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# Performing Arts Organizations as Hybrid Organizations: Tensions and Responses to Competing Logics

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## *Abstracts*

Performing arts organizations (PAOs) need to manage their artistic ambitions in the face of public sector reforms that promote cultural entrepreneurship, the commercializing, and marketization of art. This study uses an institutional logics lens to examine the tensions PAOs experience resulting from this need and their responses to and management of the complexities in their environment. This study draws on a qualitative analysis of nine PAOs in the Netherlands and finds that the main tensions experienced by PAOs stem mainly from stakeholder plurality and the identity of the individual organization. PAOs primarily employ the coping strategies of acquiescence, avoidance, and compromise, which they prioritize over stronger forms of resistance such as defiance and manipulation, and maintain separate logics of operation rather than working towards their synthesis. This leads to a dynamic process model which identifies both a vicious and a virtuous approach to managing tensions.

Organisationen der darstellenden Künste (PAOs) müssen ihre künstlerischen Ambitionen angesichts von Reformen des öffentlichen Sektors, die auf kulturelles Unternehmertum, Kommerzialisierung und Vermarktung von Kunst hinauslaufen, adaptieren. Diese Studie betrachtet aus der Perspektive institutioneller Logik Spannungen sowie Reaktionen auf diese veränderten Umfeldanforderungen. Die Studie stützt sich auf eine qualitative Analyse von neun PAOs in den Niederlanden und kommt zu dem Ergebnis, dass die wichtigsten Spannungen, denen PAOs ausgesetzt sind, hauptsächlich aus der Pluralität der Stakeholder und der Identität der einzelnen Organisation resultieren. PAOs verwenden in erster Linie Bewältigungsstrategien der Duldung, Vermeidung und des Kompromisses, die sie gegenüber stärkeren Formen des Widerstands wie eigensinniges Beharren und Manipulation bevorzugen und getrennte Handlungslogiken aufrechterhalten, anstatt auf deren Synthese hinzuarbeiten. Dies führt zu einem dynamischen Prozessmodell, in dem man sowohl einen ‚böartigen‘ als auch einen ‚tugendhaften‘ Ansatz zum Umgang mit Spannungen identifizieren kann.

## *Keywords / Schlagworte*

Arts organizations / cultural organizations/ Kulturbetrieb, Arts administration / Kulturverwaltung, arts management; Management / Management, Organization / Organisation, Theatre / Theater

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## 1. Introduction

Not-for-profit performing arts organizations (PAOs) operate in an environment that has changed significantly in the last 20 years (FÖHL/WOLFRAM/PEPER 2016). In particular, in Western European countries public sector reforms have led to reduced public funding for the arts (LINDQVIST 2012; MARCO-SERRANO 2006). In 2014, such reforms included a substantial 22% decrease of national public funding in the performing arts sector as well as a categorical closing of ‘production houses’ which form a first step for young theatre makers after graduation to produce artistic work. Also, the reforms put more emphasis on income generation and announced deprivation of public funding in case a PAO would not be able to attract enough audience. Examples include the Nordic countries (LINDQVIST 2012), the United Kingdom (ZAN 2000), and Italy (BISES/PADOVANO 2004). As a consequence, PAOs need to increase other sources of income by deploying ‘cultural entrepreneurship,’ understood as engaging in entrepreneurial activities such as combining resources, mobilizing networks, building legitimacy, and introducing novelty in the cultural sector (BERGAMINI et al. 2018: 319), thereby blending cultural/artistic elements with market thinking. The effects of the Covid-19 pandemic have added another layer of (financial) complexity to the sector as income generation has become problematic if not impossible during lockdowns. PAOs are required to manage competing and potentially contradictory demands as they juggle their aim of offering art while sociopolitical demands are changing, and entrepreneurial thinking and greater effectiveness and efficiency is increasingly required.

Some of the extant research on PAOs addresses tensions arising from the complex environment in which PAOs operate. For instance, Amans, Mazars-Chapelon and Villesèque-Dubus (2015) examine how budgeting is affected by the institutional complexity that PAOs face. Barkela (2019) looks at the importance of strategic communication in managing conflicting organizational areas, and Bergamini et al. (2018) study the tensions related to entrepreneurship on the supply side of the performing arts sector in the Netherlands and Belgium. Lindqvist (2017) employs an institutional logics perspective and suggests that artistic ventures are hybrid organizations, i.e., organizations that combine multiple organizational forms or institutional logics (BATTILANA/DORADO 2010: 1419; BATTILANA/LEE 2014: 398), whose success

depends on their ability to balance an art (art for art's sake) logic, a managerial (market) logic, and a political (public policy) logic. Lindqvist insightfully discusses how and why tensions arise in arts organizations. While to date, studies focus on the complexity of PAO environments, we know relatively little about the type of tensions PAOs experience as a result of this complexity, and the organizational responses they develop to manage these tensions and their effectiveness.

The study by Lindqvist (2017) offers an interesting starting point by arguing that the tensions PAOs experience result from a multiplicity of institutional logics, i.e., the different systems used by (individuals in) organizations to make sense of their everyday activities and organize those activities in time and space (THORNTON/OCASIO/LOUNSBURY 2012). Conceptualizing PAOs as operating in an environment characterized by institutional complexity, i.e., operating in a context of multiple logics, they face a challenging combination of oftentimes conflicting public and private (e.g., artistic, managerial, and political) logics which need to be managed for the PAO to be successful (AMANS et al. 2015; LINDQVIST 2017). How a PAO responds to political demands for market and managerial thinking can have crucial implications for the existence of the organization, since the balance between an artistic and a market logic influences external evaluations by decisive stakeholders such as peers and critics (SHYMKO/ROULET 2017) which subsequently influence the funding bodies that rely on these stakeholders' validation of the organization (BERGAMINI et al. 2018).

In a sector linked so intimately with, and dependent on politics, understanding how public sector reforms affect individual organizations is vital (FITZGIBBON 2019; LABARONNE/TRÖNDLE 2020; LINDQVIST 2012). Competing logics due to public sector reforms could leave PAOs in a 'lose-lose' situation. On the one hand, they are being required to embrace a stronger market logic. However, this can risk loss of a distinctive identity and the support of peers and critics which will affect the PAO's legitimacy and potentially result in decreased public funding. On the other hand, refusal to incorporate a market logic and retain the support of peers and critics could cause a reduction in public funding based on non-compliance with the norms of entrepreneurship and income generation. Is there a third scenario in which the PAO manages to become a truly hybrid organization which integrates both logics within a unified strategy? To explore this, we need to understand how PAOs manage conflicting logics. We address the following research question: What are the tensions that PAOs experience when dealing with

multiple logics and what organizational responses do they deploy to manage these logics?

Based on a study of nine publicly funded PAOs, we show that all PAOs experience these tensions, and that performing (stakeholder conflicts) and belonging (identity conflicts) tensions are particularly salient. We find that PAOs' responses are only marginally resistant and include acquiescence, compromise, and avoidance strategies. Overall, there is a high level of inertia in the sector and a focus on adapting and executing what funding bodies require. PAOs try to satisfy all these demands to some extent and eschew strategies such as defiance and manipulation. PAOs seek also to maintain a separation of logics rather than to explore synthesis possibilities and the transition to a hybrid organization; most PAOs embody an art logic rather than a market logic.

