1. Introduction

Appreciation of performance of performing arts institutions is significant but complex and sensitive question for owners, finance and regulatory bodies, individual and corporate supporters, institution’s managers and employees and – last but not least – for the audience. Viewpoints of the above mentioned stakeholders result in partly coincident and partly differing expectations on performance. The performance based management conceptions, methodologies and instruments can serve beneficially by the distribution of permanently descending central funds among public performing arts institutions and – on the other side – by the stronger fight for central and further resources.

But in the Hungarian public institutions of performing arts the relative weakness of management thinking - a long-standing heritage of the planned economy and the traditionally determining support of the state which has not yet disappeared - created an unfavourable environment for performance management initiatives. It has proven to be difficult to overcome the routines of loose financial control, dominant artistic aspects in management and the low level of personal and organizational-level accountability. However promising developments can be observed recently.

2. Theoretical background

2.1. Short history of performance orientation in the public sector

Efforts in performance measurement and management are not without roots within the public sector as the theories about efficient governing are from the beginning of the 20th century (Bouckaert, 1992). However the concept accepted at present originates from the early New Public Management (NPM) movement and the new, complex performance management models of the 90s.

Geert Bouckaert defines 3 main parts of performance management in the public sector which is based on the American solutions in practice. In the beginning of the 20th century the United States was characterized by interest for efficiency and cost-effectiveness in the public sector. Among the main reasons corruption scandals and topical budget reform could have been found that led to the wish to separate politics and public administration clearly. Mainly
citizens expressed their will for this new initiative. The idea of handling management as a ‘value-free’ technical methodology became accepted among experts as well as creating a politically neutral state apparatus which was believed to cause guaranteed efficiency and better governing.

Performance in accordance with public administrative organizations was explained purely as technical efficiency, meaning that only expenditures, activities and outputs were focused on and effects of the activities and final outcomes were not taken into consideration. Studies dealing with the efficiency of governmental work used the scientific management methods of Taylor, which was thought to be objective and value-free, while analyzing the American Postal Service in 1932. Several governmental bodies and commissions were created to investigate the possibilities of making the public sector more efficient, for instance the Commission on Economy and Efficiency was established in 1913, and in 1937 The President’s Committee on Administrative Management made its announcement to President Roosevelt. By the end of the 1930s the efficiency movement went low due to the lack of interest in the public eye but after the World War II it became important again (Bouckaert, 1992).

In the following part of the history of performance management in the public sector, which is dated from the end of 1940s until 1970s, the dominant debate was not about separating politics and public administration or using the Taylorian methods of scientific management. The expectations about civil servants were changed and interpretation of performance was widened: not only in the sense of technical development but in the sense of achieving goals and investigating effects as well. As these were focused on employees in the public sector had to have political sensitivity while they were responsible for implementing the political will and aims.

After the World War II many budget preparing methods were created that aimed at strengthening the performance orientated functioning of the public sector. In the middle of the 1960s the planning programming budgeting system (PPBS) was implemented and its main idea was to interpret annual plans as parts of a longer term plan and the used resources and programs were connected to social goals. In the beginning of 1970s the Nixon-administration made efforts to make the Management by Objectives (MBO) system which ensured bigger role for the institutional management with this performance based system. The idea of this system is to define the hierarchy of the goals and to use the discussion mechanism between the Budget Office and institution managements. Its aim was to investigate expenditures that had been taken for granted. PPBS, MBO and ZBB techniques appeared in Europe by the end of the 1970s, for instance PPBS was implemented in Sweden at that time (Bouckaert & Van Dooren, 2003).

The appearance and fast spread of the New Public Management movement is dated around 1980, which brought the concept of “managerialism” into the public sector. This meant on the one hand strengthening organizational and managerial autonomy and on the other hand implementing management techniques used in practice. These ideas gave new impetus and new tools to make the performance oriented way of thinking widely known and used in the public sector. As an overall effect from the 1980s previously unknown ideas and methods appeared in institutions of the public sector in Anglo-Saxon countries and later on in other ones all around Europe. These were for instance strategy creation, management control or controlling and individual performance evaluation.

The performance orientation and tools of its practical implementation were not results of the New Public Management, but due to this movement it became more extensive and intensive at the same time. It was more extensive in the sense of consisting of more levels (governmental, sectoral, organizational and individual levels) and more fields (countries and sectors). Further it was more intensive in the sense of covering more managing functions. Earlier mainly the monitoring activities were attached to this idea, which offered background information to leaders and supervisory authorities. But today performance management is used in managing and institution leading activities as well, e.g. strategic planning,
preparations and support for decision-making, comparing different organizations, divisions and departments (benchmarking), allocation of resources and ensuring accountability. As a result the repertoire of methods also became more complex.

2.2. Terms and concepts

The idea of performance management became popular in the 1990s, first in the for-profit sector then in the public sector. In the last decades many authors tried to define and operationalize the idea of performance and performance management, the aim of which is to improve organizational achievements (see e.g. OECD, 1997, Mwita, 2000, Pollitt, 2001, Bouckaert & Van Dooren, 2003, Van Dooren, 2006). In the last couple of years in Hungary more and more professional and scientific interest seem to have appeared in performance oriented operation of institutions within the public sector and since the second half of the 1990s countless articles, chapters and dissertations have been created about this topic (see e.g. Hajnal, 1999, Hajnal, 2007, Király, 1999, M. T. Horváth, 2005, Antal, 2005, Székely, 2005, Hättl & Sivák, 2006).

