The Competing Effects of State and Private Support in the Field of Cultural Production
Resource Sustainability, Dependence, and Innovation in the English Theatrical Sector

Godya, Meghna

Awarding institution:
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King's College London

The Competing Effects of State and Private Support in the Field of Cultural Production: Resource Sustainability, Dependence, and Innovation in the English Theatrical Sector.

Submitted by

Meghna Godya

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"If you're going to try, go all the way. Otherwise, don't even start. This could mean losing girlfriends, wives, relatives, and maybe even your mind. It could mean not eating for three or four days. It could mean freezing on a park bench. It could mean jail. It could mean derision. It could mean mockery – isolation. Isolation is the gift. All the others are a test of your endurance, of how much you really want to do it. And, you'll do it, despite rejection and the worst odds. And it will be better than anything else you can imagine. If you're going to try, go all the way. There is no other feeling like that. You will be alone with the gods, and the nights will flame with fire. You will ride life straight to perfect laughter. It's the only good fight there is."

- Charles Bukowski

Extended Abstract

The inefficiency of the performing arts sector, and by association the need for patronage and subsidisation within such organisations dates back over 2,000 years with the first instance of such arts funding occurring in 1st Century B.C. Despite this long-standing tradition, academic investigations into the numeric and financial aspects of cultural organisations have only come to prominence since the mid-1960's. In light of the somewhat recent canonization of this field, there are still numerous gaps within the current literature that need to be filled. The primary rationale for such gaps is due to current literature being focused on the perspective of the donor, rather than the recipient, resulting in a vast lack of literature and associated knowledge surrounding the impact of the acceptance of unearned revenues on recipient firm. The lack of academic work from a firm level perspective can greatly be attributed to the notion that such external funding is seen as more a less a necessary evil within the theatrical sector, as without such funding many live arts organisations will face closures due to the perpetual deficit they operate within. Therefore, the provision of unearned non-market funding is seen as a solution to the structural and technological inefficiencies incurred within theatres and nothing more. However, it has recently come to light that these inefficiencies are in fact made worse not better by the provision of such non-market funding, though the specifics of such ramifications have yet to be investigated fully. As such, this thesis aims to investigate the ramifications of unearned revenues on the financial, organisational, and artistic health of theatrical organisation, through the use of a unified theoretical framework which comprises of Resource Dependency Theory, Stakeholder Theory and Stakeholder Salience. This being done through a longitudinal quantitative analysis of the English Non-profit theatrical sector between 2008/09 and 2017/18, with the aim of ascertaining: "How does the receipt of unearned revenues impact the performance of non-profit theatrical organisations in its various definitions?".

This thesis is divided into three distinct studies, each of which aims to fill a prominent gap within the current canon of literature, allowing for an all-encompassing understanding of the impact of such funding within the receipt firm in question. All studies operate under the banner of the overarching research question posed with three subsect analyses, using a composite dataset comprising the financial, organisational and repertory information of 125 non-profit Arts Council England funded organisations, which equates to roughly 50% of the population during the study period.

The first study is focused on the crowding-out and crowding-in phenomenon, in order to ascertain whether the receipt of government subsidy results in the crowding-out or crowding-in of private philanthropy. Findings suggest that £1 increase in governmental funding at time "t" will result in an associated increase in private philanthropy at time "t+1" of £0.87. This suggests that private donors prefer to donate to organisations already in receipt of governmental arts funding, due to the legitimating and securitizing effects of such subsidisation, despite the conflicting interest and aims of private and government funders.

The second study focused on the impact of donor expectations on the artistic health of the recipient organisation. This aims to ascertain whether the source of unearned revenues a given organisation receives impacts their repertory conventionality and by association propensity to innovate. The current literature suggests that governmental funders expect innovation from the recipients of their funding, while private funders tend to demand more conservative and traditional

artistic outputs. Therefore, as most theatres receive both governmental and private funding, it is vital to understand how the preference and demands of these multiple resource providers are managed. However, findings suggest that regardless of the source of funding a 1 percentage point increase in the amount of unearned revenues available to a given organisation resulted in an increase to their level of innovation, complying with the traditionally held belief that a reduced reliance on box-office funds acts as a catalyst for innovation regardless of the source of such funding.

The third study investigates whether non-market unearned revenues result in the occurrence of further organisational inefficiencies. The acceptance of such non-market funding is seen to impact the internal processes and aims of the recipient organisation, such as the implementation of budget maximization principals or a shift in organisational orientation. Potentially resulting in the occurrence of further internal inefficiencies which can be measured by a decrease in earned revenues coupled with an increase in total expenditure, as a result of an increase in the given firm's quantity of available unearned revenues. Results suggest that the English non-profit theatrical sector is incurring the effects of 'subsidy-based inefficiency' by which a 1 percentage point increase in unearned revenues at time "t", leads to a decrease in their earned revenues by £7,630.21 and an increase in expenditure of £22,763.19 at time "t+1".

As a whole, this thesis provides insights into numerous fields of academic work, as well as assisting in providing practical solutions for theatrical organisations, funders, and policy makers. Within an academic context, this thesis fills gaps within literature surrounding innovation, the crowding-out phenomenon, and subsidy-based inefficiency through the use of the non-profit theatrical sector as a representative context. Further to this, the findings gained build upon existing literature within the fields of Resource Dependency Theory, Stakeholder Theory and Cultural Management, as the implications of this thesis have suggested the need for a much greater scope of research in order to gain a further understanding of the organisational level impact of resource dependency on external funders. Finally, within a practical context, the insights derived can be utilised by theatrical organisations and other relevant parties in order to gain an understanding of the financial stability of such unearned revenue funding strategies, as well as find means by which to avoid the negative ramifications associated with non-market revenues.

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List of Abbreviations

ABSA	Association of Business Sponsorship of the Arts
ACE	Arts Council England
ACGB	Arts Council of Great Britain
AVS	Additional Visitor Spend
BSD	Business Structure Database
CEMA	The Council for the Encouragement of the Arts and Music
CSR	Corporate Social Responsibility
DCMS	Department for Culture, Media, and Sport
ENSA	Entertainments National Service Association
FE	Fixed Effect
FOI	Freedom of Information
GLA	Greater London Authority
GVA	Gross Value Added
HMRC	Her Majesty's Revenue and Customs
NDPB	Non-Departmental Public Bodies
NEA	National Endowment for the Arts
NESTA	National Endowment for Science, Technology, and the Arts
NPO	Non-Profit Organisation
RAA	Regional Arts Association
RDT	Resource Dependency Theory
RE	Random Effects
SLOT	Society for London Theatre
UNESCO	The United Nations Educational, Scientific and Cultural Organisation
VAT	Value Added Taxation

Chapter One: Introduction

The provision of unearned revenues to the cultural sector and specifically the theatrical arts is a long-standing historical tradition spanning over 2,000 years. The first documented record of artistic patronage dates back to the 1st Century B.C (Feinberg, 1994; Zimmer & Toepler, 1999). Although the means by which such funding is provided has varied dramatically with time, it is believed that the rationale for its provision has remained somewhat consistent throughout the centuries. With three primary motives being referenced these stemming from the benefits of the arts on society, the intrinsic value of art itself, and the fundamental financial need of cultural organisations due to their seeming inability to operate in a wholly independent and self-sufficient manner (Baumol, 1967; Sparviero & Preston, 2010; Schwartz, 1995).

Despite the longevity of such funding and the somewhat meagre amount of money involved, the dissemination of arts funding remains a politically and socially explosive issue in a modern-day context, resulting in such matters occupying the attentions of arts professionals, politicians, journalists, and economists (Forrest et al., 2010). As this controversy over the appropriateness of the provision of funding to non-profit arts organisations ebbs and flows with time, we have seen a simultaneous and marked increase in the levels of academic and industry literature available on the cultural industries from a financial or economic perspective. This particular genre of academic work came to prominence after the 1965 publication of *'Performing Arts: The Economic Dilemma'* by William J. Baumol and William G. Bowen, as this landmark publication was the first of its kind to explore the financial and economic problems of the theatrical sector on both macro and micro levels (Baumol & Bowen, 1965; Hutter, 1996).

This somewhat late inception to the study of the numeric aspects of the cultural arts can be attributed to the deliberately anti-market way of thinking adopted by many cultural organisations, with firms taking a distinctively anti-economic stance by dismissing the importance of financial assessments in favour of a wholly artistic approach (Watts & Smith, 1989). Nonetheless, with over 50 years since publication the research available within this field has grown considerably both in depth and breadth. Literature now spans numerous adjacent topics such as the productivity lag, income gap, the rationale for the provision of arts funding, as well as the demands of such external funders. Despite this growth, there are still significant gaps within the literature that need to be filled going forward. This thesis aims to fill some of these gaps, as the attainment of such knowledge is vital to the sustainability and longevity of the cultural industries. The primary gaps identified are concentrated within a few distinctive topics. These focus on the implications of the receipt of unearned revenues on the financial, economic, and organisational health of the recipient firm. Specifically, in regards to the simultaneous engagement in numerous external resource dependent relationships, as the vast majority of the current literature is written from the perspective of the donor rather than the recipient, notwithstanding some key exceptions, resulting in the portrayal of a somewhat one-sided story. In a means by which to remedy this problem, it is vital to consider arts funding in a practical and pragmatic context, in which the recipient firm becomes the focal point of interest and therefore the point of study (Shymko & Roulet, 2017).

Non-profit theatrical organisations typically gain unearned revenues from public and private sources to supplement the shortfall in their earned revenues (Schechner, 1974). Suggesting that such organisations simultaneously engage within numerous external resource dependent relationships, with a variety of parties such as central government agencies, arm's-length bodies, local councils, foundations, corporations, and individuals, with all such parties providing the recipient firm with vital resource namely funding (Balio & McLaughlin, 1969). However, each individual funder possesses their own set of demands and stipulations for the provision of funding, bringing rise to added complications within the recipient firm (Balio & McLaughlin, 1969). As they must not only find a means by which to mitigate against any negative ramifications associated with external resource dependency, but also find a way to manage the conflicting stakeholder demands associated with their numerous external resource dependent relationships, as well as consider the potential interactions or relationships among different stakeholder groups in themselves (Casciaro & Piskorski, 2005; Wry et al., 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978).

Therefore, when considering the theoretical means by which to fill the aforementioned gaps within the literature, it was determined that the most appropriate means by which to do so would be through the creation of a unified theoretical framework, primarily based on the tenants of Resource Dependency Theory, used alongside insights from Stakeholder Theory and the Stakeholder Salience Model (Wry et al., 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978). The culmination of these three theories will allow for an understanding of the power dyad from a resource dependency perspective, whilst also providing insights into how such firms identify and prioritise the varying demands of their numerous external funders while keeping in mind their level of dependency and associated ramifications of non-compliance (Clarkson, 1995; Freeman, 1984; Hill & Jones, 1992; Huse & Eide, 1996; Rowley, 1997; Goodpaster, 1991).

Throughout this thesis, the aforementioned theoretical framework will be implemented within the context of the non-profit English theatrical sector for a ten-year study period from 2008/09 to 2018/19, with a specific focus on repertory theatres. With the basis of this context stemming from Arts Council England (ACE), an arm's-length body of the central government that acts as the primary national level arts funding organisation within England, as it was vital for all organisations being studied to be in receipt of government subsidisation. Therefore, the ACE funding database provided the most appropriate starting point when developing this thesis's context and subsequent dataset. With the 125 organisations included with the primary numerical dataset of this thesis representing 73% of the total relevant population of Arts Council England funded theatrical organisations comprising a traditional non-profit business model.

This dataset and context were used as a means by which to quantitatively test six hypotheses housed within three papers, with each paper comprising its own distinctive research question. All papers are housed under the umbrella of the overarching research question posed within this thesis as a whole: ’How does the receipt of unearned revenues impact the performance of non-profit theatrical organisations in its various definitions?’. Further information on the three papers can be seen within Table 1:

TABLE ONE

Fundamental Information on Thesis Studies

Study Number/Name	Theoretical Justification for RQ	Research Question	Hypothesis	Method	Gap in Literature
Study One - Money Breeds Money: A Study of the Crowding-In Phenomena within the English Theatrical Sector	Resource Dependency Theory – Does the receipt of unearned resources from one provider attract other stakeholders' resources due to the legitimising effects of such interorganisational relationships?	Does the receipt of government subsidy result in the crowding-in of private philanthropy?	$\mathbf{H_1}$: Private philanthropists prefer to donate to theatrical organisations that are already in receipt of state subsidy.	Longitudinal Panel Data Regression	Presence of Crowding-out/Crowding-in phenomena within the English theatrical sector.
Study Two - The Origin of Funds and Innovation: An Investigation into the Impact of Unearned Revenues on Repertory Conventionality	Resource Dependency Theory and Stakeholder Salience – Does the source and amount of unearned revenues received by a given organisation affect innovation?	Does the source of and the quantity of unearned revenues received impact theatrical repertory conventionality?	$\mathbf{H_2}$: A greater proportionate dependency on private philanthropy as a source of unearned revenues, the more conventional the repertoire of the given organisation. $\mathbf{H_3}$: A greater proportionate dependency on governmental subsidy as a source of unearned revenues, the less conventional the repertoire of the given organisation. $\mathbf{H_4}$: A higher cumulative reliance on unearned revenues regardless of source, the less conventional the repertoire of the given organisation.	Ratio Analysis, Conventionality Index Creation, and Longitudinal Panel Data Regression	Impact of the source of unearned revenues on repertory conventionality.
Study Three - The Dark Side of Subsidisation: An Examination of the Effects of Unearned Revenues on Efficiency	Resource Dependency Theory – Does the amount of non-market revenues received have an impact on firm efficiency?	Does the receipt of non-market unearned revenues result in the occurrence of further organisational inefficiencies?	$\mathbf{H_5}$: A proportionate increase in the amount of unearned revenues an organisation receives will negatively impact earned revenues. $\mathbf{H_6}$: A proportionate increase in the amount of unearned revenues an organisation receives will lead to an increase in spending.	Ratio Analysis and Longitudinal Panel Data Regression	The occurrence of subsidy-based inefficiency within the English theatrical sector.

Table 1: Fundamental Information on Thesis Studies

Structurally, in light of the three-paper format being used, this thesis is divided into nine chapters including this introduction. A brief overview of the contents of each of the following eight chapters are below:

- **Chapter Two: Literature Review**
  Overview of all relevant theoretical and empirical literature, in addition to the identification of the relevant gaps within both of these literary canons.
- **Chapter Three: Empirical Context – The History and Evolution of the Arts Council of England**
  Discussion of both the historical and present implications of ACE as the empirical context of this study.
- **Chapter Four: Data Collection**
  Detailed information on all data collection methods utilised within this thesis in order to gather the necessary financial, organisational, and Arts Council England data.
- **Chapter Five: Overall Methodology**
  Discussion of the overarching research methods used within this thesis, in regards to data processing and hypothesis testing.
- **Chapter Six: Paper One – Money Breeds Money: A Study of the Crowding-In Phenomena within the English Theatrical Sector**
  Presentation of Paper One, which focuses on testing for the presence of the crowding-in phenomenon within the English non-profit theatrical sector.
- **Chapter Seven: Paper Two – The Origin of Funds and Innovation: An Investigation into the Impact of Unearned Revenues on Repertory Conventionality**
  Presentation of Paper Two, which discusses the impact of the source of unearned revenues on repertory conventionality.
- **Chapter Eight: Paper Three – The Dark Side of Subsidisation: An Examination of the Effects of Unearned Revenues on Efficiency**
  Presentation of Paper Three, which attempts to ascertain whether the receipt of unearned revenues results in further organisational efficiencies within non-profit theatres.
- **Chapter Nine: Composite Conclusions and Research Implications**
  Discussion of the overarching implications of the findings derived within all three papers housed within this thesis, as well as the wider uses of these findings.

Chapter Two: Literature Review

The following chapter provides a comprehensive assessment of all relevant theoretical, sectoral, and empirical literature pertaining to the research aims of this thesis. This literature evaluation contains a review of the relevant theoretical frameworks which have been implemented within this thesis, as well as a justification for the simultaneous use of numerous theoretical frameworks in unison, these being, Resource Dependency Theory, Stakeholder Theory and Stakeholder Salience. Subsequently the gap within the theoretical literature will be ascertained, in addition to a discussion of how the research that has been conducted within this thesis will assist in filling the gaps identified. Furthermore, the latter half of this chapter will provide a review of the sector specific literature on cultural sector as a whole, in addition to more specialised literature surrounding the English theatrical sector. This industry specific review covers numerous topics of interest such as the need and justification for external funding to the arts, Baumol's Cost Disease, the Income Gap, Crowding-out, as well as a discussion of the implications of multiple external resource providers on the financial and artistic wellbeing of the recipient organisations. To conclude, this chapter provides an assessment of the gaps in the sectoral literature, as well as an in depth discussion on how this thesis will assist in shedding light on these under-researched segments of the industry specific literature.

2.1. Theory Overview

When attempting to ascertain the appropriate theoretical backing for this thesis, it was necessary to take into account both the industry under review as well as the phenomena being discussed, which led to the consideration of numerous theories most notably Institutional Theory, Resource Dependency Theory, Resource-based View, Network Theory, Social Exchange Theory and Stakeholder Theory. To ensure an adequate theoretical backing within this thesis as a whole, it was deemed necessary to simultaneously employ three theories in order to create a unified framework, as such a framework would allow for an understanding of the implications of multiple external resource providers on firm performance. In order to combine three theories into a unified framework, a single theory acted as a primary theoretical base, with the additional two theories being used in an auxiliary capacity to supplement information and knowledge in an instance in which the primary theory does not provide sufficient information. The theoretical framework for this thesis predominantly relies on Resource Dependency Theory (RDT), which was used in conjunction with Stakeholder Theory and Stakeholder Salience. The culmination of these three theories allows for gaps within each individual framework to be filled by knowledge gained from the other theories utilised, therefore ensuring that all aspects of the phenomena being discussed within this thesis can be adequately analysed from a theoretical perspective.

As this research aims to ascertain the implications of numerous external resource providers on firm performance within the English non-profit theatrical sector, RDT allowed for an understanding of the power dynamic between the focal firm and their external resource providers in regards to the level of dependency being incurred and the implications of this dependency on the welfare of the recipient firm (Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978). Based on the extensive body of literature that has been compiled on the relevant theoretical frameworks, it has been found that the vast majority of the literature on RDT focusses on the implications of a single external resource provider, while overlooking the potential implications of the simultaneous engagement in and management of numerous external resource dependencies. Therefore, as this study aims to ascertain the implications of possessing multiple external resource providers it is vital to simultaneously employ both Stakeholder Theory and Stakeholder Salience, to fill this vital gap within the current literary canon on Resource Dependency Theory. The addition of Stakeholder Theory allowed for an understanding of how the focal firm identifies and incorporates the demands of various stakeholders into their decision-making processes, while simultaneously managing the implications of their external resource dependencies. As the addition of Stakeholder Theory within this thesis, will be used to gain a deeper understanding of how theatres identify the demands of all their external funders, both normatively and instrumentally to ensure that stakeholder obligations are not only identified but managed effectively, while taking into account the high levels of external resource dependency incurred by such organisations (Phillips et al, 2005; Crane & Ruebottom, 2012). Meanwhile, the addition of Stakeholder Salience fills a significant gap in the RDT literature, as to date there has no research conducted that aims to ascertain which external resource provider's demands take precedence in the occurrence of conflicting demands between two or more external resource providers. Therefore, within this study, and by association the theoretical framework being constructed, Stakeholder Salience was utilised as a means which to understand the level of priority given to the claims and demands of various external resource providers, in an attempt to ascertain how theatrical organisations manage conflicting demands in light of varying levels of resource dependency being incurred (Clarkson, 1995; Freeman, 1984; Hill & Jones, 1992; Huse & Eide, 1996; Rowley, 1997; Goodpaster, 1991).

The use of Resource Dependency Theory coupled with the insights from Stakeholder Theory and Stakeholder Salience could yield a greater understanding of methods which can be utilised to better manage a multiplexity of external dependencies and the formulation of specific strategies to enable efficient stakeholder demand management and classification (Hillman et al, 2009). The integration of RDT with other complementary perspectives may offer a more realistic perspective on the varied and duplicitous nature of resource-based relationships within a modern financial climate. Therefore, the following chapter will provider an in depth investigation into the existing body of literature surrounding Resource Dependency Theory, Stakeholder Theory as well as Stakeholder Salience, in addition to an assessment of the current gaps within the theoretical literature and how such gaps will be addressed within this thesis.

2.1.1. Resource Dependency Theory

Resource Dependency Theory was introduced to the theoretical canon in 1978 by Pfeffer and Salancik, as a means by which to explain how an organisation's structure and survival is inextricably linked to their resource constraints and dependencies on external constituents (Hodge & Piccolo, 2005). The key to organisational survival is the ability to acquire and maintain resources from the external environment, this task being especially problematic due to environmental conditions of scarcity and uncertainty by which the availability of resources is not necessarily adequate, stable, or guaranteed (Froelich, 1999). Therefore, in order to ensure the availability of adequate resources necessary to maintaining operations, it is vital for organisations to seek such resources from external constituents, the use of this outward resource collection method results in the occurrence of resource dependency, due to a firm's reliance on external resource providers for the provision of compulsory inputs such as labour, funding, or materials (Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; Hodge & Piccolo, 2005). RDT stresses two primary tenants surrounding interorganisational relationships. First, that organisations are dependent upon, as well as constrained by the external organisations from which they gain their vital resources (Hodge & Piccolo, 2005). Second, in order to maintain organisational autonomy, it is vital for firms to manage their external dependencies, as the degree of dependency incurred is determined by the importance and quantity of the resources required (Hodge & Piccolo, 2005; Froelich, 1999).

Resource Dependency Theory can therefore be seen as theory of environmental conditions, as the welfare of the focal firm is linked to that of the external organisation providing their key resources (Pfeffer & Salancik, 1978; Herman & Heimovics, 1990). Due to the notion that firms cannot be wholly self-sufficient, Resource Dependency Theory views organisations through the lens of open-systems perspective, by which firms are constantly interacting with their external environment, as well as the other organisations within their given environment in order to obtain necessary resources (Pfeffer & Salancik, 1978; Berrett & Holliday, 2018). As the vast majority of organisations are unable to be self-sufficient, it becomes necessary to engage in interorganisational relationships. Such relationships are fundamentally governed by power, as organisations aim to simultaneously increase their power over others, while reducing the power others have over them (Hillman et al, 2009). The addition of power to the dynamic of interorganisational relationships, results in the creation of interorganisational interdependencies due to the supply of vital resources between a network of organisations and dependencies (Pfeffer & Salancik, 1978; Hillman et al, 2009). It has been found that interdependence is frequently coupled with uncertainty leading to a situation in which survival and continued success are uncertain, resulting in organisations taking actions to manage external risks by minimising their level of external resource dependency (Hillman et al, 2009). As a higher degree of external dependency results in the focal firm's outcomes becoming more tightly tied to its resource providers and the fulfilment of their demands (Hillman et al, 2009).

The emphasis on power within a resource dependency perspective is vital to understanding the internal and external actions of an organisation, as such interorganisational and intraorganisational relationships alter the fundamental behaviour and strategy of the given firm (Davis & Adam Cobb, 2010). The basic power dynamic within RDT is derived from Emerson's (1962) Exchange-based Theory of power-dependence relations, by which power and dependency are simply one in the same (Thompson, 1967; Jacobs, 1974; Pfeffer & Salancik, 1978; Davis & Adam Cobb, 2010). Emerson's framework can be summarised simply as follows: the power of ***"Firm A"*** over ***"Firm B"*** is derived from the control of resources that ***"B"*** values that are not available elsewhere (Burt, 1983; Casciaro & Piskorski, 2005; Blau, 1964; Hickson et al, 1971; Casciaro & Piskorski, 2005). Therefore, power and dependence are simply the inverse of one another as ***"Firm B"*** is dependent on ***"Firm A"*** to the degree that ***"A"*** has power over ***"B"*** (Emerson, 1962). Furthermore, power is not zero-sum, as both ***"Firm A"*** and ***"Firm B"*** can each have power over the other, making them interdependent or mutually dependent, however levels of mutual dependency can vary based on the accessibility of alternative resource providers for either ***"A"*** or ***"B"*** (Wry et al, 2013; Casciaro & Piskorski, 2005; Emerson, 1962). This could result in the occurrence of a power imbalances in which ***"Firm A"*** is less dependent on ***"Firm B"***, than ***"B"*** is on ***"A"***, such a power dynamic occurs due to two potential factors; namely because alternative resource providers are available to ***"A"*** or because ***"B"*** provides fewer critical resources to ***"A"***, with such increases to this the power imbalance causing ***"B"*** to face increasingly undesirable exchange conditions and higher levels of uncertainty than ***"A"*** (Casciaro & Piskorski, 2005; Emerson, 1962). The power in existence within this dyad, will not necessarily be observable in every interaction between ***"Firm A"*** and ***"Firm B"***, despite its constant presence, as power will only manifest if ***"A"*** makes a demand of ***"B"*** that is in opposition to ***"B's"*** desires or objectives (Emerson, 1962; Casciaro & Piskorski, 2005). In this situation, the cost that will be incurred will be in terms of the amount of resistance ***"Firm B"*** has to overcome in order to maintain their autonomy. To avoid such occurrences, cost reduction can be employed, this being a process which involves an alternation of values within the dependent firm of either a personal, social, or economic nature which can reduce the problems or costs associated with meeting the demands of powerful external resource providers (Emerson, 1962). It must be emphasised however, that these adjustments do not necessarily alter the balance or imbalance of power between ***"Firm A"*** and ***"Firm B"*** but simply allow for such demand to be managed with greater ease (Emerson, 1962). The notion of reciprocity in power dependent relations raises the question of equality or inequality of power, for instance if the power of ***"Firm A"*** over ***"Firm B"*** is confronted by an equally opposing power of ***"Firm B"*** over ***"Firm A"***, is the power then neutralised and cancelled out as both parties have an equal amount of power, or does the power remain with both parties? Academics have suggested that despite equal amounts of power there is no way to remove power from such a relationship, as regardless of the equality of power, the possession of power still will remain a vital part of any resource-based interactions (Emerson, 1962).

Based on the nature of such resource-based power dyads it is vital to consider the ways in which firms become constrained by their environment due to various dependencies, in addition to the means by which a given organisation can manage or reduce dependencies and their negative consequences (Davis & Adam Cobb, 2010; Drees & Heugens, 2013). This is done through the creation of interorganisational arrangement, which are seen as instruments that can be utilised as a means by which to reduce a power imbalance, as well as manage mutual dependencies between a focal firm and external parties (Drees & Heugens, 2013). The successful management of such dependencies is critical to the survival of a given organisation, as firms cannot survive within the marketplace if they are not responsive to demands from their environment, however a firm's ability to successfully respond to market demands may be limited or curtailed by alternative demands made by resource providers resulting in greater uncertainty for the focal firm and the jeopardization of their long term success (Wry et al, 2013; Pfeffer & Salancik, 1978; Casciaro & Piskorski, 2005). As such, the primary motive for firms to effectively manage their resource based relationships and engaging in interorganisational arrangements is to ensure they maintain or enhance their current levels of organisational autonomy, which would enhance the focal firm's ability to make decisions regarding the allocation of internal resources without conferring with external linkage partners (Drees & Heugens, 2013).

Due to the power held by the resource provider, it is common for such firms to exert their power on the recipient organisation by demanding certain actions in return for their resource provisions. This is possibly due to the focal organisation's dependence on their external environment, which makes external constraints and control of the recipient organisation's behaviour both possible and almost inevitable (Frooman, 1999; Terreberry, 1968). Therefore, the focal organisation must balance the power dyad through a restriction of their dependencies using a variety of tactics, including board interlocks, alliances, joint ventures, in-sourcing, and mergers and acquisitions (Pfeffer & Salancik, 1978; Casciaro & Piskorski, 2005; Terreberry, 1968; Lacity & Hirschheim, 1995; Ulrich & Barney, 1984). Such actions are inevitably never completely successful as they commonly produce new patterns of dependence and interdependence as well as interorganisational power. However, they assist the focal firm in setting boundaries at a point which maximises their strategic control over vital external resources and forces (Pfeffer, 1987; Hillman et al, 2009; Drees & Heugens, 2013).

2.1.2. Stakeholder Theory

The term "stakeholder" was first coined in the early 1960's in an attempt to signify the importance of groups other than stockholders, and the validity of their "stake" in a given firm (Goodpaster, 1991). However, the commonality of the term stakeholder as well as the acceptance of their importance when considering the achievement of firm objectives only occurred subsequently to the publication of Freeman's landmark book '*Strategic Management: A Stakeholder Approach*' in 1984 (Donaldson & Preston, 1995). This book resulted in Stakeholder Theory's prevalence within the theoretical canon, being viewed as a theory of organisational management, strategic management, and ethics, due to its simultaneous considerations of not only the practical considerations associated with the management of an organisation, but also the morals, ethics, and values necessary to achieving these ends (Phillips et al, 2005). As such, Stakeholder Theory can be seen to provide a normative and instrumental means by which stakeholder obligations are identified and derived, in addition to ensuring that organisational management take stakeholder interest into account when making strategic decisions (Phillips et al, 2005). Therefore, "Stakeholder Theory is concerned with who has input in decision making, as well as with who benefits from the outcomes of such decisions" (Crane & Ruebottom, 2012; Phillips et al, 2003, p.487).

Due to the generalizability of Stakeholder Theory, it is frequently used within a variety of disciplines and contexts, however such widespread usage has proven to be problematic due to numerous varied interpretations of the theory in itself that have occurred as a result of its multiplicity, resulting in added difficulties in the process of stakeholder identification (Miles, 2017; Freeman, 1994; Freeman, Wick & Parmar, 2004; Miles, 2017). This sense of convolution and complexity surrounding Stakeholder Theory and its multifaceted nature has been vehemently discussed by academic and stakeholder theorists more specifically, with some suggesting that the identification and definition of various components of Stakeholder Theory, including the term "stakeholder" have become considerably vague, ambiguous, and contradictory. This is due to the theory's multidisciplinary nature, leading to conceptional confusion which detracts from the richness of the theoretical framework and benefits of its practical application (Miles, 2017; Stoney & Winstanley, 2001). This level of contraction has led to the Stakeholder Theory as a whole, as well as the concept of a stakeholder becoming contested within the current canon of academic literature. In order to avoid biases or implications associated with such varied views, it is necessary to assess the common core of Stakeholder Theory, through a clear understanding of the definition and implications of stakeholders themselves (Miles, 2017; Crane & Ruebottom, 2012; Swanton, 1985). Beginning with the original definition disseminated within Freeman's (1984) seminal work, this definition now been seen as an extremely broad and classical assertion of stakeholders as it leaves the notion of stake and the field of possible stakeholders open to include virtually anyone; "A stakeholder of an organisation is any group or individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman, 1984, p. 46; Mitchell et al. 1997). In contrast, Clarkson (1994) offers one of the narrower definitions of stakeholders due to his assertion that stakeholders must bear risk of some kind, whether that be of a voluntary or involuntary nature: "Voluntary stakeholders bear some form of risk as a result of having invested some form of capital, human, financial or something of value in a firm. Involuntary stakeholders are placed at risk as a result of a firm's activities, but without the element of risk there is no stake" (1994, p.5). As such, a stake in this context, is something that can be lost but not gained, resulting in risk being the means by which to acquire a stake regardless of intent (Mitchel et al, 1997; Clarkson, 1994).

The stakeholders of a given organisation can belong to numerous groups, such as employees, shareholders, customers, suppliers, the local society, the wider community, environmental groups, special interest groups, banks, lenders, as well as the state, to name a few (Ambler & Wilson, 1995). However, the contention between the narrow and broad perspective on stakeholder identification and by association the implementation of Stakeholder Theory, greatly differentiates the width and breath of the stakeholders considered by a given firm (Freeman et al, 2018). The narrow view of stakeholders is based on the practical reality of limited resources, limited time, and attention, as well as the limited patience of managers when dealing with external constraints (Crane & Ruebottom, 2012). This is considered a linear value chain which has one end point and one desired outcome for one stakeholder group, with all other players being viewed as a means to an end (Freeman et al, 2018). In contrast, the broad view of stakeholders, is based on the empirical reality that organisations can indeed be affected by, or can affect almost anyone, however such a perspective proves to be bewilderingly complex for managers to attempt to implement

(Freeman, 1994; Mitchell et al, 1997). This wider reaching view of stakeholders would encompass a value network comprising of an interconnected and interdependent system of stakeholders, by which each stakeholder contributes to the ultimate goal of the firm (Freeman et al, 2018).

Regardless of the number of stakeholder groups being taken into consideration, the fundamental principal of this theory is a means by which to gain an understanding of the relational components of a firm, as well as providing a framework for recognizing, prioritising, and integrating the interests of these varied stakeholder groups into internal decision-making practices (Crane & Ruebottom, 2012; Mitchell et al. 1997, p. 857). Therefore, Stakeholder Theory is fundamentally concerned with knowing how to engage with various stakeholder groups and create value for them, rather than simply a process of stakeholder identification (Freeman et al, 2018). Regardless of the aim of the organisation, managers must take into account the legitimate interests of their stakeholders; by articulating how they want to do business, through a consideration of what kinds of relationships they want and need to create with their stakeholders, in order to deliver on their firm's focal purpose (Donaldson & Preston 1995, Freeman 1994, Frooman, 1999). However, the motives for a given firm engaging in effective stakeholder management can vary, as Goodpaster (1991) suggested there are two competing interpretations of Stakeholder Theory, which ascertain the motives by which a firm engages in stakeholder management, these being the strategic interpretation and the multi-fiduciary interpretation (Freeman, 1994). The strategic interpretation suggests that the effective management of stakeholders is a means to achieving both stakeholder and managerial goals, therefore the managing of stakeholder relationships is mutually beneficial (Freeman, 1994). In contrast, the multi-fiduciary perspective suggests that firm management and by association firm directors have a fiduciary or legal responsibility to stakeholders, and therefore the management of stakeholder relations is a non-optional morally obligated (Freeman, 1994).

The overall premise of Stakeholder Theory suggests that the reciprocity of the didactic relationship between a firm and their legitimate stakeholders will result in a beneficial impact for the focal firm due to the phenomenon of generalised exchange. This is an occurrence in which multiple actors work on a set of interrelated transactions with indirect reciprocations, suggesting that the sum of the value created by the network of shareholder is greater than the influence of each individual relationship taken in singularity (Laplume et al, 2008; Harrison & Wicks, 2013). However, when attempting to manage a vast network of stakeholders, it is quite natural to suggest that conflicts will arise among and between different stakeholder groups, especially when taking into consideration the limited resources available to the focal firm, coupled with the unlimited wants and demands of the stakeholder groups (Laplume et al, 2008; Harrison & Wicks, 2013). Stakeholder Theory aims to enable managers to understand stakeholders and strategically manage them, as stakeholder interests are inextricably linked to a given firm's system of value creation (Harrison & Wicks, 2013). As such in practical terms, the central proposition of Stakeholder Theory has not only been aimed at the identification and management of the stakeholders, but to also ensuring effective managerial behaviour in response to the demands of these varied parties (Freeman, 1984).

2.1.3. Stakeholder Salience

As set out within Section 2.1.2. Stakeholder Theory, Stakeholder Theory in isolation proves to be extremely problematic and contradictory when considering the empirical realities of effectively and comprehensively managing stakeholders. Therefore, when faced with a potentially limitless number of stakeholders, it becomes necessary to find a way to effectively and accurately separate stakeholders from non-stakeholders, this bringing rise to the notion of Stakeholder Salience (Freeman, 1984). This model provides clear parameters for the classification of stakeholders and their claims, while taking into account the impacts of organisational stage, values, aims, situational uniqueness and management preferences (Mitchell et al, 1997; Neville et al, 2011). Stakeholder Salience can be defined as "the degree to which managers give priority to competing stakeholder claims" (Mitchell et al., 1997, p. 854). Stakeholders can be classified into two main groups, these being: "strategic" and "moral". Strategic stakeholders are those that can affect a firm, and as such it is vital for firms to manage the interests of these stakeholders in order to ensure that firm objectives can still be achieved (Clarkson, 1995; Freeman, 1984; Hill & Jones, 1992; Huse & Eide, 1996; Rowley, 1997; Goodpaster, 1991). On the other hand, moral stakeholders can be affected by the firm but usually cannot affect the firm themselves, therefore it is commonplace for the interests of these stakeholders to be neglected due to their lack of impact on the firm itself (Burton & Dunn, 1996; Cohen, 1995; Donaldson & Preston, 1995; Evan & Freeman, 1988; Freeman & Evan, 1990; Phillips, 1997; Wicks, Gilbert, & Freeman, 1994; Frooman, 1999). The categorisation of stakeholders into these two overarching groups is primarily based on the stakeholder's possession or attainment of three distinctive attributes, these being power, legitimacy and urgency (Mitchell et al, 1997; Conaty & Robbins, 2021).

- **Power:** The extent to which the stakeholder can gain, exert, extort, access, or coerce power in order to impose it on the focal firm (Mitchell et al, 1997).
- **Legitimacy:** This refers to the legitimacy of the stakeholder's relationship to the firm, considering the social acceptability of the relationship dynamics and behaviours, to evaluate the provenance of the stakeholders claim (Mitchell et al, 1997).
- **Urgency:** This attribute adds a dynamic element to the Stakeholder Salience typology, as urgency is only achieved when two conditions are met simultaneously. The first is the

time-sensitive nature of the claim or the stakeholder relationship, and the second condition is the instance in which the claim is of an important or critical nature in itself (Mitchell et al, 1997).

Although Stakeholder Salience as a whole suggests that managers should not prioritise a specific type of stakeholder but rather ensure the cohesive achievement of the company's objectives, it has been found that these comprehensive typologies of stakeholders allow managers to ascertain which stakeholders they should pay attention to and which they can ignore (Mitchell et al, 1997; Conaty & Robbins, 2021). These stakeholder attributes form the foundations of managerial prioritisation of stakeholder claims, as the varied combinations of these three typological attributes allow managers to accurately perceive the salience of a given stakeholder or stakeholder group. While providing insights in regards to potential predictions surrounding the movement of stakeholders between different categories or levels of salience due to the attainment or loss of a given attribute (Mitchell et al, 1997; Neville et al, 2011; Driscoll & Starik, 2004). In order for a stakeholder to be seen as salient, it is necessary for them to possess either, power, legitimacy, or urgency, with the number of attributed they possess, as well as the particular combination of attributes possessed allowing for the further classification of the given stakeholder based on the precise degree of salience of their claim (Magness, 2007). The literature suggests that there are seven salience areas based on various combinations of the three attributes, resulting in the further classification of stakeholders based on the level of salience they possess, such as low salience, moderately salient, and high salient stakeholders (Mitchell et al, 1997; Neville et al, 2017). A description of each of the seven individual salience typologies can be found below. Figure 1 visually depicts the relationship between these seven typologies and the three characterising attributes.

Low Salience Stakeholders

- **Dormant Stakeholder (1):** Such a stakeholder only possesses the attribute of power. Despite possessing power, this stakeholder does not possess legitimacy or urgency, therefore they are unable to exert their power over the firm.
- **Discretionary Stakeholder (2):** This stakeholder only holds legitimacy but does not in fact have any power or urgency, therefore their claims are not acknowledged in most instances.
- **Demanding Stakeholder (3):** These stakeholders possess the attribute of urgency, but no power or legitimacy. Therefore, they are frequently deemed to be demanding despite having no justifiable cause or claim to warrant management attention.

Moderately Salient Stakeholders

- **Dominant Stakeholder (4):** This stakeholder group possess both power and legitimacy, therefore assuring their influence over the firm, yet as they do not possess any form urgency, such claims do not warrant immediate attention.
- **Dependent Stakeholder (5):** Such stakeholders possess an urgent and legitimate claim, yet do not possess any power, therefore they frequently need to depend on others to acquire the power necessary to hold any influence over the firm.
- **Dangerous Stakeholder (6):** These stakeholders possess urgency and power yet lack legitimacy and are frequently seen to utilise coercive and potentially violent methods to compensate for their illegitimate status.

Highly Salient Stakeholders

- **Definitive Stakeholder (7):** This stakeholder group possesses all three attributes of power, legitimacy, and urgency; suggesting that management have a clear and immediate mandate to attend to the needs of such stakeholder groups as a matter of priority.

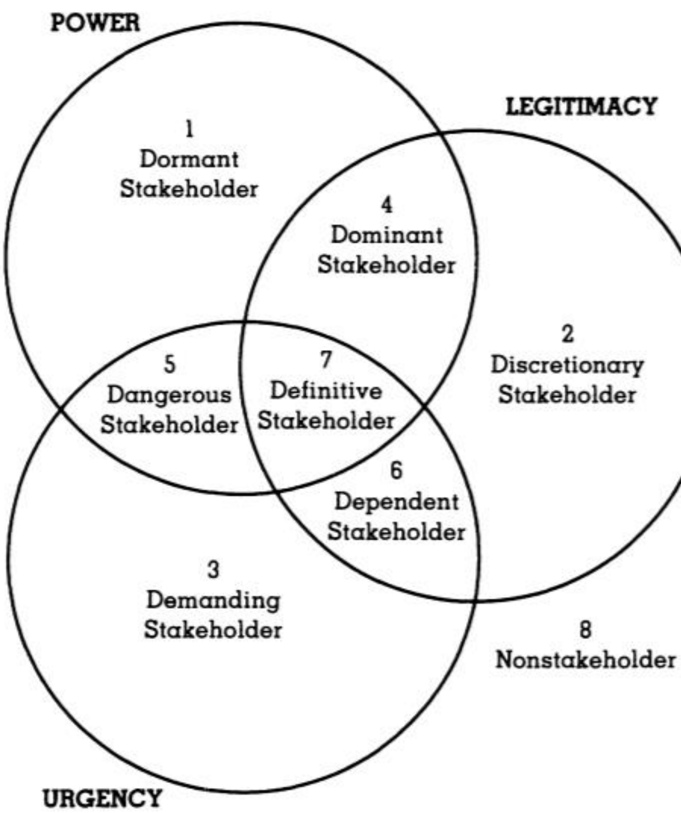

Figure 1: Stakeholder Typology based on Assumptions of Stakeholder Salience (Reproduced from Mitchell, et al, 1997: p.872)

Stakeholder Salience produces a comprehensive typology of stakeholders based on the normative assumption that these three attributes allow for a clear classification of a firm's stakeholder (Mitchell, et al, 1997, Frooman, 1999). The accurate classification of stakeholders and their claims is vital to the effective handling of stakeholders, as managers are constantly balancing the claims of various stakeholder groups against one and other, which at times may result in contradictory and conflicting claims. Such situations require an assessment of the validity of the differing claims being made, in addition to the repercussions associated with meeting or neglecting the given demands (Berman et al, 1999). More pertinently, for managers with limited resources correctly identifying their organisation's stakeholder set and accurately prioritising stakeholder claims is a key process to ensure the successful management of the organisation, the implications of which are felt by shareholders as well as stakeholders who are directly affected by the organisation's actions (Jawahar & McLaughlin, 2001; Neville et al, 2011; Mitchell et al, 1997).

Despite the intricate typologies associated with Stakeholder Salience, it has been found that numerous exogenous factors may impact decision making processes in regards to the order in which stakeholder groups are prioritised (Boesso & Kumar, 2016). Factors include corporate culture, shareholder and stakeholder culture, levels of resource dependency, proximity, personal preferences of firm management, and organisational hierarchy (Neville et al, 2011; Boesso & Kumar, 2016). The management of a given firm must therefore interpret such typologies at firm level, based on their organisational values, to adequately identify and prioritise stakeholder groups utilising both stakeholder typologies and firm objectives, in order to ascertain which stakeholder groups prove to be the most prevalent or pressing concern for the firm in itself on an individual level.

2.1.4. Theoretical Gap

As discussed within this theoretical review, this thesis simultaneously utilised three theoretical lenses due to the nature of the phenomena under review, plus such a tri-theory based framework allows the gaps within each of these theoretical frameworks to be filled. Although the primary theory of this thesis is Resource Dependency Theory, it was found that it cannot be used in isolation therefore suggesting its combination with Stakeholder Theory and Stakeholder Salience, as this would allow the gaps within each of these individual theories to be filled through the implementation of additional theoretical frameworks. To further explain this notion, it is necessary to consider the gaps present within each theory in isolation, as set out in this section.

When considering RDT as a whole as well as the gaps within this theoretical framework, it can be suggested that RDT is primarily focused on the fact that firms will not be able to operate in a fully self-sufficient manner and therefore need to engage with other firms and their external environment in order to gain access to necessary resources (Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; Nienhüser, 2008). It is acknowledged that the need for such external resources acts as a source of uncertainty and risk for the focal firm, due to the potential exertion of power by an external resource provider (Emerson, 1962; Nienhüser, 2008). Although the existence of such risks, constraints and potential mitigation mechanisms are discussed within the framework, this is only done in context of a two player power dyad between a single resource provider and receiver (Burt, 1983; Casciaro & Piskorski, 2005; Blau, 1964; Emerson, 1962; Hickson et al, 1971). This portrayal of resource dependent interactions as a strictly singular relation between a single recipient and a single resource provider highlighting one of the primary gaps within the RDT framework at present (Casciaro & Piskorski, 2005; Emerson, 1962; Nienhüser, 2008). As it is vital to ascertain how firms effectively manage multiple resource dependent power dyads in union, relevant information on such an occurrence being unavailable within the literature at present.

This gap is validated by the current canon of available literature, as it can be suggested that to date there has been next to no research published surrounding the implication of simultaneous external resource dependencies on numerous resource providers, resulting in very little being known about how recipient firms should affectively manage and prioritise multiple resource dependent relationships in unison. Such a theoretical understanding is crucial to the progression of RDT, as the theory posits that it is vital for firms to aim to reduce their level of dependency on a given external resource provider in order to maintain or increase the focal firm's levels of organisational autonomy (Hillman et al, 2009). However, despite the assertion that lower levels of dependency upon a single resource provider are beneficial to the focal firm, the theory does not consider the notion of diversification. Through which the recipient organisation can lower their dependency on a single external resource provider and in turn lower their levels of risk and uncertainty by gathering their necessary resource from numerous external providers, resulting in numerous relationships all with lower levels of dependency (Carroll & Slater, 2008; Wilson, 1997; Markowitz, 1952). As such, research into the power dynamics associated with the simultaneous engagement in numerous resource dependent relationships would allow for a greater understanding of the theoretical appropriateness of diversification strategies, based on a consideration of the feasibility and organisational implications associated with the engagement in multiple resource dependent relationships.

Such research is also very pertinent when considering practical usage and implications, especially in light of the recent trends of revenue diversification strategies within non-profit organisations, resulting in such firms engaging in multiple simultaneous resource dependent relationships, due to necessity and the desire to reduce levels of dependency on any single resource provider (Hambrick et al, 2005; Drees & Heugens, 2013). More specifically, NPOs are attempting engage in diversification strategies through which they lower their reliance on government funding, while simultaneously attaining further resources from alternative providers such as private philanthropists, corporate donors, or foundations, allowing for the creation of several low level external resource dependent relationships in unison, rather than a single high dependency interorganisational relationship (Froelich, 1999; Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; Emerson, 1962). When considering the broad adaption to such diversification trends and strategies within non-profit organisations towards a prevalence of multiple resource dependent relationships, it is clear that a theoretical understanding of the implications of numerous dependencies on the focal firm is needed, in addition to a theoretical investigation into the operational principals of multiple power dyads (Carroll & Slater, 2008; Sherer et al, 2019). As such theoretical information can aid firms in ensuring the effective management of these simultaneous resource dependent relationships, as there is currently a void within the literary canon resulting in very little being known about how different external resource providers may interact and influence one and other. This is in addition to a lack of insight into how the focal firm prioritises, strategizes, and manages such relations simultaneously (Hillman et al, 2009; Casciaro & Piskorski, 2005).

Due to these gaps within the Resource Dependency Theory framework, it was pertinent to include further theoretical frameworks as a means by which to address these theoretical gaps and shortcomings. In light of the specific nature of these gaps, it was deemed appropriate to include both Stakeholder Theory and Stakeholder Salience, as a means to shed light on how a firm can accurately identify and manage a multiplicity of simultaneous resource dependent relationships (Pfeffer & Salancik, 1978: Hillman et al, 2009; Ambler & Wilson, 1995). It must be noted however, that the need to include both Stakeholder Theory and Stakeholder Salience is primarily due to gaps within the theoretical framework of Stakeholder Theory, which can be addressed through the addition of Stakeholder Salience. More specifically, the two most prevalent issues facing Stakeholder Theory within the context of this thesis are the lack of clarity surrounding the measurement of "stake" and the implications of power (Mitchell et al, 1997; Ambler & Wilson, 1995; Phillips et al, 2005; Miles, 2017). For the former, it can clearly be seen within the literature that there is a great deal of ambiguity surrounds the accurate definition of a stakeholder, resulting in the measurement of a given stakeholder's "stake" being deemed to be nearly impossible, especially when taking into account the vast variety of groups and individuals encompassed within most definitions of a "stakeholder" (Goodpaster, 1991; Donaldson & Preston, 1995; Ambler & Wilson, 1995; Miles, 2017).

Regarding power, the inability to accurately recognise the distribution of power among various stakeholder groups prevents managers from accurately understanding which stakeholder groups are most imperative to manage, in regards to the potential damage they can inflict on the focal firm (Mitchell et al, 1997). As such, due to this lack of a means to quantify or measure “stake” or “power” in any reliable way, it becomes impossible to compare the validity of various stakeholder groups through the use of Stakeholder Theory in singularity, this necessitating the utilisation of a further theoretical framework of Stakeholder Salience within this thesis.

The addition of Stakeholder Salience theory into the composite theoretical framework being used within this thesis allows for a clearer understanding of how firms identify, categorise, and manage multiple stakeholder groups base on the validity of their claim and relationship to the firm (Mitchell et al, 1997). Within the Stakeholder Salience framework, the validity of a stakeholder and their claim is based on their possession of three attributes, these being power, urgency and legitimacy (Mitchell et al, 1997). However, such a categorisation process does not take into account the focal firm’s level of dependency on a particular stakeholder group, this being imperative as such a dependency could increase a given stakeholder group’s level of importance resulting in firm management prioritising such a relationship. This suggests that such stakeholder salience classifications need to be interpreted not only independently, but also in terms of the nature of the stakeholder-organisation interaction (Pfeffer & Salancik, 1978; Neville et al, 2017; Ali, 2015). Therefore, it may be viable to suggest that resource dependency could act as a further lens or attribute to be considered within the Stakeholder Salience categorisation process (Nienhüser, 2008). As the consideration of Stakeholder Salience classifications through the lens of Resource Dependency Theory may shed light on the impact of organisational dependency on managerial prioritisation of different stakeholder groups (Pfeffer & Salancik, 1978; Neville et al, 2017). This is especially imperative when considering the empirical context of this study of the non-profit theatrical sector, within which it is vital to manage multiple resource dependent relationships in addition to other stakeholders groups, many of which will possess varying and conflicting demands (Balser & McClusky, 2005). Furthermore, firms must find means by which to compromise between the varying and at times conflicting demands of their numerous funders, while attempting to maintain organisational autonomy and fulfilling internal objectives, in addition to simultaneously ensuring the attainment of necessary resources (Balser & McClusky, 2005).

Therefore, it could be suggested that the research carried out within this thesis provides two key theoretical contributions and by association fills two gaps within the current theoretical canon of literature: one within Resource Dependency Theory and the other being within the canon of Stakeholder Salience literature. The gap being filled within the context of RDT provides an understanding of the implications associated of multiple external resource providers on the recipient firm, through the use of empirical testing in order to ascertain how firms are affected by such duplicitous relationships as well as how they prioritise the demands of multiple external resource providers in regards to the modification of their operations and outputs to satisfy associated external demands. Secondly, the gap filled within the realm of Stakeholder Salience allows for different implications to be drawn, in terms of whether the level of resource dependence on a given stakeholder group incurred impacts the prioritisation of the demands of this given stakeholder group by firm management, as such shedding light on whether dependency should in fact be considered when categorizing Stakeholder Salience.

2.2. Empirical Context: Overview of the Theatrical Sector

The following section of this literature review provides an in depth analysis of the theatrical sector using both academic and industry literature, from a variety of different perspectives and angles. Subtopics reviewed include: information surrounding the various theatrical business models, the need and justification for the subsidisation, as well as an investigation into the implications of the engagement in multiple external resource dependent relationships on the financial and artistic health of these cultural organisations. Following a thorough investigation into the canon of literature available on the theatrical sector, an explanation of the gaps within the current literature is provided coupled with an explanation of how the studies completed within this thesis will aid in filling them.

2.2.1. Overview of the English Theatrical Sector

The creation of a comprehensive and composite overview of the English theatrical sector is a matter that is fraught with logistical issues primarily due to historical and persistent data availability issues within the cultural industries at large. Due to an inability to capture and collect data on a large scale from such organisations, the industry wide data availability tends to be limited and at times rather rudimentary. None the less some useful albeit basic insights can be gleaned from such data. Structurally speaking, the English theatrical sector comprises a combination of independent, commercial, publicly funded, and nonprofit organisations, allowing for a diverse and rich variety of cultural output due to the interplaying and interaction between this wide range of theatrical organisations within a unified marketplace (Arts Council England, 2015). With the theatrical sector at large having an estimated worth of £101.5 billion as of 2018 coupled with the sector's annual growth rate being recorded to be twice the rate of the rest of the UK economy (SOLT and UK Theatre, 2018; British Council, n.d). In conjunction it has been found that the UK produces more new theatrical writing than anywhere else in the world, suggesting rapid and expansive artistic growth in addition to the financial growth being simultaneously experienced within the sector (SOLT & UK Theatre, 2018; British Council, n.d). Therefore, it has been noted by numerous academics and industry practitioners that the creative industries play a vital role in the UK economy not only financially, but culturally due to the beneficial impact of arts on society through the preservation of the nation's identity, customs, and culture (SOLT and UK Theatre, 2018; British Council, n.d).

Due to the very nature of the theatrical and performing arts sector, the cohesive mapping of all organisations including information such as organisation type, size, location, or financial heath has not been completed in full within current literature owing to the complexities associated with such a data collection process, resulting in limited information being available on the English theatrical sector at large. None the less, there have been a few attempts made in recent years to rectify the lack of information surrounding the performing arts sector through the proposed mapping of all theatrical organisations located within England and the UK. Most prevalently in 2016, a joint venture was undertaken between Arts Council England and BOP Consulting to map the English theatrical sector, which provided clear insights into the number of theatrical organisations in England regardless of structure or status, as well as an indication of the locations of the country's key creative clusters which house the highest concentration of artistic and theatrical activity (BOP, 2016). At the time of publication in 2016, this report found that there were a total of 2,173 registered theatrical organisations, of which 985 could be classified as companies with more than one member of staff; 774 were sole traders, and a further 414 were listed as theatrical venues (BOP, 2016). It is to be noted that these theatres were not distributed evenly throughout the country, with London being deemed the largest creative cluster in England, as it had the most significant share of artistic venues in the country and resultantly activity levels above anticipated based on the population density of the area, with 43% of the nation's theatrical venues and 47% of all performances being contained within the capital (BOP, 2016). This being followed by smaller yet significant cultural clusters in Birmingham and Bristol, while the East Midlands and the East of England being seen to be vastly underserved in regards to theatrical activity (BOP, 2016).

Furthermore in 2018, UK Theatre and the Society for London Theatre (SLOT) jointly released data regarding ticket sale across all member venues, it is to be noted that not all theatres within the UK and London respectively have chosen to become members of either of these organisations, therefore the data being provided within this report is not all encompassing, but does provide an insight into the general demand being seen within the theatrical sector (UK Theatre, 2018). The main variables of interest from this study included the percentage capacity achieved, as well as the average ticket price achieved (UK Theatre, 2018). Beginning with the average ticket price achieved, this variable represents the average ticket price actually paid by consumers, rather than the price demanded by the theatrical organisation (UK Theatre, 2018). None the less, as of 2018 the average ticket price paid was record as £27.10 across the UK, this being a £4.56 increase since 2013 when the average achieved ticket prices was recorded to be £22.53 (UK Theatre, 2018). Furthermore, the percentage capacity achieved variable represents the average percentage of tickets a theatre sells, with findings suggesting that theatres in 2018 achieving an average capacity of 61%, this being a 2% increase from the 59% achieved in 2013, suggesting that the aforementioned increase in theatre ticket prices has not affected attendance in any significant way (UK Theatre, 2018). Such consistent attendance figures suggest a loyal theatrical following within the UK, especially when taking into account the rather drastic 20% price increase that occurred between 2013 and 2018, coupled with the rise of alternative technologically based entertainment options such as online streaming services which can usually be accessed with greater ease and at a fraction of the cost (UK Theatre, 2018). It could be presumed that an increase in ticket prices, coupled with stable capacity levels would result in a proportionate increase in box office revenues; however such assumptions cannot be substantiated at present due to a lack of necessarily financial data within such mapping documents, which proves to be the crux of a crucial gap within the current canon of literature as such a lack of financial data has prevented the further study of the cultural industries, as many research attempts are curtailed by an inability to access necessary information especially in regards to numeric data.

Considering the aims of this study, the lack of such general financial data and sectoral information has proven problematic. However, it has been possible to gain some information on the general financial trends of the industry at large rather than from an organisational perspective. When considering the non-profit theatrical sector as a whole, a key financial consideration for such organisations has been the consistent downward trends in public arts funding since 2004, as funding cuts have accelerated since the turn of the decade especially in terms of local authority funding, with non-profit theatres incurring a 27% decline in local authority funding and a further 4% cut in ACE subsidy between 2010 and 2015 (BOP, 2016). Such trends are set to continue in light of the recent UK referendum and the resultant decision to leave the EU, as further funding cuts to nonessential services have been incurred during the transitionary period, with such measures being expected to last for the foreseeable future especially when taking into account the country’s prolonged recovery from the 2008 austerity measures (BOP, 2016). These drastic and sustained funding cuts have forced theatrical organisations to adopt an entrepreneurial outlook due to sheer necessity in order to ensure the maintenance of adequate funding levels, resulting in the implementation of revenue diversification strategies and the associated acceptance of a wider range of funding sources (BOP, 2016). Including the adapted of organisational partnerships models, as well as alternative means by which to increase earned revenue generation through secondary sources and an increase in funding generated from private philanthropic sources, with earned and privately contributed unearned income jointly accounting for roughly 73% of total income of the average theatre in 2016, subsequently to the implementation of diversification and entrepreneurial measures (BOP, 2016).

Although the studies being conducted within this thesis only pertain to a ten year study period between 2008 and 2018 due to data availability constraints, it is vital to note that the financial crisis seen within the theatrical sector is only set to worsen in coming months and years due to the impact of COVID-19 and the associated lockdown protocols. Despite the time period in which COVID-19 was initially inoculated and subsequently spread being beyond the scope of this study, the devastating impact this virus has had on the cultural sector cannot be ignored, with theatres in the UK closing their doors on the 16th of March 2020 and remaining closed for a minimum of 16 months, with many theatrical organisations still remaining closed even 20 months after the initial shut down measures were put in place due to a lack of funds, demand and staff (SOLT, 2020; DCMS, 2020). A survey of 186 theatrical venues was conducted 12 months into the lockdown protocols and associated venue closures, results of which suggest that 53 of the 186 organisations had lost over £1 million due to Covid-19, with a further 16 organisations stating that they lost over £5 million each, further suggesting that the composite losses of all 186 organisations were estimated to be roughly £200 million in 12 months alone (SOLT, 2020). Although the funding model of non-profit theatre is greatly reliant on unearned revenues from a variety of sources, such organisations still do rely on earned revenues to a considerable degree, suggesting that such closures not only resulted in the loss of their primary income source in regards to box office revenues, but also the loss of secondary income generated through complimentary activities such as the sale of merchandise and concessions within the theatre (DCMS, 2020). Furthermore, the closure of theatrical organisations and associated cancellation of performances for the indefinite future, resulted in consumers demanding full refunds in line with current consumer rights legislation, resulting in the insolvency of numerous theatrical organisations (DCMS, 2020). Emergency funding was put in place by both Arts Council England, as well as directly from the Department for Digital, Culture, Media and Sport (DCMS) to mitigate against the bankruptcy of any cultural organisations, despite this it cannot be denied that the road to recovery for the theatrical sector and the cultural industries at large is set to be a slow and arduous journey, suggesting the possibility of drastic changes to the way in which theatrical organisations are run going forward, in addition to shifts within the general theatrical landscape of the UK.

2.2.2. Differentiating Commercial and Non-Profit Theatrical Organisations

Prior to an assessment of the impacts of external resource dependency on the English non-profit or subsidised theatrical market, this thesis aims to draws a clear distinction between the varied theatrical business models of commercial theatres with that of the non-profit theatre. This being vital due to the blurring of such distinctions in recent years, in regards to business structures and financial requirements, alongside the overall changing environment of the arts as a result of an increase in arts accessibility initiatives and the increasingly fraught financial constraints faced by such organisations (Cox, 2014). During the last three decades, an overlap has begun to occur, as these two rather separate theatrical sectors have somewhat unified due to sheer necessity resulting in the creation of rather unlikely partnerships born out of economic constraints in order to enable the continuation of work (Cox, 2014; Donahue & Patterson, 2010). None the less, such entanglements have resulted in a conflict of artistic and ethical ideals, due to the social mission of non-profit theatrical institutions to create art that aids in the betterment of society and cultural values, rather than striving to ensure value based on free market principals as is the case with commercial theatres (Cox, 2014; Donahue & Patterson, 2010).

Prior to further discussion of the intricate distinctions between commercial and non-profit theatrical organisations, it must be noted that despite the rather disparate distinctions being made here between such organisational types they both reside within the same larger category of professional theatres (Kuftinec, 1996). There being two primary macro level categorisations within the theatrical sector, these being professional theatres and community theatre. With professional theatres traditionally being defined as an establishment that hires trained professionals and employs all staff associated with a production, whereas a fringe and community theatre do not legally employ any staff or performers and rather commissions them on a voluntary basis (Smith, 2015).

The organisations classified as professional theatres are further subdivided between commercial and non-profit theatres based on organisational aims, structure, and the firm's legal charitable status. In simple terms a commercial theatre is a profiteering enterprise seeking to gain profits through the use of professional actors and crews, while ensuring the exploitation of opportunities within the commercial arena (IRS, 1982; Cogo-Fawcett, 2003). With most commercial theatres operating on a run-of-the-play basis by which a play will continue until it fails to attract the level of custom necessary to cover it weekly running costs, at which point an agreed period of notice will be served and the play's run will conclude in favour of a more profitable venture (Cogo-Fawcett, 2003). Whereas a non-profit theatre aims to further the artistic scope of the performing arts, as well as reducing the barriers to access the live arts, doing so with assistance from external funders most prominently local and national government agencies (IRS, 1982). More specifically non-profit theatres aim to meet the needs of their users in regards to the wider community in which they operate on the basis of philanthropic and educational principals, although profit is not their primary objective such organisations do still operate within a competitive modern marketplace and as a result earn a sizable potion of their total revenues (Cogo-Fawcett, 2003; Bukvic et al, 2016). Some academics suggest that these classifications and the associated distinctions between these theatrical types can be further exemplified based on the opposition between efficacy and entertainment, as well as the contradiction between ritual and theatre (Schechner, 1974). As this basic opposition allows for an understanding of whether a specific performance is ritual or theatre dependent, based upon the degree to which the performance is tended towards efficacy rather than entertainment (Schechner, 1974).

