The role of management control systems in the performing arts
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Introduction and synthesis

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Paper 1: The role of performance measures in the arts – the case of Norwegian symphony orchestras

Paper 2: Creativity and management control – the diversity of festival budgets

Paper 3: Budget control and perceived environmental uncertainty - the case of Norwegian festivals

Paper 4: Control system complexity and management characteristics – the case of festivals
1 Introduction

Art has for centuries been an essential element of human life. Over recent decades, however, there has been an increased focus on economic factors within the arts since the sector has become more professionalized by generating income for artists, and a whole multitude of other professions and services, as well as for the local community as a whole (Gstraunthaler & Piber, 2012). There has also been an increased emphasis on arts organizations and arrangements as they are often closely related to the values that a community recognizes as central, for example, to social identity and historical continuity (Falassi, 1987). A consequence of this development is that arts organization are not valued and evaluated, not only in terms of their artistic achievements, but also in terms of economic measures (Gstraunthaler & Piber, 2012). This development is also a result of developments in the public sector, such as New Public Management-reforms that place increased emphasis on measurement and accountability (Ferri & Zan, 2014).

One of the basic implications of management accounting and control is the focus on detecting productivity gains. Baumol and Bowen (1966) early problematized this issue for the performing arts sector as it is difficult to realize productivity gains by introducing technical developments or by reducing the number staff through more efficient ways of carrying out work tasks. Thus, a pressure towards “managerialization” in the performing arts field raises issues that needs to be addressed in order to understand the complexity of management control (Ferri & Zan, 2014). Crucial to this discussion is a reflection of the primary purpose of arts organizations as they are seen as contributing benefits, which can be characterized as benefits for the “community at large” and, hence, as working towards goals that are both intangible and difficult to accrue within a pre-defined reporting period. Therefore, purpose and objectives of performing arts organizations are not to minimize the costs of a given production from a profit-maximizing argument, but to capture a much broader perspective (Rentschler & Potter, 1996).

Management knowledge, which has mainly been developed over the last 60 years, is a new invention in relation to the artistic tradition, and contains inherent fundamental difference from the arts because it is based on commercialism and profit-based arguments (Ferri & Zan, 2014). Thus, in the meeting between the managerial approach and the artistic tradition there is often frustration among artists as management control appears to be detached from the full range and complexity of artistic work (Gstraunthaler & Piber, 2012). For example, in their description of the implementation of a budget system imposed on The Royal Danish Theatre by the State Audit Department, Christiansen and Skaerbaek (1997) provide some useful insights into the complexity of management control in
performing arts organizations. This budgeting system was perceived by the artists to be a great intrusion into artistic freedom and its implementation generated a large and protracted conflict.

With this background in mind, the topic of this dissertation is the role of management control tools in the Norwegian performing arts sector. There is limited research on management accounting and control within the arts sector (Chiaravalloti, 2014; Kartalis et al., 2016; Maier, 2016), and this dissertation contributes to calls for management accounting and control research that embraces the role of control tools in the context in which they operate (Hopwood, 1983; Jeacle, 2009a) and, more specifically, within performing arts organizations (Jeacle, 2009b). This includes how control systems are designed and used within different parts of the performing arts field and, with an emphasis on how the design and use is coupled with the specific context, how variances in use can be explained. The dissertation, hence, focuses on the balance between the creative nature of the performing arts and the need for control. The primary aim of this dissertation, however, is not to discuss the challenges and problems with management control in the performing arts field, but to go beyond these issues by studying how management control is actually conducted within the field. To address the overall aim, four studies with different objectives, theoretical frameworks, and research methods are included.

The first paper is a case study of the Norwegian symphony orchestra and the governmental performance measurement system. The paper draws on institutional theory and the concept of institutional logics. The purpose of the paper is to identify the different logistics in the field and to investigate how institutional logics and their configuration impact on the role of the performance measurement system. Papers 2, 3, and 4 relate to festivals and although also within the performing arts field, festivals are very different from symphony orchestras. Paper 2 is a case study of a large Norwegian festival, the St. Olav festival, and the study investigates the design and use of the budget under the specific conditions of the festival. A central objective in the paper is to provide an in-depth understanding of the constructive role of the budget in the balance between creativity and control. Papers 3 and 4 build on the findings from Paper 2 and are based on a survey of the largest Norwegian festivals. The first of these two papers is a contingency paper that embraces the influence of one of the central contingency factors, uncertainty (Chenhall, 2003), conceptualized in the paper as perceived environmental uncertainty (Ekhelm & Wallin, 2011; Sandalgaard, 2013). The paper thus contributes to the understanding of the role of control tools in the performing arts field by investigating how budgets are used and for what purposes, and how the use is influenced by perceived environmental uncertainty. The fourth paper also mainly investigates the role of the budgets in festivals, but includes financial accounting reports and performance measures as additional control tools. However, this paper takes on a different theoretical stance by acknowledging that the design and use of control systems is not necessarily only imposed on organizations, but is something that managers are able to
control and change through their decision-making. The paper thus draws on the theory of upper echelons (see e.g., Hambrick & Mason, 1984) to examine the association between observable managerial characteristics, such as educational background, age, and tenure, and how these influence the different use of budgets, the perceived problems of budgets, and the use of other control tools.

The findings in the four papers provides evidence of how control systems are designed and used in the performing arts sector. Paper 1 shows how a performance measurement system is used in the governance of Norwegian symphony orchestras, and the findings indicate that the different institutional logics, in particular an artistic logic influences how the performance measurement system is both designed and used. Paper 2, 3 and 4 emphasize how management control tools, most importantly the budget, is used in the management of festivals. An overall finding in these papers is that the budget is a central management control tool in Norwegian festivals, and that the design and use of budgets is adapted to meet the specific characteristics of festivals. In paper 2 do the findings in addition suggest that the budget plays a core role in balancing creativity and control and is a tool for organizational learning. The findings in paper 3 suggest that the use of the budget is influenced by perceived environmental uncertainty, conceptualized as competition and unpredictability, and the findings in paper 4 indicate that management characteristics influence on the use of budgets. The findings in this dissertation, hence, shows that management control tools play a key role in the management of the performing arts sector. However, as it has been important to provide a comprehensive understanding of the contextual frame of the performing arts field, this dissertation also shows that institutional and contingency factors inform how management control tools are both designed and used within this sector.

The remainder of the dissertation is structured as follows. The next chapter provides an elaboration of the contexts of symphony orchestras and festivals as it is crucial to understand some of the central characteristics of the performing arts field. A literature review was conducted to gain an understanding of what the literature says about management accounting and control in the performing arts field. The results of the literature review are presented in the third chapter of the dissertation, prior to discussing the central theoretical frameworks. The fifth chapter elaborates on the research design and summaries of the four papers are provided in chapter six. Some main conclusions are drawn in chapter seven, followed by some suggestions for further research.
2 Context – the performing arts sector

The performing arts sector has some specific characteristics that are pivotal to the understanding of the role of management control tools in this sector. However, there is great diversity within the sector and this dissertation comprises studies of arts organizations that have some specific and fundamentally different features that are important to understand when considering the complexity of management accounting and control in this field. The following subsections provide an elaboration of some of these characteristics.

2.1 Symphony orchestras

There are six professional symphony orchestras in Norway and these are organized directly under the Ministry of Culture. Most of the orchestras are almost fully developed, meaning that they employ between 85 and 110 professional musicians and they have an administrative staff of between 12 and 20 people. The Norwegian cultural field, and, hence also the orchestra field, is heavily funded by the state and, on average, the orchestras receive about 90 % of their total budgets from the Ministry of Culture, the county, and the municipality. The symphony orchestras generate high artistic activity, performing annually between 80 and 100 concerts within the classical standard repertoire, but also within other genres such as opera, contemporary music, chamber music, and music for children and youths, etc.

The administrative functions comprise the same functions as conventional organizations. However, the management of the orchestras involves a certain complexity that needs to be addressed to understand the organizational dynamics. Symphony orchestras are old organizations, or at least lean on a very old tradition with a specific organizational structure. When many of the prominent orchestras as of today (e.g., the Berliner Philharmonic) were established in the 19th century, they were established as “Musikvereins”. This implied that the musicians owned the orchestras and, hence, a strong internal orchestra democracy developed. This is a tradition that is still inherent in many orchestras, including Norwegian orchestras, as through their committees the musicians expect to participate in decision-making, particularly with respect to the artistic direction of the orchestra (repertoire and employing musicians). This, and the strong prevailing principle of an arm’s length distance between political bodies and artistic decisions, means that there is little acceptance among the orchestra’ musicians for being controlled by the administration or by political bodies. The administrative and political bodies are expected to act as providers of necessities, giving the performing artists the opportunity to focus on high quality music performances (Wennes, 2002).

When describing the orchestra it has to be taken in to account that it is both organized as an institution from day to day, and also as a performing unit in concerts and rehearsals (Kleppe et al., 2010). It is
therefore interesting to look into the performing body of the symphony orchestras and how structures are built to achieve the core outcome, that is, the artistic results. When the orchestra is on stage, particularly in concerts, the incontestable leader is the conductor and there is a clear hierarchy throughout the orchestra, both directly and via the concert-master and the principals of each instrument group. This strong hierarchy is necessary due to the pressure of a high quality performance. However, in rehearsals and off the stage, the dynamics are rather different, more or less including the elements of democracy as the tradition suggests.

2.2 Festivals

Compared to the number in the population, the festival field in Norway is considerable and there has been a huge increase in the number of festivals over recent decades. Aagedal et al. (2009) claim that this change has been so prominent in the Norwegian cultural sector that it can be described as a “festivalization”. Given that a part of this dissertation is dedicated to the festival field, it of interest to gain an overall impression of what the festival-field looks like. Thus, a mapping was undertaken using different sources of data and this resulted in the identification of almost 500 festivals from all over the country within a very wide range of themes, including poetry, hunting, sports, food, fishery, literature, dance, cheese, laughter, cars, whisky, and perhaps most importantly, a vast range of music festivals. The festivals are also of very different sizes, the largest festivals with total revenues on tens of million NOKs and smaller festivals that are exclusively run by volunteers.

Norwegian festivals have a long tradition that can be traced back to the 19th century through precursors to festivals such as kapplek (folk music and dance competitions) (Négrier et al., 2013). However, the first true Norwegian festival is considered to be the Peer Gynt Festival that was first held in 1928, 100 years after Henrik Ibsen’s birth. Another early festival was the Bergen International Festival that was first arranged in 1953 to commemorate the 100th anniversary of the birth of Edvard Grieg and was influenced by European Festspiele. During the 1960s a number of large (and still continuing) festivals were established, such as the St. Olav Festival in Trondheim (1962), the Kongsberg Jazz Festival (1964), the Arts Festival of North Norway (1965), and the Molde International Jazz Festival (1968). The big boom in the establishment of festivals, however, began in the 1990s. Yet there has been varying stability in the festival mass over the last couple of decades and a number of festivals have been established only to collapse few years later (Négrier et al., 2013).

There are a number of explanations for the great popularity of festivals. Norway is a geographically large country with many small societies, and festivals are often regarded as a strategy for providing positive effects, such as greater place attachment and local economic development (Wilson et al., 2016). Another explanation raised, for example, by Frey (2000, June), is that festivals are a cost-
efficient way of producing a great deal of cultural activity. This is because festivals are often arranged during the summer period when there is a large number of volunteers on vacation who want to work for free. Thus concerts can be arranged cheaply in outdoor venues, and when other venues, such as concert halls, can be rented at a lower price due to lack of demand for alternative uses during the vacation period. However, a large part of the festival field is also driven by strong interest from enthusiasts.

Festivals are often criticized in the media for lacking economic control, and they are frequently associated with large budget deficits and poor management. In many cases this is true, and one of the reasons may be that a large number of festivals in Norway are run by volunteers who are not motivated by management but by the content of the festivals (many festivals have been established because enthusiasts wants to see their favorite band live in their own “backyard”). However, despite the fact that many festivals are poorly managed, a great deal of uncertainty is also an inherent feature of festivals. In contrast to the symphony orchestras that have permanently employed musicians and long-term security that rests on a classical standard repertoire that always will fill the concert hall, festivals have different artists performing at the festival each year. The speed of change in the cultural landscape increases constantly, and artists vary in their popularity. Consequently, the uncertainty about generating costs may be large as it is difficult to have a priori knowledge of ticket revenues. Compared to the symphony orchestras, festivals also have a higher uncertainty as to their income since the average public support in the studied festivals is 31.5% (not approximately 90% as for the orchestras). Other obvious uncertainties for festivals are, of course, factors such as weather, competing arrangements, and other unforeseen events.

3 Management accounting and control in the performing arts

A literature research was conducted to gain an understanding of management accounting and control within the performing arts field. Twenty-seven journals with a ranking of 3, 4 and 4* in the field of management accounting and control were identified in the Academic Journal Guide and chosen for the research (Association of Business Schools, 2015). In addition, were five central arts management journals included and two extra journals as a result of a search in the reference lists. An overview of the chosen journals and databases for access is provided in the Appendix.

Evard and Colbert (2000) argue that the arts management field can be traced back to the first significant calls for this discipline in the year 2000. However, to provide a richer basis for the review, and to identify several streams of research, literature prior to the year 2000 was also reviewed, and against this background it was decided to expand the time span back to 1995. The end period was 2016, and chosen in order to be able to include also the latest literature. The selection of articles was
carried out by a search that used the key words: “management accounting”, “management control”, and “performing art/s”, and combinations of these.

The literature research identified 24 empirical studies within 10 journals. Hence, this implies that only 29% of the searched journals (10 of 35) have published articles within the performing arts field. The limited attention to management accounting and control in the performing arts field is more or less expected (Chiaravalli, 2014). In addition to the articles in the systematic search, two articles were identified and considered informative to include in the review. An overview of the articles in each journal is provided in the appendix (table 2).

The abstracts of the identified articles were first reviewed to single out relevant issues for further review. Empirically, the articles cover a wide range of art forms, from heritage and archeological sites and museums to theatres and other live performing arts organizations. The articles also comprised a wide range of topics. However, two main issues were identified and found to be of particular interest: performance evaluation and accountability. Performance evaluation and measurement issues have been central problems in the management accounting and control literature in general, and within the performing arts field measurement problems have been prominent because of the fundamental challenges in measuring core activities. Accountability is closely related to performance evaluation in arts organizations as art and accounting professionals may have varying perceptions of accountability and, hence, performance. However, as accountability was central to several of the problems discussed in the literature, it was chosen to assess the articles with the specific aim of informing this concept.

Sixteen articles were chosen for a more thorough inquiry, seven related to the issue of performance measurement and nine related to performance evaluation. Table 3 (in the appendix) shows the examined articles. The following sections elaborate on some of the theoretical underpinnings of performance evaluation and accountability prior to discussing the identified papers in terms of these categories.

3.1 Performance evaluation

How does one measure a good opera performance? If we were to do the measuring, it would be one where people weep. The Danish Ministry of Finance would actually like us to include the measuring of good opera in our result contract. [...] I can easily imagine that if you designed a machine, I don’t think you could, but say you could design a machine which could measure the quality of an opera performance, and then on some evenings, I am sure it would say fantastic. Yes, but, I would say, I didn’t shed a single tear, and on other evenings it would say no, too many things went wrong, and she didn’t sing the top C very well, and I don’t know what. And I must say that I cried inconsolably during her death scene. And I know which performance I
would rather see. To measure the quality of an opera performance, we would have to install a hydrometer among the audience so as to be able to measure any increases in humidity. (Nørreklit, 2011: 276)

The above quote captures the central dilemma of performance measurement in performing arts organizations as it illustrates the difficulty in measuring “an artistic performance of high quality” and the to which degree this performance has been achieved in an efficient way. The following figure illustrates the core dilemma of the relationship between efficiency and effectiveness in arts organizations.

![Diagram showing the relationship between efficiency and effectiveness](image)

*Figure 1. The relationship between efficiency and effectiveness (based on Anthony, 1965)*

Efficiency is about how much input (personnel, scenery, sound equipment, etc.) is used to produce a unit of output. Effectiveness concerns whether the higher-level objectives (e.g., high artistic quality) are achieved. Performing arts organizations are, similar to other types of organizations, concerned with the highest possible efficient use of resources. However, central to the understanding of efficiency and effectiveness in arts organizations is that the main objective is not profit, but to produce as much artistic activity as possible, and of the highest possible quality, from the given limitations in resources. Thus, the main concern is not to maximize the surplus by minimizing the use of resources in a given production. Consequently, efficiency and effectiveness are intertwined, and there may be conflicting views as to what is an efficient use of resources and what is a good goal achievement. Brignall and Modell (2000) explain parts of this dynamic by claiming that performance measurement in such organizations is difficult to assess as the output is intangible and delivered in circumstances of high uncertainty about cause-effect relationships.

Brignall and Modell (2000) stress that there is increasing pressure on organizations to become more efficient and effective, and that this is challenging in organizations that can be characterized by multiple dimensions of performance. The implementation of a variety of “private sector” techniques in the performing arts sector, with a focus on achieving measureable objectives, for example, of cost efficiency, has been argued to have come at the expense of less easily measurable aspects, as endorsed
by professional artists and stakeholders concerned with high quality products (audience, media etc.).
Tension that occurs as a consequence of this multidimensionality is understood by Chiaravalloti (2014) as resulting from the use of economic language does not capture value creation in the arts, and by Mariani and Zan (2011) as the introduction of different rationalities that lead to different ways of making sense of performance. Similar arguments were proposed by Baumol and Bowen (1966) as they claimed that it is difficult to realize efficiency gains without threatening quality. Taking the example of cost-efficiency further, it can be claimed that it is difficult to find good measures of cost-efficiency for a performing arts organization as the only relevant way to measure this is by a comparison with a similar production. However, this is rarely possible due to what Mariani and Zan (2011) describe as the specificity of the micro context (the individual production and concert). Against this background the following section reviews seven of the identified articles to elucidate issues on performance measurement in the performing arts.

3.1.1 Identified empirical studies on performance evaluation

Badia and Borin (2012) claim that an increasing number of arts organizations have introduced performance measurement systems and other management tools in order to meet the increasing demands of transparency and accountability, and they discuss the challenges to implementing them in performing arts organizations. The paper claims that it is necessary for the performance measurement system to exceed financial indicators, but they argue that measurement is still challenging. In so doing they use the example of measurement in a theatre. To capture the full complexity of a theater performance in a measurement system there would have to be measures for the different components of a theatre performance, such as staging, language, plot, music, and choreography. However, there is a danger of applying a system that is too complicated and has too many indicators, thus running the risk at being useless.

Badia and Donato (2013) take a similar approach to that of Badia and Borin (2012) in their study of World Heritage Sites. They suggest a broadening of perspectives in accordance with the ideas of a multidimensional measurement system, such as the Balanced Scorecard, but found that there was an overall problem related to the difficulty of defining aims, the complex link between financial and artistic goals, practical problems with measurement (in particular measurement of artistic goals), and managerial culture.

Based on a study of 300 Canadian performing arts organizations, Turbide and Laurin (2009) found that the performance measurement system placed great emphasis on financial measures. This was despite the fact that the most important success factor was perceived to be artistic excellence. The findings suggested that the funding agencies and the board were perceived as the most important
stakeholders, and the findings are thus explained by resource dependence theory. However, the respondents also felt accountable to the artists, and the authors, and the implication is that this was because artists were invited to sit in on peer-assessment committees, making the artists an important group of stakeholders.

From their investigation of evaluation practices in museums, Gstraunthaler and Piber (2012) provide a rigorous contribution to the understanding of performance evaluation within the performing arts field. They argue that culture and art have become activities with clear economic effects, generating income within sectors and regions and providing employment not only for artists, but also for a number of different professions and services. Consequently, and also following trends in recent decades, such as New Public management, there has been an increased focus on calculating and evaluating the output of arts organizations. Gstraunthaler and Piber (2012) argue that this has given rise to a profit paradigm that has had an immense impact on priorities within arts organizations, which has gradually changed the purpose and self-understanding of the institutions. This has led to frustration and tension as measures following the economic trends have been claimed to be detached from the wide range of artistic work that is not expressible in economic terms.

To provide a more thorough understanding of the complexity of evaluating performance in the arts, Gstraunthaler and Piber (2012) apply the concept of four generations of evaluation that move from a first generation purified “measurement paradigm” to a fourth generation evaluation of critical reflections and judgments by participating actors (a “responsive constructivist evaluation” (Gstraunthaler & Piber, 2012: 33). In their museum-cases, Gstraunthaler and Piber (2012) found two loosely connected evaluation systems: the targets set by the business and the New Public Management-driven part of the institution, and the targets emerging from professional arts experts judging the institution on quality issues.

The following quotation from an art manager is an example of questions and discussion points that were part of professional judgments and, hence difficult to inform according to pre-set targets.

Which exhibition fits to which social movement? Which artist should be promoted? What kind of topic contributes to the current social discourse? What kind of art should be bought for the collection? What does the program look like? (Gstraunthaler & Piber, 2012: 38)

This quotation shows that aesthetic and cultural work is considered and evaluated through expert judgment, and Gstraunthaler and Piber (2012) found that one of the studied museums solved this issue by engaging relevant expertise from artists, curators, and directors from highly esteemed institutions. The paper also notes that the practice of quality assessment in such organizations is not organized formally but, rather, occurs subtly in everyday discourse.
We embrace quality evaluation in everyday talks. Often we go for lunch together and in such situations it happens. (Gstraunthaler & Piber, 2012: 38)

Sundström (2011) contributes to the issues of performance measurement in arts organization in a study of a publicly funded theatre in Sweden. The studied theatre was required to implement a reporting system that was based on a “scorecard” model developed by the local municipality, and the measurement system was supposed to be used for both internal control and for reporting to the owners. One of the challenges that was detected with the system was the description of value creation for citizens/customers as it was argued by the respondents that value creation could not be appropriately described using numbers. Hence, performance was not framed by measures within the organization but by other sources. Actors and technicians were observed telling each other stories about previous tours and how their audience had expressed their appreciation. As noted by Gstraunthaler and Piber (2012), Sundström (2011) also found that since performance could hardly be measured in numeric terms, it was the everyday stories of performance that shaped its framing.

However, despite the problems with measuring the core activities of the theatre, the theatre managers were positive about the reporting system as it offered them an opportunity to include information for the board and the owners that could create a more complementary context. Sundström (2011) employs the concept of distance to frame both opportunities and challenges with the reporting system. Distance is conceptualized not only as physical distance, but also distance in terms of knowledge and understanding of the context that the accounting information represents. The theatre perceived it to be problematic to translate the intangibility of the performances into corresponding numbers, and a decontextualized interpretation of numbers was therefore problematic. As the distance between the artistic body of the organization and the information-users/decision-makers increased, both physically and in terms of knowledge, this implied a problem in the understanding of the arts organization’s core activity and artistic quality. However, the distance was seen as an opportunity for the theatre managers as they were given the opportunity to direct the board and owner’s interpretation of the reported figures and the framing of the numbers, hence this became a means to control the remote users (board/owners) understanding of the core activities.

Stockenstrand and Ander (2014) are not concerned with performance evaluation per se, but with the effects of different models of funding. The study implies that different funding models leads to fundamentally different evaluation models. The authors claim that it is evident that forms of cultural expressions with a long tradition are vanishing as it is difficult for them to justify their existence in a modern, liberal, and democratic society that places an increased focus on financial terms such as monetary return or value creation. According to the authors, this is due to the short-termism in the
financial evaluation logic that corresponds poorly with the concept of high quality as it is built up over a very long period of time, for example knowledge around a specific and authentic sound (that excludes the opinion of most of the possible audience).

Stockenstrand and Ander (2014) studied one Swedish and one British orchestra. The Swedish orchestra had received stable, and mainly governmental funding, and the control from the government was loose, infrequent, based on long-term evaluations, and was dominated by non-financial measures. In contrast, the British orchestra was mainly privately funded and the control was tight, frequent, and based on short-term financial measures. Stockenstrand and Ander (2014) claim that stable funding, based on an arm’s length policy (little interference from governmental bodies on artistic decisions), as described in the Swedish case, enabled the orchestra to develop unique products and to govern according to a logic of quality. Conversely, the artistic decisions made in the British orchestra were guided by one rationale — to attract audiences, and uniqueness was unlikely to be achieved as the orchestra performed music within the standard repertoire with the highest possible number of concerts and recordings. It was therefore difficult to take risks in the programming by endeavoring to perform new, unknown, or technically demanding work. The authors also emphasize the importance of organizational learning. Musicians are specialized and highly skilled and the learning process over time cannot be underestimated. This corresponds with the discourse about quality, as described by Gstraunthaler and Piber (2012) and (Sundström, 2011).

Parallels can be drawn between the research of Stockenstrand and Ander (2014) and that of ter Bogt and Tillem (2016). The latter conducted a study of the control relationship in a public sector partnership between five Dutch municipalities and arts organizations. As it is well documented that such partnerships often take the form of a New Public Management-relationship related to financial functionality, it could be expected that this would also be found in this relationship. However, the authors found a relationship that was built on trust, and this implied that despite the formality of the relationship, as set out in performance agreements and accounting documents, in practice the relationship appeared to be “loose” and informal. There was regular contact between civil servants from the municipality and representatives (financial and others) from the theatre, building trust at an individual level — developing into trust at an organizational level. The role of the civil servants was therefore crucial to this relationship as in addition to checking the accounts they also obtained a close impression of the cultural activities in the theatre. The accounting documents and reports were not discussed very much. However, ter Bogt and Tillem (2016) found that these reports were not unimportant in the trust relationship, but had a pivotal role as they confirmed that the situation was as expected and desired and, hence had a stabilizing effect on the relationship.
3.2 Accountability

Roberts and Scapens (1985: 447) claim that “accountability in its broadest sense refers to the giving and demanding of reasons for conduct”, and Sinclair (1995: 220) define accountability as entailing “a relationship in which people are required to explain and take responsibility for their actions”. This implies that accountability is subjectively constructed and changes with context, and that organizational actors may feel accountable to a variety of stakeholders in “an elaborating web of accountability” (Sinclair, 1995: 220). Against this background, Sinclair (1995) identifies and explores five forms of accountability: political, public, managerial, professional, and personal. Several of these accountability relationships are of interest when discussing accountability in performing arts organizations.

Managerial accountability relates to a focus on monitoring the processes by which inputs are transformed into outputs, and the budget (“delivering on the budget”) is often an important management control tool to communicate accountability. Defined within a managerial model, accountability requires those with delegated authority to be accountable for producing outputs or for the use of resources to achieve certain ends. Values assimilated into managerial accountability are therefore often associated with cost efficiency (Sinclair, 1995).

As performing arts organizations often receive substantial amounts of funding from the state, this suggests the presence of a political accountability and a normative chain of accountability that can be understood as a link between the CEO of the arts organizations and the Ministry of Culture (via the arts Council), which in turn is accountable to the minister, who is then accountable to the parliament, and ultimately, to the voters. However, political accountability often takes on the language and logics of managerial accountability when gaining legitimation for an activity (measurable outputs, cost efficiency etc.).

In performing arts organizations, other types of accountability may be identified. Sinclair (1995: 229) notes that professional accountability “invokes the sense of duty that one has as a member of a professional or expert group”. Performing arts individuals (or divisions), being performing artists or for example, artistic directors, have high expertise and professional integrity in delivering high quality artistic products. They see themselves as representatives for a set of professional values, and the accountability towards this is often strong. Values relating to professional accountability are therefore unlikely to be associated with cost efficiency and measurability, but with values such as creativity, high quality, and sensitivity. Additionally, the pursuit of high quality performances can be argued as not only related to professional accountability, but also public accountability. For example, audiences and the media do not assess arts organizations in terms of cost efficiency, but solely from the quality of the
performance, and the accountability towards the audience is traditionally strong. Against this background, a very coarse characterization of accountability relationships in the performing arts sector can be argued to be centered around two opposing rationalities, business/management/efficiency on one hand, and arts/creativity/quality on the other.

Diversity in accountability within organizations is not necessarily a problem. However, many argue that the term accountability is inevitably closely associated with management accounting, and Roberts and Scapens (1985) claim that accounting institutionalizes the notion of accountability. The power of management accounting and control has long been recognized not only as a functional specialization alongside other functions in organizations, but as providing a common language throughout the organization, hence defining and communicating a set of values and ideals that organizational actors should be accountable to. Kurunmaki et al. (2003) provide valuable insight into role of accounting and accountability. They claim that in the initiatives of New Public Management that permeates the public sector today, accounting is given a central role. The image of accounting and control in New Public Management centers around private sector techniques in pursuing efficiency through, for example, quantitative performance measurement and results management (Christensen & Laegreid, 1999). Kurunmaki et al. (2003), conceptualize the instrumental perspective of implementing such accounting techniques in areas where economic language has traditionally been inept, as accountingization. They draw parallels with the term “medicalization”, which is present when medical solutions are brought into “normal” aspects of everyday life. Thus Kurunmaki et al. (2003) share Roberts and Scapens’ (1985) notion of accounting, in the economic sense, as a powerful language that has been provided the opportunity to define what is counted as significant in organizations. Against this background the following section reviews and discusses nine selected articles with the aim of further understanding the issue of accountability in arts organizations.

3.2.1 Identified empirical studies on accountability

Christiansen and Skærbæk (1997) provide valuable insight in their study of the implementation of a new budgeting system in the Royal Danish Theatre. The introduction of this system was motivated by the State Audit Department to ensure efficiency and accountability for a number of issues, including artistic ones. The management accounting and control system was seen as a great interference and as a threat to different groups of employees in the theatre, particularly the actors who felt that their artistic freedom was being reduced.

...you can hardly imagine that a Royal actor should have to carry a timetable in his / her shirt pocket. It really wouldn't work here. (Christiansen & Skærbæk, 1997: 428)
The case makes a convincing description about diverging accountabilities in a large and state financed arts organization. It is evident that the actors perceive their accountability to be directed towards the professional values of being an actor.

Mariani and Zan (2011) explore the inner economy of performing arts organizations and point to a central issue that may inform the landscape of accountability: costs are generated by artistic activities and within the artistic discourse, and tension may arise when the same costs are controlled by management accountants who may have a weak understanding of the artistic choices that generated the costs.

Kartalis et al. (2016) describe the case of Greek archeological show caves where accountability was shifted as a result of external pressure. The long-time practice was that the caves should be treated as national monuments and preserved as such. Therefore, accountability was directed towards the archeological values. However, following pressure from the EU, the introduction of New Public Management forced the show caves to become commercial objectives that were then run as “common entities” and treated as cash-cows for politically motivated projects external to the show caves. This created conflict between politicians, managers, and anthropologists — actors with inherently diverging accountabilities.

Amans et al. (2015) also provide insight into complexity in the arts field by studying two French theatres and the heterogeneous responses to management accounting and control due to this complexity. The study builds on institutional theory and the authors identify three distinctive logics: political, managerial, and artistic, logics that have inherently different, and arguably opposing, values (political logic = formality/bureaucracy, managerial = efficiency /control, and artistic = sensitivity/inspiration). By elaborating on the different values, a more thorough understanding of the different accountabilities is provided. Sinclair (1995) discusses professional accountability and the sense of duty to one’s profession. For example, the profession of artists is centered around values such as creativity, sensitivity, and high quality performances, and professional accountability is strong amongst artists. The accountability towards managerial values such as efficiency, control, and routine is lower. However, rather than describing an endless conflict between the different logics or accountabilities, Amans et al. (2015) show how budgets are shaped by the diverging logics.

In their study of the archeological site of Pompeii over a ten-year period, Ferri and Zan (2014) provide interesting insights by documenting a number of interesting features of the multifaceted nature of accountability. In this case the story is one of management accounting failure. Ferri and Zan (2014) claim that three managerial dimensions can be identified in the sector: the dimension related to the use of resources, the dimension focusing on the relationship with visitors, and the historic/aesthetic
dimension. This study found that one of the reason for failure was that the management did not acknowledge the need for professionals in the disciplines of architecture, archeology and art history ("artists"), and that the City Manager (CEO) was not given autonomy to balance the workforce in this direction.

A precondition for Rentschler and Potter (1996) is the existence of varying accountabilities and they argue that accountability in performing arts organizations has been hijacked by accountants and economists, thereby indicating that accountability has been narrowed down to encompass only financial and quantitative terms. A consequence of this is that non-quantifiable arguments related to effectiveness and quality are ignored. Against this background, Rentschler and Potter (1996) encourage an expansion of the notion of accountability to also capture the purposes of arts organizations, such as enrichment, education, and stimulation.

Carnegie and Wolnizer's (1996) understanding of accountability corresponds with Rentschler and Potter (1996), but the article departs from financial accounting and the problematization of implementing accrual accounting in museums and bringing the collections to account as assets in balance sheets or statements of financial position (Carnegie & Wolnizer, 1996: 84). The authors point to some obvious technical problems, such as the commercial meaning of quantifying the value of museum collections, and the reliable evidence on which an auditor may authenticate the financial sum. Accrual accounting was also implemented as a means of enhancing the accountability of museum managers, and the article questions in what way a financial quantum such as this may be useful for enhancing and judging the accountability of museum managers.