The reason why the theoretic analysis and practical guidelines were created was to systematize the activities done in order to set up and reach organizational aims. However performance management systems are discussed, the subsystems (and their entirety) based on theoretic approaches are not treated as one unified system. The reason is that the individual subsystems (i.e. support of strategic decision-making, breaking down the strategic goals, programming, operative frame planning, controlling, individual and organizational performance evaluation, performance based accounts, system of internal accounting prices) have different professional background (management and leadership sciences, accounting, human resources management) and development.

Before analyzing the concept of performance management in depths, it is important to clarify the concept of performance. An activity is characterized by its performance from a measuring and evaluating point of view, which on the one hand means achieving the goal, i.e. the result of the activity and on the other hand it means investigating the use of limited resources during the execution of the activity. The performance of an organization can be described by at least two things: effectiveness and efficiency. Effectiveness answers the question of “What?” and efficiency answers the question of “How?”. These two concepts are comparative instead of being absolute values.

Besides the concepts of effectiveness and efficiency it is worth to mention organizational performance in the narrow sense which investigates only the utilized resources, the inputs (financial resources, equipment, human knowledge, skills, etc.). This approach is called the organization’s economy and represents the will of gaining the necessary resources for the lowest price. This interpretation of performance is very common within the public sector. The best example is when a given institution describes its functioning with its annual budget or the number of its employees. Economy is usually represented by indicators in the following way; costs per a natural unit of the used resource, for example costs per employee.

The concept beyond economy is efficiency, which represents the input-output quotient. Inputs are costs and resources utilized for an activity, and outputs are goods and services created for the interest of an organization. One of the basic research topics of economics is analyzing the use of limited resources. Investigating efficiency in the wide sense means examining whether the organization is able to achieve its goals by using the given resources in an economical way or not. In the narrow sense it means creating given amount of output from the possible least input. These definitions assume that inputs and outputs are comparable and the resources, the created goods and services are measurable.

In case of the investigated public (or not-for-profit) organizations some problems occurred while trying to measure efficiency. It is a frequent counter-argument that these institutions use such special resources, voluntary work or allowances in kind that are hard or even impossible to measure and compare. Choosing the output measures is also controversial because these services are usually free of charge or are available below the market price.
Determining the price in currency leads to such difficulties that question the point in defining efficiency. Another counter-argument is that it is not necessary to measure the efficiency of these organizations because the goals legitimize the activities on their own.

It is right that there are principles and activities that are hard to measure or express their value in any currency, nevertheless this danger may be exaggerated. The importance of some inputs and outputs makes it essential to express their values but not necessarily in currencies. A measure of efficiency can be the costs per output, e.g. costs of infrastructure per theatrical performance. Furthermore the utilized resources can be measured in natural units, e.g. number of employees and their structure in an opera-house (ratio of staff and actors) compared to other opera-houses or the number of performances or premiers can also show important information about the efficiency.

On one hand, the scarcity of inputs in public organizations legitimate the examination of efficiency, on the other hand, the responsibility in the utilization of the resources made available to them. Contrary to business organizations, these organizations manage their operation and venture decisions not from their own funds, but from funds given by someone else – typically by taxpayers. Measurement of efficiency may have the positive effect of the raising level of accountability and transparency. Measurement results might be interpreted widely, and can provide basis for new research, analysis and comparison.

Another important dimension of performance can be seized by effectiveness. For the determination of effectiveness, the English literature employs the term of outcome, which – in this context – means the attainment of the desired organizational result. So the output is just an intermediate product, it can be seen as a tool for reaching the outcome. Providing artistic-cultural experience by staging different genre performances for the various social strata, might be a target for a theatre. Performing the play is the organizational output, while high-standard entertainment is considered as outcome – which can be measured by the ratio of advance booking and the rate of returning audience. It is important to note, that an organization can be efficient, for example by staging a play with cheap resources; but it is doubtful, that the play can also be considered as effective. Thus effectiveness measures the influence and quality of organizational activity.

We understand effectiveness in a wider sense and investigate, whether the targets of the organization continuously meet the expectations set by outside environment. In a narrow sense, we are looking for the answer, whether an organization is able to reach targets set by its own. The judgement of effectiveness is independent of what kind of inputs (expenditures) were used for having the required effect. So we might grasp effectiveness by taking account the effects of the activity and compare them to the targets set.

This approach is called by 3E in the literature, because the above-mentioned three dimensions of performance are connected to the key concepts, each starting with “e” (namely: economy, efficiency, effectiveness). Further aspects of performance interpretation were introduced during the last decades in the public sector; these help chiefly the evaluation of extra-organizational – territorial or branch (sector) – performance. Often the fairness or equity in the distribution of benefits appear as the fourth element (concept 4E); which for example in case of the cultural branch means that whether the citizens living in a given country have identical chances to reach cultural goods. Obviously not only one organization is responsible for the enforcement of the fairness/equity standpoint, but it is a mission for the total of several organizations or the whole branch, sector.

Figure 1 represents the logic model of 4E' concept of performance in the public sector (Bouckaert, 2002). It is a model of the role of an organization or a program in the socio-economic environment. The performance management appears here as a control (or regulatory) cycle, i.e follows the cyclical steps of a logical scheme of target-setting, measurement, feedback and evaluation. This approach is based on system theory-cybernetics basis (Bodnár, 1999), and often cited as input-output model (Van Dooren, 2006, page 28).
The starting point of the policy cycle is the socio-economic environment, where different issues and problems invoke a need for action by the public sector. The political system will filter issues and translate them to problems, determine priorities, assign tools, make decisions and control implementation (Hogwood & Gunn, 1984, Chapter 2). Main targets of the operation of an institution or institutional system are determined by political or strategical objectives. On the branch level, these targets are formulated in political documents and laws, and mission statements are seen for the same purpose on the organizational level. An essential step of the policy cycle is to break down general, strategically set directions into more detailed and measurable targets. These are the so called operational objectives, which serve as quite specific guidance for each organization.

