

The Role of Stakeholders in Cultural Enterprise Management

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The notion of cultural entrepreneurship is the 21st century necessity to define new trends that develop due to changes in economic and social space of life. The researchers see culture as a link between economics, society, and technology development that could foster research in the field of creative economy. The evaluation of cultural entrepreneurship is very topical in small and micro-enterprises in Latvia, as the small and medium enterprises form the greatest part of economy. The research question is: How to evaluate management in cultural enterprises by determining the most important indicators for a cultural enterprises's performance improvement? Managers with experience of five years were invited for the focus-group discussion. Evaluation of cultural entrepreneurship includes art galleries, non-governmental theatres, and concert organizations. The analyses of the research results, related to particular stakeholders of cultural enterprises, reveal the role of the cultural enterprise's stakeholders' engagement in evaluation of management, characterize the importance of the goals' analysis of each stakeholder's engagement, and indicate the criteria for evaluating activities in cultural entrepreneurship. The evaluation of cultural entrepreneurship can be done by analysing the stakeholders' engagement in assessing the viability, growth, and influence of the enterprise.

Keywords: cultural enterprise, stakeholders, management

Introduction

The notion of cultural entrepreneurship is the 21st century necessity to define new trends that develop due to changes in economic and social space of life. The change in economic paradigm is acknowledged by British professor Tim Jackson (2009) and the Nobel Prize Winner American economist Paul Krugman (2007) who argue that economic development concerns only a small part of society. The researchers see culture as a link between economics, society, and technology development that could foster research in the field of creative economy. For cultural enterprises to be able to develop and provide cultural products also for exports, there is a need for professionally competent managers who would understand the most important operational indicators.

The evaluation of cultural entrepreneurship is very topical in small and micro-enterprises in Latvia, as the small and medium enterprises (SMEs) there, as well as in other countries of Europe, form the greatest part of economy, playing important role in creating the GDP, employment, and business environment. However, mostly in cultural and creative industries, the large enterprises have been analysed and used for case studies.

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The research problem is that the skills and knowledge of the owners and employees of cultural enterprises on economic use of financial resources do not guarantee valuable artistic results. Therefore, a substantiated question has arisen: How to evaluate management in enterprises with bad financial ratios and outstanding artistic indicators?

The topic of the research is about the research question: How to evaluate management in cultural enterprises by determining the most important indicators for a cultural enterprises's performance improvement?

Materials and Methods

To analyse the role of artistically valuable results within the context of managing cultural enterprises, sustainable management of stakeholders is needed (Jagersma, 2009, p. 341). The evaluation of the stakeholders' management in this article has been performed basing on the AA1000 Stakeholder Engagement Standart, 2015.

The analyses of the research results, related to particular stakeholders of cultural enterprises, reveal the role of the cultural enterprise's stakeholders' engagement in evaluation of management, characterize the importance of the goals, analysis of each stakeholder's engagement, and indicate the criteria for evaluating activities in cultural entrepreneurship.

Positivism, interpretivism, and pragmatism are the most often used paradigms in social sciences (Walliman, 2006). The interpretivism paradigm provides that both deduction and induction methods are used for research (Gill & Johnson, 2010) since the researcher does not view the research object from a distance, but is closely linked to the topic under discussion (Walliman, 2006). The interpretivism paradigm is applied also to this article, as namely the explanation of subjective meanings of individuals is of the utmost importance within the context of research. During the course of empirical research, it is planned to disclose, analyse, and interpret the subjective reasons of pursuit. The essence of research according to interpretivism is to reveal meaningful relationship and to discover the consequences of activities performed by individuals (Cohen & Manion, 1994). For this particular empirical research, the authors are oriented towards the research topics that can be perceived by experience based intervention, ability to reach with perspective and evaluate the impact of culture (Johnson, Onwuegbuzie, & Turner, 2007). As it is important to be knowledgeable in the research topic to perform the qualitative research sampling (Kroplijs & Raščevska, 2010), since qualitative research is aimed towards exploration of experience or knowledge acquired during practice, qualitative research methods are used for this empirical research.

The data structure of qualitative research appear in the course of analysis (Punch, 2005). In many cases, it is not enough to use only one method of evaluation to answer the questions of research (Vondal, 2010), therefore, to obtain more precise point of view from the respondents and to get closer to the daily thinking patterns of the respondents (Branner, 2004), the numerical value of the evaluation of stakeholders' importance was obtained. The task of qualitative research is to discover general dimensions, by learning about the categories and notinos used by particular respondents (Kroplijs & Raščevska, 2010). Although a numerical evaluation of stakeholders was obtained during the research and data analysis performed by using Kolmogorov-Smirnov test, non-parametric statistics Kruskal-Wallis test, and Spearman's rank correlation calculations, the obtained results during interpretation have not been generalized. Data analyses performed with the help of the tests substantiate trends and suplement the qualitate data (Branner, 2004). The research results reflect the dominating point of view.

