Linking Organizational Values to Relationships with External Constituents: A Study of Nonprofit Professional Theatres

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Abstract
This study explores the organizational values that characterize firms in the nonprofit professional theatre industry, and examines the links between firms' organizational values and their relationships with external constituents. Using grounded research methods, we uncover five value dimensions that are relevant to arts organizations: prosocial, artistic, financial, market, and achievement. Using a sample of 97 nonprofit theatres, we extend our qualitative inquiry with an empirical investigation of how firms enact their organizational values to build and maintain relationships with external constituents. Results from a two-wave survey design indicate consistent patterns of association between organizational values and (1) perceptions of values congruence with external constituents, (2) human resource allocation and programming decisions that firms make to support relationships with external constituents, and (3) the level of financial resources that firms obtain from their relationships with different external constituents. Interestingly, results from both investigations hint at underlying tensions between competing values in cultural firms, such as pressures to be both artistic- and market-oriented.
(*Organizational Values*; *Organizational Culture*; *Organizational Relationships*; *Relationship Marketing*; *Nonprofit Professional Theaters*)

According to Collins and Porras (1996), organizational values are essential and enduring tenets that are intrinsic to the firm's mission and unaffected by the external environment. They further maintain that (p. 67) "... a great company decides for itself what values it holds to be core, largely independent of the current environment, competitive requirements, or management fads." An internal determination of organizational values may be particularly appropriate for firms in the cultural industries (e.g., ballet, symphony, film, theatre), which thrive on self-oriented aesthetic creativity as opposed to commercialized activity (Hirschman 1983). As Morison and Dalgleish (1987, p. 66) observe:

> It is totally inappropriate for those who govern, manage, or market the arts to suggest that the product be changed to make it sell better. In theory, they have accepted the vision of the artistic leadership and their responsibility is to support that vision and to communicate clearly and effectively its values. . .to those that might find enjoyment and enrichment in participating as audience.

Organizational values are especially relevant to managing cultural firms with nonprofit status. Whereas for-profit firms pursue financial goals associated with revenue or profit maximization, nonprofit cultural firms may pursue nonpecuniary goals that are supported by a diverse set of external constituents, including local, state, and federal government agencies, corporate and family foundations, and corporations and individuals. These ongoing relationships with external constituents allow nonprofit cultural firms greater freedom to enact their values and pursue their artistic goals, but the multiplicity of relationships also can create tensions between the firm's intrinsic values and the disparate values and demands of the external constituencies. Managing these tensions may require that firms either compromise their own values in an attempt to satisfy all external constituents or focus on

1047-7039/00/1103/0330/$05.00
1526-5455 electronic ISSN

developing and maintaining successful relationships with those external constituents that possess congruent values.

Recent conceptual and empirical research suggests that shared values may play a significant role in developing and maintaining relationships with external constituents (e.g., Dwyer et al. 1987, Morgan and Hunt 1994, Ranson et al. 1980, Wilson 1995). Building on this research, the present study begins by employing grounded methodology, including immersion, multiple methods, and multiple data sources (cf. Lincoln and Guba 1985) to reveal the organizational values that are relevant in the nonprofit professional theatre industry. Next, we employ the knowledge generated by the qualitative research to conduct an empirical investigation of the linkages between a firm's values and its relationships with external constituencies. We argue that organizational values affect (1) *relational attitudes* towards external constituents, which translate into (2) *relational behaviors* that serve to build and maintain relationships with external constituents, and ultimately result in (3) *relational outcomes* manifested as financial support from external constituents.

The nonprofit professional theatre industry provides an appealing context to examine the links between values and relationships with external constituents. Research suggests that a values-oriented approach to understanding organizational behavior is most appropriate in environments characterized by instability and ambiguity (Achrol 1991, Enz 1988, Liebeskind et al. 1996). Like many other cultural industries, the nonprofit professional theatre industry is marked by ambiguous and unstable environments because its products are aesthetic, interpretive, and experimental, ensuring that nonprofit professional theatres must cope with uncertain consumer demand, rapidly changing products and production processes, and unpredictable product success (Adizes 1975, Hirschman 1983). Furthermore, nonprofit professional theatres recently have experienced significant declines in federal, state, and local funding for artistic pursuits, and both corporate and public funding has shifted from general operating funds to grants for specific purposes that may not fit the artistic goals of cultural organizations (Coe 1994, Kotler and Scheff 1997).

In the following section, we provide a theoretical rationale for why organizational values should affect relationships with external constituents. We then offer background information on the nonprofit professional theatre industry, describe the grounded methodology used to reveal the organizational values relevant to nonprofit professional theatres, and propose links between these values and relational attitudes, relational behaviors, and relational outcomes. After reporting the results of an empirical study designed to examine the proposed links, we discuss the implications of our findings and offer directions for future research.

Organizational Values and Nonprofit Professional Theatres

Emery and Trist (1965) note that individual organizations have difficulty adapting to environments where causal connectivity between organizations is high because they are unable to predict the complex set of consequences to their actions. In these situations, shared values between environmental actors may emerge as coping mechanisms that make it possible to deal with relevant uncertainty. Theoretically, shared values reduce complexity because the relevance of large classes of events no longer has to be traced through an intricate mesh of diverging causal possibilities, but is directly understood through the shared code of values (Emery and Trist 1965).

Values should be particularly relevant for understanding relationships with external constituents under instability and ambiguity (Enz 1988), environmental conditions that are endemic to the nonprofit professional theatre industry. In the present study, we examine the association between a theatre's values and three types of relationship measures: (1) *relational attitudes* are perceptions of values similarity with external constituents; (2) *relational behaviors* are resource allocation decisions that serve to build and maintain relationships with external constituents; and (3) *relational outcomes* are resource flows from external constituents back into the focal firm.

We maintain that relational attitudes, relational behaviors, and relational outcomes should exhibit consistent patterns of association with a firm's values. Our line of reasoning is that relational attitudes and relational behaviors should originate from, and be consistent with, the firm's values. By extension, to the extent that firms are successful in implementing relational behaviors that reflect their organizational values, they should receive greater returns from the external constituents that share those values. We now address the links between organizational values and each of these relational measures in greater detail.

First, organizational values should provide decision makers with a means of screening the environment and identifying constituents that share their values. When two institutional actors share values, they tend to seek each other out for reasons including basic comfort, expectations of trust, and better communication (Enz 1988, Ranson et al. 1980). Thus, an organization's values should lead its managers to perceive greater values congruence with some external constituents than with others. To the extent that managers' perceptions of similarity are accurate, they should identify constituents that share the firm's values.

Second, firms tend to engage in activities that reflect, or are at least consistent with, their values (Ranson et al. 1980, Thompson 1973). Thus, organizational values should influence a firm's relational behaviors, which signal the firm's values to external constituents (Wilson 1995). For a cultural organization, this may translate into activities and investments designed to ". . .*reach outward* with a goal of creating understanding and accessibility and making art an integral part of people's everyday lives" (Scheff and Kotler 1996, p. 42). In the present study, we examine two types of behavior that serve to support relationships between a theatre and its external constituents: (1) human resource allocation decisions, and (2) programming decisions.

Finally, an organization's values should lead to greater resource flows from external constituents that share its values. Relationships evolve through the realization of mutual benefits and rewards (Dwyer et al. 1987). Although these benefits need not be symmetrical, it is essential that each partner realize some benefit from the relationship (Wilson 1995). We expect that firms receive greater benefits from external constituents that share their values because, in addition to the fact that values congruence leads to greater trust and better communication, one way that external constituents express their own values is by investing in organizations that reflect their values. Thus, in the present study, we examine the links between a nonprofit professional theatre's values and the financial resources it receives from different external constituents (e.g., revenues from government funders, corporate funders, ticket buyers, and royalties).

Background on the Nonprofit Professional Theatre Industry

To provide a better understanding of the links between organizational values and external constituents in the nonprofit professional theatre industry, we begin with some background information. The nonprofit professional theatre movement in America began in the late 1940s to offer an alternative to the commercial theatre producers based in New York, as many regions around the country desired professional-quality theatre in their communities. The number of nonprofit professional theatres across the country mushroomed in the late 1950s and 1960s with the advent of the National Endowment for the Arts (NEA) and landmark funding initiatives from the Ford and Rockefeller Foundations (cf. Langley 1990). Currently, the number of nonprofit professional theatres in the country is estimated to be between 400 and 500 (NEA 1996b).