After the definition of operational targets, we step into the so called management cycle, which describes the operation of individual organizations with the help of an input – throughput – output model. As a result of organizational processes and activities (throughput), employed resources (inputs) become services and products (output). Thus the main concern of an institution’s management is the size and nature of resources needed for the operation, and how to organize processes efficiently to enable the organization to produce an appropriate quality and quantity of output. For this reason, managers of single institutions need feedback mainly regarding inputs and outputs.

![Figure 1: Performance management in the public sector – 4'E' concept](based on Bouckaert, 2002 and Van Dooren, 2006)

Identifying socio-economic problems is not a simply task, and certainly, not only politicians translate issues to problems and problems to policies. Anyway the political system has key role to determine problems in agenda and prioritize among them.
The established product or service leaving the organization, make an impact on the society (e.g. a Hungarian opera play turns the attention of an international festival organizer, and participation on an international festival carries out reputation for a nation’s culture too). The key question here is what kind of outcomes appear as a result of outputs. Responding to this question, intermediate results (in the short term) and final results (in the long term) are often distinguished. It is a pragmatical, but important distinction, because usually it is hard to show (or even impossible) the relation between desired final outcomes (e.g. raising reputation of Hungarian culture) and concrete outputs (e.g. theatre performances).

Single elements of performance are measured by the help of indicators. A possible typology of performance indicators is given by Bouckaert & Van Dooren (2003):

- **Input indicators**: e.g. number of employees, size of the institution’s budget.
- **Output indicators**: e.g. number of performances staged, revenue from tickets sold.
- **Intermediate outcome indicators**: e.g. abilities/capacities improved on a training, an appreciative review issued regarding a theatre performance.
- **End outcome indicators**: e.g. the raise of reputation of the opera-house.
- **Environmental indicators**: e.g. age composition, effect on economic indicators – increase of GDP.

By employing the relations of the above mentioned indicators, we might come up with ratios enabling the analysis of performance regarding the economies of performance (input costs), efficiency (output-input relation), effectiveness (outcome-output relation) and cost-effectiveness (outcome-input relation).

In a feedback-evaluation process at the end of policy cycle, political and strategical target setters face achieved results, outcomes and in the light of these, originally set objectives and/or tools could be altered. However, the separation of policy and management cycle is important for analytical reasons, but they are not separated from each other so sharply in reality. Individual institutional managers need naturally to be aware of political and strategical targets set and the way resources are allocated; but at the same time politicians ought to know the feasibility of a product/service, and the gains made available by them.

Another further substantial feature of performance management systems is the integration of strategical function (binding for long term) and the operational function (binding short term) by breaking down targets composed in the strategy into tasks of daily operational level. The following figure summarizes what we have said so far regarding the concept of performance-management.

![Figure 2: Performance management system at organizational level](image)
The strategic level of the performance management system assists in defining, clarifying and communicating the long-term focus and usually generally formulated strategic goals in the whole organization. The creation of an operational plan derived from strategic objectives establishes the link between the strategic and operative levels (in public organizations the annual budget establishes it). The annual plan serves as a basis for implementation, and it is broken down to the level of certain organizational units, and even to the level of individual members of the organization (personal performance agreement). Actual performance versus operational plan can be traced with the performance measurement system; after it, an analysis could be carried out in the performance evaluation framework and the results could be interpreted by the management or other stakeholders. Feedback taking place in the operational management cycle mainly provides information regarding the generated output and related input consumption, and it also suggests interventions, if necessary. The role of feedback in the strategic management cycle is mainly to provide support in tracking the realization of strategic goals, presenting unanticipated changes to decision-makers as soon as possible, and providing support in case of changing the agenda.

Reframing Anthony & Govindarajan (2003), Kaplan & Norton, 2001, Micheli et al., 2004), and Neely et al., 2002), the ‘function’ of performance management is to create an organizational awareness to continually improve goal-related efficiency and effectiveness, both using formal systems and conditioning individual behaviour and cognition. Performance management is thus closely related to, but more comprehensive than the concept of management control (Anthony & Govindarajan, 2003, P. Horváth, 2002, Otley, 2003).

The measurement of performance of performing arts institutions became critical for governments and institutions as well. Chiaravalloti (2005) diagnosed: “governments need to justify their funding policy to the public and opera houses need to justify their existence and their costs to the governments and thus to be held accountable to the public … Because of the specific artistic nature of the main output of opera houses, that is, artistic performance, indicators for performance quantity are not sufficient to measure the real value produced by the individual organisation. As a result, the evaluation of artistic quality becomes necessary and indicators for the performance quality are required” (Chiaravalotti, 2005, p. 1.). After summarizing academic discussions and empirical experiences he emphasizes the importance of interdisciplinary approach. Chiaravalloti differentiates between profile quality (describes the season program offered by an opera house) and performance quality (deals with the quality of the performed program) and deals with musical aspect of the performance which can hardly be taken…

Madden (2005) proceeds from the growing demand of accountability for public monies but, argues “improving cultural indicators is not simply about improving statistical methods: it is also about understanding better the nature of arts activities, improving the articulation of arts policies and considering the complex interrelationships between statistics and policy and the impacts that measurement can have on ‘stakeholders’ in the arts and cultural sectors” (Madden, 2005, p. 217.). His work is a comprehensive study about the forms and types of indicators, their different role and characteristics in monitoring, evaluation, advocacy, organizational learning and behaviour. It is interesting to see the various check lists for indicators he collected, and his analysis of analytical and coordination issues. Further relevant point for our research as well the question of indicator hierarchies (on micro, meso and macro levels) and the relationship between cultural and art, more specifically performing arts indicators.