Results

The author started the research by creating a focus-group in order to find out the stakeholders in cultural entrepreneurship and identify the most important aspects for management evaluation for defining the further course of the research more precisely. The methodological substantiation for the focus-group method is the group role in generating a variety of opinions that does not take place during individual discussions (Morgan & Krueger, 1997). A focus-group interview provides additional interaction (Lindlof & Taylor, 2002), as the qualitative research has to go further than the understanding reached by offering new solutions and development structure for the issues to be researched (Renge & Austers, 2004). The managers/owners with experience of minimum five years were invited for the focus-group discussion. Evaluation of cultural entrepreneurship performed by 42 culture enterprises—art galleries, non-governmental theatres, and concert organizations was done by the owners or managers of cultural enterprises. The 42 companies are a quite small number, but unfortunately they are all the private companies operating in Latvia in these directions.

For the data analysis, the replies of all respondents were split in fragments consisting of short statements. Each statement (content unit) is based on one idea. The source of each content unit was indicated, and, afterwards the content units were categorized according to the question about involvement of the stakeholder. After that, the categories were united, thus creating even wider and more abstract notions that revealed the common understanding of the respondents (as each respondent's point of view contained a part of it). In order for the respondent's to express their point of view clearly and understandably, the authors included numerical evaluation of the stakeholders' impact according to the Likert scale from 1 to 5 points (5—very important, 4—important, 3—somewhat important, 2—not very important, 1—not important at all). The quantitative data added to the qualitative investigation supplement research (Crompton, 2002). The numerical evaluation provided by the managers of the art galleries was summarized by applying SPSS statistical analysis software, using non-parametric tests for the data processing. Non-parametric tests can be applied in cases of a small sample size (Baggion & Klobas, 2011). The authors defined that the stakeholder gaining the importance indicator lower than 3 points (somewhat important) is not considered as important for achieving the objectives of organization, and thus it cannot be defined as necessary for ensuring the operations of the enterprise.

To assess in what way the stakeholder's evaluation is linked to the longevity of enterprise's operation, Spearman's rank correlation coefficient was calculated (since all data are in metric scale, while the empirical division does not correspond the normal ratio) (see Table 1).

The results prove medium positive correlation between:

- Media and cooperation partners;
- Media and length of operation.

Media as an important stakeholder have been evaluated by a comparatively high average ratio of 4.35 points (see Table 2). However, when performing the analysis of involvement, the managers of cultural enterprises basically evaluate the cooperation with media as negative or neutral. Consequently, the longer the operation is, the more important media as stakeholders in perception of the enterprise's manager are. This correlation proves that involvement of the stakeholder ensures long-term activities of enterprise, since understanding of the importance of stakeholders' involvement, is formed only after some period of time. The cooperation partners as an important stakeholder has been evaluated by the lowest average ratio of 3.60 points (see Table 2). However, the correlation indicates that the higher evaluation for the importance of media is, the

more valuable significance of the cooperation partners becomes. The authors assume that this correlation is determined by the cultural enterprise's managers' comprehension of the way of ensuring activities; those who understand the importance of the cooperation partners in ensuring the enterprise's operations appreciate also the role of media.

Table 1

Spearman's Rank Correlation Coefficient of Stakeholder's Engagement

Stakeholders	Art scientists	Clients	Artists	Cooperation partners	Media	Third party funders
Art scientists	1.000	-0.074	0.096	0.235	0.252	0.161
Clients	-0.074	1.000	0.004	0.108	0.188	0.043
Artists	0.096	0.004	1.000	-0.015	-0.404*	-0.140
Cooperation partners	0.235	0.108	-0.015	1.000	0.374*	0.056
Media	0.252	0.188	-0.404*	0.374*	1.000	0.254
Third party founders	0.161	0.043	-0.140	0.056	0.254	1.000
Length of operation	0.134	0.146	-0.209	0.071	0.607**	-0.204

Notes. * $p = 0.05$; ** $p = 0.01$.

The results prove medium negative correlation between:

- Media and artists ($r = -0.404$, $p = 0.013$).

This correlation proves the specificity of cultural entrepreneurship, as those managers of cultural enterprises who are too oriented towards achieving artistic results do not evaluate cooperation with other stakeholders as very important. Media are opposed to the artistic value as less important and, although oriented towards the society, yet ignorant stakeholder. This has been proved also by the assessment of media involvement. On the contrary, those managers of cultural enterprises who understand the importance of stakeholders, have evaluated also the significance of artists as one of the components of the same importance along with the other stakeholders.

The average ratio of stakeholders indicates that all the above-mentioned stakeholders are important for ensuring the activities of cultural enterprises, as the medium ratio exceeds 3 points and remains between 3.60 to 4.79 points (see Table 2). Although creation of artistic value, self-expression, and personality development has been perceived as the basic meaning of cultural enterprises's existence, the research results indicate that managers of cultural enterprises perceive their clients as the main stakeholders. Orientation towards the client and understanding of the importance of artistic values dissemination indicate the necessity of the notion of cultural entrepreneurship, as the basic concept of entrepreneurship is implemented in reality.