Recognizing that the accountability of museum managers lies outside the market, but extends across an array of financial and non-financial responsibilities associated with the acquisition, protection, preservation, conservation and presentation of collection items (...). (Carnegie & Wolnizer, 1996: 84)

The papers by Kern (2006) and Maier (2016) take on a more balanced view on the diverging accountability in the arts sector as they focus on how different accountabilities can co-exist without extensive conflicts. Kern (2006) discusses the relationship between creativity and rules. The paper claims that it is widely recognized that rules contribute to the formalization and routinization of practices and are often seen as the antithesis to creativity as creativity is commonly perceived to be driven by the absence of rules and routines. However, Kern (2006) notes that it is crucial for organizations to find a balance between rules (repetition) and creativity by nourishing the dialogue between them, since the use of rules contributes to the stability of activity and is simultaneously a resource for the development of creative activity.
Maier (2016) describes the role of a calculative practice in a project-based cultural production and claims that this is intertwined with the creative process. Different forms of calculations were employed, not only by accountants but also by the artists who managed different creative departments. Maier (2016) argues that in project-based cultural organizations there is not only a prevailing cultural norm to deliver “on budget”, but that this is one of the determinants of project success. The calculative practice was therefore a mediating instrument that balanced creativity and control.

3.3 Concluding remarks

The literature review provides evidence that there has been little management accounting and control research in the performing arts field. However, some research has been conducted and the literature review argues that two related main issues can be drawn from the review: performance evaluation and accountability. The literature claims that New Public Management trends and also general trends in society have placed increased pressure to introduce different kinds of management accounting and control tools, such as governance tools and/or as internal management tools. For example, Gstraunthaler and Piber (2012) emphasize that the trends have given rise to a profit paradigm that has changed the purpose and self-understanding of arts organizations.

Thus the literature review points to issues of an increased focus on performance evaluation in this sector. In this respect, a major issue in this sector is the problems of the intersection between efficiency and effectiveness, and many of the evaluation models studied are argued to be focused on simple measures of efficiency that are unable to capture effectiveness and actual artistic goal achievement. This relates to accountability. The literature review provides valuable insights into the complexity of accountability in performing arts organizations. For example, Rentschler and Potter (1996) claim that the increased focus on efficiency and the introduction of a profit paradigm, as represented in the evaluation models, has shifted the accountability in arts organizations. Artists have traditionally had their accountability directed towards artistic values such as sensitivity, creativity, and quality, but that over recent decades accountability has been hijacked by accountants (Rentschler & Potter, 1996), forcing accountability in financial and quantitative terms.

The reviewed literature discusses a number of problematic issues of management accounting and control in the arts, in particular in respect of performance evaluation. However, less attention was directed towards how management accounting and control was actually practiced in these organizations and little insight was provided as to how performing arts organizations allocate resources, plan and coordinate their operations. A knowledge gap was therefore identified. This dissertation focuses most of its attention on how management tools are designed and used for
planning and for the coordination of practice in performing arts organizations, and how the use of management tools is influenced by both external and internal factors.

However, the literature research, and the issues of performance evaluation and accountability informs the papers in the dissertation. Paper 1 studies the role of performance measures in symphony orchestras, finding that these measures were a central part of the governance of the orchestras. The findings, hence support empirical findings in the reviewed literature (see for example Gstraunthaler & Piber (2012) and Badia & Donato (2013)). The findings in paper 1 also supports findings identified in the literature review by for example Stockenstrand and Ander (2014) and ter Bogt and Tillema (2016) as these claim that the performance evaluation systems and management control systems in general are influenced by the specific characteristics of arts organizations.

The concept of accountability is also important to understand the use of management control tools in festivals in more depth. In paper 2, for example, the findings suggest that the budget was used to balance creativity and control and to create boundaries in which creativity could evolve. The budget accordingly balanced the accountability towards artistic values with accountability towards traditional financial measures. The findings, hence support Kern’s (2006) suggestions that it is crucial for an arts organization to find a balance between rules and creativity. Some of the literature, however, identified emphasized problems in the meeting of the diverging accountabilities of art/creativity and control (see for example Christiansen & Skærbaek, 1997). The findings in the festival papers (paper 2, 3 and 4) contrast these findings, as the budget was much used and found to be very useful in the planning of the festivals, and the tension due to the use of budgets was low.

To increase the understanding of the role of management control tools, several theoretical frameworks are applied in the papers, institutional theory, contingency theory and upper echelons theory. The theoretical frameworks are elaborated in the following section.

4 Theoretical frameworks

The following sub-sections first introduces institutional theory and the concept of institutional logics. Next, contingency theory is presented with a focus on perceived environmental uncertainty and, finally, upper echelons theory is introduced to focus the attention on the explanatory power of managers’ characteristics. The structure, hence follows the structure of the papers in the dissertation. Paper 1 is based on institutional theory. However, institutional theory and the focus on institutional factors creates a frame of understanding also for the subsequent papers. Contingency theory is applied in paper 3, more specifically perceived environmental uncertainty, whereas upper echelons theory is used in Paper 4.
The different theoretical frameworks have different strengths and weaknesses. However, by applying different theories, different angles of the role of management control tools in the performing arts sector can be elucidated, and different types of understanding may be gained. An important theoretical framework in this dissertation is contingency theory. This is well-established within the management accounting and control literature, as it provides the opportunity to study the influence of contingency factors such as environmental uncertainty, industry characteristics, strategy and size (Chenhall, 2003). In particular, does paper 3 respond to a main-stream contingency approach by investigating the influence of perceived environmental uncertainty on festival budgets. However, it has been claimed that other theoretical frameworks may be used to help to create a more comprehensive picture of the antecedents of management control systems, and for example Hiebl (2014) argues that upper echelons characteristics, typically observable individual characteristics of top managers, can be expected to help increase the explanatory power of management accounting and control research. A similar argument can be applied also for introducing institutional theory as a theoretical and explanatory framework. Whereas contingency theory focuses on incorporation of control elements as a rational response to the technical environment, does institutional theory shift the focus to the institutional environment. This differs from contingency theory in several aspects. For example, does institutional theory recognize that the introduction of management control elements is not necessarily framed in terms of the notion of efficiency maximization, but rather as a response to gain legitimation in the environment (Brignall & Modell, 2000). Bringing these theoretical frameworks, may, hence increase the understanding through complementary explanations evident in the empirical data (Modell, 2005), and it can be argued that this may be of particular importance in an emerging research field such as the performing arts.

### 4.1 Institutional theory

Institutional theory breaks with the rationality proposed in mainstream economics and emphasizes a traditional view of normative management accounting and control theory (Burns & Scapens, 2000). The foundation for an institutional perspective is the recognition that management accounting and control practices both shape and can be shaped by the institution that directs organizational activity (Burns & Scapens, 2000), and Ribeiro and Scapens (2006) claim that management accounting and control systems are inextricably linked to the prevailing rules and norms that structure social and organizational life. The concept of institutions is crucial to institutional theory but there is no universal definition of an institution (Burns & Scapens, 2000). However, some common denominators can be found in that institutions are socially constructed structures that contain cultural-cognitive, normative, and regulative elements. As such, institutions “can be regarded as imposing form and social coherence
upon human activity, through the production and reproduction of settled habits of thought and action” (Burns & Scapens, 2000: 6).

Meyer and Rowan’s (1977) seminal paper laid the foundation for neo-institutional theory and the acknowledgement that organizational coordination and control include the cultural rules and social norms that are reflected in specific formal structures and the procedures of the organization. This implies that institutionalized organizations have a tendency to take on structures and procedures that are accepted in the institutional environment (Meyer & Rowan, 1977; Ribeiro & Scapens, 2006). However, an important feature for Meyer and Rowan (1977) is the recognition that formal structures and procedures may become decoupled from actual work practices since they are adopted to achieve legitimacy and to secure resources required for organizational survival. Thus, formal structures and procedures are decoupled from everyday organizational practices so that normal processes of daily operations are not disturbed.

4.1.1 Institutional logics
To complement and articulate Meyer and Rowan’s (1977) theories in the understanding of underlying institutional processes, in 1985 Alford and Friedland introduced the term institutional logics (Thornton & Ocasio, 2008). Friedland and Alford (1991: 248) defined institutional logics as “a set of material practices and symbolic constructions”, and Thornton and Ocasio (1999: 804) elaborated on this by claiming that institutional logics are socially constructed historical patterns of material practice, assumptions, values beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality. This implies that individual behavior makes sense in relation to trans-rational symbolic systems, and that the symbolic systems only make sense in terms of behavior (Friedland & Alford, 1991).

Following the above understanding of institutions, a fundamental feature of why the concept of institutional logics may inform how organizations are understood is that organizations are often under the influence of multiple logics (Amans et al., 2015; Ezzamel et al., 2012; Greenwood et al., 2010). These organizations are institutionally complex (Greenwood et al., 2011) and the complexity may increase if the different logics are incompatible. Furthermore, such a situation may generate tension and conflicts (Besharov & Smith, 2014). Besharov and Smith (2014) have theorized institutional complexity and have developed a framework for analyzing the level of conflict according to the configuration of compatibility and centrality of the logics. For example, the dominance of one logic (low centrality) may lead to a situation of low conflict if the other logics are supportive of the dominating logic (high compatibility). These concepts are further elaborated in Paper 1.
4.2 Contingency theory

In the 1970s the idea of applying contingency theory to attempt to explain varieties in management accounting and control practices was developed and was heavily inspired by how contingency theory was used to codify which forms of organizational structure were most appropriate to specific circumstances (Otley, 2016). For example, whereas New Public Management builds on the presumption that standard management techniques can be implemented in any organization, the contingency framework states that “the appropriate design(s) of MCS will be influenced by the context within which they operate” (Chenhall, 2003:128). A contingency approach to management accounting and control therefore implies that there is no universal appropriate management control system that fits all organizations in all circumstances, and that particular features of management control systems will depend on the specific circumstances of the organization (Otley, 1980). Accordingly, a contingency approach is an aid to “identify specific aspects of an accounting system which are associated with certain defined circumstances and demonstrate an appropriate matching” (Otley, 1980: 413).

Technology, organizational structure, and environment are emphasized by Otley (1980) as being central contingency factors that may explain why management control systems differ from one situation to another. However, in a review of the contingency literature, Chenhall (2003) adds to the understanding by suggesting additional contextual variables and suggest that external environment, technology (traditional and contemporary), organizational structure, size, strategy, and national culture are central to management accounting and control practices. Additionally, Chenhall (2003) proposes the attributes of the management control systems in terms of contextual variables.

4.2.1 Perceived environmental uncertainty

As discussed above, Otley (1980) suggested that environmental factors are central in explaining differences in the use of management accounting and control information, and unpredictability in the environment (or uncertainty, non-routineness etc.) is claimed to be a contingency factor whose importance stands out. However, as emphasized, for example, by Tymon et al. (1998), is it not uncertainty per se that is imperative, but the perception of uncertainty, as it is the perception of uncertainty that influences decision-making, rather than actual uncertainty (Sandalgaard, 2013).

One contextual uncertainty factor that was discussed by Otley (1980) was competition. Drawing from Khandwalla (1972), Otley (1980) suggested that the sophistication of accounting and control systems was influenced by the intensity of the competition they faced. Khandwalla (1972) also found a positive relationship between competition and flexible budgeting. Hansen and Van der Stede (2004) took these findings further and found that there was a negative relationship between competition and the use of
budgets for performance evaluation and a positive relationships between competition and the use of budgets for communication and strategy formation.

Unpredictability is a second contextual uncertainty factor that has been used in analyses of the influence of perceived environmental uncertainty on the use of management control systems. Measures of perceived environmental uncertainty conceptualized as unpredictability origins from Miles et al. (1978), and Govindarajan (1984), found that a formula based budget evaluation was less effective than a subjective evaluation under conditions of high unpredictability. These findings were later confirmed by Ekholm and Wallin (2011) who suggested that the usefulness of fixed annual budgets was reduced as unpredictability increased.

4.3 Upper echelons theory

Whereas contingency theory states that the use of management control systems is influenced by external contextual factors, upper echelons theory incorporates the role of individuals. Upper echelons theory claims that managerial characteristics can explain or predict strategic choices. Accordingly, studies based on upper echelons theory assume that: (1) a manager’s values and cognitive base are influenced by managerial characteristics, and (2) managers have influence over strategic choices.

Strategic choices and decisions are complex as a decision-maker brings a cognitive base and values to a decision and, as illustrated in Figure 2, a screen is created between the situation and the manager’s perception of it. The perceptual process elucidates several sequences. First, the field of vision is limited as it is impossible to incorporate every aspect of the organization and its environment, posing a limitation on perceptions. Second, the perception is further limited as one has the ability only to perceive some of the phenomena in the field of vision. Finally, the selected information is processed and interpreted according to the cognitive base and values. It is also worth noting that values may directly influence the strategic choices, not only through the perceptual process.

![Figure 2. Managerial perception under conditions of bounded rationality (Hambrick & Mason, 1984: 195)](image-url)
A manager’s values and cognitive base are difficult to observe, and in most upper echelons studies the black box represents the observable characteristics, such as age, tenure, and educational background.

In a study of how the characteristics of Chief Financial Officers (CFOs) could explain management accounting and control innovations, Naranjo-Gil et al. (2009) found that the characteristics of the CFOs had a significant influence on the use of innovative management control systems. More specifically, they found that younger, less tenured CFOs with business education were more likely to use innovative management control systems.

The articulation of upper echelons theory in 1984 (Hambrick & Mason, 1984) led to a stream of research that has been informative as to the understanding of strategic choices. In addition to this understanding, have there also been contributions that have informed and developed the theory further. Hambrick (2007) emphasizes two of these refinements as being of particular importance: managerial discretion and executive job demands, both argued to affect the predictive power of upper echelons theory. There have been competing views from population ecology and neo-institutional theory, claiming that executives have little influence because of the influence of external forces and a number of conventions and norms (isomorphism). Hambrick (2007) acknowledges these views and claims that the predictive power of upper echelons theory depends on the level of managerial discretion. The second refinement, executive job demands, is claimed to be a moderator of the theory because executive job demands stem from three salient factors: task challenges, performance challenges, and executive aspirations. Hambrick (2007) claims that executives who experience heavy job demands will be forced to take mental shortcuts and to take actions that they have tried or have been seen to work in the past.

5 Research design

The four papers in this dissertation are based on two methodological approaches: two case studies and two survey papers. A diversity of methodologies is chosen in the attempt to inform the overall research question in as much depth as possible. The dissertation, hence addresses the increased recognition in management accounting and control research of the need of complementing qualitative and quantitative methods (Modell, 2005). The triangulation of methods offers advantages of counter-balancing weaknesses of the methods and, hence enhance the credibility of the results by reducing the risk of observations reflecting method artefacts. In this dissertation are the advantages triangulating between methods particularly prominent in the studies on festivals (paper 2,3 and 4). As management accounting and control research within the performing arts field is a rather new area (Jeacle, 2009b), do the multiple methods provide an opportunity for a more comprehensive and coherent information base on management control in festivals. Modell (2005) claims that surveys may
improve the understanding of particular phenomena that are observed through case studies. The case study on the St. Olav Festival (paper 2) discussed numerous possible factors that influenced the design and use of the budget, among these uncertainty and managerial characteristics. The surveys for paper 3 and 4, were developed on the background of the information from paper 2, and the papers, accordingly, improved the understanding of these particular phenomena and the form of relationships that were observed in the case study. The methodological choices and issues regarding these are further discussed in the following sub-sections.

5.1 Choice of respondents

To gain an understanding of the dynamics of the performance measurement dialogue in the field of Norwegian symphony orchestras, the study included two symphony orchestras: The Norwegian Association of Theatres and Orchestras and the Ministry of Culture. The respondents within each of the organizations were not randomly selected (Eisenhardt, 1989) but were chosen from a perception of their ability to inform the research question. Hence, the study included CEOs and CFOs from both orchestras, one interview with an orchestra representative (musician), the CEO and a special advisor in the Norwegian Association of Theatres and Orchestras, and a senior advisor in the Ministry of Culture.

The study of budget use in the St. Olav Festival is centered around the use of the budget as an internal control tool and, hence, only internal respondents were chosen for this study. However, because it was important to gain an understanding of how the budget was used at an operational level, the data collection was not restricted to the top management but included respondents throughout the festival organization. The interview data comprised seven interviews. This is a small number of interviews but festival administrations are often small, and the number of respondents with relevant knowledge was therefore limited.

The two quantitative studies on festivals (Papers 3 and 4) are based on a survey amongst the largest Norwegian festivals. To identify the appropriate respondents for this study, a mapping of festivals was undertaken. Approximately four-hundred and seventy festivals were identified and 130 of these had registered their financial data in the Brønnøysund Register Centre. Festivals with less than MNOK 5 (ca. 540 000 euros) were excluded from the sample. The subsequent list of festivals therefore included 53 festivals. One festival was bankrupt and four withdrew from the study, and thus the final list included 48 festivals. As the research interest was related to , was the electronic survey sent to those with the highest positions in the festivals and can be characterized as a non-probability or convenience sample (Van der Stede et al., 2005). The survey was sent to 74 respondents and 61 individual respondents, representing the 40 festivals that responded to the study.
The research interest in Paper 3 is the study of management controls at the festival level, and only one respondent from each festival was included. Against this background, only responses from the respondents that held the highest positions in the festivals were included in the study, and 34 of the respondents were CEOs or Directors, one was an administrative leader, one was an artistic leader, one was head of programming, and three were CFOs. Paper 4 is concerned with responses at the individual level, and responses from all 61 respondents were included in the analysis. The final sample for the study included 34 CEOs or Directors, 12 CFOs, 5 from other subordinate administrative positions, 8 from production or artistic positions, and 2 chairpersons.

5.2 A case study approach

A case study design was chosen in papers 1 and 2. Otley and Berry (1994) claim that a case-based approach in management accounting and control is advantageous as it is difficult to understand the role of management accounting and control isolation, and that a more contextual approach that includes multiple sources of data is required.

Thomas (2011) suggests that a case study must comprise two elements:

1. A 'practical, historical' unity — the subject of the case study
2. An analytical or theoretical frame — the object of the study.

Based on these elements, Thomas (2011:513) has developed the following definition:

Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame — an object — within which the study is conducted and which the case illuminates and explicates.

Thomas' definition comprises some central features. First, the importance of a holistic approach is emphasized. H. Simons (2009: 21) defines a case study as an "in-depth exploration from multiple perspectives of the complexity and uniqueness of a particular project, policy, institution, program or system in a 'real life' context". The holistic approach or multiple exploration perspective has been interpreted by Stake (1995) as a case study rather than a methodological choice. One element of Yin’s (2009: 18) definition of a case study is that it “relies on multiple sources of evidence, with data needing to converge in a triangulating fashion”. Thus, the case study is not a form of qualitative research but has the advantage of the potential to include as many sources of data as necessary. The second important feature that is central to a case study is the focus on the case itself. Stake (1995) emphasizes that the defining criterion for a case study is the case, not the method of inquiry. A case study aims to
highlight the complexity of one single case, and a preferred case is a well-bounded, specific, complex, and functioning “thing” (person or program), not a generality (relationship or education policy).

Validity and reliability are challenging concepts in case study research as they originate from a positivistic and quantitative research tradition (McKinnon, 1988; Scapens, 1990). Whereas validity is broadly defined as a concern with the question of whether the researcher is actually studying the phenomenon claimed to be under investigation, reliability refers to the question of whether the researcher is obtaining data that can be replicated (McKinnon, 1988; Yin, 2009).

However, Scapens (1990) questions the appropriateness of the conventional interpretations of validity and reliability in case study research, as reliability implies an independent and impersonal researcher and validity suggests an objective reality, both possibly meaningless in case studies. Instead, Scapens (1990) suggests that the validity of the evidence only can be assessed in the context of a particular case. This implies that a multiplicity of sources is a way of validating the findings as each piece of evidence is compared with other evidence on the same issue (triangulation). Another point made by Scapens (1990) is that the source of evidence should be validated by collecting other evidence from the same source. Accordingly, this will enable the researcher to validate the evidence from this source if characteristic distortions emerge. Additionally, Scapens (1990) emphasizes that the researcher should assess the evidence through discussions with researchers from different backgrounds, areas of interest, experience, and so on. Scapens (1990) further claims that feeding evidence back to the subject may also help in confirming the interpretations of findings.

In studying the role of performance measures in Norwegian symphony orchestras (Paper 1), the sources were primarily documents and interviews, and there was great diversity in the types of documents. The documents were reports, web pages, newspaper articles, financial data, white papers, and other types of governmental documents and funding letters. These documents provided the opportunity to gain an ex ante understanding of the field. The documents also supported the findings from the interviews in terms of exploring the complexity of the field in further depth, and enabled crosschecking of the findings to increase their credibility/trustworthiness (validity).

The study of the St. Olav Festival (Paper 2) also followed a case study design, gathering both primary (interviews) and secondary (documents) sources of data. In particular, and in addition to the central topics developed in the theoretical frameworks, the interview guide was informed by a report written by the municipality auditor following a very large deficit in 2008. To increase the holistic and in-depth understanding of the festival, a three-day observation during the 2013-festival was conducted prior to designing the interview guide. The interview guide was discussed and reviewed with supervisors and
other colleagues, and the findings and arguments in the paper were presented and discussed in a number of academic forums.

5.3 A survey approach

Surveys are criticized according to concerns about the reliability of the data obtained (Hansen et al., 2003). However, despite some central weaknesses, surveys are one of the most frequently applied research methods within management accounting and control and Van der Stede et al. (2005) claim that 30% of all published research within the field is based on surveys. Their prevalence may therefore result from the potential strength of surveys. If they are constructed and administered appropriately they are time and money efficient and they can be a source of large scale and high quality data (Diamond, 2000).

Diamond (2000) touches on a central point in the discussions on surveys, one that does not concern the survey method per se, but how it is used. To evaluate the quality of survey data, Van der Stede et al. (2005: 657) suggest five key elements of a well-designed survey. First, the purpose of the survey determines the use of survey data and how the survey is designed. Second, the definition of the population and the selection of the sample determine whether valid suggestions can be drawn from the characteristics of the sample and whom the suggestions can be drawn about. The third key issue focuses on the design and internal validity of the survey and to what extent the study provides evidence concerning the tested theories. Fourth, the accuracy of data entry is emphasized, and this includes determining the procedures for data entry, checks for completeness, checks for reliability and accuracy, and rules for resolving inconsistencies. The final issue concerns disclosure and reporting, involving how the use of research procedures is described and how data are collected and presented.

Papers 3 and 4 are based on the same survey and data collection, although different parts of the survey are applied in the different papers. In the following sections the survey methods used in the papers are discussed in relation to Van der Stede et al. (2005).

Survey research can be used for two main purposes: description and explanation. Whereas descriptive studies are designed to reveal features of a given population, explorative surveys are used to test theories that assert expected causal relationships. Both papers use the survey data for both purposes. Paper 3 describes the role of budgets in Norwegian festivals but also tests the relationship between perceived environmental uncertainty and the use of budgets. Paper 4 describes the characteristics of festival managers and tests the association between managers’ characteristics and the use of budgets.

The process of identifying the target population and acquiring the survey population was described earlier. However, what was not previously discussed is the sample size. The sample size in these studies
is small, but Van der Stede et al. (2005) claim that sample size per se is not necessarily critical for the quality of survey data. It is more important that the response rate is high. The response rate in the studies was 82% at the individual level and 83% at the festival level. This implies that 77% of the target population (40 out of 52 festivals) responded to the survey and that the problem of non-response bias is reduced. Diamond (2000) suggests that response rates between 75% and 90% usually yields reliable results, and the findings can therefore be argued to be representative for the population of festivals at large.

Prior to distribution the survey was discussed with supervisors and pre-tested on academic colleagues and representatives from the field. This was undertaken to improve the quality of the survey, to increase clarity, to avoid misunderstandings (Van der Stede et al., 2005), and, hence, to increase the internal validity.

Van der Stede et al. (2005) address the issue of subjective and objective measures and find that a majority of published articles depend on subjective measures. This has been criticized as a possible source of bias because of the problems of verifying the results. The independent variables in Paper 3 are based on the concept of perceived environmental uncertainty and are therefore examples of applied subjective measures. However, Van der Stede et al. (2005) claim that the critique against subjective measures cannot narrow the focus in management accounting and control research because subjective measures provide the perceived reality that actually shapes the respondents’ behaviors and actions.

The final issue raised by Van der Stede et al. (2005) regards the disclosure and reporting of survey data. Diamond (2000: 264) claims that, “the completeness of the survey report is one indicator of the trustworthiness of the survey and the professionalism of the expert who is presenting the results of the survey”. This implies that the study should thoroughly describe the purpose of the research, the level of analysis, the definition of the target population and sample, the sample design, the type of respondents, the response rate, the exact wording of the questions, and the measures of validity and reliability (Van der Stede et al., 2005: 676). The work of Van der Stede et al. (2005) has been informative in the design of the studies and the papers have aimed at clarifying the choices made. It was, however, problematic to report the exact wording of the questions as the survey was in Norwegian.

6 The four papers

The following sections present the four papers in the dissertation. The first essay discusses the role of performance measures in the organizational field of Norwegian symphony orchestras. The second essay is a case study where the role of the budget as a balancing tool is discussed within one of the largest Norwegian festivals, the St. Olav Festival. The third and fourth papers are also concerned with
festivals and are based on a survey amongst the largest Norwegian festivals. The third paper comprises a discussion of the influence of perceived environmental uncertainty on the use of the budget for different purposes. The fourth paper also concerns the use of budgets, but additionally considers accounting reports and performance measures. The paper draws on upper echelons theory to examine the association between the observable background characteristics of festival leaders and the use of budgets, accounting reports, and performance measures.

6.1 Paper 1

The role of performance measures in the arts – the case of Norwegian symphony orchestras

The influence of trends such as New Public Management in the late 1980s and throughout the 1990s made the Norwegian public sector, hereafter referred to as public sector performing arts organizations, subject to an increased focus on management controls such as performance evaluation. The evaluation took many forms, but measurement, with an increased attention on quantitative measures, was central to this development. Considerable research has been undertaken with the aim of discussing the effects and challenges of implementing private sector logic in the public sector, and some of this research has great relevance for the arts sector, in particular when the challenges of measuring intangibles, such as quality, are discussed.

To understand these challenges a study of the Norwegian organizational field of symphony orchestras was conducted. The professional symphony orchestras are a central part of the national cultural facilities as they are both large and costly organizations, but are also frontiers in providing classical music at a very high professional level. The symphony orchestras receive up to 90% of their total budget from the state and are therefore subject to control by the Ministry of Culture. As previous studies within the arts field (Chiaravalloti, 2014; Christiansen & Skærbaek, 1997; Eikhof & Haunschild, 2007) have documented tensions due to the dichotomies of accounting-based control tools in arts organizations, it was of interest to further investigate how the control relationship between the Ministry of Culture and the symphony orchestras actually works.

The main findings in the study were that there was little focus on the output of the measures, there was little connection between the performance measures and funding, and there was little connection between the performance measure and artistic and managerial choices. The concept of institutional logics was applied to discuss the findings, arguing that the role of the performance measures was shaped by the institutional complexity. The artistic logic was identified as dominant, and it was argued that the performance measures were mainly related to the political logic. The findings also suggested that there was little tension in the performance measures between the different logics. The framework developed by Besharov and Smith (2014) was used to gain a deeper understanding of the configuration
of the logics. By applying the concepts of centrality and compatibility, the findings suggested that because the artistic logic was dominant there was low centrality (the central logic is the artistic) and high compatibility (the managerial and political logic was compatible with the artistic logic) and, hence, low tension.

6.2 Paper 2

Creativity and management control – the diversity of festival budgets

The second paper considers a different part of the cultural landscape, namely festivals. However, parallels can be drawn to Paper 1 because the discussion is located within the dilemma between performing arts/creativity and control. The economic conditions for festivals are often questioned in the media and in research, and festivals are often (particularly in media) associated with unmanageable costs and budget deficits. Therefore, the general impression is often that festivals are poorly managed and that they struggle to operate within budget limits.

The paper uses a case study to investigate the use of the budget as the main control tool in the St. Olav festival. The St. Olav festival is one of the oldest and largest Norwegian festivals. Over the last couple of decades, the festival has seen a substantial growth in activity. However, in 2008 they experienced a large budget deficit of approximately 30% of their total budget, and in offsetting this crisis they implemented a new budgeting system that was designed to facilitate control and accountability whilst still leaving room for creative decisions.

The levers of control framework was applied (R. Simons, 1995) to discuss the use of the budget in the St. Olav Festival, relying on the concepts of diagnostic and interactive use of budgets. The findings suggest that the budget acted as a link between creativity and control. This was achieved by balancing interactive and diagnostic uses during the long planning period of the festival. The findings also support research that focuses on the integrating styles of management controls to explain the positive balance between controls and creativity (Bisbe & Otley, 2004). As the festival management developed a culture of internal dialogues, allowing the staff to participate actively during the processes where resources were allocated, the findings implied that tight controls, together with creativity stemming from an interactive style of control, enabled a discussion of how the use of budgets could promote organizational learning while still exerting control (Mundy, 2010).
6.3 Paper 3

**Budget control and perceived environmental uncertainty – the case of Norwegian festivals**

This paper continues the key issue explored through the case study of the St. Olav Festival in Paper 2, the use of budgets in festivals. The paper is based on a survey-design amongst the largest Norwegian festivals (total revenues > MNOK 5) and has two major aims. The first aim was to describe the use of budgets. The budget has received extensive criticism in the last couple of decades, but despite the criticism very few organizations abandon budgets and the overall satisfaction with budgets is good (Libby & Lindsay, 2010). The findings in Paper 2 suggest that the St. Olav Festival used the budget as an integrated tool in the planning of the festival and that they were satisfied with the budget. It was therefore of interest to also investigate the role of the budget in a larger sample of festivals.

The second aim was to explore how the contingency factor of perceived environmental uncertainty affects how budgets were used. Prior research has suggested that perceived environmental uncertainty influences the use of annual budgets, but not flexible budgets (Ekholm & Wallin, 2011). However, the findings by Ekholm and Wallin (2011) are based on the argument that perceived environmental uncertainty should be viewed as a composite measure (a formative-indicator construct). In contrast, because perceived environmental uncertainty in other studies has been argued to be conceptualized as the dimensions of competition and unpredictability (see e.g., Sandalgaard, 2013), the paper follows these arguments and tests the influence of competition and unpredictability on the use of budgets for different purposes.

At the descriptive level the findings suggest that budgets were used and found to be useful in Norwegian festivals, particularly for planning. This therefore reflects the findings from the case study of the St. Olav Festival presented in Paper 2. At the explorative level, the findings indicate that perceived environmental uncertainty did not influence the use of budgets. However, by separating perceived environmental uncertainty into competition and unpredictability, the findings conversely suggest that the use of budgets was influenced by perceived environmental uncertainty, but in different directions for the two dimensions. The paper thus argues that a deconstruction of perceived environmental uncertainty may assist in gaining an understanding of its influence on the use of budgets.
6.4 Paper 4

Control system complexity and management characteristics – the case of festivals

Paper 4 further pursues the major issue raised in papers 2 and 3, namely the role of budgets in Norwegian festivals. However, in this study the role of financial accounting reports and performance measures are also under investigation. Whereas Paper 2 focuses on the influence of perceived environmental uncertainty, this paper draws on upper echelons theory by investigating how the control systems reflect the characteristics of the managers (Hambrick & Mason, 1984). Hence, upper echelons theory proposes that when exposed to situational contingencies, each decision-maker brings a cognitive base and values to the decision. Parallels can be drawn with institutional theory and institutional logics, which are elaborated in Paper 1, but a precondition in the application of upper echelons theory is that this perspective emphasizes observable background characteristics rather than psychological dimensions.

The dataset includes 61 individual responses from 40 festivals and, in contrast to the dataset used in Paper 3, includes more than one respondent from many of the festivals. As explained above, the independent variables are built on observable characteristics and therefore include business/administrative background (yes/no), artistic professional background (yes/no), private sector background (yes/no), and age.

The overall findings suggest that managers’ characteristics influence the role of control tools in the festival. Managers with business administrative education used the budget for more purposes than did those without business administrative education, a finding that was consistent with a priori expectations. However, the analysis did not support the expectations that artistic professional background was associated with lower use of budgets or that a private sector background was associated with higher use of budgets. The findings that managers with a business administrative background used the budget to a larger extent than those without, was supported by the finding that these same managers were, in general, more positive towards the budget. The findings did not suggest the same overall picture for other control tools, demonstrating that only age was associated with the use of financial accounting reports and performance measures as older managers use financial accounting reports and performance measures to a larger extent than younger managers. The analysis also suggested that managers with a business education were associated with perceived economic control.
7 Main conclusions

This dissertation provides evidence that management control tools are used in the performing arts sector, and several interesting findings are reported in the papers. However, by examining the individual findings, a more general picture can be drawn. Paper 1 on Norwegian symphony orchestras, emphasizes the management, or governance of the symphony orchestras by the Ministry of Culture. The paper provides evidence of the influence on the role of performance measures of a diversity of institutional logics in this organizational field, most prominent, the artistic logic. The paper thus contributes to the debate in the literature regarding issues around performance evaluation and accountability that is discussed in the literature review in Chapter 3. The findings from paper 1 is discussed in section 7.1.

Papers 2, 3 and 4 fall into another category by emphasizing management control in the performing arts field. As discussed earlier, there appears to be little literature on internal management control in the field. The three papers therefore make an important contribution to the literature. The papers provide evidence that management control tools, in particular the budget, is important in festivals. Budgets are used, and they are perceived as a well suited tool for balancing the creative forces of the arts field and the need for control. By applying evidence from both qualitative and quantitative studies, these papers provide an in-depth understanding of the use of budgets in festivals. These issues are discussed in section 7.2. The last sub-section (section 7.3) provide some overall arguments for the importance of a thorough understanding of the empirical field under study.

