

# **The budget as a monitoring and political tool in nonprofit performing arts organizations**

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## **ABSTRACT**

This paper enters the debate about management control and arts, within nonprofit field. More precisely, it aims at answering the following question: what are the roles of budget in nonprofit performing arts organizations? Few works in management control research deal with this issue. Therefore, our theoretical framework is based on works about management in the arts and cultural field (Assassi, 2003; Benghozi, 1990; Chiapello, 1997, 1998; Turbide and Laurin, 2009...), as well as on works that deal with the uses of the budget (Burchell *et al.*, 1980; Covaleski and Dirsmith, 1983; Meyer and Rowan, 1977; Simons, 1990, 1995...).

One would expect an opposition between the budget and the arts in the nonprofit field. However, the study of three nonprofit performing arts organizations ironically concludes at a mutual reinforcement. The research shows that the budget in nonprofit performing arts organizations is used not only as a social and political tool, but also as a moni-

toring tool. This instrumental role may be surprising, considering the institutional anchoring of the nonprofit studied organizations.

## KEYWORDS

Control, budget, performing arts, nonprofit organizations.

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## INTRODUCTION

In France, a strong majority of performing arts organizations belongs to the nonprofit field and are largely supported by public funders. This institutional anchoring implies the respect of governing rules, and a specific use of management accounting tools, such as the budget. Indeed, budget systems may tend to be crucial in such organizations, as results of both political and management acts. However, performing arts organizations all aim at making products which are the outputs of unique and ephemeral creations. Therefore, the issue of control becomes problematic because one must monitor an arts and cultural product which is often intangible and unpredictable since constantly changing. What are the uses of the budget in nonprofit performing arts organizations? This is the question we want to explore in this article. We base our analysis on three cases studies of nonprofit performing arts organizations.

One would expect an opposition between the arts and cultural world and the budget. However, the paper ironically concludes at a mutual reinforcement. This research underlines the fact that the instrumental use of the budget in nonprofit performing arts organizations exceeds their political features. Indeed, the achievement of the arts and cultural goals can be reached regardless of the rigid and formal tool that is the budget. Among these organizations the traditional uses of budget can be identified, as shown by the literature in management control. Some functions can be considered as instrumental, whereas others can be categorized as social and political.

This article is threefold. Theoretical links between control and arts are first presented with a particular focus on the budget as a major tool of management control in nonprofit performing arts organizations. Then, the methodology is described and the three cases are explored. Finally, the third section presents the main observations associated with the uses of the budget in these nonprofit artistic organizations.

## **1. Arts and control: consistent or contradictory theoretical elements?**

First, this section aims at illustrating the problematical aspects of control issue in these organizations. The second objective is to get a deeper insight into the roles and uses of budgets as tools of control.

### ***1.1. Controlling performing arts organizations***

Controlling arts and cultural organizations, and especially performing arts organizations, appears to be difficult. Some theoretical elements about this issue are presented below.

#### **1.1.1. DIFFICULT ASPECTS OF CONTROL IN PERFORMING ARTS ORGANIZATIONS**

As the literature argues, there are some problematic dimensions when it comes to controlling performing arts organizations in the nonprofit field, which are associated with three major elements: firstly the specificities of arts and cultural organizations, secondly the specificities of performing arts organizations amongst arts and cultural organizations, and thirdly, the particularities linked to nonprofit organizations.

##### ***1.1.1.1. DIFFICULTIES LINKED TO THE SPECIFICITIES OF ARTS AND CULTURAL ORGANIZATIONS***

When it comes to controlling arts and cultural organizations, one can expect to meet some difficulties. Firstly, the existence of artistic and cultural objectives entails an axiological duality (Abdallah, 2007) between artistic concerns and profitability. The artistic objective may be all the more valued in the organizations of interest because they operate in the domain of the performing arts and in the public and nonprofit sector.

Other difficulties are inherent to the fact these organizations deliver services. The service dimension implies particularities which have some impacts on management control. The immateriality of the delivery makes it difficult to measure output (Gervais and Thenet, 1998). In this case, an output control would not be relevant to manage performance (Ouchi, 1977, 1979). Indeed, since services are immaterial and the customer takes part in the production process, behavior control appears inappropriate (Ouchi, 1977, 1979). Nevertheless, public organizations appear to be controlled, whatever they be: universities (Modell, 2006...), hospitals (Abernethy and

Stoelwinder, 1995; Nobre, 2001...), chambers of commerce and industry or family allowance (Eggrickx, 1999, 2004...), mechanisms for social inclusion (Rascol-Boutard, 2006...). This controllability is also effective in arts and cultural organizations whatever their status and their financing methods (Agid & Tarondeau, 2007; Amans, 2007; Bonnafous-Boucher *et al.*, 2003; Chatelain, 1998a, 1998b; Chiapello, 1997, 1998, 1999, 2004; Evrard and Chiapello, 2004; Gombault, 2003; Le Theule, 2010; Tobelem, 2005; Turbide and Laurin, 2009...).

