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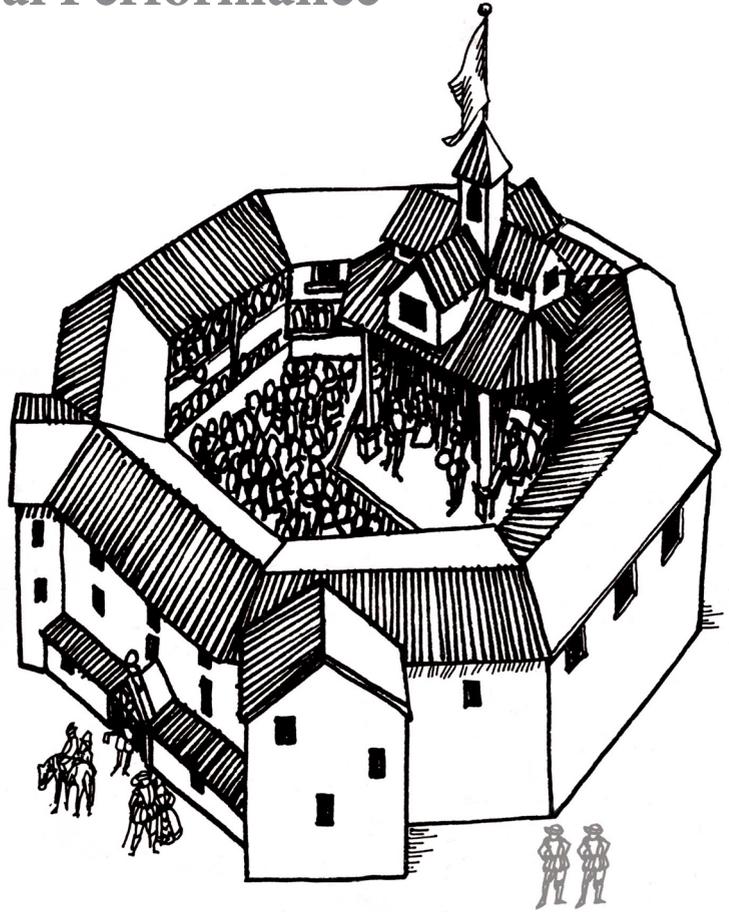
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Business in the Performing Arts

Dual Executive Leadership and
Organizational Performance



Pawan V. Bhansing

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Dual Executive Leadership and Organizational
Performance

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For my father

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1 Introduction

The obvious particularity of the art business is that it comprises of art *and* business. This simple fact has many consequences, some of which are explored in this thesis. The thesis focuses on the tensions between art and business, especially for the managers of organizations in the cultural industries: some people, for example, are more likely to say that the art business is business *and* art rather than art *and* business.

The business side and the art side are each associated with their own logic of practice (Bourdieu, 1983; Bourdieu, 1984; Eikhof & Haunschild, 2007; Glynn & Lounsbury, 2005). These field-specific logics can be understood as specific sets of norms, values and unwritten laws upon which the actions of all players in a particular field are based (Eikhof & Haunschild, 2007). The presence of artistic and economic logics of practice in the same environment can lead to tensions between individuals, between groups of individuals, and, sometimes, even within individuals themselves.

Cultural producers often mention artistic and economic tensions as determining factors in the production process. For instance, in the magazine *American Theatre* James Still playwright-in-residence at the Indiana Repertoire Theatre is quoted as saying “...*While there are some theatres where I've worked that have certainly struggled with production and administration feeling like separate worlds, I'm also aware of enormous effort that's gone on to help those two groups feel more creatively connected in as many ways as possible. In my experience, it's been that effort that's key to managing the potential gap...*” (Mayeda, 2003, p. 34). Michael Maso, managing director of Boston's Huntington Theatre Company also states “...*We talk to the artists we want to work with, directors, sometimes actors, sometimes playwrights: What do we want to do? How do we want these relationships to build? And there can come a point in the season planning where we say, "Oops, we can't afford to do all this. What are we going to do? ... Your ambitions and your willingness to stretch and take a chance come to some point where there has to be compromise...*” (Mayeda, 2003, p. 75).

The cultural industries are extremely varied but there are a few dichotomies that help to understand major patterns. These dichotomies

appear 'below' the major art-business dichotomy characterizing the art business as a whole, but interact with it in various ways. First, there is the dichotomy between the highbrow or fine arts and the lowbrow or popular or applied or commercial arts. It might seem obvious that the emphasis in the fine arts will be more on the art and in the applied arts more on the business. Although this is a helpful first impression it allows for many exceptions. Even in the most applied fields, one can find producers prioritizing the artistic aspects and even in the most highbrow arts one can find producers who focus on the business side. Secondly, in some cultural industries, such as the visual arts, producers are mostly individuals, while in other industries, such as television, the core producers are organizations. These organizations employ artists and non-artists and as they grow larger they will be more likely to be run by managers who have to direct artists and non-artists to contribute optimally to the production of the cultural goods. Thirdly, some producers - individuals or organizations - in the cultural industries receive public support while others do not. Such support, especially direct subsidies, mainly targets the fine arts, but not all of it and not all producers. For some of the producers subsidies represent a significant source of income. This can have consequences for the way these producers position themselves on the art-business spectrum and, if the producers are organizations, for how the managers of such organizations position themselves.

The core object of study is dual executive leadership specifically within performing arts organizations and focuses on the first and third of the above dichotomies. Dual executive leadership means that there are two hierarchically-equivalent managers at the top of the organization (Reid & Karambayya, 2009). In many industries dual executive leadership means that the two managers have two separate fields of authority, not just that they run the organization together. In the cultural industries the most common form of this structure is the one in which the organization is run by one artistic or creative executive and one business or commercial executive. In this way, the art-business dichotomy is explicitly incorporated into the organizational structure. This does not, however, necessarily mean that the person occupying the role of artistic executive is all art and the one occupying the role of business executive is all business. Two chapters of this thesis will specifically explore the extent to which the individuals occupying these roles think differently about their environment, how these differences affect organizational performance (Chapter 2) and how they even affect the perception of performance of their own organization by the

managers themselves (Chapter 5). Chapter 3 will focus on how the managers handle the tensions of the art-business dichotomy. Chapter 4 will take a more external perspective on organizational performance and study the way in which the response to the artistic products of the organization, as perceived by other parties in the same value system, affects organizational performance.

Although the impression one gets of the cultural industries is that it is a complex and unique environment very different from, for example, banking or software, this thesis will demonstrate that this is often not the case. Many themes important to understanding business in general are also present in the art business and vice versa. Indeed, in many ways the art business is leading the way for more traditional industries in terms of innovation and creativity.

Main theoretical themes

A major theme in this thesis is that of leadership structure. Of course organizations can be led by one top executive, but to meet the demands of their environment some organizations have chosen a leadership structure with two top executives. Such leadership structures are found in banking, high-tech businesses, media organizations, family businesses and especially in the cultural industries (Alvarez & Svejenova, 2005). When the executive position is divided into two functionally different positions we call this the dual executive leadership structure (Reid & Karambayya, 2009). In this structure there is often one director responsible for the organization's economic objectives and another responsible for the non-economic objectives. For example, theatre companies are often led by an artistic director and a managing director. The artistic director is responsible for selecting and developing new productions, hiring artistic personnel and managing the technical and stage and costume design departments. The managing director is responsible for budgets, attracting subsidies and sponsorship and managing the administration. Both leaders in the dual executive leadership structure are focused on their part of the organization while maintaining an overview of and the end responsibility for the entire organization. The dual executive leadership structure is the crystallization of particular boundaries within the organization, in this case the art-business faultline. Naturally each leader is knowledgeable in their own area. Since two executives with different backgrounds, education or professional experience share the executive position it is likely that organizations become more responsive to and allow more coordination with their external

environment (Heenan & Bennis, 1999). This argument is associated with the upper echelon theory (Hambrick & Mason, 1984). The upper echelon literature suggests that the outcomes of the organization are related to the cognitive systems of its top managers - "...executives' experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their choices" (Hambrick, 2007, p. 334) - and to differences between managers' cognitive systems. Previous research on top management team heterogeneity has shown that positive effects include innovativeness (Bantel & Jackson, 1989; Murray, 1989), increased problem solving abilities (Hurst, Rush, & White, 1989; Nemeth, 1986), and flexibility and adaptability thanks to the diversity of skills, information sources and perspectives (Carpenter & Fredrickson, 2001; Carpenter, 2002; for overview see Finkelstein, Hambrick, & Cannella, 2009, p. 131-136; Geletkanycz & Hambrick, 1997; Sutcliffe, 1994; Wiersema & Bantel, 1993).

A second theme in this thesis is selection system orientation. The concept of selection system orientation essentially refers to an individual's cognitions, such as attitudes and beliefs concerning stakeholders in different strategic sub-environments that play a role in determining the value of goods the organization - that the individual is a part of - produces. Within the upper echelon literature two approaches can be identified with respect to investigating cognitive systems of top managers: the demographic approach and the cognitive approach (Kilduff, Angelmar, & Mehra, 2000). The former has received far more attention than the latter (Nielsen, 2009). The demographic approach uses characteristics such as age, gender, tenure and education as a proxy for the manager's cognitive systems and the cognitive approach attempts to measure cognitive systems more directly by survey methods. Focusing directly on cognitions is in line with studies that identify the weaknesses of the demographic approach (Carpenter, Geletkanycz, & Sanders, 2004) and suggest that demographics should be abandoned in favor of variables that embody, for example, processes, attitudes and judgments (Olekalns & Smith, 2005; Priem, Lyon, & Dess, 1999). Selection system theory (Wijnberg & Gemser, 2000) studies competitive processes by focusing on the actors whose judgments determine the value of the goods the competitors produce. Three ideal types of selection are distinguished: peer, expert, and market selection. Each selection system consists of the 'selectors', the actors whose evaluations determine value, and the 'selected', the competitors whose products are being evaluated. In market selection the dominant selectors are consumers.

In peer selection they are producers within the industry. In expert selection they are neither producers nor consumers, but organizations or individuals whose opinions can have a significant impact on the industry. Thus, organizational performance can be assessed in each selection system type. Of course it is possible that different managers identify different actors as dominant selectors and will therefore strive to let the organization satisfy the preferences they assume their ‘favorite’ selectors to have. Each manager will have a perception of the extent to which the value of the product is primarily determined by the opinions of selectors of a particular type, peer, expert or market. For example, a manager who considers that organizational success is primarily dependent on its evaluation by experts, while the opinions of ordinary consumers count for little, will have a high expert selection system orientation and low market selection system orientation.

A third theme in this thesis is the role of outsiders’ perceptions of organizations’ past performances and their role in reducing uncertainty about new product outcomes. In the cultural industries there are, in general, more products offered than the market can accommodate and the uncertainty about product outcome is high. This makes it difficult for intermediate buyers to decide which products to select and which to reject. There are many industries where the intermediate buyer is an important and powerful gatekeeper, for instance supermarkets as intermediate buyers for household consumption goods. Since intermediaries in the performing arts cannot form a value judgment before the product is ‘consumed’ they rely on signals to reduce uncertainty about the product outcomes (Debenedetti, 2006; Gemser, Leenders, & Wijnberg, 2008; Shrum, 1991). On the product level past records of innovativeness i.e. how many times a production has been produced before in the industry can be a useful signal for intermediaries. Many organizations have adopted innovative product strategies because innovativeness is generally seen as a valued product characteristic in the high arts and innovativeness can be a dominant strategy for organizations in distinguishing themselves from their rivals (Hellbrun, 1993). Thus in the performing arts, as in many other industries, innovativeness can be perceived as a signal for the quality of a product (Wijnberg & Gemser, 2000). However, innovativeness may also increase uncertainty about the product’s acceptance in the market. Empirical research in the high arts has shown that the end-consumer does not always value innovativeness (G. B. Voss, Montoya-Weiss, & Voss, 2006; Werck & Heyndels, 2007). In addition, intermediaries may focus on signals

concerning the quality of a product at the organizational level such as organizational legitimacy and reputation. Organizations have legitimacy when they are perceived as meeting the minimum requirements of belonging to a particular group (King & Whetten, 2008). When several products of an organization are discussed in, for example, newspaper reviews, this shows that the products of an organizations, and, therefore also the organization, are a legitimate object of attention. Reputation indicates whether an organization is positively distinctive within its peer group (King & Whetten, 2008). Organizational reputation in the cultural industries can be regarded as a form of capital that is created by an accumulation of past judgments by expert critics (Cameron, 1995).

A fourth theme in this thesis is sensemaking by different managers and their perceptions of organizational performance. The sensemaking literature (Weick, 1995) describes how managers create an understanding of cues in their environment and how this serves as a trigger for action. The main question that this literature stream tries to answer is, How do managers construct what they construct and why? (Weick, 1995, p. 4). Sensemaking occurs by putting cues into a framework (Starbuck & Milliken, 1988) which attributes meaning to events (Sackmann, 1991). The cues that managers extract have a certain degree of equivocality and uncertainty. Equivocality concerns the degree to which information is open to different interpretations (Daft & Lengel, 1986) and uncertainty is the difference between the information available to managers and the information required for managers to complete tasks (Tushman & Nadler, 1978). The sensemaking literature suggests that cognitive systems play a key role in how top managers interpret cues in their strategic environment. How managers make sense of their organizations' performance is important because their perception of organizational performance tells them whether the organization is on track in realizing organizational objectives and indicates whether managers should adapt or revise strategies (Atkinson, 2006; Goold & Quinn, 1990; Goold, 1991; Otley, 1999; Tavakoli & Perks, 2001). The degree to which the extracted cues are clear and certain in a specific dimension of organizational performance determines to what extent dual executive leaders might have different interpretations of their organizations' performance in that dimension. That top managers of the same organizations perceive performance differently is not uncommon (Mezias & Starbuck, 2003). Since selection system orientations are a type of cognitive system it is likely that this is related to how dual leaders differ in their perception of organizational performance in a specific selection

system. For example, in theatre companies the artistic and managing directors may be asked how the organization is evaluated by experts. Both leaders will have a view about the evaluations that the organization has received from expert critics in the past few years. The artistic director may have a stronger expert orientation than the managing director and therefore extract and value cues differently. The artistic director remembers the evaluations that the company has received by expert critics well and that they have in general been positive. The managing director may have a weak expert orientation; they may remember a few newspaper reviews and think expert critics have a negative opinion about the theatre company. As a result the managers may believe that different actions are necessary to create or sustain successful organizational performance in the expert selection system dimension.

Introduction of the chapters

This thesis is a collection of four studies, three of which have been carried out in close collaboration with my supervisors Mark Leenders and Nachoem Wijnberg. The second study was carried out together with Joris Ebbers and Nachoem Wijnberg. Two different research methodologies have been applied. First, multiple regression analysis was used to determine the influence of heterogeneity in the selection system orientations of dual leaders of theatre and dance companies on selection system performance and differences in the perception of selection system performance. We also used multiple regression analysis to determine the influence of product innovativeness, organizational legitimacy and organizational reputation on the scheduled capacity of productions of dance and theatre companies. Second, interviews with film producers and directors were held in order to provide insight into the selection process of project team members, the long term relationships between producers and directors and the way in which they perceive their own and each other's roles and responsibilities.

This thesis is structured as follows. The first study (Chapter 2) focuses on the dual leadership structure and dual leaders' selection system orientations. In this chapter it is argued that heterogeneity in orientation is beneficial for the performance of the organization. A survey among the executives of subsidized theatre and dance companies in the Netherlands was conducted. Using data from both the artistic and managing directors of 51 organizations the drivers of a particular selection system orientations (peer, expert or market) and the effects of possible heterogeneity in orientation were studied for each selection system type.

The second study (Chapter 3) specifically focuses on how dual leaders manage the tensions generated by the art-business faultline. The term faultline indicates the presence of boundaries between two or more subgroups (Lau & Murnighan, 1998). The film setting is used to show that dual leaders have different ideas about how they create value for their organization. In this study it is argued that the roles and responsibility of the dual leaders, their long term relationships and the process of team selection play an important role in the performance of the organization. A total of 24 Dutch producers and 14 directors were interviewed. They were selected from a population of producers and directors involved in the production of feature films released in the previous 10 years.

The third study (Chapter 4) explains the scheduled capacity of theatre and dance companies. In this chapter it is argued that signals regarding past performance of products of an organization can affect the performance of new products of the same organization. The study discusses the fact that product innovativeness can have a positive or negative relation with scheduled capacity because the industry and the audience have different values. In addition, it investigates whether there are interactions between product level signals (product innovativeness) and organizational level signals (organizational reputation and organizational legitimacy) that affect scheduled capacity. 551 new productions of subsidized high art companies in the Netherlands were studied. A database of theatrical productions was used to assess the level of product innovativeness and newspaper reviews of productions were collected to construct measures for organizational legitimacy and organizational reputation.

The fourth study (Chapter 5) focuses on the dual leaders' perception of the organizations performance. With respect to this we studied dual leaders' selection system orientations. Here it is argued that managers who have access to the same information and who operate in the same context can have different perceptions of the organization's performance. Three types of organizational performance are distinguished along the same three basic dimensions suggested by selection system theory. The study also presents arguments for why the level of uncertainty and equivocality could differ between the signals denoting performance along the different dimensions and how greater uncertainty and equivocality of the signals allows more room for the selection system orientations to affect the perceived performance. Survey data of 59 performing art companies in the United Kingdom led by dual leaders was collected and analyzed.

The different findings of the studies and the relations between them are discussed in the conclusion (Chapter 6). Also, implications for theory, managers and public policy are presented. We finalize the thesis with suggestions for further research.

2 Performance Effects of Cognitive Heterogeneity in Dual Leadership Structures in the Arts: The Role of Selection System Orientations

Abstract - A dual executive leadership structure aspires to shape an executive constellation where both executives have different orientations that they use to assess the world around them, process information to make decisions, and evaluate outcomes. By separating the executive position into two functionally different roles, pluralistic organizations such as high art organizations, intend to balance multiple organizational objectives. Using dyadic data from both the artistic and managing directors of 51 (subsidized) theatre and dance companies with dual leadership structures, we study the drivers of a particular selection system orientation (peer, expert or market) and the effects of possible heterogeneity in orientation between the dual leaders. We find that functional roles are related to selection system orientations and that heterogeneity in selection system orientations has an effect on organizational performance, specifically when evaluated by experts.¹

INTRODUCTION

Many organizations, such as hospitals, newspapers, universities and cultural organizations are characterized as pluralistic, which means that they have to balance multiple goals (Denis, Lamothe, & Langley, 2001;

¹ This chapter is based on a paper that was published in the European Management Journal: Bhansing, P. V., Leenders, M. A. A. M., & Wijnberg, N. M. (2012). 'Performance effects of cognitive heterogeneity in dual leadership structures in the arts: The role of selection system orientations'. European Management Journal, 30 (6), 523-534.

Denis, Langley, & Rouleau, 2007; Leenders & Waarts, 2003; G. B. Voss et al., 2006). For example, many organizations place importance on economic as well as non-economic goals and these goals can be difficult to reconcile.

One approach to deal with multiple organizational objectives is to structure the organization to allow different parts to pursue different goals (Fjellvaer, 2010). This partitioning of an organization can go hand in hand with a division of leadership in such a way that each executive is responsible for part of the organization and the fulfillment of a particular set of objectives. If an organization is led by two executives who occupy the same rank, this can be described as a 'dual executive leadership structure' (Reid & Karambayya, 2009).

Sometimes dual leadership structures are created because two individuals – for instance, two founders – consider it the most adequate solution to the challenges organizations face in their industry. In some dual leadership structures, tasks and responsibilities are simply shared without a clear division of labor. In our study, the focus is on pluralistic organizations with a dual leadership structure (mandated by an external board) in which each manager has a separate functional role and set of functional objectives.

Different streams of research have attempted to relate the success of organizations to managerial attitudes and beliefs. Voss, Cable and Voss (2000) measure organizational values of managers in cultural organizations in order to explain different stakeholder perceptions of success. Another stream of literature focuses on how cognitive heterogeneity between top managers in organizations influences organizational success (Kilduff et al., 2000). Cognitive heterogeneity refers to differences between the focal actors with respect to how they assess the world around them, process information to make decisions and evaluate outcomes. Differences in individual values, beliefs and selection system orientations – the core concept of this paper – can result in cognitive heterogeneity, and if such cognitive heterogeneity appears within the leadership of an organization, this can have consequences for organizational performance (Murray, 1989).

The type of cognitive heterogeneity that we focus on in this paper concerns the differences between managers with respect to how they view the competitive environment in which the organization operates. In selection system theory, selectors are the actors who determine value and thereby determine the outcome of competitive processes (Gemser et al., 2008; Wijnberg & Gemser, 2000). Three types of selectors are distinguished: market selectors, peer selectors and expert selectors. We introduce the concept of *selection system orientation* to describe the extent

to which evaluations of a particular type of selector weigh in the mind of the individual manager. For instance, a manager who considers organizational success to be primarily dependent on the evaluation by experts (such as reviewers) while the opinions of ordinary consumers count for less, has a strong expert selection system orientation and weak market selection system orientation. In addition, the actual organizational performance can be determined along each of the same three dimensions of selection. An organization that manages to increase consumers' willingness to pay will score high on market selection and an organization that attracts the acclaim of their competitors will score high on peer selection. An organization that is highly regarded by experts, scores high on expert selection.

Cultural organizations are prime examples of pluralistic organizations as they often face highly divergent demands. Their key goals – artistic and economic – are often difficult to combine in one organization, and they are sometimes even mutually exclusive (Delmestri, Montanari, & Usai, 2005). For example, being too openly concerned with commercial success may be detrimental to an organization's standing in the cultural field (Caves, 2000). As a response to the dichotomy between artistic and economic logic (Eikhof & Haunschild, 2007; Lampel, Lant, & Shamsie, 2000; Thornton & Ocasio, 2008; Townley, Beech, & McKinlay, 2009), cultural organizations often adopt a dual executive leadership structure in which each of the leaders have separate functional roles and responsibilities resulting in a structure in which an artistic director and a managing director lead the organization together.

For the empirical part of this study, we specifically look at cultural organizations that receive at least some government subsidies on the basis of their importance to Dutch cultural life. These organizations explicitly aim for artistic and economic goals. Although previous research has suggested that the artistic director follows an artistic logic and the managing director an economic logic, it is not a given to which degree top managers conform to a certain logic. Even if the manager's tendency is to follow certain logic, he or she can do this differently to satisfy particular groups of stakeholders. Therefore, the extent to which a manager attaches importance to the evaluation by particular groups of stakeholders – in other words, the degree of his or her selection system orientations – could be an important aspect of this manager's personal attitude and beliefs on which he or she bases his or her decisions.

Thus, the key contributions of this study are threefold. First, we explore a specific type of pluralistic organization that has a structure in which dual leaders are assigned to different functional goals. Since the goals are often competing, cognitive heterogeneity is expected to play an important role in the functioning and eventual performance of the organization. Second, we measure a leader's attitude towards different dimensions of the organization's competitive environment by introducing the concept of selection system orientation. Comparing the selection system orientations of dual leaders allows us to investigate the extent to which organizational roles are related to individual attitudes, while simultaneously providing a new measure of cognitive heterogeneity. Third, the concept of the selection system orientation enables us to make a distinction between key dimensions of organizational performance. By doing so, we investigate systematically how cognitive heterogeneity affects specific aspects of organizational performance.

First, we will discuss characteristics of pluralistic organizations, the dual leadership structure and selection system orientations. Second, we discuss how these concepts manifest themselves in the high arts industry and how cognitive heterogeneity is related to organizational success. We propose a number of hypotheses that will be tested with data collected from a survey among managers of Dutch theatre and dance companies. Third, the results will be presented. After this, a discussion and conclusions section will round off this paper.

THEORY

Pluralistic organizations and the dual leadership structure

Research on pluralistic organizations has mainly focused on strategies and structures that enable organizations to accomplish multiple organizational objectives simultaneously. Research has shown that in pluralistic organizations complementary roles of managers are important in achieving change (Denis et al., 2001) and that competing logics in pluralistic organizations can be difficult to manage (Fjellvaer, 2010).

The tension and ambiguity that arises from multiple goals can be managed in different executive role constellations (Fjellvaer, 2010). The dual executive leadership structure is found in banking, high tech businesses, journalistic organizations, non-profit organizations (Alvarez &

Svejenova, 2005) and especially in cultural organizations. On the one hand the dual leadership structure has the potential danger of conflict escalation (Reid & Karambaya, 2009). On the other hand such a structure can make organizations more responsive to their external organizational environment (Heenan & Bennis, 1999). Alvarez and Svejenova (2005) suggest that role complementarity is a key advantage of a dual leadership structure. For example, the researchers describe how, in a high-tech company, one CEO is regarded as a financial wizard and the face of the company on Wall Street and the other CEO as the science mastermind and the production guru. They specifically argue that such complementarity can make a dual arrangement highly resilient and provides different perspectives on complex environments.

The dual leaders may be influenced by their personal idea of what creates value for organizations in the eyes of stakeholders. It is likely that these attitudes or beliefs affect strategic decision making and, therefore, organizational performance. This line of reasoning relates to Hambrick and Mason's (1984) Upper Echelon theory, which argues that managers' cognitions influence organizational performance. Cognitions such as attitudes, values and beliefs are likely to form top managers' ideas about what type of success is important. The central idea of what the researchers call the Upper Echelons theory is "that executives' experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn affect their choices" (Hambrick, 2007, p. 334). For example, Voss et al. (2000) show that values espoused by particular managers are related to managers' view on who the most important stakeholders of the organization are and how to achieve organizational performance in the eyes of these stakeholders.

Selection system orientations

In a dual executive leadership structure in pluralistic organizations one individual leader may be leaning more towards a particular stakeholder group and the other towards another stakeholder group. As the dual leaders often have different backgrounds, it is likely that both leaders in such a structure have different perceptions of the strategic environment. Earlier studies have identified different stakeholder groups and their different relations with a particular organization. Agle, Mitchell and Sonnenfeld (1999) constructed a framework that explained the degree to which a CEO prioritizes different stakeholders by the salience of each specific stakeholder in terms of power, legitimacy and urgency. Next to this,

DiMaggio (1992) argues that museums can be oriented towards different objectives that correspond to the preferences of different stakeholders: patrons, who prefer high-quality exhibitions; members of the general public, who prefer popular exhibitions and public authorities, who prefer education and outreach programs to figure more prominently among the organizational activities. Our approach to stakeholder orientation combines aspects of both studies discussed above, as it incorporates the extent to which managers take particular stakeholders into account and the possibility that individual managers within a single organization will differ in respect to the relative importance they attach to different stakeholders.

Selection system theory posits that there are three main types of selectors. In *market* selection the most dominant selectors are consumers, in *peer* selection they are other producers, in *expert* selection they are neither producers nor consumers. Experts provide evaluations, which have an impact on the behavior of customers and other stakeholders, because of the expertise that is attributed to them personally or to the organizations to which they belong. Earlier studies have shown that certain industries or markets can be characterized as being governed by particular selection systems and that this can explain the competitive impact of specific signals, such as awards (Gemser et al., 2008), the role of innovativeness as a product characteristic (Wijnberg & Gemser, 2000) and long-term competitive dynamics (Mol & Wijnberg, 2007). This theoretical framework also suggests that one of the main tasks of managers is to identify the stakeholders whose evaluations matter most in the perception of quality and performance of the organization – in other words, the dominant selectors.

Stakeholder theory argues that important stakeholders have a significant influence on organizational outcomes (Freeman, 1984). Of course it is possible that different managers identify different stakeholders as dominant selectors and will, therefore, strive to have the organization satisfy the sets of preferences they assume belong to their ‘favorite’ selectors. The concept of selection system orientation essentially refers to the extent to which the evaluations of a particular type of selector weigh in the mind of the individual manager. We posit that selection system orientations are, like values, trans-situational (McClelland, 1985), establish behavior and concern external objects or events towards which individuals are motivated (Herbst & Houmanfar, 2009). Thus, a manager who considers organizational success to be primarily dependent on evaluations by experts, while the opinions of ordinary consumers count for little, will

score high along the expert selection dimension and low along the market selection dimension.