Within their book '*Stage Money*' Tim Donahue and Jim Patterson (2010) explore the exact differences between commercial and non-profit theatres in terms of their overall business model, the findings of which can be seen in within Table 2 below (Donahue & Patterson, 2010):

TABLE TWO

Breakdown of Commercial and Non-Profit Business Models

Key Business Factors	Commercial Theatre	Non-Profit Theatre
Structure	Typically formed as a partnership or company that produces one play together then disbands.	Theoretically continues indefinitely, as they produce a variety of plays each season.
Production Length	A production is planned as an open-ended run, suggesting that it will continue to be staged as long as an adequate number of tickets are being sold.	Most productions are planned with definitive or established end dates, referred to as a closed run.
Ownership Rights	Producers do not necessarily own and operate the theatre in which their play is being shown.	In the long run, most groups own and maintain a theatre. Alternatively, they purchase long term leases.
Income Sources	Box office Returns - These figures also determine the length of the show's run, as it is the only source of income for Commercial Theatres.	Roughly only 30% to 50% of a non-profit theatre's budgets come from box office revenues. The rest is derived through avenues such as government aid or subsidy.
Tax Waivers	Profits of investors are taxable. In addition, losses made are tax deductible.	Excess income is saved as surplus and is utilised for other purposes within the theatre. Additionally, all donations are tax deductible.

Table 2: Breakdown of Commercial and Non-Profit Business Models (Sourced from Donahue & Patterson, 2010)

In light of the focus of this thesis surrounding the management and implications of multiple external resource providers, it was deemed necessary to focus on organisations which can be classified as non-profit professional theatres. This being due to the eligibility of such organisations to receive government subsidy namely Arts Council England funding, in addition to donations from private sources such as individuals, corporations or foundations due to their charitable status. However, for the sake of clarity the key differences between commercial and non-profit professional theatres have been discussed in some depth within this section, in order to allow for a further understanding of the unique financial predicament of non-profit professional theatres. Several academics have suggested that the business model of nonprofit theatres, is unsustainable, especially in light the recent cuts to arts funding both within the UK and internationally in countries such as Germany, Canada, and the USA (Cogo-Fawcett, 2003). This coupled with the increasing levels of competition within the non-profit theatrical market has resulted in current market participants being faced with a consistently decreasing ability to attain public funds (Posson-de Harrow & Montpeit, 2012). Such a predicament resulting in the newly burgeoned need for a healthy working relationship between the commercial and non-profit theatrical sectors, causes a rise in sectoral conflicts due to a juxtaposition of motives (Cogo-Fawcett, 2003). As such, an evaluation of the necessity for structural changes within non-profit performing arts firms is extremely prevalent, as without an assessment of their business models, such theatres will only be able to resolve their cashflow problems in the short run, while continuing to face long-run financial issues due to the ever-changing nature of the arts market coupled with their growing dependency on external funding.

2.3. The "Need" for External Funding

All non-profit organisations regardless of the sector in which they operate share at least two characteristics, firstly they earn no monetary returns on invested capital, and secondly, they aim to fulfil some social purpose (Baumol & Bowen, 1965). The significance of which is that the objectives of a typical non-profit organisation are by nature designed to keep the given organisation constantly on the brink of financial catastrophe, therefore the provision of the firm's designated service becomes an end in itself (Baumol & Bowen, 1965). Furthermore, there is a constant need to better facilities, higher research budgets, more rehearsal time, better training and so on, thus non-profit organisations metaphorically act as bottomless receptacles into which limitless funds can be poured and more will always be requested. As soon as more money becomes available to a given non-profit organisation, corresponding new uses can easily be found, and still other uses for which no financing is currently available will inevitably arise to take their place (Baumol & Bowen, 1965).

In light of the structural limitations of non-profit organisations, it is frequently suggested that the justification for the provision of external funding to such organisations, whether it be in the form of government subsidy or private donation, is based on the need these organisations face as the provision of such unearned funding is the primary means by which to prevent the closures of such organisations (Hansmann, 1981). In regard to theatres, the simultaneous task of fulfilling both artistic and social objectives within a technologically un-progressive and labour-intensive sector leaves firms in a constant financial deficit and on the brink of closure. This being due to the existence of Baumol's Cost Disease and the creation of the resultant income gap, which is seen as the primary rational behind the cultural sector's "need" for external funding.

2.3.1. Baumol's Cost Disease and The Productivity Lag

William J. Baumol suggested that all economic activity can be classified into two main categories, these being technologically progressive activities and stagnant activities (Baumol, 1967; Baumol & Bowen, 1965; Sparviero & Preston, 2010). Technologically progressive activities are those which can benefit from innovation both of a technological and non-technological nature, in addition having the ability to reap the benefits of capital accumulation and economics of scale in order to generate higher output per man-hour (Baumol, 1967; Sparviero & Preston, 2010). In contrast, stagnant activities by their very nature preclude such innovation, only allowing for sporadic increases in productivity due to their technological structure, as the quality and quantity of the output from such industries is directly proportional to the quality and quantity of the labour that is used to produce it (Baumol, 1967; Baumol & Bowen, 1965; Sparviero and Preston, 2010). As such, progressive industries are usually of a production or manufacturing nature with high levels of automation and repetition, allowing for prolonged and constant technological progression. Although not always the case, it is strongly suggested that stagnant activities are likely to be a service sector due to the labour-intensive nature of such sectors (Sparviero & Preston, 2010).

The performing art sector has been deemed a stagnant activity due to the sector's lack of exogeneity in terms of productivity growth. This resulting in the sector's consistently static productivity level known as a productivity lag (Baumol & Bowen, 1965). This being due to the limited benefits of technological progression on the productivity within such sectors, as a new technology could not increase the output per man-hour within such a field to any great degree, as an advent of new technology will not improve the output of a violinist playing a Schubert quartet in a standard concert, or in fact reduce the number of actors needed for a performance of Henry IV (Baumol & Bowen, 1965). Therefore, the number of actors, singers or orchestra members required, as well as the length of the play or concert, cannot be changed, apart from the director's artistic scope, thus allowing for very little possible variation in regards to means for cost reduction (Last & Wetzel, 2011). This brings rise to the notion of Baumol's cost disease which befalls industries with limited or non-existent technical progression capabilities that can significantly reduce the necessary input requirements, resulting in no feasible ways to viably reduce costs or alternatively increase output (Last & Wetzel, 2011). Despite these static output levels, the wages paid within stagnant industries must increase inline with the productivity gains of the economy as a whole, as all industries must compete to hire workers from a nationally integrated labour market, therefore in order to attract staff, cultural organisations must increase their employee's wages over time by the same proportion as wages in the general economy despite the lack of progression within the sector itself (Heilbrun, 2003; Last & Wetzel, 2011). These increases in wages lead to a corresponding increase in unit labour cost and therefore ever-increasing cost pressures, especially in light of the labour-intensive production processes employed by the performing arts sector (Baumol & Bowen, 1965,1966; Last & Wetzel, 2011). As such the implications of the cost disease coupled with the theatrical sector's high levels of reliance on external funding, result in live arts organisations being faced with a secular threat to survival due the simultaneous reduction in public funding and the rise in popularity of alternative forms of entertainment activities (Baumol & Bowen, 1966; Frey, 1996).

As the input requirements of the performing arts more or less fixed, when considering the number of performers or the time of the performance itself, the only possible variability in regards to cost saving scope is an alteration to the quality of the output which is determined by factors such as rehearsal time, the quality of actors, as well as the quality of costumes and props employed by the theatre (Last & Wetzel, 2011). Although it is possible for theatres to reduce costs by quality reduction methods, this is seen as somewhat redundant as a reduction in quality tends to lead to a corresponding reduction in customers, demand, and community support nullifying the initial savings made (Last & Wetzel, 2011).

The crux of the problem of the cultural industry's productivity lag and by association cost disease is frequently illustrated using Mozart's string quartet, as it can be suggested that in 1780 it would have taken four quartet players forty minutes to play Mozart's composition, while in the present day it would still take forty minutes and four musicians to reproduce the same composition, suggesting an absolutely static productivity level (Andersen, 2015; Cowen, 1996). Imply that Baumol's cost disease has existed for perhaps hundreds of years before its formal inception into the canon of academic literature, suggesting that the theatrical sector has been perpetually stagnant (Sparviero & Preston, 2010). It is to be noted that numerous academics refute the negative connotations of the cost disease within the arts sector and the stigma associated with stagnation, suggesting that adjacent technological progression has in fact offset the static output level of the performances in themselves (Sparviero & Preston, 2010). For example, technological advancements in the field of electronic reproduction have been vast, with current audio and video reproduction coupled with video sharing facilities allowing a given play or orchestra recital to reach thousands of people rather than a select few (Cowen, 1996). Performing arts organisations have embraced such technological advancement, with the introduction of digital concerts and performances, allowing for the creation of an additional revenue streams that benefit can from economies of scale, in addition to the expansion of audience numbers in line with social aims of such firms (Cowen, 1996). Similarly, over the past century other adjacent technologically advancement have indirectly aided the theatrical sector including the revolutionization of stage lighting due to the development of electronic controls, or the enhancement of audience comfort through the advent of air conditioning (Heilbrun, 2003). However, despite the benefits of such adjacent technological advancements, it has been suggested that they simply postpone the decline of technologically stagnant industries, as adjacent improvements do not solve the crux of the cost disease in itself, as the performer's labour output remains constant (Heilbrun, 2003; Last & Wetzel, 2011).

Although not an advancement of a technological nature, the performing arts sector does achieve advancements in other ways namely ensuring the production of innovative plays, as these increasingly diverse artistic offerings do signify innovation of a nontechnical nature, which are sadly overlooked by frameworks such as Baumol's Cost Disease (Cowen, 1996). For example, a theatrical organisation in the 1700's could only perform the works of Shakespeare, Marlow, and Jonson, while a modern-day theatre could also perform the works of Samuel Beckett, Oscar Wilde, Tennessee Williams, and Arthur Miller. Thereby suggesting that the labelling of the theatrical sector as a stagnant or unproductive industry eliminates the value of new ideas and artistic creation as source of productivity improvement and innovation, implying that the growing diversity of the theatrical repertoire cannot represent a vast productivity increase in itself due to its non-technological nature (Cowen, 1996).

None the less, Baumol's Cost Disease is still a prevalent problem within the modern-day theatrical sector, resulting in numerous academics attempting to find mechanisms which can increase the theatrical sector's efficiency levels without compromising on quality, in an attempt to "cure" the cost disease (Last & Wetzel, 2011; Lin & Lin, 2018). Solutions include the alteration of the organisation's scale of production to ensure the occurrence of scale efficiency, or the staging of open-ended runs to allow for economies of scale (Last & Wetzel, 2011; Lin & Lin, 2018). In addition, the implementation of more efficient management systems, as well as the use of diversification or expansion strategies, which have proved to be viable options for commercial theatres and therefore may assist non-profit theatres in their attempts to increase their financial viability in the long run

(Donahue & Patterson, 2010). Despite the theoretical promise of such solutions, the vast majority of non-profit theatrical organisations are still in the clutches of this cost disease, as even if such organisations could manage to achieve technological economies of scale in the short run, this would not solve their long-term cost problem (Baumol & Bowen, 1965). For the performing arts sector to achieve long term sustainability similarly to progressive industries with rising productivity rates, the arts would somehow need to not only increase output per man-hour but continue to do so for the indefinite future, which would not be viable for such a labour intensive and quality reliant sector (Baumol & Bowen, 1965). As such, despite the vehement attempts to increase productivity and by association reduce costs per output hour, the vast majority of such attempts have been fruitless. With the rapidly increasing costs seen throughout the non-profit theatrical sector often being used as a justification for the sector's high level of dependency on unearned revenues, as without subsidies and private donations, it is asserted that either ticket prices would have to rise continuously which would end all hope of reaching new audiences, or performing arts companies would face increasingly large deficits that would force many of them out of business (Heilbrun, 2003; Lin & Lin, 2018).

2.3.2. Income Gap

The ever increasing production costs associated with Baumol's Cost Disease coupled with the fixed earning potential of the non-profit theatrical sector results in the creation and persistent growth of an income gap, this being the difference between expenditures and earned income, or in other words the given firm's operating deficit (Globerman & Book, 1974; Schwarz, 1982).

Once an income gap has been discovered within a given organisation, the calculation of the size of this gap is of the utmost importance and is referred to as the "total gap", this value can be seen to represent the amount of unearned revenue society must be prepared to contribute at the present time, to ensure the continued solvency and functionality of the given performing arts organisation (Schwarz, 1982). The nominal value of the total gap can be derived by calculating the difference between the total expenditures and the total earned revenues of the firm from the provision of both primary and secondary services rendered (Baumol & Bowen, 1965; Balio & McLaughlin, 1969). Therefore, once a firm has calculated the value of their income gap, the organisation in question must now work towards filling this gap through the procurement of various forms of unearned revenues from individuals, corporations, foundations as well as government agencies (Shoesmith, 1984). It is to be noted that it is not only direct monetary payments that can benefit such organisations when attempting to bridge this gap between earned revenues and total expenditures, as Non-Profit Organisations (NPOs) can also receive "in kind" or non-monetary donations which in the case of performing arts firms typically consist of the free use of theatres, rehearsal spaces and auditoriums which will allow the give organisation to lower their costs, thus indirectly assisting in the closure of the income gap (Baumol & Bowen, 1965; Shoesmith, 1984).

However, it is not the existence of the income gap that poses the most pressing economic and financial problem for performing arts organisations at present, it is rather the consistent growth of this gap on a yearly basis due to the persistently rising costs faced by the sector at large, resulting in theatrical organisations seeking higher levels of unearned revenues on an annual basis to simply maintain a constant output level (Shoesmith, 1984). This rapid rate of growth being due to the interaction of two primary factors, namely the inability to increase productivity within the sector, in addition to the reluctance of such organisations to increase ticket prices due to a fear of audience reduction (Globerman & Book, 1974). This combination of ever increasing costs, stagnant admission prices and consistent levels of productivity, has led to projections suggesting the indefinite and potentially limitless growth of the income gap, which will in turn necessitate ever increasing level of unearned revenues to ensure the survival of such organisations (Baumol & Bowen, 1965).

Beyond the notion of Baumol's cost disease, the current literature on the theatrical income gap suggests that there are further exogenous factors which contribute to the yearly growth rate of the income gap, beyond the level that can be attributed to the cost disease alone (Brooks, 2003). The first of which being the technological advancements occurring in adjacent fields such as film, television, and music, which result in the creation of more affordable and time efficient source of entertainment in comparison with live performances, resulting in a partial reducing theatrical audiences and demand (Brooks, 2003). Secondly, the growth of the income gap is also attributed to the presence of organisational inefficiency, it has been noted that as a firm's dependency on unearned revenues from external constituents grows, the priorities or orientation of the firm becomes focused on the demands of their donors resulting in correspondingly less attention being paid to consumer preferences, leading to a decline in demand, resulting in lower earned revenues and the creation of a larger income gap (Brooks, 2003; Lebrecht, 1997; Hughes & Luksetich, 2004).

The culmination of the aforementioned factors has led to the belief that the yearly growth of the income gap is an almost inevitable occurrence, however it has been suggested that the rate of growth of the income gap must be considered, as it is possible to minimise such growth if the correct measures are implemented. It was traditionally believed that a high rate of growth was a sign of subsidy-based inefficiency, resulting from excessive spending or inefficient management practices, while a lower growth rate was seen as a sign of efficiency and cost-effective practices. Although this can still be the case, alternative perspectives have been suggested by Shwartz (1982; 1983) regarding the implications of the income gap's growth rate, through the proposition of four varied growth models, these being the natural growth, constant gap, balanced output growth, and the unbalanced output growth models (Shoesmith, 1984; Schwarz, 1986). These refer to:

- **The Natural Growth Model:** This growth rate would imply a constant level of output and earned income, with costs and the income gap increasing by the rate of productivity growth of the economy at large, therefore this model represents the inevitable growth in the income gap due to the technological limitations of the sector (Shoesmith, 1984; Schwarz, 1986).

- **The Constant Gap Model:** This occurs in the instance where unearned revenues do not grow on an annual basis to meet the growing financial needs of the artistic organisation in question but instead remain constant, therefore this lack of funding forces the focal organisation to ensure their income gap remains constant through measures such as reductions in artistic personnel or other inputs to ensure a constant gap, given a constant level of earned revenues and output (Schwarz, 1986).

- **The Balanced Output Growth Model:** This represents the instance in which the income gap grows at a rate faster than the naturally anticipated growth rate due to an increase in output, therefore within a balanced output growth model we would see an appropriate increase in input costs based on the increase in output seen (Schwarz, 1986).

- **The Unbalanced Output Growth Model:** This occurs in an instance where the income gap grows at a rate higher than the natural growth rate, however this growth cannot be explained by an increase in output, with such a growth model being in line with the traditionally held isotopism of subsidy-based inefficiency, frivolous expenditure habits, and inefficient management practices, as the fundamental premise of this model relies on the fact that the more money an organisation receives the more they will spend, and therefore the higher the rate of their income gap growth (Schwarz, 1986).

None the less, regardless of the growth model being considered, it must be noted that the presence of the income gap and its growth regardless of the speed or scale is a persistent concern for the longevity and long term viability of the non-profit theatrical sector, especially when taking into account the recent cuts in government arts subsidy on a global scale most notably within the UK, Europe and the USA (Posson-de Harrow & Montpeit, 2012). The reduction in funding coupled with an increasing number of market participants vying for such unearned revenues has resulted in the closure of numerous artistic organisations due to their inability to close their income gap and cover necessary costs, therefore the necessity for such organisations to diversify their funding streams in order ensure the attainment of sufficient levels of unearned revenues to close their income gap is more prevalent than ever.

2.4. The Justification for the Subsidisation of the Arts

When considering arts funding from a historical perspective, such funding or public support was typically traditionally offered by royal patrons or other such wealthy and noble benefactors dating back to the 1st century BC, however in a more contemporary context with the rise of the nation state, the duty of the continuation of arts funding has been taken over by government agencies by way of revenues generated through taxation (Feinberg, 1994). It has been suggested that within Western Europe, that the state's commitment to the arts and culture is in many ways seen as a continuation of a historical legacy, as the cultural institutions build and funded by the aristocrats of a bygone era, have been left in the care of the emerging nation states, resulting in nations having little choice but to continue the funding of such cultural traditions (Zimmer & Toepler, 1999). Despite this long-standing tradition of arts patronage, the British government has only adopted the role of official subsidiser of the arts, rather than an occasional patron since the establishment of the Arts Council in 1946 (Sawers, 1993). It is to be noted that despite the inception of the Arts Council being a step in the "right" direction for arts funding within the UK, the funds available to this organisation were extremely meagre upon its inception with an annual budget of £175,000 within the 1945/46 financial year, it is to be noted that although the available arts funding has grown on an annual basis since, even at present the quantity of government funding provided to the cultural sector remains extremely low in comparison to the total yearly public expenditure (The Arts Council of Great Britain, 1945; Sinclair, 1995; King & Blaugh, 1976; Fullerton, 1991). More specifically, it could be seen that within the 2019/20 financial year that the total public expenditure incurred within the UK was roughly £886 billion, while the cumulative spending on all cultural services equated to £4,881 million, this being equivalent to roughly 0.53% of public expenditure (IFS, 2020).

Despite the relatively small amount money involved in arts subsidisation when considering such matters proportionately, the public funding of the arts has often been an extremely politically explosive issue due to the very nature of the arts themselves, resulting in numerous questions and contradictions surrounding the need for and appropriateness of government intervention within the sector (Forrest et al, 2010). As the controversy over the public funding of the British non-profit cultural sector continues to occupy the attentions of arts professionals, politicians, journalists, and economists; a great deal of academic and industry literature has been written in order to ascertain the philosophical and economic justification for the government's involvement and subsequent subsidisation of the arts (Fullerton, 1991; Collins & Hand, 1998; Brooks, 2001). Such literature also being full of numerous conflicts and contradictions, due to the strongly opposing views of the advocates in comparison to the opposing analytically minded economists (Fullerton, 1991). In order to thoroughly investigate such a contentious issue, it is vital to examine this subject from an all-encompassing perspective, as such it will be necessary to examine the rationale for the public funding of the arts through numerous lenses including economic, non-economic and normative justifications, in addition to a consideration of the validity as well as the ineffectualness of such arguments which will allow for an understating of the favourable and opposition perspectives to such subsidisation.

It is to be noted, that within the context of cultural sector funding there is a drastic difference between the justification for arts subsidisation and the need for arts funding which was discussed within Section 2.3. The "Need" for External Funding of this literature review. The main reason behind the rather pronounced difference between these two seemingly similar topics is primarily due to the notion that the need for subsidy is not seen as a sufficient cause or rational to receive such funding in itself. Although organisational and sectoral need does factor into subsidisation allocations, need alone does not provide sufficient rationale for the provision of such funds even for the most ardent supporters of arts subsidisation. This being due to the fact that there are numerous labour-intensive industries that cannot benefit from technological progression and as such are victims to Baumol's Cost Disease, however the vast majority of such industries do not receive subsidisation and are allowed to simply fail within the marketplace due to their un-progressive nature. As such a productivity lag per se does not provide sufficient justification for government subsidy, as a productivity lag is a market process that would cause unit cost to rise in any technologically un-progressive industry (Heilbrun, 2003; Last & Wetzel, 2011). Therefore, if such a phenomenon occurs within numerous disparate sectors, it could be suggested that there is no reason to subsidise an industry simply because it is technologically un-progressive. On the contrary, market economists have suggested in such instances it is best to allow price increases to reflect the real costs, as within an ideal economic market, we would be better off without any technologically un-progressive industries (Heilbrun, 2003). Therefore, the rationale or justification for the provision of subsidisation to the arts sector must go beyond their need for funding and must consider further justifications for why the arts in themselves deserve support over other financially unstable industries that have similar needs for external funding.

2.4.1. The Rationale for Arts Subsidisation

When attempting to devise justifications or rationales for the subsidisation of the arts beyond that of the sector's need for such funding, academics have seen fit to categorise such factors based on their nature of either economic and non-economic justifications for arts subsidisation based on the extrinsic and intrinsic value of the arts (Schwartz, 1995; Austen-Smith, 1994). However, prior to an in depth analysis of these varied rationale and justification categories, we must first consider what is meant by a justification in such a context. It could be suggested that the rationale justifies the decision and the associated processes utilised to reach said decision in the instance where any other party or inquirer would reach the same decision if faced with the same set of reasons. This would suggest that such a decision would be universally selected based on a fixed set of input circumstances (Austen-Smith, 1994). As such, if one were to accept a given justification, this rationally suggests that the new inquirer would come to the same decision and does not contest the reasoning used to come to this decision (Austen-Smith, 1994).

The justification for the subsidisation of the arts is primarily based on the intrinsic or extrinsic value derived from the provision of such funding. When considering justifications based on the intrinsic value of the arts, this "value" refers to the value of art in itself whether in the form of specific characteristics of art, artworks, or artistic activity (Schwartz, 1995). While extrinsic justification refers to the non-artistic benefits that such cultural output provides society, so such a justification refers to the beneficial consequences of art on a larger society (Schwartz, 1995). The differentiation between these two value systems brings rise to further questions, namely when considering the validity of extrinsic based justification systems in isolation. More specifically, if subsidisation policy is only based on the external benefits that will be gained by society at large through the provision of such funding, rather than the benefits of the good in itself, then there presents no clear rationale as to why the arts should be subsidised rather than an alternative sector that could offer similar societal benefits (Austen-Smith, 1994). Due to the shortcomings of utilising an extrinsic based justification strategy, there has been an increasingly common and prevalent strategy to appeal to and highlight the intrinsic value of the arts when trying to rationalise the provision of such subsidisation, as such a justification strategy takes into account the complex value of art in itself and the virtues of its own qualities, rather than only considering the general and fundamental instrumental value that could be gained from the provision of subsidy to any suitable industry (Schwartz, 1995). This is not to suggest that such intrinsic arguments do not face their own problems, as many pro-subsidy theorists presume that the value of the arts is self-evident, and therefore fail to provide plausible justifications and specifications surrounding such intrinsic value (Schwartz, 1995). A further explanation of how these extrinsic and intrinsic value based claims prove to be justification for arts subsidy, will follow within the rest of this section through a discussion of numerous factors such as market failure, positive externalities, aesthetic welfare, and cultural preservation; all of which will assist in shedding light on the perceived benefits of the arts in isolation, as well as the associated benefits the subsidisation of such a field could provide on a societal level (Baumol, 2003; Rushton, 2003; Frey, 2003).

2.4.1.1. Extrinsic Justifications for the Arts - The Market Failure Argument

When considering the extrinsic or exogenous benefits of the arts on society as means by which to justify the provision of subsidisation, the notion of market failure is usually brought into play as it is generally considered to be a well-known fact that such a phenomenon occurs in an instance by which the free market fails to achieve an efficient distribution of resources due to the presence of indivisibility, uncertainty or in-appropriability (Austen-Smith, 1994). In the case of the arts, market failure occurs due to two economic characteristics that are attributed to cultural output, these being its status as a public good, and the presence of positive externalities (Feder, 2018). Therefore, market failure describes a scenario by which the behaviour of market participant namely producers and consumers lead to the occurrence of an inefficient market equilibrium. This being due to the desire for more art to be produced and consumed, coupled with inhospitable market conditions which prevent this from occurring due to the positive externalities associated with such artistic goods (Feder, 2018; Heilbrun & Grey, 2001). Such a positive externality would signify that the benefits of public goods such as the arts are felt by society at large, rather than simply by the people who directly consume them, this being known as a "spillover" effect (Feder, 2018; Heilbrun & Grey, 2001). In conjunction it must be mentioned that the arts face an additional problem associated with their status of a public good due to the collective nature of the arts, which results in a lack of excludability as numerous artistic ventures can be classified as non-rivalrous suggesting that no one can be excluded from enjoying these arts regardless of whether they are directly paying for such consumption rights. The consumption of one person cannot reduce the consumption capabilities of other persons in context of a non-rivalrous good, which can be a catalyst for the occurrence of the free rider problem within such a sector (Frey, 2003).

Based on the tenants of welfare economics, it is frequently believed that the provision of artistic activities may yield benefits or positive external effects on society at large, namely considering the benefits gained by individuals and firms not included in the production or consumption processes. This suggests that numerous groups within society are receiving a benefit for which they do not pay and which the art producer did not take into account; an effect commonly known as non-market demand (Frey, 2003). As a result, several citizens may value the presence of art within their society even if they never spend any money to attend such cultural endeavours themselves, due to perceived beneficial effects of arts on the general community regardless of attendance (Rushton, 2003; Frey, 2003; Frey, 2009). The question now lies in how the arts benefit citizens that do not engage with them directly. It has been suggested that the main external benefits or positive externalities of the arts that can be utilised to justify the subsidisation of this sector fall into seven primary categories, which can be seen as follows:

- **National Identity, Pride and Prestige:** The promotion and subsequent success of national arts organisations can assist in the generation of national pride among individuals who directly engage with the arts, in addition to those who do not patronise such activities. As the presence of such cultural outputs regardless of an individual's propensity to consume them can create a sense of national pride through the belief that they are living within a cultured society (Sawers, 1993; Rushton, 2003; Bourdieu, 1993).

- **"Spillover" Effect Through Tourism:** The arts sector is frequently seen as a popular attraction to tourists and visitors both domestically and internationally, therefore a thriving arts and cultural sector within a given nation, can assist in attracting more tourists and as a result increase the demand and employment opportunities within other tourism related service based industries, such as hotels, dining establishments and transportation (Shellard, 2004). The financial "spillover" benefits of the arts are seen as largely impactful, in regards to both the Additional Visitor Spend (AVS) and GVA. It is to be noted that AVS measures the amount of money the average arts patron spends on an excursion to the theatre or other cultural activity above and beyond the price of admission, such expenditure usually comprising numerous components such as transportation, food, and beverage purchases, as well as lodgings. Within the UK as of 2004, the AVS was £7.77 outside of the Greater London Authority (GLA), whereas within London a AVS of £53.77 per person was incurred, highlighting the beneficial economic spillover effects associated with consumption of artistic outputs (Shellard, 2004).

- **Quality of Choice:** When considering traditional welfare economics by which tastes and preferences are a given, it has been found that such a perspective negates the fact that individuals derive utility from choice, and as such the availability of a diverse range of artistic outputs within society will create satisfaction among patrons due to the creation of option value that is generated through the existence of such broad ranging programming (Baumol & Bowen, 1965; Baumol, 1995; Rushton, 2003; Peacock, 2000).

- **Elevating the Tastes of the General Public**: It was traditionally believed that the subsidisation of the arts was beneficial to society in a myriad of ways, as the existence of the arts within a given society assists in the reduction of the crime rate. Although this assumption does not hold true in a modern context with the same level of gravitas, it is still believed even today that the presence of arts within society will assist in increasing the social responsibility of citizens, and in doing so generate a calming and educational influence on society in order to assist in better decision-making principals (Sawers, 1993; Rushton, 2003; Frey, 2003; Frey, 2009). This being done through the elevation of the tastes of the general public, through the presence of arts and culture within their society or country, with this improvement in decision making abilities being incurred even in the instance of individuals who do not attend any arts organisations themselves (Rushton, 2003).

- **A Legacy for Future Generations:** It can be suggested that even if citizens do not wish to experience the arts that exist within society as of today themselves, they do see value in the posterity of these arts. This being known as bequest value and represents the notion that the arts continue in posterity to ensure the preservation of cultural outputs in order to allow for their enjoyment within future generations (Sawers, 1993; Rushton, 2003).

- **Assisting Education:** The arts are seen to have a crucial role within the modern educational system, in regard to the study of fields such as literature, performing arts, fine arts, and visual arts. As the ability to experience live performances, museum exbibits or other such artistic outputs is seen as an extremely valuable supplement to traditional teaching methods, which will aid in the learning process and allow for a more well-rounded and in depth understanding of the subjects under review (Sawers, 1993; Rushton, 2003; Frey, 2003; Frey, 2009).

- **Promotion of Social Ideas**: The arts have long since been known as a catalyst for stirring controversy, through their discussion and depiction of taboo topics or matters of social contention. As such the arts provide a useful platform to promote the discussion of social issues in a healthy, safe, and educational manner, in order to allow for the development of social opinions and clear public discussion on key issues (Sawers, 1993).

It can clearly be seen that there are numerous extrinsic benefits of the arts, however questions remain as to whether these benefits alone provide sufficient justification for the provision of government subsidy to the arts. This being due to the existence of numerous other sectors which can provide similar benefits to society, yet do not receive any kind of subsidy or governmental support. Therefore, one must question why the arts receive these benefits, while these equivalently socially beneficial sectors do not (Fullerton, 1991). Bringing the welfare state doctrine into the spotlight, as numerous critics suggest the simultaneous culmination of market failure and societal benefits do no provide sufficient justification for such funding, even when taking into consideration the Pareto criteria which is often utilised as a means by which to justify subsidy on the premise of a normative rule (Austen-Smith, 1994). The Pareto criteria within a subsidy-based situation would suggest that when an instance arises by which the provision of subsidy would make it possible to allow one person to be better off without making at least one person worse of, then the government policy should be enacted (Austen-Smith, 1994). As such, those in favour of using the extrinsic justification for subsidisation would support this notion that arts subsidisation does not harm any citizen within the nation yet can provide a benefit to some proportion of the population, therefore arts subsidisation is necessary (Austen-Smith, 1994). In contrast however, economic arguments suggest that the free market operates more effectively without government intervention, and as such government action could be seen as nothing more than the misallocation of resources. None the less, these extrinsic arguments frequently fall short in their attempts to rationalise and justify arts subsidisation in isolation, therefore it is becomingly increasingly commonplace to pair such arguments alongside intrinsic justifications which take into account the specific benefits of the arts themselves, and as such are based on the innate value of art rather than subsequent or indirect benefits (Fullerton, 1991).

2.4.1.2. Intrinsic Justifications for the Arts – Art for the Sake of Art

When considering the intrinsic or non-economic justifications for the arts, such a rationale is fundamentally based on the notion of art for the sake of art itself, with the view to suggest that arts are a sheer necessity to ensure a “good society” due to the intrinsic benefits of art as an output (Austen-Smith, 1994). The intrinsic value of the arts is based on the premise that the arts in themselves can be valued based on the virtues and qualities of artistic output itself, rather than from the presence of alternative exogenous factors which can serve as consequences or instrumentalities of the arts as was the case with extrinsic justifications (Feinberg, 1994). If we consider such an intrinsic perspective through the lens of the three modes of justification for the funding of arts based on Badiou’s ‘*Handbook of Inaesthetics*’ it would be suggested that the intrinsic value of arts is based on romantic justifications, by which it is conceived that art has value of its own, and therefore should exist and be subsidised based on the consideration of its direct merits alone (Badiou, 2005; Feder, 2018). At present there are only two primary arguments which are used when utilising an intrinsic justification of the arts as a key rationalization for government subsidisation, these being £innovation within the arts" and "aesthetic welfare" (Sawers, 1993).

First considering the notion of "innovation within the arts", such a rationale suggests that the arts should be subsided as the provision of such funding allows arts organisations to experiment, innovate, and grow to a greater extent than when reliant on earned revenues, resulting in improvements to their artistic work and the quality of their artistic output (Sawers, 1993). This implies that subsidisation is justified due to the improvement it generated in the quality of art in itself, as without subsidisation such organisations would be reliant on earned revenue and would not necessarily be able to improve the quality of their output or increase their degree of innovation due to the need to appeal to mass consumer tastes. The provision of such funding allows such organisations to focus on their artistic prowess and therefore increase the intrinsic value of art (Sawers, 1993).

Second, is that of "aesthetic welfare". Although quite controversial within the current canon of literature this argument would suggest that it is in fact the government's responsibility to ensure that all citizens are provided with an adequate level of aesthetics or arts, in a similar vein to a government's other welfare duties such as healthcare, education and sanitation (Carroll, 1987). Suggesting that the art and their intrinsic values of beauty or aesthetic appeal are basic human needs and rights, therefore subsidisation must be provided in order for the aesthetic values of the arts in themselves to be felt and appreciated by an entire society or nation (Carroll, 1987).

As such those in favour of arts subsidisation doubtlessly believe that the arts are rich in intrinsic value, however the measurement and conveyance of such value proves problematic, as the intrinsic value of art is based on the perceived value or worth of art as a whole, rather than a verifiable or quantifiable measure which results in the ever-present debate surrounding the worthiness and value of the arts. Although such an argument can prove to hold great strength within a philosophical and subjective debate, it can prove relatively weak in normative terms. This being a key gap within the literature at present, especially when considering the rising frequency of intrinsic arguments being utilised as a means by which to justify the provision of subsidisation. Therefore, suggesting it is necessary to find a verifiable and ubiquitous means by which to measure such value, as without such a tool this justification method can be seen a nothing more than a philosophical perspective when used in singularity. Although several academics have bypassed this gap through the use of intrinsic justifications alongside more quantifiable extrinsic justifications, to ensure a more robust argument, it cannot be denied however that the advent of a means of measuring intrinsic benefits would greatly strengthen the rational for arts subsidisation.

2.4.2. Problems Associated with Arts Subsidy

In contrast to the numerous justifications for the arts which have been provided within Section 2.4.1. The Rationale for Arts by those in favour of such subsidy, it must be noted that there are a number of critics opposed to such funding who shed light on the problematic nature of such subsidisation and its wider implications. When considering the disincentives to arts subsidisation from an economic perspective, we must keep in mind that government revenue is primarily generated through taxation, and therefore it must be considered as to whether it is fair or just for the government to use revenue derived from the mandatory taxation of all citizens to bolster an industry that is utilised by a minority (Feinberg, 1994). This suggests that such arts subsidies are unfair to those who are made to pay for such subsidisation through their taxes, yet do not receive a proportionate degree of benefit, a rationale known as the benefit principal (Feinberg, 1994). This premise is especially prevalent when taking into consideration the demographic factors of the average user of such arts organisations, as audiences usually have above average incomes, education, and social status, with such findings being applicable within the UK as well as the majority of other Western Countries (Sawers, 1993). This lending itself to the argument that arts subsidisation has similar implications to that of the Reverse Robin Hood effect, whereby the rich gain at the expense of the poor (Baumol, 2003; Collins & Hand, 1998). This assertion being due to the high costs associated with theatrical attendance even when subsidisation is being provided, in addition to the notion of the performing arts being deemed as an elitist activity (Baumol, 2003; Collins & Hand, 1998). This is a fundamental paradox when considering the rising government expenditure on the arts coupled with the demographics of its average users. However, such a contradiction can be explained when taking into consideration that the average theatregoer or arts enthusiast will have more political influence than the average citizen, due to the above average income and educational qualifications of such individuals. As such, it would only be natural for political parties and by association the governing classes to opt for the subsidisation of industries from which they will derive the greatest benefit (Sawers, 1993). However, whilst this explains the phenomenon's presence it does not address the critique of policy choices (Baumol, 2003; Collins & Hand, 1998).

Also contributing to an explanation of the consistent increase in the subsidisation of the arts is the notion of Baumol's cost disease, by which the costs of the arts increase at a rate similar to the rest of the economy, despite a static output level and an inability to benefit from technological progression (Last & Wetzel, 2011; Baumol, 1967; Baumol & Bowen, 1965). With those in favour of subsidisation suggesting that the cost disease is a key justification for the provision of funding, as there is no other way for the performing arts to cover their increasing costs, however, it has been found that the receipt of subsidy leads to the inevitable weakening of a given organisation's incentive to improve internal efficiency. Once in receipt of subsidisation their demand for such funds will only increase on a yearly basis, due to their reducing levels of efficiency coupled with ever increasing costs (Sawers, 1993). In conjunction, it has also been found that the demand for arts increases roughly in portion to income, such a correlation would suggest that it is in fact possible for theatres to increase their ticket prices in order cover these ever rising costs without losing their audience numbers, as the rise demand occurring due to rising incomes will offset the negative effects of increased prices, therefore nullifying the need for further subsidisation. It was also found that the rising costs associated with the existence of Baumol's cost disease are not necessarily inevitable, as organisations could instead opt to alter the scale of their performances or to improve alternative or secondary efficiency measures (Sawers, 1993). As such, numerous academies within the field of cultural economics believe that Baumol's cost disease and the associated productivity lag do not provide sufficient justification for government subsidy, as a productivity lag is a market process that would cause unit cost to rise in any technologically un-progressive industry not only the arts (Heilbrun, 2003; Last & Wetzel, 2011). Thus, there is no reason to subsidise an industry simply because it is technologically un-progressive, on the contrary given that the performing arts sector's real costs are rising at a rate relative to more progressive industries, it would be economically ideal to allow prices to increase in order to reflect the rise in real costs. As within an ideal free economic market, we would be better off without any technologically un-progressive industries as they can be seen to be responsible for the suboptimal utilisation of limited resources, however since such industries inevitably exist, matters are made worse, not better, if we use subsidies to prevent market prices from reflecting their true costs, as this simply creates inefficiency within the subsidised industry (Heilbrun, 2003).

Beyond the fiscal issues previously discussed, critics have provided further rationales to disincentivise the government from providing subsidy to the cultural sector, these primarily focus on the implications of government intervention in the cultivation of tastes, the lack of competition within the market, and the notion of the state's welfare function (Carroll, 1987). The contentious nature of government intervention within matters of taste has led to suggestions that the use of subsidy within the cultural sector can reduce choice and restrict innovation due to the powers of subsidy dispensation being placed in the hands of government employees. Decisions surrounding the selection of what art should be developed and encouraged would become enshrined in bureaucracy, as the decision of which organisations receive funding will be influenced by the goals of the associated arm's length body which in the case of the English theatrical sector is the ACE, in addition to the unconscious biases and tastes of the funding selection committee (Sawers, 1993). The distribution of resources on the grounds of taste is illegitimate, especially in light of the connotations associated with such selection processes by which it could be suggested that the government is attempting to control the artistic canon of their country through the provision of subsidy (Austen-Smith, 1994). These funding processes are known to constrict the nature of the cultural output of a given society or nation, due to the ability to cherry pick the organisations that will receive such funding through the premise of risk measurement and management activities, by the funding body (Sherer et al, 2019). However, such a measurement of risk is in direct contradiction to the notion that arts subsidy is meant to act as a catalyst for innovation, while such risk detection protocols in fact suggest that any artistic output the government deems to be too avant-garde may result in the organisation in question being perceived as high risk, which would lead to the firm to potentially lose their funding or to have more restrictive regulations attached to their funding in a means by which to control the nature of their output (Frey, 1999). This brings rise to the notion of institutional creativity, which is a term used to describe the creativity produced under bureaucratic conditions, suggesting that such funding in some ways discourages creativity but rather promotes conservatism, despite the ardent assertions of such arm's length funding bodies due to their ability to ultimately censor the artistic outputs available to the general public (Belfiore, 2004; Sabrin, 1993). Thereby the one of the central tenants behind the rationale against government subsidy is the notion that governments should not actively engage in sectors that "shape culture" or impose an aesthetic climate, in other words is it not deemed correct for the government to be the arbiter of taste for an entire nation, rather than allowing market mechanism to accurately depict what consumers would enjoy (Brooks, 2001; Kauffman, 1990).

In addition, it has been suggested that the use of subsidy within the context of the arts, and more specifically the performing arts disrupts the entire market structure as subsidy is usually restricted to a limited number of large and prestigious organisation (Forrest et al, 2010). In providing these organisations with high levels of funding they begin to gain monopoly power which hampers the birth and development of new organisations by raising the barriers to entry for the entire market segment (Forrest et al, 2010). Even if new companies were to enter the market, it is unlikely that they would be able to complete with the incumbents that are already in receipt of high levels of subsidy, as the new entrant would not have the financial advantage that such subsidy grants them and will therefore struggle to gain an audience due to their higher ticket prices and lower reputational pull (Sawers, 1993). Therefore, critics of arts subsidisation suggest that although subsidy may allow the theatres to house more adventurous repertoires, the level of innovation gained by such funding is nothing when compared to the level of innovation lost due to the inability of new and modern artistic organisations to enter and grow within the market (Sawers, 1993).

Assuming a government's duty is to ensure the welfare of its citizens, there are numerous factors which must be considered in this aim, such as ensuring basic living facilities including access to clean water, food, shelter, education, and health care. However, the arts and its associated subsidisation cannot be seen as equal to the subsidisation of other more essential industries which provide basic human needs and therefore assist in the achievement of the state's welfare goals. However, it has been suggested by artists and those in favour of such subsidisation that the funding of the arts is necessary to the welfare of citizens, due to the notion of "aesthetic welfare", this being the aesthetic levels and experiences encounters by members of society within a given period of time (Carroll, 1987). As such a premise would suggest that is the government's duty to ensure a minimum level of aesthetic wealth for all of their citizens, therefore it is the government's duty to provide funding to the arts in order to ensure the aesthetic welfare of its citizens is met. However, according to some such an argument is fundamentally flawed as it is impossible to correlate a need for aesthetics with definable human needs that are necessary for human survival, and as such lacking aesthetic welfare does not in any way impact a given human beings quality of life from a fundamental standpoint (Carroll, 1987). On this logic the provision of funding to the arts is completely superfluous to requirements as the benefit it provides to basic human welfare is negligible if any at all are derived. Therefore, it could be suggested that in order to optimize the welfare of a country's citizens the funding currently being used for arts subsidisation should instead be repurposed to ensure basic human needs are fulfilled for all citizens, in addition to minimising the number of citizens living below the poverty line (Carroll, 1987).

None the less the provision of government arts subsidisation occurs in increasing quantities on a yearly basis. Despite this it can be suggested that there is yet to be a plausible justification for the current level of subsidisation provided and by association the level of government interference in matters of taste. Although there is merit to arts subsidisation in terms of the benefit associated with arts education, the preservation of history, as well as the assurance of preservation of artistic pursuits for future generations; the current funding system does not necessarily provide a sustainable and just method of subsidisation. This being due to the numerous inconsistencies noted including the limited number of people deriving benefit from such subsidy, the above average incomes of the average theatregoers, the correlation between theatrical demand and increased income, and the inefficiencies caused by subsidisation (Sawers, 1993). Although it cannot be denied that subsidy allows non-profit theatres to operate in market segments which would not be possible without the provision of such unearned revenues, this is not to suggest that the arts cannot flourish without subsidisation, as the for-profit cultural sector continues to thrive within the UK without the need for any such funding (Sawers, 1993). Therefore, it can be suggested that the systems by which funding is distributed need to be reassessed in order to ensure an equitable and beneficial subsidisation programme which rectified some of the key issues associated subsidisation as denoted within this section.

2.5. The Implications and Conflicts associated with Multiple External Resource Providers

In light of the numerous funding cuts incurred by arts organisations over the past two decades in regards to both local and national government subsidy, it has been necessary for such organisations to increase their efforts to gain alternative revenues of either an earned or unearned nature from other non-governmental sources. This usually pertains to an increased effort to raise earned revenues, as well as concertedly higher fundraising efforts in an attempt to diversify unearned revenue sources (Froelich, 1999). This unearned revenue diversification namely consists of individual organisational attempts to increased donations from private sources such as individuals, foundations, and corporations in order to fill deficit created by the aforementioned reduction in government subsidy.

The recent shift within the funding model of NPOs across numerous sectors towards a strategy of revenue diversification as a result of the reduction in available government funding, is expected to in fact have positive effects on the focal organisation as such a strategy allows for a reduction in resource dependency on a single resource provider and higher levels of organisational autonomy (Froelich, 1999). As the focal organisation will no longer be placed in an extremely vulnerable position due to the fact that their external resource provisions will now be provided by numerous external constituents rather than a single powerful provider allowing for more favourable trading conditions (Froelich, 1999). However, it has also been noted that such revenue diversification can be viewed as a double edged sword from the perspective of the recipient organisation, as despite the reduction in the concentration of resource dependent relationships and increased preservation of organisational autonomy, such strategies also result in an erosion of organisational legitimacy, the possible occurrence of crowding-out, as well as bringing rise to new management complexities as it will now be necessary for such organisations to manage the conflicting demands of numerous external resource providers necessitating the need for the implementation of Stakeholder Salience measures (Froelich, 1999; Berrett & Holliday, 2018). As such, this section and associated subsections of the wider literature review, will provide information on revenue diversification within a general context, the motivation and demands of funders on the average non-profit theatrical organisation, as well as an assessment of the prevalence of the crowding-out phenomenon and its implications.

2.5.1. Theatrical Income Streams and Revenue Diversification

It has long since been established that non-profit artistic organisations are unable to operate on a wholly self-sufficient manner, and therefore must rely on external sources for unearned revenues in order to quash the deficit between their expenditures and earned revenues (Bazalgette, 2015; Baumol & Bowen, 1965). The external funding of the arts has been said to be a tradition spanning thousands of years dating back to the Mesopotamian era, although the dynamics and relationship between the patron and artist have evolved greatly throughout time (Mann, 2016). With the artist traditionally being seen as a skilled labourer or manufacturer who was paid a living wage by Kings, Nobles, or other such dignitaries to simply produce art of the patron's choosing without any artistic input of their own (Mann, 2016). Recognition of the "artist" as an individual commended for their creativity, ingenuity and ideas did not come to prominence until the Renaissance period of the 19th century, during which time artists began to create work speculatively and receive funding or patronage based on their merits. This brought rise to the arts funding models seen within the 21st century, albeit with continued evolution caused by the implementation of technological advancements, government centralisation and the securitisation of such funding regimes (Mann, 2016). As aforementioned although such arts patronage was traditionally upheld by the Royal Family or the nobles of a given nation, due to the fall of the monarchy within most countries within the twentieth century such funding is commonly provided by government agencies in order to uphold this historical legacy, resulting in artistic organisations switching their dependencies from royal patrons to the government within a modern context (Feinberg, 1994; Zimmer & Toepler, 1999; Froelich, 1999; Sherer et al, 2019; Cacovean & Morar, 2014).

It has been suggested that since the rise of modern funding patterns within the twentieth century, non-profit organisations including theatrical organisations possess three primary revenue streams, these being private contributions, public support, and private sector payments (UK Government, 1996; Hodge & Piccolo, 2005; Mann, 2016). Of these, private contributions comprise any unearned revenues provided from individuals, corporations, or foundations. While public support comprised unearned revenues in the form of government subsidy, and finally private sector payments are generated from any form of commercial activity of the focal firm either of a primary or secondary nature (Hodge & Piccolo, 2005; Froelich, 1999; Lee et al, 2017). It is noted that the importance and by association level of dependency on each of these various revenue streams has evolved through time due to the ever-changing global fiscal landscape and alterations to the national balances of the country under review, in regards to budget deficits, cuts, or recessionary activity and the associated implications on a nation's ability to deliver essential services (Nienhüser, 2008).

Within the context of the UK, the government commissioned a mapping study of the theatrical sector in 1996 which suggested that theatres at the time were only earning 37% of their total income while the remaining 63% was generated by various forms of unearned revenues, most prominently government funding which comprised some 56% of the average theatre's total revenue (UK Government, 1996). A full breakdown of the findings of the study in regards to the income streams and associated weighs of an average non-profit theatrical organisation within the 1990's can be seen within Figure 2 below:

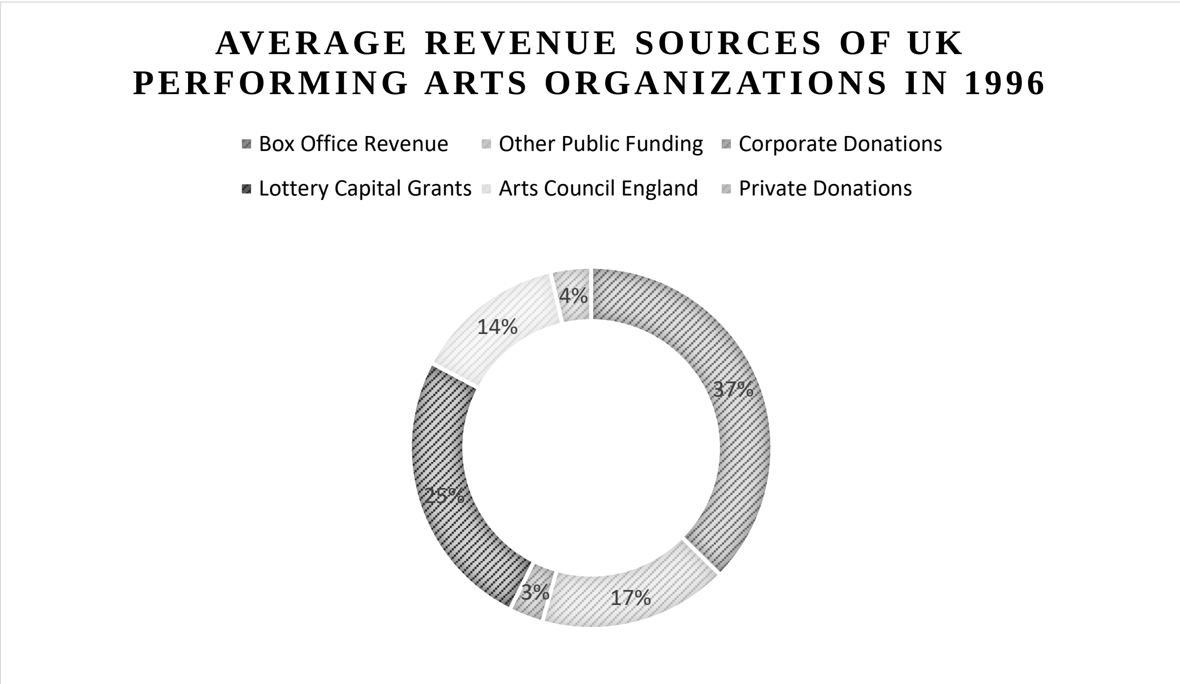

Figure 2: Average Revenue Sources of UK Performing Arts Organisation in 1996 (Data sourced from UK Government, 1996)

This trend of artistic organisational reliance on government agencies for the vast majority of their unearned revenues was prevalent within Europe, the UK, and North America until the mid-1990's at which time which governments have been seen to gradually withdraw their arts funding due to an increase in budget deficits, which only accelerated within the early 2000's due to the financial crash (Sherer et al, 2019; Mulcahy, 1999). More specifically during the recent financial crisis it was found that the non-profit cultural sector had the highest failure rate among any non-profit sector, and were particularly vulnerable during the economic downturn, for example the 2008 financial crash saw the non-profit cultural sector experience the largest proportionate decrease in revenue when compared to other non-profit sectors (Lee et al, 2017). This exceptionally large decline within the cultural sector can be partially attributed to the drastic reductions in national and local government revenue during such periods of financial uncertainly (Berrett & Holliday, 2018; Nienhüser, 2008). In the instance of a lack of available government funds the arts are one of the first sectors to have their funding withdrawn due to their nonessential nature, resulting in high levels of financial volatility as well as numerous organisational closures within the sector (Berrett & Holliday, 2018; Nienhüser, 2008).

These changes in the availability of government subsidy resulted in arts organisations being forced to diversify their revenue streams in order to ensure their continued survival within the market, both in terms of attempting to increase their reliance on private unearned revenues as an alternative to government subsidy, as well as the creation of new earned revenue streams while simultaneously bolstering existing earned revenue streams (Froelich, 1999; Sherer et al, 2019). The notion of revenue diversification was derived from Modern Portfolio Theory, by which the diversification of a stock portfolio through the law of large numbers allows actual returns to remain close to the anticipated or predicted returns of the market, based on the premise that the ideal portfolio both maximised returns, minimises variance, as well as reduces the overall volatility of returns (Carroll & Slater, 2008; Wilson, 1997; Markowitz, 1952). Utilising this same theoretical framework within the context of the non-profit sector, it could be suggested that the utilisation of numerous revenue streams to fill a given firm's deficit would be beneficial as it could minimise volatility, financial risk, and instability, as well as reducing the level of dependency on any one given funder (Carroll & Slater, 2008). When considering these occurrences in practice, it can be seen that revenue diversification has led to an increase in the number and variety of funding streams utilised by cultural organisations, as well as a broadening of each funding category to consider more components and potential income sources. Considering earned revenues for example, cultural organisations are seen to be attempting to increase their commercial activities beyond that of ticket sales through the sale of auxiliary goods and services related to the firm's mission, in the case of a theatres this could include the sale of snacks, drinks, programmes or merchandise (Froelich, 1999). We are also seeing theatrical organisation expanding into secondary commercial actives, such as premises rental, events management, venue hire, the sale of broadcasting rights and cinema relays (Froelich, 1999).

Furthermore, theatrical organisations appear to be aiming to increase the donations they receive from individual donors, corporation, as well as foundations through an increase in marketing and fundraising initiatives resulting in an associated increase in fundraising expenditure, in an attempt to bridge the gap left by the decline in government subsidy (Carroll & Slater, 2008; Liu &

Kim, 2021; Lee et al, 2017). For example, a more recent sectoral mapping study has been conducted by ACE in 2015, which allowed for a more up to date insight into the most prevalent revenue streams of theatrical organisations subsequently to the trend of diversification becoming common place. This study found that there are now 11 prevalent funding streams within the theatrical arts sector in comparison to the 3 in 1996, these being divided into two main categories of public or private based on the origins of the funds in question (Arts Council England, 2015). A full breakdown of these new and diversified revenue streams can be seen below:

Sources of Public Funding

- **Grant-in-Aid:** Funding provided by the Arts Councils of England, Wales, Scotland, and Northern Ireland.
- **Local Authorities**: Usually in the form of cash subsidies, rent free leases, and business rate payment deductions.
- **Fiscal Concessions**: Principally tax relief, charity gift aid, corporation tax concessions, and the "cultural exemption" on VAT.

Sources of Private Finance

- **Box office income**: All Income derived from ticket sales.
- **Catering Sales**: These sales consist of all income earned from in house, bars, cafes, and restaurants.
- **Merchandising Sales**: These sales consist of all playbills, and performance-based merchandise such as T-shirts and souvenirs.
- **Production Capital**: Constituting the capital employed in production development, as well as the subsequent cost of the production.
- **Production Rights**: Successful productions may be reproduced by third parties over the life of the copyright. Revenue resultant from the sales of rights, co-productions, and their subsequent performances.
- **Broadcasting Rights:** The value of fees and copyright licences to venues, producers, artists, and technicians.
- **Cinema Relays:** Venues and producers receive a net share of income, however given the high production costs involved, the effects of cinema screenings of theatrical works is more akin to goals of widening audience access to theatre productions than any substantial financial gains to producers and performers.
- **Private Donations:** Funds derived from individual patrons, corporate donations, and foundation grants.

In light of the prevalence and necessity of revenue diversification since the mid 1990's, there have been a number of studies aiming to investigate the impact of such a funding strategy on the financial health and performance of such non-profit organisation. With the general standpoint of the current research indicating that revenue diversification enhances the overall financial health of an organisation, when taking into consideration the tenants of Resource Dependency Theory it could be suggested that revenue diversification could also allow organisations to lower their dependency on any single external resource provider resulting in decreased levels of uncertainty as well as financial instability (Berrett & Holliday, 2018; Carroll & Slater, 2008; Liu & Kim, 2021; Lee et al, 2017; Chang & Tuckman, 1994). Furthermore, Kim (2017) has suggested that revenue diversification can lead to better programming outcomes and higher attendance rates in non-profit arts organisations (Berrett & Holliday, 2018; Kim, 2017). In addition, it has even been found that the implementation of a revenue diversification strategy can reduce the likelihood of a non-profit arts organisation's demise or collapse to a significant degree, suggesting an increase in the firm's long-term viability, coupled with an immediate increase in the firm's short term financial stability (Liu & Kim, 2021; Hager, 2001). However, these gains are expected to be of a somewhat limited nature, as Carroll & Slater (2008) have suggested that the benefits incurred by diversification become incrementally smaller the more diversified a given firm's revenue streams. For example, if a theatre is currently received 100% of their funds from government donations and they start to diversify their revenue, which has resulted in the firm now earning 5% of their revenues and receiving the remining 95% from government subsidies, they could see a 0.53% reduction in volatility. Therefore, diversification can only be seen as beneficial at its initial stages, as further diversification, although beneficial due to the impacts of accumulation, such latter gains do not amount to any great quantity resulting in higher levels of internal complexities without an appropriate reduction in volatility and risk (Carroll & Slater, 2008).

Although revenue diversification is most commonly considered a fairly viable financial solution, there are instances in which such a funding strategy may have negative effects on the focal firm in question (Carroll & Slater, 2008). For example, Froelich (1999) found that depending on the composition of a theatrical organisation's revenue streams subsequently to diversification, it could be suggested that diversification places the firm in a more precarious financial position. Most notably, high levels of reliance on private donations are associated with high levels of revenue volatility and high levels of uncertainty for a firm. While strategies rooted in government funding or earned revenues are seen to have low to moderate levels of volatility (Froelich, 1999; Berrett & Holliday, 2018). It has been suggested that although revenue diversification is founded on the premise of lowering individual resource dependencies in an attempt to reduce firm level uncertainties, research has suggested that revenue concentration may have a beneficial impact on organisational growth within non-profit firms due to lower administrative and funding raising costs being expended to fill a given income gap (Berrett & Holliday, 2018; Frumkin & Keating, 2011). In addition, revenue concentration may have a beneficial impact on a non-profit organisation's output quality, as the generation of necessary revenue from the minimal number of sources saves the organisation in question vital time and resources which would alternatively be spent on fundraising when using a revenue diversification strategy. However, when using a concertation strategy, this time and resources can instead be spent on the organisational programming, core services and the achievement of firm objectives (Berrett & Holliday, 2018; Verbruggen et al, 2011).

When taking into consideration the viability of implementing revenue diversification strategies regardless of the benefits or potential negative implications, we must first take into account the multifaceted and complex nature of non-profit theatrical organisations. Such firms must simultaneously achieve numerous goals, including the generation of an output of similar if not identical quality to their for-profit counterparts, the maintenance of charitable aims, and raising sufficient levels of unearned revenues to fill their income gap (Carroll & Slater, 2008). The process of revenue diversification would involve the creation of new revenue streams, both of an unearned and earned nature, which intern would encompass the creation of ties with numerous new external funders as well as the subsequent and continued management of such relationships while consistently keeping in mind the potential conflict of interest and contradictory demands between varied external constituents including national and local governments, corporations, private patrons, foundations, as well as consumers (Renz, 2003). The implementation of revenue diversification strategies over and above the existing aims and obligations of such organisations may prove to be overtly burdensome and complex for firm management, especially within smaller organisation lacking the manpower and expertise to manage numerous funding streams in unison (Carroll & Slater, 2008). Such considerations are vital prior to the implementation of such a strategy, especially when taking into consideration that the primary objective for such theatrical and cultural organisations is not to make money, but rather the generation of funds is merely a means to an end, therefore these processes should not overshadow their primary objectives of the disbursement of the arts and culture to society at large (Bukvic et al, 2016).

2.5.2. Conflicting Demands – The Need for Stakeholder Salience

Non-profit arts organisations depend on numerous external constituents for both tangible and intangible resources, however the necessity to revenue diversify within the non-profit cultural sector has resulted in the need for such organisations to pay closer attention to the claims of their varied stakeholder groups (Hsieh, 2010). This increased importance placed on the identification and management of stakeholder demands is due to the shift in the weight of the average non-profit funding portfolio, with organisations receiving higher proportions of funding from a more diverse range of funders rather than simply relying on government subsidy for the vast majority of the firm's necessary quota of unearned revenues as was customary prior to governmental budget cuts (Hodge & Piccolo, 2005). Traditionally speaking, the management of donor demands was a relatively straight forward process due to the vast majority of funding being provided by government organisations or subsidiaries, resulting in the demands of the associated government agency being honoured in the case of conflicting stakeholder demands due to the high level of resource dependency associated with this relationship (Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978). However, revenue diversification initiatives within the sector have resulted in the resource dependency of such organisations being more widely spread, with theatres simultaneously increasing their reliance on private, corporate, and foundation donations, in addition to increasing their levels of earned revenues while simultaneously reducing their reliance on government subsidy (Liu & Kim, 2021). This results in a more difficult process by which to manage and differentiate between these diverse revenue streams, as there is no longer a clear dominant funder whose demands are preferenced, instead it is vital for firm management and leaders to fully understand the nature of each type of revenue and their associated demands (Liu & Kim, 2021; Knight & Harvey, 2015).