Amongst arts and cultural organizations, performing arts organizations and their management control systems are particularly worth studying, as the following development underlines it.

#### *1.1.1.2. DIFFICULTIES LINKED TO THE SPECIFICITIES OF CONTROL OF PERFORMING ART ORGANIZATIONS*

Some of the previously cited obstacles are present in performing arts organizations. Yet, since their job consists in artistic creation activity, additional problematic elements occur. Indeed, this creative feature is not present to that extent in all arts and cultural organizations.

Performing art organizations are facing other contradictions between control and art. Indeed, control implies monitoring and can appear inconsistent with the artistic creation idea.

Beyond contradictions between management and art, management appears as a necessary condition to creation (Le Theule, 2010). Therefore, the point lies in balancing and adapting control with creation and need for innovation. Thus, Chiapello (1997) distinguishes some uses of control in arts organizations that are different according to the degree of need for innovation.

Furthermore, a huge issue in the field of arts and cultural organizations with strong creative features lies in forecast and planning. On the one hand, if one can't exactly know the final output, on which basis can forecast resources be established? On the other hand, since creation is based on the assumption that no standard is predetermined, how can standard provisions be established (Chiapello, 1997)?

Moreover, the products of the arts and cultural sector are of a very particular nature. Thus, Benghozi (1990) observes that the fact of constantly having to deal with exceptions is often emphasized by artists and cultural organizations. There clearly exists a discourse based on the particularities of these organizations, the aim of which is to strengthen their legitimacy, especially in the eyes of their environment. All the more so in

the case of the performing arts, which correspond more than other artistic and cultural activities to an activity of prototypes (Assassi, 2003). The outcome of the creative process is uncertain (Assassi, 2008) and if there is an end product, the final result is hard to predict: one cannot determine in advance, even by contract, the form and content of an artistic production (Benghozi, 1990). It is therefore difficult to forecast future resources with any precision, which limits one of the instrumental interests of the budget, namely to make forecasts and then use those forecasts to monitor the results actually achieved.

All these observations make performing arts organizations worth analyzing in the field of management control. In particular, one can expect to observe an interesting opposition between the strong creative dimension of these organizations and the rigid tool which is the budget. Indeed, the formal character of control can *a priori* constitute an obstacle to artistic creation (Chiapello, 1999).

#### 1.1.1.3. DIFFICULTIES LINKED TO CONTROLLING NONPROFIT PERFORMING ART ORGANIZATIONS

When they belong to the public and nonprofit field, performing arts organizations show some additional specificities. For instance, this belonging contributes to the performance being identified as the accomplishment of the mission (Demeestère, 2005), which should be the priority (Drucker, 1990). So defining and measuring performance are problematic issues in this field. Indeed, in nonprofit organizations, performance definition is based on the operationalization of the mission, eg on its declination into objectives. It is disconnected from its financial results which usually provide a first approach of performance (Drucker, 1990).

After all, the mission of these organizations is their *raison d'être*; and its accomplishment founds their legitimacy. Thus, the study of nonprofit performing arts organizations conducted by Turbide and Laurin (2009) shows that the managers of these organizations consider the artistic objectives much more important than financial considerations. This decoupling at the level of objectives is likely to find expression in the activities of the organization, between activities directed towards profitability, or at least cost control, and other activities guided by artistic concerns.

And yet the difficult translation of the mission into objectives (Amans and Rascol-Boutard, 2008) and the resulting uncertainty over those objectives make the legitimating use of the budget all the more necessary, to explain and justify actions *a posteriori* (Burchell *et al*, 1980). Conse-

quently, one can expect to observe a loose coupling between the instrumental use of the budget in the quest for (*a priori* limited) efficiency and a more political use.

Lastly, the public bodies that are stakeholders in the studied organizations contribute largely to their funding. This public funding appears as a condition of diffusion and production (Agid and Tarondeau, 2003). Public authorities also give indirect subsidies, for example by making premises freely available to artistic organizations (Chatelain-Ponroy, 2003). So these organizations do indeed function with mechanisms of funding useful to their survival and long-term viability, which, according to Meyer and Rowan (1977), may favor ceremonial use of the budget.

## ***1.2. The budget as a management control tool in performing arts organizations: scope and limits***

The literature in management accounting suggests that the budget can play diverse roles into organizations (Burchell *et al*, 1980, Berland, 2002, Amans, Mazars-Chapelon and Villesèque-Dubus, 2010). The literature in the specific arts and cultural field underlines that the budget can play two important roles. Some of them are based on instrumental rationality and others are based on social and political rationality (Amans and Villesèque-Dubus, 2008). The aim of the following development is to suggest a framework to get a deeper understanding of the roles of budgets in arts and cultural organizations.