The selection system orientation of a manager will also determine the type of performance indicator a manager prefers and the actions that are needed to accomplish those goals. Managers whose selection system orientation is more heavily weighted towards expert selection are likely to be more concerned with reviews, awards from expert juries and opinions of scholars and government organizations in their field. Such a manager may be more inclined to invite more critics to a new product launch. Managers with a strong peer selection system orientation are likely to be concerned with how they are evaluated by their colleagues in other organizations, as evidenced for instance by awards from industry associations. Managers with a market selection system orientation are likely to be concerned with consumer awards, advertising, sales, and ticket prices.

Previous research has shown differences in managers' perception of their strategic environment (Houghton & Neubaum, 1994; Z. G. Voss, Cable, & Voss, 2006). This shows that it is likely that there are differences in selection system orientations in dual executive leadership structures. In general, one will expect that the views of managers on what is important to the organization will be related to their specific organizational tasks and responsibilities. For example, Houghton and Neubaum (1994) studied different management positions in hospitals. They asked top managers to recall issues that were discussed in last year's top management team meetings. Medical doctors and financial managers tended to recall most often the strategic issues that were related to their particular area of expertise.

Dual leaders and selection system orientations in the arts

The discussion in the previous subsection suggests that managers in dual executive leadership structure in the cultural industries – artistic and managing directors – will have different perspectives on their strategic environment. This is further confirmed by the study of Voss, et al. (2006), who showed that managing directors and marketing directors of theatres had different views on the organizational identity. Based on these results, it is likely that each individual manager will be more oriented towards the selectors that play an important role in the evaluation of organizational performance for which each is primarily responsible. In cultural organizations, the artistic director is responsible for the artistic side of the organization and the managing director for the business side of the

organization. Together they make strategic decisions about organizational issues where artistic and business matters interact.

While there seem to be larger audiences for entertainment than for art, this does not mean that neglecting artistic innovation will attract larger audiences (G. B. Voss et al., 2006). According to Lampel, et al. (2000), cultural organizations must reconcile the demands of artistic production with those of the marketplace. Thus, managing cultural organizations requires balancing both logics in the organizational strategic decision-making process.

Each stakeholder of a cultural organization may necessitate a different balance between artistic and economic value. For example, the average consumer may attach more value to entertainment and less to artistic innovations, while the organizations' peers may attach more value to artistic innovation. The artists themselves generally tend to attribute relatively high importance to the judgment of their own peers (Caves, 2000; Eikhof & Haunschild, 2006; Hirschman, 1983; McLeod, O'Donohoe, & Townley, 2009). Therefore, we argue that artistic directors will score higher on their peer selection system orientation than managing directors. In general, the primary task of artistic directors is to create art and to recruit key actors, such as directors, leading actors and costume designers. Managing directors are more likely to have a relatively strong market orientation and their actions will be directed more towards attracting and satisfying customers, obtaining private donations, and attracting corporate sponsorships. If an organization depends to a significant extent on government subsidies and/or grants and subsidies from non-governmental organizations, this is likely to be handled by the managing director as well. Subsidy and grant allocations are often determined by expert committees (e.g., critics, theatre programmers, and other experts); leading to a stronger expert orientation in managing directors compared to artistic directors. This brings us to our first hypothesis, which concerns the level of the individual managers in the organization.

Hypothesis 1: Artistic directors have a stronger peer orientation and weaker expert and market orientation than managing directors.

Selection system orientation heterogeneity

Earlier studies show that differences between top managers can influence performance at the organizational level (Cannella, Park, & Lee, 2008;

Finkelstein et al., 2009; Murray, 1989; Z. G. Voss et al., 2006). Leadership structures that allow cognitive heterogeneity at the top are likely to be formed by an organization's necessity to specialize/differentiate organizational processes, also in response to the demands of different types of stakeholders. Lawrence and Lorsch (1967, p. 3-4) define differentiation as "the state of segmentation of the organizational system into subsystems, each of which tends to develop particular attributes in relation to the requirements posed by its relevant external environment". If there is a top management team of two or more managers, selection system orientation heterogeneity between them can be considered to be a characteristic of the team that can have outcomes at the organizational level. Cognitive heterogeneity has been studied in the top management team (TMT) literature; this term refers to a small group of the most influential managers who are at the top of an organization (Finkelstein et al., 2009). Studies that discuss TMT heterogeneity at times exclude teams of two individuals from their analysis, stating that groups of two individuals are not really groups. Other studies do include dyads in their studies (Collins & Clark, 2003).

Moreland (2010) argues that dyads are qualitatively different from groups, because certain group processes behave differently in dyads than in groups larger than two. According to Williams (2010) considering a dyad as a valid group depends on the setting in which the dyad operates. Moreover, Williams (2010) argues that it is possible to study important factors related to group processes by investigating behavior within dyads. Dyads have been studied in research on many group phenomena (Williams, 2010), including negotiation and cooperation (Olekalns & Smith, 2005). Therefore, we believe that a large part of the literature on teams is applicable to dyads and that research on dyads can be helpful in the understanding behavior of larger teams. Moreover, by using only groups of two individuals we can exclude the possible effects of group size and focus on the most basic features of cognitive heterogeneity. Scholars have noted that size has implications for team conflict and information processing capacity (Carpenter et al., 2004).

The general assumption in the TMT heterogeneity literature is that more cognitive heterogeneity in a TMT would imply that more issues are attended to in the strategic decision-making process, which will consequently result in better organizational outcomes (Cannella & Holcomb, 2005). However, research has shown both favorable and unfavorable consequences of heterogeneity. Positive effects are, for example, innovativeness (Bantel & Jackson, 1989; Murray, 1989),

increased problem solving abilities (Hurst et al., 1989; Nemeth, 1986), and flexibility and the ability to adapt due to skill diversity, information sources and perspectives (Carpenter & Fredrickson, 2001; Carpenter, 2002; Geletkanycz & Hambrick, 1997; Sutcliffe, 1994; Wiersema & Bantel, 1993, for an overview see Finkelstein et al, 2009, p. 131-136). Negative effects of heterogeneity in TMTs are, for example, increased potential for conflict (e.g., Amason, 1996; Chatman & Flynn, 2001; Ferrier, 2001), reduction of communication frequency (e.g., Bunderson & Sutcliffe, 2002) and reduction of attention and focus (Bertrand & Schoar, 2003, for an overview see Finkelstein et al., 2009, p. 131-136).

Within the TMT literature there are two main approaches to measure personal cognitions of top managers: one uses demographic characteristics in particular as a proxy for cognitive differences, and a more recent stream measures cognitive differences directly (Kilduff et al., 2000). Researchers have discussed the weaknesses of the demographic approach (Carpenter et al., 2004) and suggest that demographics should be abandoned in favor of variables that embody processes, attitudes and judgments (Olekalns & Smith, 2005; Priem et al., 1999). The selection system orientations directly measure top manager's cognitions, in terms of attitudes and beliefs, about what creates value for an organization. This allows us to have a more substantive measure of cognitive heterogeneity.

Especially relevant to our study are the investigations of Olson, Parayitam and Bao (2007), Kilduff, et al. (2000), and Mello and Ruckes (2006). Olson, et al. (2007) measured the cognitive heterogeneity of TMTs in hospitals by using questionnaire items that reflect belief heterogeneity and preference heterogeneity. These researchers conclude that cognitive heterogeneity is beneficial to the TMT decision-making processes. Kilduff, et al. (2000) found mixed results for the effects of cognitive heterogeneity in teams. They measured cognitive TMT heterogeneity by asking managers to indicate their perception of role specialization, power distribution, causes of performance, decision-making difficulties and agreement with team decision making. Heterogeneity in managers' perceptions of causes of performance had a positive influence on performance, whereas perceived decision-making difficulty seemed to have a negative influence on performance and the other group processes had no influence on performance. Moreover, a recent study by Mello and Ruckes (2006) also indicates that cognitive heterogeneity in teams result in better decisions. The researchers studied teams consisting of one subordinate and one superior and their individual use of information sources. Analyses of the

composition of teams showed that heterogeneous teams – teams where the subordinate and the superior access different information sources – had the potential to reach better decisions than homogenous teams – teams where the subordinate accesses the same information sources as the superior.

Although the results of studies building on cognitive heterogeneity have been mixed, we assume that non-overlapping knowledge and expertise will allow the decision makers a broader view and will help to reduce the risk of groupthink (Carpenter & Fredrickson, 2001). Nevertheless, we recognize that there may also be a negative effects on performance, because of information overload (Jehn, Chadwick, & Thatcher, 1997) and difficulties in integration of different thought worlds (Griffin & Hauser, 1996). In pluralistic organizations with a dual executive leaderships structure the benefits of specialization, diffusion of power and the focus on different selectors still could outweigh these potential drawbacks.

In light of the nature of dual executive leaders' functional roles in cultural organizations, it becomes logical that one top manager may be more specialized in one area than the other top manager. Since the functional roles in the dual leadership structure are separated one could assume that each dual leader may be more strongly oriented towards the selectors that seem to be most relevant to his or her tasks and responsibilities (see hypothesis 1), precisely because this would make it more likely to achieve performance along that particular dimension. If this is the case, explanations of the effects of heterogeneity in respect to selection system orientations (along each of the three dimensions) should not only look at the extent of heterogeneity, but also at the direction of heterogeneity as predictors for performance along the relevant dimensions. This leads us to propose hypothesis 2a, 2b, and 2c, which concern the organizational level.

Hypothesis 2a. Heterogeneity in expert orientation between the dual leaders in an organization has a positive relationship with expert performance of the organization.

Hypothesis 2b. Heterogeneity in peer orientation between the dual leaders in an organization has a positive relationship with peer performance of the organization.

Hypothesis 2c. Heterogeneity in market orientation between the dual leaders in an organization has a positive relationship with market performance of the organization.

DATA AND METHOD

To test the hypotheses, we conducted an empirical study using a questionnaire that was administered to both the artistic director and the managing director of high art organizations in the Netherlands. In this way we collected dyadic data concerning the top management of art organizations.

The industry setting: High arts in the Netherlands

In the Netherlands, all mid-sized and major cities have at least one professional art organization focusing on dance or theatre. A large part of these companies' income comes from government subsidies (82.5%) (OCW, 2007). The remainder is acquired from other sources: grants from non-governmental organizations, ticket sales and sponsorship. The role of the government substantially differs with the United States high arts setting (Johns, 2006) where box office, private donations and corporate sponsorships make up the larger part of the companies' income (Zimmer & Toepler, 1999).

The individuals that decide which organizations are granted governmental subsidies are often experts (e.g., theatre programmers and theatre critics) and other professionals in the industry (e.g., other producers)² – who judge a company's artistic quality, artistic potential, their scope of audience, diversity of audience, (unique) position in the high arts landscape and their contribution to the cultural field in terms of innovation (NFPK+, 2008). In the Netherlands in the last decennia of the 20th century, the presence of innovativeness has become the core criterion for determining artistic quality that justifies public support to the arts (Oosterbaan Martinius, 1990; Van Klink, 2005).

As discussed before, in this paper we focus on high art organizations that have a dual executive leadership structure, which consists of an artistic

² The membership of the committees that decide about awarding subsidies can include peers, such as artistic directors. Nevertheless, these committees can be characterized as 'expert' based, because that is how the majority of committee members can be described.

director and a managing director. The artistic director in theatre and dance companies in the Netherlands oversees the artistic productions of the company. Typically, an artistic director has started his or her career as an artist in a particular discipline and has gained a positive reputation. He or she is often directly involved in the selection, creation and/or performance of the productions of the company. Furthermore, the artistic director selects artistic personnel, such as actors, costume design, light and sound technicians. The managing director is typically an individual that has a great interest in the arts, evident by his or her career choices. The managing director is in charge of revenue development activities such as marketing and applying for government subsidies. In addition, he or she is responsible for the budget planning process and manages and selects administrative personnel. The total number of people in managerial and administrative positions is not that large and the leaders are likely to have frequent contact and discuss important issues. Usually, a supervisory board of the theatre and dance company exists of non-executive directors from outside the company with the primary function of overseeing the organization as a whole and, most importantly, selecting applicants for both executive positions if vacancies occur.

Sampling

We focused on members of the Dutch Association for the Performing Arts (NAPK). This organization also endorsed the study and was actively involved in obtaining a high response rate among its members. After screening 84 member organizations, we learned that 69 (82%) of these members had a dual leadership structure that was clearly divided along artistic and business goals. The other 15 (18%) had a structure where there was one top manager responsible for artistic as well as business goals – with subordinates that did not have substantial influence on strategic decisions – or a collective where multiple members of the organization shared both artistic and business responsibility. Of the 69 relevant organizations, we were able to collect data from both the artistic and managing director of 51 organizations (74%).

Dependent and independent variables

Independent variables. *Expert selection system orientation, peer selection system orientation and market selection system orientation* were measured using multiple item scales. A full list of items can be obtained from the authors. The scales denote the extent to which individuals are concerned

with the opinions of the three different types of selectors, with items such as: “The opinions of other producers are an important measure of the success of our performances” for peer performance; “In the decisions I make, I strongly consider the view of committees involved with awarding government subsidies” for expert orientation and “Performances should meet the expectations of the audience” for market orientation. The expert selection system orientation scale consists of a 4 item scale that proved unidimensional with a Cronbach $\alpha = 0.7$. The peer orientation scale, which consists of a 7 item scale meets the minimum requirements; Cronbach $\alpha = 0.5$ (quite low but acceptable, see Guilford, 1965). The market selection system orientation scale consists of a 7 item scale that proved to be unidimensional with a Cronbach $\alpha = 0.6$.

From each orientation scale we composed heterogeneity scales for *expert selection system orientation heterogeneity*, *peer selection system orientation heterogeneity* and *market selection system orientation heterogeneity*. With these variables we took into account that the direction of difference between the artistic and managing director is not arbitrary. In other words, it matters that one director may have a higher expert orientation than the other director. Selection system orientation heterogeneity between managers of the same organization was determined by subtracting the managing director’s score from the artistic director’s score on each selection system orientation scale. As a result negative scores display that the score of the managing director is higher than the score of the artistic director and positive scores display that the score of the artistic director is higher than the score of the managing director. This distance measure is common in dyadic research where the differences between the dyads such as husbands and wives are not arbitrary (Kenny, Kashy, & Cook, 2006).

Dependent variables. To measure organizational performance we used and adapted scales from the extant research on organizational performance (Harris, 2001; Morgan & Berthon, 2008; Richard et al., 2009). We asked both artistic and managing directors to rate their organization in comparison to similar organizations on different types of organizational performance metrics – on a 5-point Likert-type scale (Dess & Robinson, 1984). These two scores were used to develop three organizational performance measures reflecting success in different sub-environments.

Peer performance, expert performance and market performance were measured using scales that resulted from a data reduction approach. Using

literature (G. B. Voss et al., 2000; Wijnberg & Gemser, 2000) 10 items were generated covering peer, expert and market performance. The full list can be obtained from the authors. Factor analysis showed no clear underlying dimensions. Therefore, to come up with performance measures, we chose those items that best represent the three different selection system orientations. This approach focuses on measurement validity instead of inter-item reliability (Rossiter, 2002). Peer performance consists of a single item scale that reflects the company's reputation among peers. Expert performance consists of a single item scale that reflects the company's reputation among experts. Market performance consists of a single item scale that reflects the company's popularity among the audience in terms of attendance rates (percentage of available occupied seats in venues).

Control variables. We composed control variables that relate to age and tenure of both directors and control variables that relate to the organization – size and type – for which they work. In addition, we included demographic heterogeneity controls for age and tenure (number of years in the organization). These were calculated in a similar way to the orientation heterogeneity variables.

Screening the data

There were no significant differences between respondent profiles and company characteristics of early and late responses. Consequently, there are no indications of non-response biases. We also tested for reversed causality by replacing the orientation variables with the performance variables. In addition, we conducted Harman's single factor tests to assess common method variance. This test has frequently been used in management studies (e.g., Lahiri & Kedia, 2011). We conducted separate tests for each performance measure, which showed no evidence of a common method bias nor of a substantive self-report bias in our analysis (Podsakoff et al., 2003).

RESULTS

To test hypothesis 1 and 2 several analyses were conducted. The means, standard deviations and correlations are presented in Table 2.1. Expert performance has positive significant correlations with peer performance (r

= 0.803, $p \leq 0.01$) and market performance ($r = 0.361$, $p \leq 0.01$). Contrary to our expectations we did not find positive significant correlations between expert orientation heterogeneity and expert performance ($r = 0.156$, $p = 0.31$), peer orientation heterogeneity and peer performance ($r = -0.166$, $p = 0.27$) and market orientation heterogeneity and market performance ($r = 0.009$, $p = 0.92$). Next to this Table 2.1 shows that peer ($M = 0.09$), market ($M = -0.25$) and expert ($M = -0.43$) selection system orientation heterogeneity is quite small.

To test hypothesis 1, which is at the individual level, three ANCOVA's were run, each with a different selection system orientation as dependent variable and the dual leaders' functional position as independent variable. In addition, we added the covariates age, tenure, organizational size and organization type. As expected, Table 2.2 shows that managing directors ($M = 3.16$) have a higher average expert orientation than artistic directors ($M = 2.70$), and that managing directors ($M = 3.67$) have a higher average market orientation than artistic directors ($M = 3.42$). The differences between the means of expert orientation ($p \leq 0.01$) and the means of market orientation ($p \leq 0.05$) are significant in the direction that was hypothesized. However, artistic directors do not have a significantly higher peer orientation ($M = 3.76$) than managing directors ($M = 3.67$). The relation between functional position and selection system orientations provides evidence to partially support hypothesis 1.

Next, we studied possible effects of selection system orientation heterogeneity in the dual executive leadership structure on the different organizational performance dimensions as hypothesized in hypothesis 2. Here, the organization as a whole is the level of analysis. For this, three comparable regression models were run, one on each performance dimension, with the three selection system orientation heterogeneity variables as predictors and average orientations, age and tenure, heterogeneity in tenure and age, and organizational size and type as control variables. Table 2.3 shows that heterogeneity in expert selection system orientation is significantly and positively related to expert performance ($\beta = 0.374$, $p \leq 0.05$). Contrary to our expectations, heterogeneity in peer selection system orientation is not significantly related to peer performance ($\beta = -0.044$, $p > 0.1$), and heterogeneity in market selection system orientation is not significantly related to market performance ($\beta = -0.826$, $p > 0.10$). We thus only find support for hypothesis 2a. Next to the hypothesized effects, we find significant effects of certain control variables. Age heterogeneity is significantly related to expert performance ($\beta = 0.412$,

Table 2.1: Correlation matrix

Variables	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
(1) Expert performance	3.96	0.75														
(2) Peer performance	3.96	0.65	0.803***													
(3) Market performance	3.71	0.77	0.361**	0.220												
(4) Expert orientation heterogeneity	-0.43	0.80	0.156	-0.082	0.163											
(5) Peer orientation heterogeneity	0.09	0.39	-0.187	-0.166	-0.022	0.004										
(6) Market orientation heterogeneity	-0.25	0.58	0.037	0.067	0.009	0.243	-0.229									
(7) Age heterogeneity	3.51	11.09	0.105	0.008	-0.084	-0.069	0.052	-0.111								
(8) Tenure heterogeneity	4.73	14.21	0.004	-0.179	0.057	-0.051	0.072	-0.211	0.145							
(9) Average Expert orientation	2.96	0.42	0.023	0.210	-0.188	-0.094	-0.133	-0.137	-0.325*	0.101						
(10) Average Peer orientation	3.71	0.35	0.126	0.247*	-0.153	0.054	-0.183	-0.158	-0.129	0.186	0.535***					
(11) Average Market orientation	3.53	0.31	-0.13	-0.033	0.243	0.285*	-0.057	0.188	-0.154	-0.050	0.031	-0.092				
(12) Average Age	48.52	6.25	0.208	0.053	0.149	-0.077	-0.322**	0.241*	-0.138	0.177	-0.200	0.208	-0.039			
(13) Average Tenure	9.80	6.56	-0.023	-0.127	-0.027	-0.008	-0.005	0.130	-0.047	-0.217	-0.141	-0.048	-0.240*	0.427***		
(14) Organization Size	24.28	26.04	0.173	0.221	0.433***	0.124	0.050	-0.141	-0.071	-0.025	0.028	0.248*	0.169	0.041	-0.148	
(15) Organization Type	1.25	0.43	0.113	0.131	0.220	0.001	0.106	-0.096	0.092	0.168	0.268*	0.263*	0.017	0.036	-0.065*	0.499***

*p ≤ 0.10, **p ≤ 0.05, ***p ≤ 0.0

Table 2.2: ANCOVA selection system by functional position

Variable	Expert orientation		Peer orientation		Market orientation	
	M	F	M	F	M	F
<u>Functional Position</u>						
Artistic director	2.70	11.228***	3.76	1.504	3.42	4.506**
Managing director	3.16		3.64		3.67	

1. * $p \leq 0.10$, ** $p \leq 0.05$, *** $p \leq 0.01$

2. ANCOVA is controlled for age, tenure, organization size and organization type.

Table 2.3: Effects of selection system orientation heterogeneity on performance

Variable	Expert performance		Peer performance		Market performance	
	β	(t)	β	(t)	β	(t)
Constant	3.887	(0.800)	1.323	(0.226)	4.087	(0.733)
<u>Selection system orientation heterogeneity</u>						
Expert	0.374**	(-2.040)	-0.053	(-0.279)	0.109	(0.614)
Peer	-0.085	(-0.440)	-0.044	(-0.220)	-0.001	(-0.004)
Market	-0.189	(-0.975)	0.029	(0.142)	-0.042	(-0.222)
<u>Controls</u>						
Average Expert orientation	0.228	(0.916)	0.170	(0.661)	0.019	(0.078)
Average Peer orientation	0.005	(0.019)	0.263	(-1.081)	-0.375	(-1.640)
Average Market orientation	-0.135	(-0.744)	-0.008	(-0.040)	0.231	(-1.314)
Average Age	0.468	(-1.663)	0.111	(0.383)	0.331	(-1.215)
Average Tenure	-0.072	(-0.314)	-0.006	(-0.026)	-0.082	(-0.371)
Age heterogeneity	0.412**	(-2.175)	0.258	(-1.323)	-0.021	(-0.112)
Tenure heterogeneity	-0.367*	(-1.855)	-0.388*	(-1.904)	0.101	(0.526)
Organization size	0.04	(0.199)	0.105	(0.503)	0.39	(-1.979)
Organization type	-1.05	(-0.525)	-0.106	(-0.516)	0.117*	(0.609)
R square	0.313		0.269		0.354	
F	1.099		0.565		1.325	

* $p \leq 0.10$, ** $p \leq 0.05$, *** $p \leq 0.01$

$p \leq 0.05$). Tenure heterogeneity is moderately and significantly related to expert performance ($\beta = -0.367, p \leq 0.10$) and to peer performance ($\beta = -0.388, p \leq 0.10$).

The heterogeneity variables express the direction of the difference. A positive score signifies that the artistic directors has a higher score on the variable than the managing director and a negative score that the artistic director has a lower score on the variable than managing directors. Also, VIF tests show that there is no cause for concern with regard to multicollinearity.

DISCUSSION AND CONCLUSIONS

Our research originated from the notion that pluralistic organizations perform a balancing act, reconciling different organizational goals, and that one way of handling this balancing act is by dividing the executive position along the organization's main goals. We investigated organizations that were led by a team of mandated dual executive leaders with functionally separated roles and objectives. Our study investigated the effects of heterogeneity among the dual leaders, focusing on cognitive heterogeneity regarding the extent that each manager attached importance to favorably impressing particular types of evaluators – the top manager's selection system orientation. Our results show that a specific type of selection system heterogeneity, as a form of cognitive heterogeneity between dual executive leaders in pluralistic organizations, relates to a specific type of organizational performance.

Our first main result is that the strength of dual leaders' expert and market selection system orientations were significantly different. Managing directors had stronger expert and market selection system orientations than artistic directors. This result supports the findings of Houghton and Neubaum (1994) and Voss, et al. (Z. G. Voss et al., 2006), which suggests that top managers in different functional positions have different perceptions of their organization's environment. Contrary to our expectations, we did not find substantial differences between artistic and managing directors in relation to their *peer* selection system orientations. One could argue that managing directors and artistic directors display the same attitudes, because they may have specific similarities in their backgrounds. However, this is not evident in our results. Another

explanation could be that managing directors in the high arts may have particular strong and positive attitudes towards the high art cultural industry, which is evident by their choice not to work in a for-profit environment.

Our second main result suggests that the stronger the *expert* orientation heterogeneity is – in which artistic directors have higher expert orientations than managing directors – the higher an organization's performance along the expert dimension. This suggests that experts reward organizations in which artistic directors have a particularly pronounced concern regarding to expert opinions or are particularly aware of the importance of expert opinions. This specific result is in line with the generally positive relationships between cognitive heterogeneity and organizational performance, as has been found by Kilduff, et al. (2000) and Mello and Ruckes (2006).

Contrary to our expectations, we did not find significant relationships between peer orientation heterogeneity and peer performance nor between market orientation heterogeneity and market performance. The results in regard to peer orientation are hardly surprising since we already noted that artistic directors and managing directors did not significantly differ in their scores along that dimension, which makes it highly unlikely that the non-significant heterogeneity will have a significant effect on an outcome. It is more surprising that the heterogeneity with regard to market selection does not have an effect on organizational performance along that dimension. Maybe our results indicate that government support is the key to survival in our setting.

In the Netherlands, the decision makers who decide about government funding for theatre and dance companies are mainly experts who want these companies to be entrepreneurial and attract audiences, while delivering an innovative and artistic core product (NFPK+, 2008). The innovative and artistic value of a performance clearly is the cornerstone of a successful application. As already described in the setting of this study, without it high art organizations in the Netherlands are less likely to receive subsidies (Oosterbaan Martinius, 1990). In turn, this will increase the relative importance of the artistic director – even if the two directors are hierarchically equivalent – because it will be his or her reputation for artistic value and innovation that secures the subsidies (Oosterbaan Martinius, 1990; Van Klink, 2005).

Above, we already discussed a number of reasons why managing directors of the organizations we studied might have attitudes that are similar to those of the artistic directors. But even when this is not the case

and a market-oriented managing director would prefer to attract larger audiences and create higher market performance, he or she will not be likely to do so if the artistic director argues that this will compromise artistic value. This might be different for high arts organizations in countries, such as the United States, that operate in an environment in which corporate sponsoring and/or donations from wealthy private individuals are more essential to organizational survival than government subsidies (Zimmer & Toepler, 1999).

Next to our findings on selection system orientation heterogeneity, we find a weak relation between tenure heterogeneity and expert and peer performance. The longer the artistic director's tenure and the shorter the managing director's tenure the lower their organization's expert and peer performance. We also find significant effects of age heterogeneity on expert performance. The higher the artistic director's age and the lower the managing director's age the higher their organization's expert performance. It is possible that the seniority of the artistic director may function as a positive or even reassuring signal to experts and, therefore, lead to greater expert performance, while peers and market selectors will be less likely to associate seniority with a greater willingness to satisfy their preferences.

Implications

The fact that the dual leadership roles are occupied by individuals with rather similar beliefs and attitudes makes it less likely that the organization as a whole can benefit from the specific advantages a dual leadership structure can offer. This may result in unified identification of strategic issues, which leaves the possible advantage of information diversity underexploited. Research has argued that extremely low levels of heterogeneity may result in groupthink (Carpenter & Fredrickson, 2001). For high art organizations in the Netherlands, the present lack of heterogeneity among the dual leaders may result in lower abilities to achieve the core objectives in the longer term; especially in the present situation where the continuation of many government subsidies has become highly uncertain.

As noted before, pluralistic organizations exist in many industries, from newspapers to high tech, and in many such organizations there are dual leadership structures or top management teams in which each member is responsible for a specific organizational objective. This paper suggests that in these organizations' specific packages of organizational role and organizational objectives imply also different selection system orientations

of the dual leaders. For instance, the vice-president for technology development of a large software firm will likely have a stronger peer orientation than the vice president for marketing of the same company. As we have argued, the resulting cognitive heterogeneity could benefit organizational performance. Cognitive heterogeneity that can be readily observed by outside stakeholders could in itself also reinforce the image of the organization as one that is aware of its multiple objectives and knows how to manage them well, which in turn may significantly benefit performance.

