



**FACULTEIT ECONOMIE  
EN BEDRIJFSKUNDE**

**TWEEKERKENSTRAAT 2  
B-9000 GENT**

**Tel. : 32 - (0)9 – 264.34.61  
Fax. : 32 - (0)9 – 264.35.92**

## **WORKING PAPER**

# **The implementation of businesslike reporting in subsidized nonprofit arts organizations: an empirical evaluation\***

**Elke Demeulenaere<sup>†</sup>**

**Johan Christiaens<sup>‡</sup>**

**Ignace De Beelde<sup>§</sup>**

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<sup>†</sup> Corresponding author: Department of Accountancy & Corporate Finance, Faculty of Economics and Business Administration, Ghent University, Kuiperskaai 55/E, B – 9000 Ghent, Belgium, phone: + 32 (0)9 264 35 66, e-mail: Elke.Demeulenaere@UGent.be

<sup>‡</sup> Department of Accountancy & Corporate Finance, Faculty of Economics and Business Administration, Ghent University, Belgium

<sup>§</sup> Department of Accountancy & Corporate Finance, Faculty of Economics and Business Administration, Ghent University, Belgium

## **Abstract**

Nonprofit arts organizations in continental Europe are generally to a large extent dependent on governments for their funding. Based on the new institutional theory, coercive pressures exerted by these funding governments are expected to drive the implementation of institutional models and, as such, enhance institutional isomorphism. However, in case of competing logics, institutionalized models are said to be implemented only to a moderate extent and to drive practice variation. This paper attempts to test these contrary assertions on the implementation of institutionalized models by analyzing the implementation of businesslike reporting in Flemish subsidized nonprofit arts organizations. The construction of a compliance index, based on a random sample of 100 organizations, allows for a quantitative picture of this implementation and enables descriptive statistics and univariate tests to validate the hypotheses. Elaborating on the results, partially confirming the stated hypotheses, the discussion formulates some topics for future research.

## **Keywords**

new institutional theory, competing logics, reporting, nonprofit arts organizations, funding

## **Introduction**

Traditionally, new institutional theory regards the nonprofit sector as particularly ‘sensitive to institutional influences’ (Greenwood, Oliver, Sahlin, & Suddaby, 2008, p. 9). Especially in fields where nonprofits are mainly dependent on funding from government, coercive pressures are said to be strong. While in the US, nonprofit cultural organizations ‘rely more on individual donations [...] and less on government grants and contracts’ (DiMaggio, 2006, p. 432), the reverse holds true for nonprofit arts organizations in Western Europe. In the latter case, a genuine implementation of governmentally imposed institutional models can be expected, leading to isomorphic practices and allowing the organizations to mobilize external legitimacy.

Recently however, the concept of institutional logics has again been foregrounded in organizational analysis. Institutional logics are defined as the ‘broader cultural beliefs and rules that structure cognition

and guide decision-making in a field' (Lounsbury, 2008, p. 350). According to Friedland and Alford (1991), not only does society consist of multiple institutional logics, such as the state, the market, the professions and so on, but also do these logics often compete and, as such, lead to ongoing conflict and change. Contrary to the traditional notion of institutional isomorphism, this conceptualization of competing logics provides institutional theory with a theoretical foundation for explaining practice variation. Coercive pressures to adopt an institutionalized model could therefore result in a heterogeneous rather than a homogeneous implementation of the institutionalized model demanded for, whenever this model would appear to be competing with the logic of the organizational field at hand.

In an attempt to test these renewed assertions with regard to the implementation of institutionalized models, this paper focuses on the governmentally instigated implementation of businesslike reporting in subsidized nonprofit art organizations. The introduction of an organizational practice, such as businesslike reporting, in the field of cultural organizations can be understood as the introduction of a competing logic associated with New Public Management (e.g. Townley, 2002). It is the insertion of an economically defined value sphere into the substantive and practical rationality of cultural organizations. As such, to pursue the assertions made on competing logics, this paper specifically compares the newly imposed implementation of both businesslike and artistic reporting in Flemish<sup>1</sup> subsidized nonprofit arts organizations. Because businesslike reporting is understood to adhere to a logic competing with the prevailing artistic one, differences in the height and the variation of the implementation levels of both kinds of reporting are expected.

To enable this examination, a compliance index (e.g. Verbruggen, Christiaens, & Milis, 2010, Windels, 2006, Christiaens, 1999) is constructed and applied on a random sample of 100 subsidized arts organizations. This index allows for a quantitative image of the extent of implementation of businesslike and artistic reporting and, as such, results in a final score for the overall level of implementation of both types of reporting and the more specific sub-dimensions contained within the reporting framework. As such, a comparison can be made between reporting on the more artistic and managerial issues pertinent to arts organizations. This splitting up enables testing the height of the implementation level of

businesslike reporting and variance in this implementation level in an univariate way. In this way, both the methodology and the data at hand prove to be fruitful in contributing to the literature on competing logics.

This paper unfolds along the following lines. First, the theoretical framework is presented. Next, some background notes on the Flemish subsidized nonprofit arts organizations are given, followed by the research hypotheses. This leads to an outline of the construction of the compliance index. After presentation of the method and findings from the data analysis, the remainder of the article is devoted to the discussion resulting from this project.