The effective management of the demands of these external funders is vital, not only in order to ensure the long-term financial viability of the given organisation, but also as a means by which to achieve organisational effectiveness, as within a non-profit theatrical context it has been suggested that organisational success is measured not only by a firm's achievement of their mission and goals, but also by the simultaneous satisfaction of stakeholder demands (Hsieh, 2010). This would involve the management of the conflicting demands of their numerous external constituents, in addition to ascertaining a means by which to manage and prioritise these numerous stakeholders in unison, while simultaneously maintaining the given firm's mission and charitable aims (Carroll & Slater, 2008; Costanzo et al, 2014). In order to effectively manage these copious stakeholder demands, theatrical organisations could opt to implement the tenants of Stakeholder Salience by which external funders or stakeholders can be classified based on the traditionally held notion of the possession of power, legitimacy, and urgency (Mitchell et al., 1997). However, in order to accurately do so it is first vital to ascertain the nature and demands of each individual stakeholder group as each funding sources will possess its own characteristics and associated expectations from the recipient organisation, the revenue sources of such organisations can include but are not limited to government subsidy, individual donations, corporate donations or sponsorship, foundation grants, special events, tax breaks and in-kind donations (Liu & Kim, 2021; Kingma, 1997). Despite the relatively simple basic premise of revenue diversification, very little is currently known about how the increased number of simultaneous revenue streams impacts the recipient organisation's internal efficiency, productivity, artistic freedom, as well as financial health (Liu & Kim, 2021). This is due to the extremely complex relationship between funders and receipt organisations within the context of the arts sector, resulting in lack of clarity surrounding the means by which such organisation's preference the demands of their varied funders, in addition to how theatrical organisations manage to prevent their firm's mission from shifting to align with the aims of funders, or similarly how such firms avoid their organisation's legitimacy being undermined by rent seeking behaviours (Carroll & Slater, 2008) .

None the less, it is to be noted that not all funding types prove to be as contradictory or conflicting as others, due to the nature of the financial assistance being provided in regards to the preferences of the funder themselves, as well as the size and stipulations of the donation. The primary point of contention lies between the demands of private contributors and governmental agencies due to their extremely varied natures; with private contributions being provided from a variety of sources including individuals, corporations, or foundations, whereas government support is usually provided on a local level by the theatre's local council or on a national level by arts funding organisations such as Arts Council England. Such organisations must also cater to the demands of their customers, who provide such organisations with their earned revenues, as the noncompliance of consumer demands frequently leads to a reduction in box office revenues, resulting in a need for further unearned revenues and the continuation and invigoration of the vicious cycle of ever-increasing demands for unearned revenues.

The rest of this section will provide a detailed understanding of the motivation, requirements, and associated demands of private donors, government agencies and consumers; in order to gain a deeper understanding of how conflicting demands arise and whether there is any commonality in the demands of this rather disparate funding sources (Bukvic et al, 2016).

2.5.2.1. Private Donors

Private philanthropy to theatrical organisations can be provided by numerous sources, most notably, individuals, corporations, and foundations. All of whom would make some demand of the recipient organisation, although such demands may vary significantly on a source by source basis it has been suggested that despite their differences all private philanthropists share some degree of commonality (Sherer et al, 2019). Most notably, such funders tend to support traditional and well-established arts organisations that perform a well-trodden and conservative repertoire, while avoiding providing donations to organisations that strive for artistic innovation, resulting in the vast majority of private philanthropy being concentrated within high visibility, traditional performing arts organisations that house professional or bureaucratic internal management structures (Hodge & Piccolo, 2005). As such, it could be said that such funding is provided as a means to reinforce what an organisation already does, rather than as a catalyst for growth or progression of any kind (Hodge & Piccolo, 2005; Lee et al, 2017). Furthermore, it has been found that organisations with high levels of reliance on private contributions regardless of the specific source tend to incur higher levels of revenue volatility in comparison with alternative revenue diversification funding strategies including those with a primary reliance on government subsidy or earned revenues (Froelich, 1999). Further to this, the likelihood of organisational goal displacement is also greater when reliant on this form of unearned revenue, with high levels of private funding resulting in theatrical organisations opting for traditional repertoires and shying away from any kind of controversial or artistically risky performances, either for the fear of losing future donations or due to restrictions or ties placed on the donations themselves precluding certain artistic pursuits (Froelich, 1999).

In regard to the differences between various private funders, the primary point of variation lies in the motivation for the provision of such funding in the first place, with existing research suggesting that individual donors are more positively motivated by education, legacy and cultural behaviours, while foundation donors usually tend to provide funding to support socially valued programmes, the perpetuity of a legacy, and greater socialite benefits (Sherer et al, 2019; Kim et al, 2011; Lee et al, 2017). In contrast, the motivation of corporate donors raises the most proverbial eyebrows, as there seems to be a great deal of contention within the current literature as to whether such funding is provided to fulfil charitable objectives or merely as a means of marketing (Sherer et al, 2019; Kim et al, 2011; Lee et al, 2017). The precise aims, motives, and objects of each private donor type will be discussed within the following subsections.

2.5.2.1.1. Individuals

Individual donations to the arts represented only 4% of all charitable donations made within the UK in 2010. Despite this low percentage point the cumulative value of these donations was estimated to be worth roughly £359 million per year (Sood & Pharoah, 2011). Taking a closer look at the impact of these donations on an artistic average organisation, it can be suggested that the average non-profit cultural organisation received 16% of their income from private sources. Of this, individual donations accounted for 55% of such an organisation’s cumulative private contribution as of 2010, suggesting that roughly 9% of the organisation’s total income was derived from individual donors (Mermiri, 2010; University of Kent, 2017). The donations of individual members of the public to artistic and cultural organisations represent a relatively sizable portion of the total private income available to these firms. None the less, despite its cumulative heft, the vast majority of individual donations are rather meagre in size with over 68.7% of such donations being valued at under £100 (University of Kent, 2017; Gaio, 2009). There are, however, a significant number of mid-range donations with 20.6% of individual donations ranging from £100 to £1,000. High value donations seem to be somewhat scarce within the cultural sector within only 9.3% of donations ranging from £1,001 to £9,999, with only a further 1.3% being over the £10,000 mark (Gaio, 2009; University of Kent, 2017).

Despite the relatively small sums of money involved in the individual private patronage of the arts, it has been found that donors are becoming more exacting with their expectations, raising their requirements for both intangible as well as tangible and measurable outcomes, with many potential donors insisting on proof of sound business planning and financial management prior to relinquishing their funds (Sood & Pharoah, 2011). Furthermore, it has been found that donors seek to find a shared sense of purpose with their chosen organisation, as donors aim to align their beliefs and by association their funding with an organisation whose aims coincide with their own, suggesting that such individual funding is no longer a means of pure patronage, but rather a means by which the donor can also reap benefits (Sood & Pharoah, 2011). This marks a drastic shift in the relationship and dynamics involved within the realm of individual arts funding, as such donations were historically provided based on personal relationships, theatrical reputation, and artistic merit rather than in the hopes of a quid pro quo scenario (Sood & Pharoah, 2011). Despite this burgeoning need for proof of tangible outcomes, it has been contradictorily found that better performance outcomes within theatrical organisation in terms of higher attendance and organisational awareness tend to result in a reduction in individual charitable giving, this potentially being due to the image of success associated with such positive performance markers making these organisations seem less in "need" and therefore less of a viable candidate for a donation (Charles & Kim, 2016). The notion that individual donors prefer donating to organisations incurring financial hardship seems to be a growing consensus within the literature, as Marudus (2004) also found that the higher the ratio of a firm's net assets to revenue, the lower their expected donations, suggesting that donors do not feel that assets should be held by such non-profit theatrical organisation, rather spent on future programming (Charles & Kim, 2016; Marudus, 2004). In a similar vein, it has been noted within the current literature that wealthier organisations seem to receive less donations than poorer ones (Charles & Kim, 2016). However, this desire to donate to organisations in need contradicts the fundamental preferences of individual donors that have been established within the current canon of literature, with such established beliefs suggesting that individual donors prefer providing donations to old, well established, large organisations within metropolitan areas that have a prior track record of organisational efficiency. This proves to be in contradiction to the somewhat new notion that such donors prefer to fund the metaphorical underdog, resulting in a lack of clarity surrounding the preferences of the average individual donor (Jacobs & Marudas, 2009; Tinkelman, 1999; Weisbrod & Dominguez, 1986; Marudas et al., 2012; Charles & Kim, 2016).

Recent studies on the dispersion of individual giving within the UK suggest that although individual donors may have a theoretical preference to donate to organisations in need, this may not be the case in practice as the organisations that in fact receive the vast majority of such individual funding do not necessarily fall into such a classification. It has been found that majority of the general public do not tend to view cultural organisations as charitable causes in the same way other sectors maybe viewed, due to the nonessential nature of the cultural arts sector (Sood & Pharoah, 2011). It has been found that 72% of individual donations that have been made in recent years have been provided to major national cultural institutions or "landmark" organisations, with a further 15% being received by large organisations, all of whom generally already possess relatively high fundraising budgets and associated incomings. This further instils the notion that higher fundraising budgets clearly result in higher donations regardless of need (Sood & Pharoah, 2011; Mermiri, 2010; Tinkleman, 1999; Weisbrod & Dominguez, 1986; Charles & Kim, 2016). This influx of donations to such large organisations could be due to the fact that such firms usually possess in-house membership or friend schemes through which the vast majority of their smaller donations are generated (Mermiri, 2010; Charles & Kim, 2016; Tinkleman, 1999).With Friends and Membership schemes being responsible for generating roughly 57.7% of all individual giving to the arts, which in monetary terms equated to roughly £227 million within the 2010/11 financial year (Mermiri, 2011; Spedding et al, 2012). These membership schemes are usually run within nationally recognised or large cultural organisations such as the National Trust, The Southbank Centre, or the Courtauld Institute of the Arts, many of which provide different membership options for individuals, based on the amount of money they donate within a given calendar year (University of Kent, 2017). Such schemes prove to be an invaluable asset to cultural organisations, as they allow for an extremely low cost means by which to generate voluntary funds, as 40% of such donors are usually approached via email or directly via the organisation's website (University of Kent, 2017), suggesting that the recipient firm does not need to undertake any expensive or time-consuming fundraising initiatives to receive such funding (University of Kent, 2017; Gaio, 2009; Harrow et al, 2011). Furthermore, membership schemes provide benefits or privileges to donors with the scale or magnitude of such perks increasing based on the amount that is donated. This model allows donors to perceive greater benefits associated with donation, due to the first hand rewards the donor gains through such a transaction. This incentive based donation structure allows the donor's demands to be immediately satisfied through the organisation's acknowledgment of a sense of shared purposed with the given donor, through the provision of benefits such as priority ticketing, member only performances, or discounts (University of Kent, 2017; Gaio, 2009; Harrow et al, 2011). Furthermore, it has been found that once enrolled in such a membership programme, the given individual feels a greater tie to the organisation, resulting in higher levels of performance attendance as well as a greater probability of further donations above and beyond those associated with their membership scheme payments, suggesting that the successful implementing of such a scheme can result in added earned revenues as well as acting as a catalyst for further donations (Slater & Armstrong, 2013).

In addition to this, such nationally recognised organisations tend to also receive large legacy donations from wealthy donors, with arts organisations being extremely popular with high income donors, as 14% of such high-income donors provide funding to the arts in comparison to the 7% of mainstream donors (University of Kent, 2017). This popularity among high-net-worth individuals leads to a disproportionately high level of extremely large donations being received within the cultural sector when taking into account the relatively low cumulative private individual funding received (University of Kent, 2017). The *'Million Pound Donor Report'* as of 2012, suggested that there were 30 donations over £1 million to arts and cultural organisation with a cumulative value of £109 million, this resulting in the arts ranking third behind foundations and higher education in terms of the number of large donations received on a sectoral basis (University of Kent, 2017; Mermiri, 2011; Breeze, 2012). It is unsurprising in many respects that the expectations of these large-scale donors to the arts are proportionately greater to those individuals who donate funds via a membership scheme. Although such cultural organisations would ideally prefer funding to be free of ties this is not necessarily probable especially in terms of high value donations. These large donations are usually known as venture philanthropy thereby incorporating aspects of the venture capital funding within a charitable context, as the recipient organisation not only receive the given funds but the expertise of the donor (University of Kent, 2017, Cluff, 2009). This allows the donor to be involved in all stages of their gift's impact to ensure the benefits of their gift are as anticipated, with these donors wanting to have a definitive say in how and when their funds can be spent (University of Kent, 2017, Bagwell et al, 2013). Such donors aim to leave a legacy with their donation, therefore it is usually preferred that the benefits of their investment can be seen as a testament to themselves, resulting in such funding usually being offered to support capital projects or new programmes which are expected to have a clear social benefit, allowing the donor to be seen to be investing in the future of arts and culture while simultaneously gaining recognition (University of Kent, 2017, Lincoln & Saxon, 2013).

We must question the motives for such donations whether at token level or of a substantial size, it has been suggested that rational behind such behaviours can be based on intrinsic, extrinsic or at times egoistical motivations (Benapudi et al, 1996; Kim et al, 2011). Intrinsic or “internal” motives usually include factors such as altruism, empathy, compassion, social justice, the joy of giving, or personal interest (Sargeant & Woodliffe, 2007; Benapudi et al, 1996; Becker, 1974; Kim et al, 2011; Andreoni, 1990). Of the intrinsic motives, altruism is considered the most common justification for such donations, however the existence of “pure altruism” has been called into question to a great extent in recent years, by which an individual expends such funds to improve the welfare of other with no thought of personal gain (Kim et al, 2011; Andreoni, 1990; Martin, 1994). It is rather believed that an “impure” version of altruism is more apt, which takes into account the internal satisfaction, or “warm glow” individuals receive from providing such charitable donations (Bertacchini, 2011; Kim et al, 2011; Andreoni, 1990). Similarly, it has been suggested that further iterations of impure altruism may take into account the principals of reciprocity, interdependence principals, or indirect benefit, for example within the arts such an indirect motive could suggest that a donor with a history of cultural consumption donates to a theatrical organisation they frequent, based on the notion that their donation will effectively assist in lowering the cost of their cultural attendance in the future, therefore ensuring an indirect circular benefit (Bertacchini, 2011; Sugden, 1984).

Extrinsic or “external” justifications are usually based on tax relief or prestige (Sargeant & Woodliffe, 2007; Benapudi et al, 1996; Becker, 1974; Kim et al, 2011; Andreoni, 1990). The extrinsic justifications for such donations is relatively straight forward as they are usually based on some form of cost-benefit analysis, due to a proposed monetary reward or alternative economic incentive for such charitable activity, for example tax rebates or discounts prove could be a major motivation for providing charitable donations, such as the tax exempt aid being facilitated through the Gift Aid donation scheme within the UK which is facilitated by HMRC and HM Revenue (Sood & Pharoah, 2011; Bertacchini, 2011). This specific scheme was designed to act as a catalyst for increased charitable donations within the UK, by providing individuals with a tax break allowing for the basic tax rate to be charged on your donations rather than the higher rate if applicable (Bertacchini, 2011; Gov.uk, 2022). Allowing individuals to save on their tax expense in exchange for providing such donations, therefore suggesting that this saving in itself proves to be a primary justification for the charitable giving.

The rise of egoistical or reputational motives for charitable donation have come to the forefront in recent years, although extrinsic in nature such motivates have been increasingly considered a separate motivation category altogether due to the lack of a monetary or economic benefit which is normally associated with extrinsic justifications (Bertacchini, 2011). In contrast, egoistic or reputational charitable motives are driven by alternative external factors, such as reputational gains, social signalling, public praise, image rewards, peer pressure, a sense of belonging, or career advancement (Johnson & Garbarino, 2006; Bertacchini, 2011; Benabou & Tirole 2006; Sargeant & Woodliffe, 2007; Benapudi et al, 1996). The increased prevalence of this donor motive in recent years has forced recipient organisations to place a higher value on donors and their preferences, due to this need for external validation in exchange for such charitable giving (Sood & Pharoah, 2011). None the less it is vital for firms to maintain their integrity in regard to the pursuit of their organisational aims and while fundraising through the use of a clear, consistent, and confident narrative surrounding their organisational mission and purpose, rather than falling into the trap associated with being led by funder demands (Sood & Pharoah, 2011).

2.5.2.1.2. Foundations

It must be noted that of all the different private funding streams available to the arts, foundation giving is the most overlooked resulting in very little being known about the impact of such donations on the focal organisation, and by association the expectations attached to such funding. This being a gap in the current canon of literature that needs to be addressed, especially in light of the growing value of donations from foundations and trusts in support of cultural organisation within the UK since the early 2000's (Sood & Pharoah, 2011). From the 2010/11 to the 2011/12 financial year, foundation support increased by 15.8% (University of Kent, 2017). Similarly, within the US it was found that as of 2000, private foundations had provided more than $3.1 billion to US based arts groups which equated to roughly 33% of all private contribution and 13% of the total composite revenue for arts organisations (Renz, 2003). Although this increased accessibility to foundation funding is extremely beneficial to cultural organisations, it is yet to be ascertained as to whether this funding can be seen as a sustainable source of unearned revenues both in regards to the longevity of this shift by trust and foundations towards cultural funding, in addition to the potential knock on effects of foundation funding (University of Kent, 2017).

Prior to an assessment of this funding stream, in any more detail, it must first be stated that a foundation is defined as a nongovernment, non-profit organisation that is managed by its own board of trustees and directors with the primary aim of providing donations to beneficiaries using the foundations own principal funds in aid of a particular established social aim (Abbinante, 1997).

Foundations are privately created and operated institutions which aim to serve the public in some manner based on the individual foundation's goals and designated functions (Abbinante, 1997). Foundations can be divided into two main categories, these being charitable trusts and private trusts; the primary difference being the nature of the benefactors and the time duration of the trust in itself, as the recipients of funds from private trusts are normally a small number of identified individuals, while a charitable trust must benefit the community as a whole or a particular class of person therefore recipients tend to be more far reaching (Abbinante, 1997). Regarding length or duration, a private trust must be temporal in nature while a charitable foundation can exist indefinitely as its charitable status allows for an exception from the rule against perpetuities (Abbinante, 1997). When considering foundation giving to the arts, it must be noted that such funding is primarily provided from charitable trust, as such this section will be discussing foundations compositely with a focus on charitable trusts, although such a distinction is not always possible in light of the lack of clear delineation between the two trust structures within the majority of current literature resulting in segments of this literature review discussing charitable trusts in a more overarching manner (Werbel & Carter, 2002).

Numerous large corporations may aim to institutionalise their charitable giving as well as bypassing the agency theory dilemma that is traditionally associated with corporate funding through the creation of independent corporate foundations (Werbel & Carter, 2002; Himmelstein, 1997). Alternatively, philanthropic, or charitable trusts are established through individual private wealth as a means by which to implement personal charitable philosophies and assist society in a means by which the donor deems to be the most beneficial (Abbinante, 1997). It has been suggested that foundations act as a middleman or transfer mechanism, by which foundations take money from the upper classes or lucrative corporations and then distribute these funds to reputable non-profit organisations, allowing for such large sums of money to be disposed of intelligently through the use of professional manager-trustees, who are tasked with ensuring the donor's wishes are fulfilled in addition to preserving the vision and philosophies of their donors in perpetuity for the benefit of future generations (Abbinante, 1997). In light of these somewhat staunch restrictions associated with foundation giving, such charitable foundations tend to undertake inefficient and at times wasteful practices (Abbinante, 1997). Charitable trusts often are controlled by "dead hands", a term that was coined due to charitable trust laws allowing donors to specify how their foundation's funds should be administered throughout the perpetual life of the foundation. However, such practices do not allow current trustees to take into account changes in the economic climate or changes in need, resulting in a struggle between the fulfilment of donor intentions or the donation of foundation funds to more appropriate pursuits, this resulting in the frequent occurrence of inefficient fund usage (Abbinante, 1997).

In regards to the specific visions, intentions, or ideologies that have been associated with foundation donations to the arts, research suggests that individual, family, and corporately held foundations tend to offer support to large well-established organisation and artistic programmes while offering little to no support to new venues or organisation which showcase innovation (Sherer et al, 2019; DiMaggio, 1986). It has been suggested that foundation donations tend to ocellate on the conservative end of the artistic spectrum, by which funds are provided to reinforce what an organisation already does rather than to facilitate growth and change. It is yet to be ascertained whether this more traditional stance is due to the internal missions of such charitable trusts or is simply a by-product of their perpetual nature (Kramer, 2001). Furthermore, very little is known about the demands foundations make of the recipient organisation or the impact such donations have on the focal artistic organisation. Though it has been said that the primary aim of foundations is a means by which to implement the personal charitable philosophies of the donor onto society, there is no real understanding as to the implications of this in a practical context for the recipients of such funds. This is an area which could benefit from future research especially in light of the increase in the availability of such funding to the arts, which can be attributed to both the increasing awareness of the benefits of arts and culture on the wider society, as well as the need to implement revenue diversification within the cultural sector leading to more prominent fundraising efforts (Sood & Pharoah, 2011).

2.5.2.1.3. Corporations

Corporate support or business sector funding to non-profits has been a long-standing tradition dating back to the 19th century and has long been regarded as a form of corporate social responsibility and, thus, a measure of a firm's corporate social performance (Carroll, 1979, 1991; Seifert et al, 2004; Baumol & Bowen, 1963). Furthermore, within a historical context such funding was usually provided on a largely altruistic basis, or alternatively due to the tax benefits associated with the provision of charitable funding, with firms attempting to give back to their local community, resulting in thousands of businesses historically and cumulatively donating billions of pounds to charitable causes in sectors such as education, health care, science, environmental protection, and human services on a yearly basis (Seifert et al, 2004; Sherer et al, 2019; Bukvic et al, 2016; Varadarajan & Menon, 1988). Therefore, corporate philanthropy is often described as a means by which corporations give back a portion of their profits to the community to thereby establish or maintain the firm's legitimacy and serve the firm's enlightened self-interest (Carroll & Buchholtz, 2003; Seifert et all, 2004). This funding to non-profits occurs in two basic forms: donations and sponsorships (Bukvic et al, 2016). Donations can be classified as voluntary or unconditional gifts which can be provided to the non-profit organisation in the form or money, services, or goods, with the aim of aiding society in a beneficial way, where the donor does not receive or expect any form of compensation in return (Bukvic et al, 2016). In comparison, corporate sponsorship of a non-profit organisation is a mutually beneficial relationship in which the corporation receives compensation of some kind in response to their provision of support to the given NPO, this compensation is usually in the form of promotion or internal advertisements of the donor firm (Bukvic et al, 2016).

The nature and very motive of corporate philanthropy has changed greatly throughout time resulting in the diversification of corporate funding recipients, most importantly this has led to an increase in the corporate funding to the arts and cultural sectors (Stead, 1985; Turgeon & Colbert, 1992). The most prevalent change seen within corporate philanthropic donation patterns is the notion of donations are becoming a means by which to align the interests of a given community with the corporate donor under consideration (Sherer et al, 2019). These changes came to prominence in the mid-1970's during which time the motives for corporate donations to non-profits came into the spotlight, with academics and industry practitioners pondering whether such support is altruistic or self-interested in nature given the primary aim of a for-profit business is to generate profits (LeClair & Gordon, 2000; Stead, 1985). It cannot be denied that profits are the primary motive of a for-profit business, therefore sharing this profit with parties beyond stockholders or the payment of necessary taxation proves to contradict such a firm's fundamental aims and calls the justification of such gifts into question (Stead, 1985). Such a contradiction results in corporate donors facing several problems when determining their philanthropic contribution policy, due to the external focus of most donation strategies, resulting in the concrete needs and expectations of stakeholders to be neglected (Stead, 1985). This can cause a conflict of interests as the firm must successfully convey the relevance of such charitable giving and its potential benefits to the company itself, as a means by which to align such donations with the primary objective of the firm's shareholders. This is done through the promise of corporate reputational gains as a result of charitable giving, or the alignment of such donations with the firms overarching strategy in some way to ensure the donation provided is aiding the firm in maximizing shareholder value (Baumol & Bowen, 1965; Gan, 2006; Bruch & Walter, 2005). Based on such economic logic, businesses have no right to provide charitable donations for purely altruistic reasons, as the firm's donations can be seen as theft from shareholders without appropriate justification, as the corporation is simply giving away shareholder money (Gan, 2006). In comparison from an ethical perspective, corporations act as powerful entities within society, and therefore while keeping an eye on their bottom line namely their stockholders, it is vital for firms to do the right thing for their employees, the community, customers, and the environment through the provision of corporate philanthropy (Gan, 2006; Freeman, 1984). The need to meld these rather contradictory economic and ethical perspectives has resulted in the rise of strategic philanthropy and cause-related marketing (Seifert et al, 2004; Mescon & Tilson, 1987; Sherer et al, 2019; Gan, 2006). Strategic philanthropy is a process by which charitable donations are seen as part of a corporation's strategic plan with the purpose of gaining a competitive edge (Seifert et al, 2004; Mescon & Tilson, 1987). Therefore, such a process has dual objectives; charity and profitability, occurring in an instance in which corporations target donations to areas which will result in a benefit to both the company and society (Porter & Kramer, 2002; Saiia et al., 2003; Seifert et al, 2004; Sherer et al, 2019). In comparison, cause related marketing is simply an instance in which a corporation donates in an attempt to achieve positive public relations and enhanced reputation through the provision of funds to high profile causes (Sherer et al, 2019). Although quite different in nature, both strategic philanthropy and cause-related marketing tend to be lumped tighter within the current canon of literature due to the similarity of these donation strategies when comparing to the vastly differing traditional altruistic funding model. It must be noted that cause-related marketing can be seen as a component of strategic philanthropy rather than its own independent process, as it is simply a marketing activity designed to enhance the image and reputation of a corporation through the firm's increased exposure to a given community (Sherer et al, 2019). While corporate strategic philanthropy is not only aimed at enhancing the firm's reputation but also to contribute to a firm's long-term viability and profitability, as well as benefiting society at large, which is done through an assessment of the potential returns received from possible charitable ventures (Carroll & Buchholtz, 2003; Seifert et all, 2004).

The increased prevalence of strategic philanthropy within the market allowed corporate donations and sponsorship to grow at a rapid rate within the tail end of the 20th century as corporations found numerous new incentives to engage in such philanthropic activity, which go beyond the traditional benefits of favourable tax treatment (Gianecchini, 2020; Turgeon & Colbert, 1992). The recent rise in the strategic philanthropy initiative has resulted in numerous scholars attempting to further assess such a donation strategy, in order to ascertain the specific benefits of donations from a corporate standpoint, such as altruism, promotions, improved corporate image, the development of goodwill, or CSR to name a few (Gianecchini, 2020). Although a vast array of options have been suggested, it has been found that the corporate benefits of such funding can be consolidated into four major ideal types (Kirchberg, 2003; Gianecchini, 2020).

- **The Neoclassical Model:** This ideology most closely resembles the main commercial purpose of a corporation, namely to increase the returns of the company. According to this model, even corporate philanthropy has the underlying purpose of raising profits. In addition, donations can also extend the market position of a company, as the ability of a firm to donate corporate income creates a positive image for competitors, suppliers, and other organisations that this company is economically in good shape (Kirchberg, 2003).

- **The Altruistic Model:** This ideology emphasises corporate social responsibility in a world increasingly inhabited by powerful businesses. The notion of the "good corporate citizen" is becoming the cornerstone of management culture, primarily induced by the corresponding personal attitudes of the senior management and the CEO of a given company (Kirchberg, 2003; Gianecchini, 2020).

- **The Political Model:** Suggests that corporate sponsorship is a means to create and preserve corporate power and autonomy (Kirchberg, 2003). This particular model is then further split into two segments, these being "Political Legitimacy" or "Political Business" respectively, depending on whether the corporation in question is seeking to preserve power in regards to organisational legitimacy, or increasing their business's sales (Moir & Taffler, 2004).

- **The Stakeholder Model:** Focusses on the perspective that corporations are being influenced on a feedback loop, by their own corporate behaviour towards the outside world. As corporations do not only seek to influence, but they are also themselves influenced by other interest groups. Corporate support is never a one-way street, since such charitable donations increase community welfare and uplift community image, these improvements also benefit the donor firm, thus allowing for a mutual benefit to both the donor corporation as well as the arts organisation in question (Kirchberg, 2003).

These four philanthropic motives have been visually mapped within Figure 3, which allows for a clearer understanding of which stakeholder group's demands are satisfied by the implementation of each of these motivation models, including a consideration of Primary Stakeholders, Secondary Stakeholders, Society, and the Business itself.

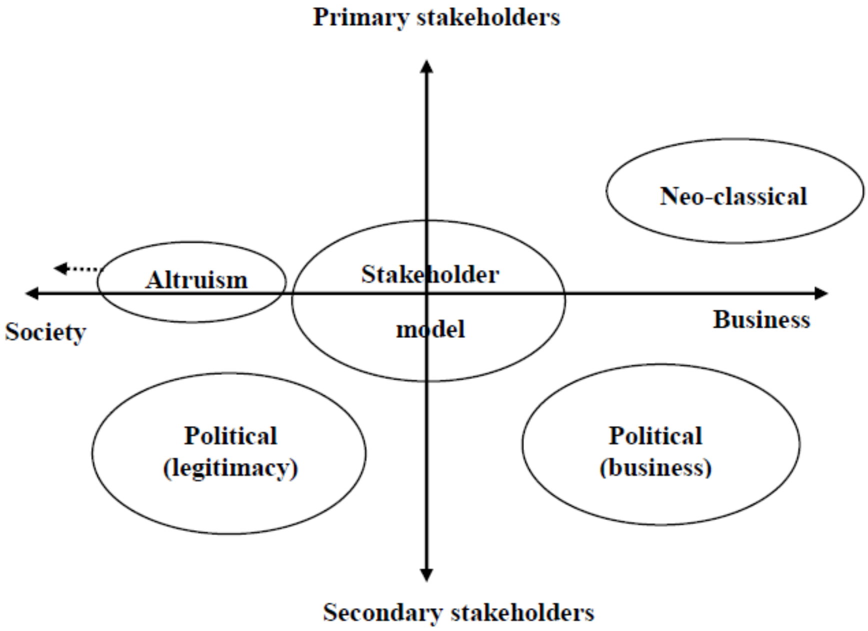

Figure 3: An Integrated Framework of Corporate Philanthropy (Reproduced from Moir & Taffler, 2004: p.152)

When considering corporate giving in the context of the performing arts specifically, it has been suggested that there are numerous factors which must be considered prior to a corporation donating to such an organisation, such as: "How much to donate?", "Where to donate?", "To whom to donate?" and "When to donate?" (Gianecchini, 2020). When answering these questions, the donor firm must ensure that the artistic organisation they choose to donate to operates in line with their desired corporate image. As such the donation can be seen as a firm level activity which will assist the corporation in the attainment of their internal goals and objectives, thereby reducing any conflicts of interest (Gianecchini, 2020). When we consider the motivations for corporate donations, the current literature suggests that there are five primary rationales for corporate donations to artistic organisations which influence strategic philanthropic plans, these being detailed as follows:

- **The Creation of Goodwill and Influence:** In the instance where a company come under public security due to questionable internal actions, a history of such charitable contributions can be seen as a public relations gesture which helps cultivate a positive image for the company as a socially responsible firm that actively contributes to the local community (Gan, 2006). This positive image in turn theoretically acts as a reputational insurance policy for the company that they can rely on when in a particularly vulnerable position (Bourdieu, 1993; Gan, 2006).

- **CEO Discretion:** It has been found that private contributions can be provided at the CEO's discretion and are usually in line with their individual interests or the interest of other company executives and their families (Hodge & Piccolo, 2005; LeClair & Gordon, 2000; Bourdieu, 1993).

- **Art as a "Door Opener":** It has been suggested that donations to the arts can open doors for companies to access new customers, as such philanthropic activity allows the firm to reach consumer segments they would not have otherwise (Bourdieu, 1993; Stead, 1985).

- **Prestige:** The charitable giving to an arts organisation is traditionally associated with the acquisition of a certain level of prestige and dignity, especially when donating to well-known and revered artistic organisations, which can intern or by association elevate the donor's image (Bourdieu, 1993; Stead, 1985).

- **The Local Community:** The arts are known for having a positive impact on the local community, not only in regards to the positive externalities of the arts, but also in terms of the economic spillover effects. Such a spillover is generated due to Additional Visitor Spend (AVS); this being all secondary expenses associated with the attendance of play or other cultural output beyond the price of admission, such as transportation, food and beverages, or accommodation, suggesting that a donation to the arts not only causes the recipient organisation to benefit, but other businesses within the local community (Bourdieu, 1993).

However, beyond the motives of the corporations to provide such funding, we must also consider means by which such corporations select their funding recipients, and the subsequent demands corporations make of recipient firms, in order to ascertain whether such funding can be seen as a truly beneficial source of income for the cultural organisation in question or if the drawbacks outweigh the benefits of such additional financial inflows (LeClair & Gordon, 2000; Frank & Geppert, 2002). First and foremost, corporations utilising strategic philanthropy aim to use such sponsorships and donations as a promotional tool. Therefore, funding is greatly skewed in favour of large organisations with higher foot fall and greater media coverage due to the increased reputational advantages associated with donations to an organisation with such mainstream prestige, resulting in an extremely disproportionate dispersion of corporate funding across the market. This is coupled with the relatively low bargaining power of the recipient due their need for such funding to remain operation, resulting in numerous concessions to be requested compromising the focal firm's independence (Frank & Geppert, 2002). Furthermore, a great deal of empirical research suggests that corporate donations are a means by which to raise the public profile of the company, therefore corporations tend to avoid funding any kind of artistic organisation that stages shows which discuss controversial or taboo issues. Similarly, corporations tend to avoid organisations of an innovative nature, as such shows may generate negative publicity or aversity which could have an effect on the donor firm's reputation due to their financial linkage with the theatre in question (Sherer et al, 2019; Useem, 1987). This desire to ensure funds are provided to safe organisations with low potential risk levels aligns with the notion that corporate donors tend to favour highly visible traditional funding opportunities, by which their donations will be publicised allowing for the maximum possible benefit (Sherer et al, 2019; Salomon, 1995). The preference for high visibility funding is due to the general tendency among corporations to want to increase their firm's perceived participation in community, as such an image aids the company in strengthening the notion that they "belong" in society, resulting in companies promoting their company's image or brand through high profile and high publicity philanthropy (Porter & Kramer, 2002; Kirchberg 1995; Baumol & Bowen, 1965). However, it must be noted that such high visibility donor strategies come at a price as it allows for a clear linkage between the donor and recipient, suggesting that the actions of one can affect the other; this being the rationale behind corporate donors' preferences for conventional repertoires as such a staging is less likely to cause a conflict which can indirectly affect the reputation of the corporation in question.

Based on the organisational preferences of such donors, it is generally suggested that corporations usually make two primary demands of recipient organisations. The first of these is the maintenance of a conservative or conventional repertoire that would not negatively impact the reputation of the donor corporation in any way, by associating the firm with any risqué or avant-garde subject matters (LeClair & Gordon, 2000). These restrictions can be seen as the corporation exerting power over the receipt organisation, as a means by which to curtail their artistic ingenuity and innovation, in a bid to improve the fortunes of the donor corporation (LeClair & Gordon, 2000; Useem, 1991; Kenyon, 1996). The second demand made of the recipient firm, is that of high visibility and publicity in repayment for their donation. This usually involves the inclusion of the corporate donor's name, logo, or insignia on the promotional materials of the given theatrical organisation such as playbills, posters, advertisements, and so on. This form of indirect advertisement allows the corporations to gain additional exposure as a by-product of their donation, allowing the firm to gain exposure within new and potentially untapped market segments in addition to highlighting the corporation's charitable nature through their linkage with a non-profit organisation thereby bolstering the reputational gains associated with the provision of such funding (Bukvic et al, 2016).

2.5.2.2. Government Support

Government funding to the arts is provided to recipient organisations through a successful grant application, rather than extensive fundraising efforts and is also perceived to be the most stable form of external funding available to such non-profit organisations (Hodge & Piccolo, 2005; Froelich, 1999). This notion of stability being due to numerous rationales, but most importantly because government grants are usually renewed without conflict, as long as the recipient firm has adequately complied with their funding requirements (Hodge & Piccolo, 2005; Kelly, 1997). This sense of continuity coupled with the fact that reliance on government subsidy precludes the need to undertake extensive and costly fundraising projects, has resulted in the belief that a funding strategy based on government subsidy exhibits the lowest level of revenue volatility when compared to alternative unearned revenue strategies (Hodge & Piccolo, 2005; Froelich, 1999). However, it cannot be denied that this income stability comes at a sizable metaphorical price for the recipient organisation, as these advantages tend to be offset by strong goal displacement effects, and an array of bureaucratic demands from the grant administration (Hodge & Piccolo, 2005; Froelich, 1999).

It has been widely acknowledged both within this thesis and within the general literature on arts subsidisation, that recent years have seen a substantial decrease is the availability of such government arts funding, however more interestingly this decline in funding has coincided with a simultaneous increase in the government's accountability for arts (Sherer et al, 2019). This brings rise to questions surrounding the government's rational for the provision of cultural funding, or in other words the economic justifier for such subsidisation (Caust, 2003). Especially in light of the ever-growing complexities of such a context not only in regards to the justification for arts funding, but within the direct relationships between the government and the artistic organisations they subsidise due to the ever mounting number of demands such arm's length bodies are placing on recipient organisations (Caust, 2003).

There are two primary arguments used as a means by which to explain the government's rational for proving subsidisation to the arts and cultural sectors, these being the "market failure" argument and the "spillover" argument (Peacock, 1994). In the case of market failure, such a phenomenon occurs in an instance by which the free market fails to achieve an efficient distribution of resources due to the presence of indivisibility, uncertainty or in-appropriability, resulting in the occurrence of an inefficient market equilibrium (Austen-Smith, 1994; Frey, 1999). In the case of the arts, market failure is said to occur due to the positive externalities associated with such cultural output resulting in the desire for more art to be produced and consumed, however such desires and demands remaining unfulfilled due to the underproduction associated with goods that possess known positive externalise (Peacock, 1994; Frey, 1999; Feder, 2018). These positive externalities also being the basis for second justification for subsidisation, this being the wider "spillover" benefits generated from cultural activities on society at large. Such wider benefits are seen as the primary justification for artistic subsidy when discussing the rational for the government's motive to fund such organisations, as the composite economic benefits gained from cultural funding outweigh the cost of subsidisation (Peacock, 1994; Centre for Economics and Business Research, 2019). It has been suggested that the total spillover benefits incurred through the subsidisation of the arts comprise three different impact categories:

- **Direct Impact:** A consideration of the value generated, and employment provided directly from the cultural sector, such an impact is generally measured in terms of Turnover, GVA, Employment, or Employment Compensation (Centre for Economics and Business Research, 2019).
- **Indirect Impact:** The value generated, and jobs supported within other industries that supply goods and services to the cultural sector and therefore indirectly benefit from arts subsidisation (Centre for Economics and Business Research, 2019).
- **Induced Impact:** Representing the value generated and jobs supported within the wider economy, due to the consumer spending of all employees associated with the direct and indirect impacts within the wider marketplace (Centre for Economics and Business Research, 2019).

In light of the general motivation for government funding to the arts being based on overall societal gain, it is vital to ascertain what stipulations are being placed on cultural organisation in exchange for subsidisation, with such restrictions acting as a means by which governmental funding agencies can ensure the aforementioned benefits to society are maximised, allowing for a greater theoretical return on investment. For example, the notion that cultural expenditure can be used to bolster urban economic development is now widely accepted by policy makers and academics around the world, resulting in the creation cultural strategies that commodify art and give priority to the exchange value of art, rather than its use value (Jenkins, 2009). This often focuses on the economic spin off effects of cultural spending, such as tourism, job creation, and gentrification, which now take priority over goals such as artistic innovation, creativity, and social commentary (Jenkins, 2009). The most prominent change associated with this shift in policy is that state funding has become focused on large cultural institutions and flagship projects aimed at attracting tourists, rather than increased operational funding for day to day use within arts organisations, resulting in numerous negative side effects, notably the severe financial strain incurred by smaller cultural organisations (Jenkins, 2009).

The stipulations placed on cultural organisations in exchange for government subsidisation, are designed in line with the wider government aims at the time (Radbourne, 1998). Such strategies intensify the degree to which funding acts as a means by which to achieve unrelated government objectives, however it is clear that societal benefits and larger governmental aims are at the core of any arts funding regulations and requirements rather than the arts in itself (Radbourne, 1998). This tendency for government agencies to use cultural investment as a means by which to attain goals within areas other than the cultural sector is known as instrumental cultural policy (Peacock, 2000). This term referring to the instrumentality of cultural policy to the central government due to the fact that such funding is in no way a means to an end in itself, but rather a means to achieving alternative goals as such as job and wealth creation, urban regeneration, social inclusion, community development ,and social cohesion, resulting in the value of the arts being measured by to their ability to foster social change rather than by their intrinsic benefits (Peacock, 2000; Vestheim, 1994).

2.5.2.2.1. Government Arts Funding in England

When considering the specific demands made of recipient organisations by government funding bodies, it is important to remember that these vary on a country-to-country basis and are dependent upon the given nation's larger objectives (Centre for Economics and Business Research, 2019; Equity, 2019). In regards to arts funding in the England, the DCMS is the principal source of government funding to the arts, as they act as the parental government department of ACE who are the primary arm's length body associated with cultural funding in England (Centre for Economics and Business Research, 2019). Although arts funding is actually disbursed by ACE, the primary function of the DCMS is to ensure that the plans of all non-departmental public bodies (NDPB) conform to the central government's general funding strategies, aims, and methods of the time (Peacock, 2000). As such, in simple terms, DCMS ensures that the vision and goals of ACE and all other NDPBs are in-line and allow for cohesion with the overall central government aims and policies, to ensure that cultural policy does not operate in isolation from or conflict with the broader pressures within society (Peacock, 2000).

The main funding stream of ACE being the National Portfolio Scheme, which acts in accordance with a traditional patronage model and supplies the vast majority of all funding offered by ACE (Peck, 2011). As of the 2018 to 2022 funding cycle, ACE provided £1.6 billion to 828 organisations within their national portfolio over a four year period, in comparison to £1 million dispersed among 663 organisations within the 2015 to 2018 funding cycle (Arts Council England, 2018; Arts Council England, 2015c; Arts Council England, 2022). In order to become a National Portfolio organisation, prospective firms must complete an application form and are assessed based on their ability to contribute to the ACE strategic framework, with a specific focus on how applicants would support excellence within the arts, help to ensure greater engagement with the arts, as well as proving increased opportunities for children and young people to experience such cultural output (Arts Council England, 2018; Arts Council England, 2017; Arts Council England, 2022). Further to this, organisations are also assessed on their financial viability and ability to effectively manage risk (Arts Council England, 2018; Arts Council England, 2017).

If ACE's current and most recent 2020 to 2030 strategic framework, entitled *'Lets Create'*, is used as the basis for the discussion of the criteria used to assess funding applications it can be ascertained that ACE makes substantial demands of successful applications as they must comply with all strategic aims, outcomes, and investment principals to a certain extent. In regards to the strategic aims of this report, at its core current funding strategies are concerned with ensuring the creation of more opportunities for everyone to enjoy the arts, as well as to developing their own individual creativity in order for the power of art to transform communities (Arts Council England, 2020). Further to this, the strategy focuses on ensuring diversity both in regard to the involvement of wider audiences, but also in terms of diversity within the artists themselves, ensuring the inclusion and presentation of artistic works from individuals of varied socio-economic and cultural backgrounds (Arts Council England, 2020). All primary aims of the ACE's current strategy are built around three primary outcomes and four investment principals as detailed below:

The Outcomes

- **Creative People:** Everyone should have the opportunity to develop and express their own individual creativity throughout their lifetimes.
- **Cultural Communities:** Villages, Towns and Cities throughout England should thrive through a collaborative approach to culture, suggesting that people should have full access to cultural programmes regardless of where they live.
- **Creative and Cultural Country**: England's creative and cultural sector should innovate, collaborate, and operate on a global stage (Arts Council England, 2020).

In order to achieve these three aforementioned strategic outcomes, all organisations, and individuals that ACE invests in will need to actively assist in ensuring that they are consistently working towards such social change, the management of these strategic aims is done through the use of ACE's four investment principles, which can be seen as a means by which to steer change (Arts Council England, 2020; Arts Council England, 2018).

Investment Principles

- **Ambition and Quality:** Any funded organisation must have an ambitious nature and be committed to constantly improving the quality of their work and output.
- **Inclusivity and Relevance:** Organisations need to ensure that England's diversity is fully reflected within all their practices.
- **Dynamism:** Organisations need to be dynamic and ensure they are able to quickly respond to changes within the marketplace, this involves the evolution of organisational missions and business models to ensure internal processes are in line with the rapidly changing external market.
- **Environmental Responsibility:** Cultural organisations need to ensure they redouble their commitment to environmental responsibility, by lowering their environmental impact, and guaranteeing that these businesses are being run in the most sustainable way possible (Arts Council England, 2020).

Arts Council England expects all organisation that are seeking funding to depict how they plan to apply these four investment principles to the internal workings of their organisations within their funding application, in addition to an explanation of how they will improve their performance against these objectives within a business plan spanning the proposed duration of investment (Arts Council England, 2020; Arts Council England, 2018). In the instance in which an organisation is granted ACE funding, the success of their proposed business plan will be monitored throughout the duration of funding provisions, in addition to business plan monitoring processes these firms are further assessed to ensure that they are consistently adhering to the regulations set out within their funding agreement (Arts Council England, 2018). The funding agreement is a key document in regards to understanding the demands of ACE on recipient organisations; it is the final funding contract between the two concerned parties which sets out the investment period, in addition to the requirements and conditions associated with the provision of such funding (Arts Council England, 2018). The primary requirement is that the given organisation complies with the four investment principles, however it is to be noted that if an organisation fails to meet the requirements as specified within their funding contract, such a breach could lead to the termination of funding, especially if a given organisations fails to provide a satisfactory diversity rating or alternatively fails to collect and present the required amounts of audience data (Arts Council England, 2018). Further to this, ACE monitors the risk levels associated with all organisations they fund, the overall risk of firm can be demarked as minor, moderate, or major based on four risk categories, these being activity/programme, governance and management, financial viability, and reputational risk (Arts Council England, 2018). These risk measures are used as a means for ACE to determine whether it is necessary to change the nature of their relationship with any given organisation, in regards to the need for further intervention or the addition new conditions to the recipient organisation’s funding contract (Arts Council England, 2018).

In conclusion, it is frequently seen that such cultural organisations lose sight of their programming aims in an attempt to comply with the numerous broad ranging social and environmental demand associated with the receipt of government arts funding (Equity, 2019). Resulting in cultural organisations operating in a manner more akin to a social enterprise, suggesting that governments may not be well equipped to support cultural firms as is currently believed. As despite the promotion of innovation within such arm’s length bodies the receipt of government funding tends to undermine creativity through the institutionalisation of the recipient organisations, in an attempt to meet broader government objectives rather than focusing on the enrichment of creativity and art in itself (Frey, 1999).

2.5.2.3. Earned Revenue

Non-profit organisations have a vast and diverse array of customers including both end stage customers and intermediary customers that fulfil numerous roles, such as consumers, patrons, donors, trustees, local governments, corporations, the local community, national government agencies, advocates, and volunteers (Bruce, 1995). Despite this vast array of customer groups, it could be suggested that all non-profit organisations have three primary groups which they must serve in order to ensure their survival, these being end stage clients, funders, or donors, as well as the organisation’s staff and volunteers (Kramer, 2001). Although all customer groups are vital to the success of the given firm, when considering the means by which non-profit organisations earn revenues, we must consider the prime group of interest to be the firm’s end stage consumers, these being the beneficiaries who utilise the final product or output generated by the organisation in question (Bruce, 1995). Earned revenues can be defined as the funds generated by a given firm or organisation through the sale of their primary and peripheral products (Bukvic et al, 2016). Within a non-profit theatrical context, the primary product would represent the cultural or artistic output produced by the firm whether in the form of a theatrical performance, concert, musical, or ballet for example, although in such cases the output in itself is not sold, but rather admission rights are sold in the form of tickets which allow audiences to experience the given artistic work and the organisation to earn box office revenues (Bukvic et al, 2016). Earned revenues are also generated through the sale of secondary products and services that are offered by the given theatrical organisation, these typically compliment the primary output and can often include the sale of snacks, drinks, and other refreshments within inhouse cafes, bars, and restaurants, in addition to the sale of souvenirs such as playbills, programmes, or t-shirts from a dedicated stall or concession (Bukvic et al, 2016). It has been suggested that earned revenues are perceived to be the least restrictive and most flexible source of funding available to non-profit theatrical organisation. Further to this, firms that have the ability to generate their own revenue, can simultaneously reduce their dependence on traditional sources of unearned revenues allowing for higher levels of organisational and strategic independence (Hodge & Piccolo, 2005; Froelich, 1999).

It cannot be doubted that an increased reliance on commercial activity reduces the levels of revenue volatility incurred by a given organisation while simultaneously increasing autonomy both artistically and financially, as the implementation of for-profit business techniques within such charitable firms can be seen as a means by which to ensure the success of the firm's non-profit mission as commercial activity is usually directly in line with the organisation's goals (Froelich, 1999). None the less, despite the positive implications of the increased independence and financial freedom associated with earned revenues, the achievement of such benefits can be seen as largely unrealistic due to the lack of value placed on end stage beneficiary customers within such a setting, as many non-profit organisations tend to concentrate too much attention on too few beneficiary groups namely focusing on funders (Bruce, 1995). Resulting in a lack of time and attention being paid to the fulfilment, utility, and demands of end stage consumer groups, especially within a non-profit theatrical context as such organisations tend to view ticketholders as beneficial yet ultimately replaceable when attempting to prioritise, manage, and preference the demands of various stakeholder groups within their numerous inter-constituency tensions (Bruce, 1995).

Only recently, due to the need to increase revenue diversification, have attempts been made by non-profit theatrical organisation to pay greater attention to their ticket holding consumers, resulting in an increased realisation of the importance of catering to and aiming to enhancing the utility of end stage customers within organisational planning and operational activities (Ryans & Weinberg, 1978). Prior to this change in theatrical funding patterns, relatively little was known about the acquisition and retention of audiences, consumer demands, and how to adapt to changing consumer needs within such a competitive and taste-based market (Ryans & Weinberg, 1978; DiMaggio et al, 1978). The culmination of a decrease in government funding, increased competition for alternative sources of unearned revenue, a reduction in consumer leisure time, as well as increased competition within the market itself has led such organisations to look past the numerical ticket sales figures in order to ascertain the quality of the experiential services they offer consumers (Hume et al, 2005; Bouder-Pailler, 1999 Cavenago et al, 2014; Bendixen, 2000). The importance of quality within the service sector has always been paramount, yet it has not been considered explicitly within the cultural sector, due to theatres focusing on wholly aesthetic concerns rather than a combination of aestheticism, reputation, and the perceived and actualised quality of a given show (Abbé-Decarroux, 1994). Therefore, theatre must now learn to recognise the characteristics of their individual audiences, including their desires, motives, and interest, in order to not only generate income but to attract, retain, and entice current as well as potential consumers (Bukvic et al, 2016). With recent budgetary cuts resulting in such non-profit organisations being forced to consider the market mechanism to a greater extent and operate at least partially based on the traditional tenants of supply and demand, which such firms have perpetually shied away from, under the guise of artistic integrity (Bukvic et al, 2016).

One of the key components of ascertaining the demands of consumers in a theatrical context, is gaining an understanding of consumer motives for going to the theatre, as this knowledge would allow theatrical management to help satisfy their customer's desires more accurately based on the achievement of outcomes centred around the pleasure and enjoyment of the consumer. Although the person to person differences in regards to the perception of pleasure within such a context are vast and must be taken into consideration due to the taste based nature of the arts (Abbé-Décarroux, 1994; Bouder-Pailler, 1999; Martin & Mayrick, 1975). Numerous studies have attempted to identify a single goal, expectation, or aim for the undertaking of such an activity from a consumer perspective, however singularity of intention or enjoyment within a theatrical context seem to be rare and such actions are usually dictated by numerous comingling factors (Bouder-Pailler, 1999). For example, Hawed (1979) suggested that motives for such a leisure activity can include relaxation, introspection, pleasure, intellectual simulation, meditation, socializing, family ties, obligation, self-knowledge, personal development, pleasure, and creative expression to name a few (Bouder-Pailler, 1999). While Veblen (1899) within his theory of conspicuous consumption believed that the attendance of theatrical activities is more likely to be associated with the attainment of status and prestige, rather than momentary satisfaction (Bouder-Pailler, 1999). Due to the lack of agreement on a singular motive for consumer attendance to the theatre, it has alternatively been suggested that three simultaneous motives are at play and therefore must be fulfilled when an individual attends a theatrical showing, these being social recognition and acceptance, entertainment, as well as intellectual engagement and emotional stimulation (Bouder-Pailler, 1999; Steinberg et al, 1982). Although not definitive, the culmination of these three motives is suggested to encompass all the primary motives depicted by the vast majority of consumers, notwithstanding the instances of outliers and unexpected motivations. As such, the successful fulfilment of the associated demands attached to the three key motives for attendance would allow for most consumers to gain some level of unity when watching a given performance.

The expectations of a consumer prior to their attendance of a theatrical show is directly linked to their perception of quality and by association their actualised satisfaction (Vigolo et al, 2019). Within such a context satisfaction can be defined as the fulfilment of a consumer's desires based on a pleasurable level of consumption (Voss & Cova, 2006; Oliver, 1996). Within much of the current literature on consumer satisfaction and demand within a theatrical context, it is believed that an organisational goal of consumer satisfaction and by association the adaption of a consumer centric approach within non-profit organisations would naturally lead to the alternation of a theatre's given repertoire to suit the demands of consumers (Jobst & Boerner, 2011). With many academics suggesting that consumers value popular or lowbrow works with high entertainment value, rather than avant-garde or highbrow showings which attract a more selective audience and tend to be associated with relatively short show runs (Werck & Heyndels, 2007; Throsby, 1990; Urrutiaguer, 2002). This implies that adapting to a commercial or consumer focused approach would result in theatrical organisation making artistic sacrifices and compromising their artistic mission in the attempt to raise earned revenues and demand (Jobst & Boerner, 2011; DiMaggio, 1987). However, in contrast it has been found that this may not always be the case although heavily presumed, it has been noted that audience may not want or need this influx of "safe" or "lowbrow" productions that are automatically associated with consumer-orientation within the arts, as such alternation in artistic repertoire might do more damage than good to the firm in question due to the one-dimensional nature of such consumer demand assumptions (Jobst & Boerner, 2011; Werck & Heyndels, 2007; Kotler & Kotler, 1998; Kotler & Scheff, 2007).

As we have aforementioned, quality seems to be of the utmost importance in regards to the propensity for consumers to attend the theatre, therefore it is necessary to break the notion of quality down into multidimensional components, rather than the singularity associated with traditional assumptions surrounding theatrical demand (Werck & Heyndels, 2007). Therefore, suggesting that there are numerous characteristics within a given play that a consumer can derive utility from based on the perception of these characteristics as "good", therefore the identification of these quality components and their successful execution are vital to ensuring a positive impact on theatrical demand rather than simply staging shows with higher perceived mass appeal (Werck & Heyndels, 2007; Abbé-Decarroux, 1994; Lancaster, 1966). When considering the quality of the show itself and the associated demands of consumers, the quality of a show in such a context is not being viewed as a one-dimensional construct based on the aesthetics of the show. Instead, quality is derived on the basis of numerous diverse criteria, which not only assist in understanding consumer demand, but also gaining a deeper knowledge of repeat custom and consumer retention (Throsby & Withers, 1983; Abbé-Decarroux, 1994). Quality within the theatre is based on both the technical quality and the functional quality, these being regarded as the perception of the quality of the core service offered, as well as the perception of the manner of delivery respectively (Voss & Cova, 2006; Eiglier & Langeard, 1988; Parasuraman et al., 1985). If we were to attempt to ascertain the quality of a single performance as a means by which to judge its success, the primary components of interest would include the perceived and actualised quality, emotional responses to core service, the notion of risk and uncertainty, and the given individual's subjective assignment of probabilities to alternative possible outcomes (Jobst & Boerner, 2011; Abbé-Decarroux, 1994; Knight, 1921). For example, it has been found that press reviews have a significant impact on attendance and as such positive reviews reduce the perceived risk of attendance and increase the perceived quality (Abbé-Decarroux, 1994). Unexpectedly however, it has been found that the nature of a play in regards to type, genre, or commonality don't seem to have a significant impact on consumer demand or perceived quality, instead the reputation of the author, producer, and cast are seen as essential parameters by which consumers judge the quality of a play. This suggests that the quality of a given theatrical output cannot be said to be limited to the notion of the play itself, but rather what the theatre does with this play, in regard to their adaptation, casting, and general interpretation (Abbé-Decarroux, 1994).

However, it has recently been found that it is not only the quality of the play itself that a consumer is expecting and as a result demanding, as ticket holders are also expecting a high quality of service for the entire duration of their visit including pre-arrival and post departure. This includes details such as ease of booking facilities, ticket collection options, the technical competency of the venue, crowd management, hygiene, as well as the quality and number of secondary services offered (Jobst & Boerner, 2011). All of these factors coupled with the quality of the primary service are positively associated with consumer satisfaction, the positive perception of such overall quality is seen to lead to an increased likelihood of repeat custom due current consumer view's which suggest that attending the theatre should amount to a cumulative experience (Jobst & Boerner, 2011; Hume et al, 2005; Oliver, 1993). It has been found however that although consumers value the entire experience, theatrical management seem to only consider the show itself within their promotion, positioning, and marketing, resulting in the experience being prematurely truncated from the consumer's perspective leading to detrimental impacts on the abilities for such organisations to meet and satisfy consumer needs due to the current mismatch between consumer demands and theatrical offerings (Hume et al, 2005).

In summary, although earned revenues are seen to be the least restrictive form of earnings in regards to the constrictions associated with the receipt of such funding, there are none the less demands from consumers which must still be contended with if such funding is to be successfully generated. In addition, there also exist conflicting demands within this stakeholder dyad, as compliance with consumer demands may lead to dissatisfaction within other resource dependent relationships. None the less it is still a balancing game for non-profit theatrical organisations as they cannot necessarily fulfil consumer demands to their fullest extent due to the potential repercussions on to other stakeholder relations (Throsby, 1990). However, it can be suggested that the primary factors of note to appease ticket holders fall into five primary categories: nature of source material, standard of performance and technical factors, intellectual stimulation, development of individual state, as well as entertainment and recreation (Jobst & Boerner, 2011; Throsby, 1990). However, the means by which organisations balance these audience-based factors with their social and artistic goals, coupled with the demands of their other funders is dependent upon their funding mix and overall organisational aims. Yet it is vital for such organisations to pay greater attention to the demands of customers, as this misnomer of earned revenues having the lowest associated demands, is primarily due to the persistent lack of gravitates paid to this consumer group and their preferences, rather than a lack of demands from the consumer's perspective.

2.5.3. The "Crowding-out" and "Crowding-in" Phenomenon

In recent years it has been more important than ever for theatrical organisations to diversify their revenue streams due to the persistent decline in government funding available both at a national and local level (de Wit & Bekkers, 2016). Therefore, in order for such organisations to ensure their long-term financial viability, it has been necessary to reach out to private donors in order to bridge the gap, resulting in such organisations receiving income from a number of sources including fees for service, dues, rental of space and/or equipment, government grants, corporate donations, foundation grants, and private patronage (Smith, 2007). Despite the broad range of revenue sources theatrical organisations must contend with and manage, this diversification of external funding sources has led to questions being raised around the relationship between government funding and private donations to non-profit organisations, with a specific focus on whether government subsidies to non-profit organisations stimulates or inhibits private donations, this being known as crowding-in and crowding-out respectively (Kim & Van Ryzin, 2014; Brooks, 2000a; Hughes et al, 2014; Borgonovi, 2005). The term crowding-out refers to a situation in which the presence of government funding displaces or discourages private giving, while crowding-in refers to the possibility that government funding may leverage or encourage private donations to non-profit organisations (Brooks, 2000a; Kim & Van Ryzin, 2014). At present, there is a wide array of literature surrounding the economic Crowding-out Theory, and its implications within an assortment of non-profit sectors around the world, however results of such studies are extremely mixed and seem to vary greatly based on the sector and location under review (de Wit & Bekkers, 2016). As such no definitive conclusions can be drawn surrounding this relationship. None the less, the existing research provides invaluable insights both theoretically and empirically as to whether private donors view or perceive government subsidy as a substitute for their donations, and therefore reduce or forfeit their own contributions (Kim & Van Ryzin, 2014).

When considering the existing literature specifically surrounding the crowding-out phenomenon within the cultural sector the results are also extremely mixed, mirroring the overarching message of the literature in a more general context, this seems to be due to the varied nature of the crowding-out or crowding-in phenomenon, suggesting that its strength, occurrence, and likelihood varies on a case by case basis. For example, while using firm level data, Kingma (1989) found that every $1 of government subsidy provided to public radio broadcasting organisations, crowds-out about $0.15 in private giving, further suggesting that an increase in $10,000 of government funding would lead to a decrease in private support by $1,350 (Hughes et al, 2014; Smith, 2007). In contrast, Hughes et al (2017) found that government support has a positive impact on private donations in the context of US based Symphony Orchestras, suggesting that every $1 of government subsidy crowds-in in roughly $2 of private giving (Hughes et al, 2014). Furthermore, Okten & Weisbros (2000) examined the presence of the crowding-out phenomenon within a variety of non-profit organisations including art galleries, however it was found that there is no significant relationship between government subsidy and private donation within such a context. Finally, a study by Smith (2007) of 2,629 arts organisations within the USA over a 6-year period found that there is significant crowding-in effect in play, with $1 of government subsidy resulting in the crowding-in of private donations ranging from $0.947 to $1.146, which could signify a leveraging effect of nearly 68%.

As the aforementioned empirical results do not provide us with any conclusive means by which to predict a pattern of crowding-out, it is vital to further investigate this phenomenon, especially in light its lack of conventionality in regards to its occurrence. This lack of conventionally by due to the notion that crowding-out does not necessarily occur in a linear fashion, but rather exhibits an inverse U-shaped relationship. During a study of American Symphony Orchestras, Brooks (2000a) suggests that there is a point beyond which total unearned revenues actually fall when public subsidies increase, until this point crowding-in occurs, as such at low levels of government funding, private philanthropy is encouraged, but beyond a certain point such funding acts as a disincentive resulting in the onset of the crowding-out effect (Brooks, 2000a). Since the initial introduction of this proposition of an inverse U-shaped relationship between private and government funding to non-profits by Brooks in 2000, these finds have been further confirmed by

Borgonovi (2005) within the context of American non-profit theatres. The findings of this study suggest that lower levels of government support result in an increase in private donations due to the added value associated with government subsidy, none the less when level of public support increase, private donors perceive this to imply a substantial degree of government control within the organisation and resultantly reduce their donations (Borgonovi, 2005). In empirical terms, it was found that at a level of $10,550 in government support the marginal effects of public support are zero, suggesting that beyond such a threshold negative effect begins to occur (Borgonovi, 2005).