Unlike commercial producers that form temporary organizations around individual productions and typically lease available theatre space from theatre owners, nonprofit professional theatres are deeply rooted in their communities on a continuing basis, are governed by a board of directors comprised of members of the community, and are resident in a permanent theatre space. Nonprofit professional theatres can be considered a societal good, providing communities with culture, entertainment, and education.

As part of their social mission, nonprofit professional theatres make themselves accessible to the public, typically setting ticket prices below the level necessary to cover production costs (Schwarz 1983). This deficit position is offset by contributed revenue from the community. Specifically, nonprofit professional theatres generally cover about half of their operating expenses with "earned revenue" (e.g., revenues from ticket sales, concessions, royalties from developing new plays), and 501(c)(3) tax status enables these theatres to cover the remaining expenses with "unearned income," that is, public funding from local, state, and federal government agencies, grants from corporate and family foundations, and tax-deductible contributions from corporations and individuals.

Importantly, these constituents contribute funding with very different goals in mind for a theatre. Government agencies typically are concerned with encouraging artistic excellence and providing access to high-quality art for all levels of society. Foundations support theatres and specific projects that meet the particular interests and guidelines of the foundation. Corporations, in pursuit of public recognition for good corporate citizenship, often fund theatres in return for advertising exposure on projects that are compatible with their corporate mission. For example, a contributions manager is quoted in the newsletter *Corporate Philanthropy Report* as saying: "We no longer 'support' the arts. We use the arts in innovative ways to support the social causes chosen by our company" (cited in Scheff and Kotler 1996, p. 36).

A second important contribution that nonprofit professional theatres make to society is highlighted in the distinction between *producing* theatres (examined in the present study) as opposed to *presenting* theatres. Presenting theatres typically have little or no involvement in the design and production of the shows that they present. They purchase performances of shows that are developed elsewhere and "truck" them in as a finished product (e.g., the touring company of *Phantom of the Opera*) complete with stage managers, directors, sets, and actors. The presenting house is responsible for "booking" the shows and marketing the shows to its local customers.

Producing theatres, on the other hand, are involved in intensive, ongoing new product development. Each play that a producing theatre creates can be characterized as (1) a "new-to-the-world" production (i.e., a world premiere of a brand new play), (2) an update and adaptation of a contemporary production (e.g., a new production of a Neil Simon comedy or a Sondheim musical), or (3) a revival of a theatre classic (e.g., a new production of a Shakespeare play). Producing theatres are responsible for everything from assembling the design and acting teams (which typically change for each play) to the physical construction of the sets (which also change for each play). They decide whether to bring in outside skills (e.g., directing, design, and acting) or to supply those skills internally from a resident staff. Producing new plays often involves commissioning new works directly from playwrights and conducting preliminary readings and workshops of these new works.

The many forms of research and development that producing theatres undertake in creating new productions represent an invaluable contribution to both the theatre industry and to society, given that innovation, experimentation, and exposure of new work are vital aspects of artistic culture (Becker 1978). Since every production is a "new" product, producing theatres engage in a high rate of product and technology innovation. Given the uncertainty regarding product demand, it is risky for theatres to innovate with previously unproduced plays when they must cover production and operating expenses and remain financially viable (Adizes 1975). Consequently, without nonprofit professional theatres' willingness to incur the cost and risk of new productions, it is unlikely that many new plays, playwrights, and stage designs would ever be presented to the public. On the other hand, if the production of a new play is successful, other theatres or publishing houses may "pick up" the play, disseminating it to a wider audience and paying royalties to the innovating theatre. Thus, consistent with Chasse (1995, p. 525), nonprofit professional theatres often serve as the "proving grounds" for innovative new art, because a new concept often requires nonprofit associations to serve "as incubators of ideas."

Several of the conditions that nonprofit professional theatres face make it necessary for them to rely on ongoing external relationships. For each play, nonprofit professional theatres create self-organizing teams that include directors, designers, actors, and production staff (cf. Nonaka 1994). These short-term production teams have been termed "temporary systems" (Goodman and Goodman 1976) because they typically are disbanded after each production, with a new team assembled for each subsequent production. The rapid product change and varied resource flows necessitated by these temporary systems make internalization of all resources an impractical organizational strategy (Achrol 1991, Oliver 1990).

For each play, the theatre's artistic director must conduct a focused, intensive search to obtain directors, designers, and actors who hold tacit, idiosyncratic knowledge that may be specific to a particular play or genre (Scheff and Kotler 1996). In accomplishing this, theatres face transaction difficulties that include bounded rationality, uncertainty, complexity, and small numbers (cf. Williamson 1975). As noted by Powell (1990, p. 304), markets often fail to capture valuable information because it is difficult to place a price tag on the "particular approach or style of production, or a spirit of innovation or experimentation" that is critical to the success of theatre. Thus, theatres gain knowledge about suppliers' unique artistic qualities and abilities through their relationships with artists and with other arts organizations, and can obtain the talent necessary for a production on a temporary basis through their relational networks formed with external constituents.

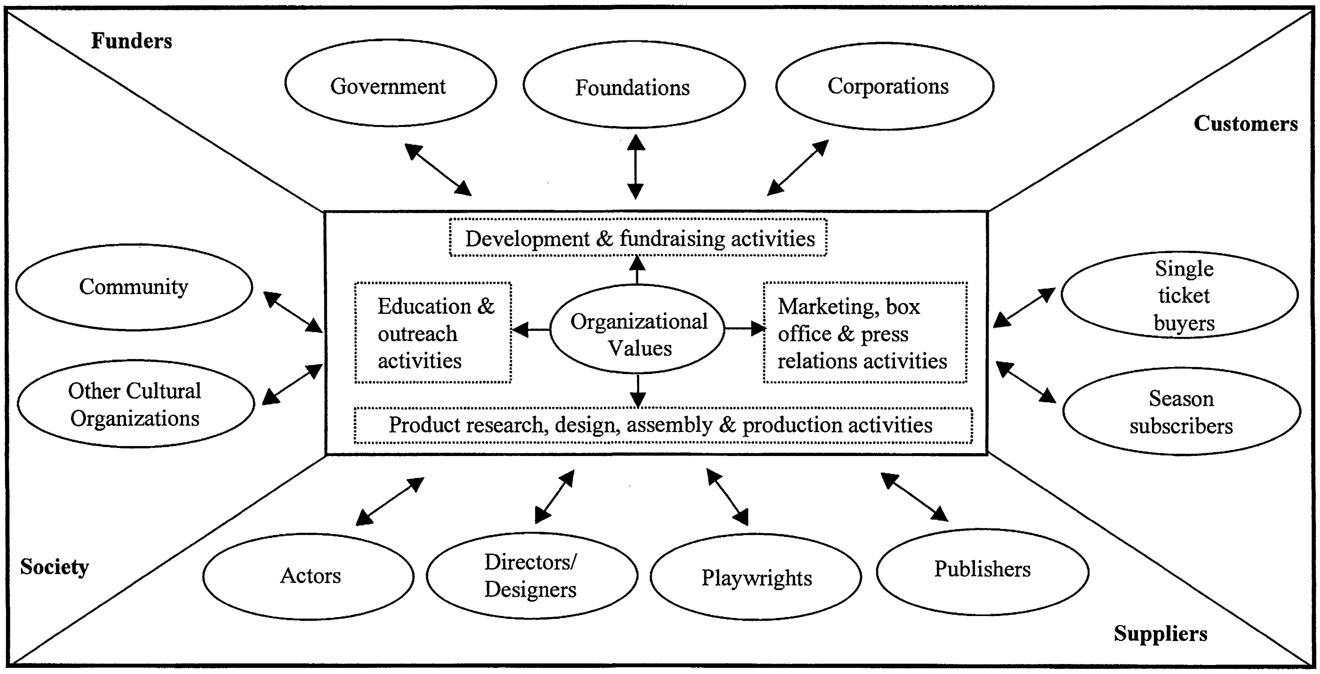
To cover the expense of research and development, as well as the management, marketing, and fundraising functions that are hierarchically integrated within the organization, nonprofit professional theatres may seek financial support from a wide array of potential sources including government, foundation and corporate funders, as well as single-ticket buyers and season subscribers. The ultimate success of these fundraising and ticket-sales efforts depends on the development of ongoing relationships with both donors and customers (cf. Berry 1995, Voss and Voss 1997).

Figure 1 summarizes the different constituencies that nonprofit professional theatres typically include as relational partners. Although a nonprofit professional theatre may maintain ongoing relationships with all of the external constituents depicted in Figure 1, we expect that a theatre's values will influence the strength of the relationship with each constituent. In the following section, we describe the grounded qualitative methods that we employed to identify the values that are relevant to nonprofit professional theatres.