Our study makes several contributions to both theory and practice. First, it extends earlier work which suggests exploitation of the theoretical lexicon of institutional logics to better understand the complexity of arts organizations and their environment (GLYNN/LOUNSBURY 2005; LINDQVIST 2017). In particular, we do so by combining logics with insights from paradox theory (LEWIS 2000; PRADIES et al. 2020; SMITH/LEWIS 2011) and propose a dynamic process model in which the currently dominant vicious response cycle is accompanied by a virtuous cycle showing the way towards a more hybrid organizational logic. Second, the analysis categorizes the various tensions PAOs experience, building on work on paradox theory, and extends the work around this theme (AMANS et al. 2015; BERGAMINI et al. 2018; LABARONNE/TRÖNDLE 2020; LINDQVIST 2017). Finally, from a more practical perspective, the findings have implications for how both practitioners and policy makers might best manage PAOs and create an environment conducive to long-term viability of the organization.

## 2. Theoretical Framework

### 2.1 Institutional Logics, Complexity and Arts Organizations

Institutional logics can be defined as “the socially constructed, historical patterns 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” (THORNTON/OCASIO 1999: 804). Logics explain the contradictory

practices and beliefs inherent in institutions in modern western societies. Societal-level institutional logics including the market, the state, religion, the family, and democracy, “provide the master principles of society and guide social action” (GREENWOOD et al. 2010: 521) and constitute the “broad cultural beliefs and rules that structure cognition and fundamentally shape decision making and action” (MARQUIS/LOUNSBURY 2007: 799).

In this article, the notion of arts organizations is used to denote organizations “within the arts and the creative field, having creative forms of expression with copyright linked to what is produced or distributed” (LINDQVIST 2017: 243).

These organizations operate within the market of symbolic goods (BOURDIEU 1985). Any cultural object, besides being a commodity that has commercial value, also is a symbolic good with cultural value (BOURDIEU 1985). In an arts context, Bourdieu (1985) distinguishes two sectors that are embedded in different institutional logics: the logic of organizations that operate in the field of restricted production (FRP), and the logic of organizations that operate in the field of large-scale production of symbolic goods (FLP). While economic profit is secondary to the cultural value of the symbolic good in FRP, it is primary in FLP, where products are rather short-lived and managed like other ordinary economic goods (BOURDIEU 1985). Producers who seek to take a position within FRP should make clear that, unlike producers in FLP, they are not responding to external demands (BOURDIEU 1985).

These organizations in the field of restricted production of symbolic goods (FRP, the primary focus of this study) face institutional complexity and need to balance utilitarian and normative identities (GOLDEN-BIDDLE/RAO 1997). To obtain public funding, PAOs also need to be in tune with public policy (FREY 2003; MCCARTHY et al. 2005). In particular, they face political and public pressure to adhere to a more market-based logic while their offerings tend not to be geared to an audience preference on a scale where ticket sales alone are sufficient to secure financial stability (HIRSCHMAN 1983). This shows the challenge for PAOs’ performance management, namely attending to both a commercial and an artistic dimension (LABARONNE/TRÖNDLE 2020). As PAOs’ services are usually performed by humans in front of an audience, compared to visual arts organizations such as exhibition spaces and museums, the business models are also more constrained by time and space (BERGAMINI et al. 2018) and the limitations of the human body. In sum, PAOs are shaped by a plurality of logics and the

resulting complexity gives rise to tensions that need to be managed in order to operate successfully.

In general, individuals and organizations, as part of the larger inter-institutional system, draw on logics when 'negotiating' their institutional context (FRIEDLAND/ALFORD 1991) and seeking legitimacy (DEEPHOUSE/SUCHMAN 2008). Organizational practices and structures are tangible manifestations of institutional logics (GREENWOOD et al. 2011: 321) and several authors have looked at the effect of (changing) logics on governance structures (FISS/ZAJAC 2004), executive succession (THORNTON/OCASIO 1999), and personnel management practices (BARON/DOBBIN/JENNINGS 1986). At the organizational level, Friedland and Alford (1991) argue that each organization, or collection of organizations, has a central logic which guides how it organizes itself and provides the individuals within it with a sense of self (i.e., identity). However, rather than being shaped by a dominant logic, increasingly organizations are facing demands from multiple institutional logics in an environment characterized by institutional complexity emerging from the competing demands from field-level actors (GREENWOOD et al. 2011; SMITH/TRACEY 2016). Institutional scholars have investigated organizational and individual approaches to dealing with the tensions arising from these competing demands (GREENWOOD et al. 2011). For instance, institutional complexity can give rise to a hybrid logic, new logics, new practices, and logic blending (LOUNSBURY 2008: 354).

In particular, a market logic has become a regular and sometimes dominant feature in many sectors including health care (SCOTT et al. 2000), finance (LOUNSBURY 2002), and public management (MEYER/HAMMERSCHMIDT 2006). Thornton and Ocasio (1999) describe how with the rise of a market logic, competition over resources is affecting the decisions and actions of organizations operating in the higher education publishing industry. With the shift to a market logic, the challenges around resource competition and resource dependency have become more salient and are receiving more attention.

The integration of a market logic within an existing logic is not always problematic; sometimes, conflicting logics can be made compatible (GREENWOOD et al. 2011). However, the introduction of a new logic often results in destruction of and disregard for the old logic, because it is incompatible with the new logic (THORNTON/OCASIO 1999; RAO/MONIN/DURAND 2003). In particular, when competing demands affect goals rather than means, tensions are likely to arise related to

the requirement for “organizational members to overtly recognize the incompatibility of the demands on goals, which may, in turn, jeopardize institutional support” (PACHE/SANTOS 2010: 466). For PAOs, adopting a market logic promotes competition at the goal level, since the organization’s purpose is built around creating or presenting intangible values (emotion, meaning, beauty) and not around making a profit (BAUMOL/BOWEN 1965). Therefore, the addition of a market logic presents arts organizations with a situation where the organization’s identity is being challenged by a market logic in a conflict between purpose and profit. The way the organization responds to these competing logics can threaten its legitimacy and the support it receives (e.g., funding), which eventually will endanger its existence (GREENWOOD et al. 2011; PACHE/SANTOS 2010).

## 2.2 Managing Tensions

The tensions resulting from a plurality of logics come in various guises. We borrow from the burgeoning literature on paradox theory to categorize these tensions (LEWIS 2000; SMITH/LEWIS 2011). Paradox theory and institutional logics theory have developed independently (BATTILANA/LEE 2014; JAY 2013; SMITH/TRACEY 2016), but both research fields assume the coexistence of competing alternatives (SMITH/LEWIS 2011). However, whereas an institutional logic tends to focus on how to avoid, negotiate, or resolve tensions, paradox theory considers tensions inherent to organizations and seeks approaches that embrace them (SCHAD et al. 2016).