Table 2

Importance of the Stakeholders

	Art scientists	Clients	Artists	Cooperation partners	Media	Third party funders
Medium	3.66	4.79	4.70	3.60	4.35	3.83
Medium in fine arts	3.70	4.68	4.81	3.27	4.29	3.77
Medium in performing arts	3.60	4.91	4.53	4.10	4.43	3.93

The authors assume that the criteria discovered during the analysis of the stakeholders' involvement can be generalized and attributed towards the evaluation of activities performed by the art galleries. However, the

above-mentioned criteria provide also perspectives that can be applied when analysing cultural enterprises, as they determine the importance of the stakeholders' involvement in cultural enterprise's management. Basing on the results of content analysis of the cultural enterprise managers' point of view and evaluation of the stakeholders, the authors have summarized the main directions and perspectives for evaluation of the cultural sector enterprises—viability, growth, and influence.

The authors presume that, to define the goal of the stakeholders' (artists, clients, media, arts scholars, third parties providing funds, cooperation partners) engagement, it is necessary to analyse the area of enterprise's activities, and in what way and by what kind of activities it is possible to engage the stakeholders.

The research results indicate that there is no statistical difference between the evaluation of stakeholders such as art scientists, clients, artists, media, cooperation partners, and third party funders.

The research results reveal that basically personal reasons and common artistic perception are the reason for engagement. The research results prove that viability can be ensured by engaging the most important stakeholders and appreciating the employees, as well as evaluating quality of cultural products which have perspective for development. Also the growth in international markets is one of perspectives for development. Information in Internet environment and public space on the activities performed ensures efficiency. It is possible to evaluate the management of cultural enterprises by ensuring the process of relationship management with those stakeholders who, in the case of engagement, would impact enterprise's development, thus determining the role of the stakeholders' engagement in the management of the cultural enterprise. Taking into account the aim of the cultural enterprises to create artistic value and offer it for public assessment, the stakeholders' engagement is relationship created by the cultural enterprise and its manager with those groups who could impact the process of creating and disseminating artistic value.

After assessing the obtained opinions and summarizing the growth indicators of cultural enterprises discovered in the process of research, three criteria important for evaluation of cultural enterprises' performance have been defined: viability, growth, and influence that basically determine the importance of the stakeholders' engagement in managing a cultural enterprise.

The authors propose the following criteria for evaluating the viability of enterprise:

- Involvement of the existing clients and generation of interest among the potential customers, by developing an understanding and necessity to attend exhibitions, purchase art-works, recognize and evaluate artistic values;
- Ability to find clients (the audience);
- Ability to attract and keep clients (the audience);
- Ability to generate interest among clients (the audience) about the product offered by the cultural enterprise;
- Interest of clients and visitors about the art-works (attendance of exhibitions, purchases of art-works);
- Number of clients (in the data base, clients receiving additional services);
- Number of theatre performance visitors;
- Number of visitors attending other activities organized by the theatre;
- Ability to attract the third party funding to ensure qualitative work and avoid efforts of earning money for maintaining the premises and covering the heating expenses by artistic results.

The authors propose the following criteria for evaluating the growth of enterprise:

- The artistic success of galleries (product quality appreciation in visual arts branch: the number of nominations and awards; invitations to participate in prestigious arts fairs for galleries oriented towards

international markets, invitations to the gallery artists to display their works in foreign countries);

- Artistic success of the theatre (product quality appreciation in performing arts branch: the number of nominations and awards; invitation to participate in international festivals and contests);
- Personal growth (possibility to grow, learn, and perfect one's knowledge; possibility for employees to elaborate some kind of activities; possibility for volunteers to undertake new duties and responsibility, to meet in person representatives of the stakeholders).

The authors propose the following criteria for evaluating the influence of enterprise:

- Ability to ensure activities attracting the interest of other stakeholders (information in Internet environment and public space on the activities carried out by the cultural enterprise: the published news and their quality, media channels, and their quality);
- Bringing to the forefront issues important for society (activities noticed and appreciated by the clients, media, and other cooperation partners);
- Solving social issues by the help of art (opinion leaders developed by the cultural enterprises);
- Ability to attract the third party funding: sponsors and patrons for publishing the artist catalogues;
- Ability to attract funding of foundations for performing various activities that promote art and culture among broader society.

Conclusion

The authors conclude that the evaluation of cultural entrepreneurship can be done by analysing the stakeholders' engagement in assessing the viability, growth, and influence of the enterprise. Observation of the stakeholders' needs allows broadening the scope of enterprise's objectives. To coordinate interests of the enterprise with interests of the stakeholders, the following three procedures are most important: defining the enterprise's objectives and planned results, identifying the stakeholders, and ensuring engagement of the stakeholders in setting the enterprise's directions of activity.

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