### **Theoretical Framework**

The current framework builds on the sociological new institutional theory to test the contrary assertions made on the implementation of institutionalized models. Essentially, the new institutional theory focuses on the ways in which the institutional environment shapes organizational structure and behavior (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Central to the institutional theory is the organizational quest for external legitimacy. Scott (1995) defines legitimacy as ‘not a commodity to be possessed or exchanged, but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws’ (p. 45). To mobilize legitimacy, organizations need to become isomorphic with their environments by adopting institutionalized models (Edelman, 1990, p. 1403). According to Meyer and Rowan (1977), institutionalized models or ‘rationalized myths’ define social goals as technical ones and prescribe the means to pursue them (p. 343-344). DiMaggio and Powell (1983), on their turn, specify three processes leading to organizational isomorphism and, hence, to adopting rationalized myths, namely coercive, mimetic and normative. As this paper deals with governmentally imposed organizational practices, the first process is of specific relevance.

Referring to DiMaggio and Powell (1991), Townley (1997) summarizes that coercive isomorphism ‘is most likely to occur where there is financial dependence, centralized resources with limited alternatives,

and where the dependent organization has ambiguous goals or outputs' (p. 264). As nonprofits display many of these features, they presumably have a higher need to be perceived as legitimate, are more susceptible to isomorphic pressures and, hence, to adopt institutionalized models of organizational structures (cfr. Guo, 2007).

Moreover, the government, for many nonprofits being the locus of resources through grants or contracts, drives organizational change in this sector by exerting strong coercive pressures (DiMaggio & Powell, 1983, Townley, 1997, Oliver, 1991). At least in Western Europe, governmental support is indeed 'the most important source of income for the nonprofit sector' (Anheier & Salamon, 2006, p. 98). The same holds true for nonprofit *arts* organizations in Western European countries (Zimmer & Toepler, 1999). As such, it can be presumed that arts organizations, subsidized according to the European Continental model, are particularly susceptible to coercive pressures exerted by the funding government. Western European arts organizations thus are expected to have a special concern for being perceived as legitimate by the government and for adopting institutionalized models of organizational structures to enhance this perception.

The institutionalized model examined in this paper is businesslike reporting. It is associated with Hood's New Public Management (NPM) doctrine of 'stress on private-sector styles of management practice' (Hood, 1991, p. 5) and understood as a route to 'better management and enhanced accountability' (Townley, 2002, p. 163). Since the late 1970s, NPM functions as a 'handy shorthand' indicating 'the lessening differences between public and private sector and the shift in emphasis from process accountability toward a greater element in terms of results' (Hood, 1995, p. 94). NPM ideas have been influencing developments in the public sector of advanced and developing countries worldwide and, as such, achieved global significance (Lapsley, 2009, p. 1). However, not only the public sector has been affected, but also the nonprofit sector. According to Anheier (2009), 'NPM brought to the management of nonprofits [...] concerns about outcomes versus outputs, efficiency versus effectiveness, as well as a renewed emphasis on accountability and performance measurement' (p. 1084).

Management and accountability in the nonprofit sector have indeed been receiving special attention during the last decade and not in the least with regard to ‘current reporting and oversight mechanisms’ (Keating & Frumkin, 2003, p. 3, see also Craik, 2005, Flack & Ryan, 2005, Ebrahim, 2005, 2009, Jung & Moon, 2007, Benjamin, 2008, Saxton & Guo, 2009, Carman, 2009, 2010). Moreover, several authors point at key stakeholders, such as the funding government, to ‘have led the charge for greater efficiency and accountability in the nonprofit sector’ (Hwang & Powell, 2009, p. 271, Carman, 2009, Anheier, 2009, Guo, 2007). This may be attributed to the pressures governments are facing nowadays reminding us of NPM, namely to economize (Anheier, 2009, p. 1088) and ‘to justify public expenditures and meet accountability regimes’ (Craik, 2005, p. 6).

Taken together, it is expected that the coercive pressure to adopt businesslike reporting in a field where legitimacy is most certainly at stake, will lead to an overall high level of implementation of the institutionalized model in question. Additionally, according to Ebrahim (2005), nonprofits ‘devote considerable attention to reporting to donors’ in cases in which resource dependence is strong and where accountability ‘in terms of reporting on funds and activities is fairly high’ (p. 58). As such, given the importance of reporting in the context of subsidized nonprofit arts organizations on the one hand, and the significance of being perceived as legitimate in the eyes of a government figuring a strong coercive force on the other, an overall high level of implementation of businesslike reporting seems straightforward.

However, research with regard to arts organizations points at difficulties concerning the implementation of businesslike tools. In their study on the influence of professional values and practices on the character of nonprofit organizations, Hwang and Powell (2009) state that the ‘arts organizations provide an illustration of the tension between substantive orientation and managerial professionalism’ (p. 291). The authors account for the perception of these organizations of a possible disconnect or even conflict between ‘the administration and the artistic side’ (ibidem). In a longitudinal case study, Townley (2002) investigated the introduction of business planning and performance measures in cultural organizations.

Cultural organizations were in compliance with the demands of introducing business planning and performance measures, but only superficially. After all, the new practices were perceived as a mismatch with the functioning and value of the cultural organizations, resulting in a decoupling of those practices. This mismatch was caused by the rationalization engendered by introducing business planning and performance measures. This was perceived as irrelevant to and unfeasible in the actual practice of the organizations and as endangering the cultural value (ibidem, p. 176). Overall, Townley's study mainly points at the complexities in strategic responses to the introduction of competing logics or, stated differently, to bringing an economically defined value sphere into the substantive and practical rationality of cultural organizations.