The four categories of tensions in the framework proposed by Lewis (2000) and Smith and Lewis (2011) represent organizations’ core activities and elements: learning (knowledge), organizing (processes), belonging (identity), and performing (goals). Learning paradoxes are related to tensions between old and new, to the struggle between both building upon and destroying the past to create the future (O’REILLY/TUSHMAN 2008; SMITH/LEWIS 2011). Organizing paradoxes describe the tensions that arise as complex organizations create competing designs and processes to achieve desired outcomes. Organizing paradoxes include those between collaboration and competition, empowerment and direction, and routine and change (SMITH/LEWIS 2011). Belonging paradoxes or identity tensions are driven by complexity and plurality and are highlighted at an organizational level because of opposing yet coexisting roles, memberships, and values (SMITH/LEWIS 2011).



Performing paradoxes originate from the plurality of stakeholders, and surface as the result of conflicting demands from external and internal stakeholders (DONALDSON/PRESTON 1995; SMITH/LEWIS 2011).

Work on the arts sector in relation to these tensions is scarce. In a study of the performing arts sector in the Nordic countries, Lindelof (2015) suggests audience development as a potential strategy which publicly funded arts institutions could deploy in response to their complex environment. However, the more general institutional logics literature shows that organizations may respond differently to the complexity of competing institutional logics. Greenwood et al. (2011) highlight how organizations' responses to competing demands affect organizational strategies and organizational structures, and Mair, Mayer, and Lutz (2015) discuss defiance, selective coupling, and innovation as potential strategies enabling organizations to balance conflicting logics.

Jay (2013) developed an extensive model which shows the various strategic and managerial responses of hybrid organizations which have tried to integrate both logics within one unified strategy to navigate conflicting demands and a pluralism of logics and identities. Drawing on Oliver (1991) and Pache and Santos (2010), the authors propose two mechanisms. First, an iterative process showing how conflicting external, institutional demands lead to the following strategic responses to external constituents (listed in increasing order of resistance to demands): acquiescence based on conscious incorporation of and compliance with demands, compromise based on finding a balance with or bargaining with external constituents, avoidance or decoupling based on concealment of nonconformity or avoiding rules and expectations, defiance based on dismissing, challenging or attacking demands and rules, and manipulation based on attempts to co-opt, influence, or control external pressure.

Second, a mechanism related to how "conflicting internal demands and identity claims" (JAY 2013: 140) lead to the following managerial responses: deletion based on getting rid of one or several logics or identities (PRATT/FOREMAN 2000), compartmentalization based on separating the different logics or identities within different organizational units (KRAATZ/BLOCK 2008), aggregation based on retention of all the logics and forcing links between them (PRATT/FOREMAN 2000), synthesis based on breaking down the barriers between logics to achieve one single logic (PRATT/FOREMAN 2000), and hiring and socialization policies to facilitate the integration of different logics within a hybrid organization (BATTILANA/DORADO 2010). Since the first mechanism

concerns outward strategic responses to external demands and the second addresses these responses in the context of managing competing internal identities resulting from logic plurality, both may operate simultaneously within the organization.

Finding optimal responses to the necessity of balancing competing logics resembles discussions around paradox dynamics and vicious and virtuous cycles. That is, tensions can instigate creativity, opportunity, and change, but—with actors reacting defensively—can also inhibit change, thus leading to either negative (vicious) or positive (virtuous) reinforcing cycles (LEWIS 2000; SMITH/LEWIS 2011). Vicious cycles occur when actors suppress the “relatedness of contradictions and maintaining the false appearance of order” (LEWIS 2000: 763), which may at first relieve anxiety but eventually lead to continuation and aggravation of tensions (LEWIS 2000; SMITH/LEWIS 2011). Similarly, Battilana, and Dorado (2010) suggest that prioritizing one logic over another causes organizations to falter. On the other hand, virtuous cycles are based on exploring, accepting, and arguably even embracing competing demands simultaneously and seeing them as opportunities for synergy rather than obstacles. Smith (2014) suggests that organizations which engage with the tensions of multiple logics achieve both short-term improvements and long-term success. Moreover, it can lead to innovation, creativity, and learning (PRADIES et al. 2020).

Overall, a PAO’s success arguably depends on the extent to which it is capable of integrating or synthesizing competing demands into one identity which strikes a balance between the various logics, and the tensions associated with this complexity, present in the organization (BATTILANA/DORADO 2010). In general, PAOs operate in a context characterized by a public logic, an art logic, and a market logic which results in tensions that require an adequate organizational response if the PAO is to thrive, yet we still know little about PAOs’ responses to environmental complexities and whether these can in fact be expected to be similar to the responses of organizations studied to date (figure 1).



Fig. 1: PAOs' logics, tensions and responses. (Source: own illustration)

### 3. Methods

#### 3.1 Research Design

The aim of the study is to identify and analyze the tensions experienced by PAOs, and their organizational responses to manage conflicting demands. This is an explorative, case-based qualitative study which tries to “illuminate a decision or set of decisions: why they were taken, how they were implemented and with what result” (SCHRAMM 1971 cited in YIN 2014: 15) based on semi-structured interviews with Dutch PAOs. We employ a maximum-variation case selection strategy to try to understand the various tensions and responses of PAOs in the Netherlands (PATTON 2014). Our strategy allows an examination of the whole range of PAOs in the Netherlands, and the identification of both common patterns and particularities among cases. A multiple case study increases the generalizability of the findings and the relevance and credibility of the study (CRESWELL et al. 2007). Nine publicly funded PAOs were selected, a number deliberately kept between four and ten following Eisenhardt’s (1989) recommendation.

#### 3.2 Research Setting and Data Collection

A combination of convenience and snowball sampling resulted in a long list of 14 possible cases, all operating on the demand side of the performing arts sector, that is theatres. Since snowball sampling can influence design reliability and jeopardize generalization of the data collected (WALDORF/BIERNACKI 1981), the final selection was based on five comparable and objective criteria to achieve maximum variation (see table 1). Data was obtained from annual reports and annual accounts. Since we are interested also in those PAOs affected negatively by the 2014 reforms introduced above, we selected two cases which had closed during or soon after the reforms. All cases are Dutch not-for-profit foundations – which is a pre-condition for obtaining public funding from the cultural funding schemes of national and local governments. However, some of the PAOs created a structure involving an umbrella organization or foundation which can operate as either a non-profit or a for-profit limited company, making it possible to reallocate profit from the latter to the former. Four PAOs only presented artistic work of other theatre companies. Five PAOs also produced artistic work. This is relevant as the supply side (theatre companies that produce

<b>PAO</b>	<b># visitors (2018 annual report)</b>	<b>total revenue in Euro (2018 annual accounting data)</b>	<b>% public funding 2018</b>	<b>legal structure</b>	<b>city size</b>	<b>producing artistic work</b>
Theatre A closed since 2014	n/a	n/a	n/a	Foundation	G4	No
Theatre B	20,015	129,480	41%	Foundation	G100,000-	No
Theatre C	177,967	14,199,838	77%	Foundation	G4	Yes
Theatre D	210,000	3,874,000	19%	Limited Company + Foundation	G40	No
Theatre E	237,539	19,249,559	71%	Limited Company + Foundation	G4	Yes
Theatre F	45,174	2,289,627	66%	Foundation	G4	Yes
Theatre G closed since 2014	n/a	n/a	n/a	Foundation	G4	Yes
Theatre H	87,520	7,719,304	27%	Limited Company + Foundation	G40	No
Theatre I closed in 2015 and reopened in 2016	29,917	1,248,038	62%	Foundation	G40	Yes

Table 1: Core characteristics of PAOs. (Source: own illustration)

performances) is funded by the national government while the demand side (theatres that present performances) is funded mostly by local governments (municipalities). Theatres were located in either G4 cities (>250,000 inhabitants), G40 cities (100,000–250,000 inhabitants), or G100,000 cities (<100,000 inhabitants).