7.1 Management of the performing arts field

The literature provides arguments and empirical evidence of the difficulty of evaluating performance in performing arts organizations (Baumol & Bowen, 1966; Brignall & Modell, 2000; Gstraunthaler & Piber, 2012; Sundström, 2011; Turbine & Laurin, 2009) and research has shown that performance evaluation has led to tension and conflict in these organizations (see e.g., Christiansen & Skærbæk, 1997). Paper 1 contributes to this mainstream debate.

Relying on institutional theory, Paper 1 argued that the governmental performance measurement system was mainly related to a political logic of bureaucracy, democracy, and formality. The paper claims that the performance measures legitimate the orchestras’ use of resources to the public (Kurunmaki et al., 2003), but that they also have an instrumental purpose in confirming a long-term trust relationship built over many years between the Ministry of Culture and the symphony orchestras (ter Bogt & Tillema, 2016). The findings suggest that the level of conflict was low, and this was explained by tension moderating factors, in particular, perhaps, compliance with the arm’s length principle that states that political bodies shall not intervene with artistic decisions. The loose
connection between the performance measures and artistic decisions provided the orchestras with the opportunity to manage by a long-term logic of quality (Stockenstrand & Ander, 2014) and to protect the everyday and stories of performance (Sundström, 2011). The paper thus provides insight into how performance measurement systems work in practice.

Paper 1 also provides insight into the issue of accountability. The literature research offers examples of the meeting of accountabilities that both generate tension and are balanced. For example, Christiansen and Skærbaek (1997) present a very clear picture of tension in the meeting between a traditional managerial accountability and an artistic accountability in the theatre. Similar issues are also raised in some of the other literature reviewed, although with varying level of conflict (Carnegie & Wolnizer, 1996; Kartalis et al., 2016; Mariani & Zan, 2011; Rentschler & Potter, 1996).

The case of Norwegian symphony orchestras elucidates the accountability structures by emphasizing the inherent institutional logics. Due to moderating factors, in particular the arm’s length principle and good economic conditions, the field had the opportunity to be accountable to professional artistic values (Amans et al., 2015; Sinclair, 1995).

7.2 Management control in performing arts organizations

The use of budgets in festivals

The findings reported in papers 2, 3, and 4 suggest that Norwegian festivals use management control tools and budgets are particular prominent and all of the festivals reported that they use them. In addition, 85% of the festivals report that they use financial accounting reports and 65% use performance measures. The usefulness of the control tools was also reported as high. On a five-point Likert scale, were 5 was very useful, the usefulness of budgets was rated as 4.55, financial accounting reports as 4.18, and performance measures 4.0. The findings also show that 92.5% of the festivals use budgets sporadically (30%) or systematically (62.5 %). In the case of the St. Olav Festival (Paper 2) it was suggested that the budget was the main control tool for continuous evaluation during the long planning phase of the festival. The findings therefore support those of the study conducted by Ekholm and Wallin (2000) and Libby and Lindsay (2010) who suggest that the vast majority of organizations use budgets and that budgets are perceived as useful and as adding value to the organizations.

The findings presented in the three papers also pay attention to the specific use of budgets. Hansen and Van der Stede (2004) claim that, to a large degree, research has focused on the use of budgets for performance evaluation. However, the findings suggest that the main use of budgets was upfront of the festival, for planning purposes (coordination, resource allocation, target setting, and continuous variance analyses). The budget was also found to be most useful for the same purposes. Therefore the
use relates to the specific characteristics of festivals, most significantly, the long planning phase and short execution phase, organizations that Carlsson-Wall et al. (2016) describe as pulsating organizations in that they quickly expand and then contract. The findings also support the findings of Carlsson-Wall et al. (2016) as they suggest that detailed planning was the most important control system in Swedish sports events, features that have many parallels with festivals.

There are also other characteristics of festivals that may explain how budgets are used. The public support for the studied festivals is on average 31.5%. This is considerably lower than for the symphony orchestras, and when the festivals also have other uncertainties, such as programming (and contracting) new artists each year and other competition and unpredictability factors, a tool is necessary to evaluate the continuous economic consequences of decisions to deal with these uncertainties and to be a foundation for rigorous planning.

Paper 2, the case of the St. Olav Festival, provides insights into how the budget acted as an integrated and continuous evaluation tool. A precondition for the budget in the St. Olav Festival was that it was designed to capture the needs of the festival. This implied that it contained some crucial technical solutions (e.g., the division between an operating and a festival budget) that made it possible for the festival to use it in an interactive way (R. Simons, 1995) so that it related to the artistic strategies and the flexible nature of the festivals. A flexible use of budgets was also found amongst the larger sample of Norwegian festivals and they reported that budgets were changed when necessary or by fixed revisions, and that the budget was used in a way that made it possible to enroll interesting projects into the festivals at short notice. As the booking manager for the St. Olav Festival claimed: “We have to be able to pick the golden ball”. The following figure elucidates the annual rhythm of festivals.
Figure 3. Annual rhythm of festivals. Adapted from Carlsson-Wall et al. (2016: 9) and Knardal and Pettersen (2015).

Budget critique

Over recent decades the budget has been subject to extensive criticism (Hansen et al., 2003; Neely et al., 2003). Some of the main criticisms have been concerned with the time spent on budgeting, the lack of flexibility due to the fixed nature of budgets, and the disconnection between budgets and strategies. The findings in this dissertation do not lend support to these criticisms. In the case of the St. Olav Festival the budget was not perceived as a constraint to creative planning and the production of the festival. The respondents claimed that the budget provided them with opportunities as they had a defined decision space to enhance creativity and artistic formation. However, a precondition for this was that the budget was used interactively and that it supported dynamic changes.

The findings amongst the 40 largest Norwegian festivals (Paper 4) also fail to support these budget criticisms. As for some of the central criticisms, the findings suggest that the budgets provided the festivals with the opportunity to quickly allocate resources to projects that moved beyond the original budget. The findings did not imply that too much time was spent on budgeting and that the budgets were not linked to strategy. These findings therefore partly support those of Libby and Lindsay (2010). Libby and Lindsay (2010) found that budgets were only somewhat effective under conditions of change, but they suggest that less time was spent on budgeting than that proposed by the budget critics, and they also found that the budget was recognized as a rather effective method for implementing strategy.
Varying use of budgets and other control tools

As discussed above, the contingency literature claims that there is no universally appropriate approach to management accounting and control systems and that the use of control tools is affected by specific contingencies (Chenhall, 2003; Otley, 1980). However, specific contingency variables are not the only factors influencing the use of control systems, and a stream of research based on upper echelons theory has indicated that observable managerial characteristics may explain variations in the organizational use of control systems (Hambrick & Mason, 1984). Papers 3 and 4 apply these two theoretical frameworks (Paper 3 – contingency theory, Paper 4 – upper echelons theory) to explain variances in the use of control tools.

One of the central contingencies is uncertainty (Chenhall, 2003), and Paper 3 investigates the influence of perceived environmental uncertainty, conceptualized as competition and unpredictability. The findings suggest that the use of budgets was influenced by perceived environmental uncertainty and that the festivals also adapts to the different purposes of budgeting. For example, the findings suggest that higher competition as to artists decreased the use of budgets both upfront (planning) and for evaluation and reward, whereas competition as to income increased the use of budgets both upfront and for planning and reward. Although confirming some of the literature on the influence of perceived environmental uncertainty (e.g., Sandalgaard, 2013), in this specific context this paper provides an in-depth understanding of the influence of the contingency factor of perceived environmental uncertainty on different purposes of budgeting.

The findings in Paper 4 suggest that managerial characteristics were influential in the use of control tools in Norwegian festivals. The findings thus confirm upper echelons theory. However, some characteristics were prominent as the findings suggested that business education was positively associated with the use of budgets for most purposes and negatively associated with budget critique. Furthermore, age was positively associated with the use of financial accounting reports and performance measures.

As the literature on management control in festivals is scarce, papers 2, 3, and 4 contribute increased knowledge to the literature. The findings in the papers themselves interesting because they provide information on how control tools are used in festivals, but they also provide insight into the factors that influence the varying use of control tools in this specific context.
### 7.3 The importance of the context

A rigorous understanding of the performing arts field has been crucial for this dissertation. For example, Hopwood (1983) and Otley (2016) encourage a deep understanding of the contextual frame in which management control tools are to be used, and that management accounting and control studies should pay thorough attention to the specific characteristics of the organizational environment in which the investigated tools are situated. Against this background, a strong emphasis in this dissertation has been placed on gaining and communicating some of the important characteristics of the performing arts field under investigation.

Some common characteristics were found between symphony orchestras, such as the challenging relationship between efficiency and effectiveness and the strong drive within the organizations to produce an artistic product of high quality. However, symphony orchestras and festivals represent two very different part of the performing arts sector, and it was of great importance to understand the central individual characteristics of these two types of organizations and their environments. Symphony orchestras receive approximately 90% of their total budgets as public support, they are organized under the Ministry of Culture, and are therefore subject to state financial regulations. However, symphony orchestras have a very old tradition, and have for centuries been governed by types of mechanisms other than the objectives that stem from a New Public Management-tradition. Some of the finest orchestras today were established as "Musikvereins" and owned by the musicians, and hence managed by an orchestra democracy. This is a tradition that has established a deep-rooted dedication to high artistic quality, placing this at the core of the organization.

Additionally, the arm’s length principle and the economic conditions in the sector were of particular importance to understanding the control dynamics in this organizational field. The arm’s length principle is an old principle within the performing arts that states that political bodies should not intervene with artistic decisions or challenge the autonomy of the arts. This is salient in the Norwegian orchestra field and was found have great influence in the relationship between the orchestras and the Ministry of Culture, with the latter very cautious not to contravene with principle of the control of the orchestras. The economic conditions in the field were also identified as important and moderating contextual factors.

The findings in the festival papers (papers 2, 3, and 4) suggest that the relationship between creativity (arts) and control (accounting) was more balanced, and both external and internal contingency factors were identified that may elucidate this. A major event and, hence an important historical contextual factor, for the St. Olav Festival was the financial crisis they had experienced in 2008. This crisis laid the foundation for the management of the festival and, more specifically, the design and use of the budget.
as the main control tool. As the festival is one of the largest and most traditional Norwegian festivals, with great importance both locally, and through their national status as a church music festival, the development of the control system and the importance of stable economic management can be understood in this light. It should also be noted that a proposal for a budget system from a large consultancy company was rejected as it failed to meet the necessary requirements for a budget tool for the festival.

The management of the festival is very much related to specific characteristics related to the balance between creativity and control. This is a different kind of task to that in the orchestra field because, as described above, festivals have more inherent uncertainty with much lower public support and other salient uncertainties that require a different kind of economic control. Another important contextual understanding of festivals is their pulsating nature (Carlsson-Wall et al., 2016) (see Figure 3). A consequence of their short execution period is that most of the time is used for planning, and the design and use of the budgets was found to be influenced by the pulsating rhythm.

8 Future research

Jeacle (2009b) claims that the management accounting and control literature has largely ignored the leisure and entertainment industries and suggests that this is because accounting and entertainment exist in two very different worlds.

Accounting is seen as clear and objective. It deals with hard cold facts. It is definitely not to be laughed at. Therefore, it is perhaps not surprising that accounting does not sit easily with the giddiness of the annual vacation, the adrenaline of the rugby match or the thrill of the compulsive shopper. Accounting after all is more associated with the stereotypical bespectacled bookkeeper than the surfer dude or rock chick. (Jeacle, 2009b: 678)

Jeacle’s (2009b) claim was to a large degree confirmed by the literature review as only 16 articles were identified in 6 of the 27 ABS-list top ranked accounting journals. The findings in the literature review therefore suggest that more research should be conducted within the field.

More research should be conducted with both symphony orchestras and festivals. However, further research should also be conducted into other types of cultural and performing arts organizations. The cultural and entertainment industry plays a large role in today’s societies, and has an impact on most people’s lives. Therefore, knowledge should be gained about, for example, smaller festivals, events (concerts, military tattoos, historical events), theatres, opera companies, cultural centers, cinemas, and exhibitions.
The literature review also shows that the literature on how management control tools are used in practice in performing arts organizations is lacking, and it can be argued that a focus on the field is necessary to understand the challenges of management control in this specific context. In particular, papers 2, 3 and 4, that provide an in-depth understanding of the design and use of budgets in the planning phase of festivals, prompt a rethinking of the established views on how budgets may be designed and use in organizations with a pulsating rhythm and a need for balance between creativity and control. More research, however, is needed to elucidate the use of control tools and how their design and use is influenced by both internal and external contingencies and characteristics.

In addition to addressing the knowledge gap on management control in performing arts organizations, future research within the arts field may also elucidate central issues within the management accounting and control literature. The literature research revealed that the management accounting and control literature in the performing arts field is concerned with issues that dominate the accounting literature, such as performance evaluation and accountability. The literature also shows that the arts field is a good empirical field for discussion these issues, both in terms of the challenges faced in evaluating performance based on intangibles and also the multifaceted aspect of accountability. The four papers also show that the performing arts field may inform central theories within accounting, such as institutional theory, contingency theory, and upper echelons theory. Further research should therefore use the arts field to broaden the perspectives of accounting.
9 References


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10 Appendix

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<td>International Journal of Arts Management</td>
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<td>Journal of Arts Management, Law and Society</td>
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From searching reference lists

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<td>Journal of Cultural Economics</td>
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<td>International Journal of Arts &amp; Sciences</td>
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Other relevant journals

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*Table 1. The selected journals for the review and journal ratings*
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*Table 2. Number of articles by journal*

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<td>Badia, F., Donato, F.</td>
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<td>Performance measures at world heritage sites: Per Aspera ad Astra</td>
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<td>Badia, F. and Borin, E.</td>
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<td>Opportunities and critical points for the introduction of performance measurement systems in theatres</td>
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<td>Turibide, J. and Laurin, C.</td>
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<td>Performance measurement in the arts sector: The case of performing arts</td>
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<td>The performance of museums and other cultural institutions</td>
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<td>Sundström, A.</td>
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<td>Framing numbers &quot;at a distance&quot;: intangible performance reporting in a theater</td>
<td>Journal of Human Resource Costing</td>
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<td>Ter Bogt, H., Tillema, S.</td>
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<td>Accounting for trust and control: Public sector partnerships in the arts</td>
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<td>Implementing budgetary control in the performing arts: games in the organizational theatre</td>
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<td>Marani, M. and Zan, L.</td>
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<td>The economy of music programs and organizations. A micro analysis and typology</td>
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<td>Kartalis N., Tsameny M. and Jayasinghe K.</td>
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<td>Accounting in new public management and shifting organizational boundaries: Evidence from the Greek Show Cases</td>
<td>Accounting, Auditing and Accountability Journal</td>
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<td>Ferri, P. and Zan, L.</td>
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<td>Ten years after: The rise and fall of managerial autonomy in Pompeii</td>
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<td>Rentschler, R. and Potter, P.</td>
<td>1996</td>
<td>Accountability versus artistic development: The case for non-profit museums and performing arts organizations</td>
<td>Accounting, Auditing and Accountability Journal</td>
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<td>Maier, E.</td>
<td>2016</td>
<td>The budget in the aesthetic: The role of calculative practice in the production of popular culture</td>
<td>Management Accounting Research</td>
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Table 3. Articles chosen for review
The role of performance measures in the arts
- the case of Norwegian symphony orchestras

Per Ståle Knardal
Abstract

This paper studies the role of performance measures within the performing arts field, more specifically Norwegian symphony orchestras. Prior research has documented various forms of conflict related to how performance measures and other accounting tools are used in arts organizations, and the conflict is often explained as the intrusion of business-like accounting tools on the exercise of the art. Drawing on institutional theory and the concept of institutional logics, the findings suggest that a diversity of logics is salient in this organizational field, with the co-existence of different rationalities or logics. The performance measurement system is confronted with multiple logics, and the study shows how the role of the performance measures is shaped by this institutional complexity. Multiple logics can be embedded in organizations in heterogeneous ways, however, and thus have varying implications. A number of factors may act as filters that have an impact on the way the different logics shape the role of the performance measures within the organizational field, and this study focuses on several factors that moderate the role of the performance measures. More generally, the study shows how the role of performance measures can be diverse in different organizational fields as a result of multiple logics that are filtered by moderating factors.
1 Introduction

Institutional logics are sets of socially constructed societal principles that inform the material practices, assumptions, values and beliefs that shape behavior and thinking (Greenwood et al., 2011; Thornton et al., 2012). The concept of institutional logics stems from institutional theory. In their seminal work, Meyer and Rowan (1977) emphasized that when adapting to a pluralistic institutional environment, organizations have a tendency to incorporate a number of different organizational arrangements. There has only in recent years, however, been an increased emphasis from researchers on exploring the presence and implications of multiple institutional demands in organizations by applying the concept of institutional logics (Besharov & Smith, 2014).

Institutional logics may not be compatible. Multiple logics are inherent on most contemporary organizations through, for example, the necessity of bringing together different professions to fulfill the organizational purpose. Professions are socialized within different cognitive and normative orders (Greenwood et al., 2011), and scholars have noted numerous examples where the coexistence of logics has generated negative tension or conflict (Glynn & Lounsbury, 2005; Greenwood et al., 2011; Reay & Hinings, 2009).

When organizations are under the influence of multiple logics, practices such as accounting, are influenced by the logics and the relationships among them (Amans et al., 2015). This paper studies the role of performance measures in the organizational field of Norwegian symphony orchestras, a context under the influence of multiple logics.

Professional symphony orchestras are a central part of Norway’s national cultural facilities and they provide classical music at a very high artistic level. A symphony orchestra employs up to a 100 professional musicians, and the musicians represent the core of the organization’s mission, the performing arts. As symphony orchestras are big and costly public organizations, they rely on a large amount of public funding. Accordingly, the orchestras are bound by the state financial regulations, and one of the basic management principles in state financial regulations is that public enterprises should establish objectives and performance measures (The Norwegian Ministry of Finance, 2013). This means that Norwegian symphony orchestras annually report to the Ministry of Culture on a number of different, mostly quantitative, performance measures, and the measures act as an important part of the central government’s control of the symphony orchestras.
Previous studies on accounting within the arts have drawn on inherent dichotomies to explain different rationalities, with art and creativity on one side and business and management on the other (Chiaravalloti, 2014; Christiansen & Skærbæk, 1997; Eikhof & Haunschild, 2007; Turbide & Laurin, 2009; Wennes, 2002). Some of this research describes conflict in the different rationalities. This study, however, prompts a rethinking of the tension-generating role of performance measures in the performing arts field.

The study applies the concept of institutional logic to provide a deeper understanding of the role of performance measures in the Norwegian orchestra field. Against this background, the paper investigates how the role of performance measures is influenced by the complexity of multiple logics. Three logics are applied to inform this: artistic, managerial and political. The objective of the paper is to develop arguments about the implications of performance measures by adopting the framework developed by Besharov and Smith (2014). Besharov and Smith (2014) identify four different levels of conflict against the background of the way logics are encompassed in organizations.

The remainder of the paper is organized as follows. Section 2 presents a review of relevant literature; Section 3 describes the empirical setting; Section 4 develops the research method before the empirical findings are presented in Section 5. Section 6 provides a discussion of the main findings, before the paper is concluded in Section 7.

2 Theoretical frameworks

The following section first provides a general overview of performance measurement. An analytical framework of institutional logics is developed before the Besharov and Smith (2014) framework is presented as a conceptual framework with which to discuss the implications of logic multiplicity.

2.1 Performance measurement

As the use of performance measures has been increasing in recent decades, there has also been a growing body of research on the subject. This research has directed attention to both the positive and negative effects of the use of performance measures. Melnyk et al. (2014) and De Bruijn (2002) claim that performance measures are well suited for bringing transparency into an organization, as insights into how much a particular activity contributes to the output are provided. De Bruijn (2002) also emphasizes that performance improves the focus on
output, as results rather than intentions are rewarded, and that measurement is a good way of creating accountability.

Research has also directed attention to the negative sides of performance measurement, including the use of performance measures in organizations structured around the work of highly trained professionals, as these organizations often have multiple values which are difficult to quantify. Accordingly, is it challenging to identify the relationships between the core objectives of professional organizations and their performance measures (Baker, 1992; Brignall & Modell, 2000; De Bruijn, 2002, 2006; Johnsen, 2005). Broadbent et al. (2002) discuss the use of accounting regimes in professional organizations against the background that the principals have subordinate knowledge about the tasks performed by the professional employees, and Baker (1992) argues that there is a large amount of asymmetric information in such organizations, as the principal lacks the opportunity to contract on the true objectives. In his seminal work, Gorz (1989) criticizes the use of “economic reason”, such as accounting, in professional organizations because it is inappropriate to program professional activities in the way the economic reasoning requires. Performance measurement in professional organizations can, consequently, reduce the freedom of professionals to define the activities that they, from a professional consideration, see as important or necessary, and Broadbent et al. (2002) uses the term ‘de-professionalization’.

2.1.1 Performance measurement in the performing arts sector

Increasing efficiency in the performing arts sector was problematized as early as the 1960s, as it was argued that it is difficult to detect efficiency and productivity gains (Baumol & Bowen, 1966). The performing arts is a labor-sensitive field, and, for example, technical progress cannot increase the productivity of labor. Nor is it possible to reduce the amount of labor. When an orchestra plays a symphony by Mahler, it demands a certain number of musicians. This suggests that increases in costs over time will not increase the productivity, and attempts to increase the productivity may accordingly threaten quality. This phenomenon was later called ‘Baumol’s disease’.

One of the driving forces behind research into performance measurement within arts organizations has been the acknowledgement of the necessity to measure more than the financial dimension (Chiaravalloti & Piber, 2011; Turbide & Laurin, 2009) . Chiaravalloti and Piber (2011) claim that the literature has failed to make sense of the contextual complexity of artistic activities and that approaches to performance measurement have underestimated the
richness and diversity of the context of arts. Consequently, there has been little awareness of the negative effects that performance measurement might trigger. Attempting to link measures to the actual mission of arts organizations is thus controversial (Chiaravalloti & Piber, 2011; Turbide & Laurin, 2009).

2.2 The institutional logics perspective
The concept of institutional logics stems from studies of institutions in organizational analysis, informed by for example, Selznick’s empirical analysis of organizations and the institutional environment (Thornton & Ocasio, 2008). Institutional logic is now placed within the context of neo-institutional theory, however, complementing the theories offered by Meyer and Rowan (1977), acknowledging the articulation of the dominating theories of action underlying institutional processes (Amans et al., 2015).

Meyer and Rowan (1977) highlighted the role of taken-for-granted rules in the development and modernization of formal organizational structures, and that organizations had to comply with such requirements. DiMaggio and Powell (1983) extended the focus by identifying the effects of mimetic isomorphism on cognition. This implied that organizational structures could not be explained by rationality, but as behavior in response to cultural rationalization (Thornton & Ocasio, 2008).

In 1985, Alford and Friedland introduced the term ‘institutional logics’ to describe contradictions in western modern societal practices and beliefs (Thornton, 2008). Institutional logics, therefore, provided an opportunity to define the content and meaning of institutions, and the focus was shifted from isomorphism to the effects of different institutional logics on individuals. Friedland and Alford (1991: 248) defined institutional logics as “a set of material practices and symbolic constructions”, and building on Friedland and Alford (1991), Thornton and Ocasio (1999: 804) further defined institutional logics “as the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality”.

The logics described by Friedland and Alford (1991) are the logics of capitalism, the state, democracy, family, religion and science. The institutional logic of capitalism, for example, holds the values of accumulation and commodification of human activity, whereas the logic of the state can be characterized as the rationalization and regulation of human activity by legal and bureaucratic hierarchies. Democracy involves participation and the extension of control over
human activity, family involves the motivation of human activity by unconditional loyalty to family members, and religion or science involves the truth, whether rational or transcendental (Friedland & Alford, 1991).

As the definition by Friedland and Alford (1991) suggests, institutional logics are comprised of material and symbolic constructions and are, thus, simultaneously symbolic systems and material practices. Private property, for example, involves a non-observable symbolic relationship, which is concretized through ownership. The buying and selling of a commodity is both a symbolic and an instrumental action. Love, similarly, can be concretized through marriage, and is both symbolic and instrumental. This does not imply, however, that actions such as buying, getting married, voting or praying means that property, love, democracy or God exists, or is a result of the actions taken. Friedland and Alford (1991: 250) emphasize that behavior makes sense “to those who enact the behavior only in relation to those transrational symbolic systems and that those symbolic systems only makes sense in terms of behavior”. However, in the analysis of behaviors, Friedland and Alford (1991) emphasize that these may have alternative meanings, and use the example of sexual intercourse, which rather than a symbol of love can be an expression of affection, passion or power.

In a more developed understanding of institutional logics, the importance of a historical contingency is emphasized (Greenwood et al., 2010; Thornton & Ocasio, 1999). Greenwood et al. (2010: 522) claim: “logics underpin the appropriateness of organizational practices in given settings and at particular historical moments”, and describe how the logics of the state and the family, two non-market logics, impact organizational responses to an overarching market logic in Spain. The findings provide evidence that non-market logics influence market logic, and the paper emphasizes that it is important to view institutional logics through a historical and cultural lens, as this increases the chances of understanding their consequences.

Organizations can be under the influence of multiple institutional logics (see, for example, Greenwood et al., 2010; Ezzamel et al., 2012; Amans et al., 2015), and these organizations face institutional complexity (Greenwood et al., 2011). Accordingly, actors in organizations can be simultaneously affected by numerous logics, but in some organizations one logic can be dominant and overshadow other institutional logics. This may be the case when an organization is based on the logics of, for example, a strong profession. An example of this is the organization of medical health care. In most of the twentieth century the professional logic of physicians and the physician-patient relationship guided the service provided.
Physicians determined the appropriate care, and other professions within health care, such as nurses and pharmacists, followed a physician’s requests. The role of the government was to provide the funding needed for the physicians to follow their profession (Besharov & Smith, 2014; Reay & Hinings, 2009). The professional logic of physicians was, thus, dominating other logics.

2.2.1 Institutional logics in the arts field

An organizational field can be defined as “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell, 1983: 148), and there has been some research interest in organizational fields that experience institutional complexity (Besharov & Smith, 2014; Ezzamel et al., 2012; Greenwood et al., 2011). According to DiMaggio and Powell’s (1983) definition of an organizational field, the organizational field of Norwegian symphony orchestras is generally comprised of the orchestras, containing the artists and the management as the key suppliers, the audience as the consumers and the Ministry of Culture as the main funder and regulatory agency. The arts field is subject to multiple and co-existing logics, and in this study, three logics in particular were identified and applied: artistic, managerial and political. The arts field can, thus, be considered institutionally complex (Amans et al., 2015; Greenwood et al., 2011).

An important topic in the literature of management and the performing arts is the relationship between different rationalities in arts organizations (Chiaravalloti, 2014; Christiansen & Skærbaek, 1997; Eikhof & Haunschild, 2007; Turbide & Laurin, 2009; Wennes, 2002), and Christiansen and Skærbaek (1997: 406) claim that performing arts organizations are “organizations dominated by a rationality very different from an accounting and administration perspective”. Research within the arts field, considering different rationalities, or logics, has described the potential conflict or tension of multiple logics, and most studies have been concentrated on the dichotomies between an artistic logic and a managerial business logic. The artistic logic is, according to Amans et al. (2015: 50), defined as having a set of values associated with sensitivity, imagination, creativity, originality and taste, however, the concept of an artistic logic can also be informed by the literature on professional organizations, which claims that these organizations are structured around the work of highly trained professionals providing highly specialized and intangible services (Brignall & Modell, 2000). This is very applicable to the understanding of artistic logic, as musicians are not only
educated into their profession, but often socialized into the artistic community from an early age. The artistic product of a symphony orchestra is, of course, most often, intangible.

The parallel logic, the managerial business type logic, is often described as contrasting, as it is based on the principle of rationality. Managerial business logic is described in many different ways. Some literature leans more on the business and market dimensions of this logic (Eikhof & Haunschild, 2007; Glynn & Lounsbury, 2005), whereas other literature describes managerial logic from an accounting perspective (Christiansen & Skærbeak, 1997; Norreklit, 2011; Sundström, 2011). Norwegian symphony orchestras are public not-for-profit organizations, and their orientation is towards notions of efficiency, control, regularity and predictability, calculation and measurement (Amans et al., 2015: 51). This study accordingly refers to the accounting dimension of managerial logic.

A number of studies provide valuable insights into the dichotomies between artistic and managerial logic. Christiansen and Skærbeak (1997) describe the case of implementing a new budgeting system in the Royal Danish Theatre. A new budgeting and accounting system was designed to capture decision making in order to ensure efficiency and accountability for a number of issues, including artistic. The system was considered a sizeable interference in intervention artistic priorities, and the actors felt that their artistic freedom was reduced. The budget system, thus, generated substantial conflict. In the case of the Atlanta Symphony Orchestra, Glynn and Lounsbury (2005) describe an intervention in artistic logic where a commercial market logic directed the orchestra to perform more “mainstream” or “pop” interpretations of classical music. These two cases illustrate the challenges of using management accounting systems in performing arts organizations. Norreklit (2011) offers additional insight to the antagonism between arts and management by describing the reflections of the artistic director of the Royal Danish Opera. He describes the opera as an “emotional fitness center”, and suggests that the quality of an operatic performance only can be measured by measuring the increase in humidity due to crying amongst the audience in, for example, the death scenes.

The above literature describes the co-existence of two logics, but in the current paper three logics are applied. Norwegian symphony orchestras depend on the government, as they are mainly publicly funded (Amans et al., 2015). As the public sector is driven by rules and a bureaucratic form of organization, bureaucratic procedures lead to the appearance of a governance (Ezzamel et al., 2012) or political (Amans et al., 2015) logic. Ezzamel et al.
(2012: 285) refers to governance logic as “democratic and bureaucratic processes associated with governance and political accountability”, and Amans et al. (2015) recognizes the values associated with political logic in the performing arts field as accountability, democracy and formality of bureaucratic processes. In the following, this logic will be referred to as ‘political logic’.

2.2.2 Implications of logic multiplicity

As discussed above, studies within the performing arts field often highlight tension due to the incompatibility between a managerial and an artistic logic, as the values characterizing these logics are opposing (Christiansen & Skárbek, 1997; Eikhof & Haunschild, 2007; Turbide & Laurin, 2009; Wennes, 2002), however, Besharov and Smith (2014) claim that knowledge is scarce as to why multiple logics generate negative tension and conflict in some organizations, but blend smoothly in others. A key assertion in Besharov and Smith (2014) is that the implications of institutional complexity regarding the level of conflict, depend on how logics are instantiated within organizations.

Besharov and Smith (2014) theorize about the heterogeneous ways multiple logics are present in organizations and the potential implications of the multiplicity of logics. Logic multiplicity can have implications such as transitions between logics (Besharov & Smith, 2014) and coexistence enabling multiplicity to proceed (Reay & Hinings, 2009). Besharov and Smith (2014), however, claim that existing research offers little information about the conditions under which different implications of logic multiplicity emerge. To support the explanations of the various implications of logic multiplicity, Besharov and Smith (2014) developed a framework that employs two critical dimensions, compatibility and centrality, to define the heterogeneity of logics.

Besharov and Smith (2014) have conceptualized compatibility from the works of Friedland and Alford (1991) who discuss inconsistencies between different logics, and Thornton and Ocasio (2008) who discuss opposing and co-existing beliefs and practices. The definition of compatibility applied by Besharov and Smith (2014: 367) is thus “the extent to which the instantiations of logics imply consistent and reinforcing organizational actions”. Accordingly, compatibility is a key dimension in order to account for the divergence of the relationship between logics. The number of professional institutions within an institutional field will have an impact on the degree of logic compatibility, as multiplicity in professional groups within a field will decrease the compatibility. On the other hand, the existence of only one professional
group, the domination of one professional group within a field of multiple professional groups or a lack of overlap in the demands of different professional groups, will result in higher logic compatibility.

The second dimension, centrality, covers the extent to which more than one logic is crucial to organizational functioning. Besharov and Smith (2014: 369) define centrality as “the degree to which multiple logics are each treated as equally valid and relevant to organizational functioning”. This implies that centrality is higher when multiple logics equally influence behavior than when a single logic informs the core operations. Using the dimension of centrality in the analysis of multiple logics thus provides an opportunity to differentiate between core and peripheral logics. Reay and Hinings (2009) offer insight by describing a change in logic centrality in their study of medical health care. Whereas the core and dominating logic in medical health care has been the professional logic of physicians, they explain that new government structures have increased the focus on business-like health care. This means that the centrality was increased.

Besharov and Smith (2014) suggest that the dimensions of logic compatibility and centrality can provide a framework for understanding the different implications how multiple logics interact in organizations, and proposes four ideal types of organizations: contested, estranged, aligned and dominant.

![Diagram](image)

Figure 1: *Types of logic multiplicity within organizations (Besharov & Smith, 2014: 371)*
Organizations with low compatibility and high centrality between the multiple logics are, according to Basharov and Smith (2014), characterized as **contested**. When actors are confronted with low compatibility, they are under the influence of logics that have different implications for action, as they must adhere to a variety of goals, values, and identities, and the strategies and practices for achieving the goals. High centrality occurs when the multiple logics compete for dominance without clear guidelines for the hierarchy between them. In **estranged** organizations, there is low compatibility and low centrality. As in contested organizations, the presence of low compatibility has inconsistent implications for action as to multiple logics, however, low centrality means that the hierarchy between logics is clearer, as one logic exerts the primary influence over the functioning of the organization. Estranged organizations, therefore, have less ambiguity due to the logic’s guidance of organizational behavior, and although the members of the organization must cope with one or more subordinate logics, the conflicts that become apparent from multiple logics are more moderate.