Introduced by Alford and Friedland (1985), the concept of institutional logics refers to 'broader cultural beliefs and rules that structure cognition and guide decision-making in a field' (Lounsbury, 2008, p. 350). Institutional logics have been receiving special attention for a variety of reasons, not in the least because they allow for the individual to be an agent of change. In this paper, however, of specific relevance is that society is understood as consisting of multiple, competing logics. As such, an organizational field can be governed not just by one, but by several, inconsistent 'supra-organizational norms which pattern organized social life and also provide normative sources of organizational structure' (Townley, 1997, p. 263). These norms focus the attention of decision-makers on a delimited set of goals and means to reach those goals (Lounsbury, 2008). For example, in Thornton and Ocasio (1999), it is demonstrated how in the field of higher education publishing industry, institutional logics shifted from an editorial to a market focus, resulting in executive attention being differently oriented.

However, the very presence of *competing* logics may equally result in practice *variation* instead of shifted 'blocks' of logics. According to Lounsbury (2008), 'multiple logics can create diversity in practice by enabling variety in cognitive orientation and contestation over which practices are appropriate. [...] such multiplicity can create enormous ambiguity, leading to logic blending, the creation of new logics and the continued emergence of new practice variants.' (p. 354) Key is the fact that competing logics here do not refer to chronological shifts in logics and practices, but to the

*simultaneous* presence of logics that compete and render the environment fragmented. Perceived as such, Lounsbury (2001) demonstrated that recycling programs, informed by competing logics, lead to variation in the implementation in US universities: while some universities adopted a symbolic version of the program, others implemented it in a more profound way.

Transposed to the field of arts organizations, the governmental demand for a more businesslike logic, through the obligatory implementation of businesslike reporting, may as well result in substantial variation in the level of implementation. As such, the introduction of an economically defined institutional logic, is not only expected to be resulting in a low, ceremonial implementation level of businesslike reporting – as was the case with Townley’s (2002) cultural organizations – but also to a variable level of implementation – thus also containing arts organizations reporting in a profound businesslike manner. In this way, practice variation and a fragmented landscape are the outcomes of introducing a competing logic.

### **The Flemish case**

Following the reorganization of its public administration through the program of “Better Administrative Policy” (Brans, De Visscher, & Vancoppenolle, 2006), Flanders fundamentally changed the policy domain of Culture. Based on one of the newly issued decrees, the Arts Decree, essential financial resources are granted to more than 200 Flemish arts organizations (€ 97 996 000 in 2009, Flemish Agency Arts and Heritage, 2010). The Flemish field of professional arts organizations encompasses several artistic fields (e.g. audio-visual arts, architecture, dance, plastic arts, music, musical theatre and multidisciplinary arts) and organizational forms (e.g. festivals, workspaces, art centers and concert organizations). In Flanders, so-called ‘structural’ subsidies, granted by the Flemish government to ensure the long-run operation of arts organizations, generally cover at least 50 percent and sometimes amount to 75 percent of total revenues (Werck & Heyndels, 2007, p. 29, Segers, Schramme, & Devriendt, 2010, p. 64). Because of the government-dependent nature of the Flemish arts organizations, the Flemish arts policy is an example of the European Continental model (Segers et al., 2010, p. 63).



A remarkable novelty in Flemish cultural policy is precisely on the subject of management. The subsidy dependent arts organizations should professionalize to maintain their ability of developing a financial and societal basis (Flemish Minister of Cultural Affairs, 2009, p. 22). Moreover, the new Minister of Cultural Affairs desires more transparency in the businesslike management of the organizations to enable the follow-up and measurement of 'efficient and effective policymaking and the distribution of resources' (idem). The changed cultural policy emphasis in Flanders thus appears to have its origins in the lack of transparency and, hence, accountability with regard to the businesslike operation of the arts organizations. After all, this has been hampering an adequate analysis of the application of the money granted. On its turn, however, this relates to the overall budgetary pressure the Flemish cultural government is experiencing (ibidem, 2010, p. 2). While during the past ten years the total amount of subsidies granted to arts organizations has almost been doubled (Schramme & Segers, 2008, p. 40), the year 2009 launched a period of serious cutbacks. As such, the Flemish cultural government is advocating organizational practices not only to enhance transparency and accountability, but also to urge the organizations on economy and efficiency in order for them to survive. Therefore, one could say that in many respects the reform agenda corresponds with principles of NPM (Windels & Christiaens, 2006, p. 391).

According to the Policy Memorandum (Flemish Minister of Cultural Affairs, 2009), the means to more transparency in businesslike management is adequate businesslike reporting (idem). As such, in 2008 the Arts Agency designed a new subsidy application form containing both an artistic and a businesslike policy plan. This form had to be submitted for the first time in October 2008 to apply for a two- or four-years subsidy starting from 2010. The application form structures the information demanded for into topics regarded as belonging to (1) the 'artistic policy' of the organization (such as the mission statement, position in the field, past, present and future activities) and (2) the 'businesslike policy' of the organization (such as the businesslike vision, budget control, internal control, income structure – see appendix for a full list). Though the revised application form and its assessment primarily aims at being in line with the policy criteria 'quality, diversity and innovation' (Segers et al., 2010, p.63), the Arts Agency simultaneously strengthens the minister's rhetoric demand to improve transparency with regard

to the businesslike operation of the arts organizations. Moreover, the rationalization of the application adds another important advantage, namely comparability. As such, the homogenization of the information demanded for allows for a more uniform assessment of the subsidy applications and for field-level pronouncements on, for example, the implementation of businesslike reporting.