Developing a Nonprofit Professional Theatre Values Typology

Given that the missions of cultural organizations differ substantially from other types of organizations (Adizes 1975, Becker 1978, Hirschman 1983), it is likely that different value dimensions are applicable to cultural organizations. Rather than assuming that values studied in other industries would apply to nonprofit professional theatres, we grounded our values research in the theatre

Figure 1 Nonprofit Professional Theatres' Relational Activities and Partners



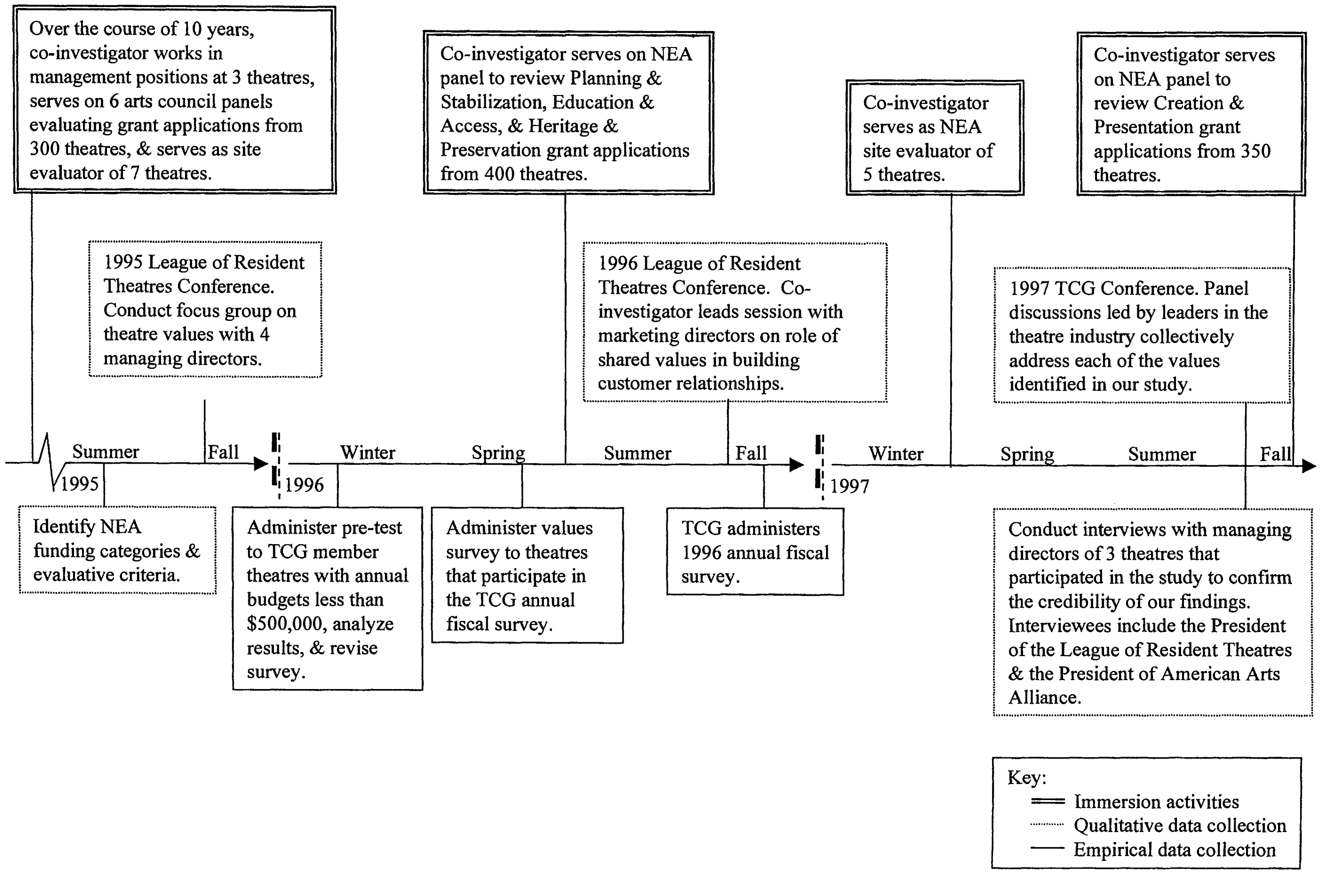
industry, incorporating insights from immersion activities, from focus group discussions with managing directors at four nonprofit professional theatres, and from personal interviews with managing directors at three additional nonprofit professional theatres. Figure 2 provides a timeline for these various activities, which we describe next.

Consistent with Daft and Lewin (1993, p. ii), who recommend that researchers start their investigations by becoming "expert in what organizations are doing in a specific topic area," one of the coinvestigators in this research has extensive, first-hand topic expertise in the nonprofit professional theatre industry derived from holding: (1) management positions, ranging from assistant director of marketing to managing director, at three of the country's largest nonprofit professional theatres; (2) an expert panelist position evaluating nonprofit theatre grant proposals for the NEA and six arts council panels; and (3) a site evaluator position for the NEA and a state arts agency. These ongoing immersion activities, depicted in the upper portion of Figure 2, provided industry insights, informed our research program, and ultimately helped to ensure the credibility of our naturalistic inquiry.

Following Lincoln and Guba's (1985, pp. 276–281) guidelines, we began our qualitative data collection by reviewing NEA documents and reports. Given the symbolic importance of the NEA as the federal funding agency for all of the nonprofit cultural industries in the United States, we felt this would be a good starting point for generating a list of values important to nonprofit professional theatres. In its mission, the NEA identifies that it values excellence, diversity, vitality, and a prosocial or inclusive orientation (NEA 1995). NEA funding categories are access and education, creation and presentation, heritage and preservation, and planning and stabilization. In its review criteria, the NEA weights the artistic excellence of the applicant organization most heavily, with impact of the proposed project and ability to carry out the project each weighted to a lesser extent. Collectively, these funding categories and evaluative criteria suggest that the NEA values prosocial activities including access, education, cultural diversity and preservation; artistic creativity and excellence; and long-range planning and stability.

Next, at the League of Resident Theatres (LORT) Conference held in the fall of 1995, we conducted an audiotaped focus group with managing directors of four nonprofit professional theatres. LORT is an association of approximately 70 of the larger nonprofit professional theatres, that negotiates collective bargaining agreements with the various unions that represent professional actors, designers, and directors. Specific questions posed to the focus group included: What does your theatre value?

Figure 2 Using Immersion and Triangulation of Methods and Sources to Ensure the Trustworthiness of the Research Findings



Which value is most important to your theatre? Do customers, government funders, corporate and foundation funders, etc. share your theatre's values? How important is it that customers, funders, etc. share the values of your theatre?

To ensure the credibility of our values interpretation and to provide guidance in interpreting the results from our empirical study (described below), we continued our immersion activities and qualitative data collection throughout the study. Specifically, as indicated in several places in Figure 2, one of the coinvestigators attended and participated in multiple panel discussions at national conferences for the nonprofit professional theatre industry. Conference topics included the role of shared values in building customer relationships, the need to gain recognition for nonprofit professional theatres' societal contributions, integrating artistic imperatives and business realities, and the current and future environment for nonprofit theatre in America. We also conducted one-on-one interviews with managing directors at three nonprofit professional theatres that participated in our empirical study. Interviewees included the president of LORT and the chair of the American Arts Alliance. These interviews began with questions similar to those posed to the focus group (described above), and concluded with a discussion of our preliminary findings. The interviews and our participation in the panel discussions served to confirm the credibility of our findings with members of the nonprofit professional theatre community (cf. Lincoln and Guba 1985).

Collectively, the immersion activities and focus group discussion suggested five core dimensions of values relevant to nonprofit professional theatres: prosocial (i.e., expanding community access to and appreciation for art), artistic (i.e., intrinsic drive for artistic creativity, innovation, and independence), financial (i.e., ensuring the financial stability and security of the theatre), market (i.e., commitment to customer satisfaction), and achievement (i.e., striving for publicly recognized excellence). Our qualitative research also indicated that although managing directors view certain values as more or less important to their theatres, a large degree of consensus exists regarding the general nature of the organizational values that are relevant to the industry. Finally, our focus group confirmed the importance of values and values congruence in developing external relationships, and suggested that different constituents of the theatre (e.g., customers, funding agencies, etc.) embrace different values that a nonprofit professional theatre espouses. For example, one manager observed, "(Members of the theatre's community) may not share all values. As long as they are sharing some of the values," while another stated, "It is very important that we articulate all aspects of our mission so that it allows the owners to buy into various pieces." Moreover, the focus group clearly indicated that values sharing is an important antecedent to receiving support from some constituents: "If we were not supporting values which were commonly held with the corporate community, they would not market with us. . ..Without that confluence of values, we'd never get to the next step."