### 1.2.1. INSTRUMENTAL ROLES OF THE BUDGET

From an instrumental point of view, budgets perform two principal roles: a function of resources allocation and forecast, and a diagnostic function (Simons, 1990, 1995). Hence the budget is articulated with strategic planning, and with operational forecast which provides a short-term translation of goals and action plans. This planning allows implementation of control systems for the purpose of monitoring and control of results. As underlined by Bruns and Waterhouse (1975), «*budget has been defined as being financial plans which provide a basis for directing and evaluating the performance of individuals and subunits within organizations so as better coordinate and control their various activities*» (in Covaleski & Dirsmith, 1983, p.323). About the resource allocation, the question is: how can the resources that are necessary for a production be predicted when goals and results of artistic creation are uncertain?

Furthermore, the conceptualization and use of budgetary systems are based on a sharing of responsibilities that fits the organizational structure. It is thereby possible to control the results of unit the goals and responsibilities of which are clearly identified. Hence the budgetary process allows to compare predetermined standards and results with the actual results and to identify deviations from performance standards. In this functional perspective the controllability principle states that people should be held accountable only for costs they can influence (Merchant, 1998). But what can be the relevance of information and budgets when the structure is evolving and when organizations are searching for adaptation as in the arts and cultural field?

Output control is associated with the diagnostic control systems which are defined as «*the formal information systems that managers use to monitor organizational outcomes and correct deviations from preset standards of performance*» (Simons, 1995, p.59). In a top-down approach, these control mechanisms allow to monitor the implementation of intended strategy and critical performance variables (Simons, 1999). Every formal system, including the budget, can be used in a diagnostic perspective providing it is possible to define goals in advance, to calculate deviations and to use information about deviations so as to implement a feedback control. The way it is exercised assumes certainty, stability, and individual-level controllability (Ezzamel and Hart, 1987; Frow *et al.*, 2005). Thus uncertainty associated with artistic creation could be a barrier to this feedback control implementation.

Moreover, budgets can also constitute a social and political tool in nonprofit performing art organizations, as underlined in the following part.

### 1.2.2. SOCIAL AND POLITICAL ROLES OF THE BUDGET

Literature in management control and accounting suggests that budgets, as management tools, may also have a learning role (Argyris and Schön, 1974, Argyris, 1995; Burchell *et al.*, 1980), an interactive role (Simons, 1990, 1995; Abernethy and Brownell, 1999), a communication and coordination function (Chapman, 1998; Gervais, 1997; Bouquin, 2001), an ammunition and rationalization function (Burchell *et al.*, 1980). It is possible to link all these functions with social and political roles of budgets (Amans and Villesèque-Dubus, 2008).

Following the literature, budgets can act as communication and coordination supports (Chapman, 1998; Bouquin, 2001; Gervais, 1997). They constitute mechanisms of internal communication connecting different hie-

rarchical levels: top-down communication but also bottom-up and cross-functional communication in the reporting activity. Furthermore, budgets are coordination tools which place the controller in the position of a translator (Bollecker, 2002; Callon, 1986).

But one of the functions also identified by literature is, as organizations are constituted as coalitions of interests (Cyert and March, 1963), to articulate and promote particular positions (Burchell *et al.*, 1980). Authors think of the budget as an «*ammunition machine*». This function is particularly present when goals are uncertain or in dispute. Budgets can serve as advocacy of positions, and as Pfeffer (1978) has stated: «*Organizational structural arrangements are as likely to be the outcomes of political processes as are organizational resource allocation decisions*» (in Burchell *et al.*, 1980, p.17).

Moreover, Burchell *et al.* view budgets as «*rationalization machines*». In this case, budgets can serve to legitimate actions, and it is particularly true when external interests are dominant in the decision making process (Meyer and Rowan, 1977). Consequently, budgets are used to rationalize, justify and legitimate actions. Besides, when organizations are confronted with highly institutionalized environments, budgets are used as ceremonies so as to legitimate actions and to obtain the funds that are essential to their survival (Meyer and Rowan, 1977). Thus, organizations are involved in isomorphism processes in order to portray their institutional environment (DiMaggio and Powell, 1983). Moreover, in this case, the budget can be used to legitimate actions within a negotiation process (Covaleski and Dirsmith, 1983).

This first section presents the framework our field study is based on. The second section of this article aims at developing the research methodology.

## **2. Research method**

The issue we explore is rather little-explored in management control research. We aim at contributing to elaborate a substantive theory (Glaser and Strauss, 1967) of the budget in nonprofit performing arts organizations. An abductive approach seems particularly appropriate. Hence, our research method is based on an interactive process which implies data gathering, data analysis and theory development. We based our qualitative research on the case of three performing arts organizations. In this section we describe the stages of the research process. Then we present the studied organizations, which run musical and theatre productions in Southern France.