Limitations

This study is limited by the particularities of the empirical setting and a relatively small number of organizations. However, we do have responses from a sizable part of this particular population.

Also, we only looked at high arts organizations – theatre and dance – that received some form of state support in the Netherlands. Whereas other European countries are similar to the Netherlands in respect to the role that government subsidies play in the income of high art organizations, the United States rely more on box office, private donations and corporate sponsorships. Europe and the United States also differ in respect to the average educational backgrounds of artistic as well as managing directors and the power of the supervisory boards or boards of directors.

Another limitation is that, in regard to performance measures, we have only the subjective estimates of the managers and were not able to acquire objective data that adequately represent performance along the dimensions we studied. Furthermore, there may be relevant factors that our model did not incorporate. For example, it could be that the financial position of the organization had a moderating effect on organizational performance.

Further research

Firstly, more research is needed to develop scales to measure selection system orientations in very different environments. Further research, in other national contexts, should validate both the underlying measures and the generalizability of the findings. Further insights may be found by investigating how the context (Johns, 2006) influences orientations and heterogeneity in orientations of the executives in the dual leadership structure. This study only looked at cultural organizations that received at least some financial support from government organizations. To establish the impact of this factor on the results, further research will have to include

cultural organizations that have not received government subsidies, but fully depend on ticket sales, corporate sponsorships or private donations. These organizations may be more polarized in terms of their objectives and have a more heterogeneous dual leadership structure. Secondly, the approach proposed in this paper could be applied to analyzing dual leadership and top management teams in other industries ranging from software development (Adler, 2005) to advertising (McLeod et al., 2009). In such organizations there can be tension between, on the one hand, achieving artistic or technological excellence in the eyes of peers or experts and, on the other hand, market success. Thirdly, future research may want to replicate this study in settings where the dual leaders were not selected by a supervisory board. It would be interesting to investigate how self-selection may mediate the relation between heterogeneity in orientation and organizational performance. Finally, when organizations have multiple organizational objectives and clear and agreed-upon performance measures are not available to the dual leaders, they may rely on their own perception of their organization's performance along the multiple objectives to guide their future strategic decisions. Thus, in pluralistic organizations interpersonal differences in the perception of performance may also influence organizational choices and eventually performance. We hope that our study stimulates more research in this area.

3 The Producer-Director Dyad: Managing the Faultline between Art and Commerce

Abstract - In this study we explain how the film producer-director dyad manages tensions generated by the artistic-commercial faultline. Film producers and directors are on different sides of the faultline, but together they also bridge the faultline. A total of 24 Dutch film producers and 14 directors were interviewed. The analysis of the interviews shows that producers and directors see their roles mainly on one or the other side of the faultline and that they have different estimates of how important they and other project team members are for artistic or commercial results. With respect to the selection of project team members producers and directors are more dominant in the selection process when this concerns team members that belong to their side of the faultline. Furthermore, the producers and directors recognize the importance of a stable and strong link between them.¹

INTRODUCTION

The tension between art and commerce is a general feature of production in the cultural industries (Caves, 2000; G. B. Voss et al., 2000) and of the film industry in particular (Delmestri et al., 2005; Holbrook & Addis, 2008). This is one of the reasons film production is of great interest from the perspective of social science and management theory. Another reason is the

¹ This chapter is based on a book chapter that will be published by: Oxford University Press. —Ebbers, J. J., Wijnberg, N. M., and Bhansing, P. V., Managing the Commercial and Artistic Divide between Directors and Producers. In J. C. Kaufman and D. K. Simonton (Eds.) *The Social Science of Cinema*. New York: Oxford University Press (in press).

dominance of temporary organizational structures. Films – especially in the Netherlands - are predominantly produced by project-based organizations (PBO's), which can be defined as temporary organizations that dissolve as soon as the project is completed for which they were specifically set up (DeFillippi & Arthur, 1998; Starkey, Barnatt, & Tempest, 2000). These two features taken together have determined the basic shape of film production.

Dealing with the tension between art and commerce is often handled by dividing primary responsibility for these two dimensions of performance to different individuals with different roles in each temporary PBO. While the director is predominantly responsible for the artistic aspects of a film, the producer is predominantly responsible for the commercial aspects of a film. However, the division of authority between these key individuals is not always explicit or clear. Does the producer have a veto on decisions that will affect the budget during the production? Does the director have primary responsibility for recruiting and selecting other team members occupying artistic roles, such as the screenwriter or director of photography (D.O.P.)?

Looking at these relations in a broader sense also means that one has to consider not just the single PBO, but also the group of people that regularly work together in a series of such PBOs. A latent organization is a form of organization that binds together “configurations of key actors in ongoing relationships that become active/manifest as and when projects demand” (Starkey et al., 2000, p. 299). Ebbers and Wijnberg (2009) presented evidence that precisely in the film industry these latent organizations, even though they only exist informally and on the basis of implicit and relational contracts, can be considered more ‘real’ organizations from a management perspective than the temporary PBOs that do have a formal existence. Taking these longer-term relations into account raises questions about the effects of stable and strong links between individuals, especially with respect to the core producer-director dyad. Does repeated collaboration between individuals occupying these two roles result in advantages or disadvantages with regard to the selection of team members or the efficient management of actual production?

Faultline theory (Bezrukova et al., 2009; Gibson & Vermeulen, 2003; Li & Hambrick, 2005) suggests that the most obvious and significant dichotomies among the members of groups or organizations can have a strong impact on the functioning of the group or organization as a whole. If the art versus commerce faultline is the most significant dichotomy in the organization of film production it makes sense to look closely at the

specific roles that bridge this faultline: the director-producer dyad. This is especially relevant when this particular dyad can also be considered to be the dual executive (Reid & Karambaya, 2009) of the project organization and of the latent organization. In general, the strongest ties are expected to arise between individuals who are most similar (McPherson, Smith-Lovin, & Cook, 2001), but in an organization, such as the latent organization that depends on relational contracts, the most essential ties might well be the ones that are most unlikely to arise and become strong. These are precisely the ties between dissimilar actors, constituting dyads that bridge the most important art versus commerce faultline in the organization.

For these reasons this chapter will focus on the core dyad of director and producer. We show how and to what extent this dyad actually bridges the faultline between art and commerce. In addition, we focus on how the particular relationships between the members of this core dyad determine the performance of the PBO, as well as the latent organization. We will first briefly discuss PBOs, latent organizations and faultline theory. Then we will consider how these theoretical approaches help one to understand the practice of film production in temporary organizations. Next we will present the data we collected in a series of interviews among Dutch directors and producers. Finally we will offer a brief conclusion.

THEORY

Organizations, project based organizations and latent organizations

The core insight of transaction cost theory is that firms exist because making use of markets to achieve specific results can be costly (Coase, 1937). The higher the costs of the market as a coordination mechanism, the more reason to incorporate transactions within the boundaries of the firm (Williamson, 1975). Large firms, however, also have important drawbacks such as the principal-agent problem related to internal coordination and monitoring of opportunistic behavior by employees (Alchian & Demsetz, 1972) and slow managerial decision making processes that may hamper innovation (Thompson, 1965).

Partly in order to offset these two negative consequences of large bureaucratic organizations, flexibilization of employment relations, the 'boundaryless career', and more loose contractual relationships between employers and employees have been on the rise (Arthur & Rousseau, 1996).

Organizations want more flexible labor contracts to be able to react faster to uncertain market conditions and in order to stay competitive and innovative. Short-term contractual labor relations are thought to be an important means to this end.

Arguably the quintessential form of flexible organization is the project-based organization (PBO). A PBO can be defined as a temporary organization that ceases to exist as soon as the project for which it was specifically set up is completed (DeFillippi & Arthur, 1998; Jones, 1996; Starkey et al., 2000). The discontinuities inherent to PBOs, however, also bring high transaction costs (Williamson, 1981) that are involved in setting up this type of organization. For each project one needs to search for members, negotiate contracts, and coordinate individual and collective actions. Short-lived and temporary organizations such as PBOs are less likely to develop more elaborate organizational structures to deal with multiple organizational objectives.

A way of dealing with these transaction costs in short-term PBOs is to form an informal organization by serially collaborating in a string of PBOs. Fundamental to these so called latent organizations are long term informal relationships between key professionals that become formal in temporary contracts for particular projects. By definition, latent organizations also lack formalized structures, just as they lack explicit and formal contracts. Instead, they can be considered to be governed by implicit and relational contracts (MacNeil, 1985; Rousseau, 1990). These relational contracts are indissolubly linked to particular relationships, and the obligations and expectations that result from them are sustained by the value of the continuation of these relationships. Relational contracts allow for flexibility in dealing with unforeseen events, solidarity in problem-solving, and openness in information sharing (Bull, 1987; Poppo & Zenger, 2002). The latent organization brings advantages that can remedy some of the problems of the PBO (Starkey et al., 2000). It provides the organizational continuity in which relational contracts and flexible rewarding can flourish.

Short term PBOs are an especially common phenomenon in the cultural industries such as the television (Starkey et al., 2000) and film industry (DeFillippi & Arthur, 1998; Jones, 1996; Starkey et al., 2000). In turn, the long term latent organizations can be a way to solve contractual and behavioral difficulties in both the television (Starkey et al., 2000) and film industries. Ebbers and Wijnberg (2009) presented evidence that precisely in the film industry these latent organizations, which only exist informally and on the basis of implicit and relational contracts, can be

considered to be more real organizations than the PBO's that have a formal existence.

Organizational structure and faultlines

Organizations are rarely, if ever, simple and homogenous. They often pursue many different activities and usually have many members who differ from one another along many dimensions. Moreover, there usually are many organizational objectives and ways to measure performance for each of them. At the same time there are various means which can help organizations in dealing with all these multiplicities, such as the division of labor and designing a suitable organizational structure.

At a very basic level, it makes sense to distribute tasks over organizational members who are best suited to perform them. In larger organizations this can lead to the establishment of functionally specialized departments, such as a research and development (R & D) department and a marketing department in an electronics manufacturer, such as Philips. Each of these departments then focuses on a particular range of activities, necessitating particular skills and capabilities and attracting employees with particular qualifications and orientations. In turn, this kind of departmental specialization can create new problems, precisely because this specialization can decrease the effectiveness of communication and decision making across departmental boundaries. This problem is often referred to as an interface problem. An example of an interface that has received much attention in the literature is the R & D versus marketing interface (Gupta, Raj, & Wilemon, 1986; Leenders & Wierenga, 2008).

While putting the engineers in the R & D department and the marketers in the marketing department can create interface problems, within each organizational unit there may also be differences between individuals. The tensions between different sets of objectives, orientations or other personal characteristics can result in faultlines that have the potential to split the organization. Wherever there are groups, subgroups can be distinguished based on the presence or absence of particular characteristics within these groups. Even in the management team at the top of a large company, such as Philips, there can be tension between the engineers at one side and the people with a business science background on the other. These groups do not necessarily have to be formal groups, nor do they even need to be recognized as such by the involved actors. Lau and Murnighan (1998) introduced the term faultlines to describe the boundaries between two or more of such subgroups. From an organizational

perspective these faultlines need to be monitored since the performance of the organization as a whole depends on how these faultlines are bridged and managed.

Much research has been done to study the effects of the existence of particular faultlines in groups or teams on collective performance (Bezrukova et al., 2009; Gibson & Vermeulen, 2003; Li & Hambrick, 2005). This stream of research has mostly focused on demographic attributes (Jehn et al., 1997; Jehn, Northcraft, & Neale, 1999), but also values (Bezrukova et al., 2009; Jehn, 1994; Probst, Carnevale, & Triandis, 1999) have received attention as characteristics that can define faultlines. These group values denote essential beliefs or orientations of individuals that are held in common in particular (sub-)groups, and that determine the behavioral choices of these individuals. The more these group values differ between individuals at the two sides of the faultline, the more one can expect different decisions to be preferred by these individuals, and the greater the potential for disunity and conflict at the intergroup or organizational level. Again, as briefly discussed above, a possible way to manage such faultlines is to create various departments in each of which particular group values are shared. The managerial problem then is transferred out of the groups or teams and towards the management of the organization as a whole.

In this chapter we will focus on one particular type of faultline, the artistic-commercial faultline, which is the one most readily apparent in the cultural industries in general, and the film industry in particular. Given the importance of the tension between artistic and non-artistic or commercial objectives in the cultural industries such as the film industry, at first sight it seems to make sense to have departmental specialization along those lines, with on the one side the organizational members devoted to achieving artistic ends, and on the other, the members who have to ensure the economic success of the organization. Such organizations do exist, sometimes with the division going through all the levels of the organization up to the artistic director and the commercial director who jointly form the dual executive leadership (Reid & Karambayya, 2009).

Faultlines in film production and the core dyad

In cultural industries a solution for dealing with the tension between artistic and non-artistic objectives is to have an artistic director and a business director leading the organization together. In fact, many authors (for example, Caves, 2000; Holbrook & Addis, 2008) have pointed out that the

dichotomy between artistic and non-artistic objectives is a major determinant of how organizations in the cultural industries behave. This suggests that in the cultural industries there might be a major faultline between, on the one hand artistic, and on the other hand non-artistic or commercial roles and objectives. In addition, this may imply that how this faultline runs through the organization and its parts, and how it is bridged and managed, could be a major factor in explaining organizational performance. In the film industry this dichotomy is clearly identifiable. The director usually has the main responsibility for artistic matters, while the producer is responsible for the business side. These two roles can also be seen to reflect the dual leadership of film projects.

Although Hollywood in the first half of the 20th century was characterized by the dominance of large centralized and vertically integrated organizations, the film industry in the last decades has become an example of an industry that is strongly decentralized. Films are most often produced by a group of independent firms and freelancers that are contracted to supply the resources needed in a project organization that is disbanded immediately after the film is completed. Currently, a career in the film industry – and neighboring ones, such as television – is therefore a succession of temporary projects that result in a collection of film credits. It differs from a long career at one or a couple of firms in which one is aiming for a progression through the ranks by internal promotions (Faulkner & Anderson, 1987).

The benefits of hierarchy in the old studio system in Hollywood was that both producers and directors were tied to the studio with long term contracts and disagreements could be settled at a higher hierarchical level. An important side-effect of the replacement of the old studios by a succession of PBOs is the increased difficulty in managing the dichotomy between art and commerce, and the different objectives of producers and directors since projects are temporary and organizations are disbanded after completion of the film. Moreover, artistic versus commercial success of films may have a different impact on the careers of producers and directors. On the one hand, the evaluation criteria for a producer's career are mainly related to the commercial success or potential of the films in which they participated. On the other hand, directors' careers may be more driven by their artistic performance, especially in terms of the awards that they have won.

Homophily denotes the phenomenon that contacts between similar people occur at a higher rate than it does among people that are dissimilar

(McPherson et al., 2001). In general it is assumed that being close in this sense will make it easier for ties to be established (Lazarsfeld & Merton, 1978). Just as network ties arise most easily between similar actors it can be expected that relational contracts will come more easily into existence and are more likely to effectively govern relations between individuals when they are more similar to each other. At the same time this argument suggests that precisely in such an informal organization – in which ties between similar individuals arise relatively easily – the most essential ingredient to organizational longevity and performance are the relationships between individuals who are *not* similar. This provides an argument for focusing on the relationships that seem to bridge the most important faultline.

The members of latent organizations include a wide variety of professionals involved in film projects and there can be links and relationships between subgroups of any size. It has been suggested, however, to pay special attention to dyadic relationships. Baker and Faulkner (1991) focused on dyads or collaborative pairs between three roles: producer, director and scriptwriter. They show that in the past it was not unlikely that the roles of producer and director were combined in a single person. This means that the faultline between art and commerce was bridged by pooling these diverging interests and responsibilities in a single individual. However, over time there has been a trend towards a specialization in the producer role and a clear division between commercial and artistic domains, the former being occupied by the producer and the latter by the director or scriptwriter (Baker & Faulkner, 1991).

Other studies on network relations, such as Sorenson and Waguespack (2006), included vertical relations, between the producer and distributor. Since both are mainly concerned with the business aspects of film projects, this can be classified as the core commercial dyad in film production. An important part of the study by Ferriani et al. (2005) focused on dyadic relations between the director and each of the other members of what Goldman (1983) regards as the core team of director, D.O.P, editor, production designer and composer. All these dyads can be classified as artistic dyads in the film production process. This means that none of the above mentioned dyads cross the faultline between art and commerce.

In this study we will focus on the director-producer dyad. As we indicated already above, producers and directors are considered to represent the artistic and commercial poles in the project. From script development and preparations in pre-production, the actual shoot in the production phase,

to post-production activities such as editing, producers and directors are also often involved in the project for a longer time than any of the other actors. Of the mixed dyads of commercial and artistic roles we would therefore expect the greatest benefits to result from these producer-director dyads since the artistic goal of the director wanting to build a reputation based on artistic performance, can potentially be hindered by the producer's goal of keeping within budget and making a profit (Alvarez & Svejenova, 2002).

Directors may enhance their reputation by receiving awards (or nominations) for their contributions to films that lose money (DeFillippi & Arthur, 1998), while such results could at the same time be detrimental to the producer's reputation and scare off investors in future projects. A strong and stable producer-director dyad will help to even out these diverging artistic versus non-artistic goals, and is therefore more likely to form the core of a stable latent organization. Moreover, to the extent that there are 'managerial' relations within the PBOs, it is the roles of producer and director that provide management, and if they are perceived to form a stable dyad other individuals will more readily accept instructions of either one of them. Finally, as we already suggested, the producer-director dyad constitutes the relationship that is least likely to be brought about and strengthened by the forces of homophily. Strong ties are less likely to form in this faultline-bridging dyad and precisely therefore, the strength of this tie is potentially essential to a latent organization that depends on relational contracts.

In the next section we will present data about film production in the Netherlands, based on interviews with producers and directors. The case-study will be structured along four main themes: 1) the division of roles and responsibilities among producers and directors; 2) the functioning of the producer-director dyad in selecting other members of the PBO; 3) the benefits of a stable producer-director dyad 4) the liabilities of a stable producer-director dyad

CASE

The following case-study is built around quotes from semi-structured face-to-face interviews that were conducted with producers and directors in the years 2007 and 2008. We interviewed a total of 24 producers and 14

directors that were selected from the population of producers and directors that were involved in the production of feature films released in the previous 10 years. All producers were either (co-) owner or chief executive officer of production companies. Most of these production companies were also involved in the production of television drama, in some cases commercials, and in rare cases also theater plays. We performed roughly 90-minute interviews that were tape-recorded and subsequently typed out verbatim. Finally, all informants were granted anonymity in the reporting of the results.

ROLES AND RESPONSIBILITIES

Roles and responsibilities of directors and producers

Whereas the producer's predominant role and responsibility is concerned with finding adequate financial capital, managing contracts, guarding the budget, scheduling and organizing the production process, the director's predominant role and responsibility is concerned with the ultimately look and feel of the film. Although some directors see a clear division of responsibilities, for example "producers provide the entire logistics and as a director you have a vision of what you want to achieve" (Director H), others have a broader view of the producer's role: "There are people that view a producer as a completely different person that is only concerned with financial matters. That financial part might be her specialty, but the substantive choices about what the film should be about and what it should look like, these are things we do together...At the moment we are casting for my new film. At those moments we talk simultaneously about whether an actress is bankable or capable of attracting a large audience. To me that is just as crucial as that actress being a very interesting person who makes the film very different from a content perspective (Director L)."

Roles and responsibility for artistic success

Because of their different roles and responsibilities and their different opinions as to the exact division and/or overlap between them, directors and producers may also be expected to have different opinions as to whom they eventually hold responsible for either artistic or commercial success. A first important indicator for tension across the faultline between art and commerce could therefore be disagreement between directors and

producers about who is responsible for artistic or commercial success. In our interviews we therefore asked producers and directors in which order they hold their fellow project members responsible for either artistic or commercial success of a film. Besides the role of producer and director, we used a list of key team members that includes the roles of scriptwriter, cast members, camera or director of photography (D.O.P.), editor, composer and distributor. Tables 3.1 and 3.2 describe the extent to which producers and directors disagree with respect to responsibilities for artistic and commercial success.

Table 3.1: Order of responsibility for artistic success according to producers and directors

Roles:	Producer	Director	P – D
Director	1	1	=
Producer	2	5	-3
Script writer	3	2	+1
Cast	4	4	=
Camera (D.O.P.)	5	3	+2
Editor	6	6	=
Composer	7	7	=
Distributor	8	8	=

Both producers and directors agree that the director has the key responsibility for the eventual artistic success of a film project. The view of producers is summarized very well in the quote from the following producer: “The director is ultimately most responsible for the artistic achievements of films. All the others on the [film] set of course also have a responsibility, but the director has the final responsibility (Producer U).” This view is confirmed by directors. “The director has ultimate creative responsibility for the film. For everything the D.O.P. or composer does, I am ultimately responsible (Director B).” After the film has been completed, the role of the producer is to vie for broader artistic recognition at film festivals: “Later on the producer is the one who brings the film to the attention of [film] festivals and the like...A producer plays a very large role in this (Director H).” In the first column of table 3.1 we see the roles of the core members of a film project. In the second column one can see the order of responsibility as an average in the opinion of producers. The third column shows the same for directors. In the final column one can see the

difference in opinion between producers and directors as to the order of responsibility for the artistic success of a film. With respect to the coding we should note that if a respondent gave the same score for two or more roles each was coded as the average of these scores. For example, if a producer held the director and producer equally responsible, both would score a 1.5 (average of 1 and 2). Roles to which respondents did not assign a responsibility score were coded as the average of the remaining scores for each of them. For example if a director held the editor, composer and distributor equally least responsible, each was coded as a 7 (average of 6, 7 and 8).

Table 3.1 shows that producers and directors have a shared understanding about the artistic responsibility of the director, cast, editor, composer and distributor. There is quite some disagreement (-3) however, with respect to the responsibility of the producer. Whereas producers see themselves as the second most responsible; “In my opinion the producer is actually just as important for artistic success as the director (Producer V)”, directors place them at number 5. Part of this might be explained by the fact that even though a producer’s direct influence on the artistic merits of a film could be limited, in the end they are responsible for having green lighted the film project in the first place. This is very well reflected in the following quote: “Being a producer it [artistic failure] is always your fault. In that case you just shouldn’t have hired those people (Producer H).” There is a slight disagreement with respect to the script writer (+1), but this might be related to the previous point. Finally, it should be noted that directors value the artistic input of the D.O.P. (cameraman) much more than the producer (+2).

Roles and responsibility for commercial success

Commercial success in the film industry is very difficult to predict. This could also explain why there is quite some disagreement between producers and directors about who is most responsible for commercial success (as one can see in table 3.2). To a certain extent this is also a matter of choice since films that have been positioned as an art house film with lower anticipated revenues can cross over to become a big commercial success, for example as a result of artistic acclaim at prestigious film festivals. “It is generally very difficult to determine who is responsible for commercial success. It also depends on whether it was supposed to be a commercial success from the start or not. It is possible that originally a film was not intended to be a commercial film but afterwards became one, and vice versa (Director F).”

Table 3.2: Order of responsibility for commercial success according to producers and directors

Roles:	Producer	Director	P - D
Producer	1	2	- 1
Director	2	4	- 2
Distributor	3	1	+ 2
Script writer	4	5	- 1
Cast	5	3	+ 2
Editor	6	7	- 1
Composer	7	8	- 1
Camera (D.O.P.)	8	6	+ 2

Producers and directors nearly agree that the producer has the prime responsibility for the commercial success of a film (-1). To put it simple “The buck stops here (Producer C).” Producers, however, hold directors much more responsible for commercial success than the directors do themselves. There is a fair gap between the two (-2). This also depends on who takes the initiative in setting up a new film project in the first place. “When you as a producer ask a writer to write a script and subsequently you hire a director, then of course you as a producer are responsible. But here in the Netherlands it is not unusual for directors or writers to approach you with a script. (Producer N).” In addition, although producers do not hold a script writer responsible for commercial success since it was their decision to green light the script, they do hold directors responsible for how the script is turned into a film: “It may be that a writer delivers a brilliant script. But it can be completely ruined by the director (Producer I).”

Although – according to directors and producers – distributors do not play a role in the artistic success, they do play quite an important role in the commercial success of a film. The distributor’s role and responsibility is marketing the film, determining the size of the release in terms of number of prints that will be distributed to film theaters, and making deals with these film theater owners about sharing the revenues. “The producer and I come with a film and then the distributor must cash it in. We put the ball on the spot and he should score (Director B).” But at the same time a distributor “...cannot turn a shit film into a success...and alternatively, they can screw up by targeting the wrong audience, bad publicity, lack of

marketing, and giving a small film a big release and vice versa (Producer C).”

Interestingly enough, there is quite some disagreement between producers and directors as to the degree in which they hold distributors responsible. Directors hold them more responsible for commercial success than producers (+2). “The distributor should be at the top because if he determines that the film is released in 100 copies, then at least 50,000 people will go and see the film. Rather if a film is released with only 6 copies no one will see that film (Director A).” However, it is very difficult to determine who is responsible for commercial success because it all adds up. “I think that if the same film was made by a director who made it a lesser film - to put it bluntly - that because of the casting and the way it is promoted by the producer and distributor, the first blow would have been the same. The first 300,000 visitors would come just the same. This would be the result of [good] promotion, casting, genre and marketing. But after that the film should be on its own legs. If the film is not good, it will stop after 300,000 visitors...So in some cases I think the most important factor for the commercial success of the film is the director. But, on the other hand, if the same film would not have been marketed that well there wouldn't have been a lot of visitors to start with (Director M).”

The previous quote already hints at the importance of cast members in terms of the lead actor and/or lead actress for commercial success. As you can see there is quite some disagreement as to the bankability or value of cast members in attracting a large audience. Some producers believe that cast members have star power that can aid in turning a film into a commercial success. “We are now making a film with [anonymous actor]. This film you have to market completely around [anonymous actor]. You have to offer something in return because his name is worth money (Producer A).” Part of the contract states that cast members are also required to promote the film in the press in order to build publicity. “Actors and directors, since it is written in their contracts, know that they must cooperate with regard to press, promotion and publicity (Producer I).” Some producers also believe that besides the cast, certain well known directors can also draw an audience: “It is about the director who is known from this or that film and the bankability of the cast (Producer D).” Nevertheless, in general producers seem to agree that in the Netherlands cast members are not bankable. “In the Netherlands people do not go to the films because it features a certain actor (Producer G).”

THE PRODUCER-DIRECTOR DYAD AND PROJECT TEAM SELECTION

Producers and directors in the team selection process

In the previous section it has become clear that there can be disagreement between directors and producers as to which other team members they hold responsible for artistic and commercial success. With respect to both artistic and commercial success, directors rate the input of the D.O.P. much higher than producers. In addition, directors also hold distributors and cast members much more responsible than producers. Although eventual – commercial even more than artistic – success is difficult to predict and therefore difficult to attribute to individuals, one might expect that this disagreement between producers and directors could manifest itself in the selection process of the other individual team members for each film project.

The division between artistic and commercial roles and responsibilities and the possible faultline between the two is neatly summarized by the following quote: “In my opinion the director, editor and composer are stacked together and the producer, distributor and cast are stacked together (Producer I).” As we saw above, the director is mainly responsible for the artistic look and feel of a film, and also ultimately responsible for the work of the other artistic team members such as the editor, D.O.P. and the composer. One would therefore expect that the director has the strongest voice in the selection of these team members. On the other hand, the producer is predominantly responsible for the business aspects of the film. Since distributors, and to some extent cast members, can play an important role in attaining commercial success, one would expect that the producer has a strong voice in the selection of these team members.