Linking Values to Relational Attitudes, Behaviors, and Outcomes

We now elaborate on the five value dimensions that emerged from our qualitative investigation, illustrating each with excerpts from our focus group, from our immersion activities, and from the cultural industry literature. We also propose links between each value dimension and the external constituents that are likely to share that value. Our expectation is that a theatre's values should exhibit a consistent pattern of association with (1) the theatre manager's perceptions of values congruence with external constituents, (2) human resource allocation decisions supporting relationships with external constituents, (3) programming decisions signaling the theatre's mission to external constituents, and (4) financial resources obtained from external constituents. Table 1 summarizes these expectations.

Prosocial Dimension. Nonprofit professional theatres make an important societal contribution that improves the community by providing wider access to and appreciation of the arts. The importance of prosocial values in cultural industries emerges in the literature, exemplified by Morison and Dalgleish's (1987, p. 139) suggestion that cultural organizations must "strive to make [art] part of the lives of all because, quite simply, it is the essence of civilization." Moreover, nonprofit status and government funding encourage theatres to embrace prosocial values. One of the four categories of grants supported by the NEA (1996a, p. 15) is titled "Education and Access." Grants in this category are awarded for "heightening. . .appreciation and awareness. . .among those whose opportunities to participate in the arts may have been limited by educational, geographic, ethnic or economic constraints." Many theatres embrace the responsibility to expand their communities' appreciation for art and to make themselves accessible to all members of the community regardless of economic or cultural background, and our focus group elicited references to "educational exposure to the arts," "affordable art," and "community access."

It follows that theatres with strong prosocial values will view government funders as relevant constituents that share their community and societal values. In fact, some prosocial arts organizations focus so intently on their relationships with government agencies that critics have questioned whether art is becoming a "political commodity" (Christiansen 1994). In terms of relational behavior, we expect that theatres with strong prosocial values will try to enhance relationships with government and community by staffing a higher percentage of education and outreach employees who are responsible for programs such as student matinee performances, tours to schools, etc., and also by providing more outreach programs related to community access, education, and involvement. In return, we expect prosocial theatres to receive a higher percentage of their revenues from government funders relative to other external constituents (e.g., corporations, ticket buyers).

Artistic Dimension. According to Hirschman (1983, p. 46), artistic organizations rely first and foremost on self-oriented creativity that expresses ". . .subjective conceptions of beauty, emotion, or some other aesthetic ideal." An intrinsic focus on artistic creativity, innovation, and independence emerges throughout the extant literature on the cultural industries (Adizes 1975, Becker 1978, Scheff and Kotler 1996). The NEA (1996a, p. 19) supports artistic creativity with a category of grants called "Creation and Presentation," recognizing the "role of both individuals and organizations in sustaining. . .our rich cultural legacy and artistic creativity in all their forms." Artistic values also emerged during our focus group with managing directors of nonprofit professional theatres. "Imagination," "artistic creativity," and "independence" were cited as basic to theatre. As one managing director emphasized, "If I had to pick one [value], it would be artistic, hands-down. Producing the work we want to create. To operate without constraints and create without fear of repercussion."

Artistic-oriented theatres likely perceive greater values congruence with key members of the artistic community (i.e., the directors, playwrights, actors, and designers) who provide an important source of raw creative inputs. We also expect artistic-oriented theatres to internalize a

Table 1 Proposed Links between Organizational Value Dimensions and Relational Attitudes, Behaviors, and Outcomes

	Prosocial Dimension	Artistic Dimension	Financial Dimension	Market Dimension	Achievement Dimension
Perceived Values Congruence	Higher perceived congruence with government funders	Higher perceived congruence with artists	Higher perceived congruence with corporations and foundations	Higher perceived congruence with customers	Higher perceived congruence with artists
Human Resource Allocations	Higher percent of full-time outreach and education employees on staff	Higher percent of full-time directors, designers, and actors on staff	Higher percent of full-time development/ fundraising employees on staff	Higher percent of full-time marketing and box-office employees on staff	Lower percent of full-time directors, designers, and actors on staff
Programming Decisions	Greater number of outreach and educational programs	Greater number of plays obtained directly from playwrights	Greater number of plays from the public domain	Greater number of plays obtained from publishers	Greater number of plays obtained directly from playwrights.
Financial Outcomes	Higher percent of revenue from government funders	Higher percent of revenue from royalties	Higher percent of revenue from corporations and foundations	Higher percent of revenue from ticket sales	Higher revenues from all sources—i.e., total revenue

higher percentage of full-time design and acting employees in order to ensure a source of artistic talent and remain grounded in the arts community. Because the hallmark of artistic creativity is the uniqueness and originality of the production (Danto 1964, Hirschman 1983), we expect that artistic-oriented theatres will obtain new plays directly from playwrights as opposed to paying royalties for previously released plays held by publishing houses. Finally, this artistic focus on creating innovative, original productions should result in a higher proportion of royalty revenues from other cultural organizations (e.g., other theatres, as well as film, television, and recording firms) that produce subsequent productions of these original works.

Financial Dimension. A principal issue that cultural organizations face is the tension that results from pursuing an artistic agenda while being subject to financial constraints. Most nonprofit professional theatres have little endowment or cash reserves (Voss et al. 1999). Although the NEA (1996a) promotes financial stability with a category of grants for "Planning and Stabilization," the desire to fulfill the organization's artistic mission leads directors of some arts organizations to spend all available money on short-term artistic pursuits, threatening the viability of the organization (Scheff and Kotler 1996). Managing directors recognize this basic tension between art and finances. As one managing director noted in our focus group, "The budget is an undeniable explication of priorities but also a reflection of our compromises."

Some arts organizations overcome the tension between artistic innovation and financial stability by embracing the importance of financial security and stability. Rather than investing resources and activities in the community or in artists, financially oriented theatres likely perceive their values as closely aligned with corporate and foundation funders who share their concern for financial stability, and who can provide operating funds and endowment gifts that help secure future viability. Accordingly, theatres with strong financial values are more likely to staff more fundraising and development employees to write grants and solicit financial support from corporate and foundation funders. These theatres also are expected to reduce operating costs at the expense of artistic risk, leading them to produce plays that are available in the public domain (e.g., Shakespeare's *Hamlet*) because production risks are lower relative to innovative new works, and no royalty costs are incurred (royalty expenses typically represent 10% of box-office revenues). Finally, given their values, activities, and investments, we expect that financially oriented theatres receive a larger portion of their income from corporate and foundation funders whose grants typically are based, in part, on financial stability.

Market Dimension. Another important tension exists in the cultural industries between the market goal of customer satisfaction and the artistic goal of producing "art for art's sake." The creation of art is often inconsistent with a purely market-oriented philosophy that emphasizes customer entertainment (Hirschman 1983, Hirschman and Wallendorf 1982, Kotler and Scheff 1997). In fact, it has been suggested that if all patrons of an arts organization were satisfied, ''artistic directors wouldn't be living up to their responsibility to challenge and provoke'' (Scheff and Kotler 1996, p. 37). Nevertheless, some theatres emphasize the entertainment that brings ticket-buying customers to the theatre, placing less emphasis on producing innovative art or reaching out to the community. As one managing director observed, ''You've got to have flexibility. We package our season how [customers] want us to package it,'' and another stated, ''The really crass thing that it comes down to for me is, is [the promotional effort] effective? Does it effectively bring in people who wouldn't come in otherwise?''

Theatres that embrace market values are likely to view ticket buyers as the most relevant stakeholder group. Recognizing the importance of customer satisfaction, these theatres should perceive higher values congruence with season subscribers and single-ticket buyers and commit more resources to developing and maintaining relationships with these customers, manifested as a greater number of marketing and box-office employees dedicated to ensuring high service quality, communication with audiences, and customer satisfaction. In terms of programming, market-oriented theatres should produce plays that they believe their audiences will enjoy. Because a theatre can improve the odds that a play will be popular with customers by producing plays that have been well-received by audiences at other theatres, market-oriented theatres are expected to source a larger percentage of their plays from publishing houses that hold the rights to popular plays with proven track records. Finally, we expect that theatres with strong market values will generate a larger proportion of revenues from their ticket buyers.