The characteristic of an **aligned** organization is the presence of both high compatibility and high centrality. The multiple logics provide consistency in the organizational action (high compatibility) and have a strong influence on organizational decisions (high centrality). The level of conflict in this type of organization is described as minimal, however, since multiple logics lay the foundation of strategy, identity, core structures and practices, there is the potential for conflict, as there is no clear indication of a dominating logic. A **dominant** organization has high compatibility and low centrality. As the degree of centrality is low, dominant organizations reflect one single logic, and combined with high compatibility, the outcome is that a prevailing logic is reinforced by one or more subsidiary logics. It may appear that only one logic is embedded in the organization, as other logics have little effect.

The Basharov and Smith (2014) framework, thus provides a conceptual framework for describing different ways in which multiple logics co-exist within organizations or an organizational field. In addition, and an important contribution to the literature on institutional logics, is the understanding the framework provides as to the varied implications of logic multiplicity. The Norwegian orchestra field is under the influence of multiple logics and this is relevant for studying institutional complexity and the implications. In addition, and following calls for research into empirical fields with more than two institutional logics (Lounsbury, 2008; Reay & Hinings, 2009), the study discusses three relevant logics within the studied field: artistic, managerial and political. The following section thus provides a
description of the empirical setting of the Norwegian orchestra field. The first section is a brief overview, before the next section gives an in-depth understanding of relevant features for the study.

3 Empirical setting

3.1 The Norwegian orchestra field

Norway has six professional symphony orchestras in addition to the orchestra in the Norwegian National Opera and Ballet, and the Norwegian Radio Orchestra. The orchestras vary in size, from about 40 to 110 musicians and have an administrative staff between 12 and 20 people. The orchestras depend on public funding, and receive approximately 90% of their total budgets from the government, county and municipality. Orchestras in Norway are divided into two levels, a national level, which includes the Oslo Philharmonic Orchestra and Bergen Philharmonic Orchestra, and a regional level which encompasses the rest of the orchestras (The Norwegian Ministry of Culture, 2013).

The two orchestras studied in this paper are regional orchestras. They employ about 85 full time professional musicians, the administration involves between 13 and 15 people and they each have a total budget of approximately 15 million Euros. The public funding the orchestras receives is from the national government (70%), the county (10%) and the municipality (20%). The distribution percentages of the funding are non-negotiable for the county and the municipality. This means that the county and the municipality, irrespective of the amount decided by the Ministry of Culture, have to provide, respectively, 10% and 20% of the funding.

Annually, the symphony orchestras play between 80-100 concerts, and mainly have a classical romantic symphonic repertoire, performing music by the most well-known composers such as Beethoven, Brahms, Tchaikovsky and Mahler. The orchestras also play concerts for children, concerts with pop and rock artists and bands, music theatre (opera), contemporary music and different kinds of chamber concerts, in a diversity of venues (concert halls, shopping malls etc.).

The organization of the Norwegian symphony orchestras differs, however, the most common organization is that they are trusts, with the board as the highest authority. Both orchestras in this study are trusts. The board’s tasks are ordinary board tasks, such as keeping financial control, being responsible for employing the CEO, determining the general framework for the
pay and working conditions of all staff, and ensuring that the composition of the staff is adapted for tasks as required. The boards include members representing the central government, the county, the municipality and the employees. The chair of the board is appointed by the county, and the state authorities, as the main financing source, do not appoint any members directly into the board.

Another actor important to the understanding of performance measurement in the orchestras is The Association of Norwegian Theatres and Orchestras. The association has 44 members within theatre, dance, opera and orchestral music and is the employer’s organization, negotiating, or assisting in negotiations with the workers’ unions, on behalf of their members. The association also collects and presents the performance measures on behalf of the Ministry of Culture and sends annual reports to the Ministry of Culture (www.nto.no, 2014). The association, thus, has deep knowledge and experience with the performance measures.

3.1.1 Government control

The Regulations on Financial Management in Central Government lay the foundation for the control of the orchestras, and one of the basic management principles is to ensure that established objectives and performance requirements are achieved (The Norwegian Ministry of Finance, 2013: 12). The control of the orchestras is effected through the annual letter of funding where the amount of state funding for the following year is communicated and conditions are noted. The conditions are more or less general to all the orchestras, as they are asked to manage their organizations in an economically viable way, to manage the orchestra towards objectives and to develop management systems to ensure goal achievement.

The letter of funding also includes specific objectives and measures, and the three main objectives are: (1) to make music of the high artistic quality available for a broad audience, (2) to promote artistic development and renewal, and (3) to target business and maximize resources. The following table provides an overview of the performance measurement system¹:

<table>
<thead>
<tr>
<th>Main objective</th>
<th>Sub-objective</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>To make music of high artistic quality available for a broad audience</td>
<td>To perform music of a high artistic quality for a broad audience</td>
<td>Nine quantitative measures – size of audience in different categories (e.g. total number, in concerts for children and young people, in concerts in own concert hall, abroad, on chamber music concerts)</td>
</tr>
</tbody>
</table>

¹ The full performance measurement system is attached, see Appendix 1.
<table>
<thead>
<tr>
<th>2. To develop forms of performance, particularly aimed at children and young people</th>
<th>Ten quantitative measures – no. of concerts (e.g. total number, concerts aimed at children and young people, concerts in own concert hall, concerts abroad, chamber concerts, symphony concerts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. To promote artistic development and renewal</td>
<td>One qualitative measure – a review of measures aimed at specific target groups</td>
</tr>
<tr>
<td>1. To develop artistic specialness</td>
<td>One qualitative measure (an assessment of the qualities that best express artistic individuality)</td>
</tr>
<tr>
<td>2. To develop a repertoire that includes both Norwegian and foreign contemporary expression</td>
<td>Four quantitative indicators (no. of works written in the last 50 years, no. of first performances, no. of Norwegian and foreign contemporary works)</td>
</tr>
<tr>
<td>3. To target business and maximize resources</td>
<td>Two qualitative measures (rolling strategy plan, measures to achieve the strategy plan)</td>
</tr>
<tr>
<td>1. To establish objectives and draw up strategic plans for artistic activities and dissemination</td>
<td>Two qualitative measures (a review of the measures undertaken to ensure good use of resources, a review of the results of efficiency measures in operations and production, including quality improvements and cost savings)</td>
</tr>
<tr>
<td>2. To ensure good resource utilization</td>
<td></td>
</tr>
</tbody>
</table>

*Table 1: An overview of the performance measurement system*

The three main objectives are divided into sub-objectives. The sub-objectives under the first main objective considers the breadth of the orchestral activities using the following indicators (19 quantitative and one qualitative) to measure the size of the audience at different types of concerts and the number of concerts within different categories. The indicators demonstrate the degree to which the music is available to a broad audience, and children and young people are particularly counted. The sub-objectives of the second main objective involve artistic decisions. The orchestras are first required to assess the qualities that best express their artistic individuality before the amount of contemporary music performed is accounted for. The third main objective is also represented by two sub-objectives. The first expresses artistic choices as it qualitatively evaluates the processes for developing targets and strategy plans for artistic activities. The second sub-objective involves the managerial processes of resource utilization. The contents, thus, imply that artistic priorities and choices are scrutinized through the government performance measurement system. In addition to reporting on the results
indicators, the orchestras are required to submit a more detailed annual report which elaborates on their activities, overall objectives and long term strategies and plans.

3.1.2 Economic conditions in the field
The Norwegian arts sector has been under good economic conditions for many years. In the period 2005 to 2013, the national cultural budget increased by 55%, and the growth of the total budgets of the four largest Norwegian symphony orchestras was 64% in the same period. This suggests that the general economic conditions for orchestras are good and have been good for many years. Norwegian orchestras are more or less full-sized orchestras, providing them with great flexibility as to repertoire. This is in contrast with the conditions in, for example, Denmark, where criticism has been raised because the tight budget conditions reduce the ability to perform a versatile repertoire (www.politiken.dk, 2015).

3.2 Broadening the understanding of the symphony orchestra
Most people relate to a symphony orchestra from an audience perspective, and from this viewpoint, one of the strong and most visible characteristics of the organizational structure is the power of the conductor. The conductor is the indisputable leader during a concert, a leadership Wennes (2002) claims is accepted amongst the musicians as it is considered a necessity due to the nature of the concert. One of the CEOs said:

With open eyes and completely voluntarily, the musicians adapt to a kind of dictatorship where they sit at their desk and the conductor is on the podium. They are in the conductor’s cave or fist. This is a work-form which is accepted and is found everywhere (CEO).

Outside the concert hall, however, the structure is rather different. Symphony orchestras have a tradition of strong internal democracy. This is historically contingent, as symphony orchestras in the late nineteenth century were often established and owned by the musicians. In Germany they were characterized as “Musikvereins”, and some of the best orchestras in the world, such as the Wiener Philharmonic Orchestra, the Berlin Philharmonic and the London Symphony Orchestra, are still owned by the musicians as “Musikvereins” (Nissen, 2008). The musicians, thus expect to participate in decision-making, including decisions involving issues that in most organizations are considered to be an administrative responsibility, such as the employment of new musicians.
3.2.1 The arm’s length principle

The arm’s length principle is often referred to as the constitution of arts politics, and the core of this principle is that political bodies should not interfere in artistic decisions and thereby challenge the autonomy of the art (Mangset, 2013). The arm’s length principle can be traced back to when the art was detached from social institutions such as the monarchy and the church in the 18th and 19th century, and gained independence and autonomy. Accordingly, the principle of artistic autonomy has a long history, and there is a strong resistance in the artistic community to use arts for instrumental or political purposes, bearing in mind some of the worst examples of using arts to promote extreme political fascist and communist regimes (Mangset, 2013).

The arm’s length principle has a strong standing in Norway, and attempts by the ministry to guide artistic directions evoke strong reactions. A recent example is the celebration of the bicentenary of the Norwegian Constitution in 2014. In the letters of funding in 2011, the Ministry of Culture communicated an expectation to the arts institutions that they would plan projects and arrangements related to the bicentenary. The projects were expected to be accounted for in the budget application for 2012 (The Ministry of Culture, 2011). The artistic director of one of the theatres said in an interview that these formulations were clear interferences in the theatres’ artistic freedom and would transfer the arts into political instruments. In the interview the director questioned whether the principle of arm’s length distance had disappeared (www.scenekunst.no, 2012).

4 Research method

To observe the role of performance measures, multiple sources of data were studies, including archival data and semi-structured interviews. The archival data consisted of central governmental documents such as parliamentary propositions and letters of funding for a number of years. A number of newspaper articles were also studied to increase the understanding of the field in practice. The main source of data, however was from interviews with key actors and decision makers from the orchestras, the Association of Norwegian Theatres and Orchestras and the Ministry of Culture.

To add to the early understanding of the orchestra field and lay the foundation for the development of the study, two interviews were conducted in one of the studied orchestras early in the process:
Table 3: Overview of interviews – preliminary interviews

The preliminary interviews were designed to increase the understanding of the prevailing logics in the orchestra field with a particular focus on artistic logic. The interviewees were questioned about their understanding of the organization from an artistic point of view.

The main collection of data was intended to facilitate a comprehensive understanding of the role of performance measures within the particular context of the symphony orchestras. Accordingly, the interview guide was structured around the performance measures. An analysis of the preliminary interviews indicated that the performing artists had limited exposure to the performance measures, and, thus no musicians were interviewed.

The following table is an overview of the interview data:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Position</th>
<th>Date</th>
<th>Place</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orchestra 1</td>
<td>CFO</td>
<td>19.09.2013</td>
<td>CFO’s office</td>
<td>50m</td>
</tr>
<tr>
<td>Orchestra 1</td>
<td>CEO</td>
<td>19.11.2013</td>
<td>CEO’s office</td>
<td>45m</td>
</tr>
<tr>
<td>Orchestra 1</td>
<td>Chairman</td>
<td>22.11.2013</td>
<td>Café</td>
<td>44m</td>
</tr>
<tr>
<td>Orchestra 2</td>
<td>CEO</td>
<td>12.12.2013</td>
<td>CEO’s office</td>
<td>1h2m</td>
</tr>
<tr>
<td>Orchestra 2</td>
<td>Chairman</td>
<td>18.12.2013</td>
<td>Chairman’s office</td>
<td>54m</td>
</tr>
<tr>
<td>Orchestra 2</td>
<td>CFO</td>
<td>17.03.2014</td>
<td>Skype</td>
<td>52m</td>
</tr>
<tr>
<td>NTO (Association of Norwegian Theatres and Orchestras)</td>
<td>CEO Special Advisor</td>
<td>17.12.2013</td>
<td>Meeting room at the association</td>
<td>1h24m</td>
</tr>
<tr>
<td>The Ministry of Culture</td>
<td>Senior Advisor</td>
<td>17.12.2013</td>
<td>Meeting room at the Ministry</td>
<td>49m</td>
</tr>
</tbody>
</table>

Table 4: Overview of interviews

The interview guide was divided into three main sections. In the first section, questions were asked in order to obtain an understanding of the background of the performance measures, the process which led to the specific objectives and indicators, why these specific measures were chosen, and in which forums they were discussed. The second section focused on the use of the performance measures, such as which decisions were made against the background of information from the measures and whether the measures were compared with other orchestras or other periods. Finally, the interview guide included a section where the
Empirical findings

This section presents the empirical findings. The first subsection presents the findings regarding the design and implementation of the performance measurement system. The following subsections present the findings regarding how the performance measurement system is used, first as to funding, then as a tool for communication, before the findings regarding the use of the performance measures in artistic and managerial choices is presented. The last subsection summarizes the empirical findings.

5.1 Design and implementation of the performance measures

As new regulations regarding the management of public agencies were implemented in the 1990s, the Ministry of Culture was required to establish performance objectives for the symphony orchestras. The data does not provide an in-depth understanding of the design process of the measurement system, but the findings suggest that the process was an internal process in the Ministry of Culture. This implies that the design process was a top-down process with limited opportunities for the orchestras to be involved, however, as the orchestras conducted some measurements at the time, although not nationally standardized, The Ministry of Culture considered the field and the existing measures in the design of the new measurement system. One of the respondents, a special adviser, who was in the sector at the time of the implementation of the system, said:

*Well, this was not controversial at all. One could see that these indicators were the same ones that the orchestras already used for reporting.* (Special advisor, NTO)

This quote shows that the Ministry of Culture used the existing measures, and it was thus not a big change for the orchestras to conduct measurement in the system imposed by the ministry. The quote also shows that the implementation of the measures was not controversial in the orchestra field as the measurement system followed an established pattern.
5.2 Performance measures and funding

Johnsen (2005) claims that to manage organizations through performance measures, there should be a connection between those measures and the finance system. The findings in the current case do not suggest a clear connection between the funding and achievement of goals. One of the CFOs explained:

...the way I have experienced the budgets...there has been incremental regulation. (CFO)

This suggests that the funding was not perceived as an effect of achievements due to the performance measures, and one of the respondents reflected on the link between the performance measures and funding.

Well, here we are, more or less the only orchestra that did not receive more funds this time... I assume that our results have been good, better than the others. Maybe they (the Ministry of Culture) have a fairer approach: “Well, they received so much more last year, therefore the others ought to get more instead”. If this is the case, then one might conclude that this is something other than managing by results (CFO).

This quote suggests that the orchestras received funding due to an argued need rather than as a result of what they produce, and, as the same respondent claimed, these two approaches to funding are fundamentally different.

The Ministry of Culture confirms that they do not intend to manage the orchestras by using the performance measurement system as a strong instrument for decision-making (Røyseng, 2007). The performance measures are only one of the formal reporting requirements for the orchestras. They also provide financial accounts and a budget application. The Ministry of Culture considers the total reports they receive. However, the budget application seems to be of particular importance, since the orchestras have the opportunity to argue for increased funding for particular focus areas, such as music theatre or increased rent in the concert hall. They do not, however, signal that incentives are created as to types of activities that may generate extra funding. The respondent from the Ministry of Culture said:

...we don’t want all of them to do the same things...we think that variation is a good thing. They are supposed to create a repertoire for as many as possible. This does not imply that every concert is for everyone, it means that they have the opportunity to
program new music for those with special interest in this music. And they have to
program music which also appeals to a broader audience. (The Ministry of Culture)

This quote acknowledges that The Ministry of Culture is consciously not indicating the
correlation between the performance measurement system and the other reports and the
funding, as they want variation within the orchestras and not a sub-optimization with regard to
measures and reports. The respondent from the Ministry of Culture answered this on the
question whether budget decisions were made against the background of performance
measures. He responded:

That is a far too detailed question (the Ministry of Culture)

5.3 Performance measures and feedback

The orchestras also felt there was little feedback regarding the reported measures.

We are reporting these measures, and then we hear nothing more. Many of us then
asks the question: "what is the purpose and meaning of the reporting?" (CEO)

The same CEO also said:

I have worked in the private sector, and one of the big differences is how little focus
there is on results, and this amazes me. There is just not enough focus on the actual
achieved results. (CEO).

Knardal and Pettersen (2015) studied management control tools in the performing arts sector
by applying Simons’(1995) framework and the concepts of interactive and diagnostic use of
control tools. They found that an interactive style of use, based on attention to the control
system with frequent communication, enhanced the organizational learning. These findings
are also in line with Spekde et al. (2014) who claim that an interactive approach to the use of
control tools is positively associated with empowerment and creativity.

The findings in the current case, however, do not suggest that the Ministry of Culture is
focused on systematically employing the performance measures for organizational learning.
The respondent from the Ministry said:

Clearly, we study all that we receive, and we go through the material.... It is clear that
if we see deviations from previous years or compare with the average of the preceding
years, then we respond. We ask questions, yes. (The Ministry of Culture)
This quote elucidates several interesting features of the use of the performance measurement system. First, it adds to the understanding of an impression that the reported measures are not read and evaluated. The Ministry of Culture is concerned with the orchestras and has a sincere interest in the activity they generate. Second, although they show an interest in the measures, they are not focused on using the measures for organizational learning by having a continuous dialogue with the orchestras regarding the measures.

It is also informative about the understanding of the level of feedback that the orchestras did not want to encourage more government control per se, but that the limited feedback was perceived almost as lack of interest:

*I feel the there is enough control. But feedback beyond that. For example, we wouldn’t mind receiving feedback if they are excited about our approach to managing.*

(Chairman)

Since the connection between the report structure and funding, and other effects of the reports submitted to The Ministry of Culture seems to be unclear, the management in the orchestras found it difficult to distinguish the direction in which the Ministry wanted the orchestras managed. As illustrated in the previous section, this was a conscious choice by the Ministry, as they wanted to encourage variation through individual choices amongst the orchestras.

5.4 **Performance measures and managerial choices**

In the case of the Royal Danish Theatre, Christiansen and Skærbaek (1997) demonstrated a management control system that interfered in both artistic and managerial decision making, and this generated a lot of tension. The artists claimed that their artistic freedom was threatened, and during the long period of implementing the control system, there was also conflict between the Danish Ministry of Cultural Affairs and the managers, as the managers were forced to manage the theatres in accordance with principles that collided with what they thought to be appropriate.

The findings in the current case, however, do not suggest that the Ministry of Culture expected the symphony orchestra managers to collocate the internal management system to the governmental performance measurement system and other reports. This was emphasized by the Ministry of Culture:
The strategic plan is decided by the boards; we do not interfere in their plans. Not much. Though it might occur to us to question certain things, we do not involve ourselves in that work. (The Ministry of Culture)

This implies that the managers had the opportunity to manage using their professional judgment, and one of the CEOs claimed that the orchestra planned and worked according to their own strategy and business plans:

I would dare to say that in 80% of what we do, and maybe more, one should define a different type of measures, which are qualitative measures and measures for processual development. (CEO)

This suggests that the management of the orchestras considered the performance measurement system to be inadequate for internal management. They also confirmed the intentions of the Ministry of Culture, as they had the opportunity to develop strategies and business plans as internal processes.

This does not imply that the measures did not provide useful information. The measures were, as emphasized above, something that the orchestras used before the implementation of this measurement system, and one of the chairs confirmed that some of the measures were used in board meetings, although not in as detailed manner as in the measurement system:

At each board meeting, the CEO explains the development in terms of audience over the last period, and compares it with the budget, the targets we have set for ourselves. (Chairman)

This therefore confirms that audience measures are important information for the board, that they also set targets for the audience figures, and that the use of the audience measures is more detailed as a local orchestra initiative than in the Ministry.

The findings indicate that the connection between the performance measures and managerial choices is rather weak and not as described by Christiansen and Skærbæk (1997). It may seem that the Ministry of Culture practiced some sort of arm’s length principle as to managerial choices, and the managers had the opportunity to conduct internal processes to develop strategies and internal business plans.
5.5 Performance measures and artistic choices

Prior to the implementation of the performance measures, the Ministry of Culture emphasized the following:

*The Ministry of Culture will take great care not to give guidelines where the consequences would be a restriction on the artistic or political freedom for the fund receiving institutions. This will have consequences for the Ministry’s control with the economic dispositions the institutions have.* (Røyseng, 2007: 137)

This suggests that a precondition for the implementation of the performance measurement system was that it should not compromise the arm’s length principle, and the findings suggest that the Ministry of Culture has managed to follow this intention.

*We do not consider the artistic decisions, but that does not mean that we are not concerned with following up certain projects they have. This could very well happen.*

(The Ministry of Culture)

The Ministry of Culture is, thus, careful about actions that may be considered interventions to the arm’s length principle. The respondent from the Ministry emphasized, however, that they are not indifferent to the artistic choices made. They are interested in the artistic profile of the orchestras, and they may follow up on certain projects, however, the findings did not reveal any specific project where the Ministry has been involved.

As shown in Table 1, the performance measurement system contains measures that may imply artistic choices. The first sub-objective considers music for a broad audience, and there are particular measures indicating that the orchestras have to take children and young people into account in the programming. The second main objective is also indicative of programming, as it contains measures for music within contemporary expression. The Ministry of Culture has not communicated targets that the orchestras are supposed to achieve artistically, and the findings suggest that the use of the performance measurement system is in line with the arm’s length principle.

The respondents also emphasized that the orchestras have an inherent understanding of what music to perform, and that the need for the funding government to control the repertoire was very low:
... what would have been different if you didn’t have any guidelines from the state? One would often find that one would have a repertoire that did not differ much from what was already chosen. (NTO)

This claim has a basis in history. Orchestras and musical ensembles are very old constructions, and they have a long tradition of performing music to a broad audience, responding to a wide expectation from society²:

...they have existed for 100 years, longer than this management system. And before the management system they played new Norwegian music, they played for families, children etc., this is how they have understood their mission long before it was written down. (NTO)

The findings of the connection between the performance measures and artistic choices, thus indicates that the implementation of a measurement system was already seen as important in order to keep a distance between the measurement system and the artistic choices. The arm’s length principle is of great significance in the Norwegian arts sector, informing the use of the performance measurement system. In addition to the arm’s length principle, the findings points to the historical basis of orchestras, as there is a strong tradition of performing a variety of music to a broad audience.

5.6 Summary of the empirical findings

The empirical findings reveal the role of performance measures in the Norwegian symphony orchestras. First, the findings indicate that there was little dialogue between the Ministry of Culture and the orchestras in the design of the performance measures, however, even if the process can be illustrated as a top-down process (Simons, 1995), there was little controversy, as the performance measurement system was in line with established measures which the orchestras had used before the formal system was implemented. The findings also indicated that there was little relation between performance measures and funding. One of the CFOs perceived the increases in budgets as incremental, but the Ministry would not confirm or deny whether the measures had a direct effect on the level of budget.

The findings suggested that there was little feedback from the Ministry of Culture as to how the orchestras performed in the measures. This generated some dissatisfaction because some

² An example of the old tradition of having a focus on performing music for a broad audience, is the musicians playing in the Saint Mark’s Basilica during the Renaissance. The musicians played both sacred music in the church, but also performed music, often in a more secular style, in the piazza outside the cathedral.
of the respondents perceived this as a lack of interest from the Ministry’s side. The performance measures seemed to have little effect on artistic choices and priorities, and the programming committees had the opportunity to make choices based on professional artistic judgements. The findings also indicated that the performance measures also had little influence on the managerial choices. The managers had the opportunity to manage according to their professional judgment and the perceived needs of the orchestras.

6 Discussion
The role of performance measures is discussed via the concept of institutional logics, and there are two parts to the following section. The first discusses multiple logics and how the performance measures appear as a practice in response to institutional complexity. The discussion then focuses on moderating factors. Moderating factors act as filters that impact the way the multiple logics are encompassed in the organizational field, and the framework developed by Besharov and Smith (2014) is applied.

6.1 Performance measures and the effect of institutional complexity
The organizational field of Norwegian symphony orchestras is influenced by multiple logics, and this analysis focuses on three logics: artistic, managerial and political. Most literature in the arts field has focused on the dichotomies between artistic and managerial logics. Whereas artistic logic has been characterized by values such as sensitivity, imagination, uniqueness, autonomy and pleasure, managerial logic has been related to values such as calculation, routine, regularity, order and measurement. The values of these two logics have been described as opposing, and a source of continuous conflicts (Chiaravalloti, 2014; Christiansen & Skærbæk, 1997; Eikhof & Haunschild, 2007; Turbide & Laurin, 2009; Wennes, 2002).

The focal point of this study is the governmental performance measurement system, and following Amans et al. (2015) and Ezzamel et al. (2012), whether the introduction of a political logic can have explanatory power.

6.1.1 Performance measures and artistic logic
Within the orchestra field, artistic logic appears to be dominant because it is central to guiding the core operations and the management control system, in this case as represented by the governmental performance measures. Reay and Hinings (2009) describe a case where the dominant logic of professional health care is challenged by an intrusion of a business-like logic, and Glynn and Lounsbury (2005) illustrate a blurring of the dominant aesthetic (artistic)
logic, as the studied symphony orchestra was drawn towards being more “mainstream” in their programming due to the influence of a commercial “market” logic.

The findings in the current study indicate that the performance measures system is not a substantial threat to the dominant artistic logic. The Ministry of Culture designed the performance measurement system, and the process can be described as a top down process, however, the orchestras used a number of measures before there was a formal governmental system, and the performance measurement system was designed based on those existing measures. In the implementation, the Ministry of Culture also emphasized that they would be very careful in executing control in such a way that artistic and political freedom was reduced (Royseng, 2007):

...it is important to keep in mind that we are very concerned with complying with the arm’s length principle when it comes to artistic choices. (The Ministry of Culture)

The practical implications of the minor influence of performance measures on artistic logic can be illustrated through two of the most important artistic choices, the employment of musicians and programming. These choices were driven by the strong orchestral democracy of the orchestra and programming committees. The orchestra committee was found to be decisive in the employment of new musicians, and these choices were based on artistic abilities and how the musicians musically and socially fitted into the orchestra. There was an opportunity for the management to conduct interviews, but the real decisions lay with the musicians. The musicians, through the programming committee, also controlled the programming process. The orchestra representative said that the Head of Marketing expressed frustration about not being involved in the work of the programming committee in order to provide a marketing point of view in the programming work. These findings indicate that artistic logic is strong and dominant. The influence of the governmental performance measures was low, and the dominant artistic logic shapes the role of the performance measures, as it reduces the opportunity for the Ministry to use the measurement system to control artistic choices.

6.1.2 Performance measures and managerial logic

The use of the governance performance measures in the management’s management control system appears to be low. Management had the opportunity to develop their own strategies about what they considered imperative for the orchestra. One of the CEOs claimed that the governmental performance measures did not capture the core of the activities and that it was
necessary to develop other, and preferably qualitative, measures. The Ministry of Culture also stressed that they did not want to interfere with the orchestras’ plans. One of the CEOs explained the following when asked about the influence of the performance measures:

    Some of the elements that are shown here are reasonable (the performance measures). And these are included in our strategic plan. So this is about audience development, with contemporary music ... Of course we need to define our ambitions within the contemporary music field in our strategic plan. But it’s not this (the performance measures) that is governing, that is of course the strategic plan (CEO).

The findings thus suggest that the Ministry of Culture is rather “hands off” in managerial questions, and that management has the opportunity to manage the orchestras using professional managerial judgements. There is, thus, a weak connection between managerial choices and the performance measurement system. The above discussion of the lack of use of the performance measures in artistic core activity due to the dominance of artistic logic also seems to inform the way the measures were used for managerial decisions. The Ministry of Culture appears to connect managerial logic to the overall dominant artistic logic, and the internal managerial judgements seem to be dominant in the governmental performance measures. Accordingly, the performance measures do not have a controlling function, as they are not systematically implemented in the internal management system.

6.1.3 Performance measures and political logic
As discussed above, the performance measures do not seem to relate to artistic and managerial choices, and they, thus appear to be a mandatory bureaucratic device and a precondition for the annual funding. One of the CEOs stated:

    The reporting to the association and the ministry, it is ok, but it really feels like something that we must do, but doesn’t have much value for us ... (CEO).

On this basis it can be argued that the performance measures strongest connection is to the political logic and the values of accountability, democracy and formality in bureaucratic processes.

The performance measurement system was an effect of the trends of New Public Management in the 1980s and 1990s, and the intentions of New Public Management draw on the instrumental role of accounting tools in the public sector. Accounting became a means for economic reason in practice, implying that performance measures as an accounting tool
inform actions related to the core values of the organization. The findings suggest, however, that the performance measurement system was loosely connected to the core activities of the symphony orchestra, and the instrumental role seemed weak.

The weak instrumental role of the performance measures does not, however, suggest that the measurement system did not play a role. In addition to the instrumental role of accounting, Kurumaki et al. (2003) discuss the legitimizing role of accounting. When accounting systems fall into this category, the system is not a means to increase efficiency, but to legitimize the organization because legitimacy is important for survival. Discourse about accounting may provide an impression of rationality, and accounting may legitimize the organization as rational (Mellemvik et al., 1988). The role of accounting tools becomes legitimizing, because they provide a means by which social values are connected to economic actions. Richardson (1987: 348) explains the concept of legitimation as:

...the way in which accounting is used to constitute reality and the effect on individuals of the legitimation of a particular version of reality.

Through the performance measurement system, the orchestras have an opportunity to account for their actions, and the Ministry of Culture has an instrument to demonstrate accountability in the field. The performance measures therefore seem to be strongest coupled with political logic, as the measures appear to be a mandatory bureaucratic device that provides an opportunity for accountability and legitimacy.

Only a small percentage of the population attend classical concerts, and as the symphony orchestras employ a large number of professional musicians, they spend a large amount of the national cultural budget. Some political voices have criticized the lack of a supply-demand logic within the arts sector and there has been increasing debate about the allocation of funds to the classical audience, an audience often described as having good personal finances and living in wealthy areas of the cities (Gran, 2010). Consequently, it is a continuous challenge to legitimize the orchestras within society, and it can be argued that the performance measures play a legitimizing role in this process:

...the Ministry of Culture also needs to tell the Auditor General and others – and Parliament - how they use the money. And... how they work. (NTO)

The Ministry of Culture use the measures to show society the amount of activity they produce for the taxpayers’ money and the measures become an instrument to legitimize the orchestras
and the Ministry as the controlling unit. This provides information about political logic. Political logic in the Norwegian orchestra field appears to be inherent of values that provide structures that constitute compromises, and, thus, allows for the generation of consensus in a democracy with different interests.

The political and instrumental role of the performance measures may not be purely for legitimizing reasons. Ter Bogt and Tillema (2016) found that formal documents and reports were important in confirming the long term trust relationship that was established between municipal civil servants and theatres. The reports and documents were not found to be discussed formally in top level meetings, but were important, as they confirmed a stability in the control relationship. Direct parallels can thus be drawn with the findings in the current study.

6.1.4 Performance measures and institutional complexity – a summary

Performance measurement is traditionally a management tool aiming to increase the efficiency of organizations through measuring activities, including the core activities of the organization. The intervention of management tool in core activities has been discussed and problematized in numerous studies, for example, in studies describing how a managerial business logic has been imposed on professional logics within health care or the arts (Christiansen & Skærbæk, 1997; Glynn & Lounsbury, 2005; Reay & Hinings, 2009). The clash of logics has led to tension, and one example is described in the study of the Atlanta Symphony Orchestra, where an orchestra musician claimed that the orchestra was managed as a potato chip factory after managerial changes were implemented that highlighted practices associated with a market logic (Glynn & Lounsbury, 2005).

In the Norwegian orchestra field, however, little conflict was found to result from the performance measurement system, and the findings suggested that the role of the performance measurement system was influence by the institutional complexity. Artistic logic appeared to be dominant, and the performance measures had little influence on artistic choices. The performance measures were also found to have little influence on managerial choices, as the professional management had the opportunity to manage the orchestras using strategic and professional judgment. On this basis it was considered fruitful to apply a third logic, a political logic (Amans et al., 2015; Ezzamel et al., 2012; Lounsbury, 2008). The values associated with a political logic are formality in bureaucratic processes, and political
accountability. The performance measures were accordingly found to relate mostly to political logic, as the influence of managerial and artistic action was low.

6.2 Moderating factors in the context of institutional complexity

Besharov and Smith (2014) provide an opportunity to categorize organizations under the influence of multiple logics and the level of conflict due to the degree of centrality and compatibility between the logics. A high degree of compatibility means that the co-existence of multiple logics implies “consistent and reinforcing organizational actions” (Besharov & Smith, 2014: 367). A high degree of centrality is present when multiple logics are considered equally valid and relevant. The four categories suggested are contested, aligned, estranged and dominant (see Figure 1).