However, who precisely has the strongest voice, the director or producer, also depends on who had the original idea or initiated a particular film project. As we already briefly mentioned above, it is not uncommon that directors approach a producer either with an idea or a script that they may even have written themselves. “It really depends. Sometimes it is the director, sometimes the writer, and sometimes the producer. Sometimes the director is also the writer. Sometimes I come up with a plan and I hire a writer to work on it (Producer B).” Naturally, the one who owns the

intellectual property overall has a stronger voice in team selection. “If the producer is the initiator then he will have a greater say in the selection of the cast and crew. If I myself, or together with a script writer, initiate a project and subsequently approach a producer, I will be in a much stronger position (Director J).”

In general, however, there are no specific contractual agreements between producers and directors in which they demand specific individuals to be part of the team. “I don’t have anything written down about which specific individuals I want to work with but that I do have a voice in it. The producer cannot force me to work with someone I do not want to work with. There are no specific names in it [the contract], but it does state that we should agree (Director E).” This is confirmed by producers. “That’s often what you and the director determine together. You both need to be able to work with that person. When either of the two really does not see it work, you should not do it. Then you get a forced collaboration and that never works (Producer A).” Although there are no upfront contractual obligations that determine team selection and directors and producers both need to agree on who is to join, in practice either the producer or the director has a dominant voice in relations to specific roles.

Dominance of directors versus producers in the team selection process

Apart from the roles of producer and director, the roles of the other professionals involved in a film project also come with specific tasks and responsibilities, which in turn shape the particular relations between each of them and the members of the core dyad. In what follows we focus on the same roles as in the previous sections and in tables 3.1 and 3.2. Since each film is a unique project that may require very specific skills and resources, the selection process of team members is also partly determined by the nature of the project at hand. The specific genre of the film, for example, may influence the selection of team members: “Sometimes you have a specific editor for each project. A certain editor is better in drama than in comedy or suspense (Director H).” In addition, the choice whether you intend to make an art house film or a mainstream film will also influence the selection of team members. “The composer has a great deal of influence on the feel of a film. Just by listening to the music you can already hear whether something is art house or mainstream and...[being a D.O.P.] you need to know what kind of film you’re shooting. For example, if you are shooting a commercial film, then the film needs to get the look that it deserves (Director F).”

Although the specific choice may depend on the nature of the film project, directors have the dominant voice in the selection of the main creative roles of the film crew. After asking directors which are the most important artistic roles besides those of director and script writer, directors confirm that "...you can see some roles as purely creative: the D.O.P., composer, and editor (Director M)." When asking directors with respect to the selection of which roles their voice is dominant it is clear that this is especially the case with respect to precisely these three key creative roles. This is highlighted by the following quotes: "I am very loyal. For example, I nearly almost work with the same D.O.P. and composer... I always try to work with the same editor, but that is not always possible (Director N)." "I have two [D.O.P.s] that I like to work with, it will be difficult for me to collaborate with a third. It should preferably be someone I know and previously worked with. There are a few options. The choice of one of these two depends on the style of the film (Director F)." "The editor is almost always my choice. I make a choice and they say 'OK'. That is also a good thing because it's my regular editor (Director M)."

Both the key creative roles and also the dominant influence of the director in their selection – except to some extent for the composer – are largely acknowledged by producers in the following quotes. "A cameraman, editor and composer are very crucial in determining the style and form. I select them for each specific project depending on its style. I will first see which persons I know myself, but the director has his preferences as well (Producer J)." Another producer confirms this: "You do have preferences, but it all depends on what type of film it is, who the director is... It may be that it is all tied to the director (Producer A)." "In the case of D.O.P.s...we usually follow the preferences of the director. This also applies to the editor. The composers we search together with the director (Producer G)." "It often depends on the director. I know that if I work with this particular director, I get this editor...People know that they often work together (Producer A)."

The producer is especially dominant in the selection of the film distributor. This is perfectly illustrated by the following quote by a producer: "Before we start with the actual film shoot we already have close contact with the distributor. We do this because we think that it is important that the relationship between the producer and distributor is properly coordinated. In this respect we are unlike many other producers. Many producers make a film and pass the baton to the distributor when the film is finished. The distributor generally runs a great risk with a film and in order

to reduce the risks, the distributor may give a film a small release. That means limited marketing and few copies. So this becomes a kind of self-fulfilling prophesy. For us it is important that in an early stage and in consultation with the distributor we determine the target audience, how that audience will be reached, and what the marketing strategy will look like. If, as a producer and distributor, you determine the marketing strategy at an early stage, the risk to the distributor will be a lot smaller. We also often collaborate with the same distributor, as a result of which you are better able to coordinate the collaboration (Producer U).”

This previous quote shows that whereas the dominance of directors in the selection process is based on strong ties with artistic members of the film project, the dominance of the producers is in many cases the result of strong ties with the other main commercial party involved in the film project: the film distributor. The director is hardly ever involved in the relation with the distributor. “I do not interfere with the selection of a distributor, that’s a producer issue (Director E).” Even if they wanted to, it is very difficult for directors to influence the relation between the producer and the distributor. “In a possible future project [with the same producer], I would prefer a different distributor but there’s a special bond between this producer and distributor, so I do not think that I will be able to make that happen. That is something where the producer’s voice is more important than mine (Director F).”

Conflicts between producers and directors in the selection process

The influence of the producer in the selection becomes more important, however, when the choice of team members of the director interferes with the commercial interests of the producer. “The vote of the producer is especially decisive where important financial interests are at stake. As long as this is not the case, there will not be any tampering with the artistic integrity of the director (Director D).” However: “Sometimes they [selection criteria] indeed diverge. This obviously has to do with money or preference or antipathies of a producer (Director E).” Producers need to strike a balance between the skills of prospective team members and the price they have to pay for them. “In most cases it is the average between the person capabilities, isn’t he too expensive, and doesn’t he demand too much (Director A).”

An important conflict between producers and directors revolves around the selection process of cast members or lead actors and actresses. “Producers will always meddle with the [selection of] cast members.

Commercial considerations of the producer in the choice of key cast members can cause friction (Director F).” Although a number of directors and producers doubt the existence of star power in the Netherlands, an important reason why producers may have a strong preference for certain cast members is that their bankability – or capability to draw an audience to the cinemas – will help them to persuade investors or distributors to invest in their project. “Sometimes it is easier to convince a distributor when you say that you have certain actors or actresses in the film (Producer J).” Especially in mainstream (as opposed to art house) film projects it is not unlikely that the selection decision may switch to the commercial side of the art-commerce faultline because it is to a considerable degree determined by the commercial producer-distributor dyad. “It may be that the distributor says ‘take this or that lead actor, because it makes it easier for me to design a [marketing] campaign’. So he does sort of have an influence on the choice of actors (Producer N).” Although directors can refuse to work with certain cast members, they do discuss the selection with the producer at length. “If a film is to be a commercial success this is a matter for the producer and me together. You talk about it constantly; the kind of actors that you cast. It is important that you monitor the genre or type of film (Director E).”

The influence of loyalty and past collaborations on the selection process

Besides differences in taste between the producer and director and the cost of contracting certain team members, relations based on past collaboration also play an important role in team selection processes. “As a producer you can’t tie people [to your organization] with a permanent contract. You don’t have the money for that. Moreover, the director also has his own friends that he is trying to smuggle in (Producer K).”

On the one hand, these preferences for professionals one has worked with in the past may simply be a matter of familiarity or trust. “Naturally, in certain cases it is more pleasant to work with people that you know. You know what you have both in terms of personality and quality (Producer B).” As we saw earlier, producers and directors tend to be quite loyal and have built their own networks of professionals they like to work with. Naturally they will try to get these individuals on the team. “You have your own network with many people in [different] departments you regularly work with that you want to try to advise to your director (Producer B).” Both producers and directors, however, see the risk involved when the team

members of a film project are too loyal to the other party. “Producers generally find it scary when the crew originates too much from the personal sphere of the director because it means that they have less control (Director B).”

On the other hand however, past collaboration can lead to varying degrees of obligations and expectations towards particular professionals that may influence the selection process. In the film industry there is often a lack of money and when financial resources are tight loyalty can become important. “...it [loyalty] is also financial. I have made many small films where there was not much money. Much of the people who participated in these [small productions] also did very big things [productions] (Director F).” Producers also engage in this form of informal cross-subsidization between projects. “When I ask someone to work for less, I can’t do it again the next time. I feel that I have an obligation to ensure that person must be compensated with a next project. It happens very often that you ask people to work for less than normal but as a producer this creates obligations for the next project (Producer J).”

EFFECTS OF THE STABILITY OF THE PRODUCER-DIRECTOR DYAD

Long term relations and producer-director dyads

As discussed above, we are especially interested in the producer-director dyad since this is the most important dyad from a management perspective. The stability of this dyad or the degree of loyalty between producers and directors varies quite a lot. “Some directors are loyal but others are not. The last group wanders from producer to producer (Producer O).” Some directors are highly skeptical about loyalty and distrust the intentions of producers. “It’s a business relation. There is no other relation. It has been a long time ago since I last fell for pleas for so-called loyalty: ‘Do something for us now for the good cause’ and things like that. I always demand money. There is no loyalty (Director G).” Alternatively, there are also producers that question the loyalty and commitment of directors and other crew members: “We are not tied to anything because people have things running with six other producers. They have many irons in the fire...There is a lot of shopping around among screenwriters and directors (Producer D).”

On the basis of our interviews with producers we found that 21% of the production companies had both producers and directors as shareholders. From the interviews with directors we know that 14% of them indicated that they were joint shareholder in a production company. In general however, there are no formal long term contractual relations between producers and key creative individuals, such as directors or scriptwriters. Often this is not just the result of opportunism but due to the high uncertainty that characterizes the film industry. Since it is very difficult to predict the success of films it is also very difficult to finance (especially independent) film productions. In addition and possibly as a result, the majority of film production companies is very small and has little stability or continuity in order to be able to offer long term employment contracts to key creative individuals. The average Dutch film production company has only 4.25 employees (in FTE) of which 1.5 are its owners.

Although many producers would like to offer long term contracts to key creative individuals such as directors and scriptwriters, they say they cannot afford to because of the high risks involved. “You try to build a long term relationship with people you're satisfied with. But because being a producer you have so little financial elbow room, you can't offer anyone anything. I can't say: come and work for us for two years (Producer G).” Although highly uncommon, the same producer gives an example of a long term contract that he made with a specific director. “I did once offer [Director E] a salary for a certain period of time, whether we had work for him or not, because we really wanted to do a project with him, and did not want him to go to another producer (Producer G).” It is more common for producers to tie in a specific director by offering a series of projects on an individual contract basis. “In the mean time they kept me occupied and standby in case [anonymous film] would get green lighted. I did not have a contract but they always tried to let me do a number of series [television] in order to keep me tied to their firm (Director E).”

Although formal long term employment contracts are uncommon, the majority of producers prefer stable long term relations with freelancers. “We have no permanent employees. You naturally reestablish contact when the previous collaboration was successful...This is not something that is written down in contracts (Producer N).” Since success is difficult to predict in the film industry, some producers even continue a relation when the previous project was not successful. “You also build significant joint experience. That's important, even if things go wrong. I prefer a company where it goes wrong once and where it goes well the next time instead of

having to work with an uncertain factor every time (Producer R).” Producers are especially keen on building relationships with directors and scriptwriters who – in their view – are the key individuals in film production. Producers consider them as the heart of their firm even though they are freelancers. “The important thing as a [production] company is to tie directors and screenwriters to your company. This allows you to get a certain profile as to the type of films that you make and it also determines your image as a producer. Those people should be the heart of your business. You try to build some form of relationship with them in order to keep them tied (Producer J).”

Directors generally also prefer to collaborate with a small number of producers. Besides the directors that are joint shareholders in a production company, there is also a director who exclusively works for a single producer without any contractual obligations to do so. “I’m not even sure whether this is written down in a contract but in principle I am not setting up relationships with other producers. This is an important thing because almost nobody else does this...After my graduation I was immediately picked up by the producer with whom I still work. I therefore tied myself to this producer but it is completely informal. Any day we can say: ‘we go and work with someone else’, but it is a very strong partnership... We have very often thought about starting a firm together but then you really need to have the same goals. My goal is to make my own films and not those of others, so I don’t want to spend too much time developing other people’s projects (Director L).”

The majority of directors prefer to collaborate with a limited number of producers. “I have a preference for a close cooperation with one or a few producers (Director M).” This is especially the case when the director is also the writer of his or her own script (so called hyphenates). They often develop these ideas for scripts in close collaboration with a producer. “I’ve always been independent but since two years I have a verbal agreement with [producer A]. This means that I offer all my new plans for films to them first. If they are not interested I will go to another producer (Director A).” The following director is known in the industry for shopping around for the best deals with any production company but he also indicates a preference for a stable relation. “At the moment I am not tied to any [production] company but that is likely to change in the future...I want to do this because I have the idea that there are very interesting things happening in the world when, at some point, a director and producer become a tandem (Director F).”

Benefits of stable producer-director dyad during selection

Producers and directors that have strong ties are more likely to trust each other in the selection process of the other project team members. This is confirmed by the following two directors. “If you have already worked with someone before there will be more trust and everything [in the selection process] will be easier. You have to get to know each other (Director E).” Producers may also be more inclined to hire a project team member for which a director has a strong preference even though this person may be more expensive than the producer was initially willing to spend: “You have to be able to trust that someone [a producer] can really take into consideration both the costs and the benefits. That you spend your money on people who might be a bit expensive but at the same time do deliver excellent work, and that on other fronts you can cut some costs (Director H).”

A stable relation between producers and directors makes contract negotiations easier. This is especially important for producers since they are the ones who have to guard the budget. “These people grow with our company. It also means that you can reward flexibility. They work for us for the amount that is available in the budget. Depending on the size of the budget, this amount is sometimes higher and sometimes lower. This means that we do not need to have complex negotiations because they trust us to reward them within the possibilities of the budget. It also offers us the possibility to even out payments over successive projects (Producer U).” Moreover, a director may also act as a go-between between the producer and other potential team members during their contract negotiations. “I have the role of good cop in the sense that I can explain to one department that another department gets even less. Ultimately, in the phase that the money is being distributed everyone doesn’t just want money for himself in terms of salary but also for his department to do things with. They want the best for the film but this is not always possible. In these matters I have a soothing effect. I provide each of them with information. This is really a kind of good cop bad cop idea (Director L).” The following director phrases it slightly differently: “If I already know in advance from the producer how much money is available, then I could potentially approach these people using my charm and say: Would you rather not do it? Can’t you do it for a bit less? It would be so nice to work together again (Director K).”

In addition, the flexibility of a producer in the selection process is constrained by the network of past collaborations of the director and vice versa. Directors as well as producers often have a few individuals for each role that they prefer to work with. One of the producers states that: “If there are 20 roles on a [film] set we always have a preference for 3 or 4 [people]. That means we have a pool of 80, a solid club of 80, from which we choose. This is the pool that we like to work with (Producer C).” However, the selection of the project team to a large extent depends on the director. “You build [a team] around the directors you choose (Producer S).” Besides that fact that a stable producer-director dyad leads to more trust, it also makes the selection process considerably easier because their networks of past collaborations overlap. “Because of trust and past experience it becomes easier to build a crew since you are already very much [fishing] in the same pond. They [producers] often work with the same people with whom I work (Director M).”

Finally, these overlapping networks are valuable to producers since directors are more inclined to work with people from their own network, it allows them to offer crew members deals for a package of projects at a discount. “You can provide someone with work for a long period at a discount (Producer E).” For example with respect to D.O.P.s: “If you know that a D.O.P. will be doing two projects in a row with you, you can bundle the negotiations for the two projects. A deal of 40 days for us is cheaper than two separate deals of 20 days (Producer K).” The following director acknowledges this: “Especially when you have a long-term relation, the producer will try to push his own people. He wants you to build a long-term collaboration with them (Director B).” Although the benefits of a stable producer-director dyad are valuable in the selection of team members, they are arguably even more important during the actual shooting of the film.

Benefits of stable producer-director dyad during production

For producers it is crucial that they are able to exert a certain degree of control over the team that is shooting the film. “The team that is shooting the film is very important. You have to monitor this well, otherwise things can easily get out of hand...If you do not have much control over a film, also from an artistic view it does not make much sense for me to make a film (Producer Q).” Directors, on the other hand, run the risk of having to compromise their artistic vision because producers cut the supply of money during the shoot. “In [anonymous film] for example, we produced under conditions that I did not want. At one point we agreed among all heads of

department: we will keep it fun but clearly this it is not the project that we had in mind anymore. There was increasingly being cut and scrapped in ways we had not anticipated. At that point you have the choice to either quit or to continue. In the latter case you have to accept that it [the film] will become somewhat less good (Director E).” In situations like this there is a risk to the producer that the director will rally the crew against him or her. However, when you have a long term relationship with a producer, directors “...won’t stir up the crew against the producer (Director H)” and “...will be more inclined to give the producer the benefit of the doubt (Director J).”

Especially during the actual shooting it is important to have a mutual understanding of the need to balance the commercial objectives of the production department and the artistic objectives of those on the film set. It is important “...that there is not a relationship of us against the production [department], or us and the people who always say: ‘we don’t have money for that’. I always want a quadrangle between the executive producer, director, D.O.P. and the 1st assistant director. These four people must feel that they are a team, and agree with respect to all three aspects: what is financially possible, what is practically feasible, and what are our wishes with respect to the content, all four of them have to believe that these three things are equally important, rather than ‘I just want this and you just find out how you manage this financially.’ These people are not welcome. It also shows respect for each role, and respect that you believe that everyone only wants one thing and that is to make a beautiful film, and not pocketing a lot of money, exploiting people, or not feeling like exploring alternatives but just saying that ‘something cannot be done,’ or only dreaming of the most beautiful shots. But just as well I do not want to judge a director in terms of: ‘But you always think the sky is the limit’ (Producer X).”

In cases where there is a stable producer-director dyad it is easier to deal with these inherent conflicts between producers and directors, which can easily be exacerbated by the many contingencies that characterize film shoots. “A director who has the long term relationship with a producer in mind will have more eye for the balance between artistic feasibility, financial feasibility, and practical feasibility from a production perspective. You’re no good to me when you as a director think that nothing has anything to do with you, except the content of the film (Producer X).” This is confirmed by the following director: “Discussions are more to the point: What are we going to do and how are we going to do it within the boundaries of time and the financial resources that are available? What

choices do we make? Which scenes are important? It is more about brainstorming and discussion rather than conflict (Director N).” Another director adds that “...the more you talk about things, the more they [producers] tell you what they are doing, the more I can influence that, and the more it is just an open, transparent and organic whole rather than you being suddenly confronted with all kinds of issues (Director F).” It also means that producers can more safely challenge directors. It also works the other way around: “If a producer knows that you have a long-term relation with one another he will take more risks in being critical without running the risk that the director will go to a different producer. The more stable the collaboration, the more critical he can be towards me (Director B).”

Stable producer-director dyads can either be formal and based on long term contractual relations that exceed the individual project, or they can be informal based on serial collaboration in successive projects.

First, when producers are joint shareholders this means that the conflicts between art and commerce will be settled at the firm level. “The advantage in our company is that we all have experience in directing and producing. This is an advantage because we can settle the conflicting interests of the director and producer internally. As a director you have certain demands and wishes but at the same time you know that as a producer you need to keep an eye on proportionality. So as a director I correct myself as it were...You avoid all sorts of problems because you know the implications in advance (Producer U).”

Second, however, stable producer-director dyads are in most cases informal relations based on serial collaboration in successive project organizations. The same producer continues: “You often see that certain directors often work with certain producers. Then it is very similar to what happens within our company. In that case, all those forces have been given a place. You are doing the same thing and you feel at ease with one another. The challenge is to avoid a split in the team (Producer U).” Or in the words of a director: “you become a bit of a co-producer, and the producer becomes a bit of a co-director. So you operate as a team (Director K).”

Liabilities of a stable producer director dyad

In the previous section we focused on the benefits of stable relations between producers and directors. In this last section we will briefly discuss some of the liabilities of stable producer-director dyads.

Most of these liabilities are related to producers or directors becoming overly dependent on each other. Often this is a more serious problem for

directors because they are generally involved in fewer projects than producers. “A disadvantage [of a stable relation] is that they [producers] lose confidence in our collaboration and suddenly see much more opportunities for collaboration with others than I do. The difference between a producer and director, among other things, is that most producers are involved in several projects in a year while I can technically do not do much more than one project per year (Director M).” Another director shares that: “I want to spread my collaborations with producers. I do not want all my projects to be with one producer, I find this too risky. At any moment, in the heat of the battle, your work relationship can come under pressure. You'll get the most stupid problems like having to buy back your own projects from producers who want to see money for them (Director D).”

Besides becoming too dependent on a single producer, directors also simply miss out on other valuable opportunities with other producers. Loyalty may become problematic when “...you are acting so loyal that you do not seize particular opportunities with other producers. Of course it is the true that expectations will grow: ‘why are you suddenly [working] with someone else?’ (Director C).” According to the following producer it is especially inexperienced directors that run the risk of being loyal to only a single producer. “Directors are naïve when they are young...they are willing to commit to a single producer without any contract...Most directors discover after two or three years that they must spread their attention (Producer K).”

Some producers also encourage directors to spread their risks because of the uncertain nature of the industry they cannot offer them a stable supply of work. “I always tell directors that they need to have several irons in the fire, and therefore also need to do projects with other producers. They know that I would offer them a permanent contract if I could afford to. I encourage them to also get involved in other projects. I have had so many people crying here at this table who had freed up their agenda and turned down a number of projects and don't know what to do anymore. I can't guarantee anyone that there will be a new film coming up (Producer X).”

Besides overreliance on a single source of work, it is also difficult for directors to negotiate a higher remuneration when they have a stable relation with a producer. First of all, producers know what they earned in past projects and use that as a benchmark. “When you work with the same producer it is also problematic to suddenly ask for substantially more money. I can do this more easily when I start working with another producer. With respect to remuneration and negotiation about the terms of

your contract it is easier and better to work with several producers. The competition among producers works in my favor which means that I can demand more on all fronts (Director E).” Second, directors may more easily take salary cuts because of budgetary issues. “It's tricky because I am also sort of part of the company, and therefore tend to think too much in line with the producer, while my agent says: ‘you have to go for your full pay because the money has been made available because of you’, then I tend to say ‘yes, but I know because of information that, if I do that, it will be difficult to make the film. In those situations I am inclined not to do it, not to demand the maximum because this could mean that I run the risk of the project not going through (Director B).”

Finally, the film industry is a creative industry and therefore depends on a fresh flow of new ideas that can often result from new encounters with other film professionals. This is something that both directors and producers mention on several occasions. “It is always good to work with several teams. Otherwise you will get stuck in routines and it's always good to see how other people do certain things. It also keeps you fresh. It provides you with new ideas (Producer G).” “It [the relation] can become worn and therefore it is good to renew. You're too easy on one another...A new person can also excite you and give you a whole new view. They can also involve you in things that the other person kept you out of and you knew nothing about (Director J).”

CONCLUSIONS

There is broad evidence of continuity or repeat collaboration in the film industry (Delmestri et al., 2005; Ferriani et al., 2005) and it has been proposed to look at these groups of serially collaborating individuals as members of so-called latent organizations (Starkey et al., 2000). In the case presented above we specifically focused on how the core dyad of producer and director functions to manage the tensions generated by the artistic-commercial faultline. Whereas the producer's predominant role and responsibility is concerned with finding adequate financial capital, managing contracts, guarding the budget, scheduling and organizing the production process, the director's predominant role and responsibility is concerned with the ultimately look and feel of the film. Precisely because

the individuals fulfilling these two roles are at different sides of the faultline, the link between them bridges it.

We took a closer look at the actual division of roles and responsibilities among producers and directors and we particularly focused on how the dyad operated in selecting other members of the team. Next we looked at the advantages and the disadvantages of a stable producer-director dyad as perceived by the producers and directors. The responses of the producers and directors show that they do see their roles mainly on the one or the other side of the faultline. At the same time they can have different estimates of the other team members' importance for artistic or commercial results. This can lead to further differences of opinion with regard to the selection of other team members. The producers and directors recognized the importance of a stable and strong link between them. Although some potential disadvantages were clearly noted – staleness, lack of flexibility – longer-term close collaboration has great importance in managing the dual objectives of film production, to the benefit of the performance of the project-based organization as well as the latent organization.

4 Product Innovativeness, Organizational Legitimacy and Reputation in the High Arts: What Signals Drive Market Access Decisions?

Abstract - Many organizations have adopted innovative product strategies because innovativeness is generally seen as a valuable product characteristic. However, innovativeness may also increase uncertainty about the product's acceptance in the market and this has important consequences for decision making by intermediaries between the producer and the final consumers. In the high art theatre industry, for example, uncertainty regarding product quality and demand is extremely high, because every new production has to be scheduled long before the production is finalized. In this article we investigate decision making by a particular kind of intermediary: venue programmers, who have to select, among all the upcoming theatre and dance productions of all production companies, the productions that will be included in their venue's program for the next season. We compare the effect of the production company's legitimacy with its reputation and the innovativeness of its past productions. Our analysis of 551 new productions of subsidized high art companies in the Netherlands shows that: (1) innovativeness is negatively associated with scheduled capacity, (2) legitimacy is more important than reputation with respect to obtaining scheduled capacity, and (3) the relationship between innovativeness and scheduled capacity is positive for companies with lower legitimacy.

INTRODUCTION

In the high arts¹ industries, innovativeness plays a highly important role, because it is considered by itself a value-creating product characteristic (e.g. O'Hagan & Neligan, 2005; G. B. Voss et al., 2006; Wijnberg & Gemser, 2000). At the same time, innovativeness always adds to uncertainty with regard to market response, and these same high arts industries are already characterized by a relatively high level of market uncertainty (Caves, 2000; Walls, 2005).

The problem of market uncertainty is faced not just by the producers but also by the intermediaries who buy from the original producers and sell to the eventual consumers, such as retailers who have to decide which products to stock and how much shelf space to allocate to the products (Borin, Farris, & Freeland, 1994). This problem becomes even more difficult if the intermediaries have to take decisions about innovative products that are not yet in existence, and often still in the process of being developed. Precisely this is the situation in which venue programmers of theatres find themselves when they have to decide which productions by which theater companies to include in the next season's program.

These intermediate buyers decide about performances that take place in the upcoming season, which may be up to a year later. Venue programmers' scheduling decisions are aimed at satisfying the needs of the audience and the venue at large (Kawashima, 1999). The venue programmer decides if, when, on what stage, and for how long a new production of a high arts organization will be performed at the venue. What is more, venue programmers often make these scheduling decisions about a production in the pre-production phase. Thus, decisions are made on the basis of the venue programmer's assessment of the production, the production company, future demand and the impact on, for example, sponsors and subsidies.

A widely adopted solution to deal with uncertainty, is to keep the supply chain flexible so that unsuccessful products can be removed from the 'shelves' as quickly as possible (Christopher, Lowson, & Peck, 2004). However, this is not always feasible, also because of conflicting interests of channel members (Sahin & Robinson, 2002) and decision makers often

¹ We make a common distinction between two organizational types in the cultural industries: (1) the highbrow fine art sector in which a large proportion of organizations and individuals are non-profit or subsidized and (2) the lowbrow commercial or popular art sector in which most organizations and individuals are for-profit and do not receive subsidies (DiMaggio, 1982; Holbrook, 2008).

have to fall back on product and organizational signals that work as predictor of success under extreme uncertainties (Y. Chen, Liu, & Zhang, 2011; R. Klein, Wareham, & Cousins, 2011; Y. Lee & O'Connor, 2003; Lilly & Walters, 1997; Roberts & Dowling, 2002).

In this paper we study scheduling decisions and focus on the signals that can reduce uncertainty regarding quality and audience demand, such as legitimacy and reputation of the production company and the innovativeness of the production. There can of course be many different ways to consider innovativeness, but we focus on the newness, to the local theatre industry, of the particular play that is being performed, and which has been used before in studies of the performing arts. DiMaggio and Stenberg (1985b), and following them O'Hagan and Neligan, (2005), used the term 'conventionality' to denote the opposite of innovativeness and operationalized this by looking at the number of times a particular play has been performed before. This study will follow their general approach to innovativeness. The concept of organizational legitimacy is derived from Aldrich and Fiol's (1994) conceptualization of cognitive legitimacy and refers to how 'visible', or 'taken for granted' organizations are for third parties. Being reviewed in newspapers means that an organization is a legitimate player in the field that the reviewers are supposed to evaluate. Organizational reputation concerns *how positive or negative* the evaluations are that organizations receive in the media (Deephouse, 2000).