## **2.1. Steps in the research process**

An initial series of interviews was carried out: the manager of every studied organization was interviewed. Secondary data were also collected through written documents such as budgets or monitoring tools.

Each interview was divided into two parts. At first semi-structured interviews were conducted. The corresponding interview schedule was established around key themes, informed by the above literature: organizational management system, main managerial tools, the budget, its conceptualization and its use. Secondly, data about the strategic orientations of the studied organization as well as the interactive roles of the budget were collected through semi structured questions.

The analysis process follows up qualitative data analysis design. More precisely, a thematic analysis (Bardin, 1998; Miles and Huberman, 2003) was carried out. Results were discussed on the basis of the above literature, and various themes relating to the conceptualization and the uses of the budget in performing arts organizations then appeared to deserve a more in-depth analysis, following an interpretative approach.

Consequently, a second series of interviews was carried out, with the same previous interviewees, in order to deepen some dimensions of the analysis, such as the utility of the budget when it comes to rationalizing or negotiating.

The data thus collected were added to the cases, which were then analyzed again. Final results are presented in section 3.

## **2.2. The studied organizations: Three nonprofit theatres**

The studied organizations all belong to the nonprofit and public field, and were selected because of their organizational differences, size, fields of activities, legal form: the first one is a public company, the second one a community theatre, the third one a municipal theatre. They are described in the same chronological order data have been collected; the names have been changed for the sake of anonymity.

### ***Case 1: Musipolis***

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This public company was created and labeled by the French Ministry for Culture in 1977. This sponsored music hall aims at largely facilitating popular access to all kinds of both live and digital performance. However, performing arts remains its main activity. More precisely, Musipolis

mainly aims at making musical shows with four weekly performances. The company employs ten people. Its management control system is primarily based on budget formulation and budget control. Scorecards gathering various managerial data about the artistic activity (artists' fees, attendance, «bar revenues» and ticket sales) come as a complement.

One can say that budget is developed in a «multilateral» and «concerted way», in the sense that everyone in the organization somewhat participates in elaborating the budget: the budgetary process implies interactions and discussions within the whole organization. Granted subsidies are listed. Revenue projection is based on the programming and detailed per performance, which results in the scene being ran on a project management basis.

Once formulated, the primary budget has to be approved by the Board of directors. Afterwards, not only does it enable the manager to monitor the organization (on the basis of comparisons drawn between budgeted data and actual ones), but it is also used in order to negotiate artists fees as well as production contracts. Nevertheless, if a major change in the programming happens to occur while the budget is being implemented, one is allowed to ask for an additional budget.

### ***Case 2: The Tibre Theatre***

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The Tibre Theatre has been programming plays and ballets for 20 years. It is a community theatre established under the French 1901 law; it is therefore controlled by a Board of Directors. It is a subsidized theatre, primarily funded by the French Ministry for Culture and Communication, the Regional Direction for Cultural Affairs (DRAC), two local councils<sup>67</sup> and the City of Alphaville. Particular performances are also supported by the National Office for Arts Diffusion<sup>68</sup>. The Tibre Theatre employs about forty people.

The manager, who created the theatre, resorts to managerial tools which he considers as «*commonly used in firms*», such as the budget. The latter is built around the fixed costs associated with the stage and staff. It is organi-

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67. «Regional council» («Conseil Régional»), which is in charge of the region where the theatre is located, and «County council» («Conseil Général»), which is in charge of the corresponding county.

68. ONDA («Office National de Diffusion Artistique»): «Created in 1975 at the initiative of the French Ministry for Culture, its mission is to help the diffusion in France of performances lying within the scope of contemporary forms. Encouraging touring, its actions allow audiences, wherever they are, to discover artistic researches participating in forms renewal.» ([http://www.onda-international.com/onda\\_us.php](http://www.onda-international.com/onda_us.php))

zed by arts project. The manager, as well as the members of the accounting department, elaborates an initial budget on the basis on arts projects. During the fiscal year, the budget is discussed once again, then presented two or three times (and accounted for) to the Board of directors, on which serve representatives of local public authorities. Finally, the annual overall budget is presented to the Board of directors four or five months before the end of the year and discussed two months before its implementation.

Actions are usually undertaken before local communities have come to a decision; that is to say before financial support is granted... The budget is overseen by the manager who keeps a close eye on events. For instance the manager is carefully watching to outputs through scorecards. Initial budget can be increased according to planned receipts. Eventually, the gap between the initial budget at the beginning of the year and the year-end budget is considered as reflecting the dynamics of a theatre that takes part to public cultural policy. The budgetary process goes along with strategic brainstorming.