Radbourne, J. (1998) introduces the main findings of the project commissioned by the Confederation of Australasian Performing Arts Presenters. The aim was to „develop a suite of key performance indicators which would enable Australasian performing arts centers to measure their performance in accordance with Australian benchmarks” (Radbourne, 1998, p.1-2.). She gives a short description about the actual practices of the use of performance indicators in the arts in the United Kingdom, Europe, USA as well. Important statements of the paper that the set of collected performance indicators should be rationalized, the organizational effects and factors (e.g. resistance against maintainer’s data collection
because of the fear of decreasing state subsidy) could be considerable and complex analyses are needed to help cooperation among institutions and find really relevant results using the indicator database.

Performance management in a theatre or opera house may be understood, accordingly, as a set of defined input-output-outcome relations, activities and processes aimed at improving the efficiency and effectiveness of the day to day and first-time performances and also - in a broader view - administrative and supporting tasks. Performance management evidently comprises both formal (technocratic, systems-driven) and informal (beliefs-related, behaviour-oriented) elements.

The selection, implementation and deployment of formal and informal instruments, methods of performance management can be built only on comprehensive performance models. Only the deep understanding of operational and organizational logic of performing arts institutions may guarantee a fit, appropriate and descriptive performance model. This model will be certainly different from those of the standard business organizations and in some aspects different from other public organizations’ – since opera houses, theatres have special inputs, core processes, outputs and outcomes comparing to hospitals, schools or museums.

3. The scope of research

At first we deal with the partially overlapping viewpoints of the stakeholder groups on the performance of the institutions. The performing arts institutions are in close relation with many different branches such as opera, musical, dance, prose etc. In order to use methods and philosophy of performance management it is highly recommended to clarify the, sometimes ambiguous, expectations and requirements set for the analyzed institutions.

The second – not less important – research objective is to elaborate a general performance model for the performing arts institutions. It implicitly involves the hypothesis that industry-specific performance model for performing arts institutions can be developed based on opera houses', theatres' common standard elements of operation. For performance model building we identified the main drivers of organizational performance and the relationships among them.

3.1. Stakeholders’ viewpoints of performing arts institutions

External stakeholders are mainly the audience as well as critics and the international professional public opinion. Expectations of these groups are usually similar however sometimes different ideas may occur.

• The audience is in direct connection with the performance of the performing arts institutions. They expect cultural and professional depths in accordance with their subjective opinion. Having different expectations of the different branches of performing arts, they require variance based on types (the author’s nationality, classical or 20th century play etc.), the performance itself within the branches and the implementation of a piece (conservative or modern treatment). These are primary expectations for the outputs and outcomes. However there are expectations for the inputs as well, for instance suitable infrastructure, high-standard theatre company and actors as human resource. The theater’s financial background and support from the state or private sector are also essential as the higher the ratio of aids, the lower the ticket prices are. There are also different groups within the audience. One group pays attention to the social effects, members of the other one have their preferences based on their personal point of view. Understanding the expectations and values of the audience is substantial not only for the performing arts institutions and their leaders, but for the whole organizational system and the professional experts. Among performance indicators of performance arts institutions can be found the information
about attendance and satisfaction of the audience. The reason is that the cultural goods are created by the intellectual and emotional effects on the audience.

- **Domestic critics** mainly focus on the **outputs and outcomes** thus the question may arise whether they do that in a subjective way or not. On the whole they are supposed to have **deeper knowledge about performing arts** so they are able to evaluate the institutions and the organizational system and also to make their suggestions which can touch upon inputs and effects as well. It is important to bear in mind that **expectations of the audience and the critics may vary significantly** while creating their idea about the performing arts branches, the different tendencies and schools, as well as the types and individual performances. Critics, while dealing with **accountability**, approach the performance from an artistic and professional point of view, sometimes these can be seriously biting remarks, but financial and economic pieces of advice remain suppressed.

- **International professional opinion** is usually similar to the one of the critics. But at the same time they may represent different **expectations and evaluations based on cultural differences** from wider fundamentals of many countries. On the other hand the international opinion meets only a smaller segment of performing arts institutions; it rarely gains insight to all the activities and programs of a given institution. It is important to be aware of international expectations on the levels of institutions and professionals in order to create open-minded, modern and competitive performing arts.

- The group of **policy makers** can be divided into several subgroups based on performing arts branches or the position of these professionals on ministerial, middle-management, resource mediators or council levels. Their common characteristic is, because of their task and job, that they are **supposed to focus on outcomes**, set up requirements and thus define the inputs and outputs on the levels of the institutions and organizational system. It is also important to emphasize **evidence based policy making**. Its main aim is to reinforce exploring cause-and-effect relationships and making strategic and realistic decisions, instead of relying on political bargains and short run or ad hoc decisions. The fundamentals of evidence based policy making are collecting data with appropriate thoroughness, treating them reliably and discussing the results and their possible interpretations with different stakeholder groups. **Representatives of policy makers play the role of integrators and coordinators** during this discussion. **Their approach determines the emphasis on performance based (democratic) accountability** within the organizational system. **Input indicators are important for the domestic representatives of experts and on the long run they are determined by them.** On the short and medium run they work as stipulations. Environmental indicators can be used as planning premises as well.