Furthermore, it must be noted that crowding-out and crowding-in can occur to varying degrees as seen by these empirical studies, this variation being due to the perceptions of the private donors as well as the behaviours of the recipient organisation. From a traditional perspective, crowding-out occurs because as government subsides increase, donors perceive less need for private donations, while in contrast crowding-in occurs because government grants provide a sense of prestige or credibility to a given firm, therefore enhancing their eligibility for donations (Hughes et al, 2014). However, it has been found that this phenomenon cannot be explained quite so plainly in practice, as the occurrence of either crowding-out or crowding-in is very much based on the donor's perception as to whether they perceive government funding as a substitute for private donation or a compliment. Furthermore, the utility, "warm glow", or prestige the donor receives from the act of giving must be considered as this will impact their response to a change in government support (Hughes et al, 2014). Abrams & Schitz (1978) proposed three modules of crowding-out based on the level of substitutability perceived by the private donor. These models are the ultra-rational model, the interdependent utility function model, and the better-to-give-then-to-receive model (Hughes et al, 2014). Beginning with the "ultra-rational" model, this model suggests that individuals view government subsidy as an extension of themselves, as such funds are usually generated through individual taxation, therefore resulting in complete crowding-out (Hughes et al, 2014; Abrams & Schitz, 1978). The "interdependent utility function" model suggests that donors gain utility from helping an organisation in need, as an increase in government subsidy will lessen this need, this will also result in partial crowding-out due to a reduction in private donation due to the associated reduction in utility gained from such giving (Hughes et al, 2014; Abrams & Schitz, 1978). Finally, the "better-to-give-then-to-receive" model assumes that the level of private donation an organisation receives is independent of government subsidy, therefore the instance of an increase in government subsidy to a given firm crowding-out will be minimal due to the proposed disconnect between these funding types (Hughes et al, 2014; Abrams & Schitz, 1978).

Further to the direct crowding-out effects discussed as a result of changes in donor perception, indirect crowding-out can also occur due to a change in the behaviour of the focal organisation as a result of a change in the amount government subsidy they receive, most commonly this change in behaviour pertains to the programming choices and fundraising efforts of the recipient organisation (Hughes et al, 2014). In regards changes in the programming of a given theatrical organisation, it has been widely acknowledged that arts organisations deal with conflicting stakeholder interests on a daily basis, therefore the degree of resource dependency experienced by an organisation on varied groups determines the importance and concentration of its stakeholders and the associated fulfilment of demands (Hodge & Piccolo, 2005). As such, if the level of government subsidy a given organisation receives increase, it could be suggesting that the focal firm would align their repertory section to the preferences of their most prominent or largest funder which in this case would be the government, as it has been found that funding bodies or grant organisations are most likely to fund firms that have similar values to their own (Voss et al, 2000). Furthermore, it has been ascertained that different external funding groups respond to different company values; thus, companies must position themselves in a specific manner in order to maintain stakeholder relationships (Voss et al, 2000). Therefore, in the instance when a theatrical organisation positions themselves in a manner to maintain relationships with their government funder, this could lead to the indirect crowding-out of private donations as this funding group may no longer feel that their demands or needs are catered to due to the shift within the focal firm (Voss et al, 2000; Hughes et al, 2014). Similarly, indirect crowding-out can occur due to a change in a theatrical organisation's fundraising efforts especially on occasions where an organisation is not aiming to maximise their unearned revenues but are simply aiming to reach a specific target (Borgonovi, 2005). It has therefore been proposed that an increase in government funding reduces the need for other external funding, as such firms often seek alternative funding less actively by reducing their fundraising efforts, which intern leads to a reduction in fundraising thereby private patrons donate less resulting in further indirect crowding-out (Andreoni & Payne, 2001; Borgonovi, 2005).

A number of studies have examined the empirical evidence surrounding indirect crowding-out specifically in terms of the impact of a reduction in fundraising budgets and efforts, for example Andreoni & Payne (2011) found that a $1,000 increase in government grants will result in classic direct crowding-in of $45, a reduction in fundraising expenditure of $137 and a resultant indirect crowding-out of $772, thus, the $1,000 increase in government funding, only results in a net increase of $410 after taking into consideration the implications on fundraising efforts (Andreoni & Payne, 2011). Similarly, Dokko (2005) examined the relationship between these two funding types within a panel of non-profit arts organisations, findings of which suggest that $1 increase in government subsidy crowds-out funding efforts, resulting in the effective crowding-out of private giving by as much as $0.63 (Smith, 2007).

Thereby the implications of the crowding-out phenomenon go beyond the unidimensional implications of direct impacts, and span numerous realms of indirect effects, with the overarching and full span of such a phenomena remining vastly under researched leaving such non-profit organisations inadvertently vulnerable to falling prey to such negative ramifications.

2.6. The Implications of Resource Dependency Within the Arts

Section 2.1. Theory Overview of this literature review discusses the fundamental theoretical backing of RDT which can be seen as exceptionally relevant to the given empirical context in light of theatrical organisations regularly rely on external constituents and parties for vital resources, namely in the form of unearned revenues resulting in high levels of external resource dependency within such firms. It has been noted widely within current academic literature, that despite an organisation's desire to operate completely autonomously, this level of independence is sadly unfeasible due to the inability of firms to be wholly self sufficient, resulting in the inevitable need for interorganisational relations, suggesting that an organisation's internal processes, health, and survival are inextricably linked to their resource constraints and dependencies on external constituents (Hodge & Piccolo, 2005). However, it is vital to remember that the existence of these external relations and their effective management have a marked impact on the focal organisation in question, as the demands of external resource providers can alter numerous facets of an organisation's processes and practices (Froelich, 1999). The facets of an organisation which are affected by such dependencies to the greatest extent are organisational legitimacy, autonomy, innovation, orientation, and internal efficiency.

When considering each of these facets individually it has can be suggested that an increase in organisational legitimacy as a result of high levels of dependency on government funding is one of the only favourable repercussions of such a resource dependent relationship, while the loss of organisational autonomy proves to be the major drawback of external resource dependency. This loss of autonomy resulting in the need to alter further internal processes to comply with the demands of external constituents which in the case of theatrical organisations usually refers to changes in levels of organisational innovation and efficiency, as well as a shift in the firm's organisational orientation. All such factors will be discussed in detail within the following sub-sections both on a theoretical and practical level, while taking into consideration the specific context of theatres as well as the broader cultural sector.

2.6.1. Organisational Legitimacy and Reputation

Organisational legitimacy can be defined as the "generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p.547; Drees & Heugens, 2013). Regardless of the rational or ferocity, all organisations most pursue a goal of organisational legitimation to some extent, as it is necessary for firms to seek to establish a likeness between the social values associated with their activities and the norms of acceptable behaviour within the larger social system of which they are a part (Dowling & Pfeffer, 1975; Jung & Moon, 2007; Deephouse & Carter, 2005). This process being known as legitimation, whereby an organisation must justify their existence to the incumbents, current market, or social system, in order to continue their present activities (Maurer, 1971: 361; Dowling & Pfeffer, 1975). As such, the outcome of organisational legitimacy is derived from the process of legitimation, through which an organisation takes actions to adhere to the social norms and values relevant to their given market (Dowling & Pfeffer, 1975). However it must be noted that the attainment of organisational legitimacy is a constant struggle and process for any firm, as it is vital to ensure the continued legitimacy of the given organisation due to the constant shifts and changes in the notions of what is acceptable within a given society, resulting in the need to change organisational norms and alter organisational behaviours, as well as the constant adaption to changing social values and rules in order to ensure the continuation of legitimation and by association organisational legitimacy (Dowling & Pfeffer, 1975; Ruef & Scott, 1998; Deephouse & Carter, 2005). There are two primary forms of organisational legitimacy, these being constitutive legitimacy and socio-pollical legitimacy, the former of which is gained based on the number of similar organisations within society, while the latter is gained through public recognition namely the receipt of grants and contracts (Jung & Moon, 2007). It must be noted that although all organisations partake in the process of legitimation, it is likely that its constraints affect some organisations more than others. This increased affect and by association the increased need to ensure legitimacy could be due to numerous factors, namely the increased visibility of the certain organisations, and a firm's level of dependency on external parties for social, political, or monetary support, with both of such circumstance resulting in a need for and attainment of higher levels of organisational legitimacy (Dowling & Pfeffer, 1975; Singh, Tucker & House, 1986). Therefore, it could be suggested that organisations in highly visible industries, that are dependent on political, social, and governmental benefits are more heavily engaged in legitimating behaviour. Thereby, when considering the matter of organisational legitimacy from the perspective of non-profit theatrical sector, such firms could be deemed to be heavily geared towards organisational legitimacy and therefore the highly reliant on process of legitimation with a focus on socio-political legitimacy (Dowling & Pfeffer, 1975; Ruef & Scott, 1998; Deephouse & Carter, 2005).

Organisational legitimacy and more specifically socio-political legitimacy is inextricably linked with the interorganisational exchange of resources and by association Resource Dependency Theory, as it has been suggested that legitimacy is necessary to ensure the engagement in interorganisational transactions, resulting in the process of legitimation being somewhat vital to the survival of any given firm (Dowling & Pfeffer, 1975). Once an organisation is perceived as legitimate, they are usually rewarded with resources, such an organisation's adherence to social norms allows the firm to increase their embeddedness within the institutional environment resulting in the establishment of ties and engagement in associated interorganisational resource-based transactions (Walker & McCarthy, 2010). As Terreberry (1968) suggests:

"The view taken here is that legitimacy is mediated by the exchange of other resources. Thus, the willingness of firm A to contribute to X, and of agency B to refer personnel to X, and firm C to buy X's product testifies to the legitimacy of X" (Terreberry, 1968: p.608; Woodward, Edwards, and Birkin, 1996; Dowling and Pfeffer, 1975)

Therefore, it could be suggested that resource based or information based transactions between organisations can act as a measure or assessment of a firm's organisational legitimacy (Jung & Moon, 2007). However, such a notion proves to be rather conflicting due to the cyclical nature of organisational legitimacy, by which firms require a certain level of legitimacy to enter into such interorganisational transactions, however conversely such resource exchanges are also a means by which to gain legitimacy (Jung & Moon, 2007; Dowling & Pfeffer, 1975; Terreberry, 1968). A firm's interaction within such interorganisational relationships can benefit the focal firm's legitimacy in three primary ways; the first being the bandwagon effect, as the engagement within such arrangements can effectively allow for the creation of cognitive legitimacy, within the organisation's population due to the suggestion that if one legitimate organisation is interacting with the focal firm, other legitimate firms will metaphorically jump on the bandwagon and do the same (Drees & Heugens, 2013; DiMaggio & Powell, 1983; Scott, 2011; Heugens & Lander, 2009). Secondly, it has been suggested that the interaction with external actors who themselves possess high levels of legitimacy, can result in this external legitimacy "rubbing off" on the focal firm (Pfeffer & Salancik, 1978; Drees & Heugens, 2013; Baum & Oliver, 1991; Bitektine, 2011). Thirdly, interorganisational relationships can allow a focal firm within partial legitimacy to gain further legitimacy through the alteration of their identity to align more closely with fully legitimate firms, thereby resulting in a positive effect on the focal organisation's legitimacy Drees & Heugens, 2013).

When specifically considering organisational legitimacy in the context of non-profit theatrical organisations, such firms can build and bolster their levels of socio-political legitimacy through the receipt of government subsidy, that is granted on a merit basis in recognition of the organisation's artistic repertoire and overall performance (Jung & Moon, 2007; Sherer et al, 2019). As it has been suggested socio-political legitimacy connotates approval by authorities including the state, which further implies an organisation's adherence or conformity to legal and social norms resulting in endorsement from powerful actors (Walker & McCarthy, 2010; Rao et al, 2000; Haveman & Mukti, 2004). Therefore, by securing a highly competitive government subsidy or grant, the organisation in question gains socio-political legitimacy, as the receipt of such funding is perceived as positive recognition of their organisational performance (Jung & Moon, 2007; Kirchberg, 2003). The acceptance of these public funds enhancing an organisation's reputation, which in turn further helps the firm in their efforts to raise additional funds from alternative sources such as foundations, corporations, and individual donors due to the organisation's heighted social standing (Jung & Moon, 2007). The magnitude of the legitimating effect or gains associated with the receipt of government subsidy within such cultural organisations is closely linked to the level of government authority providing the funds, as higher levels of legitimacy are gained through the receipt of funding from the central government rather than a local authority due to the greater perceived sense of gravitas associated with central governments (Jung & Moon, 2007). As such academics in favour of government subsidy as a catalyst for legitimacy suggest that the receipt of these funds acts as an endorsement, signifying the quality and merit of the focal organisation's output, resulting in a positive effect on private donations due to the symbolic stamp of approval associated with government arts subsidy (Jung & Moon, 2007). It is suggested that such funding provides further benefits to the recipient firm, most importantly increased financial stability as well as an increase in the recipient firm's management capacity, political power, and ability to focus more attention on their social mission allowing for the provision of more social services resulting in greater validation from the community at large (Lu & Zhao, 2019; Frumkin & Kim, 2002). In contrast however, it has also been suggested that the receipt of government funding does not provide increased levels of legitimacy to the focal firm, due to the stipulations attached to such funding, by which the receipt organisation must comply with certain norms of public interest and accountability, resulting in a reduction in autonomy (Jung & Moon, 2007; Deephouse & Carter, 2005). Further to this, the guaranteed provision of such unearned revenues can act as a disincentive to creativity and can result in the given organisation losing their individualistic nature and unique characteristics, resulting in a further loss of legitimacy as well as a reduction in charitable giving from alternative sources (Jung & Moon, 2007; Borgonovi & O'Hare, 2004).

Therefore, it is generally believed that government funding to cultural organisations often acts as a double-edged sword, as the receipt of such funding not only interrupts the normal operations of a non-profit organisation in question but also reduces the firm's organisational autonomy in regards to repertory development and financial management. However, conversely, such funding also allows for increased socio-political legitimacy through its positive effects on reputation and recognition, which simultaneously stimulates private giving which aids in the focal firm's achievement of financial stability, (Froelich, 1999; Grønbjerg, 1993; Jung & Moon, 2007). As such the impact of a non-profit organisation's ever growing external resource dependency within the context of organisational legitimacy is a somewhat conflicting topic, due to numerous simultaneous implications of such a diverse range of external funders and their corresponding effects on the firm's level of legitimacy, ultimately resulting in a proverbial chicken and the egg conundrum, as it is vital to ascertain what came first the organisational legitimacy or the government funding (Froelich, 1999; Deephouse & Carter, 2005; Walker & McCarthy, 2010).

2.6.2. Organisational Autonomy

Resource Dependency Theory emphasises that full organisational autonomy is the ideal situation for any given firm, as the theory also posits that organisations can be seen to actively attempt to avoid interorganisational relationships due to the negative ramifications of external resource dependency on a firm's organisational autonomy (Oliver, 1991; Pfeffer & Salancik, 1978; Arvidson & Linde, 2021).None the less, since it is nearly impossible for firms to generate all the resources they require for survival internally, it becomes a necessary evil to engage in resource dependent interorganisational relationships to ensure the survival of the focal firm, despite a loss in control over the maintenance of organisational values, goals, image, and identity (Pfeffer & Salancik, 1978; Arvidson & Linde, 2021). Organisational Autonomy refers to an organisation's freedom to make their own decisions about the use and allocation of internal resources, without reference or regard to the demands or expectations of potential external linkage partners (Oliver, 1991). More specifically, it can be suggested that organisational autonomy pertains to a given firm's freedom to pursue a self-determined plan or purpose free from external constraints (Jung & Moon, 2007).

Considering the necessity of interorganisational relationships in an attempt to procure vital resources, it can be found that there are numerous related factors which can affect a given firm's level of organisational autonomy, such as external pressures, external power, as well as a shortage of vital resources (Seo, 2016). In regards to non-profit theatrical organisations and NPOs more generally, the loss of organisational autonomy within such firms is usually due to the high levels of reliance on external funders namely private donors and governmental agencies, both of which result in the loss of organisational autonomy in some way due to the demands of these resource providers (Sherer et al, 2019). With different funders having different expectations and therefore placing different constraints on the recipient organisation, resulting in variations to organisational behaviour based on the aims and specifications of the funders themselves (Sherer et al, 2019). Furthermore, the level of organisational autonomy lost is based on two primary factors within such a scenario, these being the nature of the external resource provider, as well as the intensity of the interorganisational relationship. Intensity being classified by the magnitude of resource investment required by the relationship, as well as the degree of commitment required by the recipient firm, where commitment denoted the extent of an organisation's obligation to share authority and reciprocate its relations with a linkage partner (Rodgers, 1974; Galaskiewicz, 1985; Oliver, 1991). Studies have found that the reliance of non-profit organisations on external resources negatively impacts the firm's organisational autonomy, constraining their ability to make strategic, financial, and artistic decisions, resulting in a lack of flexibility over firm programming, client relations, as well as desired outcomes (Verschuere & De Corte, 2012).

The means by which a firm's autonomy can be compromised are based on the demands of their external resource providers, and can include factors such the commitment of time, personnel, capital, or other resources to joint programs, joint ventures, or other forms of resource sharing and exchange obligations (Oliver, 1991). In other instances, an organisation may also relinquish formal decision-making autonomy to external constituents or, in extreme circumstances, even have to concede to the discretion of external parties in terms of their internal processes and final outputs in exchange for vital resources (Oliver, 1991). The loss of organisational autonomy is said to have three predominant negative consequences on the focal firm in question. First, the reduction in decision making power associated with a loss of organisational autonomy which in turn curtails the organisations' ability to effectively command processes and recourses in order to effectively respond to alternative demands (Oliver, 1991). Second, a loss in organisational autonomy during the process of relationship formation may impede a firm's capacity to respond to future unforeseen contingencies as they arise in the environment. Third, it has been noted that an organisation's initial willingness to relinquish some control to external agents can be seen to indicate the probability that external parties can exert higher levels of control in the future, as this initial concession results in the generation of additional demands, therefore causing the progressive loss of autonomy over time (Oliver, 1991).

The loss of organisational autonomy stems from a lack of power within a dyadic relationship between the focal firm and the resource provider. The procurement of power is gained by maintaining a low level of dependency on any one funder within the dyad, coupled with high level of internal power to ensure a power advantage allowing the non-profit in question to obtain favourable exchange terms as well as ensuring the stability of incoming resources without the loss of high levels of autonomy (Sherer et al, 2019). In light of the negative ramifications of a loss in organisational autonomy, several organisations strive to increase such autonomy, with theatres attempting to diversify their revenue streams and as such reduce the intensity of their dependency on any one resource provider through the creation of a portfolio of resource providers, which is said to allow firms to achieve greater independence from their environment and pursue self-interested goals that are not modified or curtained by linkage partners (Sherer et al, 2019). Suggesting that such non-profit organisations are able to increase their autonomy over their internal processes and actions in the instance when they have enough internal organisational power or are in a position whether they can diversify their interorganisational relationships therefore reducing their level of reliance on any given provider (Seo, 2016).

The attempts of non-profit theatrical organisations to increase organisational autonomy have usually been seen to involve a rection in a firm’s level of resource dependency on government agencies such as ACE or DCMS in favour of more diversified streams of unearned revenues, including an increased prevalence placed on private donations from individuals, corporations, and foundations (Jung & Moon, 2007). This is due to the high levels of regulation and bureaucracy which are usually associated with the governmental funding of non-profits, due to the need to adequately deliver public services and social initiatives. The fulfilment of these government demands interrupts the normal operations of the organisation as it reduced internal autonomy over repertory selection, as well as financial management (Jung & Moon, 2007; Seo, 2016). However, these attempts to diversify unearned revenue sources although beneficial in regards organisational autonomy, do still come with their own set of drawbacks most notably a reduction in organisational financial stability and organisational legitimacy, both of which are associated with high levels of government funding. The diversification of resource providers can lead to increasing levels of conflicts between the demands of different external constituents leaving the focal organisation unable to respond to all environmental demands satisfactorily (Jung & Moon, 2007; Arvidson & Linde, 2021). It has frequently been found that the organisational legitimacy gained from government subsidy usually acts as a catalyst for alternative funding, as this proverbial stamp of approval tends to increase the propensity of individual, foundation, and corporate donors to donate a given organisation. Therefore, such diversification strategies can prove to be fraught by numerous complications, including a reduction in a firm’s propensity to attract private donations, resulting in organisations needing to make a choice between the procurement and retention of organisational autonomy or organisational legitimacy.

2.6.3. Organisational Innovation and Repertory Selection

The measurement of innovation within the theatrical sector is fraught within complications, due to the subjective nature of artistic works resulting in extremely varied opinions on what can constitute artistic innovation, prohibiting the creation of a unified and standardised measure of innovation within such a sector (Pierce, 2000; DiMaggio & Stenberg, 1985; Knight & Harvey, 2015). Further contradictions have occurred in regards to the source of innovation within the theatrical sector, by which traditionally it would be the individual artist or playwright that would be seen as the source or generator of innovation rather than the organisation that merely staged the play, resulting in the origin of innovation also being a matter of contention within the industry at present (DiMaggio & Stenberg, 1985). Despite the lack of a unified framework, it has been suggested that within the context of the cultural sector, there are four primary types of innovation which an organisation can choose to peruse as can be seen below (Bakhshi & Throsby 2009, 2010; Camarero et al, 2011):

- **Innovation in Extending Audience reach:** Generating new audiences through the use of new information technologies.
- **Innovation in Art Form Development:** Innovation in regard to content creation.
- **Innovation in Value Creation:** Utilising existing cultural assets in order to create greater value for visitors.
- **Innovation in Business Management:** Cultural organisations face challenges in strategic management which often require innovative methods of cultural management (Camarero et al, 2011).

Although all four forms of innovation are valid and will undoubtably benefit an organisation in a variety of ways, it can be suggested that based on these four general categories, the most prevalent and poignant form of innovation in the case of a theatrical organisation falls under the umbrella of “Innovation in Art Form Development”, especially when considering the impact of unearned revenues on innovation (Camarero et al, 2011; O’Hagan & Neligan, 2005). Despite the lack of a generally accepted sector wide innovation framework, it has been found through an in depth investigation into the current canon of literature surrounding theatrical innovation that there are a number of generally agreed upon methods which can be utilised as a means to measure the artistic innovation of theatrical organisations within an academic context. This includes measures based upon the nature of the given firm’s theatrical repertoire in terms of conventionality, production length, production age, playwright, the “highbrow” vs “lowbrow” nature of plays, as well as number of shows staged per season (Heilbrun & Grey, 2001; DiMaggio & Stenberg, 1985; O’Hagan & Neligan, 2005; Werck & Heyndels, 2007). Such a diverse set of potential measures resulting in numerous variables being utilised as a proxy for innovation, since innovativeness cannot be directly measured, nor agreed upon in objectively in terms of what constitutes innovation within an artistic context, resulting in such studies utilising indirect methodologies to measure innovation within theatrical repertoires (DiMaggio & Stenberg, 1985; Pierce, 2000; Martorella, 1975). A further delve into the current literature suggests that there are two primary methods that have been used within the existing canon. First, a measure repertory nonconformity which attempts to ascertain the extent to which a theatre's repertoire diverges from that of other organisations within their environment or market, through the use of a conformity or conventionally index, suggesting that an unconventional repertoire is a sign of organisational innovativeness (DiMaggio & Stenberg, 1985). Second, the categorisation of plays based on their perceived nature as either "highbrow" or "lowbrow", with the suggestion that "highbrow" plays will be staged within organisations receiving higher levels of unearned revenue, due to the trade-off with demand and ticket sales resultant from staging shows with lower mass appeal (Werck & Heyndels, 2007; Austen-Smith, 1980; Krebs & Pommerehne, 1995). The use of these two methods is extremely poignant when considering the impact of unearned revenues or voluntary funding on the levels of "artistic innovation" seen within an organisation, as the receipt of funds outside of the normal market mechanism is seen to have extremely varied impacts on the focal firm's inclination to pursue or continue innovating (Barman, 2008; DiMaggio 1986).

As theatres cannot benefit from technological innovation or progression, such organisations showcase their innovativeness via their artistic repertory selection through the production of new plays by up-and-coming playwrights, reinterpreting classical plays, or alternatively by staging plays of a risqué or "highbrow" nature (Krebs & Pommerehne, 1995; Caves, 2000; Knight & Harvey, 2015). In contrast, theatrical organisations can opt for a more conservative repertoire by staging traditional well-trodden works, classical plays, or commercial works of a "lowbrow" nature (Werck & Heyndels, 2007; Jenkins & Austen-Smith, 1987). It must be noted that all non-profit theatres rely on both the market as well as unearned revenue for survival as such, when trying to ascertain the impact of unearned revenues on the artistic health of a given organisation, the proportionate levels of unearned revenue received must be considered (Austen-Smith, 1980; Werck et al, 2008). Therefore, the need to take into account the proportions and sources of such funding received is vital to ensure its effects are accurately measured. As such an organisation's budgetary constraints can be drastically loosened or tightened based on a shift in the levels of unearned revenues received, and as such programmatic choices must be adjusted over time in order to adapt to the current financial situation of the given theatre (Werck et al, 2008). Therefore, when considering such artistic decision making in the context of subsidisation and unearned revenue, it must be noted that a more innovative repertoire signifies a higher level of financial risk, due to the uncertainly associated with the consumer demand for such new offerings, while a conservative or commercial repertoire would be perceived as lower-risk strategy due to the mass appeal of such productions (Pierce, 2000). Based on this risk paradigm, it has generally been suggested that theatrical organisations that receive higher levels of unearned revenues will innovate to a greater extent in comparison to organisations that must rely on ticket sales or market demand to cover their costs, and therefore cannot necessarily afford to innovate or to incur the increased levels of risk associated with such repertory decisions (Luksetich & Hughes, 2008).

Subsidisation or the receipt of any unearned revenues soften the constraints of innovation, as the recipient theatre will have a much lower level of reliance on earned revenue and can therefore opt for a more adventurous repertoire which could result in lower ticket sales (Pierce, 2000; Martorella, 1975). A number of studies have been conducted in order to ascertain the existence of a relationship between repertory conventionality and unearned revenues, most notably DiMaggio & Stenberg's (1985) study that pioneered the use of a conventionality index, in order to ascertain whether higher levels of unearned revenues resulted in higher levels of innovation, and therefore lower levels of conventionality within non-profit theatres in the USA. The findings of which suggest that a higher dependence on the market revenues is associated with a greater repertory conformity and conventionality based on the 165 theatres under review between 1977 and 1979 (DiMaggio & Stenberg, 1985). Similarly, a study by Austen-Smith (1980) was conducted within England between 1974 and 1975 on a sample of 34 provincial repertory theatres, with findings suggesting that subsidies encourage the staging of minority interest plays as such plays do not guarantee large scale appeal and therefore high box office revenues, further stating that without subsidy no minority interest plays would have been staged within the given sample due to the financial risk associated with such productions. This inverse relationship between level of public funding received and repertory conventionality, is based on the proportion of an organisation's total income that is comprised of voluntary funding, as the greater the reliance on the market for income the greater the incentive to act conventionally, while a higher reliance on subsidy leads to an unconventional and innovative repertory. This is seen within Martorella's (1975) study of various US based opera houses, with results finding that the organisations that were heavily reliant on box office revenue staged "conservative plays", while those that receive funding from the NEA, were able to stage new works of both an avant-garde and unpopular nature. Similarly, when studying Canadian Opera houses, it was found that higher levels of public support led to increasingly diverse repertoires (Heilbrun, 2001). Furthermore, it has been found that funding sources also play a significant role in repertory selection, as a study by Pierce (2000) suggested that variations in funding sources also played a significant role in determining an organisation's repertory conventionality, with funding from local governments significantly increasing conventionality, while national subsidy decreased programming conventionality (Pierce, 2000). In contrast however, a study conducted by Canareri et al (2010) on non-profit arts organisations suggests that the overall receipt of unearned revenues has a negative effect on the organisation in question, as organisations receiving more public funds seem to have less of an incentive to embrace technological innovations and artistic innovations, due to the lack of an incentive to attract consumers as a result of the non-market nature of such unearned revenues.

Alternative studies have been conducted to ascertain the implications of external funding on the nature of plays staged at a given organisation through the utilisation of the second aforementioned methodology of innovation measurement, based on the demarcation of shows as either "highbrow" or "lowbrow". This distinction is used due to implied audience demands associated with varied types of productions, as highbrow plays are seen as more intellectually demanding from an audience's perspective, while lowbrow plays do not require any intellectual effort to appreciate them (Austen-Smith, 1980). For example, Krebs & Pommerehne (1995) attempted to study theatrical repertory popularity and innovativeness, through an assessment of the "highbrowness" or "lowbrowness" of play staged as a proxy for innovation, suggesting that lowbrow plays attract high commercial demand and are therefore performed by organisations that are reliant on box office revenues and vice versa (Krebs & Pommerehne, 1995). Similarly, a study was conducted on a number of English provincial theatres between 1977 and 1981, in which plays were classed as "serious" or "non-serious" productions, findings of which suggesting that there is a small positive effect been the amount of unearned revenue an organisation received and the programming of "serious works" (Jenkins & Austen-Smith, 1987). With the general consensus stating that highbrow plays are less likely to fill a theatre and therefore cover all necessary costs in comparison to lowbrow productions, this being due to the perceived lack of mass appeal associated with highbrow works (Austen-Smith, 1980). Therefore, if an organisation is operating without subsidisation, they are less likely to innovate and primarily only produce lowbrow works, in order to ensure high box office revenues, while organisations that are in receipt of subsidy, have greater artistic freedom and therefore can innovate to a greater extent as they are partially free from the constrains of the market (Austen-Smith, 1980).

Although numerous studies have been conducted in an attempt to ascertain the impact of unearned revenues on theatrical repertoires and the propensity of theatrical organisations to innovate once in receipt of such funding, it is generally become accepted that an increased reliance on earned revenue leads to a more conventional repertoire, however the same cannot necessarily be said in reverse (DiMaggio & Stenberg, 1985). Despite studies having found that organisations in receipt of higher levels of unearned revenues tend to opt for more adventurous or innovative repertoires, this is not always the case, as critics suggest that revenue subsidy can act as a disincentive to innovation, however there is little empirical evidence to support such claims within the UK (Austen-Smith, 1980). It has been hypothesised that this disincentivizing nature is due to the non-market mechanism of such funding, in addition to the potential implications associated with the receipt of unearned revenues in regards to the ability of funders to attach strings or conditions to their gifts, as they are able earmark or restrict their donations to particular departments, causes, or beneficiaries within the recipient organisation (Barman. 2008). Further to this, it has been noted that different external funders often place conflicting restrictions on their donations, resulting in the repertory opportunities of such firms being curtailed to a greater extent in an attempt to comply with all funding restrictions. Research has been conducted on the differing demands of various funding sources such as corporations, national governments, local governments, and private patrons, in regards to how these varying demands affect the focal organisation both generally and specifically in context of organisation repertoire, such literature being discussed in depth previously within this literature review within Section 2.5.2. Conflicting Demands – The Need for Stakeholder Salience. It has been found that the source of funding drastically alters an organisation's inclination or ability to innovate, most notably the receipt of funding from a central government by way of a cultural governing body such as Arts Council England or the NEA within the USA tend to lead to an increase in innovation. This is due to the stipulations of such funding as it often complies the recipient organisation to innovate in regards to the staging of diverse, new, innovative, and experimental works in order to provide new artists with opportunities to grow within the sector as well as ensuring the growth, development, and dissemination of high quality art (Sinclair; 1995; Frey, 2003). This being in contrast to the demands of corporate and private donors in regards to innovation within cultural industries, as such donors generally provide funding to well reputed traditional organisations that stage generally acceptable works, such as opera houses performing popular classical pieces, or theatres staging traditional works such as the likes of Shakespeare, this being due to a perceived dislike of contemporary music, theatre and opera (Cancellieri & Turrini, 2016; Fuchs, 1969). This implies that organisations in receipt of higher levels of unearned revenues from corporate or private donors will maintain a conservative or traditional repertoire and therefore will tend to innovate less despite their lack of reliance on box office revenues, as the renowned composer William Shuman suggested:

"Timidity in programming tend to increase in the direct proportion to the percentage of the budget which must be met by voluntary contributions"
(Cancellieri & Turrini, 2016; Schuman & Stevens, 1979).

As such, despite the prevalence and popularity surrounding the notion that unearned revenues allow theatres to innovate freely without the concern of box office income, this is not necessarily the case as it has been found that some theatres innovate more than others due to the potential negative ramifications of high levels of external resource dependency in terms of the demands placed on the recipient firm by various funders (DiMaggio & Stenberg, 1985; Cancellieri & Turrini, 2016). As such a non-profit organisation's pursuit of their firm's mission is frequently limited by their dependence on external funding, as they must pursue a complex negotiation between being reliant on external resource providers while also staying true to their goals (Barman, 2008; DiMaggio 1986). Therefore, it has frequently been suggested that it is not only the amount of unearned revenues an organisation receives that impacts their propensity to innovate, but also the source of such funds (Cancellieri & Turrini, 2016). Prior to continuation, it must be noted that such assertions surrounding the differing repertoire conventionality of theatres based on the source of their unearned revenues, are yet to be empirically tested or in any way confirmed within the current canon of literature. This being a vital gap within the current academic knowledge on the subject, which this thesis aims to fill, as it is vital to ascertain within a practical and empirical context as to whether the source of such unearned revenues has an impact on organisational repertory conventionality. Such research would allow for numerous insights into the prioritisation mechanisms of various stakeholder demands utilised within theatres, as well as an understanding of whether the funding mix of the firm sways repertoires in favour of the demands of their most prominent donor.

However, further factors are seen to influence innovation or repertory conventionality beyond those of the quantity and sources of unearned revenues, with findings suggesting that institutionalised theatres lose their desire to innovate, as revenues must be placed over artistry, due to their dependence upon consumers, in such a case institutionalisation refers to four distinct connotations, these being size, age, bureaucratisation and the extent to which the organisation abides by sectoral norms (DiMaggio & Stenberg, 1985). This lack of innovation within such organisations is usually due to the burdensome commitments held within large theatres, which makes innovative programming all but impossible (DiMaggio & Stenberg, 1985). In addition, organisational location influences the levels of innovation seen, as access to patrons from rich cultural capitals results in a more innovative theatrical repertoire even when dependent on the market for revenues (DiMaggio & Stenberg, 1985). It can be suggested that location and local demographics, also play a role in this matter, as residential theatres within large highly educated markets, innovate more than theatres located in smaller cities with less educated audiences (Neligan, 2006). A city's population size also has a marked impact on the determining of repertoire choices, as larger communities have more theatres, which leads to theatrical specialisation, this resulting in a less conventional repertoire (Neligan, 2006). It has also been found that an organisation's facilities play a role in their likelihood of innovation, as larger theatres will be more likely to stage traditional and commercial plays, due to the higher overhead costs associated with running a larger space, let alone the vast number of seats they have available to fill (Austen-Smith, 1980; DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005; Martorella, 1977). For example, the management of a 900-seat theatre is unlikely to respond to subsidy incentives in the same way as the management team in charge of a 250-seat studio (Austen-Smith, 1980; O'Hagan & Neligan, 2005).

2.6.4. Organisational Orientation

The importance of organisational orientation on firm performance has traditionally only been considered from the perspective of for-profit firms, as market orientation emphasis the attainment of a competitive advantage based on the accurate identification of consumer needs, allowing for such demands to be satisfied and in turn the provision of higher added value to the market in comparison with competitors (Vázquez et al, 2002; Kohli & Jaworski, 1990; Narver & Slater, 1990). It can be suggested that a given firm's orientation can be conceptualised both behaviourally and culturally when considering organisational activities pertaining to the responsiveness of a firm to their market, as well as the creation of an organisational cultural and associated behaviours to not only provide value to customers but also improve firm performance financially (Lee et al, 2017; Vázquez et al, 2002; Kohli & Jaworski, 1990; Narver & Slater, 1990). Therefore, firm performance ultimately depends on the alignment of an organisation's internal values and goals with external forces and constraints, this alignment being achieved through the selection of the appropriate organisational orientation (Voss & Voss, 2000a; Connor, 1991). Traditionally, when discussing the importance of firm orientation on performance within a for-profit context, three external strategic orientations are most commonly discussed these being customer, competitor, and product orientation (Voss & Voss, 2000a, Voss & Voss, 2000b; Gatignon & Xuereb, 1997).

- **Customer Orientation:** Such a strategy focuses on consumer preferences when making decisions on product development, marketing and finally product offerings.
- **Competitor Orientation:** Firms focus on accurately and effectively monitoring the actions of competitors, to ensure that competitor intelligences are integrated into any decisions involving marketing and product offerings.

- **Product Orientation:** This strategy results in firms focusing on ensuring high levels of innovation within their product development and marketing processes (Voss & Voss, 2000a; Voss & Voss, 2000b; Gatignon & Xuereb, 1997).

Prior research has found a positive relationship between the use of market orientation strategies and firm performance within profiteering firms, as such orientations suggest a greater understanding of the market, competitors, and customer which ultimately leads to improved firm performance (Voss & Voss, 2000b). However, it has been noted that the impact of each given strategic orientation on organisational performance is extremely varied when considering the matter on a firm-by-firm basis, as outcomes can change based on the firm's strategic position, industry structure, consumers, and types of performance measures being utilised (Porter, 1991; Voss & Voss, 2000b).

Despite the traditional for-profit nature of organisational orientation analysis, in recent years there has been an influx of literature which attempts to replicate such market orientation analysis within a non-profit context in order to ascertain whether such strategies can provide a suitable competitive advantage to NPOs, especially in light of the need for numerous charitable firms to pay closer attention to their market performance due to recent reductions in government subsidy and charitable donations (Carmen & Jose, 2008). For example, from the prospective of non-profit theatrical organisations, there have been ever increasing pressures for such organisations to increase attendance and by association earned revenues due to funding cuts, as well as the ever expanding array of alternative entertainment choices within the market, suggesting that although such firms are seen as non-profits within a legal context it has become necessary for these theatre to operate at least partially in the same way as a for-profit enterprise (Camarero & Samaniego, 2007). None the less, these attempts to ascertain the market orientation of non-profit firms have been combatted with harsh criticism, suggesting that non-profit firms are not expected to necessarily comply with market demands and market forces, as the provision of unearned revenues to such organisations is supposed to allow them to pursue their social mission and goals without consideration of public preference, suggesting that the traditionally held orientations would be irrelevant (Camarero & Samaniego, 2007; Gainer & Padanyi, 2006). Despite this criticism, findings of such studies have found that non-profit organisations who employ the use of accurate organisational orientation strategies have has a higher likelihood of achieving their goals, although such orientations have undergone minor modifications to ensure their relevance when being implemented in a non-profit context (Carmen & Jose, 2008; Gainer & Padanyi, 2006).

The main difference of significance between non-profit and for-profit organisations within such a context is the higher number of vital relationships that occur within the average non-profit firm in comparison to their for-profit counterpart, this being due to two primary factors the first of which being the division between consumers and resource providers, which implies the need for varied orientations due to the separation of beneficiary and donor (González et al, 2002; Gainer & Padanyi, 2005). Furthermore, the high levels of external resource dependency that occur within such markets must be taken into consideration, as theatres and NPOs more generally struggle to manage the varying demands of the numerous external parties on which they rely for vital funds, most notably national government agencies, local government authorities, corporations, individual patrons, as well as customers (Voss & Voss, 2000a). It is vital for theatrical organisations to develop relationships with all of these varied parties, all of whom have different priorities and expectations; resulting in negative consequences for organisations that do not adhere to such expectations as such noncompliance usually results in the loss of funding. For example, national government funding such as that received from ACE is contingent upon the recipient firm promoting artistic innovation and increased access to the arts, while corporate donors are concerned with their company's image and increasing the public exposure of their firm resulting in recipient firms needing to operate with caution surrounding the nature of their outputs (Voss & Voss, 2000a). Despite such contradictions, it is not advised that theatrical organisations alter their values in an attempt to align with external parties, although it is still vital to ensure such constituents are catered to and their demands are taken into account, this bringing rise to the notion of donor orientation and visitor orientation within an NPO context (Voss & Voss, 2000a). These being orientations specifically designed when considering the structure and expectations of non-profit organisations, donor orientation suggests that the focal firm focuses on the preferences of their donors when making product and marketing decisions, while visitor orientation is quite closely akin to the for-profit customer orientation model by which the demands and wishes of end stage consumers are prioritised when making programmatic decisions (Carmen & Jose, 2008). As such within a non-profit context organisational management need to ascertain whether they want to orient themselves towards their donors or benefactors, with some firms opting to avoid such a decision by undertaking a plural orientation by which they attempt to simultaneously manage the demands of all such external parties, while maintaining internal goals (Camarero & Samaniego, 2007; Costanzo et al, 2014). This is known as organisational ambidexterity, as it emphasises a firm's ability to manage their behaviours in an attempt to simultaneously demonstrate high levels of adaptability across the entire organisation in order to facilitate the coherent management of various different stakeholder groups in unison (Hsieh, 2010; Gibson & Birkinshaw, 2004).

A few studies to date have been conducted in an attempt ascertain the implications of organisational orientation with the non-profit cultural sector. For example, in a recent study by Carmen & Jose (2008) it was found that in the case of museums and galleries the use of customer or visitor orientation led to superior economic performance as the emphasis placed on fulfilling consumer needs and the generation of higher levels of consumer utility led to higher footfall and visitor numbers, which in turn results in greater earned revenues and the fulfilment of the firm's financial goals in addition to their social objectives (Carmen & Jose, 2008; Costanzo et al, 2014). Similarly, it has been found that the implementation of consumer orientation within the theatrical sector led to an increase in the artistic reputation of the firm in question, as both individual consumers and the sector at large seem to appreciate the efforts placed on understanding audience demands to a greater extent allowing for the better management of their interests (Gainer & Padanyi, 2006). The increase in artistic reputation found not only increased box office revenues due to higher demand but also had a direct and independent impact on the level of alternative unearned revenues available to the organisation in question in regards to donations, patronage, and grants due the propensity for donors to preference supporting organisations known for artistic excellence (Gainer & Padanyi, 2006).

Despite the positive implications associated with the adaptation of consumer or visitor orientation within the arts sector, it has been found that numerous arts organisations tend to modify their behaviours based on the demands or preferences of their donors rather than their end stage consumers. This is due to the high levels of resource dependency seen within such organisations, and as such the need to ensure that the demands of their donors are fulfilled becomes of the utmost importance as without such funding these organisations would cease to operate. Although the adaption of such a donor centric orientation can be seen as beneficial for ensuring the continuation of donations and grants, this orientation strategy could have negative effect on a firm's earned revenues due to a lack of attention being paid to consumer resulting in their demands remining unsatisfied leading to a decline in box office revenues (Carmen & Jose, 2008; Gainer & Padanyi, 2006). The employment of donor orientation leads theatrical organisations to stage plays in accordance with the wishes of their funders rather than their consumers, resulting in a disconnect between the organisation and their target clientele. Whether these losses in box office revenues are recuperated due to an increase in donations resulting from the successful implementation of donor orientation has yet to be confirmed within the literature at present. None the less, the implementation of donor orientation is especially prevalent within organisations whose revenues are predominantly comprised of unearned funding as such an orientation is utilised to guarantee future funding not only from present donors, but as a means to attract new potential funders

(Vázquez et al, 2002). The utilisation of donor orientation has become relatively commonplace in recent years due to increased competition within the donor market, as a result of the increased number of charitable organisations vying for such funding coupled with the decline in government funding (Balabanis et al, 1997). This ever-increasing demand for charitable funding has resulted in compassionate fatigue among donors, by which such funders feel that there is too much demand on their budgets, leading organisations struggling to increase or even maintain their current level of donations (Balabanis et al, 1997). It has become more prevalent than ever for organisations to put the demands of their funders before any other party for the fear of losing any of their vital unearned revenues, however there is very limited research on an empirical level as to whether the utilisation of donor orientation is in fact beneficial for organisational performance and the retention of a given level of unearned revenues.

2.6.5. Organisational Inefficiency

NPOs have throughout the course of history been deemed as inefficient and underperforming, however this discourse was generally accepted as despite their theoretically poor performance on the basis of for-profit objectives, as this classification inefficient didn't not take into account the aims of the NPO as such firms typically do not comply with traditional for-profit objective but rather the betterment of society (Barman, 2007). Therefore, if such organisations were fulfilling their social objectives satisfactorily whether that be through education, protection, safety, culture, or health, the inefficient nature of their operations was broadly overlooked (Herzlinger, 1996). Such inefficiencies have in fact been further justified within current literature on the basis of property rights theory, which suggests that the property rights of a firm dictate the anticipated level of efficiency, with non-profit and public enterprises being deemed less profitable and efficient than their for-profit counterparts, which is consistent in monopolistic and competitive markets, suggesting that such inefficiencies are due to the lack of a clear profiteering motive or organisational incentive within non-profit firms, resulting in NPOs tending to constantly lag behind their competition (Boardman & Vining, 1989; Callen & Falk, 1993). This assumed inefficiency of non-profit organisations in comparison to profit-seeking firms is due to the lack of a clear incentive within NPOs to ensure the consistent monitoring of managerial activity, as well as the monitoring of waste reduction policies within a charitable context, while mechanisms are at play within a for-profit context as shareholders have an incentive to monitor such activities to increase profits surpluses and therefore increase their earnings (Callen & Falk, 1993; Fama & Jenson, 1983a; Fama & Jenson, 1983b). Within a theatrical context, it could be implied that such organisations are innately inefficient due to their very structure, particularly in light of the labour-intensive nature of production, fixed output levels, limited technological progression, as well as high fixed costs (Baumol & Bowen, 1965; Austen-Smith, 1980). These fundamental inefficiencies being the primary reason as to why theatrical and other live arts organisations are so overly reliant on voluntary or unearned revenues, as despite the static output levels faced by these organisations their costs rise on a yearly basis at the same rate as the economy as a whole, resulting in an ever-widening gap between their costs and earned revenues. This deficit, known as an income gap, is seen to grow on an annual basis and must be filled by unearned revenues of some description in order for the given organisation to remain operational (Lin & Lin, 2018; Schwarz, 1982; Globerman & Book, 1974).

Generally, organisations only receive subsidisation or voluntary funding after they have become "inefficient", as "efficient" organisations would not require such non-market cash injections for survival, none the less the inefficiency of the non-profit theatrical sector is no new phenomenon but rather a long standing occurrence. However, despite this consistent need for funding within the non-profit cultural sector, there has been surprisingly little attention being paid to this matter within current literature due to the lack of clarity surrounding the measurement of "efficiency" within a charitable or non-profit context, due to their lack of conventional profit-based motive resulting in most traditional measures of efficiency being deemed irrelevant within NPOs (Barman, 2007). The lack of a single and shared motive for success within such organisations has resulted in numerous fruitless attempts to formulate an appropriate standardised measure of efficiency and performance within the non-profit sector as a whole (Barman, 2007). However, despite the repeated historical attempts to measure the performance of NPOs, these attempts to quantify charitable achievements have usually been short lived due to a general inability to ascertain the "bottom-line" of such organisations, resulting in the majority accepting the inefficiency and ineffectiveness seen within the voluntary sector as a repercussion of the lack of effective monitoring and measurement methods (Barman, 2007; Kanter & Summer, 1987; Drucker, 1990).

However, the need to measure the "efficiency" of NPOs has become of increasing importance throughout the 20th and 21st century, as a result of the ever-tightening government budgets which have resulted in non-profit organisations needing to seek funding from alternative sources namely private funders, many of whom may expect certain levels of efficiency and legitimacy from organisations they consider donating to (Barman, 2007). This results in such firms incurring increased pressure to demonstrate their competency and achieve legitimacy in order to obtain the unearned funding necessary to continue their operations (Barman, 2007). The past decade has seen an increased prevalence among private donors to expect tangible and verified outputs in exchange for their contributions, rather than a traditional model of pure patronage, leading to an increase in the attempts being made to create a model by which to successfully measure efficiency within the non-profit sector. Despite these increased levels of research surrounding the formation of an appropriate standardised measure of efficiency and performance within NPOs, the root causes of such inefficiency remaining surprisingly understudied within an academic context, rather becoming an expectation and at times an almost inevitable facet of the non-profit sector (Barman, 2007; Sood & Pharoah, 2011; González et al, 2005).

When considering the causes for inefficiency within the theatrical sector, the primary justifications are usually attributed to the existence of Baumol's cost disease and the associated productivity lag, however critics of arts subsidisation have noted that these pre-existing inefficiency within the sector are in fact made worse through the provision of unearned revenues, as such funding simply prevents the market price from reflecting the true cost of the good or service in question (Heilbrun, 2003; Baumol & Bowen, 1965). Suggesting that the provision of resources outside of the market exchange results in the occurrence of further inefficiencies with the recipient organisation due to the negative repercussions of such funding in itself (Last & Wetzel, 2011; Jourdan & Kivleniece, 2017). The notion of "subsidy-based inefficiency" or inefficiencies due to the receipt of unearned revenues remains a drastically understudied area and the resultant gap within the current canon of literature is one that needs to be filled urgently, as such information is vital to the long term financial viability of such firms. Furthermore, any potential upcoming Government austerity measures caused by the increases in the national deficit following the COVID-19 pandemic, coupled with the financial implications of the pandemic on the theatrical industry itself in regards to the prolonged closured incurred, only adds to this urgency. As this disregard for the notion of subsidy-based inefficiencies can be seen as a by-product of the assumption that such organisations cannot survive without these unearned revenues, therefore implying that the negative ramifications of such vital funding is a matter of little importance, as the firms must incur these negative by-products if they want to receive the non-market funding necessary for their survival. However even if such an assertion is true, knowledge about this field is vital to theatrical management, as it may assist them is guarding against or at the very least minimising such inefficiencies, however such measure can only be put in place once the gap within the current literature is filled. Despite the general lack of research on the matter, there are some poignant yet limited pieces of research that have touched on the topic of organisation inefficiencies resultant from the receipt of unearned revenues (Jourdan & Kivleniece, 2017; Collins & Hand, 1998; Whelan, 1990; Zieba, 2008). Most notably the current literature suggests that subsidy-based inefficiency can be explained by three main organisational occurrences, these being the misallocation of resources due to insufficient monitoring processes, the loss of organisational industriousness, and a shift in the primary aims of organisation management (Jourdan & Kivleniece, 2017; Collins and Hand, 1998; Whelan, 1990; Zieba, 2008).

Although subsidisation of the arts has long since been regarded a necessary evil, these negative ramifications associated with the receipt of unearned revenues must be considered in depth in order to ascertain the long-term viability of such organisations, in light of the high levels of external resource dependency incurred by the majority of the non-profit theatrical sector. The first source of inefficiency associated with unearned revenues is the misallocation of resources due to a lack of effective monitoring, with some academics and industry practitioners suggesting that the management team as well as artistic staff within non-profit theatres tend to abuse such non-market revenues. This is due to a lack of proper incentives within a charitable context to monitor managerial activities and ensure a reduction in wastage due to a lack of a clear "bottom-line" within such firms (Callen & Falk, 1993; Fama & Jenson, 1983a; Fama & Jenson, 1983b). For example, several instances have been noted within the current literature where such unearned revenues have been used to deliberately stage unpopular plays, with such wasteful behaviour being justified by the frequently held aloft banner of "artistic freedom" (Colins & Hand, 1998; Whelan, 1990). Such practices resulting in high programming related expenses, which are met by low ticket sales and resultantly poor box office revenues, this misuse of voluntary funding is possibly due to the insufficient monitoring of the programming decisions and associated expenditures of recipient firms (Colins & Hand, 1998; Whelan, 1990; Zieba, 2008). As funder-recipient relationships are fraught with information asymmetries resulting in the classic principal-agent dilemma, by which the funder has to rely on the recipient firm themselves for information on their costs, rather than there being any kind of outsourcing agreement by which the funder has a means to directly monitor the recipient organisation's expenditure without the ability of the focal firm to find means by which to disguise or justify such wasteful expenditure (Peacock, 2000). The receipt of subsidy has resulted in non-profit theatrical organisations intentionally increasing their back of house and employment costs, in addition to costs associated with the production itself, due to the structure and laws surround the non-profit status of these organisations which forbids the distribution of dividends (West, 1987). Despite these legal constructs, the financial statements produced by NPOs are not monitored very closely by their funders, thus it is possible for them to bolster their expenditure, through strategies such as inflated salaries and the consumption of nonpecuniary benefits on the job (West, 1987). One of the rationales for such inflated expenditures is based on the need to meet varied stipulations and criteria associated with certain forms of unearned revenues. If a theatre is not seen to be spending the entirety of their given pot of unearned revenues, it is likely that donors will reduce their contribution the following year, therefore in order to ensure no reductions in funding occur a theatre must always be seen to be at a financial shortfall (West, 1987). This resulting in numerous theatres adopting budget maximizing principals once in receipt of subsidy. In several instances this is merely a justification for the organisation's wasteful and inefficient operations, as it has been seen to be common practice within the theatrical sector for large amounts of money to be invested in various performance elements only for such items to be discarded shortly after, purely in an attempt to increase expenditures (Peacock, 1994; Whelan, 1990; Zieba, 2008; Brooks, 2005). However, these processes of bolstering or intentionally increasing expenditure over the necessary level, spurns further inefficiency with the organisation, due to the occurrence of improper resource allocation (West, 1987). It has therefore been suggested that the provision of these unearned revenues has little effect on organisational practices other an increase in misallocated resources, as these additional funds are normally frittered away, to portray a sense of sensation and wealth around the focal organisation through higher financial exposure, however such expenditure amounts to little more than budget maximization and inefficiency to that end, with little effect if any on the popularity and quality of the given output (Teti et al, 2018; Collins & Hand, 1998; Whelan, 1990; Meloni et al, 2018).

The reliance on revenues derived outside of the market exchange is said to also have a negative impact on the industriousness of the given firm due to a shift in the priorities of the organisation's management (Benhamou 1998; Frey & Meier 2002; Camarero et al. 2011). As discussed within Section 2.6.4. Organisational Orientation, organisations can adapt to four primary market orientations, these being consumer, donor, competitor, or inter-functional orientation (Carmen & Jose, 2008, Stokburger-Sauer & Wetzels, 2007). Firms with higher levels of reliance on unearned revenues have an increased propensity to adapt to donor orientation, resulting in the primary aims of management being focused on the satisfaction of donor demands and the fundraising processes necessary to ensure access to unearned revenues in future periods (Carmen & Jose, 2008; Stokburger-Sauer & Wetzels, 2007). The increased focus on donors is seen as a means by which the firm aims to maintain their current unearned revenue streams results in firm management lacking the incentive to bolster earned revenue streams, leading to little attention being paid to public preferences or engagement within a business led managerial style (Benhamou 1998; Frey & Meier 2002; Camarero et al. 2011). In contrast, theatres that earn the majority of their revenues are more akin to catering to visitor interests and strive to gain recognition from their peers, through increased market performance (Frey & Meier, 2006; Camarero et al, 2011). The desire to ensure their very survival will force such an organisation to strive to attract a greater number of visitors, enhance the quality of products offered to the public, establish a customer-centric pricing policy, as well as responding to the principles of consumer utility maximization (Camarero et al, 2011). The shift to donor orientation is said to result in a less industrious organisation, as there is a lack of an immediate need to strive for such goals. For example, suppose some 500-seat theatre offers a single production for twenty performances, and a second such theatre offers five different productions for four performances each, both theatres offer 10,000 tickets, however the second theatre is more industrious as they are providing customers with a larger number of potential shows to watch, thereby increasing consumer utility (Austen-Smith, 1980). It was traditionally believed that the lack of an industrious nature within the theatrical sector was due to a lack of funding, as there are high fixed costs associated with staging a new performance, such as rehearsal costs, stage design, and costumes. However, it is in fact the organisations who receive subsidy who no longer feel that they need to cater to market demands, as they already have guaranteed funding resulting in a lack of such industrious behaviours from firm management despite having the resources to do so (Austen-Smith, 1980).

In addition, the aforementioned shift to donor orientation is associated with further resource misallocation practices as such theatres increase their overall expenditure, due to the need to expend large portions of their income on fundraising events, galas, and banquets to retain and subsequently increase their levels of unearned revenues (Gakecka & Smolny, 2017; West, 1987). Such drastic increases in organisational expenditure are a further indication of subsidy-based inefficiency, as these expenditures can be seen as one of the primary causes of the costs within such firms to increase at a rate above the natural expenditure growth rate. The ready influx of funds available from donors, coupled with the reduction in earned revenues associated with the adaptation of donor orientation, results in an increase in prevalence and scale of inefficiencies within a given organisation. Overall, it can be suggested that non-profit theatrical management position their organisations both financially and artistically in a manner which increases the total level of unearned revenues available, despite the negative implications on organisational efficiency and consumer satisfaction (Austen-Smith, 1984; King & Blaugh, 1976; Peacock, 1998). However, it must be noted that these instances of subsidy-based inefficiency due to a lack of engagement on the part of the focal firm and their managerial team may not be caused due to simply receiving such unearned revenues, but as a result of the amount received. Jourdan & Kivleniece’s (2017) recent paper has asserted that there is an inverse U-shaped relationship between the amount of public funding received and the market performance of an organisation, this being due to the notion that beyond a certain level of unearned revenues received the positive benefits of resource accumulation are overcome by the negative effects associated with resource allocation, resulting in a nonlinear relationship between sponsorship and efficiency within a given firm. As low levels of external support will boost the available resource pool, and temporarily shield the recipient organisation from adverse changes in the external environment, thus creating a positive performance effect through resource accumulation (Jourdan & Kivleniece, 2017). However, since sponsorship involves a provision of resources outside market exchange, this transaction often removes the incentives embedded within a traditional market, thus beyond a certain level of sponsorship market performance is negatively affected (Jourdan & Kivleniece, 2017).

2.7. Gap in the Literature

It cannot be denied that the cultural industries remain vastly under studied especially within a financial context. A lack of current academic literature on this particular segment of the cultural industries and more specifically the theatrical sector could be attributed to a variety of rationales, namely the aforementioned lack of financial data available for such firm, in addition to the lack of a unified framework through which to conduct such a financial analysis (Pierce, 2000; DiMaggio & Stenberg, 1985; Belfiore, 2004). Furthermore, it has been asserted that this gap in the literature could be due to the uneasy and at times ambivalent relationships between economics and the arts as a whole, resulting in drastic actions being taking from the perspective of artists to deliberately reject Keynes's notion of an economic way of thinking (Watts & Smith, 1989). The culmination of these factors has resulted in numerous gaps within the current literature, however when taking into context the aims of this thesis, three primary gaps will be discussed based on their identification within this literature review. These particular gaps form the basis for the three papers comprised within this thesis, as each study will aim to provide insights on one or more of these three prevalent and poignant issues that remain under research. The rest of this section provides a detailed description of the current gaps in the literature that are addressed with this thesis alongside an explanation of how the research that has been conducted within this thesis aids in rectifying lack of knowledge on certain aspects of the theatrical sector at present. With the three gaps being studied focusing on three rather distinct facets of the theatrical sector in context of the ramifications of unearned revenues on the operations of the recipient organisation. These are: the crowding-out/crowding-in phenomenon, repertory conventionality, and the presence of subsidy-based inefficiency.

2.7.1. Crowding-out and Crowding-in

Crowding-out and crowding-in is a phenomenon by which the presence of government funding displaces or discourages private giving, or conversely acts as leverage to encourage private donations to non-profit organisations respectively (Brooks, 2000a; Kim & Van Ryzin, 2014). At present, there is some literature surrounding the implications of the economic Crowding-out Theory both specifically in terms of the theatrical sector but also within a more generalised non-profit context (de Wit & Bekkers, 2016). However, when considering the results of such studies both in and out of a theatrical context, the findings provided within the literature at present are extremely mixed and at times contradictory, seeming to vary greatly based on the specific non-profit sector under review as well as the location of this sector (Jobst & Boerner, 2011; de Wit & Bekkers, 2016; Throsby, 1990). Further to this it can be suggested that there are additional unidentified exogenous or endogenous factors that play a role in delineating the presence of such a phenomenon due to contradictions seen within current literature that remain unexplained. However, these factors are yet to be identified resulting in difficulties associated with drawing any kind of definitive conclusion regarding the likelihood of the occurrence of the crowding-out phenomenon within a given market and by association the relationship between government funding at private funding based on the current literature on this matter (de Wit & Bekkers, 2016).

Furthermore, it must be noted that to date no studies on the occurrence of the crowding-out phenomenon have been conducted within the context of the UK, as all relevant studies have predominantly been conducted with the USA. Although the results of such American based studies do prove useful, they cannot be seen as generalisable to the UK's theatrical sector in light of the extremely ad hoc and location sensitive nature of this phenomenon, suggesting that we currently have no understanding as to whether this phenomenon is occurring within the English theatrical sector (Kim & Van Ryzin, 2014; Brooks, 2000a; Hughes et al, 2014; Smith, 2007; Borgonovi, 2005). There are significant differences between the funding models implemented within non-profit theatres within the USA and the UK, as American organisations usually only receive 6% of their total revenues from government subsidy, while comparatively organisations within the UK usually derive 35% to 85% of their total revenues from government subsidisation (Pierce, 2000; Kurabayashi et al, 1988). This provides further justification as to why American studies on the crowding-out phenomenon within the theatrical sector would not be comparable with an English context, as the vast differences in the quantities of government funding received can result in variations to the potential occurrence of the crowding-out or crowding-in mechanism. This may be due to the possibility that private patrons in the UK would react somewhat differently to government subsidy to the arts than their American counterparts, due to the historic tradition of such funding within a Western European context in addition to the extremely high levels of external resource dependency seen within the English theatrical sector (Feinberg, 1994; Zimmer & Toepler, 1999). As such, this thesis aims to fill this significant gap within the canon of literature by addressing the current lack of information surrounding the presence or likelihood of the occurrence of the crowding-out phenomenon with the English non-profit theatrical market. This information is extremely vital not only to our general understanding of the relationship between private funding and government sponsorship, but also proves to be extremely typical in light of the recent rise in revenue diversification strategies seen within such NPOs, suggesting that this information is more vital than ever to ensure such organisation acquire adequate levels of unearned revenues to sustain operations (Froelich, 1999; Berrett & Holliday, 2018). This gap in the literature will be filled through the research conducted within Paper One of this thesis, found within Chapter Six: Paper One – Money Breeds Money: A Study of the Crowding-In Phenomena within the English Theatrical Sector. This study ascertains whether the crowding-in phenomenon is currently at play within the English non-profit theatrical sector which would imply that an increase in government subsidy leads to an increase in private donations to a given organisation. This is tested quantitatively based on the assumption that an increase in government funding at time "t" leads to an increase in private donations to the same organisation at time "t+1". If such an occurrence is proven this suggests the presence of the crowding-in phenomenon, which is theoretically caused by positive doner perception, as the receipt of government grants or subsidisation provides the recipient organisation with a sense of prestige or credibility therefore enhancing their eligibility for private donations (Hughes et al, 2014).