While previous studies on the determinants of competitive success in the cultural industries mostly focused on performance in the final stage – that is: audience attendance and other indicators that are the result of this, such as box office – this study will focus on what explains success in the preceding stage, that of the intermediate buyer. Since companies that are not successful in that stage cannot be successful in the next, this seems to be an approach that is necessary to fully understand the competitive dynamics of the industry (Kawashima, 1999). Furthermore, this study will provide an important contribution to the literature on decision making about new products, and especially regarding the combined effects of signals denoting organizational reputation, legitimacy and innovativeness in an early stage of the market planning cycle.

In the next sections we discuss the decision making process of venue programmers, why innovativeness is an important product characteristic and discuss literature about organizational legitimacy and organizational reputation, on the basis of which three hypotheses will be proposed. In the

following sections we discuss the data, method and results and the final section offers a discussion and conclusion.

THEORY

Scheduling decisions by venue programmers

In many industries, production and distribution are relatively independent of each other. In the motion picture industry, for example, there have been laws that prevented studios to own cinemas and in other industries this has grown as the most efficient and effective channel structure. In the high arts, production companies are often independent of venues and even the few companies that have a home-venue or venue affiliation have to negotiate with the venue programmer about how many nights they can perform particular productions in that venue. Thus, the venue programmer decides which productions of different performing arts production companies are appropriate to be performed in their venue.

If a production is believed to be appropriate, the venue programmer has to decide what number of nights and which halls – if the venue has multiple halls, which is the case in most major theatres – would be suitable for the production. In other words, venue programmers decide what the audience capacity is for productions of performing arts companies. In addition, if venue programmers offer flat-rate contracts, they fully determine the financial revenues of productions before they are performed. Therefore, venue programmers are key intermediaries that play a crucial role in the success of performing arts production companies.²

Venue programmers encounter various difficulties in their decision making process. First, venue programmers are offered many different productions, more than they are able to program and more than they could adequately inform themselves about regarding quality and audience reception. Therefore, especially the first round of selection will usually be on the basis of the most at-hand indicators. Second, venue programmers have to make scheduling decisions concerning productions in the pre-production phase; when they are not yet able to experience the product themselves. Often rehearsals will not yet have started and only the bare

² In the Netherlands, venue programmers' scheduling processes and the challenges they face in this are similar to those of programmers described by Kawashima (1999).

details about the production and the involved actors will be available. Third, venue programmers have to take into account that they are intermediaries and therefore have to predict how well a production will satisfy the preferences of final consumers, which in the cultural industries is notoriously hard to predict (Swami, Eliashberg, & Weinberg, 1999; Throsby, 1990; G. B. Voss et al., 2006). Finally, once venue programmers have selected a production to be performed for a certain number of nights on a certain stage, it is practically impossible to increase or decrease a production's audience capacity in response to ticket demand by, for example, scheduling additional nights for a production. Any changes in program schedules will cause logistical problems for venues and performing arts production companies. Also, the inflexibility in program schedule does not allow venue programmers to create blockbusters out of productions that have been found to be popular with the audience. The complexities in decision making described above create an environment where decisions have to be made under high risk about product demand and high uncertainty about product quality.

Confronted with many alternatives and high uncertainty, venue programmers are likely to focus more on attributes that are readily available to them. Research has shown that organizational characteristics such as reputation can be used in a heuristic decision making process for judging the quality of a product (Dawar & Parker, 1994; Hoyer & Brown, 1990; A. R. Rao & Monroe, 1989). Kahneman and Frederick (2005) refer to the replacement of attributes as the availability heuristic and others have used the concept of decision-making heuristics in order to explain buyer decision making (e.g., J. Lee & Marlowe, 2003; Mantel & Kardes, 1999) and have found heuristics to be, for example, influenced by product knowledge and experience (Johar, Jedidi, & Jacoby, 1997; Johnson & Russo, 1984; J. Lee & Geistfeld, 1998). Furthermore, Lee and Geistfeld (1998) suggest that buyers use readily available information and decision making heuristics because this reduces information search costs.

Product innovativeness

In the present-day competitive environment of the 'high arts', the extent to which a product is innovative has become in itself one of the most important product characteristic, especially in art industries in which professional experts have a dominant role in recognizing and attributing value (Wijnberg & Gemser, 2000). Therefore, innovativeness will be a dominant strategy for competitors in such an industry, to distinguish

themselves from their rivals and also from more low arts competitors (Hellbrun, 1993). In addition, government subsidies often play an important role in the production of high arts around the globe. Art policy is often defended on the grounds that government support allows companies to experiment and innovate, precisely because innovativeness brings huge commercial risks that companies would probably not take on unsupported. Chasse's (1995) research suggests that subsidized arts often act as proving grounds for ground-breaking new art forms. If not for subsidies, performing arts production companies would be highly preoccupied with managing possible harmful financial consequences of uncertainty in product demand. Adizes (1975) argued that it is difficult to cover production and operating expenses of innovative works and that this influences the financial viability of the producing organization.

A number of empirical studies have investigated innovativeness (or conventionality) in high art theatrical productions (Abbé-Deccaroux, 1994; O'Hagan & Neligan, 2005; G. B. Voss et al., 2006; Werck & Heyndels, 2007). These scholars investigate different factors that are related to innovativeness. Abbé-Deccaroux (1994) takes into account the age of a production as measure of innovativeness and whether its playwright was alive or not and found that there is no relation between age of a production and the demand for theatre tickets. Werck and Heyndels (Werck & Heyndels, 2007) show that theatregoers prefer theatre companies that offer revivals of old productions over theatre companies that offer new innovative productions. The researchers take into account the age of productions and the percentage of adapted versus new productions in the product portfolio of a theatre company as measures of innovativeness. A similar conceptualization of innovativeness is used by Voss et al. (2006). They investigate the relation between innovativeness in product portfolio and audience attendance of non-touring theatre companies and show that the percentage of new plays of the theatre company has a U-relation with subscriber ticket revenues and an inverted U-relation with single ticket revenues. Their result suggest that a balanced portfolio is crucial for non-touring theatre companies³. Although, the studies discussed in this paragraph do not focus on scheduling decisions of venue programmers, they do show that innovativeness expressed as the newness of productions in a theatre company's portfolio has mixed effects on audience attendance.

³ In this study we do not focus on non-touring companies as these companies are not subjected to the scheduling decisions of multiple venue programmers.

Several studies outside the cultural industries also show non-positive aspect of innovativeness (Abrahamson, 1991; Alam, 2003; Calantone, Chan, & Cui, 2006; Kleinschmidt & Cooper, 1991).

Interestingly, the theatre related studies above do not measure the degree to which a new product is a radical or incremental product innovation. Also, information on innovativeness in respect to how the production is performed is most likely not available to or easy to interpret for the venue programmer in the pre-production phase and can only be assessed after the performance of a production. Different interpretations of innovativeness ask for different approaches and different methods to measure innovativeness (Paleo & Wijnberg, 2008). What constitutes artistic innovation in the performance of a production can be ambiguous (DiMaggio & Stenberg, 1985b). DiMaggio and Stenberg (1985b) argue that measuring innovation concerning, for example, stage design or performance style is troublesome, and therefore they only consider innovation to occur when completely new works enter the industry. This fits in well with Kleinschmidt and Cooper's (1991) conceptualization of innovativeness as the novelty of a product to an organization and its competitors.

Following Kleinschmidt and Cooper (1991) we distinguish between new products that are completely new to the relevant market and new products that are created by producing new and different versions of existing products. This framework has frequently been used to assess the innovativeness of a product portfolio (G. B. Voss et al., 2006; Werck & Heyndels, 2007). We add to this by employing DiMaggio and Stenberg's (1985a) measure of conformity, the opposite of innovativeness. This measure denotes how familiar the new product – in this case a theatrical production – is to the industry and takes into account the number of times a product has been produced before by similar organizations in the industry. On the one side of the innovativeness continuum we find 'new to the industry' productions, which are productions that have never been produced before in the Netherlands and on the other side of the continuum we find 'low innovative' productions, which are productions of which different versions have been produced many times before in the Netherlands.

Critics in the cultural industries

In the cultural industries expert media critics are important in determining the value of products. Cultural products, for example, books, cd's, games,

films, musical productions and theatrical productions are regularly subjected to evaluations of media critics. These evaluations have been, for example, conceptualized as social judgments. A social judgment is “an evaluator’s decision or opinion about the social properties of an organization” (Bitektine, 2011, p. 152) or its products. Social judgments can serve as artistic legitimization and institutional regulation of innovation within the cultural industries (Debenedetti, 2006; Hirsch, 1972). The social judgments of art critics have been perceived as an organized filtration system that controls the entry of new products, in a market that is flooded by prototypes (Hirsch, 1972; Wijnberg & Gemser, 2000). It is not only artists or cultural organizations but also the cultural industries as a whole that depend on this filtration system (Hirsch, 1972).

The social judgments of critics, especially when considered an ongoing activity, can be referred to as critical discourse. According to Shrum (1991), critical discourse encompasses three elements: elements that describe the work of art, elements that show how the work should be understood, and elements that describe positive and negative aspects of the work. The latter element has been frequently addressed by different scholars.

Scholars have found that cultural products with weak signaling properties, such as low-budget work (Basuroy, Chatterjee, & Ravid, 2003; Lampel et al., 2000; Reinstein & Snyder, 2005) and work that belongs to unfamiliar genres (Desai & Basuroy, 2005) show positive relations between the nature of the evaluation in critic reviews and consumer behavior. However, in their study on art house movies, Gemser, Van Oostrum and Leenders (2007) found non-significant effects for the relation between critic reviews and audience attendance. Also, Boorsma and Van Maanen (2003) argue that the evaluative aspects of expert critic reviews does not influence the choice behavior of theatre-goers in the Netherlands. The findings of Gemser et. al (2007) and Boorsma and Van Maanen (2003) suggest that the nature of evaluations in expert critic reviews in the high arts do not have a strong influence on the audience.

The extent to which critical discourse will affect consumer behavior will depend less on the content of the discourse, and the evaluation expressed by it, but more on its visibility – resulting in salience of the evaluated product. The visibility of reviews provides salience in the mind of individuals about works of art that have been reviewed. Salience has been defined as the degree to which product signals or the product itself can be noticed by stakeholders (Guido, 1998). Studies have showed that

salience is positively related to the sales of products (Chandon & Wansink, 2002; Hasher & Zacks, 1984). In Shrum's (1991) investigation of the Edinburgh Fringe Festival he found that the visibility that reviews provide is more important in increasing audience attendance than the evaluations that reviews provide. Gemser et al. (2007) found similar effects for the visibility and evaluative functions of critic reviews in their research on the art house movies.

In the next subsections we will argue how visibility and evaluations can be considered indicators of, legitimacy and reputation.

Critical discourse and legitimacy

According to King and Whetten (2008) organizations have legitimacy when they are perceived as meeting the minimum requirements of belonging to a particular group. For the purposes of their study the researchers view organizations as either legitimate or not legitimate. However, other studies show that within a group there are some organizations that can be regarded more legitimate than other organizations (Deephouse, 1996; Deephouse & Carter, 2005). Within a group of legitimate organizations some members may have characteristics that are more similar to the ideal prototypical organization of the group than other members of the group. Deephouse (1996) shows that organizations can increase their legitimacy by adopting structures, strategies and processes of organizations that belong to a particular group and that this can increase the acceptance of an organization by its external environment (DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

According to Suchman (1995, p. 573-574) legitimacy is a "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." This study focuses on cognitive legitimacy (Aldrich & Fiol, 1994; Suchman, 1995), which can be considered to be closely linked to the extent of the 'taken for grantedness' of the organization, that the organization is seen as a fit subject of evaluations in a particular competitive arena, irrespective of whether it is evaluated highly or lowly (Aldrich & Fiol, 1994; Jepperson, 1991; Mol & Wijnberg, 2011; Suchman, 1995). Considered along these lines, cognitive organizational legitimacy is reflected by the level of evaluative attention the organization receives in the relevant media (Deeds, Mang, & Frandsen, 2004).

Discourse about a work of art shows that the work is a worthy or, a legitimate object of attention in a particular field (Bourdieu, 1983). Also, Hsu (2006) argues that expert critics will use evaluative schemes that are accepted by their audience. If this is the case, the critics will be legitimated in their role as critics and the actors whose products are reviewed using these evaluative schemes will be viewed as legitimate contenders in that particular arena, even if their products will not score high in the eventual evaluation. The argument that critic reviews create organizational legitimacy is in line with research that shows that only certain individuals within a market are able to confirm organizational legitimacy (Baum & Oliver, 1991; Deephouse, 1996; Galaskiewicz, 1985; Meyer & Scott, 1983). In the cultural industries, but also in other industries, attention from relevant media has been found to be important in establishing organizational legitimacy (Archibald, 2004; Carroll & Hannan, 1989; Deephouse, 1996). As a result of this process the amount of attention that organizations receive from expert critics is related to the degree in which organizations are perceived as legitimate.

Conversely, organizations that receive less attention by expert media critics are considered to be less legitimate and therefore are likely to be less successful. Zuckerman (1999; 2000) finds that organizations that deviate further away from the industries standard in the financial industries are less likely to receive media attention from analysts. As a result, they are less attractive to investors. This is subsequently reflected in their stock market returns.

Critical discourse and reputation

Especially in environments where product value is uncertain organizational reputation can serve as a useful signal of quality. Allen (1984) shows that reputation can be used to compete for economic resources and to differentiate from similar organizations. In addition, Chen and Dubinsky (2003) show that organizations with a good reputation are perceived as being more trustworthy and credible which in turn influences the perceived quality of their products. Furthermore, consumers are likely to assess more value to organizations with high reputation (Cretu & Brodie, 2007; Lehmann & O'Shaughnessy, 1974; Shapiro, 1983; Yoon, Guffey, & Kijewski, 1993).

There is voluminous literature on the effects of expert reviews on the performance of products in the cultural industries (M. P. Allen & Lincoln, 2004; Basuroy et al., 2003; Berger, Sorensen, & Rasmussen, 2010; Gemser

et al., 2007; Ravid, 1999; Van Rees & Vermunt, 1996). By evaluating specific products of particular competitors these reviews also serve to establish the organizational reputations of the producers (Cameron, 1995; Van Rees & Vermunt, 1996). According to Deephouse and Carter (2005, p. 332) organizational reputation is “a social comparison among organizations on a variety of attributes, which include the same regulative, normative or cognitive dimension.” In other words, reputation indicates if an organization is positively distinctive within its peer group (King & Whetten, 2008). To be more specific, in this investigation we focus on media reputation. Media reputation refers to the overall evaluations of a firm presented in the media (Deephouse, 1996). This can influence other stakeholders’ knowledge and opinions about an organization (Deephouse, 1996).

Cameron (1995) specifically argues that organizational reputation in the cultural industries is a form of capital that is created by an accumulation of past criticism. This study will follow the same approach and consider organizational reputation as the average evaluation, by relevant and legitimate expert critics (Hsu, 2006), of the products of the focal organization.

HYPOTHESES

There are different types of uncertainty that venue programmers have to manage in their scheduling decision making process. When these intermediate buyers assess the value of new products it is likely that they are concerned with and are uncertain about the quality of a production as well as the audience demand for a production. In order to handle these uncertainties we argue that venue programmers utilize several signals in their scheduling decision making process: product innovativeness, organizational legitimacy and organizational reputation.

Through offerings of the arts production company, the venue programmer obtains information about the innovativeness or lack of conventionality of a particular production. Innovativeness is likely to be a key aspect in venue programmer’s decision making process, because, as discussed before, research has shown that innovativeness has become an important product characteristic of high art (Wijnberg & Gemser, 2000)

and that government subsidy institutions encourage innovativeness (NFPK+, 2008; OCW, 2007; Oosterbaan Martinius, 1990).

As aforementioned, venue programmers use innovativeness as a signal for quality. Next to this, venue programmers may want to show that they are a good judge of product value, of which innovativeness is an important component. The research of Joy and Sherry (2003) suggest that intermediates such as venue programmers are concerned with educating the audience, providing the audience with work of high aesthetic value, and building and maintaining a personal reputation by selecting works with high product value as perceived by their peers. Therefore, it can be argued that venue programmers are likely to provide a greater audience capacity for productions that are 'new to the industry' than for productions that are less innovative.

Hypothesis 1a: The product innovativeness of a high art production has a positive relationship with scheduled capacity.

Although innovativeness is considered a driving force in many industries, uncertainty about product success is also attached to innovativeness (Kleinschmidt & Cooper, 1991). Therefore, it can be argued that an alternative hypothesis 1 should be formulated. It is likely that the more innovative a production is the more uncertain the audience demand of this production is and the less likely venue programmers are to select the production. Venue programmers are buyers of performance art that are exposed to high risk about product demand, which they ideally want to reduce in their decision making process. Perceived risk that is associated with a product is a critical factor in buyer's readiness to purchase a product (Grewal, Gotlieb, & Marmorstein, 1994). According to Bauer (1960) perceived risk is the perceived possibility that a product will not deliver the expected or desired benefits.

Werck and Heyndels's (2007) results suggest that audience members favor high art theatre productions with more certain outcomes and that theatre companies choose low innovative products to attract more audience. In addition, research concerning performing arts organizations has shown that a reduction in risk positively effects demand (Abbé-Deccaroux, 1994), high innovative productions are new products which are perceived as more risky (G. B. Voss et al., 2006) and that companies that produce low innovative productions depend more on the market than companies that

produce high innovative productions (DiMaggio & Stenberg, 1985b; O'Hagan & Neligan, 2005). Also, Thorsby (1990) shows that audience members do not favor works of unknown writers and have a much greater preference for classics or plays from well-known writers. As one of the goals of venue programmers is reducing uncertainty regarding audience demand, this brings us to the alternative hypothesis: hypothesis 1 (B).

Hypothesis 1b: The product innovativeness of a high art production has a negative relationship with scheduled capacity.

Venue programmers need to deal with balancing different goals and the different kinds of uncertainty with respect to these goals. They are especially confronted with uncertainty in quality (hyp1 (A)) and uncertainty in demand (hyp1 (B)). It is paradoxical that the artistic environment encourages venue programmers to prefer high innovative productions while high innovative productions seem to increase uncertainty in audience demand. Organizational legitimacy can explain the opposing findings in previous literature with respect to innovativeness. A way to balance the tensions between high innovativeness and demand uncertainty is by justifying selections of productions with low innovativeness – high uncertainty in quality, but more certainty in demand – by selecting organizations with high legitimacy. In other words, product innovativeness seems a less strong signal of quality when the producing organization has high legitimacy, since high legitimacy already implies that the organization is perceived as an organization that is able to produce products with high quality or at least as an organization that produces products that are usually accepted by the market. However, when innovativeness is high, quality is more certain and reducing uncertainty by organizational legitimacy may be less necessary. We argue that venue programmers use legitimacy as a moderator for deciding if they need to reduce uncertainty in quality or uncertainty in demand.

Hypothesis 2: The relationship between product innovativeness and scheduled capacity of productions in the high arts is moderated by legitimacy of the performing arts production company; legitimacy has negative influences on the relation between innovativeness and scheduled capacity when innovativeness is low.

Next to legitimacy, one could argue that venue programmers may also choose to reduce risk and uncertainty of a new production by selecting a company with high organizational reputation. Previous research suggests that products of organizations with high reputation have more perceived value (Cretu & Brodie, 2007; Lehmann & O'Shaughnessy, 1974; Mudambi, 2002; Yoon et al., 1993). However, reputation can change from good to bad very quick, for example, when scandals emerge or recent organizational performance has been poor (Wartick, 1992). Research shows that the reputation of an organization can vary from year to year and that this variation can be relatively high (Hutton et al., 2001), and that the effects of reputation are mostly short term (Fuller, Serva, & Benamati, 2007). Especially in the cultural industries, reputations may be very fickle (Barker-Nunn & Fine, 1998). Furthermore, the research of Galenson (2005) suggests that having a low reputation or a non-existing one does not indicate that artists cannot produce successful works and previous organizational performance is a more important antecedent for reputation than for legitimacy (Deephouse & Carter, 2005). A minimum form of legitimacy remains as long as the organization's actions fit within the social system of which the company is a part of (Dowling & Pfeffer, 1975). Thus legitimacy is less variable and therefore a more reliable signal of an organization's capabilities than reputation. This suggest that organizational reputation may be a less important signal for venue programmers than legitimacy, precisely because it will serve less well to reduce uncertainty and, as we have argued before, innovativeness already signals quality. Therefore, we expect that organizational reputation does not moderate the relation between innovativeness and the audience capacity that venue programmers provide for a new production.

Hypothesis 3: The relationship between product innovativeness and scheduled capacity of productions in the high arts is not moderated by reputation of the performing arts production company.

DATA AND METHOD

Research setting: High arts in the Netherlands

The research setting that is used to test our hypotheses consist of high arts organizations in the Netherlands, in particular theatre and dance companies. These organizations operate in an environment that is characterized by high uncertainty in terms of funding and demand and they often receive multi-year subsidies from the Ministry of Education Culture and Science (OCW) or the Dutch Foundation for Performing Arts (nfpk+). All mid-sized and major cities have at least one professional performing arts organization focusing on dance or theatre (OCW, 2007). Theatre and dance companies mainly present their work at specialized high arts venues and these venues often schedule other forms of art in addition to theatre and dance productions, such as stand-up comedy and musical concerts. Each mid-sized to major city in the Netherlands has about 4 to 8 theatre venues.

Sampling

We obtained scheduling data on 551 productions of theatre and dance companies from the NAPK (Dutch Association for the Performing Arts). The data consists of the date, location, venue capacity and attendance regarding productions in theatre season 2005, 2006, 2007 and 2008. All productions in the sample are ‘regular’ productions as defined by the NAPK and we excluded workshops and performances at schools. Also, we filtered out ‘special’ performances, for example, Christmas specials and additional performances of productions that premiered in the prior season. By deleting the latter productions, which are a result of high audience demand in the production’s first season, all the productions in our sample belong only to a particular season. This allowed us to focus only on those productions that were new and original productions in that season. Of the 551 productions, 134 were staged in 2008.

Dependent and independent variables

Scheduled Capacity. Scheduled capacity was measured by the number of seats that a production obtained during its run across theatres. This variable represents the potential audience for a production in the eyes of venue programmers. It does not indicate how many seats were filled with audience members during the performances of a production. Table 4.1 provides more insight into the scheduled capacity variable. We have computed variables that display characteristics of an average production.

On average, a theatre production runs seventeen nights in seven locations with an audience capacity of 320. For dance, a production runs on average for eight nights on four locations with an audience capacity of 542.

Table 4.1: Descriptives of performances of a production in our sample

	Mean	S.D.
<i>Theatre</i>		
Number of nights	17	16
Nights in one location	3	4
Number of locations	7	9
Capacity in location	320	245
<i>Dance</i>		
Number of nights	8	9
Nights in one location	2	2
Number of locations	4	6
Capacity in location	542	356

Organizational Legitimacy. The legitimacy variable was calculated by counting the number of expert critic evaluations the productions of a company received in 2005 through 2007 and dividing this number by the total productions of the company in 2005 through 2007. Therefore, this variable is an organizational average. We obtained expert critics evaluations from 5 national newspapers (Volkskrant, Trouw, Telegraaf, Algemeen Dagblad and NRC). These newspapers are considered to be sources with high credibility (Dholakia & Sternthal, 1977).

Organizational Reputation. The organizational reputation variable was calculated by scoring the expert critic evaluations (from the same 5 national newspapers) the productions of a company received in 2005 through 2007, adding all the scores and dividing these by the total productions of the company in 2005 through 2007. In our calculation of reputation we only included productions for which the company received at least one evaluation by an expert critic. In the most recent years, performances have been scored on the basis of a one to five star system, expressing the appreciation of the reviewer (five stars being wonderful, one star being very bad). The raters were instructed to score all earlier reviews in the same way.

Product innovativeness. Our data allowed us to measure the innovativeness variable in a unique way. We obtained data from TIN (Theatre Institute the

Netherlands) on the number of times that a newly performed production in season 2008 was produced by any production company since 1900 in the Netherlands. Some descriptive statistics on five low innovative and five innovative productions are presented below. Some productions are observed many times (for example, Shakespeare’s Romeo & Juliet) while other productions are relatively new. Therefore, we used the log of the number of times a production was produced before the focal season and multiplied this with minus one to measure innovativeness. Of course, this would be impossible for completely new productions, because we would have to log zero, and we dealt with this by adding 1 to the original count for each production. With this method the production that was the lowest in innovativeness had the lowest value. This makes the interpretation of the regression coefficients easier.

Table 4.2: Excerpt of innovativeness data

<i>Low innovative productions</i>	count since 1900	<i>innovative productions</i>	count since 1900
Romeo & Juliet	97	A Streetcar Named Desire	2
Medea	63	Excellence in Exile	0
The Nutcracker	43	I'm Every Woman	0
A Midsummer Night's Dream	27	Victory Boogie Woogie	0
The Good Hope	18	Nannies Only	0

Control variables. In our study we control for several factors: *organization age*, *organization size*. Organization size concerns the number of full time equivalent (FTE) employees in the organization. Also, we controlled for audience *attendance*: the percentage of occupied seats of productions of a company in season 2005 through 2007. Similarly we calculated the short term audience attendance: *recent attendance*. This variable only incorporated season 2007. Furthermore, we included control variables that inform if the performing arts organization was a theatre or dance company: *organization type*, and if the theatre or dance companies had their own venue or an affiliation with a venue that served as a home base: *home-venue*.

RESULTS

To test hypotheses 1 through 3, several analyses were conducted. The means, standard deviations and correlations are presented in Table 4.3. The organizational level correlations in Table 4.3 show significant bivariate correlations between scheduled capacity and the several independent variables. As expected product innovativeness ($r = -0.485, p < 0.01$) and organizational legitimacy ($r = 0.486, p < 0.01$) correlate significantly with scheduled capacity. Also as expected, the organizational reputation variable ($r = 0.109, p > 0.05$) is not significantly correlated with scheduled capacity. Interesting to note is that audience attendance and recent audience attendance are not significantly correlated with scheduled capacity.

A multivariate regression analysis was conducted to test hypotheses 1-3. In our multivariate regression analysis we followed the moderator method of Baron and Kenny (1986). To calculate the interaction variables we first mean-centered the variables. Furthermore, there were no concerns for multicollinearity and non-linear relations.

We conducted three regressions on scheduled capacity. All models contained the dependent variable: scheduled capacity; the independent variables: product innovativeness, organizational legitimacy, organizational reputation; and the control variables: attendance, recent attendance, organization size, organization age, organization type and home-venue. In addition to these variables, model 2 included three 2-way interaction variables which showed the interactions between product innovativeness, organizational legitimacy and organizational reputation. Model 3 extended model 2 with a 3-way interaction variable between product innovativeness, organizational legitimacy and organizational reputation. Our analysis (model 1) shows a significant negative influence of product innovativeness on scheduled capacity ($\beta = -0.248, p < 0.05$). This result provides evidence to reject hypothesis 1 (A) and accept hypothesis 1 (B). Furthermore, hypothesis 2 is also supported. The interaction between organizational legitimacy and product innovativeness has a negative significant effect on scheduled capacity ($\beta = -0.300, p < 0.05$). Figures 4.1 displays that theatre and dance companies with high legitimacy have more scheduled capacity for low innovative productions than companies with low legitimacy. Figure 4.1 also show that product innovativeness has a positive relation with scheduled capacity when companies have low legitimacy and that product innovativeness has a negative relation with scheduled capacity when companies have high legitimacy.

Table 4.3: Correlation matrix.