- **Society**: this group can be referred to as domestic citizens indirectly affected by performing arts, who provided, provide and will probably provide financial basis through their **tax payments** for common goods and thus performing arts. They may have general expectations on the performing arts outcomes and outputs, like their country or city should have prose or music performances of high standard. On the other hand, sometimes notwithstanding the audience, critics, leaders of institutions or employees, **they may prefer to support other fields** like publishing, museums or sports **with the limited resources**. The society’s expectations of performance and accountability are hard to measure, but it does not mean that experts and governmental representatives can neglect it. Taxpayers’ stronger desire for efficiency and effectiveness contributed to the New Public Management.

**Internal stakeholders** are maintainers, institutions’ management, staff and employees.
Maintainers in one hand are playing a dominant role in safeguarding inputs, on the other hand they formulate expectations regarding outputs and outcomes. (We treat maintainers and owners in the same way – because of the empirical overlapping of the two groups.) The pivotal question is to what extent are the maintainers capable of understanding the performance model of performing arts institutions and the logic of output production. Another connected, but not causal question is that how important function is assigned to the explicit composition of performance expectations towards the management and the importance of performance-based funding. Many ways of maintainee financing are feasible, e.g. refunding of capacity, granting allowances for prescribed tasks, basically input-based financing, or output-based financing, taking into account itemized outputs or normative output. There is a general demand becoming visible from the maintainers to grasp a comprehensive view of the performing arts institutions operated by them. During the recent years, a shift could be observed from data-gathering model to the direction of performance based (democratic) accountability. Accountability is based on accountable behavior (responsibility), namely the management function in conformity with targets, performance expectations, fundamental principles, the willingness to take consequences of mistakes, to be possibly held responsible (answerability). These measures find shape in trustworthy reporting of operations, the management taking guarantee for decisions made. A maintainer (e.g. ministry or municipality) typically operates more than one performing arts institution, so collected data could be analyzed inter-organizationally and in case of the most frequently used and publicized indicators internationally too. On behalf of the maintainer it is a rational expectation to boost own revenues (like ticket income, merchandise, charity and other e.g. revenues raised by renting).

In connection with the employee groups, the most intriguing research direction is the different attitude of professional cultures towards performance or just the lack of it (e.g. to what extent does the economic department represent the efficiency point of view). General expectation – attending in input indicators – is the safeguarding of appropriate infrastructural, human and financial background. Similar expectation in the assurance of self-realization – caught by output/outcome indicators – is the appropriate quantity, type and quality of performances played and the staging of new plays. Contribution to performance and making the contribution perceivable is – or could be – important personal necessity. For the management to achieve superior performance, it is of key importance to get to know the personal needs and competencies of the staff. The effects are leveraged in case of performing arts institutions where professional output requires the staff to enter fully into the spirit of the play, their attention and precision. Employees of performing arts institutions could be broken up to further groups subject to the legal relationship between the employee and employer (e.g. public employees, regular employee with fixed- or performance based contract, member of a company contracted for carrying out outsourced activities). Empirical evidence shows that an employment scheme considering performance (at least partly) is more favorable for both institutions and employees performing on high level.

Prior stakeholder groups formulate their expectations towards the management of performing arts institutions, as the management determines operation through its decision making authority. The performing arts performance model is a significant tool in the hands of the management, which can help in the more efficient and more effective operation of the establishment. They are the ones who primarily select, implement and apply the formal and informal performance management elements. The management pays attention to the resources, the output, the outcome and environmental indicators (impact indicators are difficult to be interpreted on institutional level). At the same time, conflict of interest may occur among managers, maintainers, policy makers in connection with data reporting. The reason for this is
that efficient, effective institutions often face decreasing subsidies; however, at the same time poorly performing institutions are financed from the limited central budget year by year, without the enforcement of serious sanctions. So organizational slack is standing behind data reported to outsiders. Another, more favorable tendency is that institutional managers use performance data deliberately and actively to communicate outstanding achievement of the institution (e.g. number of the audience visiting performance played abroad, prizes awarded)

3.2. Performance model for performing arts institutions

In case of performing arts institutions premiers and performances are the output. It is useful to differentiate these two; the former is a new creation, a new set on the stage, the latter is daily performing. Premiers and performances together are described by a repertoire structure. The repertoire structure is not a monthly plan, but the number of the certain performances in certain places in a given period of time.

While creating a repertoire structure, one of the fundamental decisions is to choose which playing model should be used.

- **Model Repertoire**: relatively numerous performances, which are played relatively rarely. The plays are performed in seasons and are substituted slowly on the long term. This model is used in German and Hungarian opera-houses. Large permanent theatre company is required and different performances are on stage every night.

- **Model En-suite**: few performances are played continuously and in the following season they are got off the stage and are not played at all. Once a play is taken off a completely new play is created, usually with new staff. Highly trained staff, who are engaged only for a fixed period of time, works on these projects. The Scala Milan and several Anglo-Saxon theaters operate this way.

- **Model Block**: only a couple of performances are on stage and are performed in blocks for a longer period of time. The plays are shown in the following seasons as well but fewer times. The supply of this model is smaller compared to the Model Repertoire and the individual performance is usually poorer compared to the Model En-suite. The reason is that hiring a famous actor or actress is more expensive than engaging them for a fixed period of time.