2.7.2. Repertory Conventionality

The second gap within the current literature that is addressed by this thesis concerns the impact of unearned revenues and the sources of such funds on organisational repertory conventionality. Such non-profit theatrical organisations rely on numerous external constituents to derive the levels of unearned revenues necessary to continue operations. These funders are usually divided into two primary categories: public funding and private donations. Public funding is made up of government subsidy at either a national or local level, while private donations usually comprise funding from corporations, individuals, or foundations (UK Government, 1996; Hodge & Piccolo, 2005; Froelich, 1999; Sherer et al, 2019). The reliance any given organisation has on these external parties would be based on their funding mix, by which the higher the level of funding received from any such constituent would suggest a higher level of dependence on that particular funder, resulting in a higher propensity to comply with the demands of their most prevalent funders due to the risk of the losing these funds as a result of noncompliance (Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; Carroll & Slater, 2008; Sherer et al, 2019; Bukvic et al, 2016). Within a theatrical context, the most prevalent demand made by funders usually surrounds the recipient organisation's repertoire, with different funders expecting the organisations they support to house different artistic outputs (Liu & Kim, 2021). As a rule of thumb, it is usually believed that government funders demand a more innovative or avant-garde repertoire from the organisations they fund, while private funders prefer for the firms in receipt of their donations to house a more conventional or traditional repertoire (Hodge & Piccolo, 2005; Froelich, 1999; Lee et al, 2017). However, this brings to the fore the notion of conflicting demands, by which the theatrical organisation in question must decide whose demands they are going to honour, and on what basis they are going to make that decision. From a theoretical perspective it could be suggested that such a determination would be based on the central tenants of Stakeholder Salience, by which stakeholders are prioritised based on their possession of power, legitimacy, and urgency (Mitchell et al., 1997; Clarkson, 1995; Freeman, 1984; Hill & Jones, 1992; Huse & Eide, 1996; Rowley, 1997; Goodpaster, 1991). However, despite the strong theoretical basis for such an assumption, the matter has not been empirically tested, therefore we currently have little to no information as to how the differing demands of different funders impact the repertory conventionally of theatrical organisation in a practical context based on their revenue mix and varied levels of reliance on different sources of unearned revenues.

Although there have been studies to date which have investigated the impacts of unearned revenues compositely on theatrical repertory, such existing research by and large has not taken the source of such unearned revenues into consideration, rather differentiating between earned and unearned revenues as composite factors alone (Martorella, 1975; Heilbrun & Grey, 2001; DiMaggio & Stenberg, 1985; Austen-Smith, 1980). With such existing research giving us a general understanding that higher levels of reliance on unearned revenues leads to a more innovative repertoire, while higher reliance on box office earnings leads to a more conservative repertoire, none the less we still have no information surrounding the implications of the given organisation's unearned revenue mix on their level of repertory conventionality (DiMaggio & Stenberg, 1985; Austen-Smith, 1980). This is a gap within the current academic knowledge which this thesis fills, as it is vital to ascertain within a practical and empirical context whether the source of such unearned revenues has an impact on organisational repertoire. Such research allows for numerous insights into the prioritisation mechanisms of stakeholder demands that is utilised within theatres, as well as an understanding of whether the funding mix of the firm sways the repertoire in favour of their most prominent donor. This gap within the literature is addressed as a result of the empirical testing conducted within Paper Two of this thesis, which can be found within Chapter Seven. Within which the conventionality of a given organisation's repertoire is determined through the creation of a conventionality index, subsequently to which the conventionality index scores derived were quantifiably tested through the use of a regression analysis in order to ascertain whether the source of the unearned revenues received by a given theatrical organisation impacts their repertory conventionally.

2.7.3. Subsidy-based Inefficiency

The third gap within the current canon of literature that is being filled by this thesis deals with the lack of information surrounding the occurrence of "subsidy-based inefficiency" within the theatrical sector as a result of the receipt of unearned revenues. This is investigated within Paper Three which is located within Chapter Eight: Paper Three – The Dark Side of Subsidisation: An Examination of the Effects of Unearned Revenues on Efficiency of this monograph. It is a common consensus based on the assertions of property rights theory, that the property rights of a firm dictate the firm's anticipated level of efficiency, with non-profit and public enterprises being deemed less profitable and efficient than their for-profit counterparts. Such inefficiencies are justified at least in part by the fact that such non-profit sectors lack a clear profiteering motive or organisational incentive, resulting in NPOs tending to constantly lag behind their profiteering competition (Boardman & Vining, 1989; Callen & Falk, 1993). Therefore, as long as such organisations are fulfilling their social objectives satisfactorily whether that be through education, protection, safety, culture, or health; the inefficient nature of their operations is broadly overlooked (Herzlinger, 1996). With subsidy and private contributions being offered to NPO's for dual objectives, these being a means by which to aid in the provision of a social objective and as well as a proposed remedy or mitigation method against the inefficiencies seen within such non-profit firms.

When considering such a matter from the perspective of non-profit theatrical organisations, it cannot be denied that such firms possess internal and pre-existing inefficiencies due to their structure and methods of operations, namely as a result of factors such as Baumol's cost disease and the associated productivity lag. However, the provision of non-market unearned revenues to such firms results in the creation of new efficiencies or the potential worsening of current inefficiencies due to the negative repercussions of unearned funding in itself, resulting in changes to the internal processes of the given firm causing less efficient operations (Last & Wetzel, 2010; Jourdan & Kivleniece, 2017). These increased inefficiencies are primarily attributed to three primary changes within the recipient organisation, these being: a misallocation of resources due to insufficient monitoring, the loss of organisational industriousness, and a shift in the primary aims of theatrical management. None of these factors have been empirically tested to date and are simply theoretical assumptions (Jourdan & Kivleniece, 2017; Colins & Hand, 1998; Whelan, 1990; Zieba, 2008). Despite the brief mention of such inefficiencies within the current literature, the notion of "subsidy-based inefficiency" or inefficiencies resultant from the receipt of unearned revenues remains a drastically under studied area and the concurrent gap within the current canon of literature is one that needs to be filled urgently, as such information is vital to the long-term financial viability of non-profit theatres. This is particularly prevalent owing to the precarious financial positions of both governmental funding agencies as well as the theatrical sector as a whole, as a result of the COVID-19 pandemic and associated protocols.

It has been suggested that this phenomenon is somewhat ignored within the current canon of literature due to the notion that unearned revenues are vital to the continued existence of non-profit theatrical organisation. Thereby, any negative ramifications associated with the provision of such vital funding is hence of little importance as these negative by-products must be incurred by the recipient firm if they want to ensure the continuation of their operations. However, even if such an assertion is true, an increase in the available canon of knowledge about this field is vital to theatrical management, as it may assist organisations is guarding against or at the very least minimising such inefficiencies. However, such measure can only be put in place once this gap within the literature is filled. As the increase in inefficiency seen within such organisations is depicted through a reduction in earned revenues coupled with an increase in expenditure, suggesting the growth of the income gap and an ever-increasing reliance on unearned revenues. Therefore, in order to fill this gap, this relationship was empirically tested to ascertain whether an increase in the level of unearned revenues received resulted in a decline in levels of earned revenues and a rise in expenditure. Such findings allow for insights not only into the negative ramifications of non-market funding, but also an understanding of the organisational changes that result in such increased levels of inefficiency.

Chapter Three: Empirical Context – The History and Evolution of the Arts Council of England

Upon the Arts Councils inception as an autonomous body in 1946, Keynes and many others at the time hoped that such an organisation would “decentralise and disperse the dramatic and musical and artistic life of the country” (Forrest et al, 2010; Keynes, 1945b). Whether this notion of nationwide equality in regards to the access to the arts ever came to fruition has been debated by critics within the field for several years, however it is widely accepted that the Arts Council and more recently the National Lottery have contributed greatly to keeping the arts alive by filling necessary financial gaps (Forrest et al, 2010). Although, the Arts Council of Great Britain and subsequent Arts Council England are by no means the only source by which such non-profit theatrical organisations derive their unearned revenues, they do act as the primary source by which firms attain their unearned operational funding for day-to-day expenditure, acting as the proverbial financial bread and butter for such organisations. Further to this, such national governmental arts funding acts as a point to rally around for non-profit artistic firms, the magnetic pull attached to such arm’s length bodies due to the prestige associated with the provision of such funding coupled with the vast amount of funding they disburse allows such an organisation to become a point of centralisation for all NPOs within the sector. This notion of ACE acting as the centralised hub of arts funding within England being the primary rational behind why Arts Council England has become the central empirical context of this study. Without such an organisation the identification of non-profit cultural organisation on a national scale would be virtually impossible, none the less even in light of the presence of such a centralise governing body data collection processes within the cultural sector remain challenging, with such difficulties being the primary rational behind the lack of research conducted within the cultural sector in comparison with other similar non-profit fields. In a means by which to overcome such challenges as well as due to the general aims of this thesis, Arts Council England was utilised as a basis from which to explore the non-profit cultural sector in more depth, as such a starting point allowed for the gaining of insights into the current financial practices surrounding arts subsidisation, as well as a means by which to identify and collate information on such firms in order to ascertain the necessary data required for this thesis.

Therefore, although ACE can be said to be only part of my empirical context, it does prove to be a useful starting point for this research as other forms of non-profit arts funding, such as individual donations, corporate sponsorship, or foundation grants, do not comprise any form of unified context due to the rather disparate and disjointed natures precluding their abilities to act as the fundamental empirical context or point of centralisation of this study.

The following chapter provides some much-needed context on ACE, including insights into their current polices, wider aims and historical background. It is shown that the current policies of Arts Council England are highly influenced by the organisation's historical background, including the numerous reforms that have occurred throughout the life of ACE, resulting in the drastic alternations to the aims and stipulations attached to their funding policies at present. In such a case, the old adage proves true that one must know their past to understand the present.

3.1. The Council for the Encouragement of Music and the Arts

When the second world war began, most people in Britain expected to be instantly obliteration by the German war machines, believing that they would soon be bombed, gassed, or sequestered into underground bunkers (Sinclair, 1995). In light of these nationwide fears, nearly one and a half million women and children were evacuated from cities across the UK by the government in the two days prior to the Declaration of Hostilities, in addition to another two million people that left major cities of their own accord (Sinclair, 1995). It was not only citizens that were fleeing major cities however, both The British Museum and The Victoria and Albert Museum sent their treasures to a quarry near Bath, while The National Gallery hid three thousand of its best pictures in caverns around North Wales for safe keeping until the end of the war (Siclair, 1995). Unsurprisingly, this mood of potential doom and quiet desperation also left a vast portion of citizens unemployed, including nearly all performers and artist (Sinclair, 1995).

This hiatus in the dispersion of the art and entertainment was ended by an unusual government intervention in a bid to raise the morale of the country's citizens, as it was believed that the war could not be won without raising the spirits of the Armed Forces, the Land Army, as well as the workers in the factories and mines. Until this point, the disbursement of national wartime entertainment was being handled by the Entertainments National Service Association (ENSA), which also held the same role during the First World War (Keynes, 1945a; Sinclair, 1995). However, during an informal conference of the Board of Education on the 18th of December 1939, it was suggested that a more specialised organisation was needed to martial current demand and ensure the arts lived on during the war (King & Blaug, 1976; Sinclair, 1995). As such, in the early days of WWII, an official body named the Council for the Encouragement of Music and the Arts or CEMA was founded with the help of the Pilgrim Trust, which administered a bequest of two million pounds left by the American Anglophile railway financier Edward J. Harkness (Keynes, 1945a; Hutchison, 1982). The organisation was originally tasked with the dissemination of music, drama and movies to areas that had been cut off from the arts, such as air-raid shelters, war-time hostels, factories, and mining villages (Keynes, 1945a). The new organisation had four objectives; the first of which being subordinate to the latter three, these objectives were as follows:

I) The preservation in wartime of the highest standards in the arts of music, drama, and painting.
II) The widespread provision of opportunities for hearing good music and the enjoyment of the arts, generally for people who on account of wartime conditions, have been cut off from these things.
III) The encouragement of music-making and play-acting by the people themselves.
IV) Throughout the above activity, the rendering of indirect assistance to professional singers and players who may be suffering from a wartime lack of demand for their work (Sinclair, 1995).

The Council for the Encouragement of Music and the Arts received high praises throughout the war for its gallant and tireless work spreading, supporting, and endorsing the arts during the War. During this period, CEMA was aiming to make the arts a prevalent element of public life that could be enjoyed by all, rather than something set apart from the general population that was only of benefit to a privileged few. As such, when large professional groups such as the London Philharmonic and London Symphony Orchestra were given grants, they were sent to perform in industrial areas or air-raid shelters, allowing for greater access to the arts. Similarly, small traveling companies, such as the Pilgrim Players and the Market Theatre, had already been sent on the road to barnstorm in village halls and other such workplaces to increase the perceived approachability of such artistic pursuits (Hutchison, 1982; Sinclair, 1995).

Throughout the war, the ambitions and scope of CEMA increased soon resulting in the organisation being sponsored directly by the Board of Education through Treasury grants, rather than private aid (Keynes, 1945a). This allowed for the reach of CEMA to increase greatly, culminating in the sponsorship of numerous organisations of wider artistic varieties, reaching a total of 46 funded organisations prior to the end of the war (Keynes, 1945a; The Arts Council of Great Britain, 1945). However, in 1945 as the war drew to a close, the fate of CEMA was exceptionally uncertain, as the organisation was founded as a purely war time initiative, which was not due to carry on during times of peace. Despite this, on June 12th, 1945, the Chancellor of the Exchequer announced in the House of Commons that CEMA would go on to be a permanent organisation, as their success during the war in creating a national audience had suggested that there would be a lasting need in peacetime for a body to encourage the knowledge, understanding and practice of the arts. This new organisation would be incorporated as an autonomous body and would therefore leave the shelter of the Ministry of Education, and instead receive grant-in-aid directly from Treasury, under the new name of the Arts Council of Great Britain (Sinclair, 1995; Keynes, 1945a). In light of CEMA's rapid expansion and autonomy, new advisory bodies were to be established in June of 1945, these committees would be responsible for the dissemination and encouragement of the arts within Scotland and Wales.

3.2. The Post War Arts Council: 1946-1959

On the 9th of August 1946 the Council was granted a Royal Charter of Incorporation (The Arts Council of Great Britain, 1945). Under which the newly formed Arts Council of Great Britain held a primary chartered obligation of "developing a greater knowledge, understanding and practice of the fine arts exclusively" (Sinclair, 1995). In addition to secondary purposes "to increase the accessibility of the fine arts to the public throughout our realm"; and "to advise and co-operate with our government departments, local authorities and other bodies on any matters concerned directly or indirectly with those objects" (Sinclair, 1995). The original Royal Charter, which indoctrinated the Arts Council of Great Britain as an autonomous organisation prioritised the fine arts exclusively, with a focus on opera and ballet, in addition to specific exclusions of the disciplines of prose literature, film, and the community arts (Lee, 1965). Beyond their Royal Charter aims, the Arts Council of Great Britain, developed further aims within their first annual report, their organisational level aims at inception can be seen below (The Arts Council of Great Britain, 1945):

I) To increase and widen the distribution of the audiences of the arts.
II) To improve the standards of execution in the arts.
III) To encourage and aid an adequate system of professional training (The Arts Council of Great Britain, 1945).

Between high expectations and post-war disillusionment, the Arts Council was given a hard and sparce birth and their meagre budget was perhaps all that the times of post-war austerity could afford, but it was lean to the point of emaciation. In 1945, the grant provided to ACGB was £175,000, however during the council's first full year of operation in 1946, the budget rose marginally to £235,000 (The Arts Council of Great Britain, 1945; Sinclair, 1995; King & Blaugh, 1976). During this time, the Council was funding roughly 46 fine arts organisations and assisted in the efforts to rebuild town halls, theatres, and other artistic venues across the country after the destruction and devastation caused by the war. As the decade passed, the ACGB's budget increased annually by a substantial percentage, more than tripling by the 1955/56 financial year with a total budget of £820,000 and a portfolio of 92 organisations, including London's Royal Opera House and

Royal Court Theatre (Arts Council England, 2018; Hutchison, 1982). During this time, the selection practices of the Council came under scrutiny however, as it was suggested that they were acting simply as cashiers, dispensing funds with no accountability for the uses of said funds once dispensed, these accusations were vigorously rejected by the Council who described their role as “not merely a pay-master of the arts, but in some sense the national trustee for the arts” (The Arts Council of Great Britain, 1952; King & Blaug, 1976). Further criticism of the council stemmed from the ACGB’s claims to stand for and insist upon high quality work, although it cannot be denied that this is a valid stance to take, it was suggested that the council had also allowed their concern with quality to become confused and interwoven with a preoccupation with prestige, resulting in the defence of the artistic oligarchy, exaggerated exclusivity, and excessive secrecy (Hutchison, 1982, Blaug, 1976). As such, in order to deflect any further scrutiny and criticism, in addition to ensuring the demolishment of an artistic oligopoly, the Council soon advocated for the diversification of the recipients of their subsidy, in order to tap into local initiatives and artistic enthusiasm (The Arts Council of Great Britain, 1954). Despite a strong push towards diversification and a belief in the importance of rural artist communities, the initiative took roughly five years before its successful inception, which resulted in the creation of the first Regional Arts Association (RAA) in 1958 (the Arts Council of Great Britain, 1954).

3.3. The 1960’s

The 1960’s marked a time for radical change in the values and dynamics of the Arts Council of Great Britain as well as the notion of government arts subsidy as a whole. In 1964, Jennie Lee was appointed as the first Arts Minister, one year later publishing ‘*A Policy for the Arts: The First Step’* which represented a first in government policy-making directly related to the arts, as this document is the first and only White Paper published in regards to artistic policy within the UK. This white paper centred around ideals of art education and outreach programmes, the importance of rural and municipal art associations, as well as the necessity to blur the lines between highbrow and lowbrow art (Lee, 1965). Further suggesting that governmental support of the arts should be reclassified under three headings according to the primary aims of the funds as either education, preservation, or patronage (Lee, 1965, p.6). These changes, namely the notion of lessening the distinction between fine and popular art were mirrored in the Art Council of Great Britain’s new Royal Charter which was granted in February of 1967. As such with the publication of this white paper, in addition to the reissuance of the organisation’s Royal Charter, it was hoped that the original biased practices of the Council, in regards to the limitation of their sponsorship and support to fine arts organisations would be a thing of the past resulting in Council funding being open to all artistic disciples, including those that had been specifically excluded within the original Royal Charter such as prose literature, film and the community arts (The Arts Council of Great Britain, 1967; Lee, 1965; Hutchison, 1982). These changes modified the Council as well as the national arts sector to a great extent, as the recalibration of the Council's aims allowed for a focus on growth, expansion, and education, which symbolised the beginning of the Arts Council of present times.

3.4. The 1970's

Throughout the 1970's the Arts Council of Great Britain grew drastically, both in number and in terms of the diversity of their organisational portfolio, by 1975 holding a total grant-in-aid of £28,850,000 that supported roughly 262 organisations on a regular basis. In addition, programmes were being created to aid in the Council's new aims of artistic education and increased innovation (Hutchison, 1982).

The main educational contribution of the Arts Council was made through their concern with the support of education within professional artistic organisation, as well as the creation and support of specialised artistic education establishments for children and young people. In the 1970's, between 10% and 15% of the Arts Council's theatrical subsidy allotment was spent on young people's theatre; leading to the creation of roughly one hundred children's theatre, theatre-in-education, dance-in-education, and young people's theatre companies in England by the end of the decade (Hutchison, 1982; The Arts Council of Great Britain, 1971). Although in several ways the Council was making strides forward, through the modification of their organisational aims and promotion of artistic education, this time also represents a portion of the Council's history where their efforts to promote innovation were at a standstill, as only a miniscule fraction of expenditure was spent on direct aid to artists, either in the form of grants to individuals or through the commissioning of new innovative works (King & Blaug, 1976). More promisingly, during this period the Arts Council made a marked increase in their levels of regional involvement and funding, specifically by 1972 the Council was supporting 915 enterprises both directly and indirectly which were located outside London, in comparison with 567 in 1956. (The Arts Council of Great Britain, 1971).

3.5. The 1980's

The eighties marked a decade of funding cuts and austerity, as a result of the 1979-1990 premiership of Conservative Prime Minister Margaret Thatcher, whose government could be philosophically characterised as pro-market and counter state intervention. In 1981, the strictest funding cut employed by the new government was enacted, forcing the Council to drastically trim their funding rosters, which caused 41 of the council's benefactors to be dropped from their books (Sinclair, 1995; The Arts Council of Great Britain, 1971). Such a cull went against the tenants of the Council as for thirty-five years the Council had hardly dropped a single client, however the rise of the neo-liberal economic philosophy which resulted in cuts to public funding and expenditure had a marked impact on the Arts Council and forced changes to numerous internal policies. The main problem associated with these funding cuts was incurred by the organisations receiving regular funding from the Council, as these regular grants had been the kiss of life for artistic organisations, while the loss of this funding was the throttle of death, for there was no way of raising such funds from elsewhere at the time (Sinclair, 1995; Blaug, 1976).

By restricting funding, the government had effectively made it a requirement of the Arts Council to seek money from alternative sources if they wanted to keep their present clients alive, let alone considering the Council's hopes of expanding and providing further funding. While local authorities were reluctant to take on further funding responsibilities, the immediate answer to the Arts Council's funding shortage seemed to lie in business sponsorship. This was a hopeful avenue of exploration, as business sponsorship to the arts at the time totalled less than 2% the total arts funding available (Sinclair, 1995; Hutchison, 1982). As such, in an important speech in October 1980, Sir Roy Shaw welcomed and urged business sponsorship to the arts, regarding it as a positive suggestion for the Council's future. He said that sponsors "might consider the need to direct more funds to smaller and less prestigious arts organisations" and that they should "look more to the needs of the regions" (Hutchison, 1982, p.22). In conjunction, the Association of Business Sponsorship of the Arts (ABSA) was established in 1976, seeking to create a favourable climate in which corporate sponsorship can become an acceptable means of fund-raising for the arts. After the rise of such initiatives, business sponsorship has grown on a yearly basis, even beginning to match some grants from the Arts Council (Sinclair, 1995; Tomlin, 2015).

The end of arts funding cuts were in sight; with a government administration that believed in the power of the market mechanisms and importance of organisational efficiency, the arts were saved from further cuts by proving that they were in fact a viable industry even if they lacked efficiency within an orthodox context. In 1984, traditional cultural organisations (excluding broadcasting and publishing) within the UK had an annual turnover of £1 billion, furthermore if the ancillary economic benefits associated with this revenue were considered the figure could rise as high as £4 billion (Sinclair, 1995; Tomlin, 2015). During this time, the arts sector developed into a vigorous and vibrant economic segment, now being referred to as the cultural industries. This newfound support and growth of the sector was led by policies enacted by both local and national governments, in addition to increasing sponsorship from business, commerce, educational authorities, other national agencies, development corporations, enterprise boards, local and community organisations, as well as trusts and foundations (Sinclair, 1995; ACE, 2018c). Whatever the ideological argument, the Arts Council and arts organisations individually were being forced down a slippery slope towards further reliance on industrial sponsorship, resulting in a business-like ethos in which funding was provided based on the assessment of artistic enterprises and their outputs.

3.6. The 1990's

This decade marked a time of further change for the Arts Council of Great Britain, the organisation was transformed into a new form that is more closely recognizable to the ACE in operation today. These changes occurred in numerous ways, including the monumental yet obvious devolution of the Arts Council of Great Britain into smaller components parts, the reassessment of the funding sources of the Council, as well as the introduction of greater government support for the arts through the recalibration of the Department for Culture, Media, and Sport.

3.6.1. The Devolution of the Arts Council of Great Britain

Following a change in Government to "New Labour" in 1997, a referendum for an independent Scottish parliament was held on the 11th of September 1997 and proved a decisive victory with 63.5% of voters in favour of an independent parliament, which granted Scotland devolution and tax-varying powers. A week later, the Welsh vote for devolution was also won, albeit by a slim margin of 50.3% in favour, and 49.7% against, although the Welsh assembly after parliamentary independence would be without the tax-varying powers of the Scottish Parliament. This political devolution had been pre-empted by the devolution of the Arts Council of Great Britain in 1994, this division would further consolidate the distinct cultural trajectories that were already emerging in line with different national agendas, linguistic contexts, and political ideologies of England, Scotland, and Wales as individual entities (The Arts Council of Great Britain, 1993; The Arts Council of Great Britain, 1994, Tomlin, 2015).

In 1993, the Arts Council of Great Britain (ACGB) had pre-empted political devolution and set out its plan to dissolve itself into national constituents. From 1994, the Scottish and Welsh Arts Councils, which had up until this time been sub-committees of the ACGB, became independent bodies with their own Royal Charters, to be funded by the Scottish and Welsh Offices respectively (The Arts Council of Great Britain, 1993; The Arts Council of Great Britain, 1994, Tomlin, 2015). In Wales, this also resulted in the merging of the New Welsh Arts Council with Wales's three existing regional arts associations to form the new single unified organisation of the Arts Council of Wales/*Cyngor Celfyddydau Cymru* (Tomlin, 2015). Furthermore, the arts in England would now be funded, under a new Royal Charter, by the newly established Arts Council of England (Arts Council of Great Britain, 1994).

3.6.2. The National Lottery

The economic climate did not see any substantial improvement throughout the early and mid-nineties, as such the introduction of National Lottery funding to the arts in 1993 and was heralded as no less than the saviour of the arts. Funding from the Lottery was to come into play in 1995; generated through the monies raised from the public's purchase of lottery tickets, with such funds being split among five causes: art, charity, heritage, millennium projects, and sport; with the art component to be administered by the varied national Arts Councils (Tomlin, 2015; The Arts Council of Great Britain, 1993). The financial impact of the lottery funding was astronomical, more than doubling arts funding in its first full year of operation, as of 1995/6 the arts National Lottery fund of £255.4 million was already exceeding the Arts Council of England's DCMS grant of £191.1 million, with such trends simply accelerating with time as by 1997/8, the Lottery funds had increased to £297.6 million, while the DCMS government grant had fallen to £185.1 million (The Arts Council of Great Britain, 1994; Tomlin, 2015).

Given the economic climate and public spending cuts of the time, the Arts Councils as well as the arts community at large, had foreseen the danger that lottery funds would be seen as a replacement, not an addition to statutory funding of the arts. To prevent this, and protect the principal of core statutory funding, stipulations were put in place precluding the use of lottery proceeds as a means by which to fund an organisation's "core" activities, instead these funds must be utilised on the principle of "additionality". This means that the lottery funding could not pay for running costs and ongoing primary activities, but only projects and resources that can be defined as "additional" to those core costs and activities (Tomlin, 2015; ACE, 2018c). This caused the introduction of schemes like the A4E Express, which targeted small organisations who could bid for up to £5,000 to develop a new project, in addition to numerous other schemes which were created at the time to encourage a focus on widening audiences, greater access to the arts, as well as increased participation (Tomlin, 2015; Sinclair, 1995). As a result, there was to be an explosion of new theatre companies across Britain who were benefiting from funds which were both significantly greater and easier to access than anything that had previously been available to start-up companies within the cultural sector.

3.6.3. The Department for Culture, Media, and Sport

In the summer of 1998, Arts Council of England received an additional £125 million in funding, this being their first increase in Government Grant-in-aid funding since the drop of in the availability of such funding within the 1992-93 financial year. In addition, this increase in funding was accompanied by a guarantee that these elevated levels of funding will remain available to ACE for three subsequent years (Arts Council of Great Britain, 1993). However, this additional funding allocated did not come without associated implications or expectations, as this funding was aimed at aiding in New Labour’s rebranding of the Department of National Heritage as the Department of Culture, Media, and Sport (DCMS) (Arts Council England, 2018c; Tomlin, 2015). With the newly formed DCMS having four key themes of access, excellence, education, and economic value. These DCMS values being precisely replicated as the Arts Council’s own objectives as of 1998, due to the stipulations associated with the aforementioned increase grant-in-aid provided. As such, ACE no longer focused on independent or organisation specific visions, goals, or aims, but instead acted as a vehicle to support central government objectives such as urban regeneration, reducing unemployment, eradicating juvenile crime and social delinquency, improving access for young people to culture and education, supporting diversity initiatives and greater community cohesion, as well as ensuring equal rights for minorities and those with disabilities (Tomlin, 2015). While such aims undoubtably have merit, they reduce the arts and culture to instrumental roles by which artistic output is only valued for how it can contribute to greater governmental aims rather than for its own artistic merits, as New Labour’s policies did not acknowledge that art might be critical, subversive, or socially dissonant but rather a vehicle for the promotion of approved aims (Tomlin, 2015; The Arts Council of Great Britain, 1993).

3.7. The 2000’s

The millennium marked the largest ever increase in funding for the arts, with an increase of £151 million per year, as grant-in-aid drastically rose from the £186 million available in 1997/98 to £337 million per annum as of the 2003/04 financial year (The Arts Council of England, 2001). This funding increase had a monumental impact on the plans and goals of the Arts Council of England, as this additional funding was to be spent on three primary aspects of arts and culture in England, which the council felt had been neglected or ignored in favour of other more pressing initiatives, these being:

- **Education:** Through a new Creative Partnership Programme.
- **Theatre:** Helping theatres reinvigorate their repertoire, venues and gain new audiences.

- **Core Funding:** Increasing funding to core organisations of the country (The Arts Council of England, 2001).

Furthermore, although the devaluation of The Arts Council of Great Britain occurred some time ago, it wasn't until 2002 that the Arts Council of England merged with the 10 Regional Arts Boards located within England (Arts Council England, 2018c). Subsequently to which The Arts Council of England renamed itself Arts Council England, although not a radical change this was undertaken to reflect the merging of the council with all of the regional offices, as well as the new ways of working the council hoped to adapt to in light of such a landmark merger within the context of the arts in England (Arts Council England, 2018c).

3.8. The 2010's

In 2010, Arts Council England released their strategic framework for the following 10 years entitled '*Great Arts and Culture for Everyone: 10-year strategic framework 2010-2020*'. This document focused on the need for diversity within the arts, not only in terms of artistic medium but in terms of the exposure of people from varied backgrounds, heritages, and sexual orientations to the arts in a greater quantity. In addition, the Council aimed to increase engagement in the arts across regional towns and villages across England, rather than the traditional held notion of artistic pursuits being concentrated to major cities, this being done to allow for equity of artistic access across the country (Arts Council England, 2013). The Council also published a new set strategic goals within this report, which would be used for all planning and funding decisions between 2010 and 2020, as all funded organisations must aid in the achievement of these five goals:

I) Excellence is thriving and celebrated in the arts, museums, and libraries.
II) Everyone has an opportunity to experience and be inspired by the arts, museums, and libraries.
III) The arts, museums, and libraries are resilient and environmentally sustainable.
IV) The leadership and workforce in the arts, museums, and libraries are diverse and appropriately skilled.
V) Every child and young person has the opportunity to experience the richness of the arts, museums, and libraries (Arts Council England, 2015).

Shortly after the publication and solidification of ACE's new Strategic Aims, on October 1st, 2011, the council took over responsibility for supporting and developing museums and libraries throughout the country, with these responsibilities being taken on in addition to the Council's existing charges, due to the closure of the Museums, Libraries and Archives Council (Arts Council

England, 2018c). Furthermore, in 2012, Arts Council England introduced the National Portfolio Organisations and Major Museum Partners funding scheme, which was until this point was known as the Regular Funded Organisations Scheme, this restructuring of existing funding streams aimed at easing the incorporation of museums and libraries into the structure of Arts Council England. As the cumulative additions of both museums and libraries to the council's purview, coupled with the creation of the new National Portfolio Scheme, allowed the council to grow even further and expand its reach. The National Portfolio Organisations funding stream ran in three-year cycles, with the first cycle running from April 2012 to March 2015 and a second cycle commencing in April 2015 until March 2018. During this time, the scope of ACE grew drastically namely in regards to the total grant-in-aid received, as well as the size of the national portfolio. As of the beginning of the 2015-2018 funding cycle, ACE had a total grant-in-aid of £463,146,000 as well as a national portfolio comprising some 663 organisations, in addition to 21 major museum partners that cumulatively received just shy of £1 Billion in funding within the 3 year funding cycle (Arts Council England, 2018a).

In 2017, the Department for Culture, Media, and Sport (DCMS) conducted an in depth review of Arts Council England practices in a report entitled a '*Tailored Review of Arts Council England'*, by which all ACE goals and objectives were evaluated, with guidance being provided in regards to points of improvement (DCMS, 2016). This report aiming to continue the positive and collaborative relationship between DCMS and the Arts Council, to ensure that ACE retained its independence and autonomy in terms of decision-making capabilities, while ensuring that the spending of public money was monitored in the most robust way possible, as well as assuring the delivery of current central governmental priorities for arts and culture via the ACE funding strategy (DCMS, 2017; DCMS, 2016). Generally speaking, the Arts Council suggests that their role was to:

> *"Champion, develop and invest in artistic and cultural experiences that enrich people's lives, through the fulfilment of five key aims or areas of focus: excellence, art for everyone; resilience and sustainability, diversity and skills, as well as children and young people" (DCMS, 2017; Arts Council, n.d).*

The findings of the aforementioned DCMS commissioned report suggest that the public perception of ACE has improved greatly in comparison with historical sentiment, as the majority of key stakeholders relayed positive messages about the general functionality and purpose of ACE, with 82% of respondents suggesting that ACE provided good value for money, in addition to 89% suggesting that Arts Council added some or considerable value to the sectors it (DCMS, 2017). Despite the generally positive sentiments towards the Arts Council in regards to their beneficial impact and added value to the arts sector, a DCMS Cultural White Paper suggested a more problematic performance with specific reference to the Council's goal of promoting financial resilience among recipient organisations. Within this category, only 37% of stakeholders felt that the Council was doing well to deliver its goal, which specifically delt with the Council's ambition for arts organisations and museums to increase the share of income they derived from a wider range of contributors or earned revenue sources, allowing for the diversification of revenue streams; this being vital to the long term sustainability of arts organisations, in order to avoid increasing resource dependency upon a single external provider namely ACE (DCMS, 2017).

As such it must be questioned as to whether the funding practices of ACE have in fact contributed to the extreme resource dependency seen within the sector, as such criticism has been rife throughout the vast majority of the Arts Councils life. Numerous recommendations for the future of Arts Council England were presented within this report, most importantly in context of this thesis, were the recommendations pertaining to potential means of improvement for the Council's performance of their financial resilience goals (DCMS, 2017). The predominant suggestion cantered around the notion that ACE should increase their efforts to encourage and support the financial resilience of the sector by integrating financial sustainability into the grant application processes, in addition to exploring the use of alternative funding models rather than the pure grant system offered by the Council at the time (DCMS, 2017). Furthermore, it was suggested that ACE should aid in the creation of financial skill capabilities within the arts and cultural sectors through education and training programmes and in doing so support organisations in their attempts to diversify their revenue stream, increase commercial skills and leadership, as well as becoming investment ready (DCMS, 2017).

Although such changes are beyond this scope of this study due to the time span of investigation concluding with the 2017/18 financial year, following the sectorial consultation in 2018 ACE once again restructured their funding streams based on the recommendations provided both within the 2016 Cultural White Paper as well as the DCMS *'Tailored Review of ACE'*. These changes were enacted in numerous ways, including the integration of museums and libraries into more of the Council's Investment programmes, the rebranding of the Grants for the Arts programme to "Grants for Arts and Culture", and the introduction of a new category of funding for sector support organisations (DCMS, 2017). Further to this, changes have been made to the National Portfolio Organisation Scheme, in regard to the funding cycle that commenced in April 2018, with the most prevalent changes enacted being detailed as follows:

I) Museums and Libraries will join the main portfolio, as well as arts organisations.
II) Organisations will be funded for four years rather than three.

III) The organisations funded within the portfolio will be divided into four categories or bands depending upon the level of support they receive from ACE (Arts Council England, 2015c).

During this most recent funding cycle 187 new organisations have joined the portfolio resulting in a total of 828 National Portfolio organisations, cumulatively receiving roughly £410 million per year for the four years of the funding cycle, which includes £340 million of grant-in-aid and £68 million in National Lottery Funding (Arts Council England, 2022).

3.9. Recent Funding Streams

Throughout the years, the aims and values of Arts Council England have varied drastically as such their funding schemes and streams have changed and morphed to reflect these rather fluid aims. However, in recent years the Council's funding aims and schemes have remained more or less constant, notwithstanding minor changes to factors such as funding programme names, organisational inclusion parameters, funding duration and annual limits. As of the culmination of this thesis's study period in 2018, the primary funding offered by ACE was split into three streams: National Portfolio Organisations, Grants for the Arts, and the Strategic Funding Programme. Each funding stream was being used to fulfil one or more of ACE's aims as detailed within their 2010 to 2020 strategic framework, and by association all organisations in receipt of ACE funding must be aiming to aid in the achievement of the Council's five primary goals. Further information on each funding scheme is provided within this section.

3.9.1. National Portfolio Organisations

This stream makes up the core investment of the Council and is provided to firms with the primary aim of assisting in the bridging the financial shortfalls incurred during the day-today running or the primary operations of the given firm. After the inception of this funding scheme in 2012, the National Portfolio and Major Partner Museum Programme funded organisations in three-year cycles from 2012 to 2015 and 2015 to 2018, utilising funds derived from both the Arts Council and the National Lottery (Arts Council England, 2015b; Arts Council England, 2013). As of the start of the most recent funding cycle in 2018, the National Portfolio Scheme increased the duration of their funding cycles to four-years now running from 2018 to 2022, furthermore museums were included within the primary portfolio for the first time rather than being funded through the auxiliary Major Partner Museum Programme. At present, ACE is funding 828 organisations within the National Portfolio, with a total of £410 million per year being invested in these organisations, which includes £340 million of grant-in-aid and £68 million in National Lottery Funding (Arts Council England, 2022).

3.9.2. Arts Council National Lottery Project Grants (Open Access Funding)

The Arts Council's National Lottery Project Grants represents the Council's open access funding programme, which is delivered through the Lottery-Funded Grants Programme and is designed to support the project-based funding needs of organisations from varied artistic backgrounds, currently providing roughly £58 million in funds to numerous organisations between June 2020 and April 2021 (Arts Council England, 2018; Arts Council England, 2013). Previously referred to as the Grants for the Arts programme until its recent renaming in March 2018, this funding award is offered in sums ranging from £1,000 to £100,000 for specific one-off project to independent organisations, creative practitioners, and freelancers, as well as supporting grassroots music initiatives within a variety of venues that aim to promote the growth of new artists within the sector (Arts Council England, 2013).

3.9.3. Strategic Funding Programmes

Arts Council's Strategic or Development Funds, are specifically targeted investments to address gaps and challenges within the arts sector as a whole, such as enhancing diversity, as well as increasing the reach of arts and cultural activities in areas of low engagement, with an overall budget of £125 million per year (Arts Council England, n.d; Arts Council England, 2013). The primary focus of this funding stream is to provide funding in aid of diversity, resilience, business model innovation, and leadership development processes within the sector, this being done through a variety of different funding programs all of which are housed under the strategic funding umbrella, most prominently the Creative People and Places programme, the Strategic Touring programme, and the Capital Grants programme (Arts Council England, 2013).

Chapter Four: Data Collection

Access to meaningful and coherent data has always posed a problem for both academics and industry practitioners who have aimed to study the cultural industries, as the vast majority of the existing data on the cultural industries is often unsystematic and unreliable (UNESCO Bangkok, 2007). This is a worldwide sector-based problem due the difficulties associated with attempting to gain meaningful outputs through the application of rather ambiguous and subjective criteria to the creative industries, in addition the lack of a unified framework for the analysis of the sector has resulted in the creation of serious gaps in terms of data availability and analysis (Nesta, 2013; Nesta, 2016; UNESCO Bangkok, 2007). The lack of access to fundamental statistical and financial figures for the cultural industries has resulted in a vast underutilisation of the industry's potential both within an academic context as well as from the perspective of policy and industry practitioners, with numerous studies today being limited or curtailed due to data availability constraints (BOP, 2016).

In recent years, numerous attempts have been made to remedy this problem by way of a mapping of the cultural sector due to the rapid expansion and development of the cultural industries, in addition to a growing desire among policy makers to implement an evidence-based funding and subsidisation policy (Nesta, 2013; Selwood, 2002). The first attempts to collect and analyse data regarding the arts sector in Great Britain was made in 1983 by the Policy Studies Institute, which sought to quantify the arts through the collection of empirical evidence which may prove useful in regards to policy and funding decision making within the sector in subsequent years (Selwood, 2002; Nissel, 1983; Myerscough, 1986; Camerson, 1988). Since this initial attempt was undertaken, numerous academics, government departments, and arm's length bodies have attempted to replicate such nationwide industry mapping, however taking advantage of the big data revolution which has allowed for greater robustness and completeness within such studies (UNESCO Bangkok, 2007; British Council, 2010; British Library, 2017; Heritage Data Research, 2017; British Council, 2010). The rise in popularity of mapping work within the UK has primarily occurred since the inception of the Department of Culture, Media, and Sport in 1997, it has since become a departmental priority to efficiently monitor all organisations in receipt of DCMS funding in order to undertake a precise evaluation of the impacts of the funding they offer, this resulting in data collection becoming central and almost crucial to DCMS operations (Selwood, 2002). None the less, despite this added governmental push towards ensuring adequate data availability for the cultural sector, there is still a lack of a unified framework to aid in data continuity and consistency. Further to this, there is also a glaring gap in terms of a robust and verifiable organisational count within the cultural sector, which poses a particular problem when trying to identify a definitive population of organisations within any subsect of the creative industries. Due to this lack of progress, numerous critics have suggested that despite the gallant aims of DCMS, their success in mapping the cultural sector has fallen short of expectations, with funding being provided on anticipated outcomes rather than evidence, due to DCMS's inability to accurately measure the impact of their funding as basic industry information is still unavailable (Belfiore, 2004). Not to suggest that all attempts to map the sector have been unsuccessful, the two most notable and gallant attempts at large scale data collection and analysis of the cultural industries have occurred in recent years, the first of which being an industry wide assessment from Nesta entitled '*The Geography of Creativity in the UK' (2016),* while the latter is a more specific investigation into the theatrical sector commissioned by Arts Council England to be completed by BOP Consulting titled *'Arts Council England: Analysis of Theatre in England'(2016).* Both of these reports provide a broad scale analysis of the general scope and size of the creative industries as a whole and the theatrical sector respectively, however it is to be noted that no detailed information can be gleaned from these mapping documents other than a national organisational count as well as a regional breakdown. As such using either of these reports as a means by which to collect organisational level data on the creative industries as a basis for this thesis's dataset would not be possible, however they will be used as a means of comparison and test of sample robustness within this thesis.

The Nesta commissioned report allows for an in depth analysis of cultural industries as whole including both for-profit and non-profit organisations, all of which are classified based on the 9 key cultural sectors as defined by DCMS, which include:

I) Advertising and marketing
II) Architecture
III) Crafts
IV) Design, product graphic and fashion design
V) Film, TV, video, radio, and photography
VI) IT, software, and computer services
VII) Publishing
VIII) Museums, galleries, and libraries
IX) Music, performing and visual arts (Nesta, 2016)

This report provides a broad scale mapping of every cultural organisation within the UK by region, along with information on employment, national revenues, and creative clusters. Using the Office for National Statistics' Business Structure Database (BSD), information on any creative business trading between 2007-2014 was collected including information on location, employment provided, and turnover (Nesta, 2016). Although some information can be gained from this report by way of an estimated population size of the entire creative industries, a detailed perspective cannot be gained, as such this report cannot be used as a base line for further studies (Nesta, 2016).

The second mapping document under review is specifically targeted towards the theatrical sector, this BOP Consulting report maps the entire English theatrical sector including both for-profit and non-profit organisations, tabulating the total number of theatrical organisations within England including venues, organisations, and sole-traders (BOP, 2016). Further to this, the report provides information on other matters surrounding the theatrical business structure, such as revenue streams, average ticket prices, and repertory selection (BOP Consulting, 2016). Similarly to the Nesta report however it is not possible to obtain any kind of organisational database or list from this publication, as it only provides an overall assessment of the theatrical sector rather than any kind of firm level information, further preventing the use of this document from acting as a means of data collection for related further research.

As such when considering the lack of a unified framework or database within the theatrical sector coupled with the quantitative nature of this thesis, the data collection process for this research was primarily governed by data availability constraints. As no mapping document could provide a population wide list of organisations within the theatrical sector as a basis for data collection and sampling processes, it was necessary to find an alternative database to utilise as a starting point for this thesis. In light of the overall aims of this study being centred around public funding to the arts as well as resource dependency, the Arts Council England funding registers were selected as a suitable base population for this study. Arts Council England keeps yearly records of every non-profit cultural organisation they fund, including organisation name, type, location, and amount of funding provided, this database proved to be a useful tool for the completion of further data collection processes. The Arts Council England funding records for Regularly Funded or National Portfolio Organisations during 2008/09 to 2017/18 financial years were used to tabulate all organisations in receipt of funding during the 10-year study period, this composite list being used as the basis of the population of organisations which would be subsequently sampled. Although using the ACE database as a population does negate organisations that did not receive Arts Council funding during the study period this is not seen to limit the variability of the organisations included within this study when considering factors such as the geographic distribution, as the distribution of organisations within the ACE database closely mirrors that of the populations listed within both the NESTA and BOP reports aforementioned, therefore suggesting that the ACE funding registers have proven to be a fair representation of the theatrical sector at large due to their comparability. Approaching the intended research from an organisational level perspective entailed the collection of numerous forms of data subsequently to the identification of a population via the ACE Funding

Database. The data required to conduct the three studies proposed within this thesis, is predominately of a secondary quantitative nature. As such this data was sourced from existing organisational records, more specifically from the annual funding reports published by Arts Council England, as well as from the websites and financial statements of individual theatrical organisations being considered. Overall, four types of data were collected, these being ACE funding records, as well as the financial, organisational and repertory data of individual theatrical firms.

The data collection process was completed in three distinct stages. The first stage involved identifying the population of traditional repertory theatres that have been funded by Arts Council England as a Regularly Funded or Portfolio Organisation for at least 1 year during the proposed 10-year study period. The second stage entailed an assessment of data availability on a firm-by-firm basis, and the subsequent collection of firm level data in the instance of its availability including financial information, as well organisational characteristics such as age, size, and location. The third stage comprised the collection of repertory data of all organisations that have been included within the final dataset, subject to the availability of such information.

The Arts Council England funding data as well as the financial records of individual organisations were used throughout all three studies acting as the core quantitative data for this thesis, in addition to organisational level information such as location, age and capacity which were utilised as control variables to further ascertain whether such exogenous factors impact or mitigate the repercussion of unearned revenues within the recipient firm. The repertory data collected was utilised within paper two of this thesis, as a means by which to assess the impact of the quantity of unearned revenues received and the source of such funding on a theatre’s repertory section. The subsequent portion of this chapter provides a detailed description of each stage of the data collection process, in addition to information on relevant section criteria and data availability implications.

4.1. Arts Council England Funding Reports – Identification of Organisational Population

The first stage of the data collection process for the entirety of this thesis involved identifying the population of organisations that could be included within the primary dataset given overarching study aims. As previously mentioned, in light of data availability constraints within the creative industries, the Arts Council England funding database was used as a means by which to identify the population of ACE funded non-profit theatrical organisations and as such acted as the starting point for subsequent data collection processes. Based on the primary funding schemes and programmes run by ACE during the study period under review, all of which were discussed in more depth within Section 3.9. Recent Funding Streams of this thesis, coupled with the overall research aims of this study and relevant hypothesis it was decided that the focus of this investigation should surround organisations that have been funded through the National Portfolio Scheme. This was due to the continuous nature of this funding stream as well as day-to-day operational usage of such funds, which allows for an investigation into the long-term effects of prolonged subsidisation on the financial health, artistic repertoire, and overall efficiency of recipient organisations. This funding stream contrasting with other offerings of the Council which were provided on a more ad hoc or one-off basis for specific projects rather than day-to-day operations, and as such would not lend themselves to long-term study due to a lack of continuity. As such in order to identify a primary database of ACE funded organisation, it was necessary to collect, collate and analyse the ACE National Portfolio funding registers for numerus financial periods. This process involved the collation of data pertaining to all organisations regardless of artistic form or discipline for the given 10-year study period, after which the data would be parsed to allow for a specific focus on theatrical organisation.

Information on all organisations funded via the current National Portfolio Scheme, as well as the historic Regular Funded Organisations Scheme, are held within the Arts Council England archives. Although all information used within this thesis is of a secondary nature and within the public domain, these vital Arts Council England's funding registers were not readily accessible via their website or any open access, as such the information was requested as per England's Freedom of Information Act (2000) which states that: "Public authorities are obliged to publish certain information about their activities; if this information is not readily published members of the public are entitled to request information from public authorities, including government departments, local authorities, the NHS, state schools and police forces" (Freedom of Information, 2000). As such, since the data necessary fell under the remit of the FOI act, it was possible to request such information from Arts Council England through the use of a Freedom of Information Request.

Subsequently to the submission of a FOI request, it was deemed necessary to shorten the proposed study period of this thesis due to data availability constraints, resulting in the final study period commending with the 2008/09 financial year, as it was found that ACE only holds detailed funding records dating back to 2008 when they launched their Arena Funding Platform. Records prior to this are not held in any great detail and as such did not provide the level of organisational information necessary to be utilised within this study, namely a lack of data surrounding the yearly levels of funding received by each firm, rather providing a cumulative level of funding received by all organisations for a given financial year with no further breakdown recorded. Due to thesis aims, data of this nature would not be suitable for the studies at hand, as such it was necessary to begin the study period with the 2008/09 financial year. Furthermore, the justification for the study period's commencement with the 2017/18 financial year is primarily due to concerns over continuity, as a result of the numerous changes Arts Council England made to the National Portfolio Scheme as of the beginning of the 2018 funding cycle. The predominate changes implemented at this time included the inclusion of museums and libraries within the primary portfolio, the extension of the funding cycles to four years , as well as the introduction of four funding bands based on the amount of investment the organisation receives with organisations within each segment being provided with varying funding stipulations based on their level of reliance on ACE funding (Arts Council England, 2015c). As such for the sake of continuity and data cohesion, it was seen as prudent to conclude the study prior to the introduction of such changes, as the impact of these alternations to the National Portfolio Scheme on recipient organisations could not be anticipated. Furthermore, due to the time restrictions and submission deadlines associated with the completion of this thesis, it would not have been possible to include the whole of the 2018 to 2022 funding cycle. As such the study duration that was ultimately selected will allow for the study of the yearly disbursements of the Regular Funding Portfolio from 2008 to 2012, as well as two complete cycles of the National Portfolio Funding Scheme from 2012 to 2015 and 2015 to 2018. The transition from the Regular Funding Portfolio Scheme to the National Portfolio Organisations and Major Museum Partners Scheme did not result in any major structural or ideological change to the funding scheme, as this transition was simply due to the addition of Museums and Libraries to Arts Council England's purview in 2011, as a result of the closure of the Museums, Libraries and Archives Council, resulting in the need to redesign this funding stream to allow such regular funding to become available to these new organisations that had now come under ACE's purview (Arts Council England, 2018c).

In light of these additional data restrictions in regard to study duration, the ten years of detailed data that was held by ACE was formally requested and subsequently provided by ACE through the FOI processes. Once the required data from Arts Council England had been collected, it was necessary to collate, parse and assess the data. The primary phase of this process involved compiling all data pertaining to organisations that had received Portfolio or Regular funding during the 10-year study period regardless of artistic discipline. Within the both the Regular funding and Portfolio scheme, ACE funded organisations within seven key categories or primary disciplines, these being: Combined Arts, Literature, Theatre, Music, Dance, Visual Arts and Not Discipline Specific. Through the data collation process, it was found that between the financial years of 2008/09 and 2017/18, Arts Council England intermittently funded a total of 1,252 organisations within all seven artistic categories included within their National Portfolio and Regularly Funded organisations schemes. However, as this thesis is only concerned with theatrical organisations, further inclusion criteria was created to assist in the in the identification of relevant organisations within the ACE database, further details of which can be seen in Table 3.

TABLE THREE

Primary Study Inclusion Criteria

Parameter	Criteria
Organisation Status	Any organisation that is to be included within this study will have a non-profit status, and therefore be eligible to receive Arts Council England Funding.
Location	All venues or organisations must be located within England
Funding	The organisations in question must have received at least one year of funding as a Regular Funded Organisation or as a Portfolio Organisation, during the designated study period of 2008/09 to 2017/18.
Main Discipline	Only organisations that list "Theatre" as their main discipline will be included within this study. Furthermore, certain types of theatrical organisations are to be excluded due to their alternative business structures and specific repertory restrictions, which are misaligned with current study aims, these being Festivals, Theatrical Education Organisations, Community Theatres, as well as University or Children's Theatres. Resulting in a focus on professional non-profit repertory theatres, of both a static of touring nature.

Table 3: Primary Study Inclusion Criteria

The composite database was of 1,252 organisations was initially parsed based on organisational discipline in order to specifically identify theatrical organisation, resulting in the associated exclusion of organisations operating within alternative art forms such as literature or music. After doing so the relevant population of 251 Arts Council England funded theatrical organisations were identified, this population of firms had listed theatre as their main discipline, in addition to also having received at least 1 year of funding as a National Portfolio or Regular funded organisation during the 10-year study period. As discussed within Table 3 above, from this initial population of 251 theatrical organisations, certain venue types could not be included within the study namely festivals, theatrical education organisations, as well as community and university theatres, this being due to the alternative business structures utilised within such firms which did not align with the overall research aims of this thesis. Youth theatres as well as children's theatres were also excluded from the final relevant population due to their age specific repertoires, which would prevent an adequate analysis of the impact of subsidisation on repertory conventionality. Due to this need to ensure all theatres being studied within this thesis are of a professional repertory nature, it was deemed necessary to exclude a total of 80 organisations due to both incompatible organisational structure and restrictive repertory conventions.

This resulted in the identification and creation of the total relevant population, comprising some 171 organisations which operated as repertory theatres or repertory touring companies that maintained a traditional professional non-profit business structure, and as such were appropriate for inclusion within all three studies being investigated within this thesis. A breakdown of this parsing process being seen within Table 4 as well as Figure 4 below:

TABLE FOUR
Number of Organisations within Population based on Varied Criteria

Number of Organisations within Population	Population Parameters
1,251	All organisations funding within the National Portfolio or Regular Funded Schemes during the 10-year study period regardless of artistic discipline.
251	All Theatrical Organisations including repertory theatres, festivals, theatrical education, touring theatres, university venues, as well as children's and youth theatres.
171	Traditional non-profit theatrical organisations which align with relevant study aims, including repertory theatres and touring companies.

Table 4: Number of Organisations within Population based on Varied Criteria

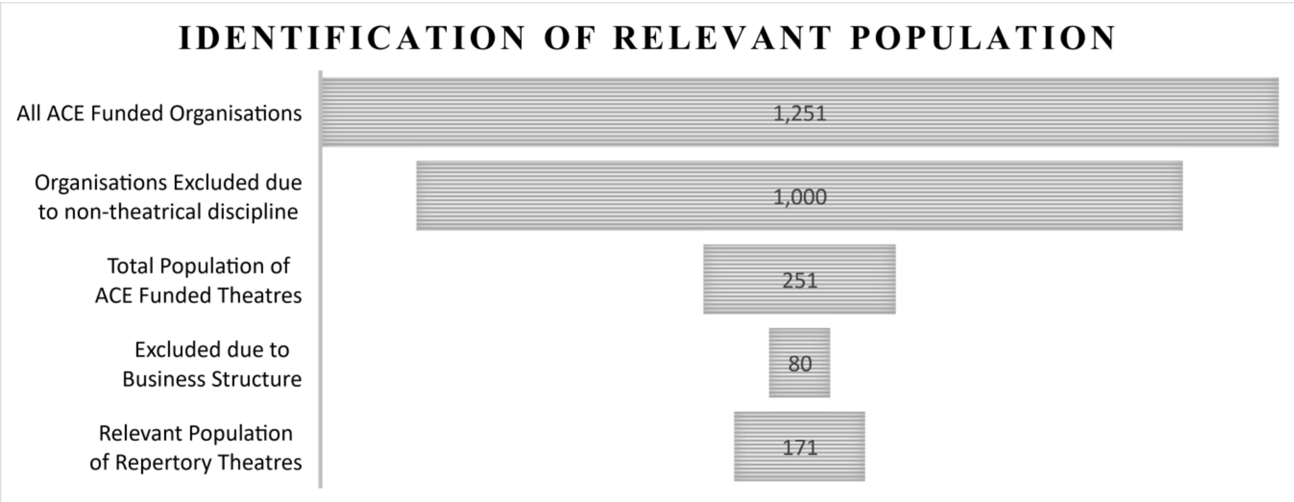

Figure 4: Identification of Relevant Population

4.2. Firm Level Financial and Organisational Data – Establishing a Primary Dataset

After identifying the appropriate population of 171 ACE funded repertory theatres and touring organisations, it was necessary to ascertain the availability of organisational level data for these firms in terms of both financial data, as well as information concerning organisational characteristics. The need to collect yearly financial data pertaining to each of these theatrical organisations was due to the overarching aims of this thesis, as all three studies contained within this document rely on such financial data in order to ascertain the impact of various forms of unearned revenues on the operations of the recipient firm. If we were to consider the need for such quantitative data on a study-by-study basis, the rationale for the collection and subsequent utilisation of financial statement data can be seen as follows:

- **Paper One:** Aims to study the crowding-in phenomenon within the English Theatrical sector, therefore it is vital to gather information on the composite levels of unearned revenues received by a given firm, in addition to knowledge surrounding the specific amount of private donations received, with this information being available on the income statement of individual firms.

- **Paper Two:** Focuses on distinguishing the impact of unearned revenues from varied sources on the repertory conventionality of a given organisation. As such similarly to Paper One, it will be necessary to gather information surrounding the composite levels of unearned revenues received, in addition to a breakdown of such funds by source from each individual organisation's income statement.

- **Paper Three:** Has a primary aim of ascertaining the impact of unearned revenues on organisational efficiency, through of an assessment of whether an increase in the total levels of unearned revenues available to a give firm, has a negative impact on their propensity to earn revenues, as well as a resultant increase in expenditure due to the non-market nature of such funds. As such, this study will also rely on financial data including information on the composite levels of unearned revenues held, total earned revenues, as well as total yearly expenditure all of which would be available within such financial statements.

It is to be noted that additional financial variables are to be used as explanatory factors in subsequent regression analysis. Therefore, considering the specific data required to fulfil the core aims of all three studies, coupled with the need to collect data on further explanatory or control variables, the collection of such financial data comprising of the income statement and balance sheet of each individual organisation on a yearly basis was vital in order to successfully investigate the varying impacts of unearned revenues on the recipient firm.

The financial data utilised within this thesis was collected through published financial statements or annual reports for each individual theatre, which were sourced from theatre's individual websites or the UK's Companies House database. Information on organisational characteristics was also collated during this process, this information also gathered from the published financial accounts and annual reports of given firms, or alternatively directly from the individual firm's website. Comprising information such as organisation age, size, number of studios and location, all of which were to be utilised as control variables within subsequent regression analysis in order to ascertain the impact such factors may on the repercussions of unearned revenues incurred by varying theatrical organisations. Such variability would be expected due to the notion that such organisational characteristics significantly alter internal organisational decision-making processes, therefore there is a probable chance that variation in organisational characteristics would result in firms responding to unearned revenues in different ways. For example, it has been found that larger performing arts organisations tend to be more conventional and avoid risk, due to their higher fixed costs (Austen-Smith, 1980; DiMaggio & Stenberg, 1985; Martoella, 1977; O'Hagan & Neligan, 2005). Similarly, current literature suggests that venues with more than one production space tend have more conventional repertoires due to the subsidy received being shared between multiple stages and multiple production costs (Jenkins & Austen-Smith, 1987; O'Hagan & Neligan, 2005). Conversely, organisational location is seen to have a drastic impact on numerous aspects of the running the given theatrical organisation, not only due to the demographic factors and educational level of the local population, but also due to the catchment size, as well as travel costs associated with attending the theatre in question (Forrest et al, 2010). None the less theatres located in metropolitan cities such as London and New York, that are known for their artistic offerings can often bypass such location-based limitations seen within regional theatres due to their longstanding popularity (Forrest et al, 2010).

In light of all the studies within this thesis being fundamentally reliant on such financial data, all organisations that have been included within the final dataset needed to meet certain data availability criteria, specifically in regards the accessibility of each company's financial filing history. This suggests that all organisations must have a full income statement and balance sheet within their published accounts every year consecutively for the 10 year study period in question. However, the availability of such financial data within the theatrical sector is a matter of further limitation due to Section 477 of the Companies Act of 2006, which states "A company that qualifies as a small company in relation to a financial year is exempt from the requirements of this Act relating to the audit of accounts for that year" (Companies Act, 2006). As such, if a company opts to utilise this clause within Companies Act, they are no longer legally obligated to a full audited income statement and balance sheet via Companies House on an annual basis. In order for a firm to qualify as a small company and therefore avail the use of such concessions for a given financial year, they must meet two of the following three criteria:

I) An annual turnover of no more than £10.2 million.
II) Assets worth no more than £5.1 million.
III) 50 or fewer employees on average (Gov.uk, 2016).

These particular criteria were introduced for financial years that begin on or after the 1st of January 2016, resulted in numerous theatres being deemed totally or partially exempt from audit regulations for numerous financial years. Despite partial or total audit exemptions, a company could still choose to file and subsequently submit their yearly accounts to the Companies House database if they saw fit to do so, based on the demands of their varied stakeholders or stakeholder groups. Alternatively, small companies that are eligible for this exemption could choose to file abbreviated annual accounts rather than full statements, however such redacted statements do not allow for sufficient data collection for this study, as an income statement is not provided within such a filing type. Therefore, in accordance with the data requirements for this thesis and the numerous formats of published accounts which can be utilised by theatrical organisations based on their varied organisational characteristics, a breakdown of all types of financial statements incurred throughout this data collection process can be found below on Table 5, with each filing type being classified as acceptable or unacceptable on the basis of the inclusion of a full income statement and balance sheet.