	M	SD	1	2	3	4	5	6	7	8	9
1 scheduled capacity	5478	8072									
2 Innovativeness	-0.36	0.93	-0.481**								
3 Legitimacy	29.34	22.64	0.478**	-0.426**							
4 Reputation	1.94	0.94	0.071	0.029	0.064						
5 Attendance	55.70	13.72	0.113	-0.029	-0.145	0.355**					
6 Recent attendance	56.52	16.57	0.146	-0.058	-0.162	0.409**	0.911**				
7 Organization size	27.32	24.51	0.298**	-0.318**	0.710**	-0.045	0.002	-0.048			
8 Organization age	27.49	18.04	-0.092	0.119	0.268*	0.163	-0.201*	-0.170	0.473**		
9 Organization type	0.20	0.40	-0.118	0.118	-0.214*	0.207*	0.210*	0.221*	0.283*	0.389**	
10 Home-venue	0.16	0.37	0.497**	-0.374**	0.375**	-0.088	0.122	0.152	0.236*	-0.193*	-0.172*

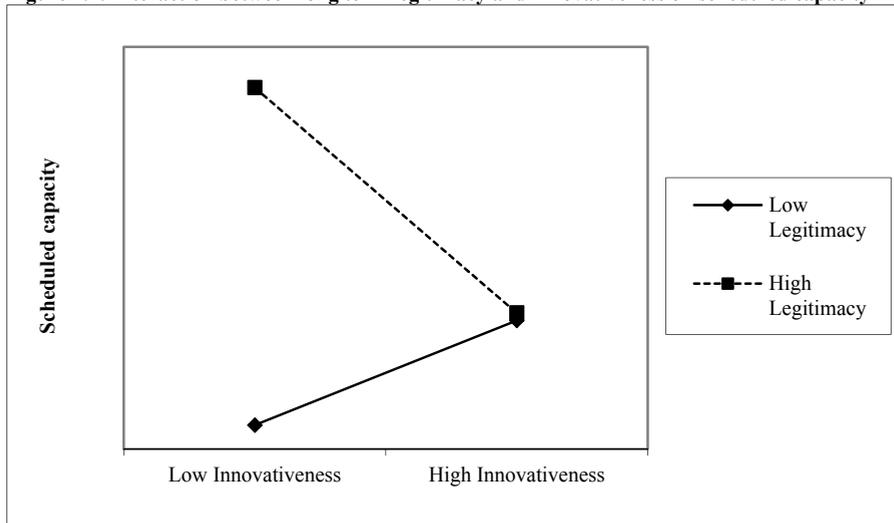
* < 0.05; ** < 0.01

Table 4.4: Effects of innovativeness long term legitimacy and long term reputation on audience scheduled capacity.

Variable	Scheduled capacity		
	Model 1	Model 2	Model 3
	β (t)	β (t)	β (t)
Constant	-0.264	-0.753	-0.264
Innovativeness	-0.254** (-3.130)	-0.120 (-1.273)	-0.002 (-0.009)
Legitimacy	0.464** (3.521)	0.343* (2.549)	0.328* (2.397)
Reputation	-0.119 (-1.391)	0.004 (0.044)	-0.003 (-0.031)
<i>2-way</i>			
Legitimacy and Innovativeness		-0.328** (-3.136)	-0.356** (-3.192)
Reputation and Innovativeness		-0.073 (-0.841)	-0.060 (-0.678)
Legitimacy and Reputation		0.096 (1.025)	0.099 (1.058)
<i>3-way</i>			
Legitimacy and Reputation and Innovativeness			0.122 (0.731)
<i>Controls</i>			
Attendance	0.014 (0.077)	0.058 (0.332)	0.014 (0.077)
Recent attendance	0.176 (1.024)	0.055 (0.324)	0.176 (1.024)
Organization size	-0.204 (-1.502)	-0.119 (-0.842)	-0.204 (-1.502)
Organization age	-0.036 (-0.373)	0.004 (0.043)	-0.036 (-0.373)
Organization type	0.074 (0.775)	0.016 (0.168)	0.074 (0.775)
Home-venue	0.246** (2.996)	0.274** (3.413)	0.246** (2.996)
<i>N</i>	134	134	134
<i>R</i> ²	0.446	0.502	0.505
Adjusted <i>R</i> ²	0.407	0.451	0.449
<i>F</i> -Value	10.851 ***	9.838***	9.086***

+ < 0.10; * < 0.05; ** < 0.01; *** < 0.001

Figure 4.1: Interaction between long term legitimacy and innovativeness on scheduled capacity



Hypothesis 3 is also supported by our results. The interaction between organizational reputation and product innovativeness does not have a significant effect on scheduled capacity ($\beta = -0.027, p > 0.10$). Furthermore, the 2-way interaction between organizational legitimacy and organizational reputation and a 3-way interaction between product innovativeness, organizational legitimacy and organizational reputation, which were added as a control for possible interaction effects of our main constructs, also have no significant effects on scheduled capacity. Other interesting results are that attendance and recent attendance do not have a significant effect on scheduled capacity. Also, worthy to note is that the 2-way model (model 2) explains more variance in scheduled capacity than the 3-way model (model 3).

Robustness Checks

We conducted additional analyses that confirm the robustness of our findings. Reputation and legitimacy are organizational perceptions that are conceptually related (Deephouse & Carter, 2005; King & Whetten, 2008). In this study we have disentangled these concepts by formulating an organizational reputation variable that did not take into account productions that did not receive an evaluation from an expert critic. However, one may argue that not receiving an evaluation from a critic is an evaluation that is

poorer than a poor evaluation. Therefore, we have conducted separate analyses with a reputation variable that also incorporated not evaluated productions. The difference is that companies of which not all productions were reviewed receive lower average reputation scores in the alternative reputation variable. For example, a company that produced 12 productions in the original variable, of which 7 received evaluations with a score of 3.5 and 5 did not receive any evaluation, had a (average) reputation score of 3.5. In the alternative reputation variable the (average) reputation score of this company would be 2.0. The analyses with the alternative reputation variable did not result in regression models that were substantially different from our original analyses.

The reputation and legitimacy variables were calculated over a three year period. It could be possible that recent events such as scandals or severally poor evaluations effect the venue programmer's perception of the company. As discussed before, especially organizational reputation is subjected to such instabilities (Hutton et al., 2001). Therefore, we repeated our analyses in a similar way with short term legitimacy and reputation variables. We substituted organizational legitimacy and organizational reputation by variables that only used information from expert reviews in the one year period before the venue programmers' scheduling decisions. The analyses did not result in regression models that were substantially different from our original analyses.

To check the robustness of our findings we repeated our analyses with a multilevel regression models (in MLwiN). Since we conducted our analyses on a product level with the inclusion of organizational level variables – the companies in our sample can produce more than one production and therefore these productions share all variables that are on the organizational level – there is the possibility that the variance in scheduled capacity could be partly explained by the fact that particular productions belong to particular organizations. However, the multilevel regression analyses showed that there was no significant variance in the intercept at the group level, so ordinary multivariate regression analysis is sufficient.

DISCUSSION AND CONCLUSION

In this study we focus on scheduling decisions of intermediaries in the high arts. New productions are often planned in the theatre way before the final product is finalized. In a sense, a venue programmer's decision is similar to a retailer's decision to put a new product on the shelves or an airline company deciding to order the new Dreamliner from Boeing before the plane is fully developed.

Our research was guided by the idea that intermediaries' decisions about whether to adopt a new product or not is influenced by the innovativeness or lack of conventionality of a new production (and the signals that communicate the innovative properties of the new production) and organizational signals, such as, the producing company's legitimacy and reputation, as reflected in the media discourse of expert critics.

We found that legitimacy is an important signal that can make an innovative new product strategy more effective in terms of obtaining market access. Additionally, this study clearly shows why research should make a clear distinction between organizational legitimacy and organizational reputation (Deephouse & Carter, 2005; King & Whetten, 2008).

Our results clearly show that there is a negative main effect of product innovativeness on scheduled capacity in the high arts. This does not contradict that innovativeness is a general quality indicator for many relevant stakeholders (Hellbrun, 1993; Wijnberg & Gemser, 2000). However, it does suggest that intermediate buyers are careful in balancing the advantages of innovativeness with its disadvantages, especially the increased risk, and particularly so in a market that is already characterized by high demand uncertainty. Our findings suggest that venue programmers seem to be guided more by the need to reduce uncertainty in audience demand than by the need to increase potential innovative qualities of their program. Our results are similar to the findings in earlier research that showed that audience members prefer classic plays or plays from well-known playwrights (DiMaggio & Stenberg, 1985b; O'Hagan & Neligan, 2005; Throsby, 1990; Werck & Heyndels, 2007).

More specifically, our findings suggest that decision makers either focus on the innovative quality of a production or on reducing uncertainty in demand, and that organizational legitimacy determines which of these paths they follow. On the one hand, venue programmers seem to provide more scheduled capacity for productions from companies with high

legitimacy when their productions are low innovative than when they are high innovative. On the other hand, venue programmers seem to provide more scheduled capacity for productions of companies with low legitimacy when their productions score high on innovativeness than when they score low on innovativeness.

In a somewhat paradoxical sense, this suggests that established organizations with high legitimacy are best positioned to reap the rewards from *not* being that innovative. In turn, this means that legitimacy is an important asset for a company to not being forced to be too innovative, with the attendant risks of doing so reduce innovation risks, as innovative productions are likely to be more risky in general.

As hypothesized, organizational reputation did not have an effect on the extent to which the venue programmers were willing to schedule innovative productions. Organizational reputation may be a less important asset in relation to product innovativeness, because reputation can be very fickle (Barker-Nunn & Fine, 1998; Fuller et al., 2007; Hutton et al., 2001), and this is even more likely to be the case in the cultural industries (Y. Chen et al., 2011).

Finally, our research illustrated that demand forecasts are very hard to make in the cultural industries. Scheduled capacity is, for example, positively related to past and recent attendance, but not significantly so. Past audience successes, therefore, seems to be a poor indicator of future audience successes. One of the reasons may be that intermediaries prefer legitimacy and innovation signals more than (past) visitor data and this is the first time that this mechanism is highlighted.

Limitations and further research

Of course, this study is limited because the empirical material comes from one particular industry in one particular country. Also, we focused on innovativeness as a product characteristic on the basis of which intermediate buyers decide if they want to acquire a product and how much of this product they want. We have used a conceptualization that in essence represents how familiar stakeholders are with key elements of a new product. However, innovativeness can be conceptualized in different ways, for instance by also looking at new ways to perform an often-produced play, and also graded in different ways, for instance by distinguishing between incremental and radical innovations. Therefore, focusing on different types and grades of innovativeness may result in detecting relations between

innovativeness and decisions of stakeholders that are different from the effects found in this study.

Our analyses contain organizational level as well as production level variables. A regression model in which we take into account that one company produces more productions did not provide a better model than a model in which each production is regarded as independent from the other productions of a company, because there was no substantial variance at the organizational level. Nevertheless, we note that the lack of significant organizational level variance may be specific for this study and that variance at the organizational level may become an important issue when the numbers of productions of a company increase due to a different design of the study.

Venue programmers have restrictions in terms of flexibility in their decisions, because scheduling decisions are made on a yearly basis. On the one hand, the restrictions of venue programmers allow us to construct a model that explains a substantial part of the variance in scheduled capacity, because there are few other factors that may influence venue programmers scheduling decisions. On the other hand, other types of intermediate buyers may have more flexibility and, therefore, may be influenced by other factors.

The above-mentioned limitations point the way towards possibilities for further research by studying different types of innovation and also different types of intermediaries. Of course, while in some industries, such as fashion, the value of innovativeness is comparable to what it is in the high arts industry, in other industries other product characteristics may come to the forefront as important indicators of quality to intermediate buyers. Also, while publicized expert reviews are high important in the cultural industries, and organizational reputation and organizational legitimacy can therefore be derived from a study of these reviews, other indicators may be more adequate in other industries. For example, in the bicycle industry retailers decide one year in advance which new product to stage. To estimate the new product's success they may focus on trade journals and/or preferences of professional athlete's as signal for legitimacy and industry awards as signal for reputation or product quality. Looking at different readily observable product characteristics and other operationalizations of organizational reputation and organizational legitimacy would allow further explorations of the generalizability of our results.

5 The Role of Selection System Orientations in Sensemaking: Differences between Dual Leaders in the Perception of Organizational Performance

Abstract - In this study we explain how different managers at the top of the same organization can have different perceptions about its performance. We show that they may have different 'selection system orientations' and attach different levels of importance to the evaluations of the three main types of evaluators: market consumers, experts and peers. We studied 59 organizations led by two – hierarchically equivalent – managers. Our results show that differences in their specific selection system orientations strongly influence the differences in their perceptions of organizational performance. This relationship is moderated by the degree of equivocality and uncertainty in the signals they use to assess organizational performance.

INTRODUCTION

Achieving a competitive advantage is a process in which organizational performance is both an objective and a basis for further action. Organizational performance demonstrates whether the organization is on track to realizing its objectives and indicates if managers should adapt or revise their strategies (Atkinson, 2006; Goold & Quinn, 1990; Goold, 1991; Otley, 1999; Tavakoli & Perks, 2001). Managers have a personal perception of the organization's performance which is often different from the organization's reported financial performance and from the perception of performance of other managers in the organization (Mezias & Starbuck, 2003).

The fact that top managers of the same organization can have such

differing perceptions suggests they interpret information about its performance differently. In this paper we investigate if these differences are related to the manager's selection system orientations: the relative importance managers attach to the evaluations of the three main types of evaluators – market consumers, experts and peers (Bhansing, Leenders, & Wijnberg, 2012). The sensemaking (Weick, 1995) and upper echelon (Hambrick & Mason, 1984) literature suggests that manager's mental models, such as selection system orientations, play key roles in how top managers interpret signals from their strategic environment and, consequently, how they react to that environment.

Selection system theory argues that the essential core of a competitive process consists of convincing the selectors – the actors whose judgment play a part in determining the behavior of the eventual customers – of the value of the goods the competing organizations produce (Wijnberg & Gemser, 2000). There are three basic types of evaluators: market consumers, experts and peers. Organizations can produce goods with characteristics that are more (or less) likely to satisfy the preferences of each type (Priem, 2007) and therefore the organization's performance can also be assessed along corresponding dimensions. Organizations that perform well on the peer dimension are perceived by their peers as producing qualitatively better products than their competitors; those that perform well on the expert dimensions will gain more favorable expert evaluations; those that perform well on the market dimension will gain larger market shares than their competitors.

One top manager can score stronger on one particular selection system orientation than their colleagues in the same organization. This may be especially so in organizations with multiple organizational objectives and where different top managers are responsible for each objective. An organization's leadership structure that is divided between two main objectives, perhaps one economic the other non-economic, and with two CEOs can be called a *dual executive leadership structure* (Bhansing et al., 2012; Reid & Karambayya, 2009). Each executive is responsible for a part of the organization, but still has an overview of the whole organization. In such situations, tensions often emerge between their objectives and trade-offs have to be made (Griffin & Hauser, 1996; Z. G. Voss et al., 2006). Bill McDermott and Jim Hagermann Snabe, co-CEOs of SAP AG discuss such situations: McDermott "*We take pride that we don't always have the same opinion and view,*" Snabe: "*If we did, we'd lose the tremendous value that our diverse backgrounds and unique perspectives bring.*" (Banham, 2012).

Where dual leaders have different views about their business environments, their views of how well the organization is performing may differ, even when the same information is available to both. The information used to assess performance may be difficult to understand because this is open to uncertainty and equivocality (Daft & Lengel, 1986). Uncertainty exists when managers have less than complete knowledge (Downey & Slocum, 1975). Uncertainty can be defined as the difference between the information available to managers and the information they require to complete their tasks (Tushman & Nadler, 1978). Equivocality concerns the degree to which information is open to different interpretations (Daft & Lengel, 1986) – cues may have multiple causes and can be understood in multiple ways (Frick, 1959; Weick, 1979). Lower levels of equivocality and uncertainty exist in those selection system types where signals about the organization's performance are easier to understand. In this paper we argue that greater equivocality and uncertainty of information increases the influence managers' selection system orientations have in their perceptions of organizational performance¹.

This study makes theoretical and empirical contributions in the broader context of sensemaking and upper echelon literatures. We show that managers' selection system orientations influence how they make sense of events. In terms of upper echelon theory, we show that managers' cognitions not only determine what kind of strategic issues they notice in the external environment, but also which cues they pick up from both external and internal environments about the organization's outcomes. We also offer insights about the role of factual and non-factual information in performance assessments and into dual executive leadership structures. A significant element in our contribution is to show that individuals operating in the same context, at the same hierarchical level, can have different perceptions of organizational performance. We also expand existing empirical knowledge about how managers construct their perceptions of organizational performance. Perception of performance is a subject that remains underexplored but which can have important implications for their organizations (Daniels, 2003; Das, 2003; Hodgkinson, 2003; Maule & Hodgkinson, 2003; Mezas & Starbuck, 2003).

We first discuss selection systems and selection system orientations, and then consider sensemaking and mental models, and illustrate the role of uncertainty and equivocality in sensemaking. We then discuss perceptions

¹ Since Weick (1995) argued that managers build corresponding perceptions by communicating, we also control for the levels of communication between dual leaders.

of organizational performance and dual executive leadership structures. The theoretical discussions lead to our hypotheses, after which we present our data and its analysis. Finally, we discuss our findings and demonstrate the implications for the literature and for managers.

THEORY

Selection systems

Selection system theory (Wijnberg & Gemser, 2000) studies competitive processes by focusing on the actors whose judgments determine the value of the goods competitors produce. Three ideal types of selection system can be distinguished: market, expert and peer selection. Each selection system consists of ‘selectors’ – the actors whose evaluations determine value – and the ‘selected’ – the competitors whose products are being evaluated. In market selection the dominant selectors are consumers, in peer selection they are other producers in the same industry, in expert selection they are neither producers nor consumers, but organizations or individuals whose opinions can have a significant impact on the industry as a whole. Earlier studies have shown that particular industries or markets can indeed be characterized as being governed by particular selection systems and how this impacts the competitive value of particular signals, such as awards (Gemser et al., 2008).

This theoretical framework also suggests that a major task for managers is to identify the dominant selectors: those actors whose evaluations matter most to the organization realizing its objectives. Each manager has mental models about the extent to which their organization’s performance is primarily determined by the judgment of selectors of a particular type – market, expert or peer: this constitutes their selection system orientation. Thus, a top manager who considers their organization’s success primarily depends on expert evaluations will score high on the expert orientation and are likely to be most concerned with reviews, awards by expert juries and opinions of scholars in their field. In contrast, those whose selection systems are oriented towards peers will be more concerned with how managers in other similar organizations evaluate them – as evidenced, for instance, by industry association awards – and those with high market selection system orientations will give more credence to consumer awards and to their sales figures.

Sensemaking in organizations and mental models

The sensemaking literature describes how managers create their understandings of the cues associated with events in their environment and how these understandings serve as springboards for action. The main questions this literature stream addresses are, how do managers construct what they construct, and why? (Weick, 1995, p. 4). Sensemaking occurs by managers putting cues with respect to events into some kind of framework (Starbuck & Milliken, 1988) which gives them meaning (Sackmann, 1991). Weick, Sutcliffe, & Obstfeld (2005) discuss several features of sensemaking. Before efforts to make sense of an event start there is a *flux* of passing sense impressions which offer several potential antecedents and consequences of an event (Chia, 2000; Weick, Sutcliffe, & Obstfeld, 2005). From this flux managers *notice and bracket* cues which they identify and select as being important. Once managers bracket cues they reduce the number of possible meanings of an event and by *labeling* cues as belonging to particular categories, possible outcomes of events suggest themselves. Sensemaking is a *retrospective* process. Managers attempt to understand events that already have occurred and focus on past cause-and-effect relationships, thus allowing them to make *presumptions* about how future events will unfold. Sensemaking is influenced by many *social factors*: managers make sense of events while interacting with others and appreciating the systems in which those events occur and – as they do so in order to react to them adequately – sensemaking processes are linked to *action*. They also involve *communication*, as managers both articulate their ideas and draw on articulations of others to build their understandings of events.

Managers' mental models: the "internal representations that individual cognitive systems create to interpret the environment" (Denzau & North, 1994, p. 4), which they acquire through their work, training and broader life experience, play a key role in their sensemaking processes. Selection system orientation can be seen as a specific type of mental model. Previous research shows the close relation between sensemaking and mental models. Weick, et al. (2005) argued that noticing and bracketing (the start of sensemaking) are guided by mental models and McCaskey (1982) suggests sensemaking is triggered by managers' belief systems. Anderson et al. (2005) argue that mental models are used to assign meaning to events – but that misinterpretations may arise – while Hill and Levenhagen (Hill & Levenhagen, 1995) argue that such models enable managers to create and

share their understandings of events, and Porac and Thomas (1990) that they assist managers in categorizing. Some researchers have even argued that mental models can be taken as synonyms for sensemaking (G. Klein, Moon, & Hoffman, 2006), but in this paper we recognize the two as conceptually different and suggest rather that mental models contribute to sensemaking. The mental model concept can be seen as an umbrella term for cognitive systems and has been investigated under different names: schemas, dominant logics, cognitive maps, frames and belief systems (e. g. Gary & Wood, 2011): we believe that selection system orientations fit under this mental model umbrella, as they can indicate which cues managers extract from their environments and how they interpret and react to those cues.

Weick (1995) argues that unclear information about an event is the main trigger for trying to make sense of it and Daft and Lengel (1986) identify two factors affecting the clarity of information about an event: equivocality and uncertainty. Equivocality concerns how clear a cue is, while what a cue means maybe seem equally clear to two managers, each may interpret it differently and so attribute different meanings to it (Weick, 1979). An equivocal cue is one that gives ambiguous information about an event, allowing multiple interpretations of a single message (Daft and Lengel, 1986). High equivocality causes confusion and lack of understanding about (possibly important) signals (Daft and Lengel, 1986). Uncertainty has been defined as “the difference between information possessed and information required to a complete a task” (Downey & Slocum, 1975; in Tushman & Nadler, 1978 p. 615) and therefore exists where individuals have to act and make decisions, but have less than complete knowledge about the situation. A cue can explain an event to a greater or lesser extent. The more information is collected the more likely it is that a clear message emerges, but if new information is equivocal, uncertainty will be increased. Where uncertainty is high, organizations may have to leave questions unanswered (Daft and Lengel, 1986).

The accessibility heuristic (as described by Kahneman, 2003) explains why managers use mental models to interpret information which may be equivocal and/or uncertain. The accessibility heuristic concerns the ease with which specific thoughts and memories become active in the mind and is “determined jointly by the characteristics of the cognitive mechanisms that produce it and by the characteristics of the stimuli and events that evoke it” (Kahneman, 2003 p. 699). As noted before, such cognitive mechanisms can include, for example, selection system orientations

(Bhansing et al., 2012). Managers are likely to notice cues that are closer to their mental models and thus easier to interpret. Gerybadze (2004) argues that knowledge is distributed between organizational members with diverse cultural identities and often incompatible value systems, who may therefore “interpret and respond to the same type of information quite differently” (Gerybadze, 2004 p. 108). The type of orientation that characterizes a manager indicates what type of information they will recognize, so selection system orientations are a lens through which cause-and-effect relationships can be assessed and problems solved.

Perceptions of organizational performance and dual leadership

Selection system theory suggests that organizations may compete along different performance dimensions. Carton and Hoffer (2006) suggest that organizational performance is multiconstituent and multidimensional. Organizations may serve multiple groups – or stakeholders – which may hold different views about what constitutes successful organizational performance and even within a specific performance type, a number of dimensions – each possibly containing multiple measures – can be used to assess organizational performance. Scholars recognize that different organizational divisions may focus on different types of performance (Porter, 1985); that different types may be essential for organizational survival (Drucker, 1954), that organizations need to try to realize both organizational objectives and stakeholders’ objectives (Freeman, 1984), and that financial and non-financial performance measures can exist side by side (Venkatraman & Ramanujam, 1986). Porac and Thomas (1990) also recognize that there are different categories of stakeholders and that organizations can compete for organizational success in each category. The multiconstituent and multidimensional selection system framework allows the conceptualization of different types of organizational performance, which relate to different types of evaluators and may be assessed according to multiple performance indicators.

Such indicators provide information that can guide organizational actions and so can play crucial roles in realizing organizational objectives (Hauser, 2001). Studies of control mechanisms (Atkinson, 2006; Goold & Quinn, 1990; Goold, 1991; Otley, 1999; Tavakoli & Perks, 2001) show the importance of performance data in strategizing. An organization’s performance shows its position relative to its competitors and thus the areas where it needs to take strategic action. Previous research suggests that managers rely less on control system information when environmental

uncertainty is higher (Govindarajan, 1984), that their tolerance for ambiguity moderates the relationship between uncertainty and the appropriateness of accounting performance measures (Hartmann, 2005), and that they weigh different information sources differently (Hauser, 2001). In other words, the construction of managers' perceptions of organizational performance is a complicated process and those perceptions will often differ from their organization's reported financial performance (Starbuck & Milliken, 1988).

Managers are involved in an ongoing process of recognizing a variety of cues in their environments and comparing their perceptions of their organizations' current and past performance, which allows them to understand more fully how effectively they have used their resources and whether they have gained a competitive advantage. Managers' cognitive systems influence their strategic choices and, thereby, determine the categories in which they compete. They need to make sense of their organizations' environments to determine how well they are performing relative to their competitors. Processing cues through their cognitive systems, such as selection system orientations, is what gives managers their perceptions of their organization's performance.

The upper echelon perspective primarily argues that managers' cognitions influence their decisions and their actions and consequently organizational outcomes (e.g. Finkelstein et al., 2009; Hambrick & Mason, 1984). The starting point of this perspective is bounded rationality, which implies "the notion that there are far too many complexities in most strategic situations for complete rationality to exist, so decision makers must work within the bounds of their own intellects" (Cannella & Holcomb, 2005, p. 2001) and which inclines managers to notice aspects of their strategic environment that are closer to issues with which they are personally concerned. So different top managers can examine identical strategic situations in their current organizational environments and come to different conclusions about how best to react. The literature on top management team heterogeneity focuses largely on personal differences between managers and how they affect their organizations and suggests that heterogenous teams are more likely to notice a wider range of strategic issues in different areas of the strategic environment (Finkelstein et al., 2009). Since orientations are a type of cognition and since different managers notice different issues in the strategic environment, differences in their perceptions of organizational performance may relate to differences in their selection system orientations.

Managers are orientated to different parts of the environment (Bhansing et al., 2012), especially in organizations with multiple key objectives (Denis et al., 2001) therefore their perceptions of organizational performance are likely to differ. Organizations can choose to realize such multiple objectives by designating the responsibility for each objective to a specific top manager. Naturally, each manager will be experienced and educated in that area, so their orientations are likely to differ from those of managers responsible for other organizational objectives. A dual executive leadership structure is where the top executive position is divided in two functionally different positions (Reid & Karambayya, 2009), each of which set different expectations about behaviors and responsibilities and focus on one particular set of issues to the neglect of other areas: such functional divisions promote specialists, with different perceptions and thought worlds. Dual executive leadership structures are found in banking and in high-tech businesses, as well as in cultural, media and non-profit organizations (Alvarez & Svejnova, 2005). On the one hand such structures have the potential danger of conflict between the two functions (Reid & Karambayya, 2009). To take adequate action it may not be necessary for managers to have a correct perception of their organization's performance (Mezias & Starbuck, 2003), but when the executive position is shared similar perceptions may be favorable. Differences in the perception of organizational performance may lead to self-serving and opportunistic behavior, may cause problems in aligning the business strategy and this may consequently create an unreliable image of the organization in the eyes of its stakeholders (Van Riel, 2012). On the other hand, Alvarez and Svejnova (2005) suggest that role complementarity is a key advantage of the dual leadership structure. It can make organizations more responsive to their organizational environment (Heenan & Bennis, 1999) and dual leaders can attend to different stakeholders' priorities without having to address each other's set of issues.

HYPOTHESES

We theorize and test the relationship between managers' selection system orientations and how they assess their organizations' performance for each selection system dimension. The setting of this study is the cultural industries; more specifically the performing arts sector. A dual executive

leadership structure is common in such settings, where one executive – the artistic director – is responsible for the artistic or creative part of the organization, and another – the managing director – is responsible for the organization's administrative part.