The number of outputs, i.e. premiers and performances, is determined by the repertoire of the performing arts institution, the number of the stages, the seating-room and other infrastructural characteristics, like stage technology.

When analyzing the process of creating output it is clear that besides infrastructure, human and financial resources are also needed. The repertoire structure and the country’s legal framework determine the size of a given institution, the structure of employees; the staff/artists ratio and the way actors are employed (permanent or temporary type of contract). Large theater companies are the most common in Hungary and the actors, as well as the staff, are hired as civil employees. Temporary contracts are not usual.

Financial resources are ensured by the maintainer of the institution and the audience. In Hungary the majority of performing arts institutions are maintained by the state or the local government. The majority of their income is given by the maintainer, only the smaller part comes from ticket sales. The maintainer has also the responsibility to assign tasks to the institution and it usually determines the requirements of attendance as well.
3.3. Research questions

Taking the expectations and effects of the above presented stakeholder group and the performance model of performing arts institutions as our starting point, we have formulated the following research questions in case of the examined organizations.

1. Do the prerequisites of performance management in the selected Hungarian performing arts institutions exist?
   This question could be broken up to the following sub-questions:
   a. To what extent are the managers of the selected institutions familiar with the expectations of stakeholders, and to what extent do they take them into account?
   b. How are inputs, outputs, intermediate and final outcomes measured?
   c. Do the management of institutions know the basic relations among elements of organizational performance and leading influential factors?
   d. How does the institution communicate organizational achievement towards stakeholders?

2. What kind of performance management tools are adapted by the examined organizations?
   This question could be broken up to the following sub-questions:
   a. What characterizes the planning-, measurement- and evaluation sub-systems in the examined organizations?
   b. What kinds of indicators are employed for the evaluation of the organizations’ performance?
4. Methodology

Case study is an applicable research method if the field of research is broad enough and the context of the research object has significance too (Yin, 1993). Also, case studies are effective tools when the research is still in the exploratory phase and theory building is on the agenda (Eisenhardt, 1989). Our research objective (examination of conditions and tools of performance management in Hungarian performing arts institutions) fulfils these criteria, so case study carried out by participative observations and interviews was selected as primary research method.

Due to the relatively small size of Hungary, we could identify innovative performing arts organizations with respect to our research topic. We selected four Hungarian performing arts institutions where the demand for performance oriented operation has arisen and performance management instruments have been implemented in the previous years.

- **Hungarian National Opera**: the central public institute of the 300 years old Hungarian opera playing and the 200 years old Hungarian ballet – with more than 1000 public servants and more than 20,000 €/year state support. They have a comprehensive controlling system based on OLAP data warehouse technology.

- **Hungarian National Theatre**: the theatre has almost 200 years old tradition and operates in a brand new building (opened in 2002). The theatre – legally as a state-owned joint-stock company – has approximately only 150 employee and 6,500 €/year state support. The artists have been contracted out. The theatre use accrual accounting.

- **Hungarian National Philharmonic Orchestra, Choir and Music Bibliothque**: central institution in its cultural territory in Hungary as well – with high international reputation: more 30,000 foreign spectators a year. They have been using performance based evaluation and motivation system since 2000 among the artists.

- **Madách Theatre**: the theatre has 4 different stages - the Great House with 800 places is primarily for musical playing playing, other stages for drama playing drama playing. One of the most successful and efficient theatres of the capital, Budapest.
5. Results

In this chapter we introduce the four performing arts institutions and summarize the main findings of case study analysis.

1.) Hungarian National Opera

| Founded: 1884 | Peer institution: Ministry of Education and Culture | Main tasks, activities: - opera, ballet and orchestral performances |

Management: chief director, chief music director, art director, first conductor, ballet director, director of the orchestra, director of choir, director of children choir, chief scenic advisor, scenic director, chief costume designer, financial director, director of engineering, marketing and communication director, PR director, chief law-advisor, HR manager

Characteristics, challenges:
- 300 years opera tradition, 160 years ballet tradition in Hungary.
- First and nowadays the single permanent centre of Hungarian opera and ballet playing.
- Opera is public institution, employees are public servants.
- Traditional public budget planning and reporting inadequate to support management decisions.
- Cash based accounting rules because of the public institution legal form (amortization not managed properly, fix budgets for personal and non-personal costs, difficult to rearrange cost items during the fiscal year between the categories).
- High infrastructural costs: one building is ancient monument, other one is under renovation.
- Expensive scenery and costumes in opera and ballet playing.
- Huge state support, low own incomes (animosity among other performing art institutions of Ministry).
- Chronic deficiency for years – lack of transparent use of resources.
- High number of performances on repertoire according to international benchmarks, unequal qualitative / quantitative performance of artists.
- Wrong „social“ functions (national insurance payments, support for old artists).