TABLE FIVE
Financial Data Accessibility Parameters

Acceptable Accounting Types	**Unacceptable Accounting Types**
Group of Companies Accounts	Total Exemption Small Company Accounts
Full Accounts	Micro Company Accounts
Total Exemption Full Accounts	Accounts for a Dormant Company
Accounts for a Small Company	
Partial Exemption Accounts	

Table 5: Financial Data Accessibility Parameters

The process by which such organisational level financial data was collected involved searching for each individual theatre included with the final relevant population on the Companies House Database, as well as the theatre's individual website if needed. Once each organisation's financial records were located, it was necessary to check the contents of their individual annual reports to ensure all necessary information was available within the given documents. In the case where organisations presented complete yearly financial reports for the entire ten-year study duration, it was then necessary to manually transcribe all income statement and balance sheet data for the given organisation, as well as collate this information with the existing Arts Council England data that was collected within the previous phase of the data collection process. This allowing for the creation of a composite longitudinal panel dataset. It is to be noted, that in the instance when the collection of financial data was successful, organisational variables were also collected, as this data includes information on factors such as organisational location, size, year of incorporation and by association organisation age. With this descriptive information also being found within individual firm's annual reports or alternatively collected from the theatre's website.

Of the total relevant population of 171 professional repertory theatres and touring companies, 125 organisations had sufficient financial data for the 10-year study period and therefore have been included within the final dataset, which was be used throughout this thesis, resulting in 46 organisations being omitted due to a lack of data. As such, this final dataset comprising some 125 organisations, suggests that the sample obtained for this thesis comprises of roughly 73% of the relevant population. It is to be noted that the precise number of theatre's being studied varies slightly on a yearly basis, this is due to the 3-year cyclic nature of Portfolio Funding, as well as organisational closures. Figure 5 below provides a more detailed understanding of the number of theatres being included within this analysis on a yearly basis, ranging from 118 to 125 as previously noted.

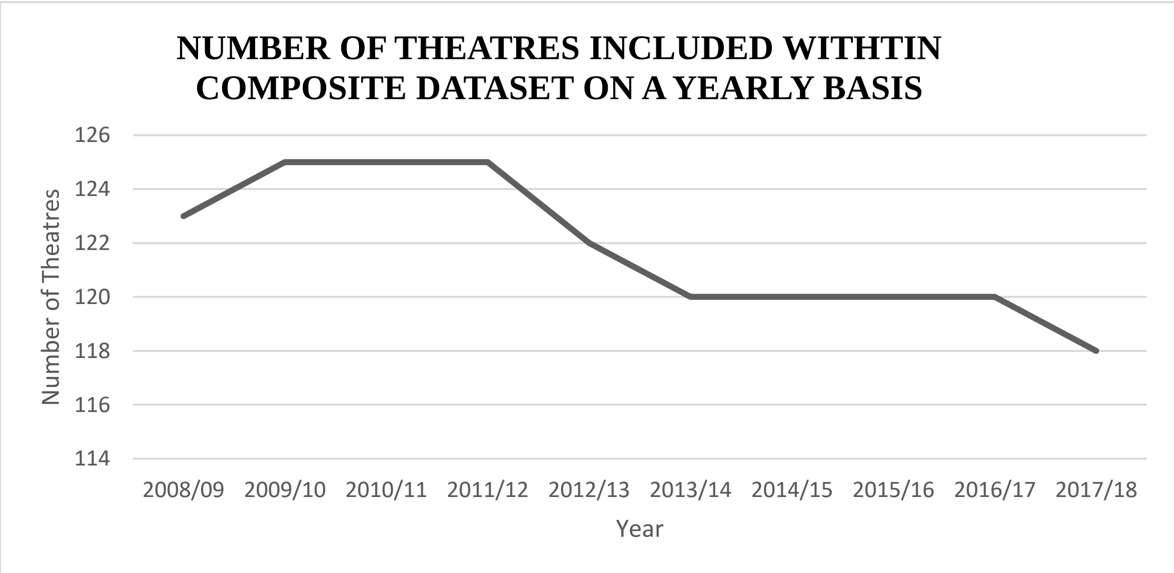

Figure 5: Number of Theatres Included Within Composite Dataset on a Yearly Basis

Subsequently to the identification of this final dataset, it was vital to confirm and ensure that no selection biases occurred in the process of selecting the final sample of organisations to be included within thesis. Such a confirmation of unbiased sampling processes was confirmed as the regional concentration and frequency of the sample being utilised within this thesis very closely mirror the entire population, as can be verified through the comparison of the given sample with the distribution of organisations included within two distinct mapping documents of the creative industries.

TABLE SIX

Comparison of Organisational Dispersion by Region

Region	All Cultural Organisations Listed within Nesta's Geography of Creativity	Percentage per region	All Theatrical Organisations listed within BOP Consulting's Report on Theatres within England	Percentage per region	All Arts Council Funded Organisations During Study Period	Percentage per region	Theatrical Organisations within Study Sample	Percentage per region
Northwest	18,059	7.55%	234	11%	146	11.67%	8	6.40%
London	95,804	40.08%	812	37%	405	32.37%	47	37.60%
West Midlands	13,802	5.77%	105	5%	110	8.79%	8	6.40%
Northeast	4,120	1.72%	89	4%	95	7.59%	6	4.80%
Southwest	19,552	8.18%	265	12%	122	9.75%	12	9.60%
East Midlands	10,232	4.28%	91	4%	80	6.39%	7	5.60%
Southeast	42,952	17.97%	268	12%	92	7.35%	12	9.60%
East of England	22,592	9.45%	140	6%	63	5.04%	11	8.80%
Yorkshire and The Humber	11,930	4.99%	171	8%	138	11.03%	14	11.20%
Total	239,043	100%	2,173	100%	1,251	100%	125	100%

Table 6: Comparison of Organisational Dispersion by Region

Table 6 above provides a comparison of organisational concentration by region based on four varied datasets, one of which being the final sample for this thesis, in order to ascertain that there is no significant level of variability within this given sample and the population as a whole. Within this table, a comparison between four different datasets has been created by which the number or organisations within each region both as a whole number as well as a percentage are provided, allowing for an assessment of the disbursement of theatrical venues and more general cultural organisations within England. As previously mentioned, four varied datasets have been used within this robustness exercise, to ensure a rigorous comparison, the sources and description of each dataset is as follows:

I) Nesta's '*The Geography of Creativity in the UK' (2016)*
II) BOP Consulting's '*Arts Council England: Analysis of Theatre in England' (2016).*
III) All ACE Regularly Funded and National Portfolio Organisations between 2008/09 and 2017/18.
IV) Final Study Sample of ACE Regularly Funded and Portfolio Theatrical firms between 2008/09 and 2017/18.

As can be seen within Table 6, the regional dispersion of organisations within the sample created for this thesis, closely mirrors the three other populations depicted. Therefore, it can be confirmed that the sample that has been utilised within this thesis did not in fact incur any kind of sampling biases during its creation due to its comparability to the entire creative industries as a whole.

4.3. Repertory Data – Theatrical Measure of Innovation

The final stage of the data collection process involved the collection of repertory data from all theatres included within the final dataset. This entailed the creation of a composite qualitative list, of all plays staged within an individual organisation on a yearly basis, in addition to a quantitative tally of the number of different plays staged by an organisation during each financial year. The rationale for the collection of such data stems from current academic literature on the subject of theatrical repertory conventionality, which suggests that a theatre's repertory selection process is based on numerous exogenous factors that transcend the artistic aims and processes of the theatre itself, these include venue size, location, organisational age, and local demographics (Austen-Smith, 1980; Neligan, 2006). Beyond such external factors, it has also been suggested that certain endogenous factors play a role in such an artistic decision-making process, namely that of the organisation's business structure in regards to their legal status as either a for-profit or non-profit theatrical organisation (Bunting, 2007; Peck, 2011). In the instance in which the given organisation is of a non-profit nature, a further influence factor arises, this being the amount of unearned revenues the NPO is in possession of, and the sources and associated ties attached to such funding (Bunting, 2007; Peck, 2011; Baumol and Bowen, 1965).

Broadly speaking there is a consensus within the current literature on theatrical repertory selection, that lower levels of reliance on the market revenues due to the receipt of unearned revenues often loosens the artistic constraints of a given organisation, as they now have the financial freedom to stage riskier or "Highbrow" plays, that would not typically attract the large audience numbers a traditional "Lowbrow" or commercial play would command (Werck et al, 2008). To this end, numerous studies have attempted to examine the effects of government subsidy or private unearned revenues on theatrical output, specifically the extent to which such non-market funding impacts a theatrical organisation's propensity to diversify or innovate their repertory selection (DiMaggio & Stenberg, 1985; Martorella, 1975; Pierce, 2000). Similarly, to other aspects of the theatrical sector that have been discussed previously within this thesis, there seems to currently be a lack of a consensus as to the true definition and interpretation of innovation on a sectoral level, due to the subjectivity of artistic work, resulting in varied contradictory and conflicting opinions on the matter at hand (DiMaggio & Stenberg, 1985). Especially when considered historically, individual artists or in this case playwrights would be seen as the source of innovation, rather than organisations that simply stage the given play, suggesting that at present there is even a lack of a consensus as to the source of innovation within the theatrical sector. None the less, on an organisational level there seems to be no other means by which to study repertory innovation and conventionality within the performing arts sector, than through an assessment of organisations and their artistic decisions, as such an analysis of a theatre's level of innovation allows for a deeper understanding of the given organisation's relationship to their market, environment, as well as organisational structure, and as such can be seen to transcend an assessment of artistic prowess in singularity (DiMaggio & Stenberg, 1985).

Several academics have attempted to bridge this gap through the creation of an objective measure of theatrical innovation or conformity, with such attempts being pioneered by DiMaggio and Stenberg's (1985) Conformity Index which was used as a means by which to ascertain the extent to which a given theatre's repertoire diverges from that of other non-profit theatres within their environment (Pierce, 2000; O'Hagan & Neligan, 2005). This measure had a distinct advantage over other methods of ascertaining theatrical innovation at the time of its creation such as the use of expert and critic reviews, this newly created conventionality index allowing such subjective methods to be bypassed in favours of an objective and easy to interpret index. The index represents the mean number of times a given show has been staged by any theatre within the population at hand, as such theatres with a conventional repertoire will receive a high index rating in comparison to those with innovative or unconventional repertoire who will receive a low index rating (DiMaggio & Stenberg, 1985). The original study by DiMaggio & Stenberg (1985) focuses on 165 non-profit theatres within the USA for a two-year period between 1977 and 1979. Subsequently, Pierce (2000) conducted a study using a similar method in an attempting to ascertain the repertory conventionality of 32 American Opera Houses between 1989 and 1994. Lastly, most recently, and perhaps most pertinently for this thesis, O'Hagan & Neligan's (2005) study on the impact of subsidisation on the repertory decisions of 40 English non-profit theatres allowed for an understanding of the impact of subsidisation on the repertory conventionality such organisations for a three year period in the late 1990's. Although varied in regard to artistic genre of study and location, all three studies in question have suggested that the receipt of high levels of unearned revenues leads to a less conventional repertoire due to the lack of reliance on box office income, while theatres that are reliant on earned revenues tent to uphold a more conventional repertoire due to the need to ensure mass appeal (O'Hagan & Neligan, 2005).

Despite, three such studies having been completed using such a conventionality index methodology, it is clear that there are still gaps in our understanding in regards to the impacts of subsidisation and private unearned revenues on theatrical repertory conventionally, especially when factoring in the impact of private and corporate donations as well as foundation grants (Pierce, 2000; Luksetich & Hughes, 2008). Furthermore, two of the three studies were conducted within the USA where the amount of subsidisation offered to artistic organisation is relatively low in comparison to the UK and the majority of Western Europe, and as such the findings of North American based studies are not necessarily comparative to the impacts felt by highly subsidised theatres within the UK (Pierce, 2000). As findings have suggested that the average performing arts organisation within the USA receives roughly 6% of their income from government subsidisation, while European theatrical organisations receive much higher levels of funding than their American counterparts with the average non-profit theatrical organisations in Europe deriving 35% to 85% of their total revenues from unearned sources (Pierce, 2000; Kurabayashi et al, 1988). Therefore, it could be hypothesised that the impact of unearned revenues on repertory conventionality within the UK or Europe can be seen as a great deal more proportionate than those in the USA due to the much higher levels of unearned revenues received and by association the higher levels of external resource dependency incurred by such theatres (Pierce, 2000).

As such, Paper Two of this thesis creates a conventionality index of the theatres within the final dataset derived within Section 5.2.2 of this thesis. This index aiding in the understanding of the impact of the receipt of such unearned funding from varied sources on repertory selection, however on a much larger scale than previous studies, not only in regards to the time scale under review, but also in terms of the number of organisations being studied. In order to create this index, it was necessary to collect data consisting of the names of each play staged by an organisation on a yearly basis, as the conventionality index being created by delineated by year, allowing for an account of the conventionality of a theatre's repertory selection on a yearly basis, as well as a means by which to ascertain whether such processes changed through time in accordance with changing levels of unearned revenues. Once the necessary data was collected, each individual qualitative list was tallied and numerically coded, to provide each play as well as theatre to have a conventionality score on a yearly basis, in order to gain an understanding of whether yearly fluctuations in the level of unearned revenue received, as well as the sources of such funding has a significant impact if any, on artistic repertory selection.

The relevant data was predominantly collected from each organisation's yearly reports, as numerous theatres list the shows that have been staged during the previous financial year within the notes of their published financial statements. If this information had not been provided within the theatre's annual reports, it was sourced from the theatre's current website or via archived versions of their website through the use of the Wayback Machine[1]. However, it is to be noted that despite the numerous methods that were used to collect this repertory data, of the 125 organisations being considered within this thesis as a whole, repertory data was only available for 85 of these organisations. Suggesting that Paper Two of this thesis has a smaller sample size of 85, in comparison to the 125 organisations being studied within Papers One and Three.

4.4. Final Variable Lists

Tables 7 to 11 below provide a detailed breakdown of all variables used within this thesis based on the data collection processes discussed within this chapter. The tables provide information on the variable names, abbreviations, the nature of each individual variable, as well as the source of the raw data. The variables have been grouped by type, as follows: Organisational, Arts Council, Financial, Ratio Analysis and Repertory. This division of variables into categories allows for increased clarity surrounding the uses of each of these study variables, and their implications within the further study processes.

[1] https://archive.org/web/

TABLE SEVEN

Description and Source of Organisational Level Variables

Organisational Information			
Variable Name	**Abv.**	**Description**	**Source**
Main Discipline	MD	Static	Arts Council Funding Database
Organisation Region	OR	Static	Individual Organisation Website
Region Dummy	RD	Dummy Variable - used as a means to quantitatively code the qualitative "Organisation Region" variable. London = 1 East of England = 2 East Midlands = 3 Northeast = 4 Northwest = 5 Southeast = 6 Southwest = 7 West Midlands = 8 Yorkshire and The Humber = 9	Individual Organisation Website
London Dummy	LD	Dummy Variable - created to ascertain whether a Theatre is located in London or elsewhere in the country. London = 1 Out of London = 0	Individual Organisation Website
Year of Incorporation	YI	Static	Individual Organisation Website
Organisation Age	OA	The organisation's age for each given year of analysis. Eg if the organisation was incorporated in 1990: 2010 = 20 Years 2015 = 25 Years	Individual Organisation Website
Number of Performance Spaces/Stages	NPS	Static	Individual Organisation Website
Total Venue Capacity (Seated)	TC	Static	Individual Organisation Website

Table 7: Description and Source of Organisational Level Variables

TABLE EIGHT

Description and Source of Ratio Variables

Ratio Variables			
Variable Name	**Abv.**	**Description**	**Source**
Total Unearned Revenue Funding Ratio	UFR	The Percentage of an organisation's Total Revenue that is comprised of Unearned Revenues regardless of the source. Calculated as follows on a yearly basis: *Total Unearned Revenues for Year X/Total Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk)
ACE Funding Ratio	AFR	The Percentage of an organisation's Total Revenue that is made up of Arts Council England Funding. Calculated as follows on a yearly basis: *ACE Funding for Year X/Total Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk) and Arts Council Funding Database
Private Unearned Revenue Funding Ratio	PUFR	The Percentage of an organisation's Total Revenue that is made up of Private Unearned Revenues (Non-ACE). Calculated as follows on a yearly basis: *Private Unearned Revenue for Year X/Total Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Unearned Revenue Composition – ACE	URCA	The Percentage of an organisation's Total Unearned Revenue that is comprised of ACE funding. Calculated as follows on a yearly basis: *ACE Funding for Year X / Total Unearned Revenue for Year X *100*	Individual Organisation Annual Reports (Companieshouse.gov.uk) and Arts Council Funding Database
Unearned Revenue Composition – Private Unearned Revenue	URCP	The Percentage of an organisation's Total Unearned Revenue is that is comprised of Private or Non-ACE funding. Calculated as follows on a yearly basis: *Private Unearned Revenue for Year X / Total Unearned Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk)

Table 8: Description and Source of Ratio Variables

TABLE NINE

Description and Source of Financial Variables

Financial Variables			
Variable Name	**Abv.**	**Description**	**Sources**
Total Revenue	TR	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Total Unearned Revenue	TUR	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Private Unearned Revenue	PUR	Unearned revenues received from sources other than Arts Council England, namely Corporate and Individual Donors. Calculated as follows on a yearly basis: *Total Unearned Revenue for Year X- ACE funding for Year X*	Individual Organisation Annual Reports (Companieshouse.gov.uk) and Arts Council Funding Database
Investment Income	II	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Earned Revenues	ER	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Total Expenditure	TE	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Governance Costs	GC	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Net Profit	NP	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Total Fixed Assets	TFA	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Tangible Assets	TA	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)

Table 9: Description and Source of Financial Variables

TABLE TEN

Description and Source of Arts Council England Variables

Arts Council England			
Variable Name	**Abv.**	**Description**	**Source**
ACE Funding	ACE	Amount of Arts Council England funding received by a given organisation on a yearly basis.	Arts Council Funding Database
Years Funded	YF	Number of years an organisation received ACE funding within the 10-year study period.	Arts Council Funding Database
Continuously Funded	CF	Dummy variable used to denote whether an organisation that was continually funded for the entire 10-year study period 1= Funded for 10 Years 0 = Not funded for all 10 Years	Arts Council Funding Database

Table 10: Description and Source of Arts Council England Variables

TABLE ELEVEN

Description and Source of Repertory Variables

Repertoire Data			
Variable Name	**Abv.**	**Description**	**Source**
Total Yearly Conventionality Score	TYCS	Sum of the Conventionality Scores of all plays staged by a given organisation during a given year.	Individual Organisations Published Annual Reports/ Organisation Websites
Number of shows staged per season	NSS	Number of different shows a theatre stages during a given year	Individual Organisations Published Annual Reports/ Organisation Websites
Yearly Average Conventionality Score	YACS	A yearly score of a theatre's average repertory conventionally. Calculated as follows on a yearly basis: *Total Yearly Conventionality Score / Number of shows staged*	Individual Organisations Published Annual Reports/ Organisation Websites

Table 11: Description and Source of Repertory Variables

Chapter Five: Overall Methodology

This chapter sets out the general methodologies used throughout this thesis, while detailed information surrounding the specific methodological processes of each study being subsequently discussed within each individual paper. Such a format is being used due to unify the overarching research aims and methodological processes that run throughout this thesis, however with variations to such processes and methodologies occurring on a study-by-study basis in order to adequately test each given hypothesis. Therefore, the rest of this chapter provides a general research structure, as well as an overview of the quantitative methodologies used, including a discussion of data processing, variable creation, ratio analysis, index creation, as well as the longitudinal regression analysis methods utilised.

5.1. Research Structure

This thesis is comprised of three studies, through which six hypotheses will be tested with the aid of a unified longitude panel data set. As set out in Chapter Four: Data Collection, the vast majority of the data used for all three of these studies is of a quantitative nature and as such when attempting to determine the methodological processes or options for this thesis, it was deemed prudent to peruse an analysis through the utilisation of quantitative methodologies. The research structure for this thesis comprised of two primary stages: variable creation and longitudinal panel data regression.

The first stage was the variable creation stage, which is further broken down into two sub sections: ratio analysis and conformity index. During the ratio analysis stage, numerous ratio variables are created from raw data derived from individual company's financial statements as well as the ACE funding database, in order to allow for understanding of the composition of a given firm revenue sources, as a percentage of their total revenue. The conversion of this raw financial data into percentage formats, allows for an understanding of this data and associated information which are not hampered by the implications of organisational size, this being a major drawback when using certain forms of financial data in nominal form. Subsequently during the conformity index creation phase, the text-based repertory data was translated into a quantitative proxy for conformity and innovation, through the creation of a composite index of all plays staged, by all organisations on an annual basis during the study's 10 year duration. During the variable creation stage, numerous dummy variables were also created, in addition to the aforementioned ratios and conformity index, these dummy variables pertained to factors such as the continuity of funding or organisational location, this being done to ensure there was an adequate selection of explanatory variables that could be included within forthcoming regression analysis.

The second stage involved a number of longitudinal panel data regressions, the precise nature of which varies on a study-to-study basis. With each study aiming to ascertain the implications of unearned revenues on various components of a given organisation's health and functional within the context of the English theatrical sector through the use of the base dataset that was created within Chapter Four: Data Collection. Therefore, a brief overview of the aims of each of these three papers and their associated research structure is set out in this chapter, in addition to an in depth discussion of the unified

5.1.1. Study One – Money Breeds Money: A Study of the Crowding-In Phenomena within the English Theatrical Sector

This study investigates the presence of the crowding-in phenomenon with the English non-profit theatrical sector in order to ascertain whether the receipt of government funding acts an incentive for private donations resulting in the crowding-in phenomenon, as such the study has a primary goal to test the following hypothesis:

- $\mathbf{H_1}$: *Private philanthropists prefer to donate to theatrical organisations that are already in receipt of state subsidy.*

This study only required one methodological stage, that being of a longitudinal panel data regression following the aforementioned data collection and collation processes. This single stage methodology was due to this study's reliance on wholly raw or nominal data, and therefore did not require the creation of any ratio or index variables. With the regression models being utilised within this study aiming to test the impact of amount of Arts Council funding received in GBP at time "t" on the amount of Private Unearned Revenues received in GBP at time "t+1", both at a national and regional level to take into account the impact of the "London Effect". The regression models used within this study can be seen below, with Model One signifying the national level investigation, while Model Two being used as a means by which to test for regional variations. It is to be noted that the regional analysis conducted using Model Two was utilised as a robustness check, and as such numerous explanatory variables have been removed and there is no associated hypothesis in place.

Model 1: $PUR_{it+1} = \beta_{0+}\beta ACE_{it+}\beta CF_{it+}\beta YF_{it+}\beta TC_{it+}\beta NP_{it+}\beta OA_{it+}\beta LD_{it+}\beta ER_{it+}\beta TFA_{it+}u_{it+}\varepsilon_{it}$

Model 2: $PUR_{it+1} = \beta_{0+}\beta ACE_{it+}u_{it+}\varepsilon_{it}$

Where:
PUR - Private Unearned Revenues in GBP at time "t+1" (Primary Dependent Variable)
ACE - ACE funding in GBP (Primary Independent Variable)
CF - Continuously funded dummy variable

YF - Years funded
TC - Total Venue Capacity
NPS - Number of Performance Spaces or Stages
OA - Organisation Age
LD - London Dummy
ER - Earned Revenues in GPB
TFA - Total Fixed Assets in GBP
υ - Between entity error
ε - Within entity error

5.1.2. Study Two – The Origin of Funds and Innovation: An Investigation into the Impact of Unearned Revenues on Repertory Conventionality

The second paper of this thesis investigated the implications of external resource provisions and the associated resource dependency on multiple external constituents on the artistic health of the focal firm, by which this study aims to ascertain whether the repertory conventionality of an organisation is affected by the levels of unearned revenues received and the proportionate dependency incurred on different sources of such funding. This was done in order to test three primary hypotheses which can be seen as follows:

- $\mathbf{H_2}$: *A greater proportionate dependency on private philanthropy as a source of unearned revenues, the more conventional the repertoire of the given organisation.*
- $\mathbf{H_3}$: *A greater proportionate dependency on governmental subsidy as a source of unearned revenues, the less conventional the repertoire of the given organisation.*
- $\mathbf{H_4}$: *A higher cumulative reliance on unearned revenues regardless of source, the less conventional the repertoire of the given organisation.*

In regard to the methodological processes undertaken for this study, both forms of the variable creation were undertaken within this study in regards to the necessity to utilise both financial ratios and the aforementioned conventionality index. More specifically, the financial ratios being utilised within this study are the Unearned Revenue Funding Ratio, ACE Funding Ratio, as well as the Private Unearned Funding Ratio. Furthermore, this study was the primary justification for the creation of the repertory conventionality index within this thesis, as the output of the conventionality/conformity index provides the key dependent variable for all the regression analysis within this study. As such an objective and quantitative assessment of a given organisation's repertory, can provide a basis by which it was possible to gain an understanding of how external resource dependencies effect such internal processes. Subsequently to all variable creation processes undertaken within this study, a longitudinal panel data regression was also conducted using two varied models, the first of which was Model Three which was used to test both Hypothesis

Two and Three, as a means by which to ascertain the presence of the competing effects of private and public philanthropy. While Model Four was used as a robustness check, as well as a means by which to test Hypothesis Four, in terms of the overall impact of an increase in unearned revenues regardless of the source on a given organisation's repertory conventionality scores.

Model 3: $YACS_{it+1} = \beta_{0+}\beta AFR_{it+}\beta PPUR_{it+}\beta TC_{it+}\beta NPS_{it+}\beta CF_{it+}\beta YF_{it+}\beta OA_{it+}\beta LD_{it+}u_{it+}\varepsilon_{it}$

Model 4: $YACS_{it+1} = \beta_{0+}\beta URF_{it+}\beta TC_{it+}\beta NPS_{it+}\beta CF_{it+}\beta YF_{it+}\beta OA_{it+}\beta LD_{it+}u_{it+}\varepsilon_{it}$

Where:
YACS - Yearly Average Repertory Conventionality Score at time "t+1" (Dependent Variable)
AFR - Percentage of an organisation's total revenues that are comprised of ACE funding
PPUR - Percentage of an organisation's total revenues that are comprised Private Unearned Revenues
UFR - Total Unearned Revenues Funding Ratio
TC - Theatre Venue Capacity
NPS - Number of Performance Spaces or Stages
CF - Continuously funded dummy variable
YF - Years funded
OA - Organisation age
LD - London Dummy
υ - Between entity error
ε - Within entity error

5.1.3. Study Three – The Dark Side of Subsidisation: An Examination of the Effects of Unearned Revenues on Efficiency

The third and final paper of this thesis investigated the impact of unearned revenues on a given organisation's financial health, in regards to the negative ramifications of such non-market funding namely the presence of subsidy-based inefficiency resulting in a reduction in earned revenues and an increase in spending. This study tested two hypotheses as follows:

- $\mathbf{H_5}$: *A proportionate increase in the amount of unearned revenues an organisation receives will negatively impact earned revenues.*
- $\mathbf{H_6}$: *A proportionate increase in the amount of unearned revenues an organisation receives will lead to increase in spending.*

The research structure of this study comprised two primary methodological stages. The first of which involved a ratio based variable creation phase which was used to develop the Unearned Revenues Funding Ratio used within this study. Secondly, a longitudinal panel data regression was run using the ratio created within stage one, along side a variety of raw nominal data that was collected as per the data collection processes detailed within Chapter Four: Data Collection. Despite only testing two hypotheses within this study, four regression models were used. With each model having an extremely varied functionality both in terms of testing the proposed hypothesis as well as ensuring the robustness of the given processes. Of the four models listed below, Model Five was used as a means by which to test Hypothesis Four, while Model Six was used to test Hypothesis Five. Models Seven and Eight were used as robustness checks to test the impact of increased levels of unearned revenues on the amount earned revenues generated and total resources expended by region respectively.

Model 5: $ER_{it+1} = \beta_{0+}\beta UFR_{it+}\beta YF_{it+}\beta CF_{it+}\beta OA_{it+}\beta II_{it+}\beta TE_{it+}\beta GC_{it+}\beta NP_{it+}\beta TFA_{it+}u_{it+}\varepsilon_{it}$

Model 6: $TE_{it+1} = \beta_{0+}\beta UFR_{it+}\beta YF_{it+}\beta CF_{it+}\beta OA_{it+}\beta II_{it+}\beta ER_{it+}\beta GC_{it+}\beta NP_{it+}\beta TFA_{it+}u_{it+}\varepsilon_{it}$

Model 7: $ER_{it+1} = \beta_{0+}\beta URF_{it+}u_{it+}\varepsilon_{it}$

Model 8: $TE_{it+1} = \beta_{0+}\beta URF_{it+}u_{it+}\varepsilon_{it}$

Where:
ER - Yearly Earned Revenues at time “t+1” (Dependent Variable)
TE - Total Yearly Expenditure at time “t+1” (Dependent Variable)
UFR - Total Unearned Revenue Funding Ratio
YF - Years funded
CF - Continuously Funded
OA - Organisation age
II - Investment Income in GPB
GC - Governance Costs in GBP
NP - Net Profit in GBP
TFA - Total fixed assets in GBP
υ - Between entity error
ε - Within entity error

5.2. Variable Creation

Following the collection of all necessary raw data for this thesis as detailed within Chapter Four: Data Collection, it was necessary to process some of this data into a form that would be more meaningful given the aims of this research and the hypothesis being tested. This data processing phase involved two main components these being ratio analysis and conformity index creation. The first phase of ratio analysis involves the conversion of some raw financial data into ratios and percentages, in order to take into account and mitigate against factors such as organisational size or the proportion of different revenue streams. The second phase of this variable creation methodological process involved that of an index creation, this process allowing for the quantification of the qualitative repertory data, to allow for this information to be included within subsequent regression analysis. A detailed account of these methodological processes follows within the next two sub-sections.

5.2.1. Ratio Analysis

The bulk of the quantitative data collected previously was in a raw nominal form, by which this information was expressed in terms of Pound Sterling (£) on an annual basis. Although such a format is vastly appropriate for financial data, it does not allow for an understanding of the scale of such figures, as raw financial data in such an unprocessed format does not allow for clear comparability. As such, it was deemed necessary to conduct a ratio analysis, and as such convert some of the raw data collected into alternative formats namely ratios. A financial ratio being a means by which to understand the relationship between two given figures derived from a firm's financial statements, such a calculated measure can provide a better insight into the financial health of a given organisation in comparison with to the study of raw data, due to the comparability of financial ratios, as such a data transformation method controls for the effect of size between different firm, as well as national industry averages (Chabotar, 1989). For example, in the case of theatrical organisations, it could be suggested that £1 of subsidy to a 900 seat theatre would not necessarily be equivalent to £1 of subsidy to a 200 seat facility, as the fixed costs associated with operating both these premises would vary greatly, therefore within this context the use of ratio analysis would allow us to moderate against the variation caused by different capacities and by association firm sizes (Austen-Smith, 1980). Overall ratio analysis can be seen as an analytical device which acts as a quick and simple method to facilitate the comparison of financial data belonging to different firms over several time periods, with financial ratios playing a vital role in the evaluation of the performance and financial health of a given entity or group of entities (Horrigan, 1968; Chen & Shimerda, 1981).

Although the first known instance of ratio analysis occurred in 300 B.C within Euclid's '*Book V*' of his Element Collection, in which a rigorous analysis of the properties of ratios was conducted, none the less despite the early initial creation of such a method the adaption of modern financial ratio analysis has been a relatively recent development (Horrigan, 1968). With the first instances of modern financial statement ratio analysis occurring within the latter half of the nineteenth century during America's Industrial uprising, which coincided with the rise in importance placed on financial institutions (Horrigan, 1968). Throughout the 20th and 21st centuries, the popularity as well as approachability of ratio analysis has increased, yet despite this growth ratio analysis as a methodology lacks a unified framework which could be used to provide insights on which ratios should be utilised in a given scenario, as well as what the acceptable level of various ratios should be (Chen & Shimerda, 1981). Such a lack of unification does have its merits and drawbacks, as it allows the researcher or author a certain level of authority over such an analysis, with academics having mixed views on the reliability of such individual autonomy, in comparison with the prudence of an identifiable and limited set of generally accepted financial ratios (Horrigan, 1968; Chen & Shimerda, 1981).

Furthermore, it is worth noting, that ratio analysis has been favoured by for-profit organisations during its rise to popularity, this primarily being due to the alternative business structures utilised by non-profit organisations making numerous ratios redundant for such operations, due to the lack of importance paid to net income or return on investment within a charitable context (Chabotar, 1989). None the less, it is vital to understand the financial conditions of non-profit organisation, especially in light of the adverse effects of government funding cuts seen in recent years, leading to unfavourable financial circumstances for such firms, coupled with increased competition for alternative sources of unearned revenues. In light of the challenging times faced by non-profit organisations within a variety of sectors including the performing arts, it has become more imperative than ever for such firms to gain a better understanding of their financial status in order to guard against future financial hardship, through the use of a greater breath of financial and ratio based information (Herzlinger & Sherman, 1980). Although certain financial ratios would not be beneficial given the aim of understanding the financial constraints and health of non-profit organisations, recent literature has suggested that composite ratio analysis could be conducted by non-profits firms although the use of such a method within a NPO would require the alternation of certain ratios, as well as the addition of specific non-profit centric ratios (Chabotar, 1989; Herzlinger & Sherman, 1980).

The most pertinent form of non-profit ratio analysis being that of the “Source of Funds” Ratios, these ratios being specifically designed to be used within non-profit organisations due to the various revenue sources non-profit organisations possess such as government subsidy, private gifts, corporate donations, earned revenue, investment revenues or alternatives fees, as well as the distinction made between restricted and unrestricted funding (Chabotar, 1989). Restricted or tied funding, being finances that are provided with legally binding limitations on their usage, such as restoration work, equipment purchases or some definitive expenditure, while untied funds can be used at the discretion of the focal organisation on any expenditure, they see fit (Chabotar, 1989). Overall, “Source of Funds” ratios are used to understand the metaphorical quagmire that is non-profit funding, allowing for a in depth insight into the various funding streams such firms possess, as well as the percentage of a firm’s total revenue that is provided by each given stream, the equation for which can be seen as follows:

$$Source\ of\ Funds\ (£)/\ TotalRevenue\ (£)$$

This specific form of ratio analysis is also known as fund accounting, by which all resources held by a non-profit are assessed individually, either on the basis of their source or their usage, allowing for the division of revenues into numerous categories (Herzlinger & Sherman, 1980). Fund accounting was originally devised to help non-profit management and trustees ensure that they fulfil the legal obligations associated with various funding streams (Herzlinger & Sherman, 1980). Based on the complexities of non-profit financial accounts, as well as the necessity to ensure the ties associated with restricted funds are fulfilled, most firms conduct such ratio analysis on the basis of restricted verses unrestricted funds to allow for an understanding of the amount of free current funding they are in possession of (Herzlinger & Sherman, 1980). None the less, despite this being the most common distinction of funding source, such a ratio analysis can be conducted on a more granular level, by which the various funding streams or source of funding would be calculated as a percentage of total revenues, this being the method utilised within this study, as such ratios are far more pertinent to this thesis's research goals, rather than a simple distinction between restricted and unrestricted funding.

Five ratios were calculated for each given organisation on a yearly basis, these ratios were selected as they allow for an understanding of each organisation's level of external resource dependency, as well as the source of said funding which aid in the provision of insights into the level of obligation that the focal firm may have in association with each of these distinctive funding stream. It is to be noted, that the data utilised for this ratio analysis comprised financial information from each individual organisation's income statement, as well as information from the ACE database in regards to annual Arts Council England funding provided to each firm. All ratios were calculated on a yearly basis for all organisations included within this study, the given calculations were performed with the assistance of the Microsoft Office Software Package, specifically Microsoft Excel. As such a breakdown of all ratios calculated can be seen as follows:

- **Total Unearned Revenue Funding Ratio:** The percentage of an organisation's total revenue that is comprised of unearned revenues regardless of the source of said funds. As such it provides an indication of the organisation's "income gap" for the year.
$$Total\ Unearned\ Revenue\ Funding\ Ratio\ = \frac{Total\ Unearned\ Revenues\ for\ Year\ X}{Total\ Revenues\ for\ Year\ X}\ \text{x}\ 100$$

- **Arts Council England Funding Ratio:** The percentage of an organisation's total revenue that is made up of Arts Council England Funding.

$$ACE\ Funding\ Ratio\ = \frac{Arts\ Council\ England\ Funding\ for\ Year\ X}{Total\ Revenues\ for\ Year\ X} \text{ x } 100$$

- **Private Unearned Revenue Funding Ratio:** The percentage of an organisation's total revenue that is made up of private unearned revenues (Non-ACE).

$$Private\ Unearned\ Revenue\ Funding\ Ratio = \frac{Private\ Unearned\ Revenues\ for\ Year\ X}{Total\ Revenues\ for\ Year\ X} \text{ x } 100$$

- **Unearned Revenue Composition (ACE):** The percentage of an organisations total unearned revenues that are comprised of ACE Funding.

$$Unearned\ Revenue\ Composition\ (ACE) = \frac{Arts\ Council\ Funding\ for\ Year\ X}{Total\ Unearned\ Revenues\ for\ Year\ X} \text{ x } 100$$

- **Unearned Revenue Composition (Private):** The percentage of an organisations total unearned revenues that are comprised of Private Unearned Funding.

$$Unearned\ Revenue\ Composition\ (Private) = \frac{Private\ Unearned\ Revenues\ for\ Year\ X}{Total\ Unearned\ Revenues\ for\ Year\ X} \text{ x } 100$$

5.2.2. Conformity Index

In addition to the aforementioned ratio analysis, it was necessary to construct a conformity index within which the text-based repertory data would be translated into a proxy for conformity and innovation. As discussed within Chapter Four: Data Collection, this data comprised of the names of each play staged by each individual theatre on a yearly basis. This index comprises information on some 85 organisations, as it was not possible to access such repertory information on the full dataset of 125 organisations. This repertory data was collected in a qualitative format, so it was necessary to process this text based data into a more meaningful and usable quantitative form. In order to do so, it was necessary to construct a Conformity/Non-Conformity Index, which acted as a proxy for innovation, and allowed for an understanding on the impact of unearned revenues on organisational artistic innovation. The rationale behind measuring conformity, rather than innovation directly was due to the subjective nature of innovation, especially within an artistic context, suggesting that attempting to capture innovation directly in an alternative fashion could not ensure data objectivity and by association the verifiability of resultant findings (DiMaggio & Stenberg, 1985).

The methodology utilised within this thesis to construct a Conformity/Non-Conformity Index, was based upon the pioneering index engineered by DiMaggio & Stenberg (1985) within their paper '*Why do some Theatres Innovate More than Others? An Empirical Analysis'*. Their methodological approach was the first of its kind to attempt to directly measure the repertory innovativeness of individual organisations through the use of quantitative methodologies, in order to ascertain the impact of factors such as the market, environment and organisational structures have on repertory conventionality and by association artistic innovation (DiMaggio & Stenberg, 1985). Their study measured the impact of National Endowment for the Arts (NEA) funding on 165 repertory theatres in the USA between 1977 and 1979, doing so through the construction of the aforementioned index, which represented the mean number of times each play was produced by any given theatre within the study sample (DiMaggio & Stenberg, 1985). Therefore, theatres which performed conventional or popular works would score high on the index, while theatrical organisations that produced innovative or unpopular works would receive a relatively low score on the index (Neligan, 2006; DiMaggio & Stenberg, 1985). Each play was given a score, based on the number of times it is staged by all the theatres within the given sample, suggesting that the lowest possible score that can be achieved for a given play is 1 which would occur when a play has only been staged once by all organisations in question during the entire study duration. In contrast, such an index does not possess a defined upper limit, as such a limit would be dependent upon a number of factors most notably, the number of organisations included within the study as well as the time period under consideration. For the sake of clarity in regards to the functionality of this index a more tangible example will be considered, for example consider the play Hamlet by William Shakespeare in the context of a 1-year sample of 20 theatres, if we assume it has been produced by 4 of these 20 theatres, then Hamlet would have a conventionality score of 4. Similarly, if it has been staged by 8 out of the 20 theatres, it would have a conventionality score of 8, suggesting that such a repertory choice is more conventional due to the higher score it has received. As such, this index aims to measure non-conformity as a proxy for innovation, or the extent to which a given theatre's repertoire diverges from the repertoires of the other theatres within the sample (DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005).

Following DiMaggio & Stenberg's (1985) creation of this methodology, it has been utilised sparsely within later academic work. The most notable uses of this methodology can be found within O'Hagan & Neligan's (2005) paper entitled '*State Subsidies and Repertoire Conventionality in the Non-Profit English Theatre Sector: An Econometric Analysis',* this paper utilised the original index methodology without any alternations, however in the context of 40 non-profit theatres in England, covering a 3-year period within the late 1990's (O'Hagan & Neligan, 2005). In addition, DiMaggio & Stenberg's conventionality index was used within Pierce's (2000) paper entitled '*Programmatic Risk Taking by American Opera Companies'* in which the index was utilised as a means by which to estimate the willingness of opera houses to take risks in their programming decisions, within the context of 64 Opera companies from 1989 to 1994 (Pierce, 2000). As such, it can be seen that although this methodology was first created over 35 years ago, its subsequent usage has been extremely limited, especially in context of a large sample size studies both in regards to organisational numbers as well as number of years under consideration which would be the case with this thesis. Therefore, the use of such an underutilised methodology within a new and extensive context allows for the opportunity to gain new insights into how unearned revenues have affected a wide range of organisations, as well as how repertory innovation or conventionally can change through time.

Other methodologies have been used to assess the theatrical repertoire and its relationship to unearned revenues, for example Martoella (1977) created a classification system by which plays were deemed either “standard” or “contemporary”, with results suggesting that organisations with a higher reliance on box office revenues staged more “standard” shows (Martoella, 1977). Similarly, Jenkins & Austen-Smith (1985) created an index based on the nature of individual shows, classifying plays as either “serious” or “non-serious”, with the resultant findings suggesting that an increase in unearned revenues has a small positive effect on the production of “serious” works (Jenkins & Austen-Smith, 1987). Austen-Smith has used an altered version of this 1985 methodology in a previous paper published in 1980, in which plays were classified as “highbrow” or “lowbrow”, with “highbrow” plays being seen as shows that are more demanding from an audience’s perspective, while “lowbrow” productions were considered to require little intellectual effort to appreciate them (Austen-Smith, 1980). With associated results indicating that a higher reliance on unearned revenues allowed theatrical organisation to stage more “highbrow” plays due to their lack of reliance of box office revenues (Austen-Smith, 1980).

As can be seen from the current literature on the topic, there were numerous methodologies that could have been employed within this thesis, in order to ascertain the impact of unearned revenues on theatrical repertory selection. However, the use of DiMaggio & Stenberg’s (1980) Conformity index, was selected as it allows for an unambiguous and easily understandable measuredly of theatrical conventionality and by association innovation, which avoids the complications associated with subjective expert ratings or theatrical reviews (DiMaggio & Stenberg, 1985). As the alternative methodologies available for such an analysis would involve the manual classification of plays into various categories based on their perceived conventionality, allows for a certain degree of subjectively based on the opinions and perceptions of the researcher, as it was hoped to avoid any possible biases the most objective methodology was opted for in the case of this thesis. Although this index does not directly measure the innovation of stage design or performance style, it does allow for an understanding of conventionality and unconventionality of the repertoires of the theatres within the sample, which includes the occurrence of new works entering the dramatic repertoire and being staged for the first time, as well as instances in which old works that have fallen into disuse are brought back into the current canon, with numerous academics suggesting that such factors are measures innovative when considering the theatrical repertory selection process (DiMaggio & Stenberg, 1985).

As such, the index used within this thesis has been employed to measure the repertoires of the 85 organisations for which artistic data was available for the ten-year study period under review. Although the Conventionality Index being used within this thesis is based on the DiMaggio & Stenberg (1980) methodology, a number of modifications have been made to the index in order to better facilitate the aims of this study as well as ensure higher levels of accuracy. As this index method has previously been used within datasets that have a much shorter timespan when compared to the study duration of this thesis, it was seen as apt to create the conventionality index on a yearly basis unlike previous studies which created an overall conventionality rating for a theatre for their entire study period, rather than a yearly score for each organisation as this study will (DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005; Pierce, 2000). This yearly conventionality score was constructed through the compilation of a list of all the plays staged by every organisation within the sample on a yearly basis, allowing for a clear division of repertoires not only by organisation but also by financial year. Following this classification process, each play was allocated a conventionality score based on the number of times each given work had been staged by all theatres within the dataset throughout the 10-year study duration, resulting in plays receiving the lowest possible score of 1 in an instance in which the given play has only been staged once by one organisation. However, in contrast within the context of this dataset the highest score a given play can receive would be calculated as follows:

$$Highest\ possible\ Conventilaity\ Score\ = Number\ of\ Theateres\ in\ the\ Sample * T\ (time)$$

Therefore, within this study the highest score a play could receive although improbably is 850, suggesting that all 85 theatres staged this same play every year of the 10-year study duration. The allocation of conventionality scores to each given play was done through the use of the Microsoft Excel "COUNTIF" Function, by which the number of cells that meet specific criteria are counted, in this case the function was used to count the number of times a particular play name appeared within the repertory dataset (Microsoft, 2022). The use of this function allowed for each play to be given a conventionality score, once this had been completed, it was possible to calculate an organisation's "Total Yearly Conventionality Score" as well as their "Yearly Average Conventionality Score". The "Total Yearly Conventionality Score" was simply the sum of all conventionally scores given to an organisation's repertoire within a given financial year. While the "Average Yearly Conventionality Score" was simply a given organisation's "Total Yearly Conventionality Score" divided by the number of different plays the organisation has staged during a financial year, in order to gain an understanding of the average conventionality of the plays staged by the organisation in question. Furthermore, the number of plays staged is also a clear indication of the budgetary constraints placed on an organisation and by association a measure of innovation in itself, as given sufficient budgetary means a theatre would prefer to stage numerous different productions, rather than extending the average run of a limited repertoire, this being due to the obvious cost difference between staging a new production and simply programming extra performances of an existing show (Werck & Heyndels, 2007). For further clarity, a pictorial representation of the process by which these variables were created can be seen in Figure 6.

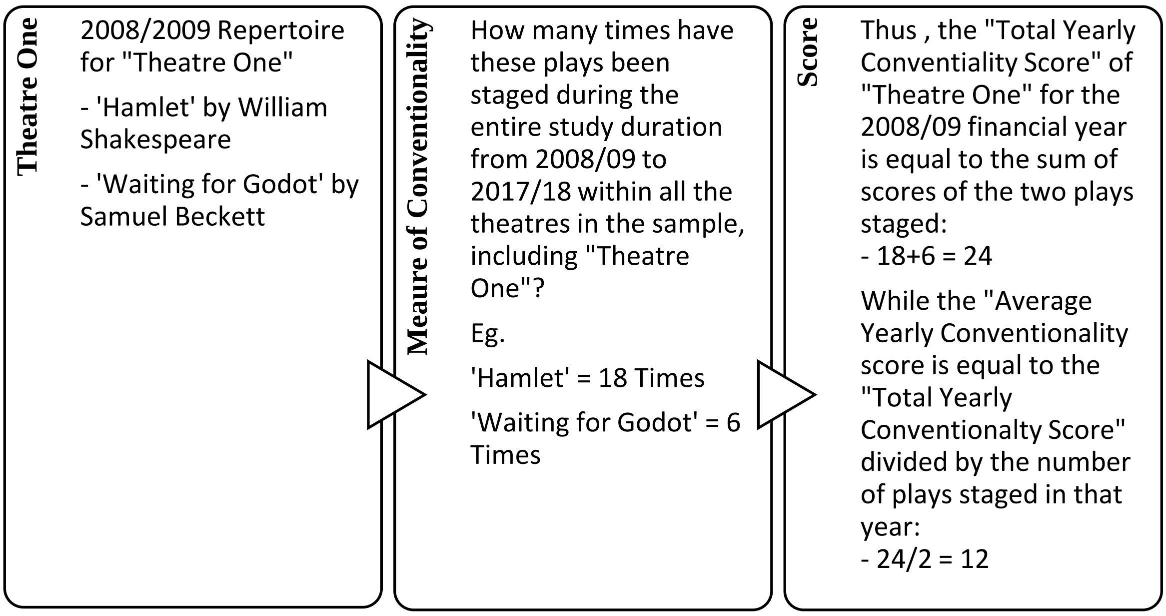

Figure 6: Creation of Conventionality Index

Both the "Total Yearly Conventionality Score" as well as the "Average Yearly Conventionality Score" were compiled for each of the 85 organisations within this dataset on a year basis. These variables were subsequently utilised in order to ascertain whether the receipt of unearned revenues has an impact on organisational innovation, while taking into consideration the source of these unearned funds, as well as the proportionate levels of such voluntary funding an organisation receives. These factors can also have a significant impact on an organisation's desire or propensity to innovate, and by association their levels of repertory conventionality. Furthermore, it was possible to ascertain whether the impact of such external funding is felt immediately within the given organisation, or whether they in fact impact future repertory decision making, based on the time consuming and labour intensive processes involved in staging a new show it was ascertained that there was a lagged effect associated with this interaction. For example, receiving government subsidy at Time “t”, would affect the organisations repertoire at Time “t+1”.

5.3. Longitudinal Panel Data Regression

Regression analysis is an extremely well-known statistical analysis technique which is utilised to infer a relationship between a given dependent variable and certain independent variables (Angelini, 2019). More specifically, regression analysis is perhaps the most widely used form of multivariate analysis within the social sciences, it is to be noted that there are numerous forms of regression analysis methods, the usage of each being dependent upon the given study’s aims as well as the nature of the data under review (Bartholomew, 2010). This thesis utilised a longitudinal panel data regression within all three composite studies. This specific form of regression analysis being a combination of a regression analysis and a time series analysis, as longitudinal data sets are comprised of a cross section of numerous subjects over a prolonged period of time (Frees, 2004). The study of a broad cross-section of data throughout time allows for an understanding of the dynamic as well as cross-sectional aspects of a given phenomenon or problem (Frees, 2004). This form of regression analysis was originally given the name of a panel data regression as such datasets were created by through processes by which groups of individuals known as a panel would be repeatedly interviewed or surveyed over a prolonged period of time, however at present applications of panel data methods are not confined to survey data and can be utilised within a much broader context (Frees, 2004). As such the primary motive for the utilisation of a longitudinal or panel data regression is due to the overarching aim of gaining an understanding of the dynamic relationships between independent or exogenous variable and a given dependent variable, in addition to the ability to model the differences or heterogeneities among the various subjects (Frees, 2004)

Based on the data being utilised for this study, as well as the duration of time under consideration, it could be argued that a longitudinal panel data regression is the most appropriate methodology for all three studies housed within this thesis. The utilisation of this methodology allows for the measurement of fine differences between variables, as well as a correlation analysis in order to ascertain whether there is a significant relationship between varied concepts (Bryman & Bell, 2009). This analysis, being a means by which to learn about the effects of explanatory variables on a dependent variable while controlling for other factors, in order to gain an understanding of whether the estimators of the given regression coefficient differ statistically significantly from zero (Frees, 2004). Throughout this thesis the numerous longitudinal regression models tested utilise all the variables compiled or created within Section 5.2. Variable Creation of this chapter, in addition to the raw financial and organisation specific data which was discussed within Chapter Four: Data Collection. Cumulatively this data was used in order to test the various hypotheses of this thesis, which have been divided into the three distinctive studies all of which have extremely varied aims. As such the study specific nuances of each given analysis as well as the distinctive regression equations being utilised within each paper will be discussed within the methodology section of each individual study.

These panel data regressions were run through the STATA computer package and were initially conducted utilising both a random effect as well as a fixed effects model, this being done in order to ascertain which model is the most suitable for the model and data at hand. The random effect model assumes the unobserved effect "a" is uncorrelated with each explanatory variable (Wooldridge, 2009). A fixed effect model controls for the effects of time invariant variables, as well as time-invariant effects (Williams, 2016). The necessity of running both a FE as well as a RE regression for each given regression equation prior to the actual commencement of the given analysis was due to the need to run a Hausman test (Bole & Rebec, 2013). A Hausman test is a model specific test which is utilised when working with panel data in order to provide an assessment of which regression model is appropriate for the data set, specifically testing between the fixed effect and the random effects model (Bole & Rebec, 2013). The hypothesis of the Hausman test is as follows:

- $\boldsymbol{H_0}$: *Random Effects is the preferable model for the given data set.*
- $\boldsymbol{H_1}$: *Fixed Effects is the appropriate model for the given data set.*

The decision as to which model to utilise is dependent on the presence of a correlation between unobservable effects and the independent variables being used (Bole & Rebec, 2013). Therefore, a significant p-value of less than or equal to 0.05, suggests correlation between the unobservable effects and the independent variables, which results the rejection of the null hypothesis H_0 and the acceptance of the alternative hypothesis H_1 (Clark & Linzer, 2014). Alternatively, if the p-value is insignificant you accept the null hypothesis H_0, and employ the random effect model (Clark & Linzer, 2014).

It is to be noted that it is necessary to run a Hausman test on every individual regression model being performed, therefore in the case of this thesis eight different Hausman tests were performed for each regression model in turn. Subsequently to the completion of these individual Hausman tests, when the correct regression model is known, eight regression models were utilised, both as a primary regression analysis method in order to test the six hypotheses posed within this, thesis as well as a means of robustness testing when necessary.

5.4. Methodological Limitations

It is to be noted that although the methodological processes which have been utilised within this thesis are the most relevant for the given research aims, as well as being the most apt in regards to analysing the forms of data that have already been collected, there are some limitations which must be considered and in order to ensure their effects are proactively minimised. The primary limitations of the given methodological design lie within the construction of the Conformity/Non-Conformity index. Although such an index is the most robust and unbiased method for measuring repertory innovation when considering the possible or available methodological options, limitations still do exist within the methodological processes utilised primarily due to data collection restrictions. The method used could have been made more robust through the use of additional repertory information beyond that of the name of the play staged in isolation, such as the name of the playwright, the year of publication, the year of first staging, as well as the original publication language (Werck et al, 2008; Throsby, 1990; Abbé-Décarroux, 1994; Urrutiaguer, 2002). Unfortunately, however this information was not available for the vast majority of organisations within this dataset, and therefore this additional layer of analysis could not be conducted, as the use of these additional explanatory variables would have allowed for a deeper understanding of the ethos behind an organisation's repertory selection process. For example, when considering data concerning original publication dates or first staging date, such data would provide an insight into whether theatres are opting for more modern plays or plays that have been a well-established part of the theatrical canon for several decades. Such considerations would have been particularly apt when considering the impacts and expectations associated with Arts Council funding, as one of the key stipulations associated with the receipt of such funding is the production of plays written by new or up-and-coming playwrights.

Further limitations, although minor in nature, can be identified within the longitudinal panel data regression analysis method being used throughout this thesis, as the most prevalent limitation associated with such a regression model stems from the complexity of the necessary sampling design to create such a dataset, which could result in the occurrence of a sampling bias due to the notion of attrition (Frees, 2004). Attrition refers to the gradual erosion of responses by subjects over time due to factors such as nonresponse or a lack of data availability. However, in order to mitigate against such problems within the sampling methods used within this thesis numerous robustness checks have been carried out in order to ensure the characteristics of this thesis' dataset are representative of the national theatrical and cultural population as a whole. This was done through the comparison of the dataset produced within this thesis with three other populations of theatrical and artistic organisations in England, findings of which allowed for the confirmation that there is in fact no form of attrition or sampling bias occurring within this study, due to the high levels of comparability seen.

Chapter Six: Paper One – Money Breeds Money: A Study of the Crowding-In Phenomena within the English Theatrical Sector

6.1. Introduction

Within the axiom of classical economics, the notion of crowding-out refers to a neoclassical phenomenon which generally focuses on the effects of expansionary fiscal policy in context of the standard IS-LM analytical framework (Carlson & Spencer, 1975). Within which, the IS curve represents pairs of interest rate and real income points which can be used within a given economy to find its equilibrium. The LM curve represents an equivalent array of points at which the demand for money equals the supply (Carlson & Spencer, 1975; Heim & Mirowski, 1991). As such within a neoclassical framework, crowding-out is a heterogenous phenomenon as well as a transmission mechanism, by which an increase in government spending financed either by taxes of debt issuance fails to simulate economic activity due to the crowding-out of private sector spending as a result of governmental actions (Boberg-Fazlić & Sharp, 2015; Carlson & Spencer, 1975). Therefore, crowding-out occurs due to the existence of a perfectively vertical LM curve as can be seen within Figure 7 below, which would imply that an increase in government spending would only result in an increase in interest, due to a shift in the IS curve to the right from IS1 to IS2. However, this does not result in an increase in velocity due to the static nature of the LM curve leading to crowding-out in both real and nominal terms (Balcerzak & Rogalska, 2014). Further to this, as can be seen by the aggregate demand curve within Figure 7, the AD curve does not shift, suggesting that the crowding-out in occurrence is equal to the increase in government spending, resulting in questions surrounding the practical returns on expansionary fiscal stabilisation polices in light of their somewhat counter-cyclical effectiveness (Balcerzak & Rogalska, 2014).

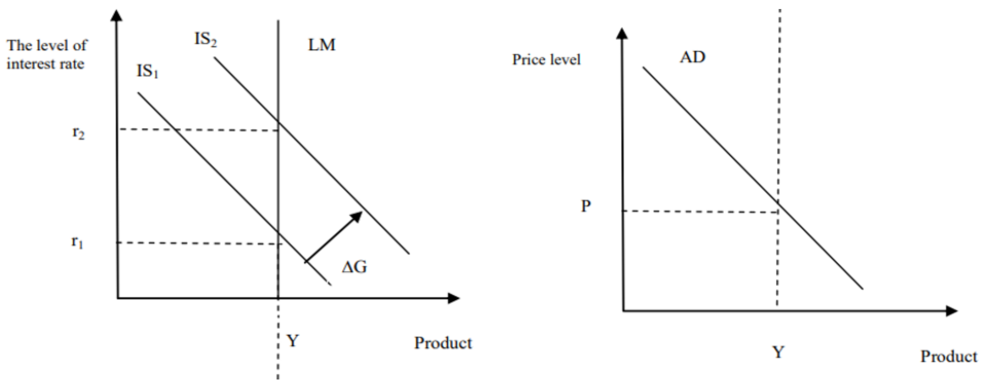

Figure 7: Classical IS-LM Curve (Reproduced from Balcerzak & Rogalska, 2014)

None the less, using these classical tenants as a primary framework, the literature surrounding the crowding-out phenomenon has developed substantially in more recent years.

Numerous academics have proposed models that go beyond the traditional IS-LM framework either through the formulation of new models, or the alternation of existing models, in an attempt to extend the boundaries of such a theory (Carlson & Spencer, 1975). Such an expansion has led to the development of insights into the varied forms of crowding-out effects based on particular types of governmental expenditure, a distinction between direct and indirect crowding-out, in addition to the consideration of the opposing crowding-in phenomenon (Abrams & Schitz, 1978; Heim & Mirowski, 1991). This suggests that increases in government spending within different areas of the economy can have varying impacts on private spending, both in terms of the source of such consequences as a direct repercussion of governmental actions or alternatively an indirect reaction of economic actors, in addition to the varying propensity for crowding-out or the converse crowding-in to incur within different market segments (Abrams & Schitz, 1978; Balcerzak & Rogalska, 2014). This expansion led to new and novel implementations of crowding-out theory, primarily in context of social welfare within which crowding-out goes beyond the traditional macroeconomic notion of private investment and demand for money, but instead focuses on the net effects of social welfare based governmental expenditure on private charitable contributions (Abrams & Schitz, 1978). Within such a context, the aim would be to ascertain whether an increase in government aid to a given non-profit or charitable sector results in the crowding-in or crowding-out of private contributions (Boberg-Fazlić & Sharp, 2015). This brings rise to the central tenants of this study, as this research will be aiming to ascertain the impact of an increase in governmental subsidy to the theatrical sector on the levels of private donations provided to these same organisations. This will determine whether the crowding-in or crowding-out phenomenon is prevalent within the English non-profit theatrical sector.

Such a phenomenon is extremely topical and poignant within the non-profit theatrical sector in light of the ongoing need for such organisations to diversify their revenue streams due to governmental budgetary cuts, increased competition for funding, and the ever growing deficits faced by such firms. This suggests that it is vital to identify the existence of any significant relationship or interaction between government funding and private donations, through which governmental funding either stimulates or inhibits private donations (Kim & Van Ryzin, 2014; Brooks, 2000a; Smith, 2007; de Wit & Bekkers, 2016). To this end, this paper will aim to explore whether the acceptance of governmental unearned revenues results in the crowding-in of private contributions. This is done through an analysis of the responsiveness of private contributions at time “t+1”, to an increase in governmental funding at time “t”, specifically in regards to the propensity for private contributions to increase as a result of an increase in governmental subsidy, due to the increased levels of organisational legitimacy and prestige associated with the receipt of national level government funding especially within a theatrical context (Hughes et al, 2014; Borgonovi, 2005). It is to be noted that the direction of interaction that is being tested within this study is in opposition to the traditional notion of crowding-out, by which an increase in governmental subsidy would lead to either the indirect or direct crowding-out of private contributions (Hughes et al, 2014; Borgonovi, 2005). This opposing effect is being tested in light of the specific nature of the English non-profit theatrical sector in terms of the levels of external resource dependency incurred, in addition to the recent trends of revenue diversification. The existence of the crowding-in phenomenon is quantitatively tested on both a national and regional level in order to answer the research question posed within this study: ’Does the receipt of government subsidy, result in the crowding-in of private philanthropy?’

6.2. Hypothesis Development

The aim of this literature review is to provide an overview of the relevant literature surrounding the crowding-out and crowding-in phenomena within the cultural sector, and the specifics surrounding the dynamics between government and private funders in addition to insights regarding the impact of such funding on the recipient organisation. As such, we will be reviewing all relevant literature in order to identify a clear gap in the current canon of knowledge, as well as provide an adequate backing for the development of this study’s hypothesis.

As non-profit theatrical organisations receive unearned revenues from a variety of sources including government funders and private supporters comprising of individuals, corporations, and foundations, the somewhat tumultuous relationship between these two rather disparate funder categories must be brought to the foreground (Smith, 2007). With this particular relationship proving to be a subject of interest to numerous academics and researchers, with considerable time and energy being committed to gaining an understanding of the fraught and at time confusing relationship between public subsidies and private philanthropy, with a focus on the impact of government subsidy on private donations (Brooks, 2000a). None the less, the vast majority of government spending to the non-profit sector is disbursed based on the assumption that such funding does not affect the behaviours of private donors, this however is not the case in the vast majority of instances, resulting in the rise to prominence of both the crowding-out and crowding-in frameworks within such non-profit contexts (Kim & Van Ryzin, 2014; Brooks, 2000a). Crowding-out refers to the phenomenon in which the receipt of government funding displaces or discourages private donations, therefore it can almost be seen as a mechanism by which one revenue source inhibits the provision of other funds, suggesting an almost self-defeating nature of this phenomenon (Brooks, 2000a; Kim & Van Ryzin, 2014; Hughes et al, 2014; Brooks, 2000a). In contrast, crowding-in refers to the possibility that government subsidy may act as a catalyst for private donations and therefore increase the funds available to a given organisation (Hughes et al, 2014). The rationales for the occurrences of these phenomena are extremely subjective and varied in nature, therefore the current literature surrounding the presence of such interactions within the non-profit theatrical sector remain mixed and inconclusive, with current studies providing contrasting estimations of the size and scale of the impact of government funding on private donations, with results ranging from full crowding-out to crowding-in (Hughes et al, 2014).