Achievement Dimension. The final value dimension that emerged from our qualitative research concerned a profound interest in recognized excellence. As suggested by Hirschman (1983), a primary objective for some artists and arts organizations is the public recognition and acclaim that affirm the organization's creative activity. Achievement values can be distinguished from artistic values (described above) as a strong *extrinsic* motivation to be publicly recognized (e.g., by artists, donors, and peer institutions) for producing great art rather than an intrinsic desire to produce innovative theatre. Thus, although both achievement- and artistic-oriented theatres may be committed to producing new plays, achievement-oriented theatres would be more likely to premiere the newest work of a well-known playwright while an artistic-oriented theatre would be more likely to premiere the initial work by an unknown playwright. Recognized excellence or the ''artistic merit of the . . . applicant organization'' is a primary criterion by which all grant applications are evaluated by the NEA (1996a, p. 19). Jane Alexander, former head of the NEA, captured the essence and importance of the achievement dimension in a report to the Senate Appropriations subcommittee, concluding, ''There is no substitute for national recognition of excellence'' (Olcott 1995). Finally, the importance of public recognition for virtuosity clearly emerged in our focus group, with statements such as ''Recognition is a priority. . . . we want recognition from our audience and board.''

The distinction between the intrinsically focused artistic dimension and the extrinsically focused achievement dimension produces subtle but important differences in our expectations as to how these values are manifested. Although theatres that emphasize the achievement dimension likely perceive greater values congruence with artists (like artistic theatres), their drive for public acclaim should lead them to obtain talent with reputations for excellence. Thus, unlike artistic-oriented theatres that *internalize* artistic inputs, we expect achievement-oriented theatres to source artists from their *external* networks. Again like artistic-oriented theatres, achievement-oriented theatres' desire to gain external exposure and attention should lead them to produce world premieres of plays obtained directly from playwrights rather than producing ''mainstream'' plays from publishing houses. However, unlike artistic-oriented theatres, achievement-oriented theatres likely obtain higher levels of revenue from *all* sources, because publicly recognized virtuosity should be rewarded by each of the potential sources of funding. Namely, government funding is based, to a degree, on recognized artistic achievement; corporations and foundations are interested in being associated with positive public exposure; audiences are more likely to become aware of, attend, and become season ticket holders at theatres that are recognized as producing high-quality plays; and royalties flow to theatres that have produced world premieres that have received public acclaim.

Examining the Links between Values and Relational Attitudes, Behaviors, and Outcomes

To examine the proposed links between organizational values and relational attitudes, behaviors, and outcomes, we conducted an empirical study using a sample of the largest group of nonprofit professional theatres in the United States. As depicted in the lower portion of Figure 2, we implemented a two-stage field survey design in conjunction with Theatre Communications Group (TCG), a national service organization for the nonprofit professional theatre industry. In 1996, the theatres of TCG constituted a $440 million industry, producing 56,954 performances for 17 million ticket buyers, and employing approximately 33,500 individuals (Samuels et al. 1997). Each year, TCG conducts a survey of its member organizations to assess theatre operations information (e.g., employee levels, revenue levels, and sources). TCG corroborates theatres' responses to this survey with financial data from the theatres' annual external accounting audits, and contradictory reports are resolved by recontacting the theatre. In April 1996, we mailed a separate survey to the managing directors at 128 TCG theatres along with a $1 bill to encourage participation, and a total of 109 theatres returned our survey (84% response rate). We combined information from our survey with information from *The 1996 TCG Fiscal Survey*. Twelve theatres that responded to our survey provided incomplete responses to our survey or to the TCG survey, resulting in a final sample size of 97 (i.e. 76% of the sampling frame). Table 2 provides descriptive statistics for the theatres that responded to our survey, along with tests for nonresponse bias. As indicated in Table 2, there were no significant differences between respondents and nonrespondents on the variables examined.

Measures

Consistent with Venkatraman and Ramanujam's (1986) data collection recommendations, we obtained data from two sources (i.e., from our survey and from the TCG survey) and included measures of financial and operational performance (e.g., levels of revenue and numbers of plays) as well as latent organizational constructs (e.g., values). Following is a description of the variables used in our analyses.

Organizational Values. Using the transcripts from our interviews with managing directors (described above) and the written criteria used by national, state, and local funding agencies to evaluate nonprofit theatres, we developed a values inventory with multiple items representing each value dimension. We then conducted a pretest using a sample of nonprofit professional theatres that were members of TCG but were *excluded* from the TCG survey due to the small size of their budgets (theatres with budgets less than $500,000 were routinely excluded from the TCG survey). We distributed pilot study surveys to the managing directors of 95 theatres, and 51 usable surveys were returned (54%). Based on the pretest results, we deleted several items that (1) were consistently rated as ''least important'' and (2) exhibited poor psychometric properties as suggested by nonunique loadings in a factor analysis. We also reworded several items, incorporating qualitative input from pretest respondents.

The final version of the values inventory that we used to assess theatres' values is presented in Appendix A. In the study, these items were listed in random order in a section of the survey titled ''Please Tell Us About Your Theatre's Mission.'' Managing directors were asked to rate the importance of each value item to the fulfillment of their theatre's mission, and responses were captured

Table 2 Profile of the Participating Theatres and Tests for Nonresponse Bias *

	Mean Values for Fiscal Year 1996		Tests for Nonresponse Bias	
Variable	Participating Theatres	Nonparticipating Theatres	F-test	p-value
Total revenue	$3,221,568	$2,347,953	1.60	0.21
Ticket revenue	$1,464,818	$1,096576	1.04	0.31
Government funding	$183,827	$118,327	0.98	0.33
Corporate and foundation funding	$402,925	$326,537	0.56	0.46
Revenues from royalties	$ 9,624	$2,366	1.02	0.31
Seating capacity	941	1097	0.44	0.51
Number of shows produced	15	15	0.00	1.00
Number of performances	267	265	0.00	0.97
Total attendance	86,301	75,953	0.34	0.56
Average ticket price	$21.20	$21.83	0.13	0.72
Number of full-time employees	48	38	0.60	0.44

* *Note:* The tests for nonresponse bias compare the 97 theatres that completed both our survey and *The 1996 TCG Fiscal Survey* to theatres that completed only the TCG survey.

on a seven-point scale anchored by 1 = *less important* and 7 = *most important.*[1] We conducted a factor analysis to examine the dimensionality of the values survey with this new sample of managing directors. Results indicated that five factors had eigen values greater than one and that these five factors explained 67% of the variance in the values inventory. After orthogonal rotation, the items representing each value dimension loaded together on a single factor (mean loading = 0.77), and none of the cross-loadings exceeded 0.30 (see Appendix A). These results indicated close alignment between the scale items and the five value dimensions, and all subsequent analyses were conducted using these factor scores.

Perceived Values Congruence of External Constituents. Perceptions of values congruence should guide managers in their behaviors toward the various external constituents. Accordingly, we asked managing directors to report their perceptions of the degree to which each of the external constituents agreed with their theatres' values. Consistent with past research, we factored both the *degree* to which a value is held and the *importance* of that value to the person or organization. Thus, we operationalized the perceived values congruence of an external constituent by multiplying (1) the managing director's perceptions of the extent to which a constituent agreed with the theatre's values (e.g., "Would artists mostly disagree, mostly agree, or completely agree with your [value] ratings," with ratings measured on a five-point scale ranging from 1 = *mostly disagree* to 5 = *completely agree*); and (2) the managing director's perception of how important it is for the constituent to agree with the theatre's values (e.g., "How *important* is it that artists agree with your [value] ratings," with ratings measured on a seven-point scale ranging from 1 = *less important* to 7 = *most important).*

Human Resource Allocation and Programming Decisions. Whereas perceived values congruence is a relatively static measure of relational attitudes, the relational behavior measures are more dynamic in that they capture investments and activities that reflect the theatre's entire season. Managing directors reported their human resource allocation decisions as the number of full-time employees on staff devoted to outreach, development, marketing and box office, and design and acting. Managing directors also reported the theatre's programming decisions for the season, including the number of outreach and education activities, number of public domain plays, number of plays obtained from publishing houses, and number of plays obtained from playwrights.

Financial Outcome Measures. Financial outcome measures were taken from the independent TCG survey. To ensure scale commensurability, we used log transformations in our analyses.

Results

Summary statistics and a correlation matrix for all variables of interest appear in Appendix B. To examine the expected relationships summarized in Table 1, we conducted a series of regression analyses that modeled the values dimensions (i.e., prosocial, artistic, financial, market, and achievement) as predictor variables and substituted each measure of relational attitudes, behaviors, and outcomes as dependent variables. Table 3 presents the results of these analyses, which we next discuss in detail.