### ***Case 3: The Pantheon***

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The Pantheon is *The* theatre of Alphaville, which was created in the nineteenth century. It is nationally and internationally famous for its performances in the field of musical theatre and opera. Classics of the opera repertoire are performed there, as well as creations, more and more frequently with a co-production process for financial reasons. It employs 250 people, not to mention the musicians of the orchestra. As a department of the city council of Alphaville, it is thereby mainly supported by the City and has its own budget. As a «regional music theatre», it is also, though to a lesser extent, supported by the Ministry for Culture and Communication. Its management control system is chiefly built on a three-perspective budget (operations, arts, technique).

The theatre accountant elaborates the budget, which is presented to the City in September. The arts perspective requires a deep analysis of previous budgets of past performances. June, July and August are spent gathering information from Administrative, Technical and Artistic Units. Indeed, a few years ago the Artistic Unit was sometimes so late in sending the scale set model to the accountant that the budget had to be completed while the model had not been given yet. An initial budget and an additional budget are presented, when elaborated, to the Regional Direction for Cultural Affairs (DRAC) and to the City of Alphaville. For years, political stability has been accompanied with budgetary stability. However, things

have started to change since the arrival of a new mayor and a new city council: lesser stability jeopardizes some of the theatre engagements, some of which involve internationally famous artists. Defending arts and operations choices is now at stakes, along with maintaining the flexibility gained through the years thanks to a recurrent budgetary slack. As a matter of fact, budget has been balanced for years, as planned expenses tend to be underestimated. Hence a budgetary surplus the theatre has until now been allowed to use on its own.

The main features of the three studied organizations are summarized in the table below. The results of the analysis are outlined and discussed in the following section.

	<b>Case 1 Musipolis</b>	<b>Case 2 Tibre Theatre</b>	<b>Case 3 The Pantheon</b>
Legal Form	Public company	Community theatre (French 1901 law)	Municipal theatre
Partners	Ministry for Culture, City, Other institutional partners	Ministry for Culture, Region, County Council, City, Others institutional partners	Ministry for Culture, City, Other institutional partners
Staff	About 10 people	37 people	About 250 people
Performances	Musical show, Ballet 4 weekly performances per annual season (10 months)	Plays, Ballet, Musical show, Exposition 120 performances per annual season (11 months); 2 stages	Opera and Musical Theatre, Ballet, Plays 75 performances per annual season (11 months); 2 stages

**Table 1:** The studied organizations

### **3. Results and discussion: The budget, from a political to a diagnostic tool**

In the three studied nonprofit organizations, we find a strong use of the budget and the superiority of this tool on the other tools of control, such as reporting tools. We do find in these organizations the social and political roles but also the instrumental roles identified in the above review of literature. This appears to be a major particularity of nonprofit performing arts organizations.

### **3.1. Instrumental roles of budget in nonprofit performing arts organizations**

Among the various steps of the budget process, the finalization stage (Bouquin, 2001) seems essential. Indeed, it allows setting up the forecasts requests for financial support as well as resources allocation will be based on. Besides, it leads to a «frame» for future action.

#### 3.1.1. FORECAST AND RESOURCES ALLOCATION

The arts dimension's prevailing over management during the forecast phase seems patent in the three studied cases. In the Pantheon, the whole the budget process is built on the arts project, the expenses and revenue of which are anticipated; next the city subsidy is determined by difference. Even in the Tibre Theatre where strategy is said to be considered by the people while they elaborate the budget, they find it crucial to serve the arts and cultural mission. In Musipolis also, the programming constitutes the budget starting point. However, expenses and resources are articulated within its elaborating process. The following rule is thus to be respected: First of all, «*the revenue is there to put on the artistic*» and negotiating the subsidy comes second. Moreover, in Musipolis, elaborating the programming strategy, which includes selecting artists along with choosing contracts, and constituting the budget seem simultaneous: «*We also deal with an equilibrium between the stage and the bar... We calculate an artistic cost which fits the stage cost (...)* If we think the performance is too risky because too expensive, we delegate the production to the producers of the artist.» (Musipolis) Besides, in Musipolis, the finalization phase plays a strategic part. It is the starting point for annual programming, thus for product implementation, considering that the cultural mission of the company may limit its price policy.

However, the forecast seems difficult in performing arts organizations because of their specificities. Indeed, uncertainty characterizes any creative activity. Besides, because of their mission of creation, the studied organizations benefit from public financing which ironically entails an uncertainty which weakens them. For instance, the time horizon of the budget—usually one year—differs from that of public sponsors, whereas artistic activity itself is oriented to a longer-term time horizon. Difficulties seem to increase along with the multiplicity of coming into play parameters.