Managers of performing art organizations focus on particular indicators in constructing their perceptions of each specific type of organizational performance. Assessments of market performance focus on sales: managers usually have access to exact data on the number of visitors to their productions and will often benchmark these figures. Many cultural industry studies focus on performance indicators based on audience attendance, such as box office figures (e.g. Gemser et al., 2007; Zuckerman & Kim, 2003). To assess expert performance, managers may focus on expert reviews and on the perceptions of those individuals who decide about subsidies. Reviews by expert critics occupy a central position in the cultural industries literature. They are the gatekeepers who regulate access to the market, but they may have different beliefs about quality from those expressed by the market at large (Berger et al., 2010). European performing arts organizations are highly subsidized, so those individuals who decide about subsidy levels also play an important role in the industry. With respect to peer performance, peer opinions are usually highly valued in artistic environments (Caves, 2000; Eikhof & Haunschild, 2006; Hirschman, 1983) and cultural organizations which display their commercial aspirations openly may be perceived as producing poor quality (Caves, 2000).

The performance indicators discussed above are relevant not just to the cultural industries, but are found in many types of other industries, for example, Padanyi and Gainer (2003) show that success in peers' eyes plays a significant role in many types of non-profit organizations. As noted before, managers constructing understandings of an event are confronted with a flux of related cues (Weick et al., 2005). When dual executive leaders both seek to make sense of the same event – the current status of their organization's performance – and one is strongly oriented and the other weakly towards a specific type of selector, they are likely to extract different cues from the flux. Those cues are then (unconsciously) interpreted by their (different) selection system orientations, leading them to identify different cause-and-effect relationships based on their different presumptions about how the cue has influenced the organization and so dual leaders may have different ideas about how well the organization has performed. For example, artistic and managing directors may be asked how

expert critics have evaluated their organization over recent years, about which both will have a view. The artistic director may have a stronger expert orientation than the managing director and extract different cues and value these cues differently, remembering that experts evaluate the extent to which the organization is innovative as a sign of good performance. The managing director may have an idea about the overall evaluations that the organization has received from expert critics in the past year, and remember that this was lower than that accorded to other organizations, and therefore may perceive the organization's expert performance as poor: so the two may believe different actions are necessary to create or sustain successful organizational performance in the expert dimension.

We have already noted that the three types of selection system orientations are not mutually exclusive – it is possible each dual leader may be equally orientated towards peers, experts and the market. How their selection systems lead them to process information will depend on how strongly they are orientated towards the values of the different types of selectors, leading to differences in their perceptions of organizational performance in a specific selection system. These considerations bring us the following set of hypotheses:

Hypothesis 1a: Differences in dual leaders' market orientations are positively related to differences in their perceptions of their organization's market performance.

Hypothesis 1b: Differences in dual leaders' expert orientations are positively related to differences in their perceptions of the organization's expert performance.

Hypothesis 1c: Differences in dual leaders' peer orientations are positively related to differences in their perceptions of the organization's peer performance.

The information available to assess different types of organizational performance will have certain levels of equivocality and uncertainty (Table 5.1). Market data is comparatively unequivocal and certain. It is easily available, clear and well defined and based on factual data such as sales figures. So the dimension is relatively analyzable and certain (Daft & Lengel, 1986), which means market performance is generally straightforward to interpret and understand. Information about expert

Table 5.1. Equivocality and uncertainty in each selection system dimension

type	Signals	Activity	Multiple signals	Factual data	Equivocality	Uncertainty
Market	box-office, performance fees, attendance rates	managers gather data	high	yes	low	low
Expert	newspaper reviews	managers gather opinions	moderate	no	high	moderate
Peer	conversations, word of mouth, peer awards	managers gather opinions	low	no	high	high

performance is usually easy available, but the interpretation of specific signals may be open to debate. Examples of performance indicators are newspaper reviews from expert critics (Deephouse & Carter, 2005), certification (H. Rao, 1994) and opinions of other experts, such as government subsidy organizations (Bhansing et al., 2012). The picture these signals present can be moderately uncertain and highly equivocal. Different experts often have different opinions and their evaluations may focus on different features of the organization and its products. Even when these differences are reduced – when a product receives several similar reviews – the message may remain equivocal if reviewers focus on different aspects and use criteria that are not completely compatible. In such situations dual leaders may well extract different cues from expert reviews or value the same cues differently. The information used to make sense of an organization's peer performance can be highly equivocal and highly uncertain. Comparatively less information is likely to be available and what is accessible often comes in many different forms, so it can be difficult to match it up or to assess its trustworthiness. The opinions of other industry individuals tend to be collected via peer conversations and may differ from individual to individual. There are few explicit signals except for peer awards, but even the information transmitted by that signal can be considered far from clear or certain, compared to the signals

denoting performance along the other dimensions. For example, only a few organizations gain peer awards in any year, so even the most high-performing organizations will not receive one every year. The meaning of having received an award in the past is more difficult to interpret than, for instance, past attendance figures.

So each type of performance is assessed via information that is open to different degrees of uncertainty and equivocality. The more uncertain and equivocal performance is, the stronger we can expect the influence of an individual's selection system orientation to be how they make sense of it. Market information is relatively easy to interpret and is the least equivocal and uncertain, so allowing less room for the influence of a market selection system orientation in interpreting that data and assessing the organization's position in relation to its competitors. Information with which to assess an organization's expert performance is also widely available, but much more difficult to interpret, so the influence of dual leaders' selection system orientations in constructing perceptions of their organization's competitive position is much stronger in this dimension. The peer performance dimension exhibits high levels of equivocality and uncertainty, so the influence of the leaders' selection system orientations are likely to be at its strongest in this dimension. In general, we can expect the influence of a particular selection system orientation in making sense of organizational performance in that dimension to increase in line with the equivocality and uncertainty of the information involved, so that:

Hypothesis 2: The relationship between differences between dual leaders' selection system orientations and differences in their perceptions of the organization's performance is moderated by the equivocality and uncertainty of information in the performance type.

Hypothesis 2a: There is a weak relationship between market orientation differences and differences in market performance perceptions.

Hypothesis 2b: There is a strong relationship between expert orientation differences and differences in expert performance perceptions.

Hypothesis 2c: There is a strong relationship between peer orientation differences and differences in peer performance perceptions.

As already noted, sensemaking is a social process: managers interact with their environment and acquire knowledge from other individuals, but also from systems (Weick et al., 2005 instance, for example, healthcare systems). Weick (1995) argues that such communication is an important aspect of sensemaking and that managers should ideally communicate with others within and beyond their organization to validate or adjust their perceptions and to come to a common understanding of its performance. Communication in sensemaking has generally been discussed in terms of how groups influence other groups' understanding of issues or as a holistic process concerning contexts of crisis or extreme circumstances (Maitlis, 2005). Communication between artistic and managing directors may reduce information equivocality and uncertainty when constructing perceptions of organizational performance. We therefore control for possible effects of communication between the dual leaders in our statistical analysis.

DATA AND METHOD

Data

We gathered data on the UK performing arts industry, a competitive setting where dual executive leadership structures are widely used and which clearly exhibits different types of organizational performance. The UK has a rich performing arts tradition: there are more than 800 theatre venues and competition is fierce for the 76% of the British public who attend a performance at least once a year (Department for Culture, Media and Sport, 2010). Most performing art companies are allocated some form of subsidy, often from four specialist government arts funding agencies: Arts Council England, the Arts Council of Northern Ireland, the Scottish Arts Council and the Arts Council of Wales.

We surveyed UK performing art companies which had dual leadership structures, where one executive – who we refer to as the artistic director – was responsible for the organization's artistic/creative side – initiating projects and selecting performers, managing production and technical aspects and in charge of the overall creative process and the other – the

managing director– was responsible for the business and administrative aspects of the organization, selecting administrative personnel, managing budgets and ensuring its overall financial stability. The UK association of performing arts organizations (the Independent Theatre Council) provided a list 412 organizations, including drama and dance companies, from which we selected only those 186 organizations whose websites (or other public sources) revealed as having dual leadership structures. In spring 2011, we phoned these organizations to ask for representatives of each side to participate in our study by filling in our online survey. 224 individuals agreed to do so. We asked them about their positions, their beliefs and their organizations' performance, having previously indicated that there are no 'right' or 'wrong' answers - we were interested in their personal perceptions and opinions. We matched 132 individuals as dual leaders of 66 organizations, 59 of which provided usable data, giving us a response rate to our survey of 32%.

Dependent and independent variables

Performance Assessment and Perception Differences. We adapted the survey items proposed by Bhansing et al. (2012) to the UK setting to construct measures for difference in perceptions of market, expert and peer organizational performance. First, we measured each dual leader's perception of their organization's performance against that of its competitors' across the three selection system types, measuring the survey items on a 5-point scale (following Dess and Robinson, (1984) where 1 indicated their perception that their organization's performance was the lowest of all competitors and 5 their perception of it as the highest performer. For the perception of peer performance we constructed a scale of 4 items, including questions such as: "In terms of serving as an example of good practice for other companies my organization belongs to the....." which proved to be reliable (Cronbach's alpha of 0.81). The expert performance perception scale was composed of 5 items and also proved reliable (Cronbach's alpha 0.74) - it included, for example: "In terms of growth in the appreciation among experts my organization belongs to the....." The market performance perception scale of 4 items, including, for example: "In terms of sold out performances my organization belongs to the.....", again proved reliable (Cronbach's alpha 0.84) (A full list of scale items can be obtained from the authors). We then calculated the differences between the artistic and managing directors' perceptions of organizational performance, using the Euclidean distances between their

scores in each performance type (Sohn, 2001).

Selection System Orientations and Difference. To measure each dual leaders' selection system orientations we again adapted Bhansing et al.'s (2012) scale items to the UK setting. The scales for each type comprised 5 items, again all measured on 5-point Likert-type scales. For peer orientation, the scale including such statements as: "I think that my peers are a good judge of the quality of our organization's productions" and proved reliable (Cronbach's alpha 0.70). The expert orientation scale items included, for example: "I am often aware of expert's opinions about our productions." and proved reliable (Cronbach's alpha 0.80) and the market orientation scale again proved reliable (Cronbach's alpha 0.79): items included such statements as, "In the decisions I make, it is especially useful to consider the opinions of our audience." (Again, the full list of scale items is available from the authors). The scales displayed the degree to which each orientation was active in the dual executives' minds. We followed Lincoln (1984) in constructing a measure of the similarity/dissimilarity between the two executives by mean-centering the orientation type scales and multiplying each of the artistic directors' orientation scores by those of the managing director.

Control Variables. We added several controls to our model. We constructed a variable (selection system overlap) to show the degree of overlap between the executives on each of the three orientations (e. g. Gibson & Vermeulen, 2003), to account for the fact that their selection system orientations were not mutually exclusive – all three orientations are accessible (to greater or lesser extents) in the minds of both leaders. Including this variable allowed us to control for possible effects of differences within and across their selection system orientations and differences in their perceptions of each type of performance.

We also controlled for communication levels between the dual leaders (problem solving communication) by scoring their responses to a single statement - on a 5-point Likert-type scale. The item – "Disagreements between the other executive in my organization and me are quickly resolved by us" – illustrates whether the two communicated well about their perceptions and if that communication was effective in resolving any differences. We multiplied the mean scores of the two executives together, so the variable displayed their combined opinions about their communication. We did not control for the main effect of problem solving

communication as we were only interested in their perceptions about the strength of their communication, which was captured in the compound effect (see Kenny et al., 2006, p. 150).

Table 5.2. Correlation matrix of control variables

	Subsidy A	Sales A	Size A	Touring A	Theatre A	Audience A
Subsidy B	.748**					
Sales A	-.416					
Sales B	-.294	.597**				
Size A	-.030	.176				
Size B	-.068	.223	.757**			
Touring A	.047	.069	-.395			
Touring B	.047	.069	-.395	1.000**		
Theatre A	.055	.065	-.204	.253		
Theatre B	.015	.070	-.161	.217	.926**	
Audience A	.022	.096	-.099	-.008	.151	
Audience B	.059	.033	-.130	-.067	.176	.934**

**Correlation is significant at the 0.01 level (2-tailed).

".. A" is response of artistic director. ".. B" is response of managing director.

We also included several organizational characteristics as control variables, averaging the responses of both executives in each case. We controlled for *income sources* – the percentages from subsidies and from earned income (ticket sales and performance fees) and for *organization size* (the number of fulltime equivalents (FTE) staff the organization employed). We constructed dummy variables to account for the fact that some companies only focused on adult audiences and others on a wider spectrum; that some toured their productions while some only performed in their ‘home’ venues; and whether they produced plays or other types of performances. Table 5.2 shows the correlations between the artistic directors’ (A) and managing directors’ (B) responses: all were high and significant.

Data screening

To exclude the possibility that the selection system orientations in

themselves were strong predictors of perceived performance, we performed a regression analysis to test if there were relationships between selection system orientations and perceptions of organizational performance along the matching dimension, at the individual level, but found no significant relationships for peer ($\beta = -0.100, p = 0.281$), expert ($\beta = -0.008, p = 0.933$) or market ($\beta = -0.038, p = 0.684$) orientations. A Harman's single factor test showed there was no common method variance between the orientation and performance perceptions of variables. We performed three exploratory factor analyses, one for each selection system type. More than one factor emerged in each analysis and in none of them did the first explain the majority of the variance (Podsakoff and Organ, 1986).

Method

We tested our hypotheses by constructing three models that took into account the individual orientation scores and the interactions between them. According to Lincoln (1984), in attempting to predict relationships between dyads, the properties of each individual are likely to have effects, and so should be specified in a statistical model, and how those properties combine must also be taken into account. Our model therefore includes a variable for the interaction between the dual leaders' orientations (*difference*). This approach allowed us to test the influence of combinations of individual properties and their inter-relationships instead of just testing the individual properties or measuring the distance between them. When the properties concerned the same variable for both executives, the interaction can be seen as a similarity/dissimilarity effect (Lincoln, 1984): the more negative its coefficient the larger the effects of differences, while positive and significant signs indicate the influence of similarity.

RESULTS

Before presenting the results of our model estimation, Tables 5.3 and 5.4 summarize some descriptives of our sample, which show the majority of the performing arts companies in our sample were theatre companies and most tour their productions. There are little differences in the make up of their income – subsidies (52%) and sales (29%) account for the bulk, with 19% being made up of corporate funds and sponsorships. Table 5.4 shows

demographic differences between the artistic and managing directors in our sample. More females (76%) than males (24%) hold managing director positions and the managing director's 4 year average tenure is considerably shorter than that of the average artistic director (11 years), who were also (at 46) somewhat older than the average managing director (41).

Table 5.3. Organizational descriptives

<i>Organizational characteristics</i>		Count	Size	Subsidy	Sales	Other
			Mean	Mean	Mean	Mean
Art Form	theatre	104	37	52%	29%	19%
	other (e.g., dance)	14	87	49%	26%	25%
Touring	Touring	98	42	52%	29%	19%
	non-touring	20	72	48%	25%	25%
Audience	all ages	58	41	52%	31%	17%
	+21	60	50	51%	27%	22%
Total		118	45	52%	29%	19%

Table 5.4. Dual executive leadership structure descriptives

<i>Directors</i>	Gender		Age	Tenure
	Male	Female	Mean	Mean
Managing	24%	76%	41	4
Artistic	51%	49%	46	11
Average	37%	63%	44	8

To get an overview of the relations between variables in our data we inspected the correlation matrix (Table 5.5) – which justified testing each selection system dimension separately – and to test hypothesis 1 and 2 we estimated a set of regression models (see Table 5.6). We found that the correlations between differences in the perceptions of peer and market performance ($r = -0.238$, $p > 0.5$) and between differences in the market, expert and peer selection system orientations were insignificant (see Table 5.5).

Our models are based on Lincoln (1984) and take into account both

individual and group level properties. The model estimations (Table 5.6) show a significant influence of selection system orientation differences. We found two expected and one unexpected relationship. The less similar the artistic and managing directors' market ($\beta = -0.230$, $p \leq 0.10$) and expert ($\beta = -0.356$, $p \leq 0.05$) orientation scores were, the greater were the differences in their perceptions of market and expert performance – i.e., the analysis of the differences in their market performance perceptions supported hypothesis 1a and that of the differences in their expert performance perceptions supported hypothesis 1b. But, on the peer dimension, the less similar their orientations were, the less were the differences between their perceptions of peer performance ($\beta = 0.268$, $p \leq 0.05$), so Hypothesis 1c was not supported.

We found partial support for hypothesis 2; hypothesis 2a and 2b were supported, but not hypothesis 2c. Model 2 ($R^2 = 0.462$) explained more variance in the dependent variable than model 1 ($R^2 = 0.262$). Also, the regression coefficients of difference in selection system orientation were larger and the significance of the difference selection system orientation variables stronger in model 2 than in model 1 (see table 5.6). Model 3 showed an unexpected result (see above, hypothesis 1c), although our analysis also showed that the constant in this model was larger than in the others, indicating that, when the model considered all the variables, the perception differences in peer performance were larger than those in market and expert performance. Our analyses also provided interesting results about problem solving communications. We did not find that communication had a negative significant influence on differences in perceptions of organizational performance – which diverges from what the current sensemaking literature suggests.

Robustness checks

We ran additional analyses to check the robustness of our finding. We explored whether differences in selection system orientations could be explained by demographic variances, via a model that included age, tenure and gender variables estimated as suggested by Lincoln (1984), but only found a positive significant influence of similarity in dual executives' ages on the difference in their expert selection system orientations ($\beta = 0.301$, $p \leq 0.05$) – i.e., the closer their ages were, the more different were their expert selection system orientations, suggesting that selection system orientations are a complex phenomenon and develop differently over artistic and managing directors' careers. Introducing the same demographic

Table 5.5. Correlation matrix

	M	SD	1	2	3	4	5	6	7	8	9	10	11
<i>Differences in the perception of performance</i>													
(1) Market	18.42	.76											
(2) Expert	21.81	1.13	.442**										
(3) Peer	19.19	1.14	.238	.612**									
<i>Difference in selection system orientations</i>													
(4) Market	.01	.23	-.111	.121	.013								
(5) Expert	-.07	.47	-.182	-.131	-.115	.169							
(6) Peer	-.04	.39	-.061	.195	.186	-.069	-.104						
<i>Selection system orientations artistic director</i>													
(7) Market	45.15	.51	-.149	.048	-.012	-.104	.116	.142					
(8) Expert	36.88	.61	.133	-.080	-.091	-.179	-.367**	.096	.248				
(9) Peer	36.58	.59	.033	-.123	-.138	-.172	-.011	.053	.399**	.317*			
<i>Selection system orientations managing director</i>													
(10) Market	44.14	.53	-.158	.065	.037	.197	-.091	.348**	.055	.101	.013		
(11) Expert	36.88	.76	-.048	.091	.067	-.012	.467**	.071	-.058	-.145	-.076	-.083	
(12) Peer	48.64	.79	-.114	-.240	-.011	.128	-.044	-.251	-.279*	-.039	-.099	.343**	.076

	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
<i>Control variables</i>															
(13) Problem Solving Communication	.04	.30	-.010	.098	.127	.245	.177	-.055	.041	-.050	-.110	-.148	.124	-.014	
(14) Orientation Overlap	24.80	.25	-.033	.076	-.119	.180	.055	.410**	.484**	.283*	.609**	.298*	-.022	-.336**	-.043
(15) Subsidy	51.53	24.56	-.084	.036	-.028	-.069	-.125	-.278*	-.022	.043	.196	-.115	-.091	.162	.132
(16) Sales	28.56	20.32	-.105	-.435**	-.288*	-.117	.089	.207	-.123	-.033	.070	-.051	.041	-.101	-.219
(17) Size	45.39	47.51	.066	-.157	-.183	-.040	-.432**	-.022	-.006	.152	.128	-.021	-.288*	.184	-.354**
(18) Touring	.83	.38	-.199	-.281**	-.362**	-.179	.168	-.033	.103	.111	.060	-.006	.053	-.193	.062
(19) Theatre	.88	.33	.096	.072	-.164	-.138	.144	.117	.125	.141	-.053	.129	-.013	-.113	.044
(20) Audience	.51	.50	.175	.141	.195	.130	-.243	-.008	-.151	.245	-.088	.090	-.002	.176	-.061

	14	15	16	17	18	19
(15) Subsidy		-.068				
(16) Sales	.084	-.416**				
(17) Size	.068	-.030	.176			
(18) Touring	.119	.047	.069	-.395**		
(19) Theatre	.095	.055	.065	-.204	.253	
(20) Audience	-.028	-.022	-.096	.099	.008	-.151

**Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 5.6. Multiple regression⁺

	Model 1		Model 2		Model 3	
	Difference Perception Market Performance		Difference Perception Expert Performance		Difference Perception Peer Performance	
	β	(<i>t</i>)	β	(<i>t</i>)	β	(<i>t</i>)
(Constant)	4.025***	(-3.022)	1.54	(0.999)	6.321	(-3.218)
<i>Market Selection System Orientation</i>						
Artistic director	-0.290**	(-1.870)				
Managing director	-0.259**	(-1.848)				
Difference	-0.230*	(-1.579)				
<i>Expert Selection System Orientation</i>						
Artistic director			-0.248**	(-1.931)		
Managing director			0.173*	(-1.401)		
Difference			-0.356***	(-2.448)		
<i>Peer Selection System Orientation</i>						
Artistic director					0.068	(0.429)
Managing director					-0.092	(-0.724)
Difference					0.268**	(-2.003)
<i>Controls</i>						
Problem solving communication	0.021	(0.143)	-0.018	(-0.155)	0.023	(0.190)
Orientation Overlap	0.249*	(-1.546)	0.241**	(-2.091)	-0.195	(-1.125)
Subsidy	-0.231*	(-1.607)	-0.142	(-1.178)	-0.050	(-0.366)
Sales	-0.270**	(-1.770)	-0.427***	(-3.417)	-0.244**	(-1.838)
Size	0.001	(0.005)	-0.287	(-2.032)	-0.319**	(-2.311)
Touring	-0.275**	(-1.875)	-0.367	(-2.975)	-0.440***	(-3.377)
Theatre	0.240**	(-1.764)	0.230**	(-1.979)	-0.088	(-0.727)
Audience	0.200*	(-1.518)	0.143	(-1.245)	0.213**	(-1.809)
<i>Model</i>						
R Square	0.262		0.465		0.413	
Adjusted R Square	0.090		0.339		0.276	
F	1.519*		3.709***		3.007***	

* $p < 0.10$ (1-tailed); ** $p < 0.05$ (1-tailed); *** $p < 0.01$ (1-tailed)

⁺ We conducted a similar analysis that included demographic variables: age, tenure and gender, but this resulted in no substantive change of the regression coefficients of the difference in selection system orientation variables.

variables into Models 1, 2 and 3 produced no substantive changes in the estimates of difference in selection system orientation variables.

We calculated a different dependent variable for each selection system dimension, treating the differences not as absolutes, but using a measure that showed direction by subtracting the managing director's score from that of the artistic director, but the analysis showed no significant relationships with difference in selection system orientations. We also calculated the difference between dual leaders' selection system orientations in a different way, by creating dummy variables for differences in market, expert and peer orientation, which would indicate if both executives' highest orientations were market, expert or peer. We ran separate tests for each selection system type and the results show a weak significant negative relation with differences in the perception of market performance when both directors' highest orientations were on the market dimension ($\beta = -0.258, p \leq 0.10$).

DISCUSSION

The main aim of this paper is to better understand managers' perceptions of their organizations' performance, and especially, the drivers of the differences in performance perceptions of different managers in the same organization. To do so, we focused on individual managers and their selection system orientations, a characteristic we argue represents an essential part of their mental model, distinguishing between the three basic performance dimensions suggested by selection system theory. We chose a setting size of relatively small organizations, where there were two top managers of equal hierarchy, who both had a clear overview of the entire organization, so we could investigate their perceptions of organizational performance. We show that managers with access to the same information and who operate in the same context can have different perceptions of organizational performance and that differences in the strength of their particular selection system orientations can explain differences in the perceived performance along those same dimensions, controlling for other differences at the individual level and for the quality of their inter-communication. We also presented arguments for why the levels of uncertainty and equivocality could differ between performance cues along the different dimensions and how signals of greater uncertainty and

equivocality allowed more room for the managers' orientations to affect their perceptions of performance.

Our main result is that difference in selection system orientations between top managers are antecedents for differences in their perceptions of organizational performance. As expected, differences in dual leaders' perceptions of performance are greater with greater differences between their orientations in both the market and expert dimensions. This was not so for the peer performance dimension – here, the more similar their peer orientations are, the greater the differences in their perceptions of performance. A possible explanation for this – unexpected – result is that dual leaders may have different ideas as to who their peers are, which may relate to their different functional positions. Our data shows that the dual leaders in our sample had different averages in their peer orientations, but similar means in their expert and market orientations. The managing directors were more orientated towards their peers than were the artistic directors – the former were more concerned with what other performing art companies thought about their organization, whereas the artistic directors were perhaps more self-centered. However, our model estimates show that the difference in their perceptions of peer performance were generally larger than those between their perceptions of market and expert performance.

Our second main result is that the influence of differences in selection system orientations is greater when performance perceptions are built on more equivocal and more certain information. Specifically, market performance data is the most certain and least equivocal, expert performance data is less certain and more equivocal, and peer performance data usually the least certain and most equivocal. Our results show that the impact of the differences in leaders' selection system orientations on their perceptions of performance in the same dimension is indeed greater for expert selection and less for market selection, while (as discussed above) the result on the peer selection dimension was different to what we expected.

Previous upper echelon research has argued that managers use their cognitions to identify problems in their strategic environments (e.g. Hambrick and Mason, 1984). This study suggests that the cognitions of managers not only influence which issues they notice, but also on how they interpret the outcomes of organizational behavior with regard to these issues. At a more general level, our results provide new insights for the sensemaking literature concerning the impact of particular mental models

on managerial perceptions. Our empirical evidence shows that selection system orientations are fundamental to how managers construct their understandings of their business environments and that the way top managers value the opinions of evaluators influences which cues they extract and how they process them in building their understanding of events. Our results also consider the importance and effectiveness of communication between individual managers as part of their sensemaking processes. While we agree with Weick et al. (2005) that managers should ideally develop common perceptions of events by communicating, we find the influence of communication on differences in the perception of organizational performance in our sample was insignificant. However, we found the relationships between uncertainty and equivocality of various types of signals and the impact of their selection system orientations was highly relevant for understanding the extent to which managers' mental models can affect their interpretations of different events.

Limitations

This study has several limitations. First, we argue that signals about different types of performance differ in their uncertainty and equivocality, but we did not empirically test whether the managers themselves experienced these different levels of uncertainty and equivocality in information of certain types. Second, this study is limited by the number of participating organizations – more responses would have provided more power to our statistical models. Third, it examined one setting in one country – similar studies in different contexts would increase the generalizability of our results. Fourth, we do not investigate whether differences in perceptions of organizational performance within organizations influence external evaluators' perceptions of organizational performance, which in turn produce those signals the managers interpret.

Managerial implications

Our study suggests that managers are highly influenced by their selection system orientations in assessing their organization's performance. In general, cognitive heterogeneity in management teams has been argued to be beneficial to the organization as a whole (e. g. Hambrick & Mason, 1984). However, if the managers disagree in their perceptions of organizational performance, this can amplify the disadvantages of cognitive heterogeneity, as their perceptions of past performance are their bases for planning their future strategies. In particular, such differences give more

scope for managers to disagree about the effectiveness of past strategic choices and the advisability of particular strategies in the future. Being more aware of the effects of their differing orientations and the moderating effects of uncertainty and equivocality, should allow managers to avoid future disagreements more easily. Organizations could also benefit from making more reasoned decisions about how great the differences between members of a management team – and especially between dual leaders – should be so that they do not become threatening to the organization. Given a desired level of difference, the organizations can actively strive to fill particular functional positions with individuals with selection system orientations of particular strengths.