To achieve maximum variation among respondents, where possible, we interviewed people deemed to embody an art logic (i.e., artistic director, program director, theatre programmer) and individuals likely to embody a market logic (i.e., managing director, general manager). These cultural managers are likely to play an important role in shaping their institutions (FÖHL/WOLFRAM/PEPER 2016). However, in some theatres these functions were not strictly separated and as mentioned two had closed. Hence, in some cases we resorted to interviewing one informant per theatre instead of two (table 2).

Qualitative interviews were conducted with 12 respondents from the nine PAOs. The interviews were semi-structured and flexible but included some general themes such as the theatre's market-orientation, the tensions and challenges experienced, and the strategies employed to manage these issues. Respondents were selected based on their position

<b>Respondent</b>	<b>Works at PAO</b>	<b>Position within the organization</b>
1	A	Theatre programmer
2	B	Managing director
3	C	Managing director
4	C	Program director
5	D	Managing director
6	D	Theatre programmer
7	E	Managing director
8	E	Theatre programmer
9	F	Program director
10	G	Artistic director
11	H	Managing director
12	I	Managing director

Table 2: *Respondents. (Source: own illustration)*

(job title) in the organization. Respondents 1-4, cases A, B, and C were existing contacts. Respondents 5-12 were approached via e-mail. All 12 agreed to be interviewed. The interviews took place within a six-week timeframe during October to December 2019 which means that there was no effect of the Covid-19 pandemic which did not emerge in Europe until

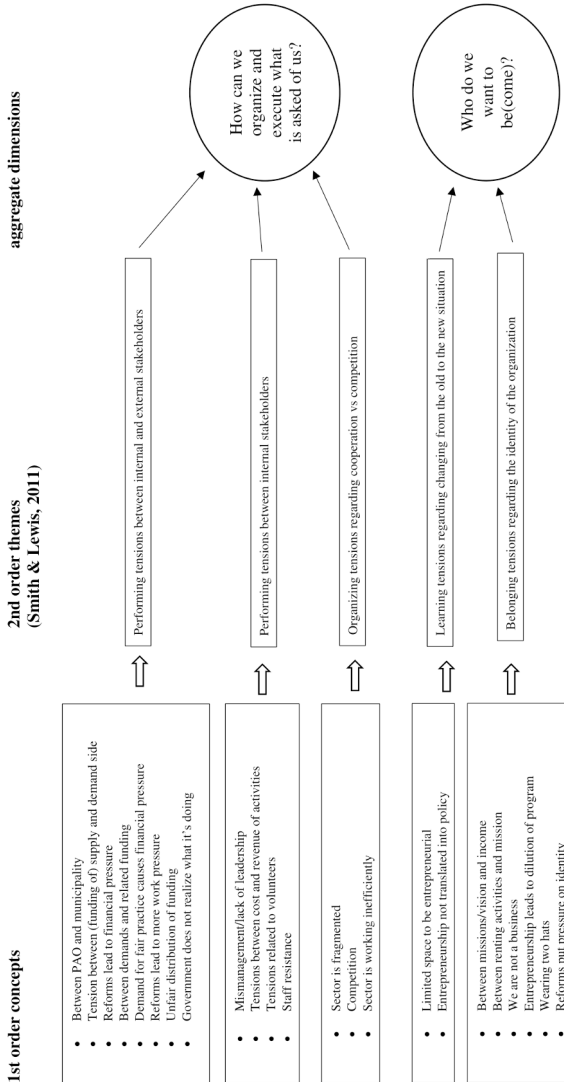


Fig. 2a: Tensions. (Source: own illustration)

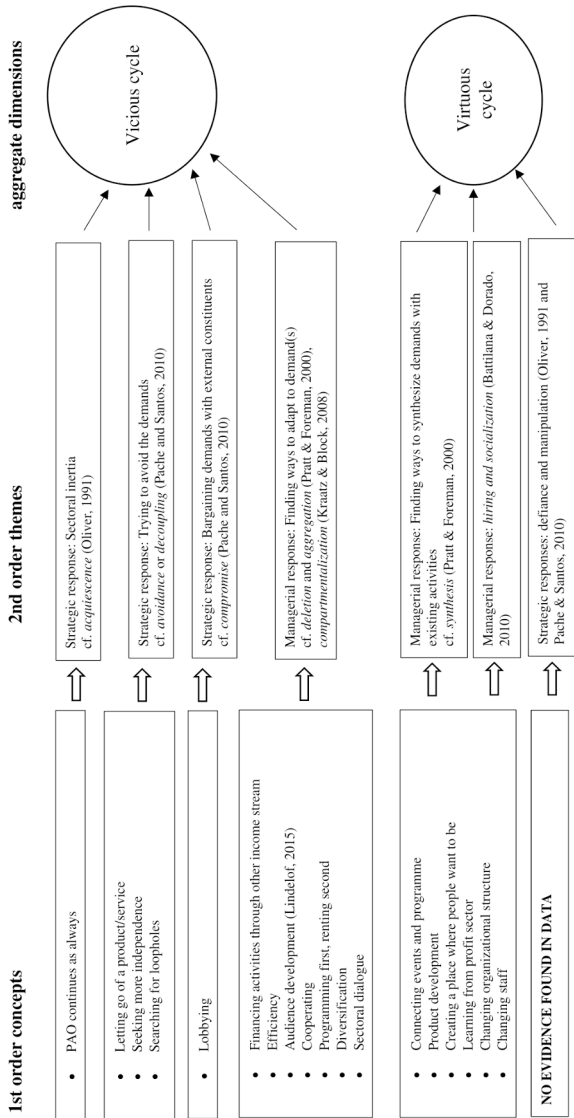


Fig. 2b: Organizational responses. (Source: own illustration)

March 2020. The semi-structured interviews form the basis of this study and report the respondents’ retrospective and immediate experience of how they embody various logics and try to cope with tensions and



complexity. The interviews were conducted in Dutch and were recorded. They lasted between 35 and 85 minutes, with an average of 51 minutes.