Thus, in the Pantheon, «*artists are booked three years before*». Public sponsors find it difficult to understand this point: they happen to ask the

theatre to «*make efforts*» in a short-term period. Thus resources appear uncertain. Hence, without any financial stability, how can an original arts project be carried out? This issue is so severe that monitoring arts projects in this organization consists in cross financing monitoring. The time gap between the agreement for subsidies and cash flow also brings to light the question of commitment and time dimension. Consequently, theatres are brought to undertake actions without financing, which weakens them and creates uncertainty. In the best case, the budget «*lives its life*» independently of the theatre (The Tibre); in the worst case, it becomes necessary to freeze the activity (Pantheon). In Musipolis, which manage less complex one-year projects, the uncertainty appears less strong, and it seems possible, according to the interviewee, to implement «*correct*» forecasts. This uncertainty about funds and subsidies is increased in nonprofit arts organizations, since they crucially depend on their funders and public partners.

How do the studied organizations cope with this uncertainty? So as to anticipate the costs to come, the Pantheon leans on the budgets of the past shows, which combine various elements of costs: «*We have a kind of database which permits us to say that Carmen 5 years ago cost that was in so much*». In the Tibre as well, they try «*to plan the risks as accurately as possible*». Furthermore, the forecasts of Musipolis are based on the relative operations costs of the two stages (theatre or bar), as well as on the thresholds of artist's contractual price. The role of the artistic manager is worth noting: if he asks for the scale set models of the shows in advance, it allows more visibility for budget constitution. Conversely, the more the artistic manager hesitates the more complex the forecast process gets (Pantheon).

Are the forecasts made during the finalization step destined to come true? Not necessarily, because the studied organizations constitute «*safety buffers*» in order to overcome uncertainty effects, what weakens the accuracy of the forecasts. Thus, the revenue projection in Pantheon is always underestimated on purpose; therefore one could think that only expenses are planned with accuracy. However, the Pantheon never fail to stay within the budget, which means that the underestimated revenue is planned with accuracy as well. At the Tibre as well, future expenses are slightly overestimated whereas revenue projection is slightly underestimated – the surplus is thus spent on creation, artistic and cultural mission of public utility obliges. Only Musipolis seems to need neither a «*safety buffer*», nor systematic revisions.

Finally, in the three studied cases, the budget appears to play a role in resources allocation and forecast. And forecasting is linked with a planning approach. In other words, forecasting may consists less in describing

a possible future than in describing a desirable future. In this way, it constitutes a basis for an output control. It contributes to create a frame for action. During the monitoring stage, a «tension» should orientate the actions towards what is planned – and wished. Controlling the outputs constitutes another instrumental role of the budget in the studied organizations, as we show it in the following point.

### 3.1.2. CONTROL OF RESULTS

The studied cases reveal that the budget needs to be overseen by the manager of the performing arts organization, as these organizations are eager to stay within the budget and to monitor their activity.

Therefore, checks and controls are made on the basis of elements which compose the budget. In the Pantheon are mentioned a control of receipts, a follow-up by the artistic manager, as well as a control by the referee who can check the expenses on a current show and, if necessary, «pull the technical manager's ears». In the Tibre, are evoked a «regular» control by the general administration and a «permanent» control by the interviewee. The budget in Musipolis is followed by the production manager to watch possible overtaking. Paradoxically, in these organizations, the interviewees accurately oversee the actual data which they compare with the planned ones, calculate deviations and use the diagnosed results to make decisions in adjustment but also to implement corrective actions. Thus, budgets are, during the monitoring phase, at the origin of an incentive tension.

However, this tension may be limited, particularly because of the way the forecasts are established during the finalization phase. Indeed, underestimating the planned revenue in the Pantheon guarantees balance achievement, as the interviewee underlines it. In the Tibre Theatre, as well, the safety buffer helps reduce the tension.

Overestimating the planned expenses, underestimating the early receipts and being allowed to revise the budget lead to the arts dimension's prevailing over management. They allow protecting creative freedom and, thereby, to face the uncertainties which characterize creation. Indeed, performing arts organizations need flexibility in their way of organizing and functioning as much as they need stability in their financing. Thus in the Pantheon, freedom is protected thanks to the relative weakness of the pressure to reach the balance but also thanks to the budgetary surplus, which is almost guaranteed and can be used by the artistic manager more or less as it pleases him... The use is however supervised by a procedure: special

authorization or additional budget. In the Tibre as well, the safety buffer preserves the artistic freedom. In Musipolis, it is the possibility of revising the budget, for example when an initial unplanned possibility appears, such as working with a specific artist: *«if we have a change in strategy in the course of period and thus a change in programming, we are limited but we can always ask for an additional budget»* (Musipolis).

Hence, the budget appears to serve the artistic strategy. Finally, the rigid dimension of the budget and the creative dimension can coexist. As a matter of fact, getting free from the rigid frame of the budget seems possible, and so does using this rigid frame, particularly when relationships with subsidizers are good. Ultimately the rigidity of the frame could be an advantage which helps creative goals of the organizations.