The field of Norwegian symphony orchestras may be argued as placed in the bottom right corner of the framework, as dominant. Dominant organizations are under low centrality and have high compatibility. Low centrality implies that the core of the organizational features is reflected on one single logic. Artistic logic appears to be the dominant logic within the orchestra field. This can be argued as the findings show that artistic professional priorities inform how the orchestras are run. The Ministry of Culture is very concerned about not exerting control that has implications for artistic choices. Within the orchestras, artistic choices are also reinforced by the strong orchestra democracy of the orchestra committees. There is a high degree of compatibility. It is well established in this organizational field that artistic logic is dominant and provides the direction for these organizations, and because of the strong position of artistic logic, managerial and political logics are not in conflict with it, but assimilated into the core artistic logic.

There are many cases within the arts field, however, that suggest dichotomies between multiple logics, followed by conflict. Christiansen and Skærbaek (1997) describes a high level of conflict at the Royal Danish Theatre, due to a new budgeting system imposed upon the theatre by the central government. This caused conflict because the dominant artistic logic was threatened by a governmental business-type logic, which can be described as a controlling political logic rather than a mandatory bureaucratic device. By applying the Besharov and Smith (2014) framework in the case of the Royal Danish Theatre, it can be argued that the implementation of the budget system led to a higher degree of centrality, as it was expected that managerial logic should influence behavior, and not only artistic logic. When artistic and managerial logic proved to be inconsistent and opposing, the theatre also
had a low degree of compatibility between the logics. Besharov and Smith (2014) characterize such organizations as contested, with the possibility of falling into extensive conflict.

The Royal Danish Theatre and the field of Norwegian symphony orchestras have some central equalities, and it can be argued that The Royal Danish Theatre also is under the influence of the same three logics as the Norwegian field of symphony orchestras. A relevant question is, thus, how the variety of responses to institutional complexity, with a high level of conflict in the Danish case and tension in the current case, can be accounted for.

Besharov and Smith (2014) claim that existing research offers little insight into the conditions under which different outcomes of institutional complexity are found, and emphasize that there is limited knowledge about why multiple logics generate conflict in some organizations but blend in others. Amans et al. (2015) studied two French theatres that were similar as to structure, governance and identity, and which were under the influence of the same three logics: artistic, managerial and political. Despite the similarities, there was heterogeneity in the budget uses. Greenwood et al. (2011) emphasize that differences in practice can result from situational factors, and Amans et al. (2015) found that differences in funding were a situational factor which influenced the way the multiple logics, particularly the political logic, were encompassed in the actual organizational field. One of the theatres had a high degree of uncertainty due to funding, and the use of the budget was described as implicative, whereas the use of a budget in a theatre with a low degree of uncertainty was described as informative (Amans et al., 2015).

The situational factors influencing how the logics are used in the current study were identified as: 1) weak connections between performance measures and funding 2) weak connections between performance measures and artistic decisions, 3) weak connections between performance measures and managerial decisions and 4) good economic conditions in the Norwegian arts sector. Situational factors are the conditions under which different outcomes of institutional complexity occur (Besharov & Smith, 2014), and in the current case the situational factors can be characterized as moderating factors. If the scenario was that the funding was strongly correlated with the performance measures, the performance measures instructed artistic or managerial choices to a strong degree, or if the economic conditions was tight and the performance measures had been used for making priorities, then one can argue that the Norwegian symphony orchestras could have been in a position in which the influence
of institutional complexity would have been more similar to the situation in the Royal Danish Theatre. According to Besharov and Smith (2014) this may imply a higher degree of centrality as multiple logics would have greater influence of organizational functioning. It can also be argued that a more collocated focus on the different logics would reveal a low compatibility between the three established logics, and high centrality and low compatibility would, thus, characterize the Norwegian orchestra field as contested, with a high level of conflict.

The moderating factors appear to shift the placement of the orchestras in the framework from contested to dominant. The findings suggest that this occurs because artistic logic is the dominant logic. The Norwegian arts sector is under the strong influence of the arm’s length principle, and this implies that the central government won't interfere with artistic choices. The Ministry of Culture acts within the boundaries of the arm’s length principle, and they stated in 1996, as a part of the implementation of the measures, that they would take great care not to make guidelines that restrict artistic and political freedom. The representative interviewed from the Ministry of Culture also stressed this issue. The findings thus suggest that the Ministry is not only careful about guiding artistic choices, but also managerial choices. It was also difficult to detect a correlation between the performance measures and the funding.

Values associated with a political logic include accountability, democracy and the formality of bureaucratic processes (Amans et al., 2015). Other studies, however, describe cases where the political logic has a strong control element. For example does the case studied by Christiansen and Skærbaek (1997), describe a central government aiming to exert stronger control. This means that the political logic also may contain the value of control.

As a result of the moderating factors of the arm’s length principle, the funding model and the good economic conditions, this study suggests that the political logic in the current study is more related to the value of formality in bureaucratic processes than that of control. This implies that political logic, under the influence of moderating factors, does not force an integration of incompatible logics. Centrality is low, because of the dominant position of artistic logic, and the three logics appear to be compatible, because the managerial and political logics are unchallenging to the artistic logic.

Based on the above discussion, the relationship between the logics can be illustrated as follows:
Figure 4: The relationship between the institutional logics

Figure 4 provides a simplified picture of the relationship between the institutional logics that result from the governmental performance measurement system, although this does not imply that there are no intersections between the logics. The circle suggests the connection between the performance measures and the three institutional logics. As discussed above, the performance measurement system is mostly related to political logic as a bureaucratic device. The performance measures relate to the managerial logic, although not systematically, and even if the content of the measures relates to artistic activities, the control element of the measures is low due to artistic priorities. This is why the circle mostly captures the political logic.

The figure also suggests that the institutional logics are not drawn together as of the performance measurement system. The arrows show that the logics of the performance measurement system are able to cultivate their identities, and it can accordingly appear as if this is why the level of conflict was considered low in relationship to the performance measures.

7 Conclusion

This study shows how the role of performance measures is influenced by multiple logics in the organizational field of Norwegian symphony orchestras. The Norwegian orchestra field was considered useful due to its institutional complexity, and how the role of the performance measures was shaped by the multiplicity of logics.
The Norwegian orchestra is within the performing arts field, and the logics found were in accordance with other studies of the performing arts, particularly regarding artistic and managerial logic, however, as Norwegian symphony orchestras receive approximately 90% of their total budgets from the public sector, they are strongly dependent on the government, and a third logic, a political logic, was identified (Amans et al., 2015; Ezzamel et al., 2012; Lounsbury, 2008).

The artistic, managerial and political logics identified in this study all consist of a number of values. The first contribution of the paper involves the identification of the three logics, and how performance measures are affected by institutional complexity. The findings suggest that the performance measures appear to be a practice in response to institutional complexity. Artistic logic is clearly dominant within the field, and the government measures are exercised so that they have a minimal effect on artistic choices. The Ministry of Culture also appears to be reticent about influencing managerial choices. The performance measures thus seem to be primarily coupled with a political logic and values of public accountability and formalities in bureaucratic processes, but also confirm a long term trust relationship (ter Bogt & Tillema, 2016). Figure 4 suggests the relationship between the multiple logics logics are not forced together, and the measurement system provides the orchestra field with the opportunity to cultivate the values of the logics, in particular the dominant artistic logic.

The current study found little conflict and negative tension due to the performance measures as a government accounting tool. This is in contrast to prior literature that describes conflict when business and accounting tools are implemented in arts organizations (see, for example, Glyn & Lounsbury, 2005; Christiansen & Skærbæk, 1997). In order to inform the discussion about the low level of conflict, the framework developed by Besharov and Smith (2014) was applied. The framework identifies four different levels of conflict against the background of how multiple logics are encompassed in the organizational field. The findings suggested that the Norwegian orchestra field can be defined as “dominant” in the framework, and, thus, with little conflict³. This is a result of low centrality and high compatibility, as dominant organizations reflect one single logic in their core organizational features and the dominance of artistic logic requires the other logics be practiced in accordance with artistic logic

The reason the Norwegian orchestra field can be placed in the dominant part of the framework involves the moderating factors. Performing arts organizations are often described in the

³ There is little tension around the performance measures. Other tensions may, of course, be present.
literature as involving a lot of tension due to the way that logics are encompassed in the organization, and can be placed as “contested” with extensive conflict in the Besharov and Smith (2014) framework. The moderating factors in the current study were identified as: a weak connection between the performance measures and funding, between performance measures and artistic choices and between performance measures and managerial priorities. The last moderating factor, and also a facilitator for the other moderating factors, was the general good economic conditions in the Norwegian arts field. These moderating factors may be argued as positioning the orchestras in the “dominant” quadrant rather than the “contested”. This is in line with Amans et al. (2015) who suggest that accounting tools have different implications in organizations due to situational factors, and Stockenstrand and Ander (2014) who claim that stable economic conditions and managing orchestras on the principle of an arm’s length distance provides the opportunity to develop unique products and to govern through a logic of quality. The findings, thus, contributes as a call for research into the conditions that differ from one organization to another, filter the logics, and influence how multiple logics are encompassed in organizations, and consequently affect the role of accounting tools.

8 Addendum

8.1 Introduction
After this study was finished, the Office of the Auditor General of Norway published a report on the management of state companies in 2014 (published 17.11.2015). This report contains a section regarding the state performing art companies, entitled: “Cost efficient operations and management accounting in the performing arts companies and The Ministry of Culture’s control”. The purpose of the investigation was to examine cost efficiency and management accounting in the performing arts companies and to look into the Ministry of Culture’s corporate governance. The report is based on an analysis of the Norwegian National Opera and Ballet, four of the large Norwegian theatres and Carte Blanche, the Norwegian national company of contemporary dance. The companies investigated are not symphony orchestras, but relevant parallels can be drawn to the management of the orchestras, as the companies receive the largest proportion of their revenue from the state (77% - 93%) (Riksrevisjonen, 2015).
8.2 The Office of the Auditor General of Norway’s report

The report from the Office of the Auditor General drew conclusions on three critical issues:

The performing arts companies have not placed enough emphasis on facilitating cost-efficiency

The report concludes that the performing arts companies do not have well enough defined objectives and performance measures to secure cost efficiency. Since personnel costs are the largest share of costs (between 45% and 56% in 2014), the Office of the Auditor General claims that it is reprehensible that the companies have not got a system for allocating costs to the individual productions. The Office of the Auditor General concludes that the performing arts companies should aim for the optimal use of internal resources by implementing financial analysis in their production planning.

The Ministry of Culture does not have a sufficient follow-up pursue of the cost efficiency in performing arts companies

The Ministry of Culture is criticized for not having defined specified objectives or reporting requirements to ensure cost-efficiency, as the objectives for the efficient use of resources are based on qualitative descriptions from the performing arts companies. Second, the Ministry is criticized for not pursuing economic challenges of the performing arts companies from a longer perspective. The Auditor General’s report claims that this is critical, as the companies must see some of their economic challenges as lasting more than one year at the time. Third, The Ministry of Culture is criticized for not systematically monitoring and setting specific requirements in terms of central cost parameters.

The Ministry of Culture, as the owner, does not exploit the opportunities for governance the performing arts companies

The report notes that The Ministry of Culture is obliged to set performance targets for the performing arts companies and to follow up if objectives are effectively achieved⁴. The report refers to the arm’s length principle, claiming that it can also be maintained with more active corporate governance.

⁴ As of the Regulations on Financial Management in Central Government
8.3 Responses to the report

The Auditor General’s report was perceived as strong criticism of the management of the performing arts field, and of the way that the Ministry of Culture performs their corporate governance. The following section, thus summarizes the responses to the Auditor General’s report from the Minister of Culture and the Association of Norwegian Theatres and Orchestras.

8.3.1 The Ministry of Culture

The Minister of Culture followed up on the Auditor General’s conclusions that increased cost efficiency is possible if additional performance measures and financial analyses are implemented in the performing arts companies, and responded that the Ministry of Culture would pursue this in the future. The Minister of Culture also agrees that it is important to have a long term perspective in assessing the economic situation in the arts companies, and claims that this too will be an issue for further attention, however, the Minister of Culture emphasized that cost efficiency cannot be considered separately from artistic choices and that it is of particular importance in the performing arts companies that efficiency (efficiency) is balanced against cost efficiency (productivity). There is a particular emphasis in the Minister of Culture’s response on a method for increasing the focus on cost efficiency to be adapted to the specific characteristics of each arts company and in accordance with the arm’s length principle.

*It's important for me to emphasize that the Ministry's management will not be intensified in a way that will be a danger to the institutions’ artistic freedom* (Riksrevisjonen, 2015: 230).

8.3.2 The Norwegian Association of Theatres and Orchestras

The association’s comment mirrored The Ministry of Culture’s response, however, the association’s response contained severe criticism of the Office of the Auditor General’s report and was more aggressive in its approach. The following section summarizes the main points made by the association:

- A biased starting point - the Office of the Auditor General claims that increased support has not led to increased artistic activity, and that there is a risk of poor management accounting and cost efficiency. The association claims, however, that this is a biased starting point as costs (excluding pension costs) have been relatively stable in the investigated period
• Cost efficiency cannot be assessed in isolation from the objective of artistic quality and availability - the association argues that the overall objective of the arts companies cannot be reduced to quantitative measures, and that the Office of the Auditor General’s suggestion makes cost efficiency a goal in itself.

• A direct intervention in the theatre’s working methods and organization - the association claims that the Office of the Auditor General lacks an understanding of how the theatres allocate resources to individual productions, and that the Auditor General’s suggestions will directly interfere in the companies’ working methods and organization.

• The arm’s length principle is only reflected in the report to a small degree - the associations argue that intensified management may create interference in artistic freedom and that the Office of the Auditor General does not recognize the arm’s length principle to a sufficient extent.

• Periodical evaluations - the association notes that it is remarkable that the Office of the Auditor General does not place greater emphasis on the new periodic evaluations, which were introduced partly as a response to recommendations from the Office of the Auditor General in 2011. The evaluation model\(^\text{5}\) considers resource utilization in the light of the objectives of artistic quality and availability, and the association claims that the evaluations that are based on this new model show good achievements both in terms of artistic quality and efficient resource utilization.

• The Office of the Auditor General’s mandate – control authority or a political actor? The association claims that in the report, the Office of the Auditor General has to a great extent, taken a role as a cultural political actor and has defined goals and objectives for the performing arts companies.

8.4 A look at the original paper and theory

The original paper identified and argued that three logics, political, managerial and artistic, were present in the Norwegian orchestra, which has close parallels to the rest of the performing arts field. The findings in the original paper suggest that corporate governance is practiced in response to the institutional complexity in the field (Glynn & Lounsbury, 2005), and that the arm’s length principle moderates how the logics interact with each other. This implies that the control system is not intended to interfere with artistic choices. As illustrated in Figure 4, the control system is found to relate to a political logic as a bureaucratic and

\(^{5}\) “Ønskekvistmodellen”
confirmative device (Amans et al., 2015; Kurumaki et al., 2003; ter Bogt & Tillena, 2016). Artistic logic is thus given the opportunity to be dominant, and little tension was identified due to the control system. Figure 4 also suggests that the control system does not move the managerial and political logic in the direction of artistic logic, but provides an opportunity for artistic logic to dominate.

The suggestions that the Office of the Auditor General report made for changes in the control system created tension in the field, particularly as articulated by the Norwegian Association of Theatres and Orchestras. The Office of the Auditor General criticized both the performing arts companies and the Ministry of Culture for not exerting enough control to increase efficiency. By applying the concepts of institutional logics, it may appear as if the Office of the Auditor General suggested a shift towards an increased focus on a managerial logic of efficiency, control, regularity and predictability.

The Minister of Culture responded that the Ministry would follow up on the issues of efficiency, both as to how the performing arts companies exert control and about The ministry’s corporate governance, however, the Minister of Culture emphasized that increased efficiency and intensified management and control must take place under the conditions of the arm’s length principle and not reach far into the institution’s artistic freedom. The Minister of Culture thus appeared protective of a strong artistic logic and argued for maintaining the established balance between the political, managerial and artistic logic (Greenwood et al., 2010).

The Association of Norwegian Theatres and Orchestras went further in their arguments about protecting artistic logic. They claimed that the consequence of the Office of the Auditor General’s report was a direct interference in the working methods and organization of the performing arts companies which would threaten the arm’s length principle and, thus the strength of artistic logic. The association even went so far as to question whether the Office of the Auditor General was taking on the role of a cultural political actor.

The tension created by the Office of the Auditor General’s report may be understood in more depth by considering the Besharov and Smith (2014) framework. Tension was low in the orchestra field because the orchestras can be situated in the bottom right corner in the framework, as dominant, meaning that artistic logic is dominant over the managerial and political logic. This also implies that the centrality is low and compatibility high. This was
possible due to the moderating factors of following the arm’s length principle and general good economic conditions in the sector.

The suggestions by the Office of the Auditor General may be argued to indicate a shift in the Besharov and Smith (2014) framework. Centrality seems to increase, as managerial logic is given a more prominent role. Accordingly, when the control system takes on a stronger managerial logic which may interfere with artistic decisions (at least following the arguments by the association), the compatibility between artistic and the managerial logic will decrease. A situation of high centrality and low compatibility will, according to Besharov and Smith (2014), lead to tension and conflict. Parallels can thus be drawn with the case of the Royal Danish Theatre, as described by Christiansen and Skærbæk (1997).

The reports and events described in this addendum provides insight into the original paper. The tension was low due to compliance with the arm’s length principle (and other moderating factors), however, the low tension appears to be rather frail, as the Office of the Auditor General represents a force that seems to intend to increase the importance of managerial logic in the performing arts field. The original paper and this addendum show that the balance between artistic, managerial and political logic may be shifted, and consequently increase tension.
9 References


## Appendix 1 – Performance measures in Norwegian Symphony Orchestras

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<td>1.1 To perform music of high artistic quality to a broad audience</td>
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11Appendix 2 - Interview guide

Hvor kommer målene og indikatorene fra?

Hvordan oppsto målene og resultatindikatorene?

Hva er din oppfatning av hva som var begrunnelsen for å innføre mål og resultatindikatorer?

Mener du at innføringen har skjedd på grunn av påvirkning fra eksterne kilder?

Regelverk

Politiske føringer

Vet du noe om prosessen bak utvelgelse av mål og resultatindikatorer?

Finnes det et utvalg eller lignende som gjør vurderinger rundt målsettingen?

Hvem sitter eventuelt i dette utvalget?

Vet du om det jobbes det med målene og indikatorene hvert år?

Er det endringer fra år til år?

Har du en oppfatning av hvorfor/hvorfor ikke?)

Hvordan brukes målene og indikatorene?

Er du av den oppfatning at resultatene av målingene brukes?

Kontroll

Ex post evaluering

Fremtidige beslutninger

Kan du gi eksempler på beslutninger som typisk tas eller er tatt med bakgrunn i resultatindikatorene?

Bli indikatorene sett i sammenheng med regnskapet?

Gjøres det noen sammenligninger av resultatene fra indikatorene?

Mot gitt standard?
Mot andre orkestre?

Mot tidligere år?

Mener du at noen av resultatindikatorene blir vurdert som viktigere enn andre?

Hva er formålet med indikatorene? Hva tror man effekten av indikatorene er?

Hvilket formål oppfatter du at måling på indikatornivå har?

Mener du at nivå av oppnåelse av indikatorene endrer atferd for orkestrene?

Mener du at målene og resultatindikatorene har den effekten staten hadde sett for seg?

Mener du at man angir retningen for orkestrene på en god måte gjennom disse indikatorene?

Kunne man, etter din mening, fulgt opp orkestrene annerledes?

 Har du tanker rundt koblingen mellom resultatindikatorene og det kunstneriske?

Om målene og indikatorene

Gjøre musikk av høy kunstnerisk kvalitet tilgjengelig for flest mulig

1. Begrepet bredde: Musikk skal gjøres tilgjengelig for et bredt publikum.
   a. Har du noen tanker om hvorfor bredde er et mål i målstyringsskjemaet?
   b. Har du noen mening om hva som er tenkt som et bredt publikum i denne sammenhengen?
      i. Mener du at indikatorene fanger opp det som kan betegnes som et bredt publikum?

2. Begrepet kvalitet: I første delmål står det også at det skal formidles musikk av høy kunstnerisk kvalitet.
   a. Mener du at symfoniorkestrenes kvalitet fanges opp gjennom indikatorene?
   b. Dersom en skal reflektere over at kunstnerisk kvalitet måles gjennom antall publikum; kan det være et motsetningsforhold mellom kvalitet og antall publikum?
   c. Dersom man ser bort fra indikatorene, har du noen oppfatning om hvordan kvalitet vanligvis blir fanget opp av staten og publikum ellers?
      i. Vurderer staten orkestrenes kvalitet på andre måter enn gjennom indikatorene, formelt eller uformelt?

3. Utvikling av forestillingsformer og formidlingstiltak
   a. Hva mener du kan defineres som forestillingsformer og formidlingstiltak?
   b. Hva mener du kan være intensjonen bak dette målet?
   c. Vil de tilhørende resultatindikatorene, etter din vurdering, fange opp intensjonen bak dette målet?
d. Indikator nr. 1.2.8 sier at antall andre konserter og forestillingsformer skal rapporteres; vet du om det foreligger rammer for hvilke typer konserter og forestillingsformer som er ønsket?

e. Det ser ut til at indikatorene skal si noe om utvikling; har du mulighet til å utdype mer hvordan denne utviklingen vurderes?

**Fremme kunstnerisk utvikling og fornyelse**

4. Mål 2.2.1: Åpent spørsmål.
   a. Hvordan evaluates svarene på denne indikatoren?

5. Mål 2.2:
   a. Mener du at indikatorene fanger opp tilstrekkelig informasjon for å kunne vurdere allsidigheten i repertoaret?

**Målrette virksomheten og utnytte ressursene best mulig**

6. Hvordan er prosessen rundt fastsettelsen av mål og utarbeidelsen av strategiske planer?

7. Mål 3.2. Sikre god ressursutnyttelse
   a. Hva mener du vil være god ressursutnyttelse for orkestrene?
   b. Effektiveringstiltak – hva mener du er effektivitet for et orkester?
   c. Har du noen eksempler på kvalitetsforbedringer som orkestrene har rapportert inn?
   d. Hvordan ser rapportene ut i forhold til resultatene av effektiveringstiltak i drift og produksjon?
Creativity and management control
- the diversity of festival budgets

Per Ståle Knardal
and
Inger Johanne Pettersen
Is not included due to copyright
Budget control and perceived environmental uncertainty
- the case of Norwegian festivals

Per Ståle Knardal
Abstract

Over the last decades, festivals have played a large role in the cultural field and society in general, attracting increased attention due to both the increased role and the specific characteristics of festivals. This study examines the role of budgets in the largest Norwegian festivals. The findings indicate that budgets occupy a very strong position, both with reference to use and perceived usefulness, particularly as a planning device. Perceived environmental uncertainty is the most commonly used explanatory variable for how management accounting is practiced, and the study also examines the effect of perceived environmental uncertainty on the use of budgets for different purposes. By decomposing perceived environmental uncertainty into competition and unpredictability, the findings confirm prior literature suggesting that greater competition increased the use of budgets and greater unpredictability decreased the use of budgets. The study thus contributes to a better understanding of the use of budgets in Norwegian festivals and to improved understanding of the influence of contingency factors such as uncertainty regarding the use of budgets for different purposes.
Introduction

In the last few decades, the number of festivals has been increasing (Frey, 2000, June), and Aagedal et al. (2009) argue that a prominent change in the Norwegian cultural sector is a “festivalization.” Cities, regions and communities have festivals of all sizes with a wide range of themes, and festivals have had a major impact on their local communities as they are argued to enhance regional identity, provide activities for locals and attract tourists. Festivals are, thus often regarded as a strategy for providing positive effects such as greater place attachment and local economic development (Wilson et al., 2016). For instance, the Øya festival in Oslo attracts more than 85,000 people over five days, and the St. Olav Festival in Trondheim accounts for more than 200 arrangements, 500 volunteers and an audience of nearly 200,000 over the nine-day festival period.

Festivals are, therefore, of analytical interest as they play a larger role in society and culture, particularly due to the pulsating nature of festival organizations, which means that festival organizations quickly expand when the festival begins and contract at the end of the festival (Carlsson-Wall et al., 2016). Festivals have thus emerged as a visible sub-field within the fast-growing field of event management (Getz, 2010). The increased research interest on festivals has generated literature on numerous topics, such as economy, community and impact studies. However, management has been less studied (Getz, 2010), and Jeacle (2009) claim that accounting research within leisure and entertainment remains relatively unexplored. There have been calls for research on the role of management control systems within festivals (Carlsson-Wall et al., 2016).

Traditionally, budgets have been a principal part of most organization’s control systems, and the budget is still the most widespread tool in practice (Ekholm & Wallin, 2000; Libby & Lindsay, 2010). When prominent, budgets have been found to serve a number of purposes, and there has been increased research interest in the multiple purposes of budgets such as operational planning, coordination, resource allocation, communication, control and performance evaluation (Hansen & Van der Stede, 2004). However, budgets are not without weaknesses, and have generated considerable criticism over the last couple of decades. Advocates of the critique have claimed that budgets are time consuming, lack necessary flexibility, are disconnected from strategy and promote gaming (Libby & Lindsay, 2010). Despite the criticism, very few organizations abandon budgets, and there may be several reasons for this. One reason may be that budgets are so incorporated that they have been taken for granted. Another reason may be that the overall satisfaction with budgets is good, and they are perceived as adding value (see, e.g., Libby & Lindsay, 2010).

Ekholm and Wallin (2011) found that perceived environmental uncertainty influences budgeting practices. This is in line with the contingency literature which claims that control systems are
influenced by the context in which they operate (Chenhall, 2003). However, environmental uncertainty is multifaceted, and this study draws on other research including Khandwalla (1972), Miles et al. (1978), Govindarajan (1984), Tymon et al. (1998), Ekholm and Wallin (2011) and Sandalgaard (2013) and conceptualizations of perceived environmental uncertainty such as competition and unpredictability. Drawing from this literature, this study aims at contributing to the contingency literature by exploring how competition and unpredictability affect how budgets are used. The study also draws on Hansen and Van der Stede (2004) and provides an extra dimension by investigating the effect of competition and uncertainty on different purposes of budgeting. The current study, however, does not investigate the effect of uncertainty per se, but the perception of uncertainty, given that managers’ perceptions of uncertainty rather than actual uncertainty affects decision making (Sandalgaard, 2013; Tymon et al., 1998).

Therefore, the study proposes two overall research questions:

1. What is the role of budgets in Norwegian festivals?

2. How do different dimensions of perceived environmental uncertainty affect different types of budget use in festivals?

The rest of the paper is structured as follows. The following section will provide a review of relevant literature. Then, the method of the study will be described before the empirical results are presented. The last parts discuss the findings and provide some concluding remarks.

**Theoretical Frameworks**

**Budgets**

The aim of a budget is to provide useful information for managers to develop and maintain viable patterns of behavior (Otley, 1999), and traditionally, budgets have been taken for granted as a central part, and perhaps also the main element in most organization’s control systems (Ekholm & Wallin, 2000; Hansen & Van der Stede, 2004; Libby & Lindsay, 2010; Otley, 1999; Pettersen, 1995; Rajan et al., 2015). For example, Ekholm and Wallin (2000) reported that 94% of their respondents use budgets and Libby and Lindsay’s (2010) findings indicated that 79% of the respondents use budgets for control.1 The overall satisfaction with budgets is also good. Libby and Lindsay (2010) found that 88% of the respondents agreed that budgets had the potential to be extremely useful if they were used properly, and 57% of the respondents reported that budgets provided “good” to “excellent” value. These findings support the conclusions of Ekholm and Wallin (2000), who claim that the majority of

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1 “Control” is defined as “the use of budgets for managerial motivation and as a standard for performance evaluation purposes” (Libby & Lindsay, 2010, p. 59).
organizations use budgets and find them useful, and although many alternatives to budgets have been proposed in the last decades, most companies plan to keep using budgets (Ekholm & Wallin, 2000; Libby & Lindsay, 2010).

The widespread use of budgets may be due to a variety of reasons. The budget is a very old management control tool, and Hansen et al. (2003) noted that budgets are used and retained because they are very deeply ingrained in organizations. Otley (1999: 370) argued that “the virtue of the budgetary control process is that it provides an encompassing framework by means of which all aspects of an organization’s activity are encapsulated into a single set of financial statements against which actual outcomes can be monitored.” Furthermore, Covaleski et al. (2006) claimed that budgets are unique covering most aspects of management accounting such as cost accounting, responsibility accounting, performance measurement and compensation.

Multiple uses of budgets
Research on budgets has viewed the budget as a tool for evaluating performance (Hansen & Van der Stede, 2004). However, there has been an increased interest in other potential uses of budgets following the acknowledgment of contextual factors such as size, environmental uncertainty and technology (Chenhall, 2007; Covaleski et al., 2006; Hansen & Van der Stede, 2004). A comprehensive list of reasons on why budgets are used, however, is difficult to generate, but the textbook- research- and practice literatures provide numerous suggestions. For example, Hansen and Van der Stede (2004) have generated a list of budget uses based on suggestions from practitioners, suggesting the main uses of budgets are: operational planning, performance evaluation, communication of goals and strategy formation. In addition, they added allocating resources and authorizing spending to include other organizational levels. Similarly, Ekholm and Wallin (2000) proposed the following list of budget uses: planning, control and evaluation, implementing strategies, empowerment and motivating employees. Additionally, Ekholm and Wallin (2000) included other uses such as allocation of funds, coordinating operations, internal communication. Covaleski et al. (2006) also discussed numerous uses of the budget and added compensation, or reward, as a consequence of budget performance evaluation to the list.

Budget critiques
Challenges raised against budgets regarding the influence on human behavior was discussed as early as the 1950s (Argyris, 1953), and particularly in the last couple of decades, the budget has been subject to extensive criticism. One image often used by budget critics is that managing by budgets is like driving a car by looking through the rear mirror (Otley, 1999). Hansen et al. (2003: 96) drew from a list developed from the practitioner literature by (Neely et al., 2003; Neely et al., 2001) that lists 12
weaknesses of budgetary control. This list can be synthesized into four main elements of critique as proposed by Libby and Lindsay (2010: 60-61):

1. Budgeting consumes a lot of managerial time which makes it a costly process and the benefits may not be worth the cost. For example, Neely et al. (2001) claimed that 20% of management time is spent on budget activities, and Hope and Fraser (2003) suggest that 20–30% of manager’s time is used on budgeting.

2. Budgets inhibit firms from adapting to changes in a timely manner due to their fixed nature. The budgeting process is often referred to as an annual ritual (Wallander, 1999), and as modern business environments are argued to be characterized by changes and unpredictability, a control tool needs to be adaptable. For example, Hope and Fraser (2003) argued that budgets are incompatible with these requirements as they do not adapt to changing circumstances.

3. The budgeting process is disconnected from strategy. Budgeting is claimed to lead to vertical authority structures, centralize decision making, restrain initiative and focus on cost reductions rather than value creation (Hansen et al. (2003). This is thought to interfere with strategic decisions as budgets result in a mechanical approach to management. Hansen et al. (2003) also argued that the budget has an exclusive focus on annual fiscal performance, and as strategic decisions emphasize non-financial goals across the annual rhythm of the budget, this will cause an imbalance between operational (budget) and strategic decisions.

4. The use of the budget as a fixed performance contract leads to unreliable performance evaluation and promotes budget gaming. As rewards may be given based on how well pre-specified targets are reached, this is claimed to be problematic for several reasons. One problem is that targets may be poor if factors that influenced the original budget have changed. Another problem is budget gaming. Departments, divisions or individuals may act out of self-interest at the expense of the company.

The problematic issues discussed by Hansen et al. (2003) and Libby and Lindsay (2010) are to a great extent reflected in the critical issues studied by Ekholm & Wallin, 2000: 533) as they concluded that the following three criticisms of the budget are the most critical: 1) it cannot signal changes in the environment, 2) it leads to incremental thinking and 3) it is too rigid.

**Nuancing the budget critique**

Libby and Lindsay (2010) found that the vast majority use budgets, thus finding it difficult to accept the widespread use if budgets are fundamentally flawed. On this background, Libby and Lindsay (2010) examined whether the key criticisms against budgets were shared by their respondents.
Regarding the first criticism, that budgets take too much time to prepare, Libby and Lindsay (2010) found that the time spent was approximately 6–8% of the average manager’s time. This is significantly lower than that reported by Hope and Fraser (2003). The second criticism examined whether budgets impede adaptability. This is according to Hope and Fraser (2003) and the claim that budgets quickly become outdated in changing environments. The findings by Libby and Lindsay (2010) partly supported this claim, but the findings also indicated that the respondents still have a moderate degree of reliance on the budget adapting to market changes. The third criticism was budgets being disconnected from strategy. Libby and Lindsay (2010) suggest that, relative to other control tools, the budget is important in implementing strategies. They found that the budgeting process by many companies was used to encourage strategic behavior, and that the companies acknowledged the budgets as important in this process. Regarding the fourth criticism, the problems following the use of budgets as fixed performance contracts, the findings by Libby and Lindsay (2010) did not support the criticism. Whereas Hope and Fraser (2003) claimed that fixed budget targets are a poor way of evaluating performance, Libby and Lindsay (2010) found that even if the budget emphasis was high, only an average of 14.5% reported that actual performance was compared to pre-set budget targets. As for gaming, the results in Libby and Lindsay (2010) indicated that gaming was common.