### 3.3 Data Analysis

All the interviews were transcribed and were into Atlas.ti for coding. Coding was conducted in English and followed a three-step process. The first round of coding was based on respondent-centric terms and codes. This led to a total of 100 first order codes related to a variety of subjects, and these were reduced to 41 first order codes related specifically to tensions and organizational responses. The second round of coding used more researcher-centric terms and codes and resulted in ten second order codes. This inductive approach allows us to demonstrate the link between data and concepts in a systematic manner, using the voices of both respondents and researcher (GIOIA et al. 2012). This method of first and second order coding described by Gioia et al. (2012) is similar to what Strauss and Corbin (1998) refer to as “open” and “axial” coding. As a final step in the coding process five aggregate dimensions were defined: two regarding tensions and three regarding the organizational responses. The results were also compared across cases, but we found no significant differences in terms of tensions or responses based on the above-mentioned criteria. Figures 2a and 2b depict the data structure.

## 4. Findings

### 4.1 Institutional Complexity and Tensions

All the respondents referred to the competing demands they are faced with. In terms of identity, the art logic seems to prevail over the market logic. One PAO argued that, “It [artistic production] is why we are on earth” (Respondent 6), and another said that, “Even though we earn 70% of our own money, our intrinsic assignment is culture” (Respondent 11). However, the other demands are ever present: “We make art because we make art. In the awareness of an audience, in the awareness of justification of finances and in awareness of our surroundings. But we make art, we don’t make soft rolls” (Respondent 4). The interviews provided ample evidence of the market and societal demands PAOs need to meet. Prominent examples of such demands are diversity, inclusiveness, entrepreneurship, fair practice, a financial mix to sustain the organization, and cooperation with other parties. This inevitably

has led to tensions (see figure 3). In this figure, B refers to belonging tensions, L to learning tensions, O to organizing tensions, P1 to performing tensions between internal and external stakeholders, and P2 to performing tensions among internal stakeholders. The tensions differ slightly by position, with managing directors experiencing higher levels of performing tensions between internal and external stakeholders, and program directors experiencing higher levels of tension among internal stakeholders and higher levels of belonging tensions (LANDRY 2011; REYNOLDS/TONKS/MACNEIL 2017).

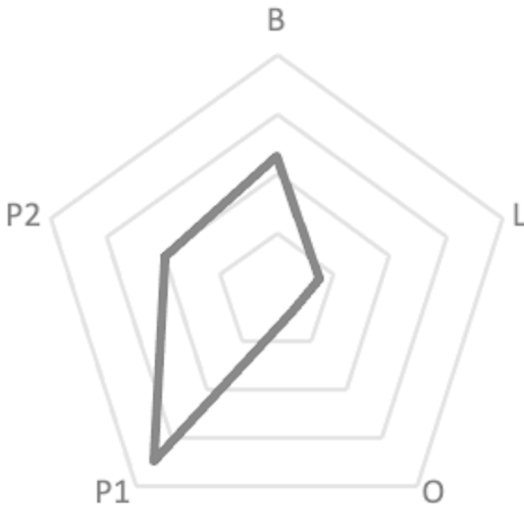


Fig. 3: *Tensions within PAOs.* (Source: own illustration)

#### 4.1.1 Performing Tensions Between the PAO and External Constituencies (P1)

Performing tensions were strongly felt between PAOs and external stakeholders or constituents. Ten respondents referred to problematic relationships with the municipality that was the PAOs' primary funding body. Respondent 2: "We were put under pressure by the municipality to merge with another theatre and that became a three-month drama on which we spent a lot of time and energy." Within the municipality, aldermen (members of the municipal executive council) seem to wield a great deal of power: "Until the last alderman came, who, out of nowhere, really out of nowhere... all these years we had fantastic assessments, you name it, all the annual accounts were approved, the whole 'shebang.' But

he suddenly confronted us with a budget cut of 40%. To be implemented within one year” (Respondent 5).

In addition, there are discrepancies between the funding of the supply side (i.e., the theatre companies creating and performing performances) and demand side (i.e., the theatre venues that program these performances). In short, the national government subsidizes theatre companies to make and create performances, and the municipality subsidizes the “bricks,” i.e., the physical theatre venues and the associated programming budget to actually show performances. Eight out of 12 respondents reported specific performing tensions related to this funding arrangement. Respondent 9 asked “Where is the responsibility for the demand side? Is it with the theatre? Then give the money to the theatres. Is it with the companies, then give the money to the companies” and Respondent 12, representing a theatre venue, told us that, “The theatre companies can offer or ask what they want, we just say ‘no.’ We’ll come for free, they say. Free? That still means I have to pay technicians, so that’s not possible. That market mechanism is totally out of balance.” These examples show that the fragmented and disconnected funding causes tensions and frictions between theatre companies and theatre venues.

A third source of performing tensions is from discrepancy between societal demands and the related funding. The connection between societal demands (e.g., diversity, inclusion, fair practice) and the funding provided to meet these demands was identified as a financial tension by more than half of the respondents. Respondent 9: “I have to fulfil more demands while spending less budget on them, which of course is a very strange request. If you talk about market mechanisms, well in commercial businesses that would not be possible either.” In addition, the societal demand for fair practice is set out in the Fair Practice Code (<<https://fairpracticecode.nl>>), which aims at providing a normative framework for sustainable, fair, and transparent employment and enterprise practices in the arts, culture, and creative industries agreed upon by a broad number of cultural and creative professional representatives. The Fair Practice Code has put financial pressure on PAOs: “We are very much in favor of fair practice. But that means an average raise of 3% per year through the collective agreements. And there is only 1.2% price compensation. In our case, with a staffing budget of 10 million euro, that is undoable” (Respondent 7).

#### 4.1.2 Performing Tensions Originating From Within the PAO (P2)

In the case of performing tensions within PAOs (P2), ten out of 12 respondents spontaneously referred to the discrepancy between the costs (imposed by the programming department) and the revenue (derived from the department responsible for renting out the theatre or organizing events) obtained from various activities: “You cannot keep programming no matter what, if the audience doesn’t go for it or if the resources are not there, that would be stupid, so we are sort of stuck between a rock and a hard place” (Respondent 9), and “Programming activities and staffing, those are the only two buttons we can push if the income side decreases. So that is a real problem” (Respondent 5). In addition, nearly half of the cases (theatres A, C, G, and I) gave examples of the negative influence on the organization of mismanagement or lack of clear leadership direction: “They [the staff] don’t have faith that there is a management that has an overview and that can make decisions” (Respondent 3).

#### 4.1.3 Belonging Tensions (B)

Belonging tensions were also experienced by PAOs, and typically involve the dilemma between purpose and profit involving a choice between content and income. Respondent 11 describes “The tension [as being] two-sided. I’m always concerned about the artistic people in the organization understanding that we also need to make money. And on the other hand, I’m also concerned about the commercial staff in my organization understanding that we have artistic projects.” This identity-focused dilemma between mission and income, or purpose and profit, was mentioned frequently in relation to renting activities: “For example, a big event from a Dutch bank like Rabobank, if you then have to choose between an international performance that costs 30,000 euros or 20,000 euros income, well, that international show will perish. And you just have to pay attention to that because if you always do that, well ... in the end, we are here for the art” (Respondent 3). Overall, it highlights the tensions around the much-promoted concept of cultural entrepreneurship and the potentially negative influence on programming activity content: “If you want to be entrepreneurial in your programming, you will soon have a rather shallow program and while we strive to be accessible, we also want to have an interesting program” (Respondent 2).