Organizational Values and Perceived Values Congruence. We examined the associations between theatres' values and the perceived values congruence of external constituents by regressing the perceived values congruence of each constituent (i.e., government funders, corporate and foundation funders, customers, and artists) on all of the value dimensions. Results from these analyses are presented in Table 3, §A. We have highlighted the relationships in Table 3 that we discussed above as expected results. All expected links between theatres' values and perceived values congruence with external constituents were supported. Specifically, theatres scoring higher on the prosocial value dimension were significantly more likely to perceive values congruence with government funders; theatres scoring higher on the artistic value dimension were significantly more likely to perceive values congruence with artists; theatres scoring higher on the financial value dimension were significantly more likely to perceive values congruence with corporate and foundation funders; theatres scoring higher on the market value dimension were significantly more likely to perceive values congruence with customers; and theatres scoring higher on the achievement value dimension were significantly more likely to perceive values congruence with artists. An unexpected result indicated that theatres scoring higher on the artistic value dimension also were more likely to perceive values congruence with government funders.

Organizational Values and Human Resource Allocation Decisions. We examined the links between theatres' values and their human resource allocation decisions by regressing resource allocations in terms of internalized human resources (e.g., number of full-time outreach and education employees) on all of the value dimensions. We present the results from these analyses in §B of Table 3, highlighting again the relationships discussed above as anticipated results. Because we were interested in the *relative* allocation of employees, we included the total number of employees as a covariate to partial out the

Table 3 Links between Organizational Value Dimensions and Relational Attitudes, Behaviors, and Outcomes

Relational Measures	R^2	Prosocial Dimension	Artistic Dimension	Financial Dimension	Market Dimension	Achievement Dimension	Total Employees	Total Revenue
A. Perceived values congruence with external constituents								
1. Perceived values congruence with government funders	15%^{b}	**0.17**^{b}	0.28^{a}	0.16	0.02	0.03		
		(1.69)	(2.85)	(1.65)	(0.23)	(0.59)		
2. Perceived values congruence with artists	13%^{b}	−0.02	**0.30**^{a}	−0.07	−0.16	**0.13**^{c}		
		(−0.39)	**(2.99)**	(−0.67)	(−1.62)	**(1.31)**		
3. Perceived values congruence with corporate and foundation funders	8%	0.04	−0.05	**0.25**^{a}	0.10	−0.08		
		(0.41)	(−0.45)	**(2.45)**	(1.01)	(−0.80)		
4. Perceived values congruence with customers	7%	−0.13	0.02	−0.12	**0.18**^{b}	−0.08		
		(−1.28)	(0.17)	(−1.15)	**(1.76)**	(−0.84)		
B. Human resource allocation decisions								
1. Number of full-time outreach and education employees	16%^{b}	**0.21**^{b}	0.05	0.03	0.06	0.15	0.31^{a}	
		(2.12)	(0.49)	(0.35)	(0.63)	(1.51)	(2.99)	
2. Number of full-time design and acting employees	66%^{a}	0.02	**0.11**^{b}	0.04	0.10	**−0.10**^{c}	0.82^{a}	
		(0.27)	**(1.69)**	(0.61)	(1.55)	**(−1.56)**	(12.43)	
3. Number of full-time development employees	48%^{a}	0.00	−0.10	**0.07**	−0.16^{b}	0.15^{c}	0.61^{a}	
		(0.00)	(−1.29)	**(0.88)**	(−2.04)	(1.85)	(7.45)	
4. Number of full-time marketing and box-office employees	76%^{a}	−0.02	−0.08	−0.08	**−0.04**	0.05	0.85^{a}	
		(−0.39)	(−1.51)	(−1.52)	**(−0.77)**	(0.91)	(15.54)	
C. Programming decisions								
1. Number of outreach and education activities	10%^{c}	**0.15**^{c}	−0.07	0.00	0.23^{b}	−0.17^{c}		
		(1.47)	(−0.72)	(0.03)	(2.30)	(−1.66)		
2. Number of plays obtained directly from playwrights	19%^{a}	0.06	**0.31**^{a}	0.05	−0.19^{b}	**0.20**^{b}		
		(0.59)	**(3.22)**	(0.55)	(−2.04)	**(2.15)**		
3. Number of public domain (classic) plays	6%	0.04	−0.10	**0.15**^{c}	0.07	0.16		
		(0.38)	(−0.96)	**(1.42)**	(0.70)	(1.61)		
4. Number of plays obtained from publishers	15%^{b}	−0.13	−0.08	0.15	**0.29**^{a}	−0.13		
		(−1.32)	(−0.86)	(1.49)	**(3.03)**	(−1.33)		
D. Financial outcomes								
1. Revenue from government funders	40%^{a}	**0.29**^{a}	−0.09	0.05	0.01	0.06		0.57^{a}
		(3.51)	(−1.12)	(0.55)	(0.17)	(0.65)		(6.42)
2. Revenue from royalties	36%^{a}	−0.08	**0.34**^{a}	−0.02	−0.19^{b}	0.04		0.47^{a}
		(−0.97)	**(3.99)**	(−0.27)	(−2.20)	(0.44)		(5.18)
3. Revenue from corporate and foundation funders	42%^{a}	0.12	−0.13	**0.16**^{b}	0.03	0.03		0.59^{a}
		(1.51)	(−1.53)	**(2.01)**	(0.37)	(0.37)		(6.73)
4. Revenue from ticket sales	52%^{a}	0.04	−0.20^{a}	0.01	**0.14**^{b}	−0.01		0.67^{a}
		(0.59)	(−2.64)	(0.15)	**(1.91)**	(−0.11)		(8.40)
5. Total revenue	15%^{a}	−0.15	−0.17^{c}	0.07	−0.06	**0.32**^{a}		
		(−1.54)	(−1.71)	(0.76)	(−0.66)	**(3.31)**		

Notes: ^{a} $p < 0.01$; ^{b} $p < 0.05$; ^{c} $p < 0.10$ (one-way t-tests for expected relationships, two-way t-tests for others). Expected results are bolded and bracketed.

variance attributable to an organization's staff size. Three of the five expected links between values and human resource allocation decisions were supported. As expected, theatres scoring higher on the prosocial value dimension invested in significantly more outreach and education employees; theatres scoring higher on the artistic value dimension were significantly more likely to internalize design and acting employees; and theatres scoring higher on the achievement value dimension were significantly less likely to internalize design and acting employees. Counter to expectations, scores on the financial value dimension were unrelated to the number of development employees, and scores on the market value dimension were unrelated to the number of marketing and box-office employees. Two unexpected, significant associations also emerged: Theatres scoring higher on the market value dimension were less likely to internalize full-time development employees, while theatres scoring higher on the achievement value dimension were more likely to internalize full-time development employees.

Organizational Values and Programming Decisions. We examined the links between theatres' values and their programming decisions by regressing the number of each type of programming activity the theatre engaged in (e.g., number of public domain plays produced) on all of the value dimensions. These results, which are presented in §C of Table 3, support each of our five expectations with respect to programming decisions. Specifically, theatres scoring higher on the prosocial value dimension offered significantly more outreach and education programs; theatres scoring higher on the artistic value dimension were significantly more likely to obtain plays directly from playwrights; theatres scoring higher on the financial value dimension were significantly more likely to produce public domain plays; theatres scoring higher on the market value dimension were significantly more likely to obtain plays from publishing houses; and theatres scoring higher on the achievement value dimension were significantly more likely to obtain plays directly from playwrights. Three unanticipated results also emerged: Theatres scoring higher on the market dimension were more likely to invest in outreach activities and less likely to source plays from playwrights, while theatres scoring higher on the achievement dimension invested less in outreach activities. These results, while unanticipated, are not particularly surprising, because allocating resources to one set of activities draws resources away from other activities. More specifically, in utilizing their theatre space, many theatres offer a set number of plays each season so that deciding to do an additional world premiere would necessitate doing one less classic or contemporary play.