As such, the Flemish case of the government introducing businesslike reporting in the field of subsidized nonprofit arts organizations enables testing the theoretical concept of competing logics. In this instance, businesslike reporting is understood as being symptomatic of an economically defined logic and its introduction as interfering with the prevailing artistic rationality. Therefore, because both logics are believed to be represented in the businesslike and artistic policy plan respectively, observing the differences between both reporting sections provides an opportunity to test the theoretical assertions made with regard to competing logics. More specifically, as in Townley's research (2002) cultural organizations generally demonstrated a mere ceremonial implementation level of businesslike tools due to competing logics, the first research question refers to the *height* of the implementation level of businesslike reporting and runs as follows: "*Do competing logics in the field of subsidized nonprofit arts organizations lead to a low(i.e. ceremonial) implementation level of businesslike reporting?*" Next, extending on the concept of competing logics, Lounsbury (2008) asserts that competing logics lead to practice variation in an organizational field. Therefore, the second research question refers to the *variation* in the implementation level of businesslike reporting: "*Do competing logics in the field of subsidized nonprofit arts organizations lead to variation in the implementation level of businesslike reporting?*" Comparison with the height and variation in implementation level of the artistic policy plan, i.e. the key point of reference, results in following hypotheses:

*H1*: Due to competing logics, the businesslike policy plan will on average generate a lower implementation level in the field of subsidized nonprofit arts organizations than will the artistic policy plan.

*H2*: Due to competing logics, the businesslike policy plan will generate more variation in the implementation level in the field of subsidized nonprofit arts organizations than will the artistic policy plan.

### **Compliance index**

To obtain a comprehensive picture of the implementation level of businesslike reporting, a compliance index is constructed. This compliance index is inspired on Ingram's disclosure index (1984), a milestone in governmental accounting research and used in similar or modified ways in a great number of accounting studies (e.g. Robbins & Austin, 1986, Ingram & DeJong, 1987, Giroux, 1989, Cheng, 1992, Coy, Tower, & Dixon, 1994). In the same vein as the disclosure index, the present compliance index attempts to quantitatively measure 'a series of items which, when aggregated, gives a surrogate score indicative of the level of disclosure in the specific context for which the index was devised' (Coy, Tower, & Dixon, 1993, p. 122). However, as all current items are regulatory requirements, disclosure in this instance is treated as a mere means to the end of examining compliance with prescribed regulation and, as such, of approximating the implementation of businesslike reporting (Christiaens, 1999).

Simultaneously, the index gives the opportunity to examine compliance in a *systematic* way. Despite the Arts Agency's recent efforts to formalize the application form by breaking it down in businesslike inspired categories, some of these categories lack definition. Consequently, the compliance index proves useful and necessary to quantitatively picture the qualitative information contained in the subsidy applications. To this end, all categories had to be assigned measurable elements. For most categories, the Arts Agency gave useful comments on the way they should be interpreted. These comments were transformed into elements whenever possible. For example, the Agency states that with regard to the 'Position in the arts field' the organization should indicate in what segment of the arts field the organization is located and what its position is toward other arts organizations (Flemish Agency of Arts and Heritage, 2008). This gave way to the elements 'Artistic position' (what is the artistic segment of the organization), 'Geographical position' (does it operate on a local, regional, national or international base) and 'Partners' (what are its partners). For the remaining categories not commented upon,

straightforward elements were defined, mostly related to basic information gathering questions (what, why, who, when, how many etc.). Certainly with regard to the categories in the artistic policy plan (e.g. ‘outline of past and present action’, ‘future artistic plans’ etc.), this seemed the most suitable solution. Concerning the categories in the businesslike policy plan, such as ‘budget control’, ‘internal control’ and so on, more sources were available to define elements (e.g. Christiaens & Vanhee, 2007). As such, for example, ‘budget control’ was assigned the elements ‘control procedure’, ‘timing’, ‘designated authorization’, ‘designated responsibilities’, ‘budget transfers’, ‘budget alterations’ and ‘budget overrunning’.

The final index consists of 19 categories and 97 elements. Most elements are measured dichotomously (*D*), meaning that ‘1’ is assigned when the element is mentioned and ‘0’ when it is not. As such, it is attempted to push back potential subjectivity with regard to the examination of the subsidy applications (as no substantial judgment on the inherent quality of the content is made). A limited number of elements were measured ordinally (*O*) (e.g. to discriminate between a qualitative or quantitative argument) or discretely (*Di*) (e.g. in case of the number of years planned). The appendix gives a detailed overview of the elements of the compliance index and their measurement.

The final index score should be interpreted carefully. The index cannot be understood as an alternative for the subsidy granting process, as cultural policy tends to take into account additional criteria (like local added value, interculturality etc.). Moreover, only the categories applicable to all organizations are integrated in the index to avoid possible distorted scores (e.g. the category ‘Interculturality’ is not applicable to all arts organizations). Secondly, as Windels and Christiaens (2006, p. 400) state, despite its extension, the compliance index cannot give a complete picture of the actual practices in the arts organizations. It does however provide us with a good approximation of this picture, both taking into account the overall and the individual level of the implementation of businesslike practices. Thirdly, the present compliance index is tightly coupled with the Arts Agency’s reporting requirements. This choice fits the overall framework of analyzing governmentally imposed demands concerning businesslike reporting and gives the important advantage of examining the subsidy applications based on real

criteria. Of course, it is quite conceivable that in another setting, different and/or additional categories and accompanying elements could be applicable to measure businesslike reporting. Nonetheless, the present compliance index is representative of a changing reality in the Flemish nonprofit sector affecting fundamental practices and requiring adequate disclosure to safeguard compliance and, hence, organizational survival.

## **Methodology**

The items in the compliance index are assessed exclusively through the applications submitted in October 2008 (latest deadline) by the arts organizations and made available for this research by the Arts Agency in January 2010. The research is based on a random sample of 100 arts organizations out of 248 organizations that are structurally subsidized for a two- or four-year period (2010-2011 or 2010-2013). As this sample size covers almost half of the entire population, it is considered to cover its variability (Christiaens, 1999, p. 34). The data analysis concentrates both on the field-level score of the implementation of artistic and businesslike reporting and the scores on the specific sub-dimensions contained within the reporting framework. Apart from descriptive statistics, univariate tests are used to examine the stated hypotheses.

