
• To be committed to your audience's satisfaction	3.63	2.34	1	12
• To meet the demands and expectations of your artists	3.82	2.08	1	10
• To increase accessibility to and appreciation for your art within the community	3.86	2.52	1	11
• To ensure good working conditions for your personnel	4.19	2.56	1	12
• To meet the demands and expectations of your various funding representatives	4.74	2.70	1	12
• To increase or maintain your reputation within the artistic community	4.82	2.60	1	11
• To increase your market share in your geographic area and activity sector	5.10	2.80	1	12
• To increase your sponsorship revenues and donations	5.63	3.13	1	12
• To supervise your volunteers	7.00	3.23	1	12
Strategic diagnostic approach²				
• Strengths and weaknesses	4.12			
• Opportunities	3.96			
• Threats	3.36			

1. Respondents were asked to rank, in descending order, 12 criteria associated with the achievement of their mission; the same ranking could be used more than once.
 2. Respondents were asked to indicate, on a five-point Likert scale, whether they assessed their strengths and weaknesses, opportunities, and threats (5 = agree; 1 = disagree).

With an average score of 1.3, artistic excellence was almost unanimously chosen as the main success factor. With a score of 3, the second factor (*to foster creativity and innovation within your artistic discipline*) is related to artistic excellence. In terms of strategic priorities, arts managers seem to definitively choose factors that are related to artistic excellence. The financial dimension, expressed in the form of *balancing income and expenses*, ranks third, with a score of 3.5 out of 12. Although ranked much lower than artistic excellence, this factor ranks higher than other factors tied to artistic achievement, including *meeting the demands and expectations of artists* (3.8) and *increasing the accessibility of your art* (3.8).

Managerial factors such as *ensuring good working conditions for volunteers* (4.2) and *supervising volunteers* (7) appear to be less important than artistic and financial ones. Overall, the results in Table 3 support the idea that artistic achievement was the most important success factor for the organizations surveyed, while financial requirements were less important. Managerial factors, such as those related to supervision, ranked lower than the artistic and financial aspects of the mission.

In this part of the questionnaire, we also included complementary questions to assess whether organizations engaged in financial planning. Results for questions 13 to 15, which are summarized at the bottom of Table 3, reveal that respondents, while identifying their strengths, weaknesses and market opportunities, were less concerned about potential threats to their organization. This result may be related to the fact that organizations do not see themselves as competing with others in terms of artistic achievement. Perhaps this explains why they perceived market threats as less important.

Performance Indicators

Part 4 of the questionnaire allowed for analysis of performance indicators used by each organization. We grouped performance indicators into six general categories: audience satisfaction, funding agency or donor satisfaction, personnel satisfaction, financial management, competitiveness and image. For each category, we identified two to five key indicators and asked respondents to assess whether they

monitored the indicator, and if so, how. Results with respect to the percentage of respondents who monitored each indicator in all six categories are summarized in Table 4.

The performance indicators that appear to be most widely monitored in Table 4 are those related to artistic achievement and financial management. However, whereas Table 3 shows that respondents were concerned mainly with

TABLE 4 IDENTIFICATION OF PERFORMANCE INDICATORS ¹		
	Proportion of yes (%)	Average for category (%)
Category 1: Artistic achievement		
1. Realization of artistic achievement	77.89	77.89
Category 2: Audience satisfaction		
2. Satisfaction with programming	70.53	67.72
3. Satisfaction with services provided	55.79	
4. Audience growth	76.84	
Category 3: Funder (donor) satisfaction		
5. Satisfaction of funding organizations	63.16	54.74
6. Appreciation of donor	40.00	
7. Growth in sponsorship or donations	61.05	
Category 4: Personnel satisfaction		
8. Time spent on project management	32.63	54.53
9. Satisfaction of full-time employees	55.79	
10. Satisfaction of part-time employees	63.16	
11. Satisfaction of artists	70.53	
12. Satisfaction of volunteers	50.53	
Category 5: Financial management		
13. Cost control for productions	80.00	70.53
14. Revenues and expenses	42.11	
15. Actual results versus budget	89.47	
Category 6: Growth and competitiveness		
16. Market share	10.53	23.86
17. New programming (innovation)	17.89	
18. Return on advertising costs	43.16	
Category 7: Image and reputation		
19. Image within the artistic community	64.21	59.48
20. Image in community at large	54.74	

1. Respondents were asked to indicate whether they monitored performance in each of the 20 dimensions. If they answered yes, they were asked to specify how they monitored performance in that dimension.

the artistic dimension, Table 4 reveals that financial performance was monitored at least as often as artistic achievement. Indeed, while almost 78% of respondents indicated that they monitored artistic achievement, close to 90% monitored financial management by tying their budgets to actual results. Closer analysis of financial management monitoring reveals that a large percentage of respondents engaged in some sort of cost control (80%), while a small number monitored their revenues and expenses (42%).