On the basis of their findings, Libby and Lindsay (2010) argued that some of the presumptions in Hope and Fraser’s (2003) critique are over-generalized. This may be due to the arguments being based on the assumption of fixed budgets (the traditional annual budget prepared once a year and never changed) (Ekholm & Wallin, 2011: 147) and/or use for planning and performance evaluation. The critique is particularly salient when budgets are used for these purposes in combination. Hansen and Van der Stede (2004) emphasized that we know little about whether an organization considers the same circumstances, or takes the same approach, if the aim is to use the budget for planning or collecting information to evaluate managers’ or units’ performances. Hansen and Van der Stede (2004) further claimed that little research has tested the performance of the budget for different purposes, and they found that the budget performed rather high when used for (in descending order): operational planning, communication of goals, performance evaluation and strategy formation.

Findings by both Ekholm and Wallin (2000) and Libby and Lindsay (2010) suggest that the budget is a widely used control tool and is perceived as adding value to the organization. Only very few organizations have reported that they plan to abandon budgets (Ekholm & Wallin, 2000). However, this does not imply that the criticism against the budget, as proposed by Hope and Fraser (2003), is irrelevant. Overall, 60.7% of the respondents in Ekholm and Wallin’s (2000) study stated that although they had no plan to abandon the budget, they agreed with much of the criticism directed at the budget and were constantly trying to change and develop the budget to meet new demands. In addition,
Ekholm and Wallin (2000) found that, instead of abandoning the budget, several of the studied organizations implemented supplementary systems such as rolling forecasts and Balanced Scorecard to operate in parallel with the budget.

**Perceived Environmental Uncertainty**

Since 1980, research has gained new insights about contextual variables that will affect the design of effective management control systems (Chenhall, 2003; Otley, 1999). Whereas many of the trends within management techniques build on the assumption that standard management techniques can be implemented in any organization, the contingency framework states that “the appropriate design(s) of MCS will be influenced by the context within which they operate” (Chenhall, 2003: 128). One of the central influential contextual variables that has been shown to influence the design of management control systems was emphasized by Otley back in 1980 in the introduction of the contingency framework: “It is noteworthy that, of all the contingent variables proposed, one in particular stands out, namely unpredictability (variously referred to as uncertainty, non-routineness, dynamism etc.)” (Otley, 1980: 423).

Perceived environmental uncertainty has received considerable attention as a variable that impacts organizations. Perceived environmental uncertainty is defined as “a situation where managers perceive elements of the environment to be uncertain” (King et al., 2010: 45). Uncertainty per se is not studied, but rather the manager’s perception of uncertainty. This is because it is the perception of uncertainty (or inability to predict the external environment (Tymon et al., 1998)) rather than actual uncertainty that is important for decision making (Sandalgaard, 2012). The environment in perceived environmental uncertainty describes the external environment, and Tymon et al. (1998: 27) claimed that “the environment consists of those factors external to the organization that impinge on organization structure.” It is also important to distinguish between why “uncertainty” is applied instead of “risk.” Risk entails that there is a probability attached to future situations that are objectively known and can be managed by economic calculations. Uncertainty, conversely, is characterized as lacking objective probabilities (Ekholm & Wallin, 2011; King et al., 2010). Uncertainties can only be conquered by action and/or by experiment (Ekholm & Wallin, 2011).

There has been increased interest in the literature about the association between environmental uncertainty and the use of budgets (Ekholm & Wallin, 2011; Hansen & Van der Stede, 2004; Libby & Lindsay, 2010; Sandalgaard, 2012). Chenhall (2007) proposed that a hostile external environment leads to a greater emphasis on traditional budgets, whereas Hope and Fraser (2003) argued that budgets are flawed under conditions of uncertainty and changes. However, findings by Ekholm and Wallin
(2000) and Libby and Lindsay (2010) suggest that budgets are perceived as useful even during uncertain circumstances.

The current paper follows well established literature within the field of perceived environmental uncertainty to clarify the relations between uncertainty and the use of budgets in Norwegian festivals. The concept of perceived environmental uncertainty is divided into the elements of competition and unpredictability and follows the conceptualizations by Khandwalla (1972) and Miles et al. (1978).

**Competition**

Khandwalla (1972: 276) claimed that competition essentially is strife in a market place that has few, if any, reliable quantitative measures. The competition creates turbulence for organizations and therefore has an impact on the use of controls. Khandwalla (1972) indicated a positive relationship between competition at an overall level and budgeting (flexible). These findings relate to the contingency framework whereby a more hostile and turbulent environment increases the reliance on formal controls and emphasis on traditional budgets (Chenhall, 2003). However, Khandwalla (1972) went beyond an overall approach to competition and showed that different types of competition have different impacts on the use of controls. The different dimensions applied include price-, marketing- and product competition. The findings indicate that only product competition correlated significantly with the use of flexible budgets.

Although only using one measure for competition, Hansen and Van der Stede (2004) provided findings of interest. They analyzed the impact of competition on the use of budgets, but at the level of the four different purposes of budgeting (operational planning, performance evaluation, communication and strategy formation). The findings suggest that competition was not associated with using the budget for operational planning, but that there was a significant relationship between competition and the use of budgets for performance evaluation. However, this relation was negative, whereby competition decreased the importance of budgets for performance evaluation. Finally, the findings indicated significant positive relationships between competition and the use of budgets for communication and for strategy formation (Hansen & Van der Stede, 2004).

**Unpredictability**

Tymon et al. (1998) claimed that measures of perceived environmental uncertainty as unpredictability originated with Miles et al. (1978). Miles et al. (1978) suggested that administrative systems have to be flexible or organic in unpredictable environments for organizations to stay in control. Govindarajan (1984) conducted an early study where the instrument developed by Miles et al. (1978) was applied to measure perceived environmental uncertainty. The instrument includes measures of unpredictability on a number of factors within the context of the studied organizations. Govindarajan (1984) found that
under high perceived environmental uncertainty a formula based evaluation (budget evaluation) contributed less to effectiveness than a subjective evaluation.

The findings by Govindarajan (1984) have also been confirmed by later studies. Simons (1995) argued that an interactive use of a control system can integrate insecurity into the system, as it embeds an opportunity to change budgets with the background in a constant dialogue regarding critical issues in the environment. Financial controls should be used with flexible and interpersonal interactions. This is also in line with the findings by Ekholm and Wallin (2011) who found that the usefulness of fixed annual budgets was lower as the unpredictability increases, and Hartmann (2000) who suggests that the use of the budget for performance measurement decreases due to higher unpredictability. Libby and Lindsay (2010) found that the budget was moderately effective in adapting to changing or unpredictable environments. However, they also found that only a few of the studied companies held on to a rigid and annual budgeting cycle.

Festivals
Although the scope of festivals is very diverse including themes like music, theatre, food, film and literature, and the literature provides a number of conceptualizations of festivals, some common characteristics have been identified. Falassi (1987) noted that the social function and symbolic meaning of a festival is closely related to values that a community recognizes as crucial to its ideology and worldview, to the social identity, the historical continuity and its survival. Négrier et al. (2013) emphasized some crucial criteria when discussing festivals: festivals are arranged over a minimum duration of two days, there are several events (concerts, film, performances), there is a specific theme or content, they are mostly cultural in nature (i.e., film, jazz, rock) and they are arranged annually or in regular frequencies approximately the same time of year. Building on these conceptualizations, the current paper draws from Getz et al. (2010: 30) who defined festivals as “themed, public celebrations.”

Carlsson-Wall et al. (2016) emphasized that the pulsating nature in Swedish sports events organizations is important for the adaption of control tools. Hanlon and Cuskeley (2002) used the term “pulsating organizations” to reflect organizations where the number of personnel increases dramatically in the lead up to, and during the event. The concept of pulsating organizations is used to describe organizations that quickly expand and then contract. Festivals share this pulsating rhythm as the execution phase of a festival is short, and most of the time is used for planning. Knardal and Pettersen (2015) described how a major Norwegian festival adapted the budget as a control tool for the long planning period and short expansion/execution phase. They found that the budget was used dynamically to be an updated tool in the whole planning period. The flexibility in the budget enabled integration between creativity and financial control.
For the purpose of this study, the term “pulsating organization” is applied not only to illustrate an increase in personnel (Hanlon & Cuskey, 2002), but also the general activity: administrative personnel, number off arrangements, artists, audience etc. The following figure illustrates the annual rhythm for festivals:

*Figure 1. Annual rhythm of festivals, adapted from Carlsson-Wall et al. (2016: 9) and Knardal and Pettersen (2015).*

**Research Method**

**Data Collection**

There is no full register of Norwegian festivals. Storstad (2010) estimated that there are approximately 900 festivals in Norway. However, this estimate is based on a very broad definition of festivals, and it is argued that a narrower definition reduces the estimate down to about 570 festivals. To find the sample for the current paper, a mapping of Norwegian festivals was undertaken using multiple sources, most importantly the list of members in the two largest interest organizations for festivals: Norway Festivals (Norway Festivals) and Norwegian Live Music Association (Norwegian Live Music Association). About 470 festivals were identified, and financial data for 130 of these festivals were found, showing a range in the total budget from ca. NOK 100 000 (10 800 EUR) to ca. MNOK 59 (MEUR 6.4). As the scope of the study is to examine the largest Norwegian festivals, festivals with less than MNOK 5 (EUR 540 000)$^2$ in total revenues were excluded. The final sample included 53 festivals. One

of the festivals was bankrupt and removed. E-mails with a presentation of the study were sent to 52 festivals. Four festivals withdrew from the study, and the final list included 48 festivals.

Survey data was collected through an online questionnaire that was based on several other studies (Ekholm & Wallin, 2011; Hansen & Van der Stede, 2004; Khandwalla, 1972; Libby & Lindsay, 2010; Miles et al., 1978; Sandalgaard, 2013). Prior to the distribution, the questionnaire was pre-tested on one person employed in one of the large festivals and among academic colleagues. Adjustments were made based on the feedback. However, there is no guarantee that the respondents understood the questions in the same way. This is particularly true regarding the questions on the different uses of the budget and the questions regarding perceived environmental uncertainty (Hansen & Van der Stede, 2004).

As the interest is to study the use of management controls at the festival level, only the responses from the respondents with the highest position in the festival were included in the study. 34 of the respondents were CEOs or Directors, one was an administrative leader (level 2), one was an artistic leader, one was head of programming (level 2) and three were CFOs (level 2). The reason for prioritizing the respondents with the highest rank was that these individuals were considered the most influential on the design and use of the festivals’ control system. The highest ranking leaders were also prioritized because it can be argued that higher rank provides higher knowledge about contextual factors and how these influence the use of budgets.

The survey was initially distributed to 74 respondents representing the 48 festivals. 61 individual respondents from 40 festivals returned the survey. The response rate at an individual level was 82%. At the festival level, 40 festivals returned the survey which is 83% of the festivals in the sample, and 77% of the target population (40 of 52 festivals). Van der Stede et al. (2005) emphasized that it is more important for the quality of the survey data that the response rate is high rather than only considering the sample size. The response rate, even though it is a small sample will, according to Diamond (2000), yield reliable results. It is also a strength for the findings that the respondents represent a very large share of festivals with more than MNOK 5 in total revenue, and the findings may be argued to be representative for the population of large Norwegian festivals. The financial data were based on annual reports for the years 2012 – 2014. These were collected from The Brønnøysund Register Centre.

Measurement of Variables

*Dependent variables – use of the budget*

All the festivals responded that they use budgets, and in line with previous research (Covaleski et al., 2006; Ekholm & Wallin, 2000; Hansen & Van der Stede, 2004), the use of budgets was also measured
with multiple purposes, including: planning, coordination, allocation of resources, communication of goals, control and monitoring, performance evaluation and reward.

Planning is a prominent use of the budget, and in the survey, planning was interpreted as creating a comprehensive plan for the festival. Coordination is related to planning, but in the current study, a distinction was made as the coordination concept was related to coordinating the different processes within the festival and assigning responsibility. Allocation of resources was related to prioritizing program posts and making other priorities. Communication of goals was specified to the respondents not only as communication of goals to individuals, but also for units or division in the festival. Control and monitoring are well-established uses of the budget, and as there was an underlying assumption that festivals update the budget during their planning period (Knardal & Pettersen, 2015), the survey asked if the budget was used for control and monitoring during the budget period and/or after the end of the budget period. Performance evaluation was defined as an evaluation of employees’ performance as well as how well budget targets were achieved and the use of budgets for reward was operationalized as employees’ reward based on achieved budget objectives. For each purpose, the extent of use was measured using a five point Likert scale in which 1 was “not used at all” while 5 was “used to a large extent.” In order to test if there were relationships within the different uses of budgets, a correlation analysis was conducted.

Table 1: Correlation Analysis on the Different Uses of the Budget

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<tbody>
<tr>
<td>Planning</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coordination</td>
<td>40</td>
<td>0.530**</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Allocation of resources</td>
<td>40</td>
<td>0.636**</td>
<td>0.695**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication of goals</td>
<td>40</td>
<td>0.238</td>
<td>0.567**</td>
<td>0.580**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control and monitoring</td>
<td>40</td>
<td>0.276</td>
<td>0.385*</td>
<td>0.429**</td>
<td>0.291</td>
<td></td>
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<tr>
<td>Performance evaluation</td>
<td>40</td>
<td>0.363*</td>
<td>0.441</td>
<td>0.490**</td>
<td>0.489**</td>
<td>0.337*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reward</td>
<td>40</td>
<td>0.183</td>
<td>0.261</td>
<td>0.383*</td>
<td>0.402*</td>
<td>0.278</td>
<td>0.723**</td>
<td></td>
</tr>
</tbody>
</table>

The correlation analysis indicated that some of the budget uses were significantly correlated and, hence overlapping. Thus, a factor analysis using principal component analysis and varimax rotation was conducted.
Table 2: Principal Component Analysis (Varimax rotation) for Use of the Budget for Different Purposes

<table>
<thead>
<tr>
<th>Use of the budget for:</th>
<th>Component 1</th>
<th>Component 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>0.810</td>
<td>0.220</td>
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<td>Coordination</td>
<td>0.828</td>
<td>0.233</td>
</tr>
<tr>
<td>Allocation of resources</td>
<td>0.839</td>
<td>0.324</td>
</tr>
<tr>
<td>Communication of goals</td>
<td>0.500</td>
<td>0.534</td>
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<tr>
<td>Control and monitoring</td>
<td>0.491</td>
<td>0.301</td>
</tr>
<tr>
<td>Performance evaluation</td>
<td>0.307</td>
<td>0.843</td>
</tr>
<tr>
<td>Reward</td>
<td>0.073</td>
<td>0.921</td>
</tr>
</tbody>
</table>

The factor analysis revealed that “Planning,” “Coordination” and “Allocation of resources” loaded together and also “Performance evaluation” and “Reward.” Two composite measures for dependent variables were created: “Budget use - upfront” (Planning, Coordination and Allocation of resources) and “Budget use - evaluation and reward” (Performance evaluation and Reward). Cronbach’s Alpha for the variable “Budget use - upfront” was 0.825 and for “Budget use - evaluation and reward” was 0.837. “Communication of goals” and “Control and monitoring” were excluded due to weak factor loadings. To test the construct validity, a “Cronbach’s alpha if item deleted” – analysis was conducted on the factor “Budget use – upfront.” The analysis showed that the Cronbach’s alpha was reduced if any of the items were removed. As planning, coordination and allocation of resources are typical activities before the execution of the festivals, the result of the analysis has practical meaning.

Independent variables – perceived environmental uncertainty
Perceived environmental uncertainty was measured along the dimensions of competition and unpredictability. Furthermore, as this paper also sought to contribute to the debate on whether perceived environmental uncertainty should be viewed as a reflective- or formative-indicator construct, the consecutive sections suggest three models where perceived environmental uncertainty is regarded as both a reflective- and a formative-indicator construct.

Competition
The measures of competition were informed by Khandwalla (1972), Ekholm and Wallin (2011) and Sandalgaard (2013). However, as competition is sector specific, the measures were rephrased to capture relevant dimensions of competition in festivals. The six items related to competition that were included in the questionnaire included: (1) access to artists and artistic content, (2) recruiting and retaining employees, (3) price on arrangements, (4) public support, (5) sponsorship and (6) audience. The items were measured on a Likert scale ranging from 1 (not at all) to 5 (to a very large extent) where
the respondents were asked to indicate the perceived competition with other festivals and arrangements.

Unpredictability

The measures of unpredictability were inspired by the instruments applied by Govindarajan (1984), Ekholm and Wallin (2011) and Sandalgaard (2013). The unpredictability measures were rephrased and adapted to fit the festival setting. Unpredictability was, accordingly, measured by the following five items regarding how easy it is for the festival to predict changes within: (1) resource access (public support/sponsorships), (2) resource planning/resource needs, (3) activity level (number of concerts/arrangements, number of audience), (4) public regulations (regulation authorities) and (5) sector-specific changes (changes in conditions). All questions were measured on a five point Likert scale from 1 (very easy) to 5 (very difficult). However, after the survey ended, considerations were made regarding the fifth item, sector specific changes. There was doubt regarding the respondents’ understanding of this measure, and was thus removed from the analysis.

Three models of independent variables

Ekholm and Wallin (2011) debated the established perspective of viewing measures of perceived environmental uncertainty as a reflective-indicator construct and argued that perceived environmental uncertainty should be viewed as a formative-indicator measure. They based their arguments for this choice on three distinguishing features of the indicators: (1) the direction of causality. If the direction is from the construct to the indicator, the indicators are reflective, otherwise the indicators are formative. Ekholm and Wallin (2011) claimed that in a standard battery of measures of perceived environmental uncertainty the direction of causality will be from the item to the latent construct. (2) Interchangeable indicators are related to reflective measures and non-interchangeable to formative measures. Ekholm and Wallin (2011) argued that the indicators are not interchangeable as the latent construct will be affected if one indicator is removed. (3) Reflective indicators are expected to co-vary. This is not a prerequisite for formative items, and Ekholm and Wallin (2011) stated that indicators may co-vary, but not necessarily. Consequently, their variable of perceived environmental uncertainty included 12 items including both competition and unpredictability.

This debate can be further informed. For example, Wilcox et al. (2008) claimed that a formative/reflective categorization may be too simplistic and that the conceptualization of a measurement model depends more on the researcher’s choices, since constructs are not inherently formative or reflective. Wilcox et al. (2008) also argued that indicators in themselves do not provide information as to which model to choose and that inter-indicator correlation is not necessarily a good way of determining a reflective or formative modelling of items. This was also emphasized by Ekholm
and Wallin (2011). Another argument proposed by Wilcox et al. (2008) is that the empirical meaning of a formative-indicator construct depends on the outcome variables in a model. Although a rather standardized instrument of measuring perceived environmental uncertainty is applied, there may be differences in some of the items. So even if the name is the same, the empirical results may vary from study to study. Thus, it is challenging to argue that perceived environmental uncertainty per se should be measured as a formative-indicator construct.

This paper does not take a particular stance in the formative/reflective debate, but is interested in investigating if viewing perceived environmental uncertainty both as a reflective- and formative-indicator construct may provide additional or more detailed information. A main reason for this is the arguments raised by Wilcox et al. (2008) and Ekholm and Wallin (2011). Another argument is found in Khandwalla (1972) who found that even if competition at an overall level is significantly correlated with the use of budgets, only product competition is significantly correlated when competition is divided into three individual dimensions. Khandwalla’s (1972) findings imply that a formative view may miss a more detailed picture in the data.

Model 1
The first model follows Ekholm and Wallin’s (2011) arguments and views perceived environmental uncertainty as a formative-indicator measure. It also follows the recommendations by Diamantopoulos and Siguaw (2006) who claim that a formative measurement perspective should be considered before developing a multi-item measure for the construct. The model views perceived environmental uncertainty as one latent variable including six observed indicators on competition and four observed indicators on unpredictability.

Figure 2. Model 1 – perceived environmental uncertainty as a formative-indicator measure

Two regression models were proposed to investigate the association between perceived environmental uncertainty and the use of budgets. The first regression investigates the influence of perceived environmental uncertainty on the use of the budget upfront, whereas the second regression explores the relevance of perceived environmental uncertainty on the use of the budget for evaluation and reward (PEU = perceived environmental uncertainty):
1. Budget use – upfront = \( a + b_1 \cdot \text{PEU} + b_2 \cdot \text{Size} + e \)

2. Budget use – evaluation and reward = \( a + b_1 \cdot \text{PEU} + b_2 \cdot \text{Size} + e \)

Model 2
As increased competition is found to increase the use of budgets (Hansen & Van der Stede, 2004; Khandwalla, 1972; Sandalgaard, 2013) and unpredictability is found to decrease the use of budgets (Govindarajan, 1984; Hartmann, 2000; Libby & Lindsay, 2010; Sandalgaard, 2013), model 2 reflects the division between these two distinct dimensions and builds the analysis on competition and unpredictability as two separate independent variables. However, model 2 is also based on formative arguments, following Sandalgaard (2013) by constructing composite measures of competition and unpredictability.

Figure 3. Model 2 – perceived environmental uncertainty divided into competition and unpredictability

The regression models following model 2 were as follows:

1. Budget use – upfront = \( a + b_1 \cdot \text{Competition} + b_2 \cdot \text{Unpredictability} + b_3 \cdot \text{Size} + e \)

2. Budget use – evaluation and reward = \( a + b_1 \cdot \text{Competition} + b_2 \cdot \text{Unpredictability} + b_3 \cdot \text{Size} + e \)

Model 3
Model 3 builds on the tradition of measuring latent variables by applying a reflective measurement model (Diamantopoulos & Sigauw, 2006). Wilcox et al. (2008) noted that indicators in reflective measurement models should be highly correlated, and correlation analyses followed by a factor analyses were conducted for both competition and unpredictability. The following correlation analysis shows the relationships between the competition items.
Table 3. Correlation Analysis on the Different Dimensions of Competition

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Access artist and content</td>
<td>40</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Employees</td>
<td>40</td>
<td>-0.098</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Price on arrangements</td>
<td>40</td>
<td>0.193</td>
<td>0.143</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Public support</td>
<td>40</td>
<td>-0.099</td>
<td>-0.012</td>
<td>0.438**</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Sponsorship</td>
<td>40</td>
<td>-0.132</td>
<td>-0.037</td>
<td>0.389**</td>
<td>0.404**</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>6 Audience</td>
<td>40</td>
<td>0.182</td>
<td>0.325*</td>
<td>0.729**</td>
<td>0.380*</td>
<td>0.373*</td>
<td>-</td>
</tr>
</tbody>
</table>

Given the significant correlations, a factor analysis was further applied to test the factor loadings.

Table 4. Principal Component Analysis (varimax rotation) for Competition

<table>
<thead>
<tr>
<th>Competition</th>
<th>Component</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Component</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Access to artists and artistic content</td>
<td>-0.084</td>
<td>-0.060</td>
<td>0.941</td>
<td></td>
</tr>
<tr>
<td>Recruiting and retaining employees</td>
<td>-0.039</td>
<td>0.958</td>
<td>-0.073</td>
<td></td>
</tr>
<tr>
<td>Price on arrangements</td>
<td>0.750</td>
<td>0.266</td>
<td>0.396</td>
<td></td>
</tr>
<tr>
<td>Public support</td>
<td>0.777</td>
<td>-0.059</td>
<td>-0.116</td>
<td></td>
</tr>
<tr>
<td>Sponsorships</td>
<td>0.772</td>
<td>-0.098</td>
<td>-0.185</td>
<td></td>
</tr>
<tr>
<td>Audience</td>
<td>0.680</td>
<td>0.485</td>
<td>0.358</td>
<td></td>
</tr>
</tbody>
</table>

The factor analysis on competition loaded into three components. “Price on arrangements,” “Public support,” “Sponsorships” and “Audience” loaded together, and “Access to artists and artistic content” and “Recruiting and retaining employees” loaded as individual components. The loadings have practical meaning as the items under component 1 relate to the income of the festivals, and components 2 and 3 capture other dimensions of competition. Three competition variables were constructed, two based on individual items and one composite measure: “Competition – artists” (Access to artists and artistic content), “Competition – employees” (Recruiting and retaining employees) and “Competition – income” (Price on arrangements, Public support, Sponsorships and Audience). Cronbach’s alpha for the composite variable “Competition – income” was 0.744 and the “Cronbach’s alpha if item deleted” – analysis showed that the Cronbach’s alpha was reduced if any of the items were removed.
The following table presents the results from the correlation analysis of the unpredictability items:

Table 5

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource access</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Resource planning</td>
<td>40</td>
<td>0.044</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Activity level</td>
<td>40</td>
<td>0.436*</td>
<td>0.077</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public regulations</td>
<td>40</td>
<td>-0.283</td>
<td>0.132</td>
<td>-0.292</td>
<td>-</td>
</tr>
</tbody>
</table>

Given the significant relationship between resource access and activity level, a factor analysis was conducted to test for factor loadings.

Table 6

<table>
<thead>
<tr>
<th>Unpredictability</th>
<th>Component 1</th>
<th>Component 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource access</td>
<td>0.794</td>
<td>0.054</td>
</tr>
<tr>
<td>Resource planning</td>
<td>0.104</td>
<td>0.926</td>
</tr>
<tr>
<td>Activity level</td>
<td>0.804</td>
<td>0.107</td>
</tr>
<tr>
<td>Public regulations</td>
<td>-0.621</td>
<td>0.460</td>
</tr>
</tbody>
</table>

The factor analysis loaded into two components. However, due to weak factor loading on “Public regulations,” this item was removed from the analysis. As the intention was to build a “reflective” model, two variables were constructed to reflect unpredictability: “Unpredictability – resource access” (“Resource access” and “Activity level”) and “Unpredictability – resource planning” (“Resource planning”). Cronbach’s alpha for the variable “Unpredictability – resource access” was 0.6. The variables have practical meaning as the activity level is closely related to the resource access for the festivals. Model 3 can be illustrated as follows:
Model 3 suggests that competition and unpredictability are still formative constructs, as they are not interchangeable. However, the development from model 2 is that competition and unpredictability are measured by reflective, and partly interchangeable dimensions (as the directions of the arrows indicate).

The two regression models for model 3 were:

1. Budget use – upfront = a + b1 Competition - artists + b2 Competition - employees + b3 Competition – income + b4 Unpredictability – resource access + b5 Unpredictability – resource planning + b6 Size + e
2. Budget use – evaluation and reward = a + b1 Competition - artists + b2 Competition – employees + b3 Competition – income + b4 Unpredictability – resource access + b5 Unpredictability – resource planning + b6 Size + e

Control variable – size
Size was included in the analysis as a control variable. Size is important as the largest festivals can be argued to be the most professional festivals, with a larger permanent staff, more income security, and they are often the oldest and most established festivals. This is supported by Covaleski et al. (2006) who stated that budgeting practices vary systematically with organizational variables such as size. Size was measured by the average of the total revenues from 2012 – 2014.\(^\text{1}\)

\(^1\) One of the festivals is only arranged every second year, and there are only data from 2013 for this festival. One other festival was first arranged in 2014, and there are only figures from 2014 for this.
Hypotheses

It is well established in the contingency literature that perceived environmental uncertainty affects behavior in organizations [Otley, 2016]. However, Ekholm and Wallin (2011) found no significant relationship between perceived environmental uncertainty and the use of flexible budgets. The first aim of the study is to test the relationship between the use of budgets and perceived environmental uncertainty at an aggregate level. This relationship is tested under model 1.

To test the relationships between use of budgets and perceived environmental uncertainty as suggested under models 2 and 3, two hypotheses were generated. The first regards competition. Khandwalla (1972) found that there was a positive relationship between competition and the use of budgets. This is also proposed in the contingency literature (Chenhall, 2007) and confirmed by Sandalgaard (2013).

H1. There is a positive association between competition and the use of budgets

The second hypothesis follows the studies by Miles et al. (1978), Govindarajan (1984), Ekholm and Wallin (2011) and Sandalgaard (2013) and concerns unpredictability in the festival’s environment. The literature indicates that increased unpredictability decreases the focus on budgets, and following Chenhall and Morris’ (1986) arguments, this can be related to the impediment of planning as well as the unpredictability of future events.

H2. There is a negative association between unpredictability and the use of budgets.
Results

Descriptive Data

Festivals with a total budget exceeding MNOK 5 (EUR 530,000) were included in the study, and the study is based on findings from 40 festivals across all genres (music (classical, pop/rock, jazz, blues, country), theatre, literature, film, food and arts festivals (festival)). Table 7 provides overall descriptive statistics.

Table 7. Descriptive Data for the Sample

<table>
<thead>
<tr>
<th></th>
<th>Sample (n)</th>
<th>Min</th>
<th>Max</th>
<th>Median</th>
<th>Mean (St.dev.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues (in MNOK)</td>
<td>40</td>
<td>5.4</td>
<td>59</td>
<td>10.2</td>
<td>14.1 (11.9)</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>40</td>
<td>-13.6%</td>
<td>18.2%</td>
<td>1.20%</td>
<td>1.7% (5.4%)</td>
</tr>
<tr>
<td>Public support</td>
<td>40</td>
<td>0%</td>
<td>91.7%</td>
<td>20.50%</td>
<td>31.5% (29.6%)</td>
</tr>
<tr>
<td><strong>SIZE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>40 (100%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Big festivals (&gt; 20 MNOK)</td>
<td>6 (15.0%)</td>
<td>22.6</td>
<td>59</td>
<td>31.2</td>
<td>37.2 (14.6)</td>
</tr>
<tr>
<td>Medium festivals (10 - 20 MNOK)</td>
<td>15 (37.5%)</td>
<td>10</td>
<td>19.9</td>
<td>12.3</td>
<td>13.6 (3.1)</td>
</tr>
<tr>
<td>Small festivals (5 - 10 MNOK)</td>
<td>19 (47.5%)</td>
<td>5.4</td>
<td>9.7</td>
<td>7.1</td>
<td>7.2 (1.2)</td>
</tr>
<tr>
<td><strong>GEOGRAPHY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Norway</td>
<td>8 (20.0%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South- and East Norway (Oslo omitted)</td>
<td>15 (37.5%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Norway</td>
<td>4 (10%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Norway</td>
<td>6 (15.0%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oslo</td>
<td>7 (17.5%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AGE (years)</strong></td>
<td>40</td>
<td>2</td>
<td>63</td>
<td>23.5</td>
<td>24 (14.8)</td>
</tr>
</tbody>
</table>

Table 7 shows that there is a wide range of revenue for the studied festivals, from MNOK 5.4 to 59. Twelve of the festivals have a deficit, which gives a negative net profit margin. The mean net profit margin of 1.7% indicates that the margins in general are rather low. There is a very wide range in public support, from 0% to 91.7%. The mean public support ratio (31.5%) indicates that the festivals receive a substantial amount of their revenues from the government. Almost half of the festivals are, based on the total average revenues from 2012-2014, categorized as small festivals, and only 6 festivals (15%) have total revenues exceeding MNOK 20. The geographical spread is rather even, however, there are fewer festivals in Central Norway (4). The range in age is large as the oldest festival is 63 years old and

\[^4\text{Net profit margin } = \text{net profit/total revenues. Based on average 2012-2014. Public support } = \text{public support/total revenues. Average 2012 – 2014.}\]
the newest 2 years old. The mean and median age (24 and 23.5) indicates that many festivals were established in the 1990s.

The budget is the main control tool in the festivals, and all the festivals responded that they use budgets. Ekholm and Wallin (2000), Libby and Lindsay (2010) and Bjørnøenak and Olsen (2016) reported a strong position of the budget, and this study confirm this. The findings also suggest that budgets are used systematically.

Table 8. Frequency in the Use of Budgets

<table>
<thead>
<tr>
<th>Frequency in budget use (N = 40)</th>
<th>N</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rarely (perhaps only once a year)</td>
<td>3</td>
<td>7.5 %</td>
</tr>
<tr>
<td>Sporadically (sometimes in meetings)</td>
<td>12</td>
<td>30.0 %</td>
</tr>
<tr>
<td>Systematically (a recurring issue)</td>
<td>25</td>
<td>62.5 %</td>
</tr>
</tbody>
</table>

62.5% of the festivals’ top management use the budget systematically as a recurring issue, and another 30% use the budget sporadically. The respondents were also asked if they think too much time is spent on budget related activities (1 = totally disagree, 5 = totally agree). The mean response on this question was 2.45 (SD = 1.06), which implies that the respondents lean towards disagreeing that too much time is spent on the budget.

The overall perceived usefulness of the budget was very high (mean = 4.55, SD = 0.597) and this corresponds with findings by Bjørnøenak and Olsen (2016) suggesting that, if used properly, there is a high usefulness of budgets in both public and private industries. However, although Bjørnøenak and Olsen (2016) reported that the usefulness is high, the festivals reported an even higher usefulness.

The following table shows the findings on the use and usefulness of budgets for a number of purposes.