## **Findings**

The main figures related to the score on the compliance index and its 19 categories are shown in Table 1, representing a random sample of 100 subsidized nonprofit arts organizations. From the descriptives, tests of normality, histogram (see figure 1), box plot and rankit plots normality of the distribution of the observations can be accepted. The compliance index in terms of percent, which is the score in points multiplied by 100 and divided by the total score of 119, has a sample mean of 49.75% with a standard error of 0.94. With a confidence of 95%, we can state that the interval (47.88; 51.63) contains the population mean. The lowest score is 26.05% and the highest 72.68%. Hence, one could conclude that, in general, the arts organizations signal a moderate level of compliance with prescribed regulation (for comparison, see Windels & Christiaens, 2006, Christiaens, 1999; Verbruggen et al., 2010).

[Figure 1 here]

Moreover, the maximum score of 72.68% could indicate a structural problem, because the organizations do not succeed in full compliance with required reporting (Windels & Christiaens, 2006, p. 401).

However, for several categories of the index there appears to be at least one entity scoring the maximum (namely for Mission, Position, Outline, Plans, Cooperation, Target, Vision, Personnel, Revenue, Valuation, Budget and Connection). Then again, some categories reveal fairly low mean scores (especially concerning Control, Internal and Expend).

[Table 1 here]

Taking a closer look at the compliance scores on both parts of the subsidy application form, following figures are recorded. The scores on the artistic policy plan, containing eight categories, equally reveal an approximate normal distribution of the observations. The artistic compliance score in terms of per cent (i.e. the points multiplied by 100 and divided by 41), has a sample mean of 59.46% with a s.e.m. of 1.09. With a confidence of 95%, we can state that the interval (57.29; 61.63) contains the population mean. The lowest score is 29.20% and the highest 82.90%, both somewhat higher than the ones of the full compliance score. The artistic categories having the highest mean scores are Cooperation (90%), Mission (79%) and Position (72%), while the artistic categories generating lower mean scores are New (44.4%) and Existing (41%).

The scores on the businesslike policy plan, on its turn containing eleven categories, again reveal a normal distribution. The businesslike compliance score in terms of per cent (the points multiplied by 100 and divided by 78), has a sample mean of 44.66% with a s.e.m. of 1.15. With a confidence of 95%, we can state that the interval (42.37; 46.95) contains the population mean. The lowest score is 11.54% and the highest 69.87%, both clearly being lower than the minimum and maximum of the full and artistic compliance score. The businesslike categories having the highest mean scores are Revenue

(66.20%), Personnel (65.88%) and Vision (65%), while the categories generating the lowest mean scores are Control (18.22%), Expend (17%) and Internal (13.28%). Simultaneously, these are also the categories containing the lowest means compared to the artistic policy plan. They can be perceived as the most troublesome parts of the subsidy application form.

Looking at the elements that define these troublesome categories and their respective scores, the category Control (i.e. budget control) seems to have ‘lost’ points on the elements related to budget transfers, alterations and overrunning, meaning that, on average, only 5% of the organizations mention these topics in their policy plan. Concerning the category Expend (i.e. expenditures structure), only 4% of the organizations relates their disclosure to past expenditures or the way these were handled, 13% discern between direct or indirect costs and only 17% mention something on how they are planning to limit their future expenditures and/or costs. Finally, concerning Internal (i.e. internal control), 26% of the organizations mention financial measures taken or to be taken and 20% state something about the responsibilities of the employees. In declining order, we further see that 14% describe, or at least refer to, the procedures of their internal control and, for an equal number, give some operational measures taken or to be taken, 8% direct the question of the relationship between the professional and artistic director, 7% give away something about the internal structure of the organization and, finally, but 4% talk about the assigned authority of the employers and/or manager. As such, in fact all the elements defining internal control prove to be problematic to the arts organizations.

To test hypothesis 1.1, the following null hypothesis is applicable:

$$H_0 = \mu_{artistic} \leq \mu_{\text{professionalbusinesslike}}$$

$$H_a = \mu_{artistic} > \mu_{\text{professionalbusinesslike}}$$

The artistic and businesslike compliance scores belong to two dependent groups (i.e. two observations for the same subjects). Earlier, it was stated that the compliance scores of both parts approximate a

normal distribution. Moreover, confronted with a large dataset and thus relying on the central limit theorem a normal distribution of the sample means can be assumed. Of particular importance in this case is that also the paired differences between the artistic and professional compliance scores approximate a normal distribution.

The descriptives already gave some hint of the sample mean of the artistic compliance score being higher (i.e. 59.46%; s.e.m. 1.09) compared to the businesslike compliance score (i.e. 44.66%; s.e.m. 1.15). In accordance with the formulated hypotheses, a one-sided dependent samples t-test is performed. This results in a rejection of the null hypothesis ( $p < 0.001$ ). As such, with a confidence of more than 95%, it can be asserted that the entire field of subsidized nonprofit arts organizations on average scores significantly higher on the artistic policy plan than on the businesslike policy plan. The mean difference between both is 14.80% (95% CI) (see table 2).