A possible explanation as to why financial monitoring was more widespread than artistic monitoring is that “comparing actual and budgeting results” is easier than measuring artistic achievement. Although respondents believed that artistic achievement was their number one priority, they could be more inclined to measure results that are easily understandable and comparable (Sawhill and Williamson, 2001). Also, the widespread focus on financial measures supports the resource dependence dynamic, according to which funding agencies (i.e., the stakeholder group ranked number one in terms of accountability; see Table 2) might induce a bias towards the use of financial performance measures (Morrison and Salipante, 2007).

The results in Table 4 are consistent with those summarized in Table 2. Close monitoring of artistic achievement and financial objectives is consistent with the ranking of funding agencies and artists as the most important stakeholders. The secondary layer of funders, comprising mainly donors and patrons, is next in terms of stakeholder importance, and performance indicators related to these stakeholders are also less closely monitored. According to Table 4, the proportion of respondents monitoring audience satisfaction is close to 70%, while that of respondents monitoring donor and promoter satisfaction levels is between 40% and 60%. Employees and volunteers make up the least important group, and the proportion of respondents designing performance indicators for them is approximately 50% on average.

The results shown in Table 4 are consistent with those displayed in Table 3. Market competition does not appear to be explicitly monitored, as the proportion of respondents who examined this dimension is below 40%. This

finding supports the notion that organizations do not see market competition as a threat. Activities related to competing for available funds are presumed to be more important to the organization’s survival than those tied to competing to gain or maintain market share.

In the two last parts of the questionnaire we attempted to get a sense of how the organizations used performance indicators and how they assessed their own performance. In Part 5, respondents were asked to provide a list of up to five indicators currently used by their organization. They were also asked to rank the indicators in terms of priority. Overall, the respondents cited 450 performance indicators, an average of more than 4.5 per NPO, from which we were able to define a set of 66 “most widely used” indicators. We adapted Kaplan and Norton’s balanced scorecard model to classify the indicators within four categories, each linked to one perspective of the scorecard.⁷

In general, these results are consistent with some of the major weaknesses documented in the literature concerning the use of a multidimensional system of performance measurement. Several authors have exposed the difficulty of identifying “measurable” and “comparable” qualitative dimensions of performance, while others point out the difficulty of synthesizing these measures (Cavaluzzo and Ittner, 2004). With 450 indicators identified in the survey, we believe that our results support these concerns.

In terms of coverage, the results summarized in Table 5 show that the 66 indicators making up the reduced set are unevenly distributed across the four balanced scorecard perspectives. The most popular perspective is financial, with 81% of the respondents defining at least one performance indicator linked to this perspective. The highest-ranked perspective is artistic achievement, with indicators in this category having an average priority rank of 1.93. Only 20% of respondents defined an indicator related to internal processes.⁸ This suggests that although most NPOs tend to monitor performance using a multidimensional approach, only a minority of NPOs use the four perspectives of the balanced scorecard.

In order to identify the most frequently used indicators, we compiled a list of the top six performance indicators identified by the

TABLE 5

PERFORMANCE INDICATORS

	Number of indicators defined	Number of times used	% organizations using the perspective	Average rank	Proportion of rank 1
Classification using balanced scorecard					
Four perspectives					
• Financial (F)	12	111	80.85	2.86	15.32
• Customer (C)	19	115	78.72	2.69	15.65
• Artistic innovation (AI)	10	92	69.15	1.93	54.35
• Internal processes (IP)	25	32	20.21	3.03	12.50
Total	66	450			
	Perspective	Number of times used	% organizations using this indicator	Average rank	Proportion of rank 1
Top 6 indicators					
• Financial statement analysis	F	54	56.84	2.72	11.11
• Artistic achievement	AI	51	53.68	1.14	92.16
• Customer satisfaction	C	49	51.58	2.43	14.29
• Funding organization satisfaction	F	32	33.68	3.44	3.13
• Employee satisfaction	AI	25	26.32	3.08	4.00
• Image and reputation	C	23	24.21	3.70	4.35

respondents (those identified more than 20 times). First, we note that these six indicators and the number of times they were used correspond directly with the results summarized in Table 4. The most widely used indicator in Table 5 is *financial statement analysis* (54 times), which results in financial management being the most widely covered aspect of performance in Table 4. Similarly, artistic achievement ranks second in terms of coverage, while it is the second most widely used indicator (51 times) in Table 5. Similarly, audience satisfaction is the third most widely covered dimension in Table 4 while customer satisfaction is the third most widely used indicator in Table 5. This correspondence between the results in Table 4 and Table 5 increases our level of confidence in our results in terms of internal validity.