If such interactions were considered on a theorical level, beginning with crowding-out it would be suggested that the rational for the occurrence of crowding-out can be attributed to two varied forms of interaction, these being direct and indirect responses to governmental funding (Balcerzak & Rogalska, 2014). Direct crowding-out refers to an instance in which the economic choices of the state have a direct impact on the structure of private consumption and private economic activities. In comparison indirect crowding-out refers to the reactions of economic actors to the change in government spending and structure (Balcerzak & Rogalska, 2014; Buiter, 1976). Therefore, to put this into context, it could be stated that the level of crowding-out in occurrence is dependent upon the direct reactions of private donors to the changes in governmental funding, as well as the indirect reaction of private donors based on the response of the non-profit organisation to the receipt of governmental subsidy (Hughes et al, 2014). When considering examples of direct crowding-out, this usually refers to a shift in the perception or willingness of the private donor to provide funding due to an increase in government subsidy. This occurs for a variety of reasons, the most common of which being the "substitution effect" by which an increase in government funding reduces the perceived need of the recipient organisation, therefore private donors no longer feel compelled to donate viewing the increased government subsidy as a substitute for their private contributions (Abrams & Schitz, 1978; Boberg-Fazlić & Sharp, 2015). Further to this, the "income effect" is seen to be another primary cause for direct crowding-out, as the increased provision of governmental subsidy could lead to lower disposable income from the perspective of private funders if this increased governmental revenue and by association spending has been raised through increased taxation. This suggests that the provision of additional government funding through taxation revenues would directly limits the ability of private contributors to offer such funding (Abrams & Schitz, 1978).

Conversely, a common example of indirect crowding-out can be attributed to internal changes within the recipient organisation once in possession of governmental subsidy, in regards to shifts within the focal firm's fundraising efforts or repertory selection. When considering fundraising it has been found that theatres may opt to reduce their fundraising efforts once in receipt of governmental subsidy if such funds have successfully filled the given firm's income gap, resulting in indirect crowding-out of private donors (Andreoni & Payne, 2001; Hughes et al, 2014; Borgonovi, 2005). Similarly, theatrical organisations tend to alter their artistic repertoire due to the demands of their external funders. When considering funder demands within such an artistic context, it has been found that funders most prevalently make demands of recipient firms in terms of the alteration of their artistic output or repertoire in order to align with the wishes, goals, or image of the funder in question (Carroll & Slater, 2008; Bukvic et al, 2016; Liu & Kim, 2021). Governmental arts funding bodies and private contributors have extremely varied views in terms of artistic innovation within the organisations they fund, with governments usually opting to fund innovative arts organisations in a bid to meet social objectives such as diversity, inclusion, and the increased dissemination of the arts to underrepresented communities. Such organisations are encouraged to house an innovative and novel repertoire to ensure the achievement of wider governmental social aims (Jenkins, 2009; Equity, 2019; Arts Council England, 2020). However, private donors regardless of their specific form tend to support traditional well-established organisations that stage classical and conservative repertoires, while actively avoiding organisation that strive for artistic originality or innovation due to the potential reputation risk associated with funding firms that may stage an overly risqué production (Hodge & Piccolo, 2005; Sherer et al, 2019). Therefore, in the instance in which a given theatre receives additional government funding, it is likely that they will have to align their output more closely with the aims of their governmental sponsors rather than their private funders, resulting in further indirect crowding-out as private contributors will no longer feel that their demands are being catered to by the given firm (Hodge & Piccolo, 2005; Voss et al, 2000).

In contrast, if we were to consider the rational and theoretical justification for crowding-in, such a phenomenon can largely be seen to be reliant on donor perception, similarly to that of crowding-out. However, in this case it would be necessary to consider the impact of organisational legitimacy and donor's utility (Hughes et al, 2014). Advocates of crowding-in have long since suggested that the receipt of competitive governmental subsidy can act as a signal of quality or as a stamp of approval for the receipt firm, resulting in reputational benefits as well as increased organisational legitimacy from the recipient's perspective (Jung & Moon, 2007; Borgonovi, 2005). Private donors tend to prefer to donate to firms that are perceived as legitimate, based on the focal firm's ability to establish a likeness between the social values associated with their activities and the norms of acceptable behaviour within the larger social system of which they are a part (Dowling & Pfeffer, 1975; Jung & Moon, 2007; Deephouse & Carter, 2005). Further to this, theatrical organisations attain socio-political legitimacy through the acceptance of governmental funding, as being granted such subsidy is perceived as positive recognition of the firm's artistic repertoire and overall performance, therefore connotating approval of the focal firm by powerful authorities including the state (Drees & Heugens, 2013; Sherer et al, 2019). The increased organisational legitimacy gained through the attainment of government funding has a spillover benefit on the reputation and social standing of the recipient firm more generally, which can act as a catalyst for increased private donations, as contributors now feel a heighted sense of trust in the capabilities of the given firm both in regards to the organisation's management and output (Dowling & Pfeffer, 1975; Singh, Tucker & House, 1986; Kirchberg, 2003; Borgonovi, 2005). Further to this, private donors could view governmental involvement as a guarantee of due diligence on the part of the non-profit, as public funding is generally granted with ties namely a certain level of fiduciary responsibility, thus further reassuring donors of the integrity of the organisation at hand (Brooks, 1999; Brooks, 2000b). Overall, current findings suggest that the increased legitimacy associated with the receipt of governmental subsidy, could result in the crowding-in of private donations.

In addition to the aforementioned discussion of organisational legitimacy, it has been found that many donors gain utility, "a warm glow" or sense of prestige associated with the act of giving to charitable giving (Hughes et al, 2014). Suggesting that the provision of such funding is not purely altruistic but is at least partially due to the utility gained by the donor through the act of helping an organisation in need (Hughes et al, 2014; Abrams & Schitz, 1978). This has been linked to the rise in egoistical motives for charitable donations in recent years, by which the provision of charitable funding is driven by external factors, reputational gains, social signalling, public praise, image rewards, peer pressure, a sense of belonging, or private advancement of some kind (Johnson & Garbarino, 2006; Bertacchini, 2011; Benabou & Tirole 2006; Sargeant & Woodliffe, 2007; Benapudi et al, 1996). In light of these self-interested goals, private donors tend to provide funding to organisations that already receive substantial unearned revenues and by association hold some stature in the community. These existing unearned revenues held by the recipient firm although reducing their perceived need for fund, allow the organisation to expand their activities as well as undertake new and better projects, resulting in a higher marginal utility for future donors. This is further theoretical justification of the likelihood of the occurrence of crowding-in (Borgonovi, 2005).

None the less, despite the seemingly vast array of theoretical work surrounding the rationale and justification for both crowding-out and crowding-in, the empirical work on the matter is extremely limited. Results of the available work on the subject are extremely mixed and don't allow for a clear insight into any pattern or the perceived likelihood of such a phenomenon occurring within a given market, suggesting that its strength, occurrence, and likelihood vary on a case by case basis. For example, through an examination of such empirical work, while using firm level data Kingma (1989) found that for every \$1 of governmental subsidy provided to public radio broadcasting organisations, crowding-out of about \$0.15 in private giving occurred (Hughes et al, 2014; Smith, 2007). In contrast, Hughes et al (2017) found that government support has a positive impact on private donations in the context of US based Symphony Orchestras, suggesting that every $1 of government subsidy crowds-in roughly $2 of private giving (Hughes et al, 2014). Furthermore, Okten & Weisbros (2000) examined the presence of the crowding-out phenomenon within a variety of non-profit organisations including art galleries, however it was found there is no significant relationship between government subsidy and private donation within such a context (Smith, 2007). And finally, a study by Smith (2007) of 2,629 arts organisations within the USA found that there is a significant crowding-in effect at play, with $1 of government subsidy resulting in the crowding-in of private donations ranging from $0.947 to $1.146, which could signify a leveraging effect of nearly 68% (Smith, 2007).

These studies highlight a key gap within the current canon of literature as based on these results, it is in no way possible to draw any kind of definitive conclusions surrounding the likely occurrence of the crowding-out phenomenon within an English theatrical context. All past studies which have attempted to investigate this matter have been conducted within the USA, suggesting we have no insight into the presence of the crowding-out phenomenon with the English non-profit theatrical market. This being extremely poignant to note as the funding models utilised by non-profit theatres within the UK and the US vary greatly, with American organisations usually only receiving 6% of their total revenues from governmental subsidy, while comparative organisations with the UK usually derive 35% to 85% of their total revenues from governmental subsidisation (Pierce, 2000; Kurabayashi et al, 1988). This greater reliance on unearned revenues seen within the UK and Western Europe more generally, coupled with ever increasing trends of revenue diversification within such theatres, begs the question of what donor perception is the most prominent within the English non-profit theatrical sector. Therefore, based on the extensive body of literature reviewed, as well as the gap within the literature that has been identified, the following hypothesis has been formulated in a means by which to answer the research question posed within this study.

$\mathbf{H_1}$: *Private philanthropists prefer to donate to theatrical organisations that are already in receipt of state subsidy.*

It is to be noted that Crowding-in is being hypothesised rather than Crowding-out due to the nature of the English non-profit theatrical sector, as the current trends of revenue diversification within the sector would not be possible if Crowding-out were in occurrence. Furthermore, the Arts sector is known to be extremely reputation centric and thereby is highly dependent on the tenants of organisational legitimacy, therefore the occurrence of Crowding-in is expected to be more likely within such a sector.

6.3. Data and Methodology

In an attempt to study the relationship and interactions between varied forms of unearned revenues namely government subsidy and private philanthropy, it was necessary to utilise appropriate data, as well as identify the most appropriate methodological approach. The full data collection processes for this thesis can be found within Chapter Four of this document, however an abridged version of such information will be discussed within this paper as a means by with to provide context on the specific data utilised within this study and forthcoming regression analysis.

As the aims of this study are based around the measurement of the crowding-in or crowding-out phenomenon, the data required was predominantly of a financial nature and consisting of information pertaining to the levels of governmental subsidy and private unearned revenues received by a given organisation, acting as independent and dependent variables respectively. In addition, further financial and organisational level variables were used within the forthcoming regression analysis in the capacity of explanatory variables. Since this study is only utilising financial data both in terms of ACE finances and the financial information of individual organisations, it was possible to utilise the full dataset collected and compiled for this thesis, comprising some 125 ACE funded repertory theatrical organisations for a ten-year study duration of 2008/09 to 2017/18, a composite list of which can be found within Appendix I. This final dataset was achieved based on data availability constraints in light of the wholly secondary nature of all data used within this thesis, as well as based on necessary exclusion criteria in order to ensure that all organisations being examined within this thesis were relevant given overarching study objectives. None the less, this sample represents roughly 73% of the total relevant population of Arts Council England Regularly Funded or Portfolio Funded Repertory Theatres, a visual representation of which can be seen below in Figure 8:

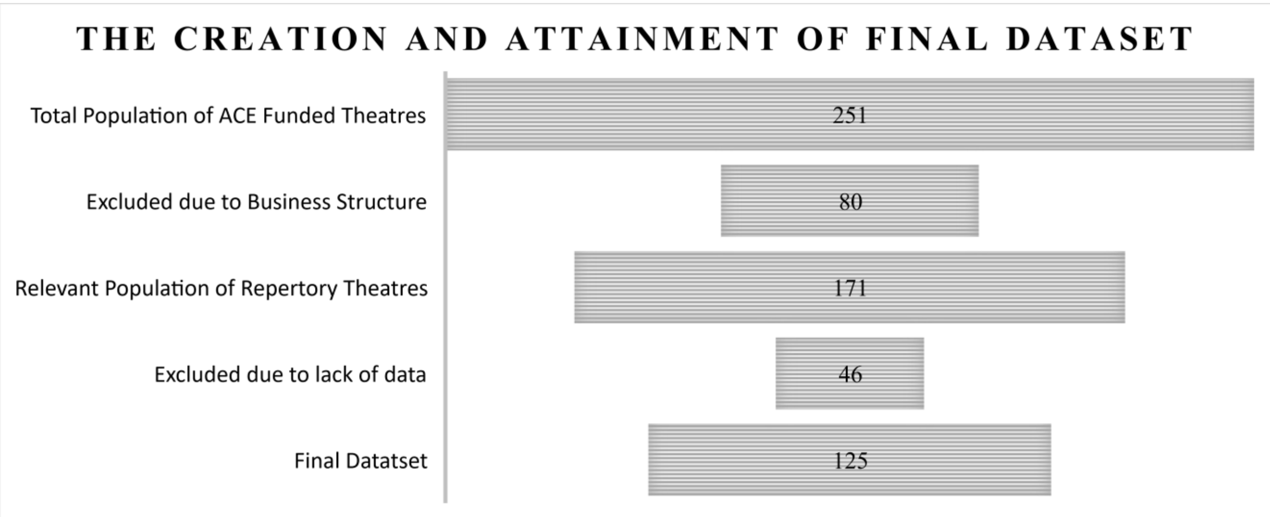

Figure 8: The Creation and Attainment of Final Dataset

Throughout the whole data collection and collation process a wide array of information was collected on the 125 organisations within the final dataset resulting in the culmination of 29 study variables. This included yearly financial data via the individual organisation's annual report or financial statements, organisational characteristics such as age, location, and size from the organisation's website or annual reports, as well as all relevant information surrounding the ACE funding received by all organisations within the final dataset collected from the ACE funding database. A breakdown of the variables relevant to this study in addition to a description of the nature of the given variables, as well as the source of the data can be found on Table Twelve below.

TABLE TWELVE

Description and Source of Variables Used within Paper One

Variable Name	Abv.	Description	Source
Organisation Age	OA	The organisations age for a given year of analysis. Eg if the organisation was incorporated in 1990: 2010 = Age 20 Years 2015 = Age 25 Years	Individual Organisation Website
Number of Performance Spaces/ Stages	NPS	Static	Individual Organisation Website
Total Venue Capacity (Seated)	TC	Static	Individual Organisation Website
Region Dummy	RD	Dummy Variable - used as a means to quantitatively code the qualitative "Organisation Region" variable. London = 1 East of England = 2 East Midlands = 3 Northeast = 4 Northwest = 5 Southeast = 6 Southwest = 7 West Midlands = 8 Yorkshire and The Humber = 9	Individual Organisation Website
London Dummy	LD	Dummy Variable created to ascertain whether a Theatre is located in London. London = 1 Out of London = 0	Individual Organisation Website
ACE Funding	ACE	Amount of Arts Council England funding received by a given organisation on a yearly basis.	Arts Council Funding Database
Years Funded	YF	Number of years an organisation received ACE funding within the 10 year study period.	Arts Council Funding Database

Continuously Funded	CF	Dummy variable used to denote an organisation that was continually funded for the entire 10-year study period 1= Funded for 10 Years 0 = Not funded for all 10 Years	Arts Council Funding Database
Earned Revenues	ER	Yearly 2008/09-2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Total Fixed Assets	TFA	Yearly 2008/09-2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Private Unearned Revenues	PUR	Unearned revenues received from sources other than Arts Council England, namely Corporate and Individual Donors. Calculated as follows on a yearly basis: *Total Unearned Revenue for Year X- ACE funding for Year X*	Individual Organisation Annual Reports (Companieshouse.gov.uk) and Arts Council Funding Database

Table 12: Description and Sources of Variables Used within Paper One

Two distinct regression models were utilised with this study as can be seen below. Model One was the primary means by which to test this study's hypothesis, while Model Two acts as a robustness check through an assessment of regional variability, and as such numerous explanatory variables have been removed within this later model and there is no associated hypothesis in place.

Model 1: $PUR_{it+1} = \beta_{0+}\beta ACE_{it+}\beta CF_{it+}\beta YF_{it+}\beta TC_{it+}\beta NP_{it+}\beta OA_{it+}\beta LD_{it+}\beta ER_{it+}\beta TFA_{it+}u_{it+}\varepsilon_{it}$

Model 2: $PUR_{it+1} = \beta_{0+}\beta ACE_{it+}u_{it+}\varepsilon_{it}$

Where:
PUR - Private Unearned Revenues in GBP at time "t+1" (Primary Dependent Variable)
ACE - Arts Council England funding in GBP (Primary Independent Variable)
CF - Continuously funded dummy variable
YF - Years funded
TC - Total Venue Capacity
NPS - Number of Performance Spaces or Stages
OA - Organisation Age
LD - London Dummy
ER - Earned Revenues in GPB
TFA - Total Fixed Assets in GBP
υ - Between entity error
ε - Within entity error

More specifically, Model One tests the impact of the quantity of Arts Council England Funding received at time "t" on the amount of Private Unearned Revenues received at time "t+1". In addition to this, numerous instrumental variables have been implemented into this regression equation in order to ascertain whether organisational or financial characteristics such as age, size, location, fixed assets or earned revenues have an impact on the occurrence of the crowding-in phenomenon within a given of organisation. Model Two was used as a robustness check and a means by which to ascertain whether there is a regional variation within the propensity for theatrical organisations to incur either the crowding-in or crowding-out phenomenon. Such a variation is likely due to the London centric nature of arts funding, with roughly 50% of all governmental arts funding remaining within the capital suggesting a much higher concentration of funding and therefore greater spillover effects within London based firms (Arts Council England, 2018b). Similarly, Model Two also aims to ascertain the impact of the nominal amount of ACE funding received at time “t” on the amount of unearned private revenues received in GBP at time “t+1”, however in light of this models function as a robustness check no explanatory variables have been included. Model Two was on run nine iterations in order to test each individual region within England in turn, to ascertain the levels of crowding-in or crowding-out present. Furthermore, both models employ the use of a time lag, by which the impact of ACE funding on Private donations if any, is expected to take a year to occur, as we do not expect such a crowding-in phenomenon to occur instantaneously as a result of an increase in governmental funding to a given organisation. This time lag being implemented due to the need to allow private donors time to be informed to changes in governmental support levels, as neither crowding-in or crowding-out can occur until such funders are made aware of any changes and therefore will maintain their current levels of funding until given cause to alter their donations (Di Wit et al, 2016). It has been suggested that despite their best intentions many donors do not know how much governmental support a charitable organisation receives at a given point in time, as such information is unattainable until the publication of annual reports and official policy documentation (Di Wit et al, 2016; Horne et al, 2005). Although such information can theoretically be gleaned more quickly through the news or media outlets, such providers usually only focus on certain key projects or alternatively providing a general overview of trends and changes and therefore do not provide a sufficient level of organisation information within such a context (Di Wit et al, 2016; Horne et al, 2005). Therefore, the duration of a one year time lag was chosen, to ensure enough time is provided to take into account the potential publication dates and delays of all relevant documents, resulting in the notion that by the time such data is released and private donors have a chance or opportunity to respond to it and alter their donations a calendar year would have passed, resulting in a lag within the occurrence of the crowding-in or crowding-out phenomenon (Kim & Van Ryzin, 2014). Further to this, such a lag is further justified due to the structure of private donations to the arts, as in many instances such private donors commit to a certain level of funding for a given financial year, therefore their first opportunity to alter their level of funding based on their current commitments to the recipient organisation would be upon completion of the current financial or calendar year.

It must be noted that prior to beginning the regression analysis for this study through the use of the aforementioned models, it was necessary to run a Hausman test to determine whether a fixed effect model or a random effects model is more appropriate for the given dataset under review (Bole & Rebec, 2013). The Hausman test was run separately for regression Model One and Model Two as can be seen within Table 13 and Table 14 respectively below:

TABLE THIRTEEN

Results of the Hausman Test for Model One

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	5.07	4	0.2803

Table 13: Results of the Hausman Test for Model One

TABLE FOURTEEN

Results of the Hausman Test for Model Two

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	87.2	1	0.1968

Table 14: Results of the Hausman Test for Model Two

Based on the insignificant p-value of both the Hausman tests conducted, it can be suggested that the null hypothesis of the model should be rejected and therefore a random effects model should be employed when running both study regression models (Bole & Rebec, 2013; Clark & Linzer, 2014).

6.4. Results

Prior to a discussion of the regression analysis conducted within this study, it is necessary to assess the descriptive statistics and correlation coefficients of all relevant variables being utilised within this analysis as can be seen within Table 15 and Table 16 respectively. Table 15 specifically provides descriptive information for all study variables including both financial and organisational characteristic. As can be seen, the average non-profit theatrical organisation within this sample receives an average annual ACE grant of £685,811.80, in comparison to the average annual level of private unearned revenues provided of £682,142.80. Similarly, Table 16 below depicts a correlation matrix for all study variables. The statistically significant pairwise correlation between the ACE Funding variable and the Private Unearned Revenues variable suggest a strong significant correlation of 0.8753, implying a positive relationship between the level of ACE funding and private funding received by a given organisation, which will be investigated in more depth within the subsequent longitude panel data regression analysis.

TABLE FIFTEEN

Summary Statistics of All Paper One Data

Variable	Obs.	Mean	Std. Dev	Minimum	Maximum
Continuously Funded	1,220	0.71	0.45	0	1
Years Funded	1,220	8.56	2.44	1	10
Total Venue Capacity	1,220	373.16	471.18	0	2,490
No. of Performance Spaces/ Stages	1,220	1.35	1.37	0	7
Organisation Age	1,220	29.26	16.15	0	92
London Dummy	1,220	0.38	0.49	0	1
Private Unearned Revenues (£)	1,220	682,142.80	2,033,594	0	30,500,000
ACE Funding (£)	1,220	685,811.80	2,132,366	0	19,600,000
Earned Revenues (£)	1,220	2,172,513	7,574,012	-18,897	92,200,000
Total Fixed Assets (£)	1,220	3,057,139	10,400,000	-45,964	115,000,000

Table 15: Summary Statistics of All Paper One Data

TABLE SIXTEEN

Pairwise Correlation Matrix of Paper One Data

Variable	1	2	3	4	5	6	7	8	9	10
1) Continuously Funded	1									
2) Years Funded	0.9286*	1								
3) Total Venue Capacity	0.1627*	0.1137*	1							
4) No. of Performance Spaces/ Stages	0.2440*	0.1823*	0.6408*	1						
5) Organisation Age	0.1076*	0.0469	0.4025*	0.4113*	1					
6) London Dummy	0.2953*	0.3132*	-0.1948*	-0.0582*	-0.0647*	1				
7) Private Unearned Revenues (£)	0.1503*	0.1401*	0.5143*	0.2330*	0.2389*	0.0314	1			
8) ACE Funding (£)	0.1750*	0.1700*	0.5404*	0.2084*	0.2510*	0.0401	0.7959*	1		
9) Earned Revenues (£)	0.1194*	0.1031*	0.5784*	0.1979*	0.2291*	0.0168	0.6957*	0.8753*	1	
10) Total Fixed Assets (£)	0.1461*	0.1458*	0.4925*	0.1943*	0.2312*	-0.0646*	0.7029*	0.8224*	0.7739*	1

Table 16: Pairwise Correlation Matrix of Paper One Data

The results of the longitudinal panel data regressions for Model One and Model Two of this study can be seen within Table 17 and Table 18 respectively. When first considering the Model One random effects national level regression as seen within Table 17, results depicting the responsiveness of Private funding at time “t+1” to a change in ACE funding at time “t”, suggests that there is a highly statistically significant positive coefficient between these two variables. More specifically the coefficient of the ACE funding variable within Table 17 signifies that a £1 increase in ACE funding at time “t” would result in an increase in Private Unearned Revenues of £0.87 at time “t+1”, with these findings being statistically significant at a 99% confidence interval. These finding allow for the rejection of the null hypothesis for $\mathbf{H_1}$ and acceptance of the alternative hypothesis, confirming that private philanthropists prefer to donate to theatrical organisations that are already in receipt of state subsidy, thereby implying the presence of the crowding-in phenomenon within the English non-profit theatrical sector.

TABLE SEVENTEEN

Model One Regression Output

Dependent Variable	
Independent Variables	**Model One** Private Unearned Revenues (t+1)
Organisation Characteristics	
Continuously Funded	-19,095.44
Years Funded	-6,800.806
Total Venue Capacity	756.0119***
No. of Performance Spaces/ Stages	-14,908.25
Organisation Age	273.5457
London Dummy	157,822.7
Financial Information	
ACE Funding (£)	0.8734125***
Earned Revenues (£)	-0.0333634***
Total Fixed Assets (£)	-0.0258847***
N	1,095

Table 17: Model One Regression Output

When considering the results of the robustness check performed within Model Two, as can be seen within Table 18 below, it can clearly be noted that the crowding-in phenomena is occurring within theatrical organisations located within 7 of the 9 English regions. Only the non-profit theatres within the East and West Midlands do not incur either the crowding-in or crowding-out phenomenon, as there is no statistically significant relationship either positively or negatively between the amount of ACE funding received at time “t” and the amount of Private Unearned Revenues received at time “t+1” within these two regions.

TABLE EIGHTEEN
Model Two Regression Output

Dependent Variable	
Region	**Model One** Private Unearned Revenues (t+1)
London	0.7947588***
East of England	0.5352003***
East Midlands	0.379942
West Midlands	0.1247636
Northeast	0.5710414***
Northwest	1.418681***
Southeast	1.868493***
Southwest	0.7044617***
Yorkshire	0.5110455***
N	1,095

Table 18: Model Two Regression Output

When considering the results of the other seven regions that produced statistically significant outputs, it can be found that the largest crowding-in phenomenon is occurring within theatrical organisations located within the Southeast of England, with £1 of ACE funding at time "t", crowding-in £1.86 of private unearned revenues at time "t+1". This being in contradiction with the initial assumption that the highest levels of crowding-in will occur within the capital, due to the London centric nature of such arts funding by which the vast majority of cultural funding is concentrated within the GLA area. None the less it can be seen that there is a statistically significant level of crowding-in occurring within London although to a more modest level by which £1 of ACE funding at time "t" leads to the crowding-in of £0.79 in private funding at time "t+1".

6.5. Discussion

The current literature on the crowding-out and crowding-in phenomena within the non-profit theatrical sector are extremely varied due to the mixed and contradictory results being produced within the canon of relevant empirical work. This resulted in a lack of a consensus surrounding the likelihood of the occurrence of the crowding-in phenomenon within such a sector. There was an additional gap within the literature, as all current studies had been tested within the context of the USA (Smith, 2007; Kingma, 1989; Okten & Weisbros, 2000; Hughes et al, 2017). In light of the somewhat temperamental nature of this phenomena by which results vary to a great degree based on the specific nature of the market under review as well as the location of the given market, it could be suggested that US based findings would not be comparable or generalizable within an English or Western European context, especially in light of the vastly different funding models seen within theatres in both of these countries (Pierce, 2000; Kurabayashi et al, 1988). As such this study aimed to fill this gap through an examination of the presence of the crowding-in or crowding-out phenomenon within the English non-profit theatrical sector. This being done through the lens of Resource Dependency Theory, as a means by which to assess whether the organisational legitimacy gained through the engagement in such resource dependent interorganisational relationships acts as a catalyst for the provision of further funding from other stakeholder groups (Dowling & Pfeffer, 1975; Jung & Moon, 2007; Deephouse & Carter, 2005; Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978). Such a theoretical stance would imply the presence of the crowding-in phenomena by which the receipt of governmental subsidy increased the legitimacy of the recipient organisation, which in turn spurs on the provision of additional unearned revenues from private sources.

Overall, the results of this study offer a substantial level of support for the hypothesis posed. The results of the Model One regression analysis were sufficiently statistically significant to allow for the acceptance of $\mathbf{H_1}$, which predicted that private donors would prefer to donate to organisations already in receipt of governmental subsidy. This donor preference and by association presence of crowding-in effect can clearly be seen within the positive statistically significant coefficient for ACE funding variable as seen within Table 17. These findings suggest that on a national level a £1 increase in ACE funding at time "t" leads to an increase in Private unearned revenues of £0.87 at time "t+1", with these findings being statistically significant at a 99% confidence interval. These regression results proving the presence of a strong crowding-in effect within the English theatrical sector as a whole, it can clearly be seen that the provision of governmental funding to a given organisation acts as a catalyst for the provision of further private unearned revenues.

When considering the regional level regression analysis conducted within Model Two, results of which can be seen within Table 18, it is clear that the greatest level of crowding-in occurs within Southeast of England, with £1 of ACE funding at time "t", crowding-in £1.86 in private unearned revenues at time "t+1", closely followed by Northwest England with a crowding-in effect of £1.41. It was expected that there would be regional variation in terms of the level of crowding-in that occurs based on the concentration of unearned revenues available within each region on average, as rural areas tend to receive much lower levels of subsidisation and private unearned revenues than London or other major cities within England. None the less findings of this study have suggested that the amount of ACE funding dispersed to each region does not necessarily have an impact on the propensity or strength of the occurrence of the crowding-in phenomenon within a given region, as London the area of the country that receive the highest level of arts funding both of a private and public nature has a relatively low crowding-in effect in comparison to other parts of the country that have lower levels of such unearned revenues available to their cultural organisations. More specifically, the crowding-in effect found in within London suggesting £1 of ACE funding at time "t" leads to the crowding-in of £0.79 in private funding at time "t+1".

This study sheds light on a thoroughly understudied aspect of the cultural sector, allowing for a deeper understanding to be gained on the ramification of government subsidy on the focal firm in regards to their propensity to attract or deter other forms of private unearned revenues as a results of their existing resource dependent interorganisational relationship with a governmental funder (Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; Hodge & Piccolo, 2005). As such, this study adds to the burgeoning canon of literature surrounding the attainment of socio-political legitimacy within the context of NPOS through the receipt of governmental subsidy, with the attainment of such prestigious, competitive, and sought-after funding acting as a stamp of approval or sign of quality to other prospective donors (Jung & Moon, 2007; Sherer et al, 2019). This proverbial stamp of approval gained by such recipient organisations acting as a catalyst for alternative funding from private donors, resulting in the crowding-in of private funds as was noted within the regression analyses of this study (Kim & Van Ryzin, 2014; Brooks, 2000a; Jung & Moon, 2007; Hughes et al, 2014; Arvidson & Linde, 2021; Borgonovi, 2005). Therefore, it could also be suggested that the finding of this study have implications in terms of the current literature surrounding revenue diversification strategies within a cultural context, as it is clear that the presence of the crowding-in phenomenon would have a definitive impact on the diversification strategies of such organisations. It is almost vital for theatres to attain some form of governmental funding as a baseline to attract and attain other forms of unearned revenues, therefore allowing for the successful diversification of their unearned revenue streams (Froelich, 1999; Berrett & Holliday, 2018). On a similar note, this study also allows for added insights into the preferences of private donors, as the notion of crowding-in implies that such donors value the security and legitimacy associated with government subsidy above their individual preferences surrounding factors like organisational repertoire and level of innovation, in favour of the quality assurance associated with governmental funding and by associated bureaucracy (Carroll & Slater, 2008; Hsieh, 2010). It could be considered that private donors are more willing to forego or overlook their conflicting demands with governmental funding bodies, as the prestige associated with central government funding could aid in the fulfilment the donor's utility through egoistical motives (Hughes et al, 2014; Johnson & Garbarino, 2006; Bertacchini, 2011; Abrams & Schitz, 1978).

Although this research is instrumental in shedding light on the presence of the crowding-in phenomenon with the English non-profit theatrical sector at large, further research within this particular field is needed to ensure all facets of this phenomenon are thoroughly explored. It would be useful to conduct further research in which private unearned revenues are broken down into smaller component parts, with a clear delineation in the data pertaining to the amounts of private funding received from individuals, corporations, and foundations in order to gain an understanding of whether all private funders respond in the same way to an increase in governmental subsidy or alternatively whether the presence of crowding-in or crowding-out varies based on the type of private funder under review. Furthermore, additional research could be conducted to investigate other exogenous or endogenous factors which may moderate the relationship between public and private revenues within a non-profit theatrical context, as it could be suggested that there are other variables which may allow for a further understanding of the potential variability seen within such a phenomenon. It is to be noted that the primary rational for why the topics and tests suggested as further research were not included within this study itself, is due to the primary limitation faced within this paper and thesis at large. As the testing conducted within this study was somewhat curtained by the limitation faced in regards to a lack of available data, as the cultural sector at large is plighted by a lack of available data which has acted as the primary deterrent for research to be conducted within the sector (Nesta, 2013; Nesta, 2016; UNESCO Bangkok, 2007).

6.6. Conclusion

Despite the pressing need for such non-profit theatrical organisations to diversify their revenue streams over the past decade, until recently very little has been known about the relationship or competition occurring between different funders. With such information being vital to ensure that such theatrical firms manage to employ successful revenue diversification strategies, which will allow for the accumulation of resources rather than the inadvertent loss of unearned revenues due to the interaction of different funding types (Carroll & Slater, 2008; Jourdan & Kivleniece, 2017). As such this study sheds light on the favourable interaction terms between governmental and private unearned revenues within the context of the English theatrical sector, by which the receipt of governmental subsidy acts as a legitimisation device resulting in the crowding-in of private unearned revenues. Such findings have numerous implications both practically and theoretically in regards to contributions to the current canon of academic literature. In terms of practical implications, the knowledge that crowding-in is currently occurring within the English non-profit theatrical sector proves to be an extremely useful insight for such theatrical organisations as they can utilise the given findings as a means by which to manage their unearned revenue streams more effectively, streamline their diversification plans, as well as bolster levels of unearned revenues if needed. In terms of theoretical contributions, the findings of this study build upon existing literature within the fields of organisational legitimacy, the crowding-out phenomenon, and

Resource Dependency Theory, as the implications of the findings gained allow for a greater understanding of the dynamics between different external resource providers and the impact of such relationships on the recipient organisation.

Chapter Seven: Paper Two – The Origin of Funds and Innovation: An Investigation into the Impact of Unearned Revenues on Repertory Conventionality

7.1. Introduction

Whilst the dictionary defines innovation as "the introduction of something new", the interpretation and definition of "innovation" seem to vary greatly depending on the lens through which it is examined (National Endowment for the Arts, 2011; Merriam-Webster, 2022). Strategic scholars see innovation as a means of value creation that allows firms to disrupt their current market though the discovery of novel uses for new and existing resources (Chen, 2020; Rindova & Petkova, 2007; Kraus et al, 2012; Bouncken et al, 2016; Bouncken et al, 2018). From a contrasting organisational perspective, innovation is considered to be the synthesis of organisational knowledge into new valued products, processes, or services, in an attempt to allow for the attainment of a commercial return for the creator (Chen, 2020; Escalfoni et al, 2011; Luecke & Katz, 2013; Beswick et al, 2010). However, when considering innovation from an artistic perspective, even more roadblocks emerge primarily due the inability for live arts organisations such as theatres to benefit from innovation within a technical sphere, as a result of the labour intensive and technologically unprogressive natures of such firms, resulting in innovation within such industries being wholly reliant on their artistic pursuits (Heilbrun, 2003; Baumol & Bowen, 1965; Baumol, 1967; Heilbrun, 1993). This in itself brings rise to further problems, as there is currently a lack of a consensus surrounding the meaning of measuring the phenomenon of innovation within a subjective and creative field like the theatrical arts, resulting in numerous varied interpretations and measurements being implemented in a means by which to ascertain the innovativeness of the arts (DiMaggio & Stenberg, 1985; Martorella, 1975; Castañer & Campos, 2002; Heilbrun & Grey, 1993; Lopes, 1992; Campo & Castañer, 1998). As the judgment of creativity and its novelty seem to allude capture in numerous senses, primarily in terms of a lack of understanding surrounding the link between innovation and creativity especially in light of the uniqueness and individualistic nature of artistic output or experiences (Towell, 2019; National Endowment for the Arts, 2011). With interpretations of creative innovation spanning two rather disparate camps, by which on one hand artistic innovation is seen as novelty that has an impact in terms of replicability, reproducibly, and reusability (Towell, 2019). While from the opposing perspective, artistic innovation can be viewed as the emergence of a new pattern in the logical chain of evolution, allowing a temporary occurrence of isomorphism within the field, regardless of it impact or longevity (Castañer & Campos, 2002; DiMaggio & Powell, 1983).

Despite these rather contradictory and conflicting views of artistic innovation and innovation more broadly, it can be suggested that regardless of the definition considered there are three common characteristics that all definitions of innovation must share:

I) Innovation originated from a creative idea.
II) Such ideas lead to an opportunity of some description.
III) The culmination of an innovative idea and its associated business output add value for both the consumer and the organisation at hand (Chen, 2020).

Similarly, it has been suggested that there are four primary forms of innovation which a given firm can choose to partake in based on their organisational aims and capabilities (Chen, 2020). These are market-pull, technology-push, design-driven, or a hybrid of technology-push and design driven innovation (Chen, 2020; Verganti, 2009). With each of these innovation methods having a varied meaning and level of functionality when considered comparatively as can be seen from Figure 9. Market-Pull innovation is based on an analysis of consumer or user needs, from which technologies or methods are implemented to meet these needs, while Technology-Push innovation is as a direct result of technological research, by which the innovation is generated from R&D activities in isolation (Chen, 2020; Verganti, 2009). Finally, design-driven innovation stems from an understanding of the subtle and unspoken dynamics within socio-cultural models, allowing for the proposal of radically new meanings and languages which often imply change within socio-cultural norms (Chen, 2020; Verganti, 2009).

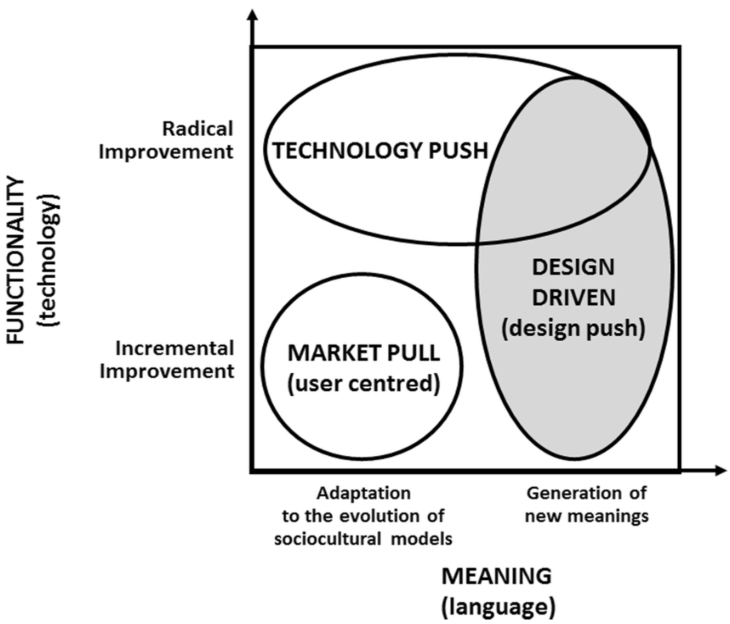

Figure 9: Forms of Innovations (Reproduced from Chen, 2019)

Due to the technological stagnancy of the cultural sector, innovation is usually measured in regards to the novelty or newness of a given artistic work or process in comparison to past work or organisational peers, suggesting a focus on “design driven” or “design push” innovation (Castañer & Campos, 2002; Chen, 2020). When considering such innovation measures within a theatrical context, current literature generally judges the innovativeness of a given organisation based on the repertoire of plays they choose to stage, using the nature of the plays in themselves as a proxy for innovation, due to the lack of a clear means by which to measure artistic innovation in any direct manner (Pierce, 2000; DiMaggio & Stenberg, 1985). Many suggest that attempts to create a unified framework of artistic innovation is a futile task, due to the subjective nature of such outputs, as well as the numerous contours within the sector as a whole in regards to the identification of the source of innovation, resulting in the necessity to study innovation via a proxy despite the unidimensional nature of such an analysis method (Austen-Smith, 1980; Castañer & Campos, 2002; Krebs & Pommerehne, 1995; Jenkins & Austen-Smith, 1987). Notwithstanding any shortcomings of current academic attempts to ascertain levels of theoretical innovation, it is clear that such studies have allowed for a greater level of insight into the amount of innovation occurring within such organisation, as well as impacts of micro, macro, and meso level factors on the propensity of a given firm to engage within the process of innovating (Austen-Smith, 1980; DiMaggio & Stenberg, 1985; Neligan, 2006; Castañer & Campos, 2002). For example, it has been found that organisational size has a statistically significant impact on levels of innovation seen within theatrical organisations, with smaller organisations opting to innovate more due to the lower overhead costs they face (DiMaggio & Stenberg, 1985). Similarly, it has been found that the location of a firm and the educational level of their local demographic have an impact on the degree to which a theatrical organisation will opt to innovate, with theatres in larger cities with a more educated population tending to innovate to a greater extent (Neligan, 2006). Moreover, on a meso level, it has been suggested that an overall increase in the level of unearned funding available to an organisation, the more likely they are to innovate, as such funding softens the constraints of innovation due to the reduced reliance on box office revenues (DiMaggio & Stenberg, 1985; Cancellieri & Turrini, 2016).

Despite the increase in research being conducted within the field of innovation and its deterrents or stimulators, gaps within the current literature still remain, particularly in terms of a deeper understanding of the impacts of meso levels factors on theatrical innovation (DiMaggio & Stenberg, 1985). Although it has generally been suggested that unearned revenues as a whole act as a catalyst for innovation due to their non-market nature, allowing organisations to operate without much consideration for consumer demands (Austen-Smith, 1980). However, very little is known at present about the impact of differing unearned revenues streams on a theatrical organisation’s propensity to innovate, which proves to be a glaring gap in the literature especially in light of the commonality of revenue diversification strategies within non-profit theatrical organisations at present (Feinberg, 1994; Zimmer & Toepler, 1999; Froelich, 1999; Cancellieri & Turrini, 2016; Cacovean & Morar, 2014). Such theatrical organisations simultaneously engage in numerous external resource dependent relationships with various funders in a means by which to secure the necessary level of unearned revenues required, with all such external constituents having extremely varied expectations of the organisations they fund (Pfeffer & Salancik, 1978; Hillman et al, 2009). This overarching notion of unearned revenues promoting innovation may no longer hold true, due to the competing and at times conflicting demands of the varied and numerous external resource providers being utilised by theatrical organisations.

Therefore, through the use of Resource Dependency Theory and Stakeholder Salience, this study aims to fill this gap within the current canon of theoretical literature. Doing so through an investigation of the prioritisation and fulfilment of the demands of various funders within a theatrical context, in regards to the impact of conflicting stakeholder demands on levels of organisational innovation. The need to test such a phenomenon being primarily due to the rather disparate demands of private and public arts funders, in regards to their preferences or demands surrounding the repertory conventionality or levels of innovations seen within the organisations they opt to fund (Clarkson, 1995; Freeman, 1984; Hill & Jones, 1992; Huse & Eide, 1996; Rowley, 1997; Goodpaster, 1991). As such, this study aims to quantitatively test the impact of an increase in private, public, and total unearned revenues at time "t" on the repertoire conventionality of the recipient organisation at time "t+1", as a means to ascertain which funder's demands are preferenced, allowing for a definitive answer to the research question being posed within this study: *'Does the source of and the quantity of unearned revenues received impact theatrical repertory conventionality?'*

7.2. Hypothesis Development

Within numerous fields and sectors technological advancements have taken centre stage in their ability to revolutionise operations, outputs, and processes, this cannot be said for the theatrical arts as well as other traditional live art forms due to the inability of such firms to progress technologically in any significant way (Last & Wetzel, 2011; Baumol & Bowen, 1965; Heilbrun, 2003; Sawers, 1993; Towell, 2019). This is due to such labour-intensive fields being categorised as stagnant activities, suggesting that they cannot benefit from technological innovation, as the quality and quantity of the output from such industries being directly proportional to the quality and quantity of the labour that is used to produce it (Baumol, 1967; Baumol & Bowen, 1965; Sparviero & Preston, 2010). As a result, when we consider innovation from a theatrical perspective this is primarily done through the lens of the given firm's artistic output, which in terms of theatrical organisations refers to the repertoire of plays staged by a given firm (Camarero et al, 2011; O'Hagan & Neligan, 2005).

Research into the matter of defining artistic innovation, means of measurement, as well as the rational for why some organisations innovate more than others, is a relatively new field of work with the first research into the field only coming to rise within the late 1970's and early 1980's (DiMaggio & Stenberg, 1985; Castañer & Campos, 2002; Martorella, 1977). Since its inception there has been a great deal more work published on the topic of artistic innovation, but despite this, there is still a lack of an agreed upon unified framework by which to measure innovation within such a context (Bakhshi & Throsby 2009, 2010; Camarero et al, 2011). None the less, numerous attempts have been made to find means to measure or judge artistic innovation either directly or via a proxy variable (Heilbrun & Grey, 2001; DiMaggio & Stenberg, 1985; Pierce, 2000; Martorella, 1975). For example, within the current canon of literature proxy measures for innovation have included repertoire conventionality, diversity, standardization, production length, production age, playwright, number of plays per season, the "highbrow" vs "lowbrow" nature of plays, critic's reviews, as well as number of shows per season (DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005; Werck & Heyndels, 2007; Castañer & Campos, 2002). It has been suggested that such a wide array of proxy measures for innovation have been created within a theatrical context due to the inability to measure artistic innovation directly, necessitating the need for the utilisation of proxies as a means by which to ascertain the impact of varied exogenous and endogenous factors on theatrical innovation levels (DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005; Werck & Heyndels, 2007). The majority of studies that utilise such proxies associate artistic innovating within a theatrical context with the programming of contemporary or modern works, rather than the staging of traditional or conservatives plays (Castañer & Campos, 2002; Heilbrun, 1998; Heilbrun & Grey, 1993). However, critics suggest that the use of such proxies does not allow for an understanding of true innovation as a theatre's repertoire cannot necessarily allow for an understanding of whether something new or has in fact been introduced to the field or market thereby necessitating pure innovation, rather just allowing for the study of the relative or comparative newness of artistic output (Castañer & Campos, 2002). As such a proxy measure does not allow for a distinction to be drawn between the two forms of artistic innovation: content and form (Castañer & Campos, 2002). Suggesting that current canon of literature very much focuses on the content component of artistic innovation, as such studies of a theatre's repertory will allow for an understanding of whether the organisation has taken a risk and displayed a more complex and risky piece of work, however such a proxy will not allow for an understanding of the form component of innovation, as it would be impossible to recognise whether the organisation has for example developed radically different programming patterns in terms of content, timing, and sequence of any given production (Castañer & Campos, 2002; Damanpour, 1991; Kimberly & Evanisko, 1981).

Despite this criticism, a more robust or direct measure of artistic innovation is yet to be found, resulting in the continued need of proxy studies to further develop the current knowledge within this field. However, academics, art critics, and experts alike have taken such criticism into account when attempting to select a referent or scale of comparison for such innovation proxy studies, as it could be suggested that the utilisation of a wider scale of reference could at least allow for the mitigation of ambiguity surrounding the indirect study of artistic innovation (Castañer & Campos, 2002; Schumpeter, 1942). Although such referent scales are usually applied within the context of technological innovation, it has been found that at least three such scales can be applied within an artistic context (Castañer & Campos, 2002; Schumpeter, 1942):

- **Cosmopolitan Referent:** All other organisations in the field around the world.
- **Local Referent:** All other organisations within the local field.
- **Self Referent:** Comparison to the focal organisation's past performance (Castañer & Campos, 2002; Schumpeter, 1942; Gouldner, 1957).

Thereby, to ensure the robustness of such proxy studies of innovation despite their measure of only the content aspect of innovation, it could be suggested that the scale of measurement clearly aids in the assurance and verifiability of conclusions drawn. More specifically, the larger the scope of the referent, the greater the potential certainty of innovation, as when comparing the repertoires of numerous theatres, it is more viable to ascertain innovation than within a self-referent context, as within such measure's innovation is considered on a comparative rather than absolute scale (Castañer & Campos, 2002).

None the less, this brings rise to the question of why some theatres innovate their repertoires more than others when faced with such a comparison, with academics suggesting a wide array or micro, macro and meso perspectives by which to explain such repertory variation (Baumol, 1971; Martorella, 1975; Castañer & Campos, 2002). With micro level research exploring the impact of internal organisational variables on such as size and age on the propensity for a given organisation to innovate. While macro level studies of theatrical innovation aim to ascertain the effect of environmental factors on innovation such as regulations, cultural policy, and economic conditions (DiMaggio & Stenberg, 1985; Pierce, 2000; Castañer & Campos, 2002; Heilbrun, 1998). Finally, meso level factors consider the interface between the origination's environment and the firm itself, such as the role of external funders or sponsors (DiMaggio & Stenberg, 1985; Castañer & Campos, 2002).

Based on the overarching aims of this thesis as well as the theoretical framework utilised, this study focuses on the impacts of meso level factors on a given organisation's propensity to innovate through the presentation of a non-conformist repertoire (DiMaggio & Stenberg, 1985; Castañer & Campos, 2002). The current literature surrounding the meso perspective of innovation causation within the context of theatrical organisations generally focuses on the impact of the overall level of unearned revenues an organisation receives on their propensity to stage an innovative repertoire. Findings of existing studies are mixed but leaning in favour of the notion that an increase in unearned revenues tends to soften organisational constraints due to a reduced reliance on box office revenues and by association consumer preferences (DiMaggio & Stenberg, 1985; Austen-Smith; 1980; Martorella, 1975). For example, DiMaggio & Stenberg's (1985) study pioneered the use of a conventionality index and found that a higher dependence on the market is associated with a greater repertory conformity when studying the 165 US based theatres under review between 1977 and 1979. Similarly, Krebs & Pommerehne (1995) attempted to study theatrical repertory popularity and innovativeness, through an assessment of the "highbrowness" or "lowbrowness" of the play staged as a proxy, suggesting that lowbrow plays attract high commercial demand and are therefore performed by organisations that are reliant on box office revenues and vice versa.

Although a few studies investigate the impact of unearned revenues on theatrical innovativeness, a major gap within the current literature still remains as no current study differentiates between different streams of unearned revenues in order to ascertain the impact of the sources or types of unearned revenues on a firm's propensity to innovate. This is especially topical in light of non-profit theatrical organisation's need to employ revenue diversification strategies due to government funding cuts within most of the USA, UK, and Europe at large, coupled with an ever-growing income gap and need for higher levels of unearned revenues (Froelich, 1999; BOP, 2016). Such diversification strategies result in non-profit theatres decreasing their reliance on government subsidy, while simultaneously increasing their reliance on other private funders such as corporations, foundations, and individual donors (Carroll & Slater, 2008; Wilson, 1997; Markowitz, 1952). With such theatres needing to simultaneously manage numerous conflicting external resource dependent relationships, this is a further gap within current literature on Resource Dependency Theory. As very little is known at present about how recipient organisations effectively manage the demands of numerous simultaneous resource dependent relationship, with the vast majority of RDT literature focusing on a power dyad between a single resource provider and a single recipient (Froelich, 1999; Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; Emerson, 1962; Carroll & Slater, 2008; Sherer et al, 2019). This results in next to no information being held in terms of RDT or empirically within the theatrical sector, as a means by which to ascertain which external constituent's demands are preferenced in the instance of conflicting demands among stakeholder groups (Casciaro & Piskorski, 2005; Emerson, 1962; Nienhüser, 2008). However, the need to fill such a gap seems to be extremely pressing at the moment in light of the vastly different demands that can be expected of public and private funders in regards to the recipient firm's repertory conventionality or level of innovation. More specifically, it has been found that governmental bodies or public funders tend to demand the production of innovative, novel, and diverse shows from the organisations they fund, while private donors of all kinds tend to shy away from innovation, opting to donate to well reputed traditional organisations that stage generally acceptable or conservative works (Sinclair; 1995; Frey, 2003; Cancellieri and Turrini, 2016; Fuchs, 1969). Therefore, it is vital to ascertain the prioritisation mechanism in place in the instance in which a theatrical organisation receives funding from both public and private funder's; whose preferences will be favoured and how will this reflect itself within the firm's repertory conventionality.

In order to fill the aforementioned gap within the current RDT literature, as well as the literature specifically surrounding theatrical management and innovation, this study implements the use of a dual-theory framework of Resource Dependency Theory and Stakeholder Salience, in a means by which to ascertain how stakeholders are prioritised in light of the high levels of resource dependency being incurred within such relationships (Pfeffer & Salancik, 1978; Neville et al, 2017; Ali, 2015). As the basic tenants of Stakeholder Salience suggest that various stakeholders are prioritised based on their possession of three attributes of Power, Urgency and Legitimacy (Mitchell et al., 1997; Neville et al, 2011). However, such a categorisation process does not take into account the focal firm's level of dependency on a given stakeholder group, as such resource dependency could increase a given stakeholder group's level of importance resulting in firm management prioritising such a relationship regardless of their possessed of the three key attributes (Pfeffer & Salancik, 1978; Neville et al, 2017; Ali, 2015). Furthermore, it could be suggested that dependency could prove to be a useful fourth attribute to be considered within the Stakeholder Salience categorisation process when implemented within a resource dependent context, as a higher level of dependency on a given stakeholder could result in the increased prioritisation of their demands (Nienhüser, 2008). Therefore, based on the extensive body of literature reviewed, as well as the gap in the literature identified, the following hypotheses has been formulated in a means by which to answer the research question posed within this study:

$\mathbf{H_2}$: *A greater proportionate dependence on private philanthropy as a source of unearned revenues, the more conventional the repertoire of the given organisation.*

$\mathbf{H_3}$: *A greater proportionate dependency on governmental subsidy as a source of unearned revenues, the less conventional the repertoire of the given organisation.*

$\mathbf{H_4}$: *A higher cumulative reliance on unearned revenues regardless of source, the less conventional the repertoire of the given organisation.*

To further clarify the specifics of the hypothesis being posed, in regards to $\mathbf{H_2}$ a more conventional repertoire is expected of organisations that have a greater reliance on unearned revenues from private sources, due to the preferences of private philanthropist to fund more traditional organisations that produce traditional outputs. Conversely within $\mathbf{H_3}$, it is expected that organisations with a higher reliance on unearned revenues from governmental agencies will depict more innovative repertoires, due to the emphasis places on the production of new and innovative works by national arts funding organisations such as ACE. Finally, $\mathbf{H_4}$ utilised the traditional notion by which a reduced reliance on box office revenues will result in a more innovative repertoire regardless of the source of such funds, as the given organisation no longer needs to stage safe or low-brow shows in an attempt to attract consumers, resulting in an increased level of risk taking by the focal firm.

7.3. Data and Methodology

As the primary aim of this study is to ascertain the impact of the competing demands of varied external funders on the repertory conventionally of non-profit English theatres, it was first necessary to ensure the collection of all relevant data as well as the implementation of a robust methodological process. Due to the aims of this study, the data requirements for this particular study go beyond that of financial and organisational data alone. As it was necessary to also collect information on the artistic repertoires for all organisations under review, as without such information it would not be possible to determine the effects of various forms of unearned revenues on a given organisation's degree of repertory conventionality. It is to be noted that the full data collection processes undertaken to collect and collate the composite dataset used throughout this thesis can be found within Chapter Four of this document. However, a brief overview of the data collection methods implemented within this specific study are provided within this subsection. Similarly, the overarching methodological processes of this thesis have been discussed in depth within Chapter Five, however the intricacies of the regression models and processes utilised within this experiment will be discussed subsequently, to allow for a greater understanding of how these methodological principles have been utilised within the specific context of this study and its associated aims.

The research question of this study is based around the desire to gain an understanding of how theatrical organisations modify their artistic operations in response to the varying demands of their numerous external funders? As such, the data that was necessary to study the management of these competing demands took numerous forms. It was vital to collect financial, organisational, and repertory data on all organisations under review, to ensure the collation of an adequate variety of data to act as the dependent, independent, and explanatory variables in forthcoming regression analysis. With the repertory data being utilised as the dependent variable within both regression models under review within this study, while financial data and organisational variables being used as independent and explanatory variables respectively. Seen as this study utilised additional repertory data beyond that of the composite financial dataset compiled for the thesis as a whole, it must be noted the dataset for this specific study only comprises some 85 organisations rather than the 125 organisations housed within the general dataset. This exclusion of a further 40 organisations was due to a lack of available repertory data, resulting in the need to utilise a smaller dataset within this study. As such, this study utilised final dataset of 85 ACE funded repertory theatrical organisations for a ten-year study duration between 2008/09 and 2017/18, a composite list of which can be found within Appendix II. The achievement and attainment of this final dataset was primarily based on data availability constraints as this thesis is wholly reliant on open access secondary data, and therefore the size and scale of the final dataset was ultimately governed by the amount of data it as possible collect, in addition to necessary exclusion criteria to ensure only organisations relevant to the study aims of thesis were included within any forms of analysis. A list of all variables being included within this study can be found within Table Nineteen below, subsequently to which a detailed review of all methodological processes used within this analysis will be provided.

TABLE NINETEEN

Description and Source of Variables Used within Paper Two

Variable Name	Abv.	Description	Source
Organisation Age	OA	The organisations age for a given year of analysis. Eg if the organisation was incorporated in 1990: 2010 = Age 20 Years 2015 = Age 25 Years	Individual Organisation Website
Number of Performance Spaces/ Stages	NPS	Static	Individual Organisation Website
Total Venue Capacity (Seated)	TC	Static	Individual Organisation Website

London Dummy	LD	Dummy Variable created to ascertain whether a Theatre is located in London. London = 1 Out of London = 0	Individual Organisation Website
Years Funded	YF	Number of years an organisation received ACE funding within the 10 year study period.	Arts Council Funding Database
Continuously Funded	CF	Dummy variable used to denote an organisation that was continually funded for the entire 10-year study period 1= Funded for 10 Years 0 = Not funded for all 10 Years	Arts Council Funding Database
Yearly Average Conventionality Score	YACS	A yearly score of a theatre's average repertory conventionally. Calculated as follows on a yearly basis: *Total Yearly Conventionality Score / Number of plays*	Individual Organisations Published Annual Reports/ Organisation Websites
Total Unearned Revenue Funding Ratio	UFR	The Percentage of an organisation's Total Revenue that is comprised of Unearned Revenues regardless of the source. Calculated as follows on a yearly basis: *Total Unearned Revenues for Year X/Total Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk)
ACE Funding Ratio	AFR	The Percentage of an organisation's Total Revenue that is made up of Arts Council England Funding. Calculated as follows on a yearly basis: *ACE Funding for Year X/Total Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk) and Arts Council Funding Database
Private Unearned Revenue Funding Ratio	PUFR	The Percentage of an organisation's Total Revenue that is made up of Private Unearned Revenues (Non-ACE). Calculated as follows on a yearly basis: *Private Unearned Revenue for Year X/Total Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk)

Table 19: Description and Sources of Variables Used within Paper Two

The vast majority of the data utilised within this study has been processed in some way prior to its inclusion within any kind of analysis, other than the organisational data being utilised as explanatory variables such as venue capacity and organisation age which have remained in their raw form and did not encounter any further data processing. Regarding the data processing methods utilised for the financial and repertory variables within this study, a ratio analysis and index creation methods were implemented respectively. As such, prior to the completion of the regression analysis, two intermediate data processing methodological phases needed to be completed, resulting in a three-phase methodology being implemented within this study, including ratio analysis, index creation, and finally longitudinal panel data regression analysis.

7.3.1. Ratio Analysis

The creation of ratio variables within the dataset of this study was completed as a means by which to gain a deeper understanding of the nominal financial data collected within Chapter Four. Although such information is widely useful, such raw numeric data does not necessarily allow for comparability as readily as financial ratios (Austen-Smith, 1980). A data transformation process controls for the effect of size between different firms, and as such can be seen as an analytical devise which allows for the quick and simple comparison of the financial data of different firms over several years (Horrigan, 1968; Chen & Shimerda, 1981). Although ratio analysis methods have typically been designed for and therefore favoured by for-profit organisations, there has been a recent rise in specific non-profit centric ratios which do not employ the same profit centric nature as traditional financial ratios (Chabotar, 1989).

The most common and pertinent type of NPO ratios being the "Source of Funds" calculations, which are specifically designed to test weighting of a given NPOs reliance on certain types of external funding, primarily in regards to tied versus untried contributions. They are also used as a means by which to test a firm's dependence on a given source external funding including both unearned and earned revenue streams; this being done through the measurement of the percentage or ratio of their total funds that are derived from a single given source (Chabotar, 1989). Three such ratios were utilised within this study and were calculated based on the aforementioned raw financial data to allow for greater comparability between organisations under review. Furthermore, this was in order to gain an understanding of the funding structures and levels of dependency such organisations incur when considering the proportion of unearned revenues, they receive from both public and private sources, formals of which can be seen as follows:

- **Total Unearned Revenue Funding Ratio:** The percentage of an organisation's total revenue that is comprised of unearned revenues regardless of the source of said funds. As such it provides an indication of the organisation's "income gap" for the year.

  $$Total\ Unearned\ Revenue\ Funding\ Ratio\ = \frac{Total\ Unearned\ Revenues\ for\ Year\ X}{Total\ Revenues\ for\ Year\ X}\ \text{x}\ 100$$

- **Arts Council England Funding Ratio:** The percentage of an organisation's total revenue that is made up of Arts Council England Funding.

  $$ACE\ Funding\ Ratio\ = \frac{Arts\ Council\ England\ Funding\ for\ Year\ X}{Total\ Revenues\ for\ Year\ X}\ \text{x}\ 100$$

- **Private Unearned Revenue Funding Ratio:** The percentage of an organisation's total revenue that is made up of private unearned revenues (Non-ACE).

$$Private\ Unearned\ Revenue\ Funding\ Ratio = \frac{Private\ Unearned\ Revenues\ for\ Year\ X}{Total\ Revenues\ for\ Year\ X} \text{ x } 100$$

These three ratios were calculated on a yearly basis for all organisations included within this study, allowing for a cohesive and continuous ratio analysis throughout the ten year study duration under review and thereby facilitating constant comparison. These ratios were used as the primary independent variables within the two regression models utilised within this study. The Arts Council England Funding Ratio and the Private Unearned Revenue Funding ratio were implemented within Model 3, as a means by which to ascertain the differing impacts of private versus public support on theatrical repertory conventionality. While the Total Unearned Revenue Funding Ratio was used within Model 4, as a robustness check in addition to being used to test whether the composite levels of unearned revenues a firm received regardless of the source had a statistically significant impact on their repertory conventionality.