Table 9. Descriptive Statistics for Use and Usefulness of Budgets for Different Purposes (5-point Likert scale in which 1 was “not used at all” while 5 was “used to a large extent”)

<table>
<thead>
<tr>
<th>N = 40</th>
<th>Use</th>
<th>Usefulness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mean</td>
<td>median</td>
</tr>
<tr>
<td>Planning</td>
<td>4.50</td>
<td>5.00</td>
</tr>
<tr>
<td>Coordination</td>
<td>3.75</td>
<td>4.00</td>
</tr>
<tr>
<td>Resource allocation</td>
<td>4.20</td>
<td>4.50</td>
</tr>
<tr>
<td>Setting objectives</td>
<td>3.18</td>
<td>3.00</td>
</tr>
<tr>
<td>Control and monitoring</td>
<td>4.25</td>
<td>4.00</td>
</tr>
<tr>
<td>Performance evaluation</td>
<td>2.40</td>
<td>2.00</td>
</tr>
<tr>
<td>Reward</td>
<td>1.78</td>
<td>1.00</td>
</tr>
</tbody>
</table>

5 Measured on a five point Likert scale where 1 was “not at all” and 5 was “to a large extent.”
As Table 9 shows, budgets were used primarily for planning (4.50), control and monitoring (4.25) and resource allocation (4.20). The budgets were also most useful for the same purposes. Budgets were less used for performance evaluation (2.40) and rewards (1.78) and likewise were less useful for these purposes. These findings partially confirm Hansen and Van der Stede (2004) who found the budget is important for both planning and performance evaluation. The findings by Hansen and Van der Stede (2004) were supported by Bjørnøak and Olsen (2016) as they indicated that budgets are most frequently used for planning and performance evaluation. However, the findings in the current study correspond with a case study of a large Norwegian festival where the budget was used extensively for planning, but not very much for performance evaluation and not at all for rewards (Knardal & Pettersen, 2015).

One of the main critiques against the budget has been the lack of flexibility and adaptability, and one of the most pronounced criticisms against traditional budgets is the annual focus (Ekholm & Wallin, 2000, 2011; Hope & Fraser, 2003; Libby & Lindsay, 2010). However, 90% responded that the budget was either changed when necessary (65%) or by fixed budget revisions (25%). On the issue of whether the festivals can adapt the budget to sudden changes such as interesting project proposals, the mean response was 3.82 (SD = 1.107). Libby and Lindsay (2010) reported that the budget adapts moderately to changes, and Bjørnøak and Olsen (2016) found that budgets only moderately hamper responsiveness to the surroundings. The findings in the current study, to a certain extent, confirm these studies. The findings additionally indicate that the budgets can be referred to as “flexible budgets,” which according to Ekholm and Wallin (2011: 147) is a blanket term used for budgets that can be changed at shorter intervals.

Another critique against the budget is the lack of alignment with strategy (Hope & Fraser, 2003). One question measured this, and the mean response on a five point Likert scale was 2.18 (SD = 1.13) (1 = “totally disagree,” 5 = “totally agree”). Overall, this indicates that the critique against the budget regarding the lack of alignment between budgets and strategy is not supported. The findings also support Libby and Lindsay (2010) who suggest that budgets do not impede the implementation of strategies.

The above findings suggest that budgets are perceived as relevant and useful control tools for festivals. All the festivals use budgets, many in a systematic manner. The budgets are used primarily ex ante for planning purposes and less ex post. Additionally, the budget is perceived to be a flexible tool which

---

5 Measured on a five-point scale where 1 was “totally disagree” and 5 was “totally agree.”
provides opportunities for necessary and sudden changes, and the compliance with strategy is good. Overall, there is little support for the budget critique as proposed by Hope and Fraser (2003).

**Perceived Environmental Uncertainty**

The following table depicts the descriptive statistics on perceived environmental uncertainty.

Table 10. *Descriptive Statistics - Perceived Environmental Uncertainty*

<table>
<thead>
<tr>
<th>PEU - Competition</th>
<th>Median</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to artists and artistic content</td>
<td>3.00</td>
<td>2.93</td>
<td>1.023</td>
</tr>
<tr>
<td>Recruiting and retaining employees</td>
<td>2.00</td>
<td>1.95</td>
<td>0.749</td>
</tr>
<tr>
<td>Price on arrangements</td>
<td>2.50</td>
<td>2.50</td>
<td>0.716</td>
</tr>
<tr>
<td>Public support</td>
<td>3.00</td>
<td>3.32</td>
<td>1.023</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>3.50</td>
<td>3.40</td>
<td>1.105</td>
</tr>
<tr>
<td>Audience</td>
<td>3.00</td>
<td>3.08</td>
<td>0.859</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PEU - Unpredictability</th>
<th>Median</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource access</td>
<td>3.00</td>
<td>3.23</td>
<td>0.862</td>
</tr>
<tr>
<td>Resource planning/resource needs</td>
<td>3.00</td>
<td>2.77</td>
<td>0.698</td>
</tr>
<tr>
<td>Activity level</td>
<td>2.00</td>
<td>2.50</td>
<td>0.716</td>
</tr>
<tr>
<td>Public regulations</td>
<td>3.00</td>
<td>2.83</td>
<td>0.675</td>
</tr>
<tr>
<td>Sector-specific changes</td>
<td>3.00</td>
<td>3.15</td>
<td>0.834</td>
</tr>
</tbody>
</table>

The findings suggest that the festivals perceived the competition to be highest regarding sponsorships, public support and audience, albeit not very high. The competition regarding access to artists and artistic content and price on arrangements was moderate, and there was little competition in recruiting and retaining employees.

Overall, the level of unpredictability was not very high, although unpredictability due to resource access and sector specific changes was moderately high. Unpredictability of public regulations, resource planning/resource needs and activity level was moderate.

**Perceived Environmental Uncertainty and Budget Use**

The following section shows the results of the analysis on the association between perceived environmental uncertainty and budgets. The section builds on the structure of the three models as described above.
Model 1

Table 11 shows descriptive data for the variables applied in model 1.

Table 11. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget use - upfront</td>
<td>4.15</td>
<td>4.33</td>
<td>0.795</td>
</tr>
<tr>
<td>Budget use - evaluation and reward</td>
<td>2.09</td>
<td>2.00</td>
<td>0.999</td>
</tr>
<tr>
<td>Perceived environmental uncertainty</td>
<td>2.88</td>
<td>2.91</td>
<td>0.357</td>
</tr>
</tbody>
</table>

The descriptive statistics showed that budgets are used more upfront than for evaluation and reward. The composite measure of perceived environmental uncertainty showed a mean response of 2.88, which is above the theoretical mean of 2.50.

Table 12 shows the results of the regression analysis:

Table 12. Regression Analysis – Model 1

<table>
<thead>
<tr>
<th></th>
<th>Budget use - upfront</th>
<th></th>
<th>Budget use - evaluation and reward</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R² = 0.067</td>
<td>Adjusted R² = 0.017</td>
<td>R² = 0.036</td>
<td>Adjusted R² = -0.016</td>
</tr>
<tr>
<td>PEU</td>
<td>B (sign.)</td>
<td>0.066 (0.686)</td>
<td>0.178 (0.289)</td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>B (sign.)</td>
<td>0.236 (0.157)</td>
<td>-0.119 (0.477)</td>
<td></td>
</tr>
</tbody>
</table>

The findings indicate no significant relationships between perceived environmental uncertainty and size and the use of budgets upfront or for evaluation and reward. Ekholm and Wallin (2011) found a significant negative relationship between perceived environmental uncertainty and the usefulness of fixed budgets. However, they did not find any significant association between perceived environmental uncertainty and flexible budgets. Since the findings indicate that the festival budgets are flexible, the current findings support Ekholm and Wallin (2011).

Regarding the control variable, size, there was a positive relationship with the use of the budget upfront. This indicates that the use of the budget before the festival increases as the size of the festivals increases.

Model 2

The following table shows descriptive statistics for the variables applied in model 2.

Table 13. Descriptive Statistics
Perceived uncertainty regarding competition was 2.86 and for unpredictability it was 2.83. These findings suggest that there is some perceived competition and unpredictability in the festivals, although not very much. Table 14 shows the results of the regression analysis.

Table 14. Regression Analysis – Model 2

<table>
<thead>
<tr>
<th>Variables</th>
<th>Budget use - upfront</th>
<th>Budget use - evaluation and reward</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Median</td>
</tr>
<tr>
<td>Budget use - upfront</td>
<td>4.15</td>
<td>4.33</td>
</tr>
<tr>
<td>Competition</td>
<td>2.86</td>
<td>3</td>
</tr>
<tr>
<td>Size (MNOK)</td>
<td>14.1</td>
<td>10.2</td>
</tr>
</tbody>
</table>

$^*$Significant at the 0.05 level (two-tailed)
$^\ddagger$Significant at the 0.10 level (two-tailed)

Table 14 shows significant relationships between both competition and unpredictability and use of budgets for evaluation and reward. The other relationships were not significant. However, as significance levels are challenging due to a small sample, the findings may still indicate a direction in the findings. The analysis hence indicates that increased competition leads to increased use of the budget both upfront and for evaluation and reward, and decreased use of the budget as unpredictability increases both upfront and for evaluation and reward. H2 and H3 are confirmed in model 2.

Prior literature has documented a positive relationship between the use of budgets and competition (Chenhall, 2003; Khandwalla, 1972). Sandalgaard (2013) found that competition was positively associated with using the budget for planning. This is confirmed by the current analysis. However, Sandalgaard (2013) did not find a significant relationship between competition and the use of budgets for performance evaluation. The above analysis shows a significant association and contradicts Sandalgaard’s (2013) findings. The current findings also challenge the findings by Hansen and Van der Stede (2004) who indicated that competition is significantly negatively associated with using the budget for performance evaluation.
For example, Govindarajan (1984), Hartmann (2000), Miles et al. (1978) and Tymon et al. (1998) suggest that unpredictability in the environment calls for less use of budgets. The current findings support this literature. However, by applying different uses of the budget, the findings may become more nuanced. Sandalgaard (2013) found a significant negative relationship between unpredictability and the use of budgets for performance evaluation. The current findings are affirmative. However, contrary to the findings, Sandalgaard (2013) did not find a significant relationship between unpredictability and the use of budgets for planning purposes (upfront).

Model 3

Table 15 shows the descriptive statistics for the variables applied in the “reflective” regression models.

Table 15. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget use - upfront</td>
<td>4.15</td>
<td>4.33</td>
<td>0.795</td>
</tr>
<tr>
<td>Budget use - evaluation and reward</td>
<td>2.09</td>
<td>2</td>
<td>0.999</td>
</tr>
<tr>
<td>Competition - artists</td>
<td>2.93</td>
<td>3</td>
<td>1.023</td>
</tr>
<tr>
<td>Competition - employees</td>
<td>1.95</td>
<td>2</td>
<td>0.750</td>
</tr>
<tr>
<td>Competition - income</td>
<td>3.08</td>
<td>3.25</td>
<td>0.705</td>
</tr>
<tr>
<td>Unpredictability - resource access</td>
<td>2.86</td>
<td>2.5</td>
<td>0.670</td>
</tr>
<tr>
<td>Unpredictability - resource planning</td>
<td>2.78</td>
<td>3</td>
<td>0.698</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Size (MNOK)</th>
<th>Mean</th>
<th>Median</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14.1</td>
<td>10.2</td>
<td>5.4</td>
<td>59</td>
</tr>
</tbody>
</table>

The descriptive statistics following model 3 provide a more detailed insight into the perceived uncertainty. Whereas the mean response on uncertainty regarding competition was 2.86 following a formative view (Table 13), the division of competition into three dimensions indicated that competition regarding artists and income was higher compared to model 2 and competition regarding employees was lower. The division of unpredictability into two variables did not provide much additional information. Whereas the mean on unpredictability in the “formative” model 2 was 2.83 (Table 13), the means on the two unpredictability variables were 2.86 and 2.78.
The results of the regression analysis are presented in Table 16:

Table 16. Regression Analysis on Variables Explaining Differences in Use of the Budget

<table>
<thead>
<tr>
<th></th>
<th>Budget use - upfront</th>
<th>Budget use - evaluation and reward</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R² = 0.312</td>
<td>R² = 0.365</td>
</tr>
<tr>
<td></td>
<td>Adjusted R² = 0.187</td>
<td>Adjusted R² = 0.249</td>
</tr>
<tr>
<td>Competition - artists</td>
<td>B (sign.) -0.335ₚ (0.031)</td>
<td>-0.109 (0.453)</td>
</tr>
<tr>
<td>Competition - employees</td>
<td>B (sign.) 0.186 (0.271)</td>
<td>0.327ₚ (0.048)</td>
</tr>
<tr>
<td>Competition - income</td>
<td>B (sign.) 0.309ₚ (0.044)</td>
<td>0.326ₚ (0.028)</td>
</tr>
<tr>
<td>Unpredictability - resource access</td>
<td>B (sign.) -0.302 (0.080)</td>
<td>-0.247 (0.134)</td>
</tr>
<tr>
<td>Unpredictability - resource planning</td>
<td>B (sign.) -0.174 (0.257)</td>
<td>-0.42ₚ (0.006)</td>
</tr>
<tr>
<td>Size</td>
<td>B (sign.) 0.233 (0.148)</td>
<td>-0.076 (0.620)</td>
</tr>
</tbody>
</table>

b Significant at the 0.05 level (two-tailed)
c Significant at the 0.10 level (two-tailed)

The regressions in model 3 provide a more detailed picture of the relationship between perceived environmental uncertainty and the use of budgets, and the descriptive power of model 3 is stronger than in the two previous models with increased R² and adjusted R². The findings in model 2 do not suggest a significant relationship between competition and the use of budgets upfront. The findings in model 3, however, suggest significant relationships between competition regarding artists and income and the use of budgets upfront. Competition regarding artists had a significant negative relationship and competition on income had a significant positive relationship. The findings in model 3 also suggest significant positive relationships between competition regarding employees and income and the use of budgets for evaluation and reward. The findings confirm Khandwalla’s (1972) findings in that different types of competition have different impacts on the use of controls, and it is of particular interest that the current analysis provides more detailed information as different types of competition influence the use of budgets in different directions.

The findings in model 3 on the influence of unpredictability on the use of budgets confirm the findings in model 2 and in Sandalgaard (2013), for example. However, more details are provided in model 3. Whereas the relationship between unpredictability and the use of budgets upfront in model 2 was insignificant, unpredictability regarding resource access was significantly negatively associated with budget use upfront in model 3. Unpredictability in model 2 had a significant negative relationship with budget use for evaluation and reward, but model 3 provides more detailed findings as it may become apparent that unpredictability regarding resource planning has a particularly high level of significance and a negative influence on using budgets for evaluation and reward.
Discussion

Aagedal et al. (2009) described one of the most prominent developments in the Norwegian local cultural field as “festivalization.” This is due to the increased number of festival in the last couple of decades. There has, however, been little accounting research within festivals, and this study answers calls for research within the leisure and entertainment industries (Jeacle, 2009) and more specifically events such as festivals (Carlsson-Wall et al., 2016). Carlsson-Wall et al. (2016) also emphasized that event organizations are of analytical relevance for the accounting literature because of their pulsating nature, meaning that these organizations quickly expand when the event starts and suddenly contract when they end (see Figure 1).

The Role of Budgets

Since little accounting research has been conducted on festivals, one of the aims of this study has been to provide a descriptive picture of management control within the festival field. The findings suggest that the most prominent control tool is the budget. All the festivals responded that they use budgets, and were used systematically (62.5%) or sporadically (30%) and the overall perceived usefulness of the budget was high (4.55 on a five-point scale). The budgets have a strong position in the festivals, and the general critiques against the budget appear to be low. The findings confirm previous research by Bjørnenak and Olsen (2016), Carlsson-Wall et al. (2016), Ekholm and Wallin (2000) and Libby and Lindsay (2010) who showed that most organizations use budgets and perceive them as useful.

One of the central critiques against the budget is the lack of dynamics (Ekholm & Wallin, 2000; Hope & Fraser, 2003; Neely et al., 2003). However, the findings in the current study contradict this criticism as the findings suggest that budgets in festivals are flexible and adaptable to change. 90% responded that the budget was changed when necessary or by fixed budget revisions. The high perceived usefulness of budgets in the festivals may accordingly be part of embedded flexibility in the budgets. Ekholm and Wallin (2011, p. 147) noted that, according to a real option approach, “sustained flexibility to adapt in response to new information enhance[s] a project’s value by improving its upside potential while limiting downside losses relative to the initial expectations.” The findings also confirm Knardal and Pettersen (2015) who found that flexibility in the budget enhanced organizational learning, and the budget was perceived as a relevant and central control tool.

Bjørnenak and Olsen (2016) studied the use and usefulness of reasons to budget in higher education, health and banks, and found that budgets were most frequently used for planning and performance evaluation. The findings in the current study partly contrast these findings. The use and usefulness for upfront activities such as planning, coordination and resource allocation were very high for the Norwegian festivals, higher than the findings suggested by Bjørnenak and Olsen (2016). However, use
and usefulness of the budget ex post of the festival, for performance evaluation and reward setting were lower. Bjørnenak and Olsen (2016) more specifically found that the use and usefulness of the budget for reward setting were lower than for other purposes (mean across businesses: use = 2.34, usefulness = 2.76). The festivals in this study reported even lower use and usefulness of the budget for rewards (use = 1.78, usefulness = 2.13).

The findings confirm Carlson-Wall et al. (2016) who found detailed planning was crucial and that bonuses or monetary incentive programs related to individual’s or group’s performance were rare within Swedish sports events organizations. The findings also confirm Knardal and Pettersen (2015) as they found that planning was the main use of the budget in the St. Olav Festival. Figure 1 may inform these findings as it illustrates that festivals are in a planning phase most of the year. The execution happens within a very short period, with a sudden and huge increase in activity. Detailed planning is of extra importance as weak planning may have dramatic consequences.

Knardal and Pettersen (2015) also found that the budget was used for performance evaluation because parts of the budgeting process were highly decentralized such as project budgeting. However, there were no monetary rewards tied to budget targets, but the evaluation was used for learning purposes only. The low use of budgets for performance evaluation and reward may also be due to several additional reasons. One reason may be that no tradition within the performing arts field has been established to use monetary incentive contracts. This may be due to the artistic community in general being more motivated by artistic achievements in themselves than by financial achievements. Economy is a means of generating artistic activity and not a means as such. Another reason may be that festivals receive a lot of public support, and it may generate criticism if publicly funded festivals have bonuses or dividend plans.

Perceived Environmental Uncertainty

Model 1 follows the arguments proposed by Ekholm and Wallin (2011) and views perceived environmental uncertainty as a formative measure. The findings suggest no significant relationships between perceived environmental uncertainty and the use of budgets, neither upfront nor for evaluation and reward.

The findings in model 2 provide a more detailed picture than in model 1. The findings suggest that there is a positive association between competition and the use of budgets and a negative association between unpredictability and the use of budgets. The findings support Khandwalla (1972), Miles et al.

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7 This was done because the employees who were involved in the project budgeting process did not work within economic management of the festival on a daily basis, but were directly involved in the artistic projects.

8 The dividend policy in the Öya festival has been questioned in the media on these terms (Aftenposten).
(1978) and Sandalgaard (2013) and show that festivals adapt the use of budgets given perceived uncertainty in the environment. Whereas the relationships between competition and unpredictability and the use of budgets upfront are not significant, the findings suggest significant relationships between competition and unpredictability and the use of budgets for performance evaluation and reward. It may appear surprising, however, that the use of budgets upfront is not the most common use of budgets. However, because of the small sample size, caution must be exerted in reading the results, and H1 and H2 can be argued to be partly confirmed. The analysis also indicates that the division of perceived environmental uncertainty into competition and unpredictability, as suggested in model 2, provides a more detailed picture of the findings, and it also appears as a strength, compared to model 1, that significant relationships are found.

Model 3 provides an even more detailed picture of perceived environmental uncertainty. Whereas competition in model 2 was not significantly associated with the use of budgets upfront, model 3 suggests significant relationships between competition regarding artists and income and upfront budget use. However, the directions of the relationships are different, as competition regarding artists is significantly negatively associated with upfront budget use, and competition regarding income is significantly positively associated with upfront budget use. The significant positive relationship between the use of budgets and competition regarding income has practical meaning. Competition regarding income is measured as competition regarding both public support, sponsors and audience, and the increased focus on budgets as competition regarding income increases may be explained by festivals being exposed to a number of sector specific uncertainties (in addition to other variables not measured in this study: trends, weather etc.). Therefore, it is crucial for festivals to have detailed and updated income budgets. The findings also suggest that competition regarding artists is negatively related to the use of budgets (significantly associated with upfront budget use). This may be explained as competition regarding artists is a different dimension of competition which is more difficult to capture in a budget.

Model 3 provides little additional information on the relationship between unpredictability and the use of budgets for unpredictability is negatively associated with the use of budgets in both models. However, whereas unpredictability was not significantly associated with the use of budgets upfront in model 2, model 3 suggests that unpredictability regarding resource access has a significant negative relationship (negative) with upfront use of the budget. This finding has practical meaning as unpredictability regarding resource access and resource planning may hinder budgetary target setting (Sandalgaard, 2013). H2 is accordingly partly confirmed in model 3. Model 3 provides additional information on the different dimensions of competition and unpredictability and the use of budgets for evaluation and reward compared to models 1 and 2. This, furthermore, accommodates the
opportunity to discuss the practical relevance of the findings within in the empirical field of festivals in more detail.

Conclusion
At the outset of the paper, two research questions were proposed: 1) What is the role of budgets in Norwegian festivals? and 2) How do different dimensions of perceived environmental uncertainty affect different types of budget use in festivals?

Three main findings can be drawn from the analysis. First, the findings suggest that budgets are both used and perceived as useful in Norwegian festivals. This is in line with previous research (Ekholm & Wallin, 2000; Libby & Lindsay, 2010). However, the relevance of the budget varies as to the purpose of use. Norwegian festivals use budgets primarily upfront for the festival arrangements as a planning device, and less for performance evaluation and reward. Second, the findings indicate that the use of budgets is influenced by perceived uncertainty in the environment, and that the festivals adapt to uncertainty regarding the different purposes of budgeting. Third, the paper provides arguments that a decomposition of perceived environmental uncertainty adds knowledge to the understanding of what influences the use of budgets. By decomposing perceived environmental uncertainty, the findings confirm prior literature that competition increases the use of budgets and unpredictability decreases the use of budgets. Model 3 also provides even more detailed findings, and the findings suggest that as perceived environmental uncertainty is sector specific, it may be beneficial to view perceived environmental uncertainty as a reflective-indicator measure.

The findings should be interpreted in light of the limitation of the small sample size. Smaller samples are biased against detecting statistically significant differences, raising questions about the generalizability of the results. References
References


Appendix

Questionnaire

1) Do you use budgets in the management of the festival?
   
   Yes
   
   No

2) Enter the degree to which budgets are used for the following activities:
   
   Not at all – to a very limited degree – to a small degree – to a large extent – to a very large extent (1-5)

   Planning (create a comprehensive plan for the festival)
   
   Coordination (coordination of the various processes within the festival - assigning responsibility)
   
   Resource allocation (prioritization of program posts and other priorities)
   
   Communication of goals (setting goals for individuals and units / departments within the festival)
   
   Control and monitoring (during the budget period and / or after the budget period (after the end of the festival))
   
   Performance evaluation (employee performance is measured by how well they have met certain budget targets)
   
   Reward (employees are rewarded on the basis of budget targets)

3) How often does the executive team use budgets?
   
   Rarely (perhaps only once a year to see how the budget has been meet at an overall level)
   
   Sporadically (sometimes in meetings, but not systematically)
   
   Systematically (as a recurring issue)

4) Enter the degree to which the budget is useful for the following activities:
   
   Not at all – to a very limited degree – to a small degree – to a large extent – to a very large extent (1-5)

   Planning (create a comprehensive plan for the festival)
Coordination (coordination of the various processes within the festival - assigning responsibility)

Resource allocation (prioritization of program posts and other priorities)

Communication of goals (setting goals for individuals and units / departments within the festival)

Control and monitoring (during the budget period and / or after the budget period (after the end of the festival)

Performance evaluation (employee performance is measured by how well they have met certain budget targets)

Reward (employees are rewarded on the basis of budget targets)

Which option do you think best describes how the organization updates the budgets during the budget period?

No changes are made when the budget is approved

Changes are made at fixed revisions of the budget

Changes are made if needed

How much do you agree with the following statements:

Disagree - Agree - Neither agree nor disagree - Agree - Strongly agree (1-5)

There are good processes to quickly grant resources to interesting projects (which goes beyond the original budget)

Too much time is used on budget-related activities (such as budget development, revision of budgets, reporting, variance analysis, budget tracking and others)

Budget is only marginally related to the festival’s strategy

Enter the degree to which the budget is useful for the festival:

Not at all – to a very limited degree – to a small degree – to a large extent – to a very large extent (1-5)
8) Enter the degree to which you experience competition with other festivals within the following areas:

Not at all – to a very limited degree – to a small degree – to a large extent – to a very large extent (1-5)

Access to artists and artistic content

Recruiting and retaining employees

Price on arrangements

Public support

Sponsorships

Audience

9) Enter how easy it is for your festival to predict changes in the following parameters over the next year:

Very easy - Easy - Medium - Difficult - Very difficult (almost impossible) (1-5)

Resource access (public support/sponsorships)

Resource planning/resource needs

Activity level (number of concerts/arrangements, number of audience)

Public regulations (regulation authorities)

Sector-specific changes (changes in conditions)
Control system complexity and management characteristics
- the case of festivals

Per Ståle Knardal
and
Trond Bjørnenak

Paper IV
Abstract

The tension between artistic performance and economic control is often highlighted in performing arts. Using festivals as an example, we investigate the variation in control system design and how this is associated with the personal characteristics of festival leaders. Drawing on upper echelons theory we look at the association between proxies or observable background characteristics such as age, educational background, and artistic background, and the administrative complexity expressed in the use of budgets, accounting reports, and performance measures. We find a positive association between an educational business administrative background and the different use of budgets and perceived problems with budgets. This background is also associated with higher perceived levels of economic control. More surprisingly, we also find a positive association between perceived economic control and an artistic background. Age (is the only variable) found to have a significant positive association with the use of performance measures and accounting reports.

Keywords: festivals, upper echelons, control system characteristics


Introduction

The media and research studies have often described festivals as organizations with problems of having economic control (Bergamin Barbato & Mio, 2007; Carlsten et al., 2010; Frey, 2000, June) and examples of bankruptcies and mismanaged festivals also attract considerable attention in Norway (Adressa, 2016; Dagbladet, 2016). One of the main issues associated with festivals is that they often struggle with unmanageable costs and budget deficits (Knardal & Pettersen, 2015), and every year there are festivals that must either close down or undertake small or large restructurings to survive. However, over recent decades some attention has been directed to the specific conditions that may inform the complexity involved in managing a festival to survival, attention that looks beyond the issue of mismanagement.

For example, Aagedal et al. (2009) claim that as a consequence of the rapidly increasing number of festivals over recent decades, the major change in the Norwegian cultural sector can be characterized as a “festivalization”. There has therefore been a growth in competition in attracting a large enough audience to secure the revenues. Festivals have a number of uncertainties, such as the weather, the constantly changing cultural landscape, shifting trends and the uncertainty of resource access from both public and private actors. There are, hence numerous reasons that may explain the economic conditions of festivals.

The design and use of control systems is not something that is imposed on organizations, but something that the top managers can decide to change and use in different ways (Malmi & Brown, 2008). A number of studies show that these choices are affected by firm-specific characteristics, contingencies, such as the size of the organization, environmental uncertainty, industry characteristics, firm strategy, etc. (see e.g., Chenhall, 2003). However, firm-specific variables are not the only factors influencing how control systems are used. A stream of research based on upper echelons theory clearly indicates that managerial characteristics such as the age and educational background of the management group increases the explanatory power of variations in organizations’ use of control systems (Hiebl, 2014).

Introducing a managerial characteristics perspective appears to be especially relevant in respect to artistic organizations. We know that these organizations have both managers with artistic backgrounds as well as managers with more business administrative backgrounds, and that this may lead to tensions in how the organizations are managed. However, our knowledge of the actual differences in the use of control systems is limited.
The first aim of this study is to investigate how Norwegian festivals use key elements of their formalized control system, including the use of budgets, accounting reports, and performance measures. This may provide us with a picture of the level of use, and allow us to compare this with other organizations. However, our main focus is to investigate the variations in the use of different elements of the control system. We also question the extent to which variations in the use of budgets, accounting reports, and performance measures can be attributed not only to festival-specific characteristics or managers’ age, but also to differences in educational background (more specifically, artistic vs. business administrative) and work experience in the private sector.

The paper is organized as follows. First we present a theoretical framework, drawing on control system complexity and upper echelon theory. In this section we also specify our hypothesis. Section three presents our research method and section four the results from the survey study and data analyses. The final section discusses the implications and suggestions for further research.

**Control system use in an upper echelon perspective**

According to upper echelons theory, managerial characteristics can explain or predict strategic choices. As pioneers of this theory, Hambrick and Mason (1984) explicitly mentioned the thoroughness of formal planning systems, budgeting, and other forms of “administrative complexity” as examples of strategic choices. This has been followed up by research in management accounting and control that investigates the role of managerial characteristics in the adoption and use of control systems (Hiebl, 2014).

Management accounting studies informed by upper echelon theory are normally based on two important assumptions. First, it is assumed that a manger’s values and cognitive base are influenced by managerial characteristics. Values and cognitive base are difficult to observe and in most studies they are something of a black box, replaced or represented by observable characteristics such as age, work experience, and educational background. However, the effect of educational background is indirect. Business administrative education may change the way managers select issues (e.g., should we change our budget system?), analyze alternatives, and implement changes.

The second assumption is that managers influence strategic choices, for example, the design of control systems. To some extent mangers may influence the adoption of a set of control systems. Whether or not to change a control system is, however, not a day-to-day decision and not all mangers will take part in the decision. Hambrick (2007) acknowledges this and introduces managerial discretion as a moderating effect, that is, if managerial discretion is high, managerial characteristics may be more important predictors of control system changes than if managerial discretion is low.
One way to increase managers’ influence on change is to study the adoption of innovations. Naranjo-Gil et al. (2009) showed that younger and shorter-tenured chief financial officers (CFOs) are associated with a higher use of management accounting innovations. A background in business education was also associated with higher adoption rates of innovative techniques. Burkert and Lueg (2013) showed that shorter tenured CFOs with a business background adopted more sophisticated value-based management systems (and also related innovations). The results for CEOs are more mixed (Hiebl, 2014) and this may be explained by differences in involvement in the adoption decision. The design of the control system is mainly the domain of the CFOs.

Rather than emphasizing the adoption of innovations or changes in the control system, we might look at the way in which managerial characteristics are associated with how management accounting and control systems are used. Budgets can be used as an example. Instead of studying the design of the budgeting system (e.g., budgeting details), we could examine differences in how managers use budgets for planning or performance evaluations. In this case the control system is not the strategic choice or the organizational outcome, but something that may have an effect on it.

Figure 1 illustrates the control system from an upper echelon perspective. Situational contingencies, such as the size and profitability of the firm, may form both the cognitive base and managers’ values and may have a direct effect on how budgets or other parts of the control system are used. The cognitive base and values are also informed by managerial characteristics. Thus, the models draw on a combination of contingency theory and upper echelon theory to understand how important elements of the control systems are used. In contrast to previous management accounting and control studies that draw on these theories (Hiebl, 2014), the use of the control system is seen as an intermediate variable between the cognitive base/ values and strategic choices, rather than a part of the strategic choices per se. This is achieved by shifting the focus from design choices to how the systems are used. In our study the strategic choices are, for example, top management turnover based on performance evaluations, investments in new products, or outsourcing decisions to meet cost budget targets.

Even though managers may have limited discretion on the design of the elements of the control system, they may use the system in different ways and for different purposes. Thus, managerial characteristics should have a higher impact on the use of budgets than they do on the design of the budget system. We may also differentiate between different uses of budgets.
Management control systems in festivals

The management control tools studied in this paper are budgets, financial account reports, and performance measures. The existing research on management control in festivals is, however, scarce (Getz, 2010), and there have been calls for research to direct attention to this field (Carlsson-Wall et al., 2016; Jeacle, 2009). Still, some studies elucidate control issues in festivals. In a case study of a large Norwegian festival, Knardal and Pettersen (2015) found that the budget was an integrated and much used control tool. The budget was designed and used so that it fitted the specific characteristics of the festival. For example, it was divided into an operating and a festival budget where the festival budget was particularly used in accord with the long planning period and pulsating rhythm of the festival (Carlsson-Wall et al., 2016). The budget was therefore perceived as creating stability in changing conditions and as a tool for balancing creativity and control.

Bergamin Barbato and Mio (2007) provide valuable insight into management control issues in festivals by describing the development of the control system in the Venice Biennale as the festival went from being structurally and functionally bound to the Municipality of Venice to becoming a self-governing body. The biennale became more complex over the years in terms of the number of events, and it included more multidisciplinary events and events co-produced with other cultural institutions. Additionally, as the resources decreased the biennale was still expected to offer the same number of events and also to aim at reaching the same artistic standards. This development required more and new information on financial accounting, but also an increased focus on management control. Thus the biennale introduced cost centers with the aim of drawing up budgets for events, not just at an overhead level. This was a complex process but it gave the organization the opportunity to analyze...
costs at the event level and to pass responsibility for the management and costs of given events and activities to individual managers. In keeping with the assertions of Hambrick and Mason (1984), the Venice Biennale increased its administrative complexity. With this background in mind, the following subsections will discuss the control tools emphasized in this study.

Budgets

Budgets have traditionally been taken for granted as a central part of management control systems (Hansen & Van der Stede, 2004; Hope & Fraser, 2003; Libby & Lindsay, 2010) and although there have been numerous control tools that have been suggested to replace or minimize the emphasis on budgets, budgets are still widely used and the satisfaction with budgets is high (Ekholm & Wallin, 2000; Libby & Lindsay, 2010).