Belonging tensions clearly are linked with the PAO's identity, an area where multiple logics collide. For example, some respondents mentioned that 'they are not a business' and explained how their theatre made decisions on the basis of and for the sake of art. Respondent 6: "I know this is going to cost a lot of money, but then I put on my other hat and think, yes, but we have to do this because this is what we are here for. Otherwise, I can just book a show, let the audience stream in, make money, and not think about it anymore. But where is the fun in that, right? Then you might as well not do it at all."

## 4.2 Organizational Responses

While institutional complexity and tensions were acknowledged by all the PAOs interviewed, their responses to both issues differed. Below we discuss these strategic and managerial responses.

### 4.2.1 Strategic Responses

The main strategies used to respond to conflicting demands from external constituents are avoidance, compromise, and acquiescence. In the first case, respondents referred to letting some activities go or outsourcing some activities to avoid these demands: "When the new director came, what he saw, there was only one thing to do in the middle of this economic malaise, which was to say, 'I'm sorry but I have to close the theatre department.' And that was that" (Respondent 1). Respondents 5 and 10 reported that their organization deployed actions that aimed at avoiding demands by becoming less dependent on funding. In one case this was achieved by exiting the funding system: "Out of fear you could say, we said 'maybe you're right, maybe we should go for the financial exit arrangement'" (Respondent 10).

In the case of the second strategy, lobbying was used by seven theatres as a way to signal to the government and municipality that they were resisting their demands but a solution in which the PAO tended to be 'the loser': "When the budget cuts were imposed, we said to the politicians, we cannot program seven days a week for the same budget, that is just not possible, because all costs are getting higher and you are asking more rent for the building, so our programming budget decreases and there is no extra money coming in. So, we will close two days a week, on Monday and Tuesday we don't program anymore" (Respondent 4) and "We could not change it. We pushed, we pulled, involved businesses, everything.

But the council had that direction and the coalition supported it, so we had to pay the price” (Respondent 5).

The strategy of acquiescence refers less to inertia from individual theatres and more to passiveness among the sector as a whole: “Yeah, that is really weird, we just said to each other this week, it is strange that the sector is not able to also go to Malieveld [i.e. popular Dutch location for large protests] and strike” (Respondent 7), and “It seems like these things just happen to us, just as with the diversity discussion that is being dropped on us by the government” (Respondent 3).

Overall, these three strategic responses are illustrative of mild resistance to external constituents and highlight the focus of PAOs on trying to do what is asked of them. This seems to be preferred to trying to manipulate the playing field by using stronger forms of resistance, despite what is at stake and despite more active resistance perhaps being expected (PACHE/SANTOS 2010).

The data provided only some evidence of defiance and manipulation. An example of defiance (i.e., dismissing, challenging, or attacking demands and rules) can be seen in this case: “As of January 1, 2017, we got 20% less, so we just lost a lot of money. And that’s when we agreed with the alderman that he’d just get fewer performances because of that” (Respondent 12). Rather than trying to do the same with less, this PAO had challenged the imposed budget cut by doing less. Finally, manipulation by attempting to co-opt, influence, or control external pressure had been practiced by only one PAO which had tried to alter the rules of the (funding) game with the city council around catering services and income. The PAO argued, “We lease it out to ourselves with a separate limited company. And we run all the risk, we’re going to make the investments, they haven’t made them, we agree on a rent for the property, it’s commercial, you can determine that, we stick to it. And the moment money is earned, it’s for us” (Respondent 5). The PAO gained from the catering income via a private limited company which allowed the profit to flow back as a gift to the PAO. The money flows were not considered transparent, and the municipality assumed that the hospitality and catering money profits had been based on community money. There was a legal case and eventually agreement was reached, and the PAO now operates successfully with only 17% of public funding (the lowest percentage among all the PAOs in our sample).

#### 4.2.2 Managerial Responses

Among managerial responses, i.e., those focusing on “conflicting internal demands and identity claims” (JAY 2013: 140), compartmentalization, deletion, and aggregation dominated, with synthesis, hiring, and socialization policies being less prevalent.

Compartmentalization refers to adapting to the new demands as a separate logic, especially around the separation between the programming and rental departments: “Basically, at the beginning of the season, I can program everything. The program takes precedence. In April my program is ready and then, in principle, nothing can change. Then it goes to rental, and they can fill all the gaps with all the questions we get for rental” (Respondent 6). Deletion mostly involved dispensing one or more of the logics or identities. For instance, one PAO decided simply to close its entire theatre department and concentrate on the more lucrative popular music venue: “The first thing to be divested was visual art, and then it was theatre pretty quickly because we had three technicians on full time duty who didn’t function in a room that was just too small to do anything at all, so at some point the theatre just stopped” (Respondent 1). Other theatres decided to forego the cultural rental (a substantial source of income) and to outsource the activities involved. The aggregation or logic retention and forcing links among logics without creating a real synthesis is exemplified by the PAO that allowed dance parties to take place because they generated a lot of money although these ‘pill parties’ added nothing to the artistic profile: “We earn 70% of our own money, but our intrinsic task is cultural. And if I stick to that, producing something from the commercial sector is not our core business. From a positioning point of view, I don’t think we should want it. If I just look at it from a financial business point of view, we just have to do it” (Respondent 11).

While the above three responses maintained separate logics in PAOs that tried to ‘add’ the market logic to their priority art logic, some PAOs had tried to move towards a hybrid organization. First, a synthesis strategy aimed at an integrated way of working between programming and commercial activities: “I notice that we are doing more projects around an artistic performance [than before]. We put a pink bow around it, there is party, there are activities in the surrounding of the building, and you eat together. All the things that make the audience think, oh, this is nice, and where they almost get the performance as an extra” (Respondent 6). Linked to this, product development was mentioned

specifically by seven respondents who referred to development of new products and services that combined both artistic content and a commercial approach, i.e., both purpose and profit: “The drinks and food became very important and also how to use those in a way that it supports the artistic content, became important” (Respondent 10). The move from event marketing to a more holistic approach of marketing the PAO as a place to stay and spend time seemed to be a change of direction: “The eye-opener was that we thought: we need to turn this around. We should not design a theatre, we should not design a cinema, we should design a place where people want to be” (Respondent 5).

Second, hiring and socialization were mentioned by seven theatres as approaches to organizational hybridity. Examples are changes in leadership, hiring staff with a more hybrid profile, and collaborating with independents: “It was a wish of our Board to have more of a businessperson in that position because we had grown, and also to approach things more like a business” (Respondent 9). In relation to this, five respondents gave examples of how they had adapted or wanted to adapt practices from commercial businesses: “All cinemas and amusement parks have self-service ticket booths. Except for the subsidized sector. There is always a person behind the ticket register. But if Pathé with more than 30 cinemas invented it, don’t you think it’s probably more efficient?” (Respondent 12).