Development of performance management system from 2000:
- 2004: Detailed analysis of Opera (artistic performances, organizational structure and processes, economical situation, management, infrastructure, national and international benchmarking) by external consultants in charge of the Ministry of Education and Culture. Results: elaboration of comprehensive performance model of Opera and normative compensation system for group of artists in the institution. The calculated saving per year with the normative compensation system was 2000-8000 t€ against the actual yearly budget – depending on the number of stages, premiers and performances. Further organizational, economical suggestions to increase efficiency and effectiveness. (not implemented)
2.) Hungarian National Theatre

<table>
<thead>
<tr>
<th>Founded: 1836</th>
<th>Peer institution: Ministry of Education and Culture</th>
<th>Main tasks, activities: - drama playing, guesting foreign performances, specially Hungarian companies beyond Hungary’s borders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual building opened: 2002</td>
<td>No. of employees (2007): 153 (full time employees), + 39 artists and 15 people from supporting areas with contracts</td>
<td>Budget (2007): 9.120 t€ - personal cost: 48% - maintainer support: 75%</td>
</tr>
<tr>
<td>Building, stages: 1 building, 1 large, 2 small stages</td>
<td>Management: chief director, artistic chief secretary, financial director, production director, director of engineering</td>
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Characteristics, challenges:
- Theatre tradition in Hungary: more than 200 years (in Hungarian language) – before that liturgic and German performances for centuries.
- National Theatre is a joint stock corporation (only shareholder is the Hungarian State).
- High infrastructural costs: new building with modern stage equipments, large garden – considerable amortization costs: 3000 t€ per year.
- Decreasing state support from year to year, consequently decreasing number of new performances.
- Debate on legal form of National Theatre (joint stock corporation vs public institution) extends over a number of years.
- Sensitive situation, fine critiques, intense attention because of the Theatre special national role and turbulent history in previous years (political battles on new building, chief directors).
- New company was formed in 2002, they need years to get harmonized.
- Wrong „social“ functions (paying remuneration for Artists of the Nation).
- Advantageous governance, financial and management frames because of the legal form of Theatre (e.g. compulsory external audit, accrual accounting rules in book-keeping).

Development of performance management system from 2000:
- Detailed direct cost planning and reporting system for performances, premiers. Smart planning for new performances (like projects, investments) and after premier strict use of resources at evening plays. Daily incomes are opposed to daily direct costs and all of them are presented by financial director to chief director day by day.
- Conscious professional and financial management of institution. The management knows the performance model of performing arts and use it to plan and control the professional and financial performance of institution. Grounded operative (one year) and business plans. Financial team really supports management decisions.
- Most of supporting activities are outsourced (e.g. internal audit, labour safety, fire safety, IT system management, auditory services, light system management, laundry, janitor services, cleaning, maintenance, organizing exhibitions) – in this manner these costs are put down, turned into variant from fixed costs and price competition could be exploited by Theatre.
- Most of the artists are outsourced, employed for performances – the fee depends on previous and expected performance of the artists and the difficulty of the given character. The fee is multiplied by number of performances (if necessary with rehearsals).
3.) Hungarian National Philharmonic Orchestra, Choir and Music Bibliothèque (HNP)

<table>
<thead>
<tr>
<th>Founded:</th>
<th>Peer institution:</th>
<th>Main tasks, activities:</th>
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<tbody>
<tr>
<td>1923 (orchestra), 1986 (choir), 1952 (music library)</td>
<td>Ministry of Education and Culture</td>
<td>- symphonic, oratorio and chamber music, music library services</td>
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<tbody>
<tr>
<td>198 full time and 7 part time employees + 4 persons with contract</td>
<td>6820 t€</td>
<td>- no real estate assets</td>
</tr>
<tr>
<td>&gt;&gt;&gt; personal cost: 82%</td>
<td>&gt;&gt;&gt; maintainers support: 88%</td>
<td>- limited no. of evenings in National Concert Hall (Palace of Arts)</td>
</tr>
</tbody>
</table>

Management: chief director, chief music director, director of chorus, financial director, chief art advisor, chief orchestra manager, choir manager, communication manager, program manager

**Characteristics, challenges:**
- Legal form of HNP: company of public utility.
- High international activity (e.g. in 2007: orchestra concerts in Budapest: 20, countryside: 10, foreign countries: 20), numerous guest artists year by year from foreign countries.
- From 1998 to 2001 the state support tripled, from 2001 to 2005 stagnated, from 2006 decreased.
- Debate on legal form of HNP (non-profit company vs public institution) – the actual legal form expires in 2009.
- Most of the assets of HNP are musical instruments and sheets – with considerable amortization costs.
- New company was formed in 2000, by now they managed to get harmonized.

**Development of performance management system from 2000:**
- 2000: Internal examination, rating for artists of orchestra and choir. International professional committee for the assessment of musicians, national committee for evaluation of singers. (The artists not managed to fulfill the requirements were laid off.)
- 2000: Introduction of the new, performance based compensation system. Three main elements: basic wage (depends on age and qualification), incentive wage (depends on the number of performances the artist takes part in), artistic bonus (depends on the grade of artist – which based on yearly qualitative rating). Third element is not a big size of money – because of its subjective kind and personal differences, changing life situations among artists. Labour Union accepted the new compensation system as well. From 2001 new legal form and high state support for years, relative advantageous frames for HNP workers.
- Conscious professional and financial management of institution. The management knows the performance model of performing arts and use it to plan and control the professional and financial performance of institution. Grounded operative (one year), business and strategic plans. Financial team really supports management decisions.
- Detailed controlling system: direct cost planning for performances, tours.
- 2006: Action plan to improve financial situation of HNP (in conformity with State restraints): further merchandizing (several CD-s released per year), growing number of performances (specially abroad), rise of prices, active search for sponsors, strict collection of assets, debts, increase attendance (from average 90% to 95%), further laid-offs, selling out car park etc.
4.) Madách Theatre