Organizational Values and Financial Outcomes. We examined the associations between theatres' values and their revenue sources by regressing revenues obtained from each funding source (e.g., government funding) on all of the value dimensions. Since the expected links for prosocial, artistic, financial, and market values involved *relative* level of revenues received from different constituents, we included total revenue as a covariate in these analyses. The results, which are presented in §D of Table 3, support all of the expected links between values and revenues. Specifically, theatres scoring higher on the prosocial value dimension received a greater proportion of their revenues from government funders; theatres scoring higher on the artistic value dimension received a greater proportion of their revenues from royalties; theatres scoring higher on the financial value dimension received a greater proportion of their revenues from corporate and foundation funders; theatres scoring higher on the market value dimension received a greater proportion of their revenues from ticket sales; and theatres scoring higher on the achievement value dimension earned larger total revenues. Three unanticipated results also emerged: Theatres scoring higher on the artistic value dimension received less revenue from ticket sales and less total revenue, while theatres scoring higher on the market value dimension received less revenue from royalties.

The results reported in §D(5) of Table 3 indicate that the achievement value dimension is positively related to total revenue, but the inclusion of total revenue as a covariate in Equations D(1–4) in §D masks the relationship between the achievement dimension and the distinct sources of revenue. To more closely examine which constituents contributed to the higher levels of total revenue earned by theatres with an achievement orientation, we reestimated the first four equations in §D of Table 3 (i.e., equations with revenue from government funders, corporate and foundation funders, ticket sales, and royalties as the dependent variables) *without* total revenue as a control variable. Results from this analysis indicated that theatres scoring higher on the achievement value dimension received higher levels of revenue from each of these revenue sources (average $\beta = 0.21$; all $p < 0.05$).

Discussion

This investigation provides insight into the organizational values that characterize firms in the cultural industries and explores how these values influence relational attitudes, relational behaviors, and relational outcomes. We extended past research that has focused on a particular segment of a firm's network (e.g., Hunt et al. 1989, Morgan and Hunt 1994, Westley and Vredenburg 1997) by examining relationships across multiple external constituents, including suppliers, customers, and funders. The value scales derived from our grounded investigation demonstrated predictive validity in linking organizational values to perceived values congruence with external constituents, to programming and human resource decisions that support relationships with external constituents, and to the actual level of revenues received from external constituents.

Implications

Theoretically, when two institutional actors perceive that they share values, they tend to seek each other out for reasons including basic comfort, expectations of trust, and better communication (Enz 1988, Ranson et al. 1980). Our empirical results indicated that theatres' values were significantly related to managers' beliefs concerning the external constituents that likely shared those values. Although the values congruence results must be interpreted with caution due to the potential for common method variance, these results confirm that organizational leaders rely on their firm's key cultural values to identify external constituents that they believe are suitable partners. Only one unexpected significant path emerged from this analysis: An artistic orientation was positively associated with perceived values congruence with government funders. It is noteworthy that, although artistic orientation is related to higher perceived values congruence with government funders, it is not significantly related to number of outreach and education employees or activities, or to the level of revenue received from government funders (see Table 3). This suggests that managers of theatres with an artistic orientation perceive that government funders share their values even though government funders do not, in reality, provide greater financial support for those theatres.

Our results also confirmed that organizations enact their values through human resource allocation and programming decisions that build and maintain relationships with external constituents that likely share their values. For example, theatres with a prosocial orientation seek to develop relationships with the community by investing in significantly more outreach and education employees. Also, while artistic-oriented theatres obtain more plays directly from playwrights and internalize more full-time designers and actors, achievement-oriented theatres obtain more plays from playwrights but internalize significantly *fewer* designers and actors, choosing instead to source outside talent based on the needs of specific productions. The consistency of results across relational attitudes and behaviors suggests that firms engage in activities that are appropriate to their values and that help develop relationships with constituents that are perceived to share their values (Ranson et al. 1980).

Perhaps the most compelling results are those indicating that the patterns of association between a theatre's values and its relational attitudes and behaviors also extend to the level of funding it receives from its relationships with different external constituents. Thus, while the results from this study are interesting because they support an understudied theoretical perspective regarding values-based partnering decisions, these particular results offer direct support for the wisdom of firms establishing and maintaining relationships with external constituents that share their values because they ultimately receive higher returns from those relationships. The most striking result involves the achievement value dimension, which was associated with higher revenues from each of the relational partners and with higher total revenue. This result underscores the distinction between the achievement and artistic value dimensions, particularly given that theatres scoring higher on the artistic dimension actually received *less* total revenue ($p < 0.10$).

Several of the unexpected significant results reported in Table 3 may reveal specific aspects of the tensions that exist between different values in artistic organizations. For example, consistent with the distinction between creator-centered and customer-centered firms (Hirschman and Wallendorf 1982), theatres scoring higher on the artistic dimension earned a larger portion of their revenues in the form of royalties from other arts organizations (as expected), but received a *smaller* portion of their revenues from customers ($\beta = -0.20, p < 0.01$); on the other hand, theatres scoring higher on the market dimension obtained more of their plays from publishers and a greater proportion of their revenues from customers (as expected), but obtained significantly fewer plays from playwrights ($\beta = -0.19, p < 0.05$) and a smaller portion of their revenues from royalties ($\beta = -0.19, p < 0.05$). These results reveal some of the trade-offs associated with values-based relationships, because firms that invest resources developing a relationship with one constituent may jeopardize relationships with other constituents. The pervasiveness of this tension between competing values was highlighted by a challenge issued during a presentation at the 1997 TCG Conference: "We can't just be market-oriented or just entrepreneurs. We need to be market-aware entrepreneurs."

Another tension may be suggested by our results concerning the market value dimension, which implies a focus on local ticket buyers, and the achievement value dimension, which implies recognition from a broader, national audience. As indicated in Table 3, theatres scoring higher on the market dimension are less likely to internalize development employees and more likely to invest in outreach activities; on the other hand, theatres

Appendix A: Organizational Values Measures and Factor Analysis Results with Orthogonal Rotation

	Values Measures	I	II	III	IV	V
I.	**Prosocial dimension**: Expand community access to, and appreciation for, art					
	Encourage widespread community involvement	0.79	0.01	0.19	0.05	−0.08
	Offer outreach and education programs	0.73	−0.22	0.07	0.22	0.22
	Provide access to all members of the community	0.70	0.28	−0.04	−0.06	−0.04
II.	**Artistic dimension**: Intrinsic drive for artistic creativity and independence					
	Produce innovative theatre	−0.15	0.76	−0.07	−0.17	0.21
	Promote freedom of artistic expression	0.06	0.75	0.17	0.04	0.02
	Expand the art form (e.g., develop a new performance style)	0.18	0.61	−0.26	0.01	−0.10
III.	**Financial dimension**: Financial stability and security of the theatre					
	Increase the theatre's financial stability	0.09	−0.09	0.88	0.19	−0.09
	Expand our base of financial support	0.11	0.03	0.87	0.10	0.10
IV.	**Market dimension**: Commitment to customer satisfaction					
	Provide good entertainment value for our audiences	−0.04	0.02	0.08	0.89	−0.01
	Produce theatre that our audiences will enjoy	0.21	−0.11	0.21	0.78	−0.04
V.	**Achievement dimension**: Striving for publicly recognized excellence					
	Produce theatre recognized for its artistic excellence	−0.04	−0.12	0.05	−0.05	0.77
	Produce work recognized for its contribution to the field	0.07	0.26	−0.03	0.00	0.75

scoring higher on the achievement dimension are more likely to internalize development employees and less likely to invest in outreach activities. One plausible interpretation for these findings is that achievement-oriented theatres actively seek the broad support of government, corporate, and foundation funders based on nationally recognized programming decisions, apparently eschewing locally based outreach and education activities. These theatres may see the art that they present to their communities as education enough. Market-oriented theatres, on the other hand, maintain a more narrow focus on local customers, perhaps even viewing outreach and education activities as a viable strategy for building a positive local reputation and developing a larger audience base.

Future Research

Like all studies, this investigation leaves several questions unanswered. For example, although our analysis suggests that firms' values predict their beliefs about, investments in, and resources generated from relationships with external constituents, the ultimate causal direction of these relationships is undetermined. We postulated that firms' values shape their level of identification and partnering with external constituents, but an alternative explanation is that theatres gradually assume certain values and behaviors depending on where resources are available. Although this interpretation appears unlikely given the wide dispersion of values we observed between firms in the same industry, longitudinal research is needed to investigate the degree to which firms enact their environment around their values (Ranson et al. 1980) versus reorienting their values and activities based on the environmental reward structures that exist (Lant and Mezias 1992). Related research is needed to determine whether firms naturally gravitate to partners that share their values, or whether firms gather and process information regarding external constituents' values, strategically partnering with firms that share their values.