Further research

We hope this study will stimulate more research in the perceptions of performance, echoing the similar call by Mezias and Starbuck (2003) in their well-cited article. However, important questions, which may have significant implications for the management and strategic literature, remain unanswered. For example, “Does reported organizational performance capture the health of an organization or can that only be captured in the minds of managers?” If managers’ perceptions of performance have greater influence on their decisions and actions than reported performance, many studies concerning strategy and reported ‘objective’ organizational performance should consider if the type of performance on which they focus is actually recognized by managers and is important in their subsequent strategy formulations.

6 Conclusion

The focus of the previous chapters has been on the tensions between art and business, especially for the managers of organizations in the performing arts. Much attention has been paid to the dual executive leadership structure, selection system orientations and organizational performance. This chapter synthesizes the findings of the four studies in this thesis. First, we summarize the major findings. Second, we discuss the implications of our findings for the main theoretical themes given. Third, we discuss the implications of the findings for public policy. Fourth, we discuss the implications for managers in the performing arts and organizations in general. Finally, the thesis makes suggestions for further research.

Major findings

Chapter 2 focuses on heterogeneity in the selection system orientations of dual leaders in theatre and dance companies in the Netherlands. In a dual executive leadership structure, the organization is led by two managers, each with their own role and tasks. Data from 51 organizations were analyzed. The first finding is that managing directors have stronger expert and market selection system orientations than artistic directors, while with respect to the peer selection system orientation there are no significant differences. The second finding is that heterogeneity in selection system orientations has a positive effect on organizational performance along the matching dimensions and in particular along the expert dimension. The expert selection system dimension is precisely the selection system dimension that is most important for the organizational survival of theatre or dance companies in the Netherlands.

Chapter 3 focuses on how film producers and directors manage the tensions generated by the art-business faultline. Film producers and directors are on different sides of the faultline, but together they also bridge it. A total of 24 Dutch producers and 14 directors were interviewed. The analysis of the interviews shows that producers and directors see their roles mainly on one or the other side of the faultline, that they perceive the director to be primarily responsible for the artistic success and that the producer has more influence on the commercial success than the director.

The faultline also manifests itself when producers and directors consider the selection of project team members. In general the producers and directors are more dominant in the selection process when this concerns team members that belong to their side of the faultline. Crucially, the findings show that if the director and the producer, as dual leaders who each represent one side of the art-business divide, form stable long-term relations on the basis of trust and mutual understanding, this has positive consequences for avoiding the pitfalls of strong faultlines and, in turn, for the performance of the organization as a whole.

Chapter 4 focuses on signals regarding past productions, i.e. product innovativeness, and regarding the past performance of organizations, i.e. organizational legitimacy and organizational reputation, that affect intermediaries in selecting or rejecting a new production by the focal organization. Scheduling data of 551 new productions of theatre and dance companies in the Netherlands were analyzed. The first main result is that there is a negative main effect of product innovativeness on scheduled capacity. The second main result is that the effects of legitimacy are much stronger than those of reputation. Thirdly, it transpires that companies with low legitimacy, those that effectively are already high-risk prospects for the schedulers, become more attractive if their product also becomes more innovative. In addition, the results show that scheduled capacity is not positively significantly related to past and recent attendance. Past audience success, therefore, is a poor signal for future success.

Chapter 5 focuses on differences between dual executive leaders in their perceptions of organizational performance. The core question was whether selection system orientation heterogeneity was a driver for this difference. Survey data of 59 performing art organizations in the United Kingdom with a dual leadership structure was collected and analyzed. The sensemaking (Weick, 1995) and upper echelon theories (Hambrick & Mason, 1984) suggest that cognitive systems such as selection system orientations determine how dual leaders interpret and process information regarding organizational performance. The first main result is that heterogeneity in selection system orientations is indeed an antecedent for differences in perception of organizational performance, at least in the expert and market selection system dimension. The second main result is that this relation is moderated by the degree of equivocality and uncertainty in information regarding the performance along the dimension of the particular selection system. With respect to this, the results show that the effects for the expert selection dimension orientation are stronger than the

effects for the market selection dimension. In addition, the results show that the quality of the communication between the dual leaders does not decrease differences in the perception of organizational performance.

Implications for the main theoretical themes

A major theme of this thesis is the nature and effectiveness of the dual executive leadership structure. Although this leadership structure is found in many different industries (Alvarez & Svejnova, 2005) there have been few studies that explore its antecedents and consequences. The main theoretical advantage of the dual leadership structure is that it creates information diversity at the top level of the organization. The results in chapter 2 and 5 show that dual leaders in different functional positions have different cognitive systems and that there is a difference between the dual leaders' cognitive systems within organizations and, therefore, that there is likely to be more diverse information available in the dual executive leadership structure. Consequently, more strategic issues are identified than in a structure with a sole executive. It has been argued that organizations have multiple organizational objectives (Denis et al., 2001) and that the boundaries between sub-groups, for example, the creative people and the administrative personnel, need to be monitored since the performance of the organization as a whole depends on how these faultlines are bridged and managed (Lau & Murnighan, 1998). When each of the dual leaders represents one side of a significant organizational faultline, their collaboration can serve to bridge this faultline, to the benefit of organizational performance. The hierarchical equivalence of the dual leaders makes such 'bridging' collaboration more necessary. Therefore, a well-functioning dual leadership structure can be a solution to problems resulting from organizational faultiness (Chapter 3). However, the dual executive leadership structure is a double-edged sword. Since the dual leaders interact with their environment, others outside the organization may perceive that the dual leaders have different attitudes and beliefs regarding what type of value is important to create for an organization. If this is clearly visible to outsiders then this may signal uncertainty about the strategic direction of the organization, which may translate to uncertainty about new products.

A second theme is selection system orientation. Selection system orientation is a new concept that can be applied to upper echelon theory (Hambrick & Mason, 1984) and is based on the selection system theory (Wijnberg & Gemser, 2000). Selection system orientations represent a

specific type of cognitive system and upper echelon theory proposes that cognitions of top managers influence the organization's outcomes. A manager's selection system orientation denotes their attitudes and beliefs regarding the relative importance of the judgments of different types of selectors who also can be considered to represent stakeholders in different strategic sub-environments. Moreover, organizational performance can also be measured along the same dimensions as the orientations.

This thesis shows that the concept of the selection system orientation is a useful way to classify the mindset of a manager in relation to the competitive environment in which they operate. With selection system orientations cognitive systems are measured more directly than with demographics, which have been used as a proxy for cognitive systems in many studies. It has been argued that the demographic approach has weaknesses (Carpenter et al., 2004) and that demographics should be abandoned in favor of variables that embody processes, attitudes and judgments (Olekalns & Smith, 2005; Priem et al., 1999). Chapters 2 and 5 do exactly this. In addition, this thesis suggests that selection system orientations expand the boundaries of the upper echelon perspective (Chapter 5). Previous upper echelon research has already discussed the fact that managers use their cognitions to identify issues and problems in their strategic environment (e.g. Hambrick & Mason, 1984). The findings in chapter 5 suggest that cognitions of managers have an influence not only on which issues top managers notice, but also on how they interpret the outcomes of organizational behavior with regard to these issues.

Thus, chapters 2 and 5 show that selection system orientations are effective in measuring cognitive heterogeneity. Chapter 2 indicates that functionally different executives have different strengths in their selection system orientations. As result of differences in the setting this was less so in chapter 5. Heterogeneity, however, between dual leaders of an organization in selection system orientations was found in both studies. Moreover, this thesis shows that selection system orientation heterogeneity is related to organizational performance (Chapter 2). The findings of chapter 2 and 5 support the findings of Houghton and Neubaum (1994) and Voss, Cable and Voss. (2006), which suggest that top managers in different functional positions have different perceptions of their business environment. They also support the findings of Kilduff, Angelmar and Mehra (2000) and Mello and Ruckes (2006), which show positive relationships between cognitive heterogeneity and organizational performance.

A third major theme is the role of outsiders' perceptions of organizations and their products. By showing that signals of product innovativeness interact with signals of organizational legitimacy this thesis provides insight into how intermediate buyers handle uncertainty about new products and their producers. This contributes to theory development regarding the risks and rewards of innovation. Intermediaries balance the uncertainties arising out of high innovativeness with the uncertainties arising out of low legitimacy (Chapter 4). Organizational reputation did not have an effect on the selection decisions of intermediate buyers. This thesis shows that research should make a distinction between the perceptions of organizational legitimacy and organizational reputation because both organizational perceptions of past performance can have different effects (Deephouse & Carter, 2005; King & Whetten, 2008) especially in their interaction with other perceptions of the focal product or producer.

A fourth major theme in this thesis is sensemaking and differences between dual leaders' perception of organizational performance. The sensemaking literature (Weick, 1995) discusses how individuals extract cues and give meaning to events. Cognitive systems play an important role in this. However, few empirical studies focus on what these cognitive systems are like. This thesis does this by using the selection system orientation concept to explain how managers make sense of their organization's performance. The extent to which managers attach relative importance to the opinions of particular types of evaluators colors the way in which they observe the world around them and affects which cues they extract to interpret reality. Chapter 5 provides empirical evidence for the fact that selection system orientations are fundamental to how managers construct an understanding of their business environment. Moreover, findings suggest that the relation between the uncertainty and equivocality of particular types of cues and the influence of selection system orientations is highly relevant for understanding the extent to which cognitive systems can affect interpretations of events. In addition, the results in chapter 5 question the importance and effectiveness of communication between managers as part of their sensemaking processes. Ideally managers should come to a common perception of an event by communicating (Weick et al., 2005), but the results in chapter 5 show that the quality of the communication between the managers has an insignificant influence on differences in the perception of organizational performance.

Implications for public policy

The general tendency in policy development in the Netherlands regarding cultural industries has been to reduce the subsidies for the performing arts. Such policy developments seem to call for a stronger market orientation on the part of performing arts organizations. However, as shown in chapter 2, the managers of Dutch theatre companies do not score particularly highly on that dimension. Moreover and maybe more importantly, this is also the case for the business managers, from whom a strong market orientation would be expected. Policy makers should realize that the current managers of performing art organizations in the Netherlands may not have the right strategic orientations for a business environment that relies much more on the market. In fact, the research presented in this thesis suggests that cognitive heterogeneity is quite low among managers of subsidized theatre companies and a first step towards making these organizations more likely to survive in the rapidly changing environment would be to promote greater heterogeneity. Changes in policy that emphasize the market earning capacity and business capabilities of cultural organizations can, in the medium term, lead to a more dominant, or less subservient, position for the business manager, especially if these business managers are selected on the basis of their managerial training and experience. Since such changes cannot happen overnight, it would not be sensible to expect immediate results of policy changes, which in turn suggests that public authorities should act with care to give temporary protection to organizations that are still too focused on peer and expert success, but without taking away the incentives for internal reform.

Implications for managers

Above we have discussed the fact that the dual executive leadership structure has its advantages and disadvantages. If an organization finds itself in an environment that poses multiple demands and these demands can be linked with different selection systems, then a dual leadership structure, where two executives clearly have different strengths in their selection system orientations, seems a useful way to manage such an organization: in this way each executive can serve a different set of stakeholders and the organization benefits from information diversity. At the same time, if such a solution is chosen, the organization should take care, in the selection of managers and in the structuring of their roles, that the dual leaders not only work together well, but also devote efforts to bridging the faultlines that the dual leadership structure makes explicit.

What is more, dual leaders may have different perceptions of how the organization is doing and where it is going (Chapter 5). Organizations should endeavor to create processes to align dual leaders' perceptions of organizational performance so that the formulation of subsequent strategies becomes easier and more effective. Good communication between the leaders alone may not be enough (Chapter 5).

Another implication that is more specific to the performing arts is that demand forecasts are very hard to make and that some cause and effect relations that seem obvious are not in fact obvious. Performing art organizations should not rely only on their past successes with the audience or past evaluations by expert critics. These signals are not a given for future success. Scheduled capacity is, for example, positively related to past and recent attendance but not significantly so, and organizational reputation is not significantly related to scheduled capacity. High organizational legitimacy, which is signaled by the number of expert reviews, has a significant effect on scheduled capacity. Therefore, it is recommended that performing art companies invest in creating organizational legitimacy. By showing that one is a serious player in the field one can reduce uncertainty about the quality of one's products. This thesis shows that critics play an important role in building organizational legitimacy, even if the importance of what the critics actually say can be very limited. On this basis, performing art companies would be well advised to deploy relational and marketing activities in order to become more prominent in the minds of expert critics.

Further research

Investigating selection system orientations and heterogeneity in the selection system orientations in other contexts can validate both the underlying measures and the generalizability of selection system orientations. This thesis focuses on the performing arts in the Netherlands and the United Kingdom. Future studies could investigate the antecedents and consequences of selection system orientations in different regions and industries. Also, this thesis has mostly addressed cultural organizations that received at least some subsidies. Further research could usefully include, for example, organizations in industries that fully depend on the market. It would be interesting to see whether selection system orientation heterogeneity exists in these types of organizations and how this is related to financial performance. Additionally, selection system orientations should also be investigated in the contexts of other leadership structures. It would

be interesting to investigate within one industry whether the selection system orientations of 'single' CEOs differ from the average selection system orientations of dual leaders, and how this would affect organizational performance.

Further research can link selection system orientations with external perceptions of the organization as a whole, such as reputation, legitimacy and status (status is not studied in this thesis, but it is conceptually related to reputation and legitimacy). One could argue that, for example, in organizations with a single CEO, those that have a high expert orientation are more capable of creating organizational legitimacy because they may create high visibility of their organization among experts. CEOs with high market selection system orientations may be more capable of creating reputation since in many industries previous market success creates a positive image. CEOs with a high peer orientation may be more capable of creating status since they may attempt to mimic signals of high status peers in their own organizations.

Selection system orientations can also be studied in lower levels of the organization. In large organizations teams in different departments are likely to differ from each other in their dominant selection system orientation. For example, the communication department may have an expert orientation because they find organizational legitimacy important and the sales department may have a high market selection system orientation because servicing the market is their primary task. What effect does such a difference in selection system orientation have for the performance of the organization as a whole? Also, since innovation and creativity play an important role in many industries, what role does selection system heterogeneity play in the innovative output of teams? On the one hand one may argue that innovation requires a dominant peer orientation in a team because the new product development of competitors determines the relative level of innovativeness. On the other hand a team where all the members have a dominant peer selection system orientation will have low heterogeneity, which is associated with low levels of innovativeness (Bantel & Jackson, 1989; Murray, 1989).

This thesis began by stating that the most obvious particularity of the art business is that it comprises art *and* business. In a way each organization has its 'art'. All organizations generate an output and it is an 'art' to do this in such a way that the highest possible quality is created with the available resources. This thesis hopes to encourage other researchers to

investigate further how 'art' and business can be combined in order to create different types of organizational success.

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Nederlandse Samenvatting [Dutch Summary]

Organisaties die podiumkunst produceren hebben artistieke en zakelijke doelen. Deze twee doelen zijn niet altijd verenigbaar en dat kan leiden tot spanningen. Het willen realiseren van artistieke en zakelijke doelen heeft onder meer gevolgen voor de structuur van de organisatie, het type topmanager dat bij de organisatie past en de innovativiteit van producten van de organisatie. Deze onderwerpen worden behandeld in dit proefschrift.

Een manier om spanningen tussen de artistieke en zakelijke doelen te managen is te kiezen voor een structuur waarin de top van de organisatie is verdeeld langs deze doelen. Dit noemen we de duale leiderschapsstructuur. Daarin staan twee hiërarchisch gelijkwaardige managers aan de top van de organisatie. Zij hebben elk een eigen set taken en nemen samen beslissingen over belangrijke strategische kwesties waar de organisatie mee te maken krijgt (Reid & Karambayya, 2009). In de culturele industrie komt zo'n structuur, waarin een artistieke of creatieve directeur en een zakelijke of commerciële directeur samen de leiding hebben, veel voor. Natuurlijk is iedere directeur deskundig op zijn of haar eigen gebied en hebben zij een verschillende achtergrond, opleiding en beroepservaring. Dit betekent echter niet dat de artistiek directeur zich volledig richt op het artistieke en de zakelijk directeur op het zakelijke.

Dit proefschrift bouwt onder andere voort op eerder onderzoek van Hambrick en Mason (1984). Zij suggereren dat de resultaten van een organisatie zijn gerelateerd aan de cognitieve systemen van de topmanagers en de verschillen tussen de cognitieve systemen van managers in een topmanagementteam. De ervaringen, waarden en persoonlijkheden van topmanagers zijn van grote invloed op hun interpretaties van situaties waarmee zij worden geconfronteerd. Deze interpretaties beïnvloeden op hun beurt de keuzes van topmanagers. Het voornaamste voordeel van cognitieve verschillen tussen directeuren in de duale leiderschapsstructuur

in de culturele industrie is dat organisaties daardoor beter kunnen inspelen op de externe omgeving (Heenan & Bennis, 1999).

In dit proefschrift worden de persoonlijke eigenschappen van topmanagers niet vastgesteld door te kijken naar demografische aspecten als proxy van de cognities van managers, zoals in veel voorgaand wetenschappelijk onderzoek is gedaan, maar worden deze cognities op een directere manier gemeten. Dit resulteerde in de conceptualisatie van selectiesysteemoriëntaties. Selectiesysteemoriëntaties zijn gebaseerd op de selectiesysteemtheorie van Wijnberg en Gemser (2000). De selectiesysteemtheorie bestudeert competitieve processen door te focussen op actoren die door hun acties en meningen de waarde bepalen van goederen van concurrerende producenten. Drie ideaaltypen van selectie worden onderscheiden: gelijke selectie, expertselectie en marktselectie. Elke selectie bestaat uit de 'selecteurs', de actoren wiens evaluaties de waarde bepalen van een product en de 'geselecteerde', de organisatie waarvan de producten worden geëvalueerd. Bij marktselectie is de dominante selecteur de consument. Bij gelijke selectie zijn producenten binnen de culturele industrie de dominante selecteur. Bij expertselectie zijn niet producenten of consumenten de selecteur, maar organisaties of personen wiens mening, beslissing of advies een aanzienlijke impact kan hebben op het veld. Een organisatie kan op elke selectiesysteemdimensie goede en minder goede prestaties leveren. Uiteraard kunnen verschillende topmanagers andere actoren zien als de dominante selecteur. Topmanagers streven altijd naar goedkeuring van de selecteur die zij als dominant beschouwen. Een manager die bijvoorbeeld meent dat het succes van organisaties in de eerste plaats afhankelijk is van de evaluatie van experts en dat de mening van consumenten nauwelijks meetelt, zal een hoge expertselectiesysteemoriëntatie en lage marktselectiesysteemoriëntatie hebben.

In hoofdstuk 2 worden de selectiesysteemoriëntaties van artistiek en zakelijk directeuren van Nederlandse theater- en dansgezelschappen gemeten. Daarnaast wordt de relatie onderzocht tussen verschillen tussen de oriëntaties van directeuren en de prestaties van de organisatie in een type selectiesysteem. Uit de resultaten blijkt dat:

- Zakelijk directeuren over het algemeen een hogere markt- en expertoriëntatie hebben dan artistiek directeuren.

- Artistiek en zakelijk directeurs zich in dezelfde mate oriënteren naar gelijken.
- Bij artistieke directeurs is de gelijke oriëntatie de dominante oriëntatie. Bij zakelijk directeurs is er geen dominante oriëntatie te herkennen.
- Verschillen tussen directeurs in expertoriëntatie een positief effect hebben op de prestaties in de expertdimensie, mits de artistiek directeur een hogere expertoriëntatie heeft dan de zakelijk directeur. In de praktijk is dit meestal niet het geval.

Uit hoofdstuk 2 valt te concluderen dat de expert-selectiesysteemdimensie precies de selectiesysteemdimensie is die het belangrijkste is voor de overlevingskansen van theater- of dansgezelschappen in Nederland. Onder de expertdimensie vallen bijvoorbeeld critici, theaterprogrammeurs en subsidieverstrekkers.

Voor hoofdstuk 3 zijn filmregisseurs en -producenten in Nederland geïnterviewd over het artistieke en commerciële succes van de film en hun invloed daarin. Uit de interviews blijkt dat:

- Regisseurs primair worden gezien als hoofdverantwoordelijke voor het artistieke succes.
- Producenten meer invloed hebben op het commerciële succes dan regisseurs, maar niet per se worden gezien als hoofdverantwoordelijke voor dit succes.
- De invloed die producenten menen te hebben op het artistieke en commerciële succes niet volledig wordt erkend door regisseurs.
- Stabiele langetermijnrelaties tussen een regisseur en producent zich vormen op basis van vertrouwen en wederzijds begrip.

Te concluderen valt dat in duale leiderschapsstructuren in de culturele industrie de rol van de zakelijke of commerciële topmanager ondergewaardeerd is en dat vertrouwen tussen de twee directeurs bijdraagt aan het vermijden van valkuilen en op haar beurt het succes van de organisatie als geheel.

Hoofdstuk 5 heeft betrekking op artistiek en zakelijk directeurs van theater- en dansgezelschappen in Groot-Brittannië. Als twee directeurs zich verschillend oriënteren op hun omgeving dan kan het ook zijn dat zij verschillen in hun percepties over de prestaties van hun organisatie. Uit de resultaten blijkt dat:

- Verschillen in de expert en markt-selectiesysteemoriëntatie van de duale leiders een antecedent zijn voor verschillen in de percepties van het succes van de organisatie in dezelfde selectiesysteemdimensie.
- De mate van dubbelzinnigheid en onzekerheid in informatie over het succes van de organisatie bepaalt mede of verschillen in oriëntatie tussen duale leiders effect hebben op hun perceptie van het succes van de organisatie.
- Communicatie tussen de duale leiders de verschillen in de perceptie van succes niet verminderen.

Als verschillen in de perceptie van succes voortbestaan in een organisatie kan dit negatieve gevolgen hebben voor de formulering van toekomstige strategieën. Het is dan bijvoorbeeld onduidelijk welke aspecten in de organisatie verbeterd moeten worden om te reageren op veranderingen in de omgeving.

Naast inzicht in de duale leiderschapsstructuur en selectiesysteemoriëntaties geeft dit proefschrift ook inzicht in welk type producties van theater- en dansgezelschappen geselecteerd worden door programmeurs van theaters en schouwburgen. Kenmerkend voor de culturele industrie is dat er meer producten worden aangeboden dan de markt kan absorberen en dat er hoge onzekerheid is over de kwaliteit van de uiteindelijke voorstelling. Dit maakt het moeilijk voor programmeurs om te beslissen welke producten te selecteren en welke te verwerpen. Aangezien programmeurs in de podiumkunsten vaak een waardeoordeel moeten vormen voordat de productie klaar is voor consumptie, vertrouwen ze op signalen en percepties die onzekerheid rond de productie en de producerende organisatie kunnen verminderen. Zo kan op productniveau de innovativiteit van de productie een bruikbaar signaal zijn. Des te vaker een productie eerder is geproduceerd des te minder innovatief deze is. Innovativiteit wordt over het algemeen in de kunst gezien als een gewaardeerde producteigenschap en innovativiteit is een dominante strategie voor organisaties om zich te onderscheiden van hun concurrenten (Hellbrun, 1993). Echter, innovativiteit verhoogt ook de onzekerheid over de acceptatie van het product door de markt. De theaterbezoeker waardeert innovativiteit niet altijd (GB Voss, Montoya-Weiss, & Voss, 2006; Werck & Heyndels, 2007). Naast productinnovatie kunnen programmeurs zich richten op het verminderen van de onzekerheid over de producerende organisatie door te focussen op de heersende perceptie van de legitimiteit

en reputatie van de podiumkunstorganisatie. Organisaties hebben legitimiteit als men waarneemt dat zij voldoen aan de minimumeisen die horen bij een bepaalde groep (King & Whetten, 2008). Wanneer verschillende producten van een organisatie besproken worden in bijvoorbeeld krantenrecensies, toont dit aan dat de producten van een organisatie een legitiem voorwerp van aandacht zijn. Reputatie geeft aan of een organisatie positief onderscheidend vermogen heeft in relatie tot haar concurrenten (King & Whetten, 2008).

Hoofdstuk 4 heeft betrekking op theater- en dansgezelschappen in Nederland en onderzoekt of legitimiteit, reputatie en productinnovativiteit invloed hebben op de grote van het publieksbereik (aantal beschikbare stoelen voor de loop van een voorstelling). Uit de resultaten blijkt dat:

- Innovatieve producties (stukken die eerder geproduceerd zijn) over het algemeen minder publieksbereik hebben dan minder innovatieve producties.
- De legitimiteit van een gezelschap een modererende factor is tussen productinnovativiteit en publieksbereik. Zo hebben minder innovatieve producties van gezelschappen met een hoge legitimiteit altijd het meeste publieksbereik. Innovatieve producties van gezelschappen met een lage legitimiteit hebben daarnaast meer publieksbereik dan minder innovatie producties van gezelschappen met een lage legitimiteit.
- De reputatie van een gezelschap geen invloed heeft op publieksbereik.
- De hoeveelheid publiek bij voorgaande voorstellingen van een gezelschap geen invloed heeft op publieksbereik.

Kortom, productinnovativiteit heeft zowel positieve als negatieve gevolgen voor Nederlandse theater- en dansgezelschappen en dit wordt bepaald door de mate waarin de producerende organisatie als legitiem wordt gezien.

Op basis van dit proefschrift kunnen er een aantal aanbevelingen worden gedaan voor theater- en dansgezelschappen en het subsidiebeleid in Nederland. De algemene tendens in Nederland ten aanzien van culturele industrie is om de subsidies voor podiumkunsten te verminderen. Deze ontwikkeling lijkt te pleiten voor een sterkere marktoriëntatie van podiumkunstorganisaties. Echter, uit de bevindingen in hoofdstuk 2 blijkt dat managers van Nederlandse theater- en dansgezelschappen geen bijzonder hoge marktoriëntaties hebben. Bovendien, en misschien nog wel

belangrijker, kan niet gezegd worden dat bij zakelijk directeurs over het algemeen de marktorientatie de dominante oriëntatie is. Beleidsmakers moeten zich realiseren dat de huidige topmanagers in podiumkunstorganisaties in Nederland niet de ideale strategische oriëntaties hebben voor een omgeving waarin deze organisaties zich meer op de markt moeten richten. Tevens blijkt uit dit proefschrift dat de cognitieve verschillen tussen de directeurs van theater- en dansgezelschappen in een duale leiderschapsstructuur vrij klein zijn. Een eerste stap naar het creëren van organisaties die meer kans hebben om te overleven in de snel veranderende omgeving van theater- en dansgezelschappen is het bevorderen van een grotere cognitieve diversiteit binnen het duale leiderschap. Aangezien dergelijke veranderingen niet vanzelf gaan dient de overheid voorzichtig te handelen en tijdelijke bescherming te geven aan organisaties die nog steeds gericht zijn op het creëren van succes in de ogen van hun gelijken en experts, zonder daarbij de prikkels voor interne hervorming weg te nemen.

Hoewel men de indruk kan krijgen dat de culturele industrie een complexe en unieke omgeving is, anders dan bijvoorbeeld het bankwezen of de software industrie, laat dit proefschrift zien dat dit vaak niet het geval is en bevatten de bevindingen in dit proefschrift ook lessen voor andere industrieën. Kwesties die betrekking hebben op het balanceren tussen economische doelen en niet-economische doelen en onzekerheid over productinnovativiteit zijn ook aanwezig in andere industrieën. Sterker nog, in veel opzichten neemt de culturele industrie het voortouw op het gebied van innovatie en creativiteit.

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About the Author

Pawan V. Bhansing was born on August 2, 1979 in The Hague, the Netherlands. He obtained a Master of Science in Social and Organizational Psychology. During his studies he specialized in Economic Psychology. After his studies he worked at EIM Business & Policy research as researcher. In 2009 he started his PhD on business in the performing arts at the Strategy and Marketing department at the University of Amsterdam Business School.



In his research he focuses on organizational structures, perceptions of organizations, cognitions of top managers, top management team diversity, managers' perceptions of their organizations' performance, and drivers and antecedents of organizational performance. He presented his research at international conferences, including the Academy of Management annual meeting, the European Group for Organizational Studies colloquium and the European Academy of Management conference.

Publications:

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