Theory suggests that in order to be successful in the long-term, organizations need to create a common organizational identity which strikes a balance between the logics they combine (BATTILANA/DORADO 2010). Against this background, the current direction towards either separate logics or hybridity may not be optimal for PAOs. This would seem to be supported by the fact that during the course of this research, one of the most renowned Dutch theatres faced serious leadership and identity problems due to the failure to connect ‘leadership and unified vision,’ and was accused of not making enough effort to reach audiences and of being too ‘l’art pour l’art’ for a theatre in a big city. This crisis is a poignant reflection of the findings of this study. The implications of our findings are discussed below.



## 5. Discussion

### 5.1 A Dynamic Model of PAOs, Logics, Tensions and Responses

This study addressed the following questions: 1) What are the tensions that performing arts organizations (PAOs) experience as a result of multiple logics; 2) What organizational responses do they deploy to manage these competing logics?

Based on an analysis of nine Dutch PAOs, this study shows that the tensions related to competing logics are mostly performing tensions related to the question ‘how can we better organize what is asked of us?’, that is, executing and catering to diverse and shifting demands (environmental complexity), and only on a secondary level related to the question ‘who do we actually want to be(come) in this new reality?’ (identity). We found that performing tensions were the most salient for PAOs and originate from the plurality of stakeholders. These tensions emerge because of conflicting demands from external constituents or from factions within the PAO. We also identified belonging tensions, in particular when entrepreneurial activities clashed with the PAO’s organizational identity. This echoes the work of Bergamini et al. (2018) and Amans et al. (2015) which hints at belonging tensions related to entrepreneurial activities versus the PAO’s organizational identity.

The responses show a preference for avoidance, acquiescence, and compromise strategies. Avoidance occurs in conflicts over where a single logic (art logic) is represented internally (PACHE/SANTOS 2010). The nine PAOs reported extensive use of avoidance by concealing nonconformity or avoiding rules and expectations by separating the art and market logics within different departments, outsourcing or shutting down services, exploiting loopholes in the system, closing the theatre department, or closing the theatre entirely. The widespread use of avoidance might be explained by the fact that it is one of the least aggressive ways of resisting demands without jeopardizing legitimacy (PACHE/SANTOS 2010).

Acquiescence and sectoral inertia are also related to legitimacy. Several scholars predict that organizations are more likely to acquiesce to demands from powerful institutions on which they depend for legitimacy and resources (DIMAGGIO/POWELL 1983; OLIVER 1991). Although few references were made to sectoral obedience and inertia in relation to the own organization, many PAOs responded to the reforms by assuming business as usual and ‘doing more work for less money.’

The success of acquiescence and sectoral inertia is ironic when viewed through an institutional public (government, municipality) logic lens. These institutions had praised the PAOs for finding more ways to be efficient than before. However, from the PAO perspective, the outcome was failure: the reforms they undertook as responses to public demands resulted in poorer quality programming and created tensions among those in the organization adhering to an art logic and those working in line with a market logic. This question of ‘what is success?’ is described in Jay (2013) as a paradoxical outcome which emerges when organizations are transforming from a business logic to a non-profit logic and have yet to truly synthesize. Although in our case, the transformation was undertaken in the opposite direction, that is, from a non-profit logic to a business logic, the transition process shows similarities.

Exploitation of compromise is not supported by previous research on this topic. The PAOs analyzed confronted the constituencies making the demands and lobbied widely to pass the message that what was being demanded by external constituents should be negotiated, balanced, or bargained. This is in line with the compromise response (JAY 2013; OLIVER 1991; PACHE/SANTOS 2010) in which organizations aim to partially satisfy all demands. However, a compromise strategy is generally used in the context of conflicts over means not goals (PACHE/SANTOS 2010). In conflicts over goals, which we categorized earlier as competing demands over the PAO’s identity, stronger responses such as defiance and manipulation to influence or control external pressure are more likely and arguably will be more successful (PACHE/SANTOS 2010). However, we found little evidence of these stronger responses. Although some strong terminology was used to describe lobbying, the power to defy or manipulate the government or the municipality appears very limited due possibly to the complex relationship with the funding body on which PAOs depend for legitimacy and resources (DIMAGGIO/POWELL 1983; OLIVER 1991). In addition, since the sector is fragmented and therefore unable to organize itself efficiently, that might also limit PAOs’ manipulating power.

In terms of how PAOs deal with external demands related to their internal identity, it seems that most responses aimed at integrating these demands as a separate logic rather than trying to incorporate them in the existing logics. PAOs tried to ‘add’ the market logic while retaining the art logic as their priority. This preference contradicts theories that suggest that in order to successfully deal with competing demands, the organization should accept the paradox between the not-for-profit

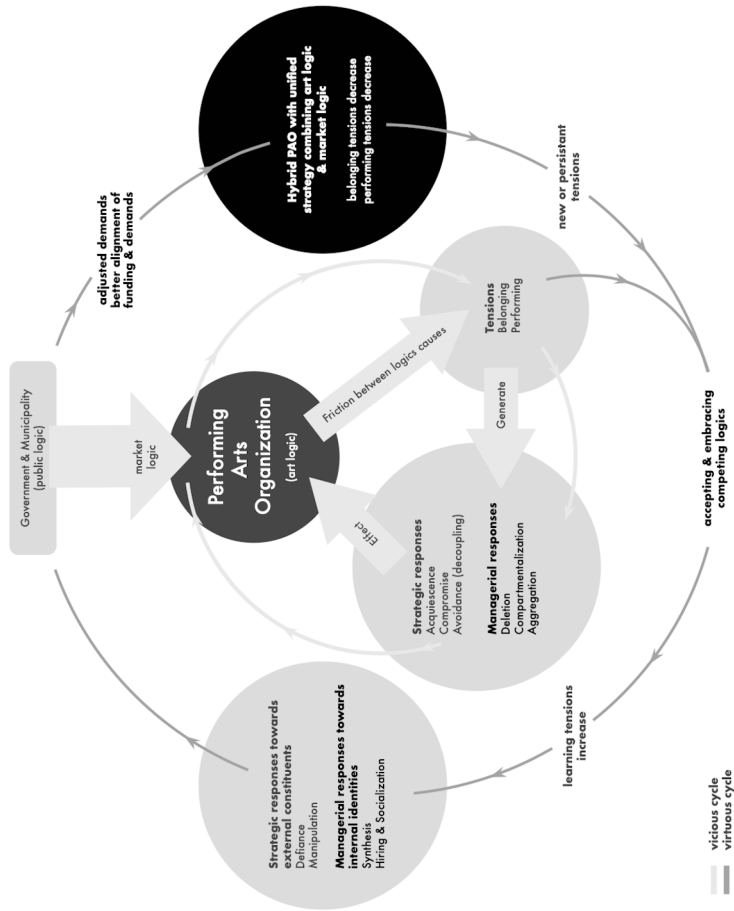


Fig. 4: PAOs, logics, tensions, and responses: a dynamic model. (Source: own illustration)

status and the need for commercial activities, use it constructively (POOLE/VAN DE VEN 1989), and finally synthesize these logics by combining organizational means and ends in new ways (JAY 2013). A useful example of this is Lloyd and Woodside (2015). They examined the values and identities of two religious non-profit organizations that were required to pursue a commercial entrepreneurial strategy and indicated that aligning their organizational identity with the commercial activities enabled the resolution of the competing logics paradox. PAOs could also learn from how for-profit businesses transition from purely commercial

business models to sustainable business models, how they deal with the tensions that arise, and how they use the combination of multiple institutional logics to shape their business models around heterogeneous value logics (LAASCH 2018). Although PAOs are increasingly being required to actually integrate a commercial market logic, these examples could prove useful by showing that heterogeneous value logics can be based on the combination of commercial and non-commercial logics (LAASCH 2018).