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<th>Founded: 1940</th>
<th>Peer institution: Municipality of Budapest (local government)</th>
<th>Main tasks, activities:</th>
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<tbody>
<tr>
<td></td>
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<td>- musical, comedy and drama playing, solo shows and chamber pieces</td>
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<tr>
<th>No. of employees (2005): 198 full time, 7 people part time worker</th>
<th>Budget (2005): ~7000 €</th>
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<tr>
<td></td>
<td>&gt;&gt;&gt; personal cost: ~70%</td>
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<td></td>
<td>&gt;&gt;&gt; maintainer support: ~40%</td>
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<th>Buildings, stages:</th>
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<tbody>
<tr>
<td>- 2 building</td>
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<tr>
<td>- 1 large, 1 medium, 2 small stages</td>
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</table>

Management: managing director, financial director, production director, director of engineering, artistic director of Örkény Theatre

Characteristics, challenges:
- Legal form of Madách Theatre: company of public utility. Theatre has to change its legal form – the actual legal form expires in 2009.
- One of the most popular theatre of Budapest. In 2005 it has reached the highest number of audience among the theatres of Municipality of Budapest with more than 383.000 people.
- Two different artistic direction: 1.) musical playing and comedies (blockbuster musicals, e.g. Cats, Producers, The phantom of the opera, Joseph and the amazing technicolor dreamcoat, Chicago, furthermore comedies, e.g. Same time, next year, Not now, darling, Run for your wife), 2.) dramas, solo shows and chamber pieces (e.g. Scenes from a marriage, Chekhov’s plays, dramas from Hungarian writers).
- Royalties after internationally famous plays are considerable and should be paid for years.
- Two theatre: the so called Madách Theatre (Great House for musicals and comedies and two small stages for solo show, chamber pieces) and the professionally independent Örkény Theatre (one medium stage for dramas).

Development of performance management system from 2000:
- Musicals and comedies are administered as projects – investments – until premiers, than they are activated in books. Amortization of these pieces is necessary: to display the costs over years during the play performed and establish resources for forthcoming projects. The contracts with owners of blockbuster musicals, comedies (e.g. with A. L. Webber) define amortization rules – besides royalties – as well.
- 2005: analysis of organizational and financial operation of Madách Theatre by external consultants. Active co-operation among professional, financial and technical management and consultants to improve efficiency of Theatre (e.g. outsourcing further supporting areas, modifying contract condition to enhance performance orientation) and increase own incomes (e.g. comprehensive price benchmarking, further price discrimination). At the same time development of controlling system (e.g. detailed financial planning, methods of forecasting, standard daily, weekly, monthly… reporting, intensive management decision support).
- Conscious professional and financial management of institution. The management knows the performance model of performing arts and use it to plan and control the professional and financial performance of institution.
- Several supporting activities are outsourced (e.g. auditory services, sound system management, laundry).
- Most of the artists are outsourced, employed for performances with contracts.
6. Conclusions

First of all, we found that the performance model of performing arts institution is based on a relatively standard, transparent performance structure, and the expectations and effects of key stakeholders are identifiable. However, the application of performance management methods proved to be at an initial stage even in the selected innovative institutions. What could be the reasons of this phenomenon?

Concerning our first field of inquiry (precondition of performance management) we identified some potential answers to this question:

- The maintainers do not express clear performance expectations towards their performing arts institutions, and the financing is generally input-based. The institutions have core values, mission statements but strategies, business plans are rarely prepared. The main strategic goals can be in mind of directors but generally there are differences among their interpretations.

- The financial support came from the state or local governments has decreased typically in the last years, and the amount of financial sources is often hard to plan forward despite of input-based financing. Therefore the managers of institutions show mostly some reluctance to make long-term plans. However the operation of performing art institutions demands at least mid-term artistic and financial plans (to guarantee outstanding artists for performances).

- In the performing arts institutions the employees are generally very committed to their work. (The relative low salaries in Hungary in this sector and the different organizational regulations can not motivate and control as strong these employees as their commitment and the organizational culture of institution.) But the employees can be broken up to further professional groups with very different attitude towards performance management. The conflicts between the financial-efficiency dimensions represented by administrative and technical groups and artistic viewpoints represented by actors are typical.

- The examined institutions try to give more attention to external stakeholders (e.g. organized programs for “friends” of institution, surveys of audience), but the effectiveness of these efforts is now hardly measurable.

- The measurement of intermediate and final outcome indicators is not typical in Hungary.

To summarize the above mentioned statements, the performing arts institutions take mainly the expectations of maintainers and professional groups into consideration. But they do not know adequately the factors behind that and the possible effects. There is no widely accepted comprehensive measurement system for the performance of performing arts institutions in Hungary. The lack of the – exact – knowledge of performance model hinder the directors and policy makers in communicating, collaborating and managing successfully.

Finally, we evaluated the applied methods of performance management. The examined institutions applies only a few performance management methods, we did not find comprehensive systems and the actual systems can be developed considerably in the forthcoming years (e.g. they collect and analyse the essential direct (material) costs of performances evening by evening despite the evening income, but in most cases the personal costs or infrastructure costs of plays are not taken into consideration among the evening direct costs although they could be relevant in management decision on cancelling a play or not).

The planning system supports only the annual (budget) planning, the long term target-setting and strategy-formulating is not formalized. In three out of the four cases we examined, we found performance based payment, the importance of this method seems to be ascendant.
The lack or low quality of applied IT systems interferes the development of high level performance management. These systems are more or less fit for data processing but they are not decision support systems.

The radical changes in Hungary in 90’s, the restraints in the previous years, additionally the expected social and economical effects in the next years all confirm the importance of performance management systems in performing arts institutions. The managers will be able only with fair and transparent individual and organizational performance planning, measurement and evaluation systems to keep the best artists and other employees and handle organizational resistance during changes.
References