There have been many approaches aimed at generating an understanding of the multiple purposes of budgeting. Hansen and Van der Stede (2004) suggest a list of purposes based on practitioners’ understandings of the different budget purposes. This list includes operational planning, performance evaluation, communication of goals, and strategy formation as primary purposes of budgeting, but also adds allocation of resources and authorization of spending as supplementary purposes. Ekholm and Wallin (2000) add to this understanding by examining the importance of using the budget for the purposes of planning, control and evaluation, the implementation of strategies, empowerment, and for motivating employees. They found that control and evaluation (the standard use of budgets) is an important use of the budget, but that it is also used for other purposes.

Budget critique

Although budgets are integrated into the control systems of most organizations, they have been subjected to substantial criticism. One of the prominent critiques has been the adverse effects of infrequent updates of the budget as traditional budgeting processes are based on annual updates (Ekholm & Wallin, 2000; Hope & Fraser, 2003). However, other critical issues, such as the time spent on budgeting processes and the accentuation of short termism, have been raised in the debate (Hope & Fraser, 2003; Neely et al., 2003).

A number of studies have aimed at synthesizing the criticisms against the budget. This study, however, draws on three central elements of the critique as highlighted by Libby and Lindsay (2010). First, the budget is criticized for being too time-consuming. Proponents of the budgeting critique have claimed that budgeting takes between 20% and 40% of the manager’s time (Hope & Fraser, 2003; Neely et al., 2003; Umphy, 1987, cited in Libby and Lindsay, 2010), and, therefore, that the usefulness of the budget cannot exceed the costs related to it. However, Libby and Lindsay found that the average
manager spent only around six to eight percent of his or her time on budgeting. Second, the budget has been criticized for lacking flexibility, that is, being able to react to changes quickly enough to be relevant in a changing environment. This critique has often been related to considering the budgeting process as an annual ritual (Wallander, 1999). Libby and Lindsay (2010) partly support this criticism as their findings indicate that budgets are only somewhat effective under conditions of change, but they also find that moderate reliance is placed on the budget for adaptations to market changes. Third, Libby and Lindsay suggest that a central criticism is the disconnection between budgets and strategy. For example, Hansen et al. (2003) claim that budgeting is a mechanical process, proposing vertical authority structures and centralized decision-making. In addition, Hansen et al. (2003) note that since budgets are focused on an annual performance cycle, this is incompatible with long-term strategic management. However, Libby and Lindsay (2010) suggest that the budgeting process may promote strategically focused behavior as they found that budgets are recognized as being an important mechanism for doing so. In summary, the relevance of budgets is still subject to debate, but little empirical evidence has been found to support the majority of criticisms raised, and the budget is still much used and perceived to be value adding.

Performance measurement

It is widely recognized that performance measures are tools for increasing the effectiveness and efficiency of organizations as the level of performance can be reported and compared to a desired and pre-set level of performance. A central foundation of performance measurement relies on quantifiable measures, and Melnyk et al. (2014: 175) define a performance measure as "the instrument used to quantify the efficiency and/or the effectiveness of action". Accordingly, the process of measuring performance includes setting objectives and targets (developing a metric set) and collecting, analyzing, and interpreting performance data and communicating the achievements to stakeholders (Melnyk et al., 2014; Micheli & Mari, 2014).

Over recent decades there has been an increased focus and belief that performance measurement systems have a positive effect on an organization’s performance (Spekle & Verbeeten, 2014). However, Ittner and Larcker (1998) suggest that for performance measures to have a purpose they should reflect a cause and effect relationship between operational behavior and strategic outcome and should clarify the effects of the managers' choices. Additionally, Micheli and Mari (2014: 148) claim that research has shown that if they are appropriately designed and used, performance measures are beneficial for: (1) the formulation, implementation, and review of organizational strategy, (2) the communication of the achieved results to stakeholders and the strengthening of the brand and reputation, and (3) the
motivation of employees at all levels, the creation of a performance improvement culture, and the fostering of organizational learning.

There has also been extensive critique of performance measures over recent decades, not least following the relevance lost-debate throughout the 1990s (Johnson & Kaplan, 1987). The negative effects of performance measurement that have been highlighted are, for example, gaming as of the agent’s superior knowledge in an organizational sphere developing more and more into professionalism (De Bruijn, 2002). Other negative effects that have been emphasized are expansions of the internal bureaucracy, blocking of innovations, and blocking of ambitions. Melnyk et al. (2014) note that it is crucial for the success of a performance measurement (and management) system that it fits the strategy, culture, and external environment of the organization, and that a lack of such fit may lead to a disparity between what is being measured and what is actually important for the organization. (Malina & Selto, 2001) also claim that a performance measurement system may cause significant negative tension and conflict when measures are inaccurate or subjective, when communication about the measures is one way, and when the measures are inappropriate but used for evaluation.

In an extension of the debate on the general prevalence of performance measures in an increasing number of organizations within all fields in society, performance measurement in the arts has also been subject to debate and criticism. Increased efficiency in the performing arts sector was already being problematized in the 1960s when it was argued that it is difficult to detect efficiency and productivity gains (Baumol & Bowen, 1966). Chiaravalloti and Piber (2011) claim that a central challenge in measuring arts organizations is the contextual complexity of artistic activities. Attempts to measure performance have underestimated the richness and diversity of the arts. Consequently, the awareness has been low to the undesired negative effects that performance measurement might trigger, and the effort to link measures to the actual mission of arts organizations has been controversial (Chiaravalloti & Piber, 2011; Turbide & Laurin, 2009).

Financial accounting reports

For many years, financial accounting reports have been prominent in the control of companies and organizations. Financial accounting reports increased in importance throughout the twentieth century as there was a growing need for mechanisms with which professional managers would stand accountable to providers of capital (Nilsson & Stockenstrand, 2015). However, the use of financial accounting reports in management control has been discussed. Whereas financial accounting is designed from principles of uniformity with external standards to evaluate the company’s value creation, management accounting tools are internally designed and used for strategic, tactical, and
operational decision-making and are, to a much larger degree, unique to its actual context (Nilsson & Stockenstrand, 2015).

Research method

The dataset for this study includes data from 40 of the largest Norwegian festivals, which are defined as festivals with over MNOK 5 in total revenues. The festivals in the dataset were generated from several online sources; in particular, membership lists from the two largest interest organizations for festivals (Norway Festivals and Norwegian Live Music Association). The search of festivals resulted in the identification of 53 festivals with more than MNOK 5 in total revenues. Four festivals withdrew from the study and one was bankrupt and excluded from the dataset. E-mails were sent with a short explanation of the study and a question asking them to confirm if they were interested in participating. Festivals that did not respond to the e-mail and the reminder e-mail were contacted by telephone. Data was collected during spring and autumn 2015.

Data was collected through an online survey and to increase the construct validity the survey was pre-tested on a person from one of the large festivals and on academic colleagues (Van der Stede et al., 2005). The survey was sent to 74 individual respondents representing 48 festivals, and 61 respondents from 40 festivals returned the survey: a response rate of 82%. Diamond (2000: 239) suggests that a response rate between 75% and 90% normally yields reliable results, and the current study is within these limits.

The targeted respondents for the study were festival managers with the highest rank as they have the greatest knowledge and are likely to have an influence on both the design and the use of the management control systems. The method of selecting the sample therefore provided a non-probability sample (or convenience sample) (Van der Stede et al., 2005). A non-probability sample is less preferable than a probability sample, and conclusions from the sample can only be viewed as indicative. However, in the current case, a non-probability sample was the only choice since the population is very small and, in addition to obtaining a high response rate, the focus was on increasing the strength of the findings, and thus targeting respondents that could potentially increase the chances of examining the hypotheses with enough strength. The survey population included 34 CEOs or Directors, 12 CFOs, 5 informants from other subordinate administrative positions, 8 respondents that held production or artistic positions, and 2 chairpersons. Given the high response rate, the study sample was considered to be representative of the population.

Financial data was collected from the Brønnøysund Register Centre, and builds on reports from 2012–2014. The descriptive data for the sample are shown in Table 1.
Table 1. Descriptive Statistics for the Sample

<table>
<thead>
<tr>
<th>Festival characteristics - n = 40</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues (MNOK)</td>
<td>5.4</td>
<td>59</td>
<td>14.1</td>
<td>10.2</td>
<td>11.9</td>
</tr>
<tr>
<td>Net Profit Margin (NPM)</td>
<td>-13.6</td>
<td>18.2</td>
<td>1.7%</td>
<td>1.2%</td>
<td>5.4</td>
</tr>
<tr>
<td>Public support</td>
<td>0%</td>
<td>91.7</td>
<td>31.5</td>
<td>20.5%</td>
<td>29.6</td>
</tr>
<tr>
<td>Year of establishment</td>
<td>1953</td>
<td>2014</td>
<td>1992</td>
<td>1993</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Measurement of variables

Dependent variables

Four sets of dependent variables were applied in this study. The first set regards the use of the budget for different purposes. The second set was developed to investigate some of the central budget critiques. The third set concerns the use of accounting reports and performance measures, and the fourth set includes one dependent variable pertaining to perceived level of control.

The first set, use of budgets for different purposes, was measured using seven items on a Likert scale, ranging from 1 (not at all) to 5 (to a very large extent). The seven items were based on the following dimensions of budget use (Ekhollm and Wallin, 2000; Hansen and Van der Stede, 2004): planning, coordination, resource allocation, target setting, variance analysis, performance evaluation, and reward. A factor analysis was conducted to investigate whether the observed variables were related.

Table 2. Results from Principal Component Analysis (Varimax Rotation)

<table>
<thead>
<tr>
<th>Purposes of budgets:</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>0.800</td>
<td>-0.007</td>
</tr>
<tr>
<td>Coordination</td>
<td>0.846</td>
<td>0.117</td>
</tr>
<tr>
<td>Resource allocation</td>
<td>0.832</td>
<td>0.295</td>
</tr>
<tr>
<td>Target setting</td>
<td>0.524</td>
<td>0.511</td>
</tr>
<tr>
<td>Variance analysis</td>
<td>0.387</td>
<td>0.366</td>
</tr>
<tr>
<td>Performance evaluation</td>
<td>0.204</td>
<td>0.848</td>
</tr>
<tr>
<td>Reward</td>
<td>-0.014</td>
<td>0.909</td>
</tr>
</tbody>
</table>

The factor analysis resulted in the creation of two composite factors. The first factor includes the items planning, coordination, and resource allocation and was labeled PCRA. The items included in this factor reflect an ex ante use of the budget. The second factor includes the items performance evaluation, and reward and represent an ex post use of the budget. This factor was labeled PER. In addition, target setting (TS) and variance analysis (VA) were applied as individual measures. Target setting represents the use of budgets for setting targets for individuals and units, and variance analysis
is related to the control and monitoring of actual vs. budgeted performance both during the planning of the festival and once the festival has ended. Cronbach’s Alpha for the variable PCRA was 0.808 and for PER it was 0.801. This implies that the internal consistency of the composite measures is good. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy showed a value of 0.740, indicating that the factor analysis was appropriate.

The second set of dependent variables is related to the criticism of budgets. Three dependent variables were used with regards to the link between budgets and strategy (STRAT) and the time consumption (TIME) and dynamics (FAST) of budgets. Each of the variables was measured using one item on a Likert scale that ranged from 1 (totally disagree) to 5 (totally agree).

The third set of dependent variables considers the use of accounting reports and performance measures and was measured according to how systematic the respondents perceived the use of these control tools. The respondents were asked how often accounting reports and performance measured were used. The response options were: (1) rarely (perhaps only once a year), (2) sporadically (sometimes in meetings), and (3) systematically (a recurring issue). A dummy variable was constructed, categorizing rare and sporadic use as “non-systematic” and systematic use as “systematic”.

The fourth set of dependent variables contained one variable: perceived level of control. This was measured by applying one question that asked whether the respondents agreed that they perceived the festival to have achieved the desired economic results. This item was measured on a five-point Likert scale ranging from 1 (totally disagree) to 5 (totally agree).

Independent variables

The independent variables in the study are business/adm-education, artistic background, private sector background, and age. The first independent variable, business/adm-education was measured using an open question in the survey where the respondents were asked to fill in their educational background. Both the authors later systematized these responses into a dummy variable where 0 referred to “no business/adm” and 1 was “business adm”.

Artistic background and private sector background were measured as an open question using the same question in the questionnaire. The respondents filled in their professional background and this background was later categorized into the two dummy variables. Age was measured as a continuous variable by an open question in the questionnaire. The descriptive data for the sample are shown in table 3.
Table 3. Descriptive statistics of independent variables

<table>
<thead>
<tr>
<th>Respondent characteristics (n = 61)</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (years)</td>
<td>25</td>
<td>62</td>
<td>45</td>
<td>43</td>
<td>9.5</td>
</tr>
<tr>
<td>Business/adm- education (n, %)</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>22 (36.1)</td>
<td>39 (63.9)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work experience - private/public (n, %)</td>
<td>Private</td>
<td>Public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>37 (60.7)</td>
<td>24 (39.3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work experience - art/not art (n, %)</td>
<td>Art</td>
<td>Not art</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7 (11.5)</td>
<td>54 (88.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Control variables

The control variables in the study are size, profit margin, and public support ratio. The control variables were based on financial account data from 2012–2014. Size was measured as the average total revenues from 2012–2014. Profit margin was measured as operating profit/total revenues, and public support ratio as public support/total revenues. Both profit margin and public support ratio were based on the average of the years 2012–2014.

Findings

The next section presents and discusses the empirical finding using the following structure. First, the status of the budget is presented before discussing the use and usefulness of the budget for different purposes. The next section investigates the influence of the manager’s characteristics on the use of budgets for different purposes. The analysis of the level of critique of the manager’s characteristics is then presented prior to an examination of the use of accounting reports and performance measures. The final section draws attention to the analysis of the perceived level of control with regard to the managers’ characteristics.

Status of the budget

Ekholm and Wallin (2000), Libby and Lindsay (2010) and other show that the budget holds a strong position in organizations. Despite its criticism, most organizations apply budgets as a central element in their management control, and the overall satisfaction with budgets is good. Our study supports this as we find that all the festivals use budgets. The following table reports the perceived usefulness of budgets in the studied festivals.
The mean response of 4.62 indicates that the usefulness of budgets is perceived to be very high in festivals, and the findings confirm those of Ekholm and Wallin (2000) and Libby and Lindsay (2010). The respondents were also asked whether the budget was used systematically; 68.9% responded that the budget was used systematically (as a recurring issue) and 26.2% that it was used sporadically (sometimes in meetings).

The overall picture, therefore, is that budgets are used and are found to be very useful. However, as Hansen and Van der Stede (2004) emphasize, budgets may have a number of different purposes and an investigation of how budgets are used for different purposes may increase the understanding of the administrative complexity of festivals. Against this background the following table shows the use and usefulness of the budget for different purposes.

Table 5. Use and Usefulness of Budgets for Different Purposes

<table>
<thead>
<tr>
<th>N = 61</th>
<th>Use</th>
<th>Usefulness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mean</td>
<td>median</td>
</tr>
<tr>
<td>Planning</td>
<td>4.51</td>
<td>5.00</td>
</tr>
<tr>
<td>Coordination</td>
<td>3.79</td>
<td>4.00</td>
</tr>
<tr>
<td>Resource allocation</td>
<td>4.26</td>
<td>4.00</td>
</tr>
<tr>
<td>Target setting</td>
<td>3.23</td>
<td>3.00</td>
</tr>
<tr>
<td>Variance analysis</td>
<td>4.34</td>
<td>4.00</td>
</tr>
<tr>
<td>Performance evaluation</td>
<td>2.38</td>
<td>2.00</td>
</tr>
<tr>
<td>Reward</td>
<td>1.70</td>
<td>1.00</td>
</tr>
</tbody>
</table>

The findings indicate that budgets are mostly used, and are found to be most useful prior to the festivals, for planning, resource allocation, coordination, and target setting. Budgets are also used ex post to analyze variance between budgets and actuals, but less for performance evaluation and reward. These findings elucidate one of the important characteristics of festivals, the long planning period and the short execution phase of festivals, described by Carlsson-Wall et al. (2016) as a pulsating organization. As for the short and intense period of the festival, it is of crucial importance to be well planned, and the findings suggest that the budget is a tool for providing the necessary a priori stability.

The use of budgets ex post of the festivals, for performance evaluation and reward, is less common. Hansen and Van der Stede (2004) claim that there has been a large focus on the performance
evaluation purpose of budgeting, and they found that budgets are important for this purpose. The findings of Hansen and Van der Stede (2004) are supported by Bjørnønak and Olsen (2016) whose findings suggest that budgets were frequently used for performance evaluation in both higher education, health organizations, and banks. Thus, our findings show that festivals seem to be different from most other organizations in this dimension.

Rather, the current findings support those of Knardal and Pettersen (2015) and Carlsson-Wall et al. (2016). Knardal and Pettersen (2015) found that the budget was a very important tool in stabilizing the festivals’ economy during the planning period and was less used for performance evaluation. However, it was to some extent used for evaluation, but this was for learning purposes and not for reward. The findings also support Carlsson-Wall et al. (2016) who found that budgeting was central as a planning device in Swedish sports events (pulsating organizations).

The influence of Managers’ characteristics on the use of budgets for different purposes

Building on the overall picture of the use of budgets for different purposes, the following table provides the descriptive statistics for the dependent variables in the regression analyses.

Table 6. Descriptive Statistics – Dependent Variables Budget Use

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCRA</td>
<td>4.19</td>
<td>4.33</td>
<td>0.703</td>
</tr>
<tr>
<td>PER</td>
<td>2.04</td>
<td>2.00</td>
<td>0.954</td>
</tr>
<tr>
<td>TS</td>
<td>3.23</td>
<td>3.00</td>
<td>1.039</td>
</tr>
<tr>
<td>VA</td>
<td>4.34</td>
<td>4.00</td>
<td>0.728</td>
</tr>
</tbody>
</table>

Table 7 following shows the results of the regression analyses of the influence of the characteristics variable on the use of budgets for different purposes.
Table 7. Regression Analyses of the Factors Explaining the Use of Budgets for Different Purposes

<table>
<thead>
<tr>
<th></th>
<th>PCRA</th>
<th>PER</th>
<th>TS</th>
<th>VA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$R^2 = 0.349$</td>
<td>$R^2 = 0.084$</td>
<td>$R^2 = 0.238$</td>
<td>$R^2 = 0.137$</td>
</tr>
<tr>
<td>OLS regression, $N = 61$</td>
<td>Adj.$R^2 = 0.263$</td>
<td>Adj.$R^2 = 0.077$</td>
<td>Adj.$R^2 = 0.037$</td>
<td>Adj.$R^2 = 0.137$</td>
</tr>
<tr>
<td>Business/adm- education</td>
<td>$B$ (sign.)</td>
<td>0.316 (***)</td>
<td>0.197</td>
<td>0.288 (***)</td>
</tr>
<tr>
<td>Artistic background</td>
<td>$B$ (sign.)</td>
<td>0.132</td>
<td>0.057</td>
<td>0.08</td>
</tr>
<tr>
<td>Private sector background</td>
<td>$B$ (sign.)</td>
<td>-0.131</td>
<td>-0.096</td>
<td>-0.079</td>
</tr>
<tr>
<td>Age</td>
<td>$B$ (sign.)</td>
<td>0.108</td>
<td>-0.021</td>
<td>-0.013</td>
</tr>
<tr>
<td>Size MNOK</td>
<td>$B$ (sign.)</td>
<td>0.199 (*)</td>
<td>-0.083</td>
<td>0.008</td>
</tr>
<tr>
<td>Profit margin</td>
<td>$B$ (sign.)</td>
<td>-0.410 (****)</td>
<td>-0.094</td>
<td>-0.115</td>
</tr>
<tr>
<td>Public support ratio</td>
<td>$B$ (sign.)</td>
<td>0.049</td>
<td>-0.098</td>
<td>0.026</td>
</tr>
</tbody>
</table>

(*) = Significant at the 0.1 level (two tailed)
(**) = Significant at the 0.05 level (two tailed)
(****) = Significant at the 0.01 level (two tailed)

The findings suggest that a business administrative education is positively associated with the use of budgets for planning, coordination, and resource allocation (PCRA), for target setting (TS), and for variance analysis (VA). The findings did not suggest a positive relationship between a business administrative background and the use of budgets for performance evaluation and reward. There was no significant association between age and the use of budgets for any of the budget purposes. As the upper echelons theory assumes that managers’ cognitive base and values are influenced by educational background, they should therefore have an impact on the use of control systems (Hambrick & Mason, 1984). Against this background it is not surprising to find that a business administrative background increases the administrative complexity in the studied festivals.

The analysis of the effect of the control variables shows that size is significantly positively associated with the use of budgets for planning purposes. The findings also suggest that profit margins are negatively correlated with the use of budgets for planning. This could be explained by an increased need for tighter control when margins are low.

Budget critique

The following table shows the descriptive statistics of some of the recent criticism of budgets.

Table 8. Descriptive Statistics on Budget Critique

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAST</td>
<td>3.82</td>
<td>4.00</td>
<td>0.975</td>
</tr>
<tr>
<td>TIME</td>
<td>2.46</td>
<td>2.00</td>
<td>1.042</td>
</tr>
<tr>
<td>STRAT</td>
<td>2.02</td>
<td>2.00</td>
<td>0.991</td>
</tr>
</tbody>
</table>
Table 8 indicates that the general critique of the budget is rather low. The response on FAST suggests that there is agreement that the festivals have good processes for fast allocation of resources to projects that move beyond the original budget, that is, there are relatively good processes to quickly adjust the budgets (FAST). This finding contrasts with the findings of Libby and Lindsay (2010) who found that budgets were only somewhat effective under conditions of change. However, the finding support those of Knardal and Pettersen (2015) as they found that the St. Olav Festival used the budget interactively and had good processes for continually making changes in response to new information and projects.

The questions regarding TIME and STRAT were asked in a negative direction, implying that 5 indicates that the respondents agree that too much time is spent on budgeting and that the budget is only slightly related to strategy. The mean response of 2.46 (median = 2) on TIME, hence implies that the respondents lean towards the view that the festivals do not use too much time on budgeting. The findings also suggest that the budget is related to strategy (STRAT). The findings may therefore support Libby and Lindsay (2010), as they indicated that less time was spent on budgeting (6–8%) than that suggested by the budget critiques (20–40%). Libby and Lindsay (2010) also found that the budget was recognized as a rather effective method for implementing strategy.

The following table shows the results of the analysis of the relationship between the critical issues of budgets and managers’ characteristics.

Table 9. Regression Analyses of the Factors Explaining Budgeting Criticism

<table>
<thead>
<tr>
<th></th>
<th>FAST</th>
<th>TIME</th>
<th>STRAT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>N = 61</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>0.162</td>
<td>0.052</td>
<td>0.142</td>
</tr>
<tr>
<td>Adj. R2</td>
<td>0.051</td>
<td>-0.073</td>
<td>-0.028</td>
</tr>
<tr>
<td>Business/adm-education</td>
<td>B (sign.)</td>
<td>-0.05</td>
<td>-0.302</td>
</tr>
<tr>
<td>Artistic background</td>
<td>B (sign.)</td>
<td>0.034</td>
<td>0.043</td>
</tr>
<tr>
<td>Private sector background</td>
<td>B (sign.)</td>
<td>0.172</td>
<td>0.049</td>
</tr>
<tr>
<td>Age</td>
<td>B (sign.)</td>
<td>0.05</td>
<td>0.03</td>
</tr>
<tr>
<td>Size MNOK</td>
<td>B (sign.)</td>
<td>0.214</td>
<td>0.074</td>
</tr>
<tr>
<td>Profit margin</td>
<td>B (sign.)</td>
<td>-0.069</td>
<td>0.04</td>
</tr>
<tr>
<td>Public support ratio</td>
<td>B (sign.)</td>
<td>-0.108</td>
<td>-0.215</td>
</tr>
</tbody>
</table>

(* ) – Significant at the 0.1 level (two tailed)
( ** ) – Significant at the 0.05 level (two tailed)
( *** ) – Significant at the 0.01 level (two tailed)

The results shown in Table 9 indicate that managers with a business administrative education agree that there are good processes for allocating resources to interesting projects and, hence, make rapid changes to the budget (FAST). The findings also suggest that managers with a business administrative
education disagree that the budget has a low connection to strategy. These findings therefore imply that the critique of budgets is lower amongst managers with a business administrative education.

Some of the literature has indicated that a business education background is associated with a higher use of sophisticated management tools, that is, higher administrative complexity (Burkert & Lueg, 2013; Naranjo-Gil et al., 2009), and, hence, also a lower level of criticism of these tools. The current findings support this literature. As for the control variables, no significant associations were identified. However, the findings suggest a direction towards a positive association between size and FAST (p-value = 0.112). This implies that the largest festivals had the best processes of allocating resources on a short-term basis.

**Use of accounting reports and performance measures**

The following table shows the descriptive statistics of the use of accounting reports (AR) and performance measures.

<table>
<thead>
<tr>
<th></th>
<th>Accounting reports</th>
<th>Performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Use</td>
<td>52</td>
<td>38</td>
</tr>
<tr>
<td>Percent use</td>
<td>85.2 %</td>
<td>62.3 %</td>
</tr>
<tr>
<td>Systematic use (n = 61)</td>
<td>52</td>
<td>29</td>
</tr>
<tr>
<td>Percent systematic use (n = 61)</td>
<td>85.2 %</td>
<td>47.5 %</td>
</tr>
</tbody>
</table>

Table 10 shows that in addition to the budget, accounting reports are most frequently used as a control tool. The respondents who use accounting reports also report that these are used systematically. 62.3% of the respondents answered that they use performance measures for control. Most performance measures are directed towards the market, mostly in terms of audience studies. There are few reports of particular financial performance measures in the festivals.

Binary logistic regression analyses were used to investigate the association between background characteristics and systematic use of accounting reports and performance measures. The results of the analyses are shown in Table 11.
Table 11. Regression Analysis of the Factors Explaining Use of Accounting Reports (AR) and Performance Measures (PM)

<table>
<thead>
<tr>
<th>Factor</th>
<th>AR</th>
<th>PM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business adm. - education B (sign.)</td>
<td>0.506</td>
<td>0.193</td>
</tr>
<tr>
<td>Artistic background B (sign.)</td>
<td>1.538</td>
<td>0.704</td>
</tr>
<tr>
<td>Private sector background B (sign.)</td>
<td>0.073</td>
<td>-0.697</td>
</tr>
<tr>
<td>Age B (sign.)</td>
<td>0.088 (**)</td>
<td>0.117 (**)</td>
</tr>
<tr>
<td>Size MNO (K)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Profit margin B (sign.)</td>
<td>-0.026</td>
<td>-0.064</td>
</tr>
<tr>
<td>Public support ratio B (sign.)</td>
<td>-0.002</td>
<td>-0.018</td>
</tr>
</tbody>
</table>

[*] – Significant at the 0.1 level (two tailed)
[**] – Significant at the 0.05 level (two tailed)
[***] – Significant at the 0.01 level (two tailed)

Table 11 shows that AGE is the only significant variable found in these analyses. This implies that older managers use accounting reports and performance measures to a larger extent than younger managers.

Age is one of the observable characteristics that has been central as an explanatory variable for managerial choices in the upper echelon theory. Hambrick and Mason (1984) claim that age is positively associated with a conservative stance and they point to three explicit reasons for this: (1) older managers appear to seek more information and to evaluate information more accurately, (2) older managers have a greater psychological commitment to the organizational status quo, and (3) older managers are more concerned with private financial and career stability. The positive association between age and focus on financial measurements and reports and performance measures is also emphasized by Hiebl (2014), and the findings confirm this literature.

**Perceived economic control**

The descriptive data on perceived economic control show that the respondents perceive the control to be relatively high, with a mean of 3.74 on a five-point Likert scale (SD = 1.237). The following table shows the results from the regression analysis of the association between perceived economic control and managers’ characteristics.
Table 12. Regression Analysis of the Factors Explaining Perceived Economic Control

<table>
<thead>
<tr>
<th></th>
<th>Perceived control</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R2 = 0.390</td>
</tr>
<tr>
<td></td>
<td>Adj. R2 = 0.310</td>
</tr>
<tr>
<td>N = 61</td>
<td></td>
</tr>
<tr>
<td>Business/adm-education</td>
<td>B (sign.) 0.258 (**)</td>
</tr>
<tr>
<td>Artistic background</td>
<td>B (sign.) 0.271 (*** )</td>
</tr>
<tr>
<td>Private sector background</td>
<td>B (sign.) -0.01</td>
</tr>
<tr>
<td>Age</td>
<td>B (sign.) -0.079</td>
</tr>
<tr>
<td>Size M NOK</td>
<td>B (sign.) -0.165</td>
</tr>
<tr>
<td>Profit margin</td>
<td>B (sign.) 0.480 (*** )</td>
</tr>
<tr>
<td>Public support ratio</td>
<td>B (sign.) 0.271 (**)</td>
</tr>
</tbody>
</table>

(*) – Significant at the 0.1 level (two tailed)
(****) – Significant at the 0.05 level (two tailed)
(*****) – Significant at the 0.01 level (two tailed)

The analysis shows that managers with a business education are significantly positively associated with perceived economic control. This is perhaps not surprising as managers with a business administrative education are positively associated with the use of budgets for most purposes and are less critical of budgets. It may, however, appear more surprising that managers with artistic work experience are positively associated with perceived economic control. These findings must be interpreted in relation to the control variables as they indicate positive associations between perceived control and profit margin and public support ratio. This implies that there may be a relationship between the festivals with managers with business administrative education and/or artistic work experience and high profit margin and public support ratio.

Concluding remarks

The paper has investigated the use of management controls in Norwegian festivals. The point of departure was that the use is not imposed on the festivals by external actors (Malini & Brown, 2008), but that the managers have the opportunity to influence how control tools are used as a result of their cognitive base and values. As Figure 1 illustrates, and following the contingency literature (Chenhall, 2003), is the cognitive base and values, and, hence the use of tools affected by situational contingencies such as size, profitability and different kinds of environmental uncertainty. However, the focus in this study was not to investigate the influence of external contingencies, but to apply the upper echelon theory to investigate the effect of the managers’ observable background characteristics, such as educational background, work background and age, on the use of budgets and other control tools.
The findings suggest that educational background, measured with respect to a business educational background, was positively associated with the use of budgets for most purposes. The findings also suggest that the level of criticism of budgets was lower amongst managers with a business educational background. As for the use of the other control tools investigated, the findings indicate that age explains the higher use of financial accounting reports and performance measures. Hambrick and Mason (1984) claim that this is expected since age is positively associated with a more conservative stance. The study did not, however, find a significant relationship between a business education and accounting reports and performance measures. The study was also unable to establish a significant association between work experience and the use of control tools, nor the critique of the budget. Furthermore, the study was unable to identify a significant relationship between age and the use and critique of budgets.

The current study increases the understanding of the use of management control tools in festivals, a relatively neglected field of interest within the accounting literature. This study also contributes to the understanding of the relationships between managers’ characteristics and management control systems in festivals.
References


Appendix

Questionnaire

1) Educational background
2) Age
3) Other work experience
4) Do you use budgets
   Yes
   No
5) Enter the degree to which budgets are used for the following activities:
   Not at all – to a very limited degree – to a small degree – to a large extent – to a very large extent (1-5)
   Planning (create a comprehensive plan for the festival)
   Coordination (coordination of the various processes within the festival - assigning responsibility)
   Resource allocation (prioritization of program posts and other priorities)
   Communication of goals (setting goals for individuals and units / departments within the festival)
   Variance analysis (during the budget period and / or after the budget period (after the end of the festival))
   Performance evaluation (employee performance is measured by how well they have met certain budget targets)
   Reward (employees are rewarded on the basis of budget targets)
6) Enter the degree to which the budget is useful for the following activities:
   Not at all – to a very limited degree – to a small degree – to a large extent – to a very large extent (1-5)
   Planning (create a comprehensive plan for the festival)
   Coordination (coordination of the various processes within the festival - assigning responsibility)
Resource allocation (prioritization of program posts and other priorities)

Communication of goals (setting goals for individuals and units / departments within the festival)

Variance analysis (during the budget period and / or after the budget period (after the end of the festival)

Performance evaluation (employee performance is measured by how well they have met certain budget targets)

Reward (employees are rewarded on the basis of budget targets)

7) How much do you agree with the following statements?

Disagree - Agree - Neither agree nor disagree - Agree - Strongly agree (1-5)

There are good processes to quickly grant resources to interesting projects (which goes beyond the original budget)

Too much time is used on budget-related activities (such as budget development, revision of budgets, reporting, variance analysis, budget tracking and others)

Budget is only marginally related to the festival’s strategy

8) Enter the degree to which the budget is useful for the festival:

Not at all – to a very limited degree – to a small degree – to a large extent – to a very large extent (1-5)

9) Does the festival use financial accounting reports in the management of the festival?

Yes

No

10) How are the financial accounting reports used to support decision-making in the festival?

Not at all

Sporadically (no systematic use)

Systematically

11) Does the festival use performance measures in the management of the festival?

Yes

No
12) How often does the festival use performance measures?
   
   Very rare (perhaps only once a year)
   
   Sporadically (sometimes in meetings)
   
   Systematically (recurring)

13) The festival achieved the desired financial results

   Disagree - Agree - Neither agree nor disagree - Agree - Strongly agree (1-5)