Taken together, our model captures two types of responses (Figure 4), which link back to the vicious and virtuous responses explained in section 2.2. In the currently dominant response, PAOs put up mild resistance to external constituents (using acquiescence, compromise, and avoidance strategies) but focus mostly on doing what is asked of them and less on trying to manipulate the context using stronger forms of resistance. This suggests that PAOs are reactive. On a managerial level, although some PAOs are entrepreneurial, this takes the form mostly of diversification and not the development of new services with both economic and artistic value. Thus, the separation of logics persists. Synthesis of logics and transition to a hybrid organization are in their infancy in most PAOs which continue to primarily embody the art logic and prioritize it over a market logic which is related to generation of income. We consider this dominant approach a vicious cycle in arts management, since it risks the PAO becoming stuck in its current ways of working and failing to find a workable combination of the various logics operating in the contemporary environment which the theory suggests is required for long-term viability (BATTILANA/DORADO 2010).

An alternative but scarce approach involves a virtuous cycle aimed at achieving a hybrid state based on synthesis or integration of competing demands. This virtuous cycle is recommended for organizations dealing with competing logics. The first step is to accept and embrace the competing logics (SMITH/TRACEY 2016) which is likely to raise learning tensions. The emergence of a new logic requires the old logic to be revisited and made comparable with the new logic (RAO/MONIN/DURAND 2003; THORNTON/OCASIO 1999). Although most PAOs realize that the reforms have created a new environment, few are addressing the question of what they want to be in this new reality, and how they can recreate an organization that will be sustainable in the future. This likely explains the moderate levels of learning tensions experienced so far by PAOs. The next step is a strong strategic response based on defiance and manipulation to external constituents (municipalities,

government) to dismiss, challenge, or attack the demands or rules being imposed on them and to attempt to influence or control these external pressures (PACHE/SANTOS 2010). If the sector were to resist reforms collectively this might result in adjustments to demands and/or a better alignment between demands and related funding. Adhering to a virtuous cycle would facilitate the creation of more hybrid PAOs that engage in activities which are both artistic and revenue generating which would reduce performing and belonging tensions. Working towards a hybrid state would not require PAO managers to choose between purpose and profit since both would be integrated in the same unified strategy (BATTILANA et al. 2012).

## 6. Implications

### 6.1 Implications for Theory

This study contributes to arts management scholarship by providing a better understanding of how arts organizations are affected by and are dealing with the competing logics resulting from public sector reforms (DEVERAUX 2009). First, it contributes on a general level to work on institutional logics within arts management. It provides a rich and useful perspective for arts management scholars on the case of PAOs (LINDQVIST 2017). These types of organizations operate in challenging and complex conditions and face a multitude of demands. This requires them to manage competing logics in a complex context characterized by artistic, financial-economic, and policy demands. Not only does an institutional logics perspective allow for a systematic analysis and a better understanding of this complexity, in our particular study it highlights also that PAOs typically prioritize an art logic instead of working to find a way to synthesize the various logics into a unified strategy. PAOs are working in a non-hybrid way which is problematic for long-term success (BATTILANA/DORADO 2010; JAY 2013; SMITH/TRACEY 2016) as suggested also by the virtuous-vicious nature of the proposed model. This non-hybrid approach towards competing demands shows that, ironically, PAOs are unable to do what many artists can do, namely, portraying the ambiguity, diversity, and complexity of perceptions (LEWIS 2000) which is the competence PAOs need to develop and apply.

Second, we categorize the tensions PAOs experience. While these tensions have been explored in previous works (AMANS et al. 2015;

BERGAMINI et al. 2018; LABARONNE/TRÖNDLE 2020; LINDQVIST 2017), we add a structured and categorized perspective on the nature of these tensions. Drawing on paradox theory, we have proposed a framework to allow arts management scholars to investigate and categorize the tensions that arts organizations experience as a result of competing logics. A better understanding of the nature of these tensions, and the tensions PAOs are facing in particular, would improve their management in the long run.

## 6.2 Implications for Policy and Practice

This study has implications for both practitioners and policy makers. For PAOs, a shift towards a virtuous circle strategy which embraces tensions and multiple logics would be beneficial. Also, collectively PAOs could play a more active role in recomposing the sector by envisioning and reshaping the context and advocating for changes to public policy. PAOs could present a collective response to external constituents by outlining how their demands might be realized and the resources needed for a hybrid model. For policy makers, this study highlights the problematic imbalance between the funding of the supply and demand sides. Since the 1980s, the national government in the Netherlands bears responsibility for financing the supply side (theatre companies) and municipalities ensure that this supply is actually presented in theatres. This set-up has led to an imbalance and lack of alignment. For example, the Fair Practice Code, a code of conduct for the cultural sector, has been developed at the national level (see section 4.1.1), and aims to encourage theatres to contract performances at a fair price (without having very concrete measurements included for this), but most municipalities have no budget available to implement it.

This results in more expensive and a reduced number of productions per year which puts tension on the supply side to adhere to performance agreements with the national government (i.e., minimum number of performances a year). In addition, policy makers must realize that demand for a market logic could force PAOs to program more large-scale productions to compensate for artistically risky programming activities. The result is that less of the funding is used to finance niche productions and blockbuster productions are being funded by community money.

### 6.3 Limitations and Future Research

This study has some limitations which suggest directions for future research. The objective was to use a combination of paradox theory and an institutional logics lens to study (performing) arts organizations. The link between these bodies of literature and arts management is in its infancy and we mostly drew on studies that examine these tensions and logics in other contexts. This allowed a better understanding of how an art logic relates to and competes with other logics such as a market logic and a public logic. Still, future studies could look in greater detail at how the specific context of PAOs may differ from, or is in fact similar to, contexts previously studied. Also, the results of this study are based on the specific case of Dutch PAOs and a relatively small number of cases and interviews. While this is not unusual for qualitative studies, future work could include more countries, a broader range of arts organizations, and expand the number of cases and interviewees to further explore the generalizability of our explorative findings. Finally, this study highlights the potential of a hybrid virtuous approach to coping with complexity and its resulting tensions. However, this approach needs to be developed further and the way PAOs could create and manage a virtuous cycle approach requires more research.

Overall, the ability of PAOs or other cultural institutions to navigate complexity has been highlighted by the current Covid-19 pandemic. This has added another layer of complexity and left the cultural sector exposed and vulnerable as a continued period of closed doors has made income generation even more difficult and put many PAOs under financial pressure. In sum, it is crucial that the creativity and innovativeness, which PAOs demonstrate through their performances be demonstrated also in their management.

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