Another interesting research question concerns the extent to which values-based partnering generalizes to other industries. Although the present study indicates that nonprofit professional theatres manifest their values through human resource and programming decisions that focus on external constituents with similar values, it is possible that values are particularly prominent in nonprofit cultural industries. For example, individuals accept significantly less pay in the nonprofit industry than they would for similar jobs in the for-profit sector due to the intrinsic rewards of values fulfillment (Coe 1994), perhaps resulting in an industry where values are intensely salient and thus more directly applicable to organizational decision making. Although theory does not suggest that values-based organizational forms are industry specific, future research should ascertain whether firms in other industries develop relationships with external constituents based on their values.

Given that the values scale developed in the present study demonstrated predictive validity in terms of cultural firms' attitudes, behaviors, and revenues, researchers may

Appendix B: Summary Statistics and Correlation Matrix for Variables of Interest

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
1. Prosocial dimension	4.95	1.19	1.00																					
2. Artistic dimension	3.67	1.33	0.12	1.00																				
3. Financial dimension	5.12	1.27	0.15	−0.01	1.00																			
4. Market dimension	4.81	1.41	0.18^{c}	−0.10	0.27^{a}	1.00																		
5. Achievement dimension	5.71	0.98	0.05	0.22^{b}	−0.03	−0.05	1.00																	
6. Values congruence with government funders	3.48	1.89	0.19^{c}	0.29^{a}	0.19^{c}	0.05	0.14	1.00																
7. Values congruence with corporate and foundation funders	5.32	2.06	0.05	−0.06	0.27^{a}	0.15	−0.06	0.44^{a}	1.00															
8. Values congruence with customers	5.56	2.11	−0.13	−0.01	−0.08	0.15	−0.06	−0.17	−0.14	1.00														
9. Values congruence with artists	5.28	2.56	−0.04	0.33^{a}	−0.09	−0.19^{c}	0.23^{b}	0.09	−0.02	0.27^{a}	1.00													
10. Education and outreach employees	1.71	1.00	0.14	0.08	0.11	0.05	0.19^{c}	0.13	−0.10	−0.07	−0.17^{c}	1.00												
11. Development employees	4.41	2.52	−0.14	−0.08	0.08	−0.17^{c}	0.22^{b}	−0.09	0.04	−0.24^{b}	−0.06	0.21^{b}	1.00											
12. Marketing and box-office employees	10.30	5.16	−0.23^{b}	−0.08	−0.03	−0.09	0.21^{b}	−0.02	0.07	−0.06	−0.04	0.19^{c}	0.71^{a}	1.00										
13. Design and acting employees	11.50	6.22	−0.16	0.09	0.12	0.05	0.06	0.26^{a}	0.06	0.03	0.21^{b}	0.27^{a}	0.16	0.41^{a}	1.00									
14. Outreach and education programs	3.01	2.22	0.13	−0.11	0.05	0.21^{b}	−0.13	0.03	−0.05	−0.07	−0.25^{b}	0.23^{b}	−0.08	0.02	0.00	1.00								
15. Plays from the public domain	0.72	1.07	0.01	−0.04	0.12	0.04	0.16	0.20^{b}	0.18^{c}	0.12	0.15	0.08	0.18^{c}	0.32^{a}	0.45^{a}	0.09	1.00							
16. Plays from publishers	3.09	2.09	−0.10	−0.13	0.15	0.29^{a}	−0.13	−0.12	0.02	0.06	−0.17	0.08	0.03	0.15	0.15	0.14	−0.12	1.00						
17. Plays from playwrights	3.16	2.41	0.11	0.30^{a}	0.05	−0.17^{c}	0.20^{b}	0.02	−0.10	−0.12	0.11	0.06	0.08	−0.02	0.05	−0.17^{c}	−0.23^{b}	0.43^{a}	1.00					
18. Government revenue (log transformation)	11.23	2.05	0.19^{c}	−0.15	0.06	0.00	0.22^{b}	−0.01	0.10	−0.14	−0.04	0.12	0.48^{a}	0.41^{a}	−0.13	0.09	0.07	0.07	0.00	1.00				
19. Corporation and foundation revenue (log transformation)	12.22	1.77	0.04	−0.24^{b}	0.17^{c}	0.03	0.20^{c}	0.07	0.28^{a}	−0.22^{b}	−0.11	0.01	0.51^{a}	0.38^{a}	−0.05	−0.03	0.12	0.03	−0.02	0.76^{a}	1.00			
20. Ticket revenue (log transformation)	13.51	1.80	−0.03	−0.29^{a}	0.03	0.09	0.08	−0.27^{a}	−0.05	−0.12	−0.24^{b}	0.12	0.50^{a}	0.58^{a}	0.10	0.00	0.21^{b}	0.26^{a}	−0.09	0.41^{a}	0.42^{a}	1.00		
21. Royalty revenue (log transformation)	3.07	4.36	−0.13	0.24^{b}	−0.02	−0.23^{b}	0.26^{b}	−0.07	0.04	0.02	0.22^{b}	0.07	0.36^{a}	0.36^{a}	0.03	−0.13	−0.12	−0.19^{c}	0.32^{a}	0.24^{b}	0.31^{a}	0.12	1.00	
22. Total revenue (log transformation)	14.60	0.89	−0.15	−0.14	0.01	−0.08	0.26^{a}	−0.09	0.11	−0.20^{c}	−0.10	0.18^{c}	0.81^{a}	0.77^{a}	0.20^{b}	−0.02	0.25^{b}	0.12	0.04	0.42^{a}	0.60^{a}	0.68^{a}	0.46^{a}	1.00

Notes: ^{a} $p<0.01$; ^{b} $p<0.05$; ^{c} $p<0.10$ (two-tailed t-tests).

find it useful to employ this scale when conducting future research on cultural organizations. For example, future research could utilize these value dimensions and items to examine whether different types of external constituents and employees are attracted to and employed by arts organizations based on their values. However, research clearly is needed to ascertain whether the values typology generated in the context of the nonprofit professional theatre industry generalizes to other nonprofit cultural industries such as ballet and symphony, and to for-profit cultural industries such as broadcasting and film.

It also would be helpful to further investigate whether external partnerships that are based on values congruence are more successful than those that are not based on values congruence. Theoretically, values-based relationships should be more efficient due to improved communication, increased trust, and greater predictability (Cable and Shane 1997, Enz 1988, Nohria and Ghoshal 1994), and the present study offers some preliminary empirical support that firms receive differential levels of resources from external partners based on their values. However, additional research is needed to determine the extent to which the formation and success of relationships are affected by values congruence relative to other possible determinants (e.g., proximity, aligned product or service interests). Future research could extend our findings using social network analysis. One approach would be to collect network data eliciting a firm's most important external constituents, the number and types of contacts the firm has with each constituent, and the resource flows that occur between network partners. It would be interesting to examine relational outcomes other than funding (e.g., unique talent, information), to investigate the perceived success of a relationship from the perspective of multiple partners, and to explore the impact of values congruence on the effectiveness and longevity of entire network systems (Provan and Milward 1995).

Drucker (1988, p. 45) noted that "the typical large business 20 years hence is far more likely to resemble organizations that neither the practicing manager nor the management scholar pays much attention to today: the hospital, the university, the symphony orchestra." Because the uncertain environmental conditions that nonprofit professional theatres face are increasingly relevant to other industries (Powell et al. 1996, Provan and Milward 1995), organizational scholars should gain insight into organizational resiliency by observing the coping strategies adopted by firms in the nonprofit professional theatre industry. Values-based organization appears to hold excellent potential for future research designed to uncover the process that firms use to select and pursue partners and to reveal the ultimate determinants of successful external relationships.

Acknowledgment

The authors wish to thank Theatre Communications Group for supporting this research, and three anonymous reviewers and the special editors for their helpful comments on earlier drafts of this paper.

Endnote

[1] We asked managing directors to report their theatres' values because the values perceived by top management guide and direct interpretations of the organization and the environment (Enz 1988, Hambrick and Mason 1984). Although we assessed managers' beliefs about their firms' values, we also expect that they are reasonably representative of the firm as a whole, because managers strive to communicate their perceptions of an organization's values to employees in order to shape behavior and guide the firm (Schein 1985). In the present study, the managing director of a nonprofit professional theatre is particularly qualified to report organizational values and perceived agreement of external constituents because she or he is ultimately responsible for managing the theatre's relationships with all of the stakeholders identified in Figure 1. For example, the managing director typically negotiates all contracts with actors, directors, designers, and playwrights, and maintains ultimate responsibility for all fundraising, marketing, and box-office activities.

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Accepted by Joseph Lampel; received February 13, 1998. This paper was with the authors for three revisions.