[Table 2 here]

[Figure 2 here]

To test hypothesis 2.1, the following null hypothesis is applicable:

$$H_0 = \sigma_{artistic}^2 \geq \sigma_{\text{professionalbusinesslike}}^2$$

$$H_a = \sigma_{artistic}^2 < \sigma_{\text{professionalbusinesslike}}^2$$

According to the descriptive statistics, the standard deviation of the artistic compliance score actually seems to be lower than the one of the businesslike compliance score ( $10.94 < 11.52$ ). According to Sheskin (2004), to test whether there is homogeneity of variance in case of two dependent samples, the following equation holds (p. 585):

$$t = \frac{(\bar{s}_L^2 - \bar{s}_S^2)\sqrt{(n-2)}}{\sqrt{4\bar{s}_L^2\bar{s}_S^2(1-r_{x_1x_2}^2)}}$$



Where:  $\bar{s}_L^2$  is the larger of the two estimated population variances

$\bar{s}_S^2$  is the smaller of the two estimated population variances

Substituting the appropriate values in the equation, the value  $t = 1.08$  is computed. Since this t-value is less than the two-tailed .05 and .01 critical values (for  $df = 98$ ) the null hypothesis cannot be rejected. In the same vein, a Levene's test for equality of variances, though normally only applicable for independent samples, was insignificant ( $p > 0.05$ ). As such, it can be concluded that there is no significant difference in the variance of the individual compliance scores of the artistic and businesslike policy plan.

[Figure 3 here]

## **Discussion**

In general, the research findings indicate that the arts organizations have implemented the new reporting model to a moderate extent (i.e. a total compliance score of about 50%). However, the scores concerning the artistic policy plan reveal a higher mean (about 60%) than the ones concerning the businesslike policy plan (about 45%). As such, reporting on the more artistic matters of running an art organization seems to be succeeding fairly better than reporting on the more businesslike matters. More specifically, the analysis demonstrates that especially the category internal control generates quite poor results, possibly pointing at a troublesome practice in the arts organizations.

Furthermore, the univariate tests reveal that the mean compliance score for the artistic policy plan is *significantly* higher (about 15%) than the mean score for the businesslike policy plan. This confirms hypothesis 1. Next, there appeared to be no significant difference in variance between the compliance scores of the artistic and businesslike policy plan. Therefore, hypothesis 2 could not be confirmed.

As such, the subsidized nonprofit arts organizations collectively score significantly lower on businesslike reporting than artistic reporting, even though both types of reporting are new to the field. Hence, a careful assertion could be made that competing logics indeed lead to a low level of implementation of the model by which the competing logic was brought in.

Concerning the topic of practice variation however, businesslike reporting does not seem to be leading to particularly more variation in the implementation level than artistic reporting. Then again, this conclusion cannot leave out the fact that there still *is* clear variance in the compliance scores and, hence, in the implementation level of businesslike reporting. Stated differently, businesslike reporting is *as* fragmented as reporting on artistic matters (albeit in another range). Nevertheless, there is no hard evidence to assert that the source of this given practice variation resides within the concept of competing logics. Further research could elaborate on the causes of practice variation in this and other cases.

Then again, the finding that there actually is a difference in the mean level of implementation of reporting, favoring the artistic policy plan, is in line with earlier research (cfr. Townley, 2002). As such, it appears that, in spite of the strong coercive pressure governments can exert in Western European nonprofit settings, competing logics can hinder an adequate implementation of newly required practices. Further research could direct the question of how governments can overcome this issue.

## Appendix

Components ( <i>119 points</i> )	Code	Measure	Source
<b>Artistic Policy Plan</b>			

<b>Mission Statement (4)</b>	MISSION		Artistic policy plan (APP)
Organizational statute		D	
Goal(s)		D	
Target audience		D	
Products/Services		D	
<b>Position in artistic field &amp; unicity of the organization (4)</b>	POSITION		APP
Artistic positioning		D	
Geographical positioning		D	
Partners		D	
Distinction from substitutes		D	
<b>Outline of past &amp; present action (6)</b>	OUTLINE		APP
Names		D	
Titles		D	
Locations		D	
Dates		D	
Number/duration of performances/exhibitions		D	
Audience size		D	
<b>Future artistic plans (12)</b>	PLANS		APP + Appendix 'Overview planned activities for the first year'
Names		D	
Titles		D	
Locations		D	
Dates		D	
Number/duration of performances/exhibitions		D	

Resumption of performances		D	
Interpretation of performances		D	
Prognosis on audience size		D	
Number of years planned		Di	
<b>Cooperation &amp; networking (3)</b>	<b>COOPERATION</b>		<b>APP</b>
Partners		D	
Goals		D	
Services/products		D	
<b>Target audiences (2)</b>	<b>TARGET</b>		<b>APP</b>
Outline audiences		D	
Existing versus new audiences		D	
<b>Working towards existing audiences (5)</b>	<b>EXISTING</b>		<b>APP</b>
Link with existing audiences		D	
Past activities		D	
Budgetary impact past activities		D	
Future activities		D	
Budgetary impact future activities		D	
<b>Working towards new audiences (5)</b>	<b>NEW</b>		<b>APP</b>
Link with new audiences		D	
Past activities		D	
Budgetary impact past activities		D	
Future activities		D	
Budgetary impact future activities		D	
<b>Businesslike policy plan</b>			
<b>Businesslike vision (2)</b>	<b>VISION</b>		<b>Businesslike policy plan (BPP)</b>