Finally, a strong specificity of nonprofit theatres is the participation of the funders in the monitoring of the theatre's activity. At the Tibre for instance, which is a community theatre, all the financial partners are informed about the decisions and results. The Board of directors appears to be a major place where external public funders are informed about the results and the activity twice a year. The budget in nonprofit performing arts organizations appears to be also a social and political tool.

### ***3.2. Social and political role of the budget in nonprofit performing arts organizations***

The three studied cases show that the budget, with its social and political dimension, is generative of in-house interactions, as well as interactions with the environment.

#### **3.2.1. GENERATING INTERNAL INTERACTIONS: THE BUDGET AS A COORDINATION AND COMMUNICATION TOOL, AS WELL AS A BASIS FOR ORGANIZATIONAL LEARNING**

Even though the Pantheon emphasizes the «information feedback» dimension, the budgetary process appears as an exercise of internal coordination in all the studied organizations. And although not all the characteristics of Simons' interactive budget (1995) could be investigated, some of them are present in the budgetary processes, in particular from the point of view of the implication of the leaders and the relations between management and operational levels. These budgetary processes are indeed the occasion of continuous interactions between management and operational levels. For instance, various operational members participate in the budget finaliza-

tion. This implication appears in all the studied organizations, as shown in the following interview extracts: «*We work together with the employees*» (Musipolis); «*Usually in September I see every employee [...] The technical budget is elaborated by the technical director [...], who tries to take into account the requests for material or staff of every technical department head.*» (Pantheon); «*several services are involved*» (The Tibre)

Furthermore, in the studied organizations, the budget seems to be used as a basis for learning. However, it is not the use which is the most developed, which may be explained by the way the forecasts are set up, and also by the possibility of budget revising.

The interviews show that, through the interactions which occur when the budget is being constituted, the budget plays an integrative role, that is to say it constitutes an actual communication tool, which facilitates the convergence and the sharing of the representations.

The budget also constitutes a communication tool with the Board of directors, when the latter exists: «*the annual overall budget is presented to the Board of directors 4 or 5 months before the end of the year and it is discussed two months before its implementation. [...] We prepare the budget by ourselves, and we discuss it again during the year and then is presented 2 or 3 times in front of the Board of directors*» (The Tibre).

This way, the budget appears as an instrument of communication of the strategy. Within the framework of the discussions about the budget, negotiations take place: «*the subsidy [of Musipolis] is voted after the vote of the primitive; it is negotiated, actually*».

The Board of directors of a performing arts organization comprises representatives of this organization, as well as representatives of public authorities. As a consequence, the Board of directors is on the boundary between the organization and its environment. Hence, the budget underlies the relations between an organization and its environment: it constitutes a basis for external communication and negotiations with external partners.

### 3.2.2. GENERATING EXTERNAL INTERACTIONS: THE BUDGET AS A RATIONALIZATION AND COMMUNICATION TOOL, AS WELL AS A BASIS FOR NEGOTIATION

The interactions inherent with the budget process exceed the internal organizational frame. Indeed, the budget is also used as a basis for the communication directed to the public sponsors: «*All subsidies are budgeted and the budget is always presented to the subsidizing organizations*» (Musipolis). It is therefore presented to subsidizers, through the Board of directors in particular, when there is one there.

Presenting the budget gives the opportunity to translate the organized actions, to explain them and to give meaning to them. Hence, in the Pantheon, the budget is spread towards financial services of the city council. Besides, the Pantheon «*explains to the DRAC, one item after the other, what is asked. We give them a primitive budget, a forecast budget and an additional budget that is the assigned one. We give them the administrative account, which describes the reality of the year*». Thus the budget serves to justify the actions that are undertaken with local authorities, to which is then often presented a primitive budget, what allows to justify the subsidies and their use. There, the budget performs a political mission, in the meaning of Burchell *et al.* (1980). So, in spite of the uncertainty of the objectives connected to the creative dimension of the shows, it allows to supply a certain visibility on these objectives and foundations, necessary for the control system. It is the opportunity to discuss objectives not always defined nor shared, as Burchell *et al.* (1980) showed it.

More generally, the budget constitutes a negotiation tool with a strong political powerful dimension. It becomes a basis for negotiation with the external partners. Indeed, the interviews underline two functions of negotiation which are appropriated for the budget in the performing arts organization, either with the producers, or with the subsidizers: the budget permits to legitimize the planned actions with the different partners. Thus, it constitutes a rationalization tool, afterward useful for negotiating.