In the last part of the questionnaire, respondents were asked to score how the defined performance indicators helped them to track their performance. They were asked to score 12 possible uses of performance indicators on a five-point Likert scale. In line with Schuster's

(1997) argument, this final analysis helps in assessing the main uses of the performance indicators. The results, summarized in Table 6, are fairly homogeneous. Each of the 12 possible uses indicated in Part 5 of the questionnaire have an average score of between 3.6 and 4.5, out of a maximum of 5. Through these results, the respondents reveal that they are using the performance indicators mainly to "track progress in regard to their objectives," to "examine success factors" and to "compare actual results to forecasts." These three uses are in line with a sound governance philosophy (Behn, 2003). A Cronbach's alpha of 89% suggests a high confidence level in the consistency of the responses.

Conclusion

This study reports the results of a survey to determine how performance is measured by NPOs in the performing arts sector. While the literature on how performance *should* be

TABLE 6

STATISTICS ON THE USE OF PERFORMANCE INDICATORS¹

	Average	SD	Minimum	Maximum
Track progress with regard to your objectives	4.44	0.82	2	5
Examine your organization's success factors	4.40	0.82	1	5
Compare actual and forecast results	4.38	0.91	1	5
Coordinate your organization's various activities in an effective way	4.07	0.91	2	5
Develop a shared vision of your organization	3.92	1.10	1	5
Have a complete system of information and foster communication within your organization	3.64	1.01	1	5
Foster confrontation of ideas and creativity	3.89	1.16	1	5
Facilitate decision-making	4.10	0.98	1	5
Anticipate your organization's future rather than putting out fires	4.07	1.01	1	5
Confirm your understanding of financial results	4.00	1.07	1	5
Justify your decisions	4.09	0.95	1	5
Adjust strategies	4.21	0.87	1	5

1. Respondents were asked to indicate, on a five-point Likert scale, whether they used each of the 12 performance indicators (agree = 5; disagree = 1).

measured is quite extensive, that on which performance indicators are being used by managers in these NPOs is rather sparse. Our survey thus contributes to the literature by exploring the practices in a sector that is often neglected.

The results indicate that the NPOs that responded to our questionnaire, though small in size, were well aware of their stakeholders' interests and used sound governance mechanisms, such as having a majority of external members on their boards of directors. The results also suggest that a vast majority of organizations use multiple indicators to measure their performance. It appears that NPOs in the performing arts sector are taking into account various dimensions of their performance, especially those dimensions that are related to financial and artistic aspects of performance.

A closer look at the results suggests that although performing arts NPOs are concerned mainly with artistic dimensions in terms of their strategic priorities, they more frequently use financial indicators to account for their performance. This finding is consistent with those of previous research, which underscores

the difficulty of measuring qualitative outcomes (Cavaluzzo and Ittner, 2004; Morrison and Salipante, 2007; Sawhill and Williamson, 2001).

Is the emphasis on financial indicators induced by funding agencies, as found in earlier research (e.g., Schuster, 1997; Turbide, 1997; Voss and Voss, 2000)? Or is it evidence that financial accounting is a form of accountability that is overemphasized by organizations that could focus more on aspects that are more closely related to their mission (Morrison and Salipante, 2007)? Our survey does not answer these challenging questions. It does, however, pave the way for research aimed at understanding why NPOs pay so much attention to financial results, and whether they do so at the expense of a focus on artistic achievement.

Notes

1. A lagging performance indicator is defined as an indicator that follows an event.
2. Atkinson, Waterhouse and Wells (1997) argue that the balanced scorecard is a redefinition of an existing tool – the *tableaux de pilotage* or *tableaux de bord de gestion* – which is covered in the French literature (Malo, 1993).
3. The literature uses the concepts of effectiveness and performance interchangeably. In this article, we treat these two

concepts as equivalent. Since effectiveness is defined in the management literature as *the extent to which an activity achieves desired outcomes* and performance is broadly defined as *desired level of achievement of objectives*, we assume that they represent a similar notion. In fact, Herman and Renz (1999) treat performance evaluation, accountability and outcomes assessment as part of the concept of effectiveness.

4. This is especially true for NPOs that tend to be financed mainly through grants from the public sector. Crises in public sector financing are the main drivers of this sudden increase in selectiveness (Bilodeau, Laurin and Vining, 2005).

5. The downside of this approach is that a survey does not allow us to collect detailed data on *how* and *why* organizations use their performance indicators. These questions could be better answered through the use of interviews, which is the next step in our research program.

6. According to the Observatoire de la Culture, an organization that compiles statistics on the arts and culture sector, a substantial percentage of performing arts NPOs are relatively small. Our respondents appear to be part of that group of smaller organizations.

7. We adapted Kaplan and Norton's balanced scorecard model since this model is well known and fairly universal and has been adapted to the reality of NPOs. Basically, we replaced their *learning and growth perspective* with *artistic innovation dimension* to reflect the primary objective of NPOs in the arts and culture sector.

8. This perspective has the largest number of indicators, 25. Most of these indicators are organization-specific, which explains why we have so many indicators.

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