Goal		D	
Operations		D	
<b>Budget control (9)</b>	<b>CONTROL</b>		<b>BPP</b>
Procedure		D	
Timing		O	
Designated authorization		D	
Designated responsibilities		D	
Budget transfers		D	
Budget alterations		D	
Budget overrunning		D	
<b>Internal control (7)</b>	<b>INTERNAL</b>		<b>BPP</b>
Procedure		D	
Structure		D	
Authorization		D	
Responsibilities		D	
Professional versus artistic manager		D	
Financial measures		D	
Operational measures		D	
<b>Income structure (5)</b>	<b>INCOME</b>		<b>BPP</b>
Sources		D	
Own versus granted income		D	
Deviations from past		D	
Maximization		O	
Subsidy budget needed		O	
<b>Expenditures/cost structure (4)</b>	<b>EXPEND</b>		<b>BPP</b>

Sources		D	
Direct versus indirect costs		D	
Deviations from the past		D	
Limitation		O	
<b>Personnel (9)</b>	<b>PERSONNEL</b>		BPP + Appendix 'Overview of staff'
Names		D	
Function		D	
Performance		D	
Allowance		D	
Payment		D	
FTE per year		D	
Total personnel costs		D	
Details on personnel costs		D	
Average personnel cost		D	
<b>Costs (20)</b>	<b>COSTS</b>		Motivated notes to the budget (four parts)
Details on sources		D	
Number of sources		D	
Details on amounts		D	
Measurements of amounts		D	
Deviations from past		D	
<b>Revenues (5)</b>	<b>REVENUE</b>		Motivated notes to the budget
Details on sources		D	
Number of sources		D	
Details on amounts		D	

Measurement of amounts		D	
Deviations from the past		D	
<b>Valuation rules (5)</b>	<b>VALUATION</b>		Motivated notes to the budget
Starting values		D	
Depreciation period/percentage		D	
Depreciation method		D	
Value depreciation		D	
Allocation of the result		D	
<b>Budget (7)</b>	<b>BUDGET</b>		Appendix 'Budget'
Profit versus loss		D	
Balanced		D	
Detailed		D	
Analytical budgeting		D	
Number of years budgeted		Di	
<b>Connection between the artistic plans and the costs (5)</b>	<b>CONNECTION</b>		Motivated notes to the budget
Connection with nature of activities		O	
Connection with number of activities		D	
Cost price per activity		D	
Allocation of indirect costs		D	
Details on the connection		D	

## Notes

1. Belgium is subdivided in three communities: the Flemish, French and German-speaking Community. Flanders here refers to the Flemish Community, being responsible for cultural affairs. Cultural policy in Flanders is similar to cultural policy in Western Europe (Segers et al., 2010).

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**Table 1** Descriptive statistics on the categories of the compliance index

	Minimum	Maximum	<i>M</i>	S.e.m.
<b>Compliance Score</b>	<b>26.05</b>	<b>72.68</b>	<b>49.75</b>	<b>0.94</b>
<b><i>Artistic Compliance Score</i></b>	<b>29.20</b>	<b>82.90</b>	<b>59.46</b>	<b>1.09</b>
Mission statement	25.00	100.00	79.00	1.68
Position & Unicity	0.00	100.00	72.00	1.90
Outline of past and present action	0.00	100.00	51.16	2.43

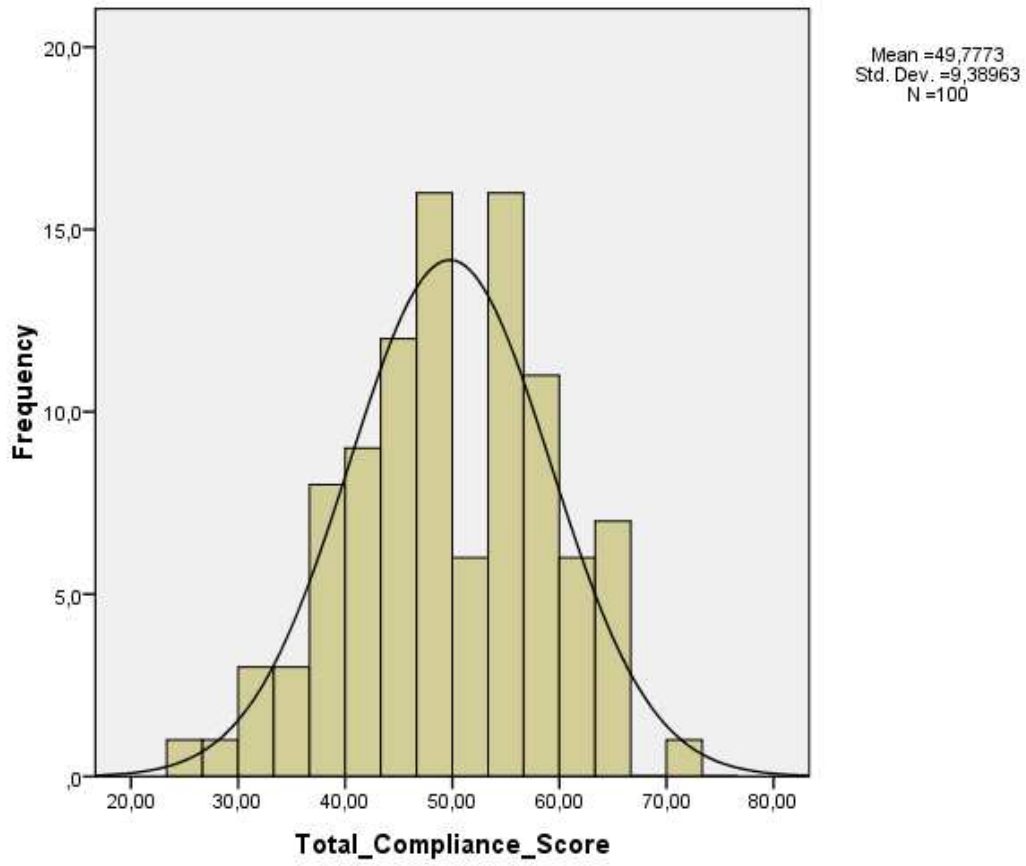
Outline of future action	0.00	100.00	59.16	1.62
Cooperation and networking	0.00	100.00	90.00	1.54
Target groups	0.00	100.00	61.00	2.89
Working towards existing audiences	0.00	80.00	41.00	1.45
Working towards new audiences	0.00	80.00	44.40	1.74
<b><i>Professional Compliance Score</i></b>	<b><i>11.54</i></b>	<b><i>69.87</i></b>	<b><i>44.66</i></b>	<b><i>1.15</i></b>
Businesslike vision	0.00	100.00	65.00	3.78
Budget control	0.00	77.77	18.22	1.48
Internal control	0.00	85.71	13.28	1.38
Income structure	0.00	90.00	38.00	2.32
Expenditures structure	0.00	75.00	17.00	1.78
Personnel structure	33.33	100.00	65.88	1.06
Costs structure	10.00	95.00	59.15	1.58
Revenues structure	0.00	100.00	66.20	2.52
Valuation rules	0.00	100.00	30.00	2.56
Budget	28.57	100.00	54.42	1.59
Connection between artistic plan and costs	0.00	100.00	40.10	2.87