The negotiation with the producers or the artistic agents deals with artist's wages. The budget is then used to justify total expense inherent to the implementation of a show and to show the maximum wage the organization can propose. For example, when a theatre decides to make a show with an artist producer as a partner, «*there is a guaranteed minimum. If receipts are lower than 20 %, [the artist producer] gets it, and if they are higher, we negotiate a percentage (which may be of 40, 50 or 60 %)*». How does it take place?

The budget is sent to the producer of the artist «*and we negotiate the minimum guaranteed on the basis of this budget*». The interest here is to benefit from calculated and objective elements for the negotiation: «*There is a total transparency – and this gets things more objective*» (Musipolis). The choice of the contract – transfer, provision, coproduction or co-making – proposed by the performing arts organization depends on the outcome of this negotiation about artist's wages. Let's note however that this way of negotiating was mentioned only in the performing arts organizations which produce artists or shows but do not create the shows in question. In the case of real show creations, the question of the negotiation of the wage was not approached.

Then, a use of the budget as a political negotiating tool was observed through negotiations of subsidies with the diverse subsidizer partners. Indeed, the three studies cases all benefit from external financial support, such as public and local authorities, or even private authorities; thus budgeting represents a necessary step for these organizations and a way to demand subsidies. The budgetary information serves then as an external political plea, as Covalleski and Dirsmith (1983) showed it about the use of the budget in an institutional frame.

So, upstream budget building allows to negotiate the financing demands and to implement actions: *«The budget elaborated two months before the exercise is going to serve as a financing demand»* (The Tibre); *«and about other partners: some of them take the information, other ones ask for the total budget and then for the balance sheet, it is the region, and the others ones (except some such as SACEM<sup>69</sup> – or the national center of pop and jazz...) only need project budget, because we ask for financing only different projects»*. (Musipolis)

In the budgetary process, and more widely, during the «budget life», the relationships built and maintained with the subsidizers and their reliability appear essential. *«During three years the participation of the city did not increase because the former city council had asked that we made efforts, because they wanted to give a good image. And now the new ones told us to that it is badly managed because we have not planned surpluses! And they sweetened us 1,5 millions on 23 million budgets for 2009. Thus for the additional budget I do not know if I am going to be able to get back the surplus. [...] And then it is necessary to take into account the political context. During years in Alphaville, the city council was Mr X, then Mr Y ... Thus for a long time we had the same General Secretary who knew our administrator; thus things were easy. It is tremendously reassuring to know that if we need it they were there. And conversely in the other way, they knew that if they asked us to make an effort we would make it.»* (Pantheon)

Finally, only the relational dimension of the budget seems to allow compensating for the structural instability connected to the gap between the time of the tool and that of the organization, the updated in the use of the instrument «budget». The stake for the performing arts organizations appears then to succeed in building a reliable relation with the institutional financial partners. The duration of the relation contributes to it, the emotional links also: *«We have a Board of directors consisted of people very*

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69. SACEM: French society in charge of copyright protection and royalties payment for composers and music publishers

*close to the theatre, committed people who have a friendly glance.»* (The Tibre). Hence a central question arises: how can a long term stable relationship be built with public partners who change by nature, so as to put in compliance the time of the theatre and that of the budget?

#### 4. Conclusion

This paper aimed at questioning the use of the budget in nonprofit performing arts organizations. It contributes to the literature on relations between control and arts and more generally speaking on relations between management and art. This research is built on a field study that was based on three cases of nonprofit performing arts organizations located in Southern France, and chiefly focused on interviews.

The budget's consisting in figures, which confer objectivity, proves to be useful when it comes to dealing with external stakeholders: the budget provides structured information, an objective negotiation basis. The budget eventually supports and reinforces the relationship between the performing arts organization and its external stakeholders. It represents a very important tool to communicate with public funders, which is a central point in the management of nonprofit organizations, which depends on their funders. Reciprocally, the quality of this relationship largely determines the ability of the budgetary process to serve the arts and cultural goals. For instance, being allowed to spend on its own a budgetary surplus can create a margin of freedom. Indeed, the rigid framework of the budget, which one might consider as emblematic of management control tools, might be expected to be incompatible with the creative feature of performing arts organizations. And yet, our work ironically leads us to conclude as follows: not only can these two dimensions, the budget and creative activity, coexist within performing arts organizations; they can also reinforce each other. As a matter of fact, nonprofit performing arts organizations seem able both to free themselves from the rigidity when it might constitute a drawback and to rely on it when needed. However, this freedom, which is essential to arts and cultural activity, is «under control» thanks to budget monitoring and to procedures that govern revisions.

Finally, the budget in nonprofit performing arts organizations seems to be widely used. Our paper underlines dimensions of the budget which have been little explored in nonprofit arts and cultural organizations, such as social and political functions and all the more instrumental functions which seem surprisingly well developed considering the institutional an-

choring of the studied organizations. It also leads to another surprising conclusion: far from jeopardizing the mission of performing arts organizations, the budget serves it.

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