**Table 2** Results from the dependent-samples t-test

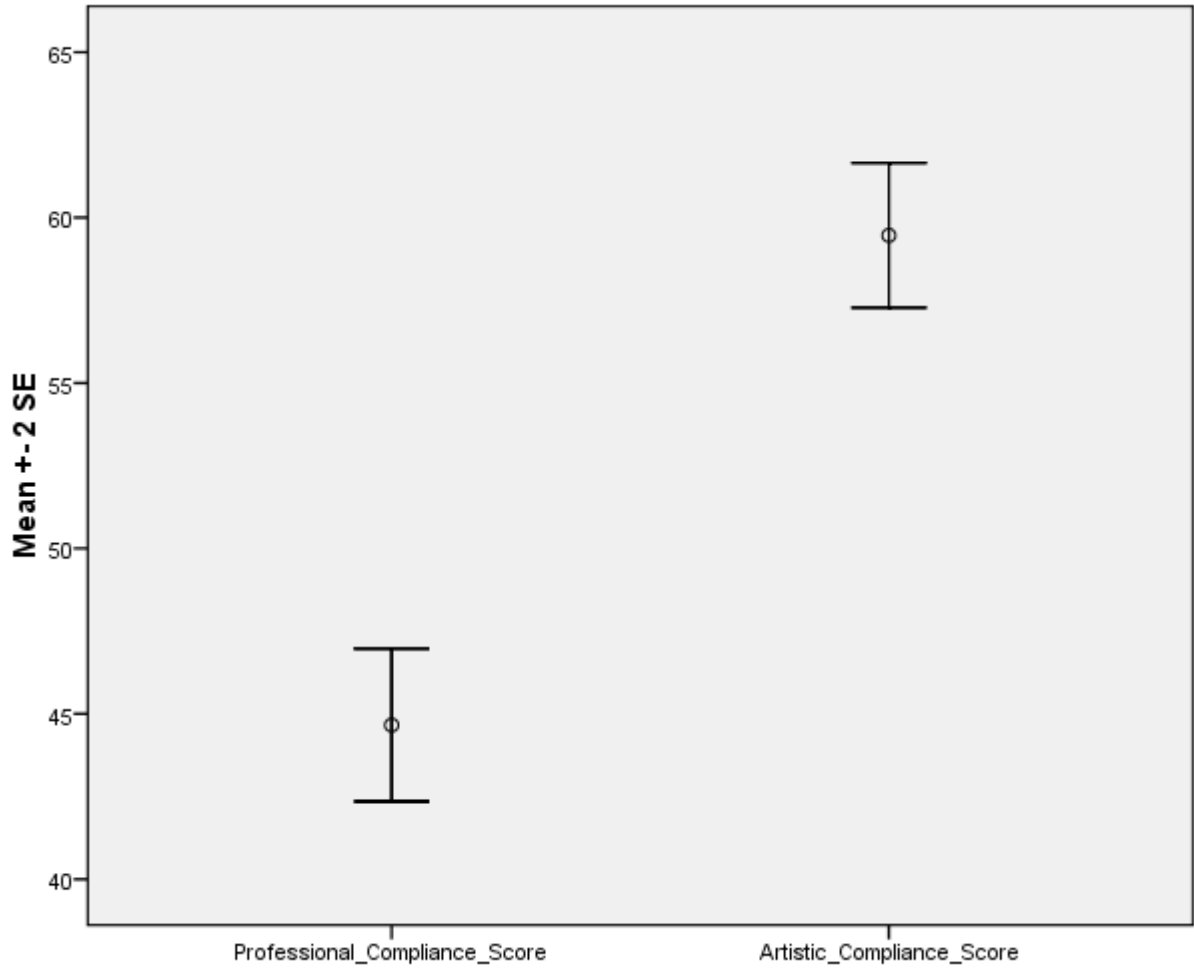
	Paired Differences							
	<i>M</i>	<i>SD</i>	s.e.m.	95% CI of the Difference		<i>t</i>	df	Sig. (2-tailed)
				Lower	Upper			
Businesslike Compliance Score - Artistic Compliance Score	14,80	13,33	1,33	17,45	12,16	11,10	99	0,000



**Figure 1** Histogram of the total compliance score



**Figure 2** Comparing means: the businesslike compliance score versus the artistic compliance score



**Figure 3** Comparing variance: the businesslike compliance score versus the artistic compliance score