7.3.2. Index Creation

The repertory data being used within this study is very much study specific and was wholly collected as a means by which to test the three hypotheses posed within this paper. This raw qualitative data comprises the names of each play staged by each individual theatre on a yearly basis, allowing for the creation of a database which provided a conclusive list of all repertory outputs of each of the 85 organisations for which such artistic data was available. The rational for the collection of such repertory data was to allow for a means by which to test artistic innovation within theatrical organisations in a non-biased manner, as this study will create a conformity index, by which a theatre's repertory conventionally will act as a proxy measure for innovation (DiMaggio & Stenberg, 1985; Martorella, 1975; Pierce, 2000). Allowing for an understanding of how non-profit organisations manage or prioritise the conflicting demands of their varied external funders in regards to their artistic output, in light of the high levels of resource dependency incurred within such relationships (Austen-Smith, 1980; Neligan, 2006).

The basis of the conformity index methodology used within this study was originally created by DiMaggio & Stenberg (1985) within their paper '*Why do some Theatres Innovate More than Others? An Empirical Analysis'.* This index was the first of its kind to attempt to measure theatrical innovation via a proxy of repertory conventionality through unbiased measurement tactics, in an attempt to ascertain why some theatres are more innovative than others within the same marketplace (DiMaggio & Stenberg, 1985). Although the conformity index used within this study has been modified slightly to align more closely with the aims of this thesis, the fundamental premises remains the same. The main alteration of the index occurring due to a variation in the time scale utilised, by which the conventionality of each individual organisation will be measured on a yearly basis allowing for a time variant conventionality measure, in comparison to the original study which provided organisations one single conventionality score for the whole study duration (DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005; Pierce, 2000). This yearly conventionality score was constructed through the list of all the plays staged by every organisation within the sample on a yearly basis, allowing for a clear division of repertoires not only by organisation but by financial year as well. Each play within this database was allocated a conventionality score based on the number of times a given work has been staged by all theatres within the local referent dataset throughout the 10-year duration of the study. Therefore, such an index aims to measure non-conformity as a proxy for innovation, or the extent to which a given theatre's repertoire diverges from the repertoires of the other theatres within the sample - suggesting that the lower a given organisation's index score the less conventional or more innovative their repertoire is (DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005).

More specifically, the lowest possible score that can be achieved for a given play is 1, suggesting that it has only been staged once within one organisation during the entire study duration, with such a score signifying innovation and nonconformity. The higher the score of a given play, the more conformist it is as a high score would imply that numerous organisations within the given dataset have performed the same piece of work during the study duration. For the sake of clarity on the functionality of this index, if we consider a hypothetical sample of 20 theatres over a 1-year period, during this time 4 of the 20 theatres stage the play '*Phantom of the Opera'* by Andrew Lloyd Webber, resulting in this given play having a conventionality score of 4. Similarly, if within this same sample, '*Hamlet'* by William Shakespeare has been staged by 8 out of the 20 theatres, it would have a conventionality score of 8, suggesting that the more frequently a given play is staged the more conventional it becomes, implying a lack of innovation on the part of the organisations that choose to incorporate such popular shows into their artistic repertoires.

Throughout the creation of this index, three variables were generated, these being Number of Plays, Total Yearly Conventionality Score, and Yearly Average Conventionally Score. Of these three output variables, it is only the Yearly Average Conveniently Score variable that is included within this study, which is calculated by dividing a given organisation's Total Yearly Conventionality score by the Number of plays staged within the year under review. As such, this Average conventionality score variable can be seen as the most robust measure generated from this index, as it not only provides an understanding of the average conventionally of a given organisation's repertoire, but also mitigates against the possibility of incorrectly high or low skewed Total Conventionality Scores as a result of a theatre simply staging too many to too few shows respectively. As such, it must be noted that the "Yearly Average Conventionality Score" variable acts as the dependent variable for both regression analysis conducted within this study, as a means by which to ascertain the impact of the level of unearned revenues received and their respective sources on the level of innovation displayed by a given organisation. For further clarification on the differences between total and average conventionality scores, please see Figure 10 below:

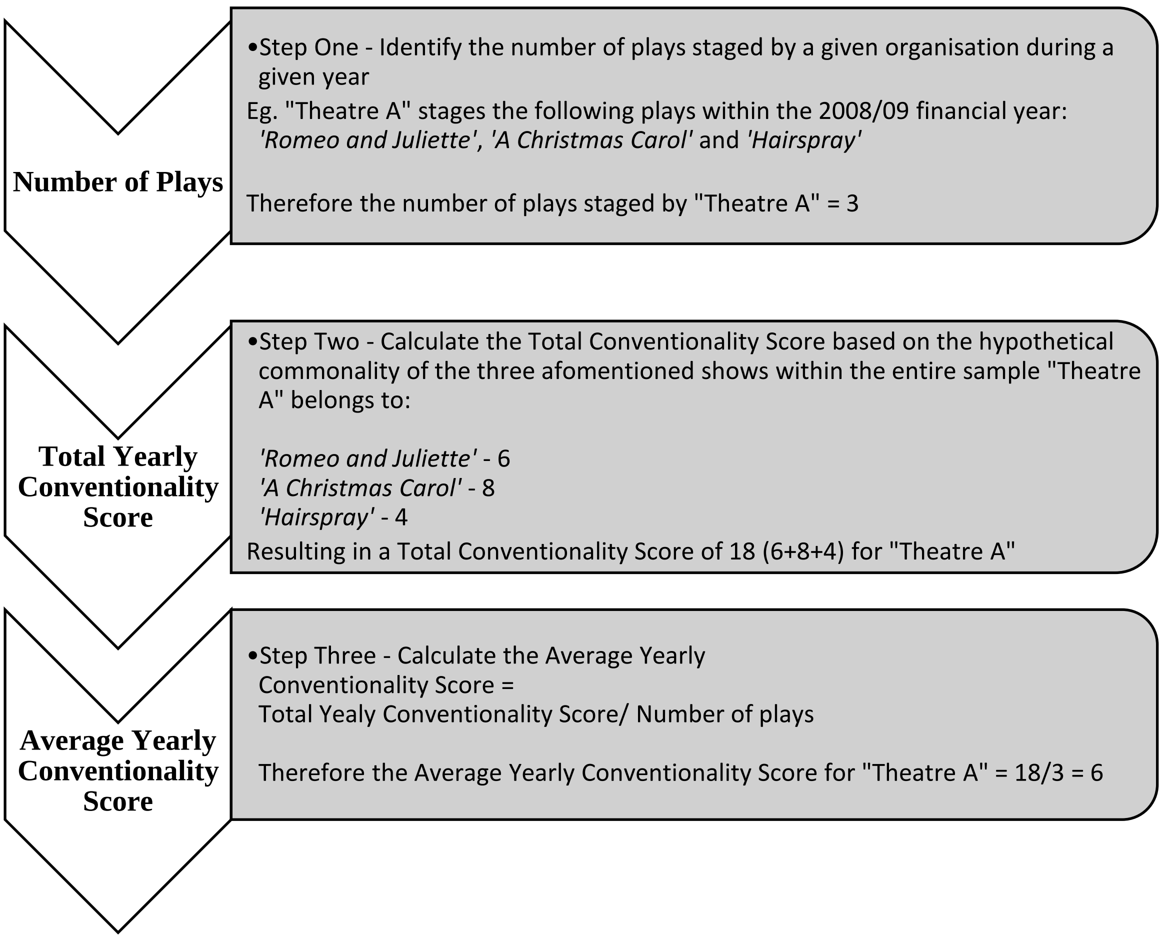

Figure 10: Attainment of Conventionality Index Variables

7.3.3. Longitudinal Panel Data Regression

This study then relied on the use of two longitudinal panel data regression models as a means by which to test the three hypotheses posed within this study. Generally speaking, a regression analysis is a mathematical method of attempting to ascertain which independent variables if any have an impact on a given dependent variable (Gallo, 2015). More specifically however a longitudinal or panel data regression can be seen as the melding of regression and time series analysis, by which a cross section of subjects are observed over an extended period of time (Frees, 2004). This specific regression model was utilised due to the nature of the dataset being reviewed within this study and this thesis as a whole, as the extended 10 year study period necessities the use of such a longitudinal panel data regression model. This is because it will allow for the observation of a broad cross section of subjects over time, facilitating an understanding of the dynamic and cross sectional aspects of the subjects in question which is necessary to ensure the fulfilment of all relevant study aims (Bryman & Bell, 2009; Frees, 2004).

Within the context of this study, two regression models have been utilised, the equations for which can be seen below. Model Three is the means by which to test $\mathbf{H_2}$ and $\mathbf{H_3}$, while Model Four was a testing mechanism for $\mathbf{H_4}$, as well as a robustness check.

Model 3: $YACS_{it+1} = \beta_{0+}\beta AFR_{it+}\beta PPUR_{it+}\beta TC_{it+}\beta NPS_{it+}\beta CF_{it+}\beta YF_{it+}\beta OA_{it+}\beta LD_{it+}u_{it+}\varepsilon_{it}$

Model 4: $YACS_{it+1} = \beta_{0+}\beta URF_{it+}\beta TC_{it+}\beta NPS_{it+}\beta CF_{it+}\beta YF_{it+}\beta OA_{it+}\beta LD_{it+}u_{it+}\varepsilon_{it}$

Where:
YACS - Yearly Average Repertory Conventionality Score at time “t+1” (Dependent Variable)
AFR - Percentage of an organisation’s total revenues that are comprised of ACE funding
PPUR - Percentage of an organisation’s total revenues that are comprised Private Unearned Revenues
UFR - Total Unearned Revenues Funding Ratio
TC - Theatre Venue Capacity
NPS - Number of Performance Spaces or Stages
CF - Continuously funded dummy variable
YF - Years funded
OA - Organisation age
LD - London Dummy
υ - Between entity error
ε - Within entity error

More specifically, Model Three was designed to test the competing effects of Public and Private Unearned Revenues at time “t”, on a given theatrical organisation’s Yearly Average Conventionality score at time “t+1”. This being done through the use of two financial ratios as the primary independent variables for this study, one of which being the percentage of a given organisation’s total revenues that are comprised of public unearned revenues or ACE funding, while the other represents the percentage of private unearned revenues. This division of a firm’s total unearned revenues into component parts based on the source of funds was done to allow for an understanding of which funder’s demands are preference in an instance in which a firm is facing conflicting demands due to the receipt of funding from two extremely varied funder types in regards to their predilections surrounding the level of innovation depicted within the repertoires of the organisations they choose fund (Carroll & Slater, 2008; Hsieh, 2010; Renz, 2003). As such, we would expect to see an increased reliance on private unearned revenues lead to an increase in a given organisation's conventionality score implying a reduction in innovation. Conversely, the opposite would be expected if an organisation were to incur a proportionate increase in the level of public funding available to them, resulting in a decline in the firm's conventionality score and by association an increase in the level of innovation seen within that organisation (Hodge & Piccolo, 2005; Renz, 2003).

Model Four tests the fourth hypothesis of this thesis. It is proposed that an increased reliance in unearned revenues regardless of the source they are from will lead to an increase in the levels of innovation seen within the theatre under review and by association a decline in the firm's conventionality score, as a result of their reduced reliance on box office revenues (DiMaggio & Stenberg, 1985; Austen-Smith, 1980). This is facilitated through the testing of the impact of the overall percentage of unearned revenues received by a given organisation at time "t", on their Average Yearly Conventionality Score at time "t+1". It is to be noted that the micro level explanatory factors included within both Models Three and Four have been selected due to information derived within the current canon of literature that an organisation's size, location, scale, and age have an impact on their propensity to innovate beyond that of their funding structure alone (Austen-Smith, 1980; DiMaggio & Stenberg, 1985; Neligan, 2006; Castañer & Campos, 2002). Similarly, a time lag has been implemented within both models due to the time intensive nature of theatrical productions necessitating the need for the months of preparation time in order to stage a new show (Norrthon, 2019). This would suggest that even if an organisation incurred an increase in a particular type of funding and needed to alter their repertoire as a result, they would not be able to do so immediately due to the numerous labour intensive and time intensive processes which must be undertaken prior to any play being shown, such as cast hiring, stage design, costume deign and extensive rehearsals (Norrthon, 2019). Therefore, the earliest the effects of a change in an organisation's funding structure could be seen within their repertory conventionality would be after a calendar year to allow the given firm enough time to plan productions based on their new repertory constraints (Norrthon, 2019).

It must be noted that before any regression analysis models could be run, it was necessary to first utilise a Hausman test, this being a model specific test for panel data, used as a means by which to determine whether a fixed effect model or a random effects model is more appropriate for the given dataset under review (Bole & Rebec, 2013). The Hausman test was run separately for regression Model Three and Model Four as can be seen within Table 20 and Table 21 respectively below:

TABLE TWENTY

Results of the Hausman Test for Model Three

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	6.10	3	0.10668

Table 20: Results of the Hausman Test for Model Three

TABLE TWENTY-ONE

Results of the Hausman Test for Model Four

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	4.01	2	0.1344

Table 21: Results of the Hausman Test for Model Four

Based on the insignificant p-value or probably of both the Hausman tests conducted, it can be suggested that the null hypothesis of the model should be rejected and therefore a random effects model should be employed when running both study regression models (Bole & Rebec, 2013; Clark & Linzer, 2014).

7.4. Results

Prior to the regression analysis conducted in line with the Model Three and Four equations, further descriptive statistics and pairwise correlation matrix of all study variable were generated as seen within Table 22 and Table 23 as a means by which to provide some further background context on the data at hand. In regard to the former, it can be seen that Table 22 below houses descriptive information and characteristics on all study variables, of a financial, organisational, or repertory nature. Specifically, it can be seen that the average organisation within this dataset receives 32.31% of their total revenues from Arts Council England funding, with an additional 21.33% being generated from private patronage of some description. Further to this, it can be seen that the Yearly Average Conventional score of the 85 theatres within this dataset remain relatively low with a mean score of 4.26, given the range of 0 to 39, suggesting that the vast majority of theatres are not staging extremely conventional performances.

Moving onto the pairwise correlation matrix withing Table 23, it can be seen that there is a statistically significant negative correlation of -0.2636, between the Average Yearly Conventionality Score of a given organisation and the Percentage of their total revenues comprised of unearned revenues. Suggesting that an increase in the amount of unearned revenues a firm received regardless of the source, would result in an inverse effect on conventionality, thereby reducing the firm's conventionality score signalling increased innovation.

TABLE TWENTY-TWO

Summary Statistics of All Paper Two Data

Variable	Obs.	Mean	Std. Dev	Minimum	Maximum
Organisation Age	826	30.2276	16.00595	0	83
Total Venue Capacity	826	388.7409	505.5897	0	2490
No. of Performance Spaces/ Stages	826	1.343826	1.484609	0	7
Continuously Funded	826	0.762712	0.425678	0	1
Years Funded	826	8.892252	2.210008	1	10
London Dummy	826	0.416465	0.493271	0	1
Yearly Average Conventionality Score	826	4.261301	3.589369	0	39
Total Unearned Revenues Funding Ratio	826	0.536716	0.223719	0	1
ACE Funding Ratio	826	0.323133	0.23384	0	1
Private Unearned Revenues Funding Ratio	826	0.213369	0.179377	0	0.883773

Table 22: Summary Statistics of All Paper Two Data

TABLE TWENTY-THREE

Pairwise Correlation Matrix of Paper Two Data

Variable	1	2	3	4	5	6	7	8	9	10
1) Organisation Age	1									
2) Total Venue Capacity	0.3978*	1								
3) No. of Performance Spaces	0.4347*	0.6715*	1							
4) Yearly Avg. Conventionality Score	0.0336	0.0863*	-0.0246	1						
5) Continuously Funded	0.1924*	0.2493*	0.2750*	-0.0473	1					
6) Years Funded	0.1511*	0.2132*	0.2104*	-0.1117*	0.8992*	1				
7) London Dummy	0.0138	-0.1598*	-0.0700*	-0.1459*	0.2172*	0.2191*	1			
8) Total Unearned Revenues (%)	-0.2638*	-0.4513*	-0.2778*	-0.2636*	-0.1092*	-0.0565	0.1077*	1		
9) ACE Funding (%)	-0.2819*	-0.3878*	-0.3457*	-0.1798*	0.1115*	0.1533*	0.1470*	0.6930*	1	
10) Private Unearned Revenues (%)	0.0379	-0.0583	0.1040*	-0.0957*	-0.2815*	-0.2698*	-0.0563	0.3440*	-0.4383*	1

Table 23: Pairwise Corelation Matrix of Paper Two Data

Furthermore, the results of the longitudinal panel data for Model Three and Model Four can be seen within Table 24 below. Beginning with the results of the Model Three regression equation, which was utilised to test the competing effects of private and public unearned revenues at time "t" on the Average Yearly Conventionality score of the recipient firm at time "t+1". The findings of which suggest statistically significant negative coefficients of -2.20 and -3.05 at a 99% significant level from the Percentage of ACE funding and Percentage of Private Unearned Revenues variable respectively. This would primarily suggest that a one percentage point increase in the level of ACE funding a given organisation received would result in a reduction in their Average Yearly Conventionality Score of 2.2 points, suggesting a drastic increase in repertory innovation, this allowing for the acceptance of the alternative hypothesis for $\mathbf{H_3}$ which states that 'A greater proportionate dependency on governmental subsidy as a source of unearned revenues, the less conventional the repertoire of the given organisation'.

Further investigation into the output of Model Three, unfortunately resulting in the inability to accept the alternative hypothesis for $\mathbf{H_2}$, and the acceptance of the null hypothesis. As this hypothesis stated that 'A greater proportionate dependence on private philanthropy as a source of unearned revenues, the more conventional the repertoire of the given organisation'. However, the regression output in this case suggests that a one percentage point increase in a firm's reliance on private sources of unearned revenues would result in a decrease in the recipient firm's conventionality score by 3.05 points, which would imply a rather radical increase in innovation. These findings however contradict the hypothesis posed as it was believed based on the current literature that an increased reliance on private sources of unearned revenue would result in a reduction in level of innovation seen within the focal firm.

TABLE TWENTY-FOUR

Model Three and Four Regression Outputs

	Dependent Variable	
Independent Variables	**Model Three** Average Repertoire Score (t+1)	**Model Four** Average Repertoire Score (t+1)
Organisation Characteristics		
Total Venue Capacity	0.000746	0.0007431
No. of Performance Spaces/ Stages	-0.2842351	-0.3089487
Years Fund	-0.5392569*	-0.5346104*
Continuously Funded	2.279915	2.356873
Organisation Age	-0.0087478	-0.0111001
London Dummy	-0.8331707	-0.827483

Financial Information		
ACE Funding (%)	-2.201731***	---------
Private Unearned Revenues (%)	-3.051875***	---------
Total Unearned Revenues (%)	---------	-2.53722***
N	741	741

Table 24: Model Three and Four Regression Outputs

Moving onto Model Four, this regression was used as a means by which to test $\mathbf{H_4}$ in addition to acting as a robustness check to ascertain the overall implications of an increase in unearned revenues a given firm received at time "t" regardless of the source on the recipient's "Average Yearly Conventionality Score" at time "t+1". The results of the regression analysis within Table 24 signifies that we can accept the alternative hypothesis for $\mathbf{H_4}$ which predicted that 'A higher cumulative reliance on unearned revenues regardless of source, the less conventional the repertoire of the given organisation'. Due to the statistically significant coefficient seen for the "Total Unearned Revenue" variable is possible to accept the $\mathbf{H_4}$, as a one percentage point increase in a firm's reliance on unearned revenues from any source results in a 2.52 point decline in their conventionality index score, suggesting a sustainable increase to firm innovation due to the reduced reliance on box office revenues.

7.5. Discussion

The current literature available on the effects of meso level factors on theatrical repertory conventionality or level of innovation are extremely limited at present, with only a few papers being published on the matter (DiMaggio & Stenberg, 1985; O'Hagan & Neligan, 2005; Werck & Heyndels, 2007). This lack of research on the matter could be seen as a result of the difficulties associated with attempts to measure innovation within such a subjective and creative industry, resulting in a definitive lack of literature on this matter and as such a lack of a definitive means of assessment of the impact of unearned revenues on organisational innovation (Camarero et al, 2011; O'Hagan & Neligan, 2005). Furthermore, it is to be noted that even when considering the available literature on the matter, no research to date has explored the impact of the type of unearned revenues received on repertory conventionality, as they considered unearned revenues as a single unit regardless of source rather than considering the origins or component pieces. This is a key gap within the current phenomenon-based literature especially when taking into account the numerous earned and unearned funding streams employed by such non-profit theatrical organisation. A recent Arts Council England study suggested that after the recent push towards diversification such organisations have as many as 11 different funding streams on average (Arts Council England, 2015). More importantly to note, each varied funder or funding stream is said to possess their own individual desires, demands, and requirements which the recipient organisation needs to comply with in order to ensure the continuation of such funding in future period (Hsieh, 2010). Although not all such stakeholder groups would make exorbitant demands of the recipient organisation, especially in regards to their repertory innovation levels, it has been found that both government funding bodies and private funders do make definitive and somewhat restrictive demands surrounding the repertory conventionality of the organisations they fund (Carroll & Slater, 2008; Hsieh, 2010). Despite these rather prominent demands being made from these funders on the recipient firm, there is currently next to no information available within the literary canon which can shed any light on the means by which theatrical organisations effectively manage the conflicting and competing demands of their numerous external funders in light of the high levels of resource dependency (Casciaro & Piskorski, 2005; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; Hodge & Piccolo, 2005). This brings rise to a further gap in the current literature, however in this instance the gap in question refers to a lack of theoretical knowledge within the RDT framework surrounding the power dyad and its implications in the instance of a single recipient firm engaging within numerous simultaneous resource dependent relationships, as the current literature only focused on a two player power dyad (Emerson, 1962; Casciaro & Piskorski, 2005). As such in an attempt to fill the two aforementioned gaps within the literature this study has examined the completing effects of private and public funding on repertory conventionality within the context of the English non-profit theatrical sector. This analysis was completed through the use of a dual-theory framework, by which both Resource Dependency Theory and Stakeholder Salience were utilised as the conjunction of these two theories allows for not only an understanding of the power dynamics associated with resource dependent relationships, but also a clear means by which to ascertain how organisations prioritise and manage numerous stakeholders demands simultaneously.

When considering the results of this study, it is possible to offer substantial support for two of the three hypotheses posed, more specifically $\mathbf{H_3}$ and $\mathbf{H_4}$. Unfortunately, however it was not possible to accept the alternative hypothesis for $\mathbf{H_2}$ posed within this study, due to the seemingly contradictory results generated, in regards to this specific hypothesis within Model Three regression output, as can be seen within Table 24. Hypotheses Two suggested that an increased reliance on private funding would result in a more conservative repertoire, due to notion within the current literature that private funders tend to demand that the organisations they fund house a traditional or conservative repertoire (Hodge & Piccolo, 2005; Sherer et al, 2019). However as can be seen within the regression output, a 1 percentage point increase in an organisation's reliance on private funding at time "t" in fact results in a 3.05 point decrease in the firm's conventionality index score at time "t+1" this being statistically significant at a 99% confidence interval, suggesting that the organisation becomes more innovative as a result of an increase in such private contributions rather than more conservative as hypothesised. Although in contradiction with the hypothesis originally set out, the findings generated are none the less statistically significant and as such can still potentially shed some light on the means by which non-profit theatres prioritise the demands of their external funders. As the increase in innovation here could suggest many things, such as the fact that theatrical organisations are not preferencing the demands of their private donors and are therefore not able or willing to opt for a more conservative repertoire, this could be due to the on average smaller donation sizes associated with private donations resulting in the demands of several small donors proving of less consequence than a single major funder as would be the case with governmental subsidy (Sood & Pharoah, 2011). Similarly, the organisations on average within this study received a higher cumulative percentage of their funding from public rather than private sources with 32.31% and 21.33% respectively, so this increase in innovation could simply be due to the need for such theatrical organisations to favour the demands of their dominant funder regardless of an increased reliance on alternative funding streams. Alternatively, it could imply that private funders do not in fact demand a more conservative repertoire as is believed within the theoretical literature surrounding the preferences of varied arts funders, with such donors in fact being in favour of increased innovation. None the less, these findings bring rise to an opportunity for future research in order to determine why this increase in innovation is seen as a result of increased private donation despite its seemingly contradictory nature.

When considering Hypothesis Three, it was predicted that an increased reliance on ACE funding would lead to an increase in the level of innovation seen within the given organisation, this being due to the emphasis placed on the promotion of innovative, diverse, and novel artwork by Arts Council England, as well as national governmental arts funding bodies more generally (Peck, 2011; Bukvic et al, 2016; Peacock, 2000; LeClair & Gordon, 2000). The regression outputs generated from Model Three within Table 24, support this hypothesis as it can be seen that a 1 percentage point increase in ACE funding at time “t” leads to a decrease in a given organisation’s conventionality score by 2.2 at time “t+1”, suggesting a reduction in their level of conventionality and by association an increase in their levels of innovation. With these finding being statistically significant at a 99% confidence interval, it can clearly be seen that organisations in receipt of ACE funding are clearly complying with the demands of their funder through the staging of more innovative and less conventional shows, in addition regression results show that such compliance is cumulative with organisations increasing their levels of innovation as the levels of ACE funding they receive increases, suggesting the prioritisation of ACE demands.

Finally, moving our attention to the output generated by Model Four within Table 24, it can be seen that it is also possible to provide substantial support for $\mathbf{H_5}$ posed within this thesis, as it can be seen that a 1 percentage point increase in the overall unearned revenues received by a given organisation at time “t”, resulted in a 2.53 point reduction in the firm’s conventionality score at time “t+1”. These findings supporting the traditionally held belief within the current literature that suggests a reduction in a firm’s overall reliance on box office revenues will lead to a more innovative repertoire, regardless of the source of unearned revenues due to the ability of the firm to produce works without aiming to ensure the mass appeal of the given work (DiMaggio & Stenberg, 1985; Austen-Smith, 1980; O’Hagan & Neligan, 2005).

As such, it could be suggested that this study and the findings generated provide an added insight into the mechanism surrounding the prioritisation of funder demands, as well as the responsiveness of a theatre’s repertory conventionality to a change in funding source or level (DiMaggio & Stenberg, 1985; Pierce, 2000; Martorella, 1975; Luksetich & Hughes, 2008). Therefore, this work could be seen to add to the limited canon of exiting work surrounding the impact of meso level factors on theatrical repertory conventionality, due to the insights generated surrounding the alteration to a firm’s level of innovation based on changes to their funding mix and overall level of unearned revenues (Austen-Smith, 1980; Krebs & Pommerehne, 1995; Jenkins & Austen-Smith, 1987). Furthermore, this study adds to the theoretical canon of RDT, by which we can gain a deeper understanding of the power dynamics that occur within an organisation that is simultaneously engaging in numerous external resource dependent relationships (Pfeffer & Salancik, 1978; Hillman et al, 2009). Similarly, this paper allows for a contribution to be made to the Stakeholder Salience literature in terms of an understanding of how firm’s prioritise relationships when taking into account high levels of resource dependency (Mitchell, et al, 1997; Frooman, 1999).

None the less, there were a number of limitations within the method and execution of this study which need to be discussed and further research to suggested to rectify these limitations. The primary limitation of this study surrounded data availability constraints, as it was not possible to collect repertory data on all 125 organisations within the master dataset of this thesis, but rather only 85 organisations suggesting a somewhat drastic decline in sample size. Similarly, data availability constraints resulting in a further limitation surrounding the construction of the conformity index used within this study, as this methodology could have been made more robust through the use of additional repertory information beyond that of the name of the play alone, such as the name of the playwright, the year of publication, year of first staging, as well as the original publication language (Werck et al, 2008; Throsby, 1990). Unfortunately, however this information was not available for the vast majority of organisations within this dataset, and therefore this additional layer of analysis could not be conducted. Therefore, based on the findings and limitations of this study, it could be suggested that there is a sizable scope for future research. Most notably, work should be conducted as a means to ascertain the true repertory preferences of private arts donors as a means to determine whether such funders truly prefer to donate to more conservative organisations in practice. Further to this a study could be conducted using a larger conventionality index through the use of additional variables such as name of playwright, or year of publication to allow for added insights into the repertory preferences of organisations beyond that of a play's conventionality in itself. However, the latter suggestion for further research may not be viable within the sector at present, as the majority of attempts to study such cultural matters are greatly curtailed by a sector wide lack of data availability, resulting in the cultural industries remaining vastly understudied considering its size and prominence within many economies (Nesta, 2013; Nesta, 2016; UNESCO Bangkok, 2007).

7.6. Conclusion

In conclusion, it could be seen that this study sheds light in the impact of the source and amount of unearned revenues received by a given theatre on their level of repertory conventionally and by association propensity to innovate. Within the context of the English non-profit theatrical sector, the findings suggest that these organisations opt to increase innovation regardless of the source of funding, with higher levels of unearned revenues as a whole acting as a catalyst for the production of more innovative or riskier shows. These findings having significant impacts for future academic literature as well as industry practitioners. In regards to practical implications, the knowledge that organisations opt for less conservative repertoires regardless of the source of the unearned revenues they receive could prove useful to prospective donors when attempting to determine the recipient of their donations. Furthermore, such findings could assist theatres in potentially managing the demands of their external funders more evenly. In terms of the theoretical contributions of this study, the findings provided build on the existing literature within the fields of theatrical repertory conventionality, donor preferences, Resource Dependency Theory, as well as Stakeholder Theory, allowing for a greater understanding of the impact of unearned funds and their source on a theatrical organisation's artistic output.

Chapter Eight: Paper Three – The Dark Side of Subsidisation: An Examination of the Effects of Unearned Revenues on Efficiency

8.1. Introduction

The non-profit sector has historically been seen as an underperforming and inefficient market segment. NPOs in this context refers to any private groups that associate to form an organisation that aims to undertake public tasks on behalf of the government, through the supply public goods and services which will not be provided by the public and for-profit sectors. They may also seek to influence public policy (Barman, 2007). This assertion of inefficiency is based on the tenants of Property Rights theory, which suggests that the property rights of a firm dictate their anticipated level of efficiency. Non-profit and public enterprises are deemed less profitable and efficient than their for-profit counterparts, due to the lack of a clear profiteering motive or organisational incentive, resulting in NPOs tending to constantly lag behind their for-profit competition (Boardman & Vining, 1989; Barman, 2007). Although NPOs do not maintain a profit seeking motive, but instead usually aim to ensure the betterment of society in some respect, these perceived inefficiencies may be due to the ambiguity or lack of a clear "bottom line" surrounding the objectives of these firms (Barman, 2007). This results in the majority accepting inefficiency and ineffectiveness within the voluntary sector, as long as the NPOs in question fulfil their social objectives to a reasonable extent (Kanter & Summers, 1987; Drucker, 1990; Barman, 2007).

Although it is seen as somewhat common knowledge that NPOs by their very nature exist to aid society through a model of charitable giving or the provision of public goods, this provides very little insight into what these organisations and their leaders actually seek. This results in an inability to accurately measure, monitor, incentivise efficiency, and waste reduction within NPOs despite numerous attempts to do so over the generations (Fama & Jensen, 1983a; Fama & Jensen, 1983b; Calen & Falk, 1993; Brooks, 2005). Despite the lack of a unified means by which to monitor non-profit efficiency, scholars have made valiant attempts to ascertain the objectives of such firms in depth, suggesting three key objective types for non-profits which may aid in understanding the operational patterns of such firms. These are:

- **Service Maximisers:** Firms seeks to maximise the amount of core output they provide.
- **Budget Maximisers:** Firms seeks to maximise the size of their organisations regardless of cost.
- **Quality Maximisers:** Firms seek to maximise a less quantifiable measure namely product quality of another qualitative aspect of the firm's mission (Brooks, 2005).

Beyond these three measures, it has been suggested that numerous NPOs are found to possess no clear managerial objective, thereby beyond the core social aims, the management of such a firm do not attempt to progress the organisation in any meaningful direction (Brooks, 2005). A lack of direction typically is associated with greater levels of organisational efficiency, due to the lack of cohesion or aim within the organisation itself (Brooks, 2005).

When considering such NPO inefficiency within a theatrical context, it can not be denied that compositely such organisations cannot be deemed to be efficient, as organisations only receive subsidisation or voluntary funding after they have become “inefficient”, as “efficient” organisations would not require such non-market cash injections for survival. However, the source or cause for such inefficiency within the non-profit cultural sector is still a matter for discussion (Globerman & Brook, 1974; Schwarz, 1983; Lin & Lin, 2018). It was traditionally believed that such cultural organisations were not able to earn a sufficient level of revenue to cover their total expenditures due to the structure of the industry, resulting in the presence of Baumol’s Cost Disease, this being a phenomenon that occurs within industries that cannot benefit from technological advancements (Felton, 1994). This is because the unit labour costs within such technologically unprogressive industries increases at a rate similar to the economy as a whole, despite an almost constant level of labour productivity, resulting in increased costs despite static output levels. These ever increasing costs coupled with static output results in an ever-widening gap between expenses and earned income, which must be filled by incrementally increased contribution from external funders (Last & Wetzel, 2011; Heilbrun, 2003). Although the English theatrical sector undoubtedly suffers from the ramifications of this phenomenon, recent literature has shed light on the assertion that the provision of voluntary funding in an attempt to fill this income gap in fact perpetuates a cyclical problem of inefficiency within the cultural sector, as matters are indeed made worse, not better, if subsidy is used to prevent market prices from reflecting their true costs. The influx of voluntary funding simply creates inefficiency within the subsidised organisation due to their non-market nature (Heilbrun, 2003; Jourdan & Kivleniece, 2017; Shymko & Roulet, 2017).

Despite these assertions, limited attention has been paid to how the operations of non-profit performing arts organisations are affected by the acceptance of these voluntary external resources, as it is often assumed that these additional resources benefit the recipient (Shinko & Roulet, 2017). The notion of Baumol’s Cost Disease and the resultant income gap theoretically assume a constant linear increase in costs within such firms inline with the price and wage increases within the market at large (Baumol & Bowen, 1965; Heilbrun, 2003; Baumol, 1967). However, this linearity does not prove to be accurate. Recent research has suggested that there are substantial nonlinear increases in costs within the theatrical arts sector, with such increasing being incurred on a yearly basis however cannot be attributed to cost disease alone but are in fact accelerated by the receipt of unearned revenues that are provided as a means by which to bridge the aforementioned income gap (Jourdan & Kivleniece, 2017). However, the acceptance of such non-market unearned resources results in the occurrence of additional organisational level inefficiencies coupled with existing structural inefficiencies associated with the effects of the cost disease (Jourdan & Kivleniece, 2017). With such added inefficiencies manifesting due to internals shifts within the organisation due to the receipt of such unearned revenues, resulting in a drastic increased in costs in addition to a decline in earned revenues (Carmen & Jose, 2008).

To this end, this study will explore whether the acceptance of unearned external funding has a negative impact on the organisational efficiency of non-profit performing arts firms. This being done through the use of quantitative analysis methods on both a national and regional level within the context of the English non-profit theatrical sector through the lens of resource dependency theory in order to answer the following research question: ’Does the receipt of non-market unearned revenues result in the occurrence of further organisational inefficiencies?’

8.2. Hypothesis Development

This study concerns an investigation into the impact of unearned revenues on the internal operations and efficiency of non-profit cultural organisations, and to what end the provision of such funding due to structural inefficiencies, leads to the occurrence of organisational subsidy-based inefficiencies (Last & Wetzel, 2011; Jourdan & Kivleniece, 2017). This is a crucial gap within the current canon of literature as it is vital to ascertain the impact of such funding on the financial health and organisational efficiency of the recipient firm. The reason for this gap is due to the notion that the unearned revenues provided to theatrical organisations are actually aiding such firms in overcoming their pre-existing structural inefficiencies, and as such little if any attention is paid to the ramifications of such funding on the recipient firm. The matter of inefficiency within the cultural industries is one that is by and large taken for granted due to the sectors long standing dependency on external resources and stigmatisation as a stagnant industry (Frey, 2003; Hart, 1984).

Structural inefficiencies within the theatrical sector occur as a result of the productivity lag, Baumol’s Cost Disease, and the technologically stagnant nature of the industry. This results in organisations perpetually operating in deficit due to the inability for theatres to reap the benefits of technological progression resulting in a fixed input-output ratio (Baumol, 1967; Baumol & Bowen, 1965; Sparviero & Preston, 2010; Last & Wetzel, 2010). This fixed output level, coupled with the extremely limited possible means of cost reduction due to labour intensive and quality-centric nature of the theatrical arts, results in the overarching inefficiency faced by the sector. Despite the stagnant output potential of the industry, firms incur increasing costs on an annual basis in line cost increases within the economy at large (Heilbrun, 2003; Last & Wetzel, 2011). These perpetually rising costs and generally labour-intensive nature of the theatre, being the primary rational behind the existence of the income gap, this being the difference between expenditures and earned income of a given firm, or in other words such a gap represents a firm's operating deficit (Schwarz, 1982). Therefore, in order to remain operational, the organisations in question must work towards filling this gap through the procurement of various forms of unearned revenues from individuals, corporations, foundations, as well as government agencies (Shoesmith, 1984).

Although the existence of the income gap and by association the need for unearned revenues within theatrical organisations is a direct result of structural inefficiencies it can be suggested the provision of such non-market funding simply acts as a catalyst, creating a demand for further funding due to the occurrence of additional internal inefficiencies (Shwartz, 1982; Schwarz, 1983; Shoesmith, 1984). A recent study has suggested, the annual rate of growth of the income gap could be seen as an indication of the occurrence of further inefficiencies with such organisations due to the receipt of unearned revenues (Schwarz, 1986). As the natural growth model of the income gap, suggests that the size of the gap is expected to grow within such organisations on an annual basis, in line with the rate at which labour costs are rising within the economy as a whole (Baumol & Bowen, 1963; Shoesmith, 1984, Brooks, 2003). With such a growth rate implying a constant level of output, earned income and costs resulting in the income gap increasing at the rate of productive growth of the economy at large. Therefore, this model represents the inevitable growth in the income gap due to technological limitations of the sector (Shoesmith, 1984). However, it has been found that there are numerous instances in which a firm's income gap grows at a more rapid rate than expected with no clear or discernible reason for such an occurrence. This is known as the unbalanced output growth model (Shoesmith, 1984). This growth model is inline with the traditionally held isotopism of subsidy-based inefficiency, frivolous expenditure habits, and inefficient management practices. The fundamental premise of this model relies on the fact that the more money an organisation receives, the more they will spend, and therefore the higher the rate of their income gap growth (Shoesmith, 1984). Therefore, it could be suggested that based on the varied models of income gap growth that the occurrence of Natural Growth Model within a given organisation indicates a relatively stable financial and operational efficiency beyond that of the technological stagnancy of the industry as whole (Schwarz, 1982). While the adaption of an Unbalanced Output Growth Model implies the occurrences of further inefficiencies within the given organisation, represented by poor management and resource misallocation leading to the rapidly rising rate of income gap growth (Schwarz, 1982).

As such it can be suggested that the creation of such internal inefficiencies subsequent to the receipt of unearned revenues is a direct result of internal operational changes, due to the high levels of external resource dependency incurred by the focal firm (Malatesta & Smith, 2014). Such dependencies are known to have prominent effects on varied elements of the recipient organisation's operations, such as repertoire, innovation, quality, and overall performance (Malatesta & Smith, 2014). Resource dependency occurs due to a firm's reliance on external sources for vital resources such as labour, funds, or materials (Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978). With the theory's central premise stating that organisational survival hinges on the ability to procure critical resources from their external environment, therefore the welfare of the focal firm is linked to that of the external organisations providing their key resources (Casciaro & Piskorski, 2005; Pfeffer & Salancik, 1978). As the degree of dependency increases, the recipient organisation's outcomes become more tightly tied to their resource provider and the fulfilment of their demands. This is a key problem in a theatrical context due to the taste and preference based nature of this industry (Wry et al, 2013; Pfeffer & Salancik, 1978; Casciaro & Piskorski, 2005). As such levels of resource dependency increase, it becomes more common for external resource providers to demand certain actions from the recipient organisation in return for the provision of key resources. Such demands are possible due to the power resource providers hold over receipt firms (Frooman, 1999; Terreberry, 1968). Within a theatrical context, funder's demands usually focus on the repertory output of the recipient firm, as well as the provision of welfare and social components given the non-profit nature of such firms (Sawers, 1993; Carroll, 1987).

As a given theatrical organisation's level of external resource dependency increases, they tend to shift their operations and by association their organisational orientation towards that of their external funders. This moves them away from consumer orientation and towards a strategy of donor orientation to ensure adequate levels of external unearned revenues going forward (Pfeffer, 1987 Brooks, 2003; Lebrecht, 1997; Hughes & Luksetich, 2004). Donor orientation refers to an instance in which the focal firm focuses on the preferences of their donors when making product and marketing decisions, while visitor orientation is quite closely akin to the for-profit customer orientation by which the demands and wishes of end stage consumers are prioritised when making programmatic decisions (Carmen & Jose, 2008). The adaption of donor orientation leads theatrical organisations to stage plays in accordance with the wishes of their funders rather than their consumers, resulting in a disconnect between the organisation and their target clientele (Carmen & Jose, 2008; Gainer & Padanyi, 2006). This lack of attention being paid to consumer preferences, leads to a decline in demand, resulting in lower earned revenues and the creation of a larger income gap (Lebrecht, 1997; Brooks, 2003; Hughes & Luksetich, 2004). Therefore, donor orientation can result in non-profit theatre management positioning their organisation both financially and artistically in a manner which increases possible voluntary funding availability, despite the negative implications on organisational efficiency and consumer satisfaction (Austen-Smith, 1984; King & Blaugh, 1976; Peacock, 1998). Although the utilisation of donor orientation is beneficial for ensuring the provision of future unearned revenues, the implementation of such an organisational strategy in fact leads to the occurrence of subsidy-based inefficiency. Once in receipt of such unearned funds, the organisation in question begins to reduce their propensity or inclination to earn revenues in an attempt to placate the demands of their funders, resulting in lower earned revenues and a higher than excepted income gap growth rate on an annual basis (Balabanis et al, 1997; Vázquez et al, 2002).

Further inefficiencies can occur as a result of the provision of unearned revenues due resource misallocation and wasteful practices on the part of the recipient firm. This is due to a lack of clear incentives to ensure the consistent monitoring of managerial activity, as well as the monitoring of waste reduction policies within a charitable context (Callen & Falk, 1993; Fama & Jenson, 1983a; Fama & Jenson, 1983b). For example, the receipt of subsidy has commonly been linked to non-profit theatrical organisations intentionally increasing their back of house and employment costs, or costs associated with the production itself. This is due to the structure and laws surrounding the non-profit status of these organisations which forbids the distribution of dividends resulting in such firms opting to unnecessarily inflate costs (West, 1987). Further to this, the receipt of unearned revenues has resulted in numerous theatrical organisations implementing budget maximising principals, although such practices are merely seen as a justification for the organisation's wasteful and inefficient operations (Peacock, 1994; Whelan, 1990; Zieba, 2008; Brooks, 2005). For example, using unearned funds to deliberately stage unpopular plays that are justified by the frequently held aloft banner of "artistic freedom" (Colins & Hand, 1998; Whelan, 1990). Such practices result in high programming related costs, which are met by low ticket sales and poor box office revenues. This misuse of voluntary funding is possibly due to the insufficient monitoring of the programming decisions and expenditure reports of subsidy recipients (Colins & Hand, 1998; Whelan, 1990; Zieba, 2011). Due to this lack of monitoring, it has become common practice within the theatrical sector for large amounts of money to be invested in various performance elements only for such items to be discarded shortly after purely in an attempt to increase expenditures. This results in the intentional bolstering or increasing of expenditure over the necessary level, spurning further inefficiency with the organisation, due to the occurrence of improper resource allocation (Peacock, 1994; Whelan, 1990; Zieba, 2008; Brooks, 2005; West, 1987).

In addition to this, high levels of external resource dependency are found to result in further resource misallocation practices, as large amounts of money are spent on fundraising initiatives to attract further voluntary funding for future periods (Carmen & Jose, 2008; Mabel Brezin, 1994). With firm's spending large portions of their income on fundraising events, galas, and banquets to retain their voluntary funding, this in turn causes a substantial and unnecessary increase to organisational expenditure (Carmen & Jose, 2008; Mabel Brezin, 1994; Gakecka & Smolny, 2017; West, 1987). The provision of these unearned revenues has little effect on organisational practices other than the misallocation of resources, as these additional funds are normally frittered away to portray a sense of wealth around the focal organisation through higher financial exposure. Such expenditure which amounts to little more than budget maximization and inefficiency, with these practices having little effect if any on the popularity and quality of the given output (Teti et al, 2018; Collins & Hand, 1998; Whelan, 1990; Meloni et al, 2018). This suggests that subsidy-based inefficiency could also be measured based on a disproportionate increase in expenditure coupled with the aforementioned reduction in earned revenues resulting in the dual nature of such an inefficiency, resultant from the non -market nature of such funds (Teti et al, 2018; Collins & Hand, 1998; Whelan, 1990).

However, this inefficiency may not be caused by simply receiving subsidy but could rather be due to the amount received. Jourdan & Kivleniece's (2017) have ascertained that there is an inverse U-shaped relationship between the amount of public funding received and the market performance of a given organisation. As low levels of external support will boost the available resource pool and temporarily shield the receiving firm from adverse changes in the external environment, creating positive performance effects through resource accumulation (Jourdan & Kivleniece, 2017). However, since sponsorship involves a provision of resources outside market exchange, this transaction often removes the incentives embedded within a traditional market, thus beyond a certain level of sponsorship market performance is negatively affected (Jourdan & Kivleniece, 2017). This suggests that beyond a given tipping point, matters are made worse, not better, if we use unearned to prevent market prices from reflecting their true costs, as this simply creates inefficiency within the subsidised industry (Heilbrun, 2003).

Thus, on the basis of this extensive body of literature in regard to the implications of such non-market unearned revenues on the recipient firm, in terms of the creation and permutation of further organisation inefficiencies has led to the creation of the following hypotheses:

$\mathbf{H_5}$: *A proportionate increase in the amount of unearned revenues an organisation receives will negatively impact earned revenues.*

$\mathbf{H_6}$: *A proportionate increase in the amount of unearned revenues an organisation receives will lead to increase in spending.*

8.3. Data and Methodology

The primary aim of this study is to investigate the ramifications of the receipt of unearned revenues on the financial health and organisational efficiency of non-profit theatrical organisations within England. In order to do so, it was necessary to collect various forms of data, in addition to identifying and implementing the most fitting methodological design to ensure the robustness of the models utilised within this study. It is to be noted that the full data collection and methodological processes for this thesis can be found within Chapter 4 and Chapter 5 of this document respectively, however an abridged version of such information will be provided within this paper as a means to provide context on the specific data and methods utilised within this study.

In light of the study aims, the predominant data requirements for this study involved information of a financial nature from both the ACE database as well as the financial statements of individual organisations, coupled with sparse organisational variables which were utilised as explanatory factors within upcoming regression analysis. Seen as this study is only utilising financial and organisational variables, the full dataset of this thesis was used within this study, comprising some 125 ACE funded repertory theatrical organisations for a ten-year study duration between 2008/09 and 2017/18. A composite list of organisations included within this paper is available within Appendix I. This final dataset was achieved based on data availability constraints in light of the wholly secondary nature of all data used within this thesis, as well as based on necessary exclusion criteria in order to ensure all organisations being examined within this thesis were relevant given study objectives. The master dataset for this thesis comprised over 29 wide ranging variables of numerous types and forms including both raw and process variables. However, not all such variables were included within this study, and a breakdown of the relevant variables to the specific topic at hand can be found in Table 25 below:

TABLE TWENTY-FIVE

Description and Source of Variables Used within Paper Three

Variable Name	Abv.	Description	Source
Organisation Age	OA	The organisations age for a given year of analysis. Eg if the organisation was incorporated in 1990: 2010 = Age 20 Years 2015 = Age 25 Years	Individual Organisation Website

Years Funded	YF	Number of years an organisation received ACE funding within the 10 year study period.	Arts Council Funding Database
Continuously Funded	CF	Dummy variable used to denote an organisation that was continually funded for the entire 10-year study period 1= Funded for 10 Years 0 = Not funded for all 10 Years	Arts Council Funding Database
Earned Revenues	ER	Yearly 2008/09-2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Total Expenditure	TE	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Investment Income	II	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Governance Costs	GC	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Total Fixed Assets	TFA	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Net Profit	NP	Measured Annually from 2008/09 to 2017/18	Individual Organisation Annual Reports (Companieshouse.gov.uk)
Total Unearned Revenue Funding Ratio	UFR	The Percentage of an organisation's Total Revenue that is comprised of Unearned Revenues regardless of the source. Calculated as follows on a yearly basis: *Total Unearned Revenues for Year X/Total Revenue for Year X * 100*	Individual Organisation Annual Reports (Companieshouse.gov.uk)

Table 25: Description and Sources of Variables Used within Paper Three

The data utilised within this study still primarily remains in its raw or nominal format, therefore data processing was not conducted to any great lengths. Only one of the variables used within this study had been converted into a ratio, this being the "Total Unearned Revenues Funding Ratio" as can be seen on Table 25 above. This variable was utilised as the main independent variable within all four regression models of this study. Therefore, prior to completion of the main regression analysis for this study, it was necessary to complete a brief variable creation process, resulting in this studying utilising a two-step methodology consisting of a ratio analysis, followed by a longitudinal panel data regression.

8.3.1. Ratio Analysis

The ratio analysis methodological portion of this study is exceptionally brief, as only one study variable being utilised takes the form of a ratio. The rationale for the conversion of this nominal variable into a ratio is to allow for more ready comparability and to control for the effect of size between firms (Austen-Smith, 1980; Horrigan, 1968; Chen & Shimerda, 1981). The type of ratio analysis being conducted is a “Source of Funds” calculation, this being a NPO specific ratio analysis method, which is utilised to determine the different weights of various NPO funding streams (Chabotar, 1989). Such an analysis method allows for a deeper understanding of the relative amount of funding a given firm receives from various sources. In context of this study, we will simply be aiming to ascertain the percentage of a firm’s total revenues that are comprised of unearned funding of any description regardless of sources on a yearly basis in order to create the “Total Unearned Revenue Funding Ratio”, which would allow for an understanding of the levels of resource dependency incurred by the organisations through time. This was done through the use of the equation below:

$$Total\ Unearned\ Revenue\ Funding\ Ratio\ = \frac{Total\ Unearned\ Revenues\ for\ Year\ X}{Total\ Revenues\ for\ Year\ X}\ \text{x}\ 100$$

The purpose of such a ratio is to gain an understanding of the level of overall external resource dependency a given firm is incurring, suggesting that a higher Unearned Funding Ratio suggests a higher level of resource dependency on external parities for vital funding. A lower Unearned Revenue Funding Ratio would imply that a given firm is not excessively dependent on unearned revenues to any great extent. This ratio acts as the independent variable within all forthcoming regression models, in order to ascertain the responsiveness of organisational earned revenues and spending patterns to a change in the cumulative amount of unearned funding received.

8.3.2. Longitudinal Panel Data Regression

The overall composite dataset utilised within this study, as well as this thesis as a whole, comprises data on some 125 ACE funded non-profit theatrical organisations for a ten-year study period between 2008/09 and 2017/18. In light of the nature of the data that was collected within Chapter Four as well as the aims of this study, a Longitudinal Panel Data Regression model was deemed the most appropriate approach. Such a methodology allows for the measurement of fine differences between variables over a prolonged period of time, through the culmination of a time series and regression analysis techniques (Frees, 2004; Bryman & Bell, 2009).

Within the context of this specific study, four different regression models are utilised, with Model Five and Model Six being used as means by which to test $\mathbf{H_5}$ and $\mathbf{H_6}$ respectively. Model Five, aims to ascertain the relationship between a given firm's "Total Unearned Funding Ratio" at time "t" on their total Earned revenues in nominal terms at time "t+1". Similarly, Model Six, tests the impact of the "Total Unearned Funding Ratio" variable at time "t" on a firm's Total Expenditure in nominal terms at time "t+1". A time lag was utilised within this study, by which the dependent variables are measured at time "t+1", while all independent and explanatory variables are being measured at time "t". This is to take into account the long-term nature of such cultural funding, a one year lag was used as it was deemed unlikely for the negative ramifications of unearned revenues to occur within an organisation immediately after the receipt of such funding, however effects would be expected to be seen within or short after 1 fiscal year. Furthermore, Models 7 and 8 were utilised to test for regional differences in terms of a given organisation's propensity to incur inefficiencies, allowing for an understanding of whether the receipt of non-market funding has a negative effect on organisational efficiency within both rural and metropolitan locations, or whether such subsidy-based inefficiencies are more prevalent or have a greater impact within larger metropolitan areas due to the influx of funding and high levels of competition that occur within such cities. Model 7 was utilised to test the impact of unearned revenues at time "t" on a firm's level of earned revenues at time "t+1" on a regional level, while Model 8 tested the impact of unearned funding at time "t" on a give firm's total expenditure levels at time "t+1" regionally.

Model 5: $ER_{it+1} = \beta_{0+}\beta UFR_{it+}\beta YF_{it+}\beta CF_{it+}\beta OA_{it+}\beta II_{it+}\beta TE_{it+}\beta GC_{it+}\beta NP_{it+}\beta TFA_{it+}u_{it+}\varepsilon_{it}$

Model 6: $TE_{it+1} = \beta_{0+}\beta UFR_{it+}\beta YF_{it+}\beta CF_{it+}\beta OA_{it+}\beta II_{it+}\beta ER_{it+}\beta GC_{it+}\beta NP_{it+}\beta TFA_{it+}u_{it+}\varepsilon_{it}$

Model 7: $ER_{it+1} = \beta_{0+}\beta URF_{it+}u_{it+}\varepsilon_{it}$

Model 8: $TE_{it+1} = \beta_{0+}\beta URF_{it+}u_{it+}\varepsilon_{it}$

Where:
ER - Yearly Earned Revenues at time "t+1" (Dependent Variable)
TE - Total Yearly Expenditure at time "t+1" (Dependent Variable)
UFR - Total Unearned Revenue Funding Ratio
YF - Years funded
CF - Continuously Funded
OA - Organisation age

II - Investment Income in GPB
GC - Governance Costs in GBP
NP - Net Profit in GBP
TFA - Total fixed assets in GBP
υ - Between entity error
ε - Within entity error

Furthermore, it was necessary to conduct Hausman tests on all four regression models prior to beginning the testing process in order to ascertain whether the regressions being conducted should use a fixed effects or random effects model. The decision of which model to utilise is dependent on the presence of correlation between unobservable effects and the independent variables being used (Bryman & Bell, 2009). The results of the four Hausman test can be seen on Table 26, Table 27, Table 28 and Table 29 below, as per the results all regression will be run using a random effects model, as none of the corresponding p-values are statistically significant at a 95% confidence interval.

TABLE TWENTY-SIX
Results of the Hausman Test for Model Five

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	7.02	7	0.4271

Table 26: Results of Hausman Test for Model Five

TABLE TWENTY-SEVEN
Results of the Hausman Test for Model Six

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	3.15	7	0.8707

Table 27: Results of Hausman Test for Model Six

TABLE TWENTY-EIGHT
Results of the Hausman Test for Model Seven

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	2.22	1	0.1364

Table 28: Results of Hausman Test for Model Seven

TABLE TWENTY-NINE
Results of the Hausman Test for Model Eight

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	2.09	1	0.1485

Table 29: Results of Hausman Test for Model Eight

8.4. Results

The results of this study beginning with an assessment of the descriptive statistics and pairwise correlation matrix of all study variables, as can be seen by Table 30 and Table 31 respectively. Table 30 specifically provides descriptive statistics on all organisations being included within this paper, including financial and characteristic based variables. As can be indicated by the results the average organisation within our sample derives 52.11% of their total revenues from unearned sources, in addition to having an average annual earned revenue of £2,172,531.

TABLE THIRTY

Summary Statistics of All Paper Three Data

Variable	Obs.	Mean	Std. Dev	Minimum	Maximum
Earned Revenue	1,220	2,172,513	7,574,012	-18897	92200000
Investment Income	1,220	15,805.04	67,480.64	-1090	821000
Total Expenditure	1,220	3,330,338	10,300,000	-126000000	0
Governance Costs	1,220	32,913.8	88,765.06	-833327	0
Net Profit	1,220	185,605.8	1,344,370	-2801794	23900000
Total Fixed Assets	1,220	3,057,139	10,400,000	-45964	115000000
Total Unearned Revenues Ratio	1,220	0.5211509	0.2446712	0	1
Years Funded	1,220	8.564754	2.43772	1	10
Continuously Funded	1,220	0.713115	0.452493	0	1
Organisation Age	1,220	29.26066	16.1495	0	92

Table 30: Summary Statistics of All Paper Three Data

TABLE THIRTY-ONE

Pairwise Correlation Matrix of Paper Three Data

Variable	1	2	3	4	5	6	7	8	9	10
1) Earned Revenue (£)	1									
2) Investment Income (£)	0.1031*	1								
3) Total Expenditure (£)	0.6957*	0.1401*	1							
4) Governance Costs (£)	-0.9845*	-0.1261*	-0.7515*	1						
5) Net Profit (£)	-0.1890*	-0.1494*	-0.1746*	0.1924*	1					
6) Total Fixed Assets (£)	0.4517*	0.0774*	0.8583*	-0.4854*	-0.0996*	1				
7) Total Unearned Revenue Ratio	-0.7891*	0.1549*	0.7280*	-0.8291*	-0.1276*	0.4999*	1			
8) Years Funded	-0.2251*	0.0792*	-0.0308	0.1965*	0.1401*	0.0518	-0.1271*	1		
9) Continuously Funded	0.1194*	0.9286*	0.1503*	-0.1402*	-0.1643*	0.0850*	0.1544*	0.0297	1	
10) Organisation Age	0.2291*	0.0469	0.2389*	-0.2521*	-0.2090*	0.1035*	0.2382*	-0.2683*	0.1076*	1

Table 31: Pairwise Correlation Matrix of Paper Three Data

Similarly, Table 31 above depicts the pairwise correlation matrix for all study variables. The correlation seen between the Total Unearned Revenue Ratio variable and the Earned Revenues variable of -0.7891 suggests a statistically significant inverse relationship between these two factors. In addition, the statistically significant correlation coefficient of 0.6957 between the Total Unearned Revenue Ratio variable and Total Expenditure suggests a strong positive correlation, by which an increase in the level of unearned revenues an organisation receives results in an increased level of expenditure.

Subsequently to our analysis of descriptive factors, the results of the longitudinal panel data regressions conducted on a national and regional level within this study can be seen on Table 32 and Table 33 respectively. Beginning with Table 32, which depicts the national level analysis of the impact of external unearned resources on organisational efficiency within the non-profit performing arts sector in England. The results of Model Five suggest that a one percentage point increase in levels of overall unearned revenues received by a given organisation will cause the recipient firm to decrease their earned revenues by £7,630.21. This finding proves sufficient support for the acceptance of the alternative hypothesis associated with $\mathbf{H_5}$, which suggests: 'A proportionate increase in the amount of unearned revenues an organisation receives will negatively impact earned revenues. Furthermore, when turning our attentions to Model Six, the results of this regression analysis further support for the notion of the occurrence of subsidy-based inefficiencies within the non-profit English theatrical sector. As it can be seen that a one percentage point increase in the total unearned revenue ratio of a given organisation causes an increase in an organisation's total expenditure by £22,763.19 significant at a 99% confidence interval. This allows us to reject the null hypothesis and accept the alternative hypothesis for $\mathbf{H_6}$, which states that: 'A proportionate increase in the amount of unearned revenues an organisation receives will lead to increase in spending.'. With the findings generated through the regression analysis conducted within Models Five and Six, suggesting that a national level, the acceptance of unearned revenues does perpetuate inefficiency within non-profit theatrical organisations. As an increase in the amount of such unearned non-market funds available to a given firm does greatly reduce earned revenues and increase total expenditure by a statistically significant margin.

TABLE THIRTY-TWO
Model Five and Six Regression Outputs

	Dependent Variable	
Independent Variables	**Model Five** Earned Revenues (t+1)	**Model Six** Total Resources Expended (t+1)
Organisation Characteristics		
Years Fund	-43,647.5	284,889.7
Continuously Funded	28,905.49	-1,555,343
Organisation Age	-9,567.31**	-46,301.2**
Financial Information		
Total Unearned Revenue Ratio	-7,630.21***	22,763.19***
Earned Revenue	---------	-1.102139***
Investment Income	4.912652***	-13.07684***
Total Resources Expended	-0.7607354***	---------
Governance Costs	-0.5865208	0.8493244
Net Profit	0.1587154***	-0.1748825***
Total Fixed Assets	-0.0312317***	-0.7117228***
N	1,095	1,095

Table 32: Model Five and Six Regression Outputs

In addition to the national level region analysis conducted, Table 33 below provides a regional breakdown by which it will be possible to ascertain the effects of unearned revenues on organisational efficiency on a regional by region basis. Such an analysis was necessary due to the significant regional differences in cultural arts funding and organisational concentration, which may have an impact on a firm's propensity to encounter the negative effects of unearned revenues (Arts Council England, 2018b). Of these regional results based on regression Model Seven and Eight, the most significant are those for organisations located in London. Theatres in the capital seem to be affected by both facets of "subsidy-based" inefficiency that are being tested for at a statistically significant level, and as such are fully affected by this phenomenon. More specifically, we can see that organisations within Greater London face a reduction in earned revenues by £25,848.20 and an increase in total expenditure of £11,361.35 as a result of a 1 percentage point increase in the cumulative unearned revenues they are in receipt of.

TABLE THIRTY-THREE

Model Seven and Eight Regression Outputs

	Dependent Variables	
Location	Model Seven Earned Revenues (t+1)	Model Eight Total Resources Expended (t+1)
London	-25,848.20**	11,361.35***
East of England	-3,153.90**	30.10
East Midlands	-15,075.53*	4,183.31
West Midlands	-30,942.96*	9,644.54
Northeast	-10,111.70**	5,655.88
Northwest	-1,537.63	-5,560.95
Southeast	-4,872.16	765.33
Southwest	20,467.73	-5,581.38
Yorkshire	-9,095.94***	3,434.03
N	1,095	1,095

Table 33: Model Seven and Eight Regression Outputs

8.5. Discussion

When considering the impact of the receipt of unearned revenues on the operations of non-profit theatrical organisations, very little if any research has been conducted surrounding the potential inefficiencies caused by such funding. Therefore, this paper is among the first to address this gap within the current canon of literature. This study examines as to whether English non-profit theatrical organisations are depicting the dual symptoms of subsidy-based inefficiency, in regards to the impact of such non-market funding on the recipient firm's level of earned revenues and total expenditure. The findings derived from the quantitative analysis conducted within this study confirm an inverse relationship between the cumulative amount of unearned funding an organisation received and their organisational efficiency. Therefore, allowing for the research question posed within this study of to be successfully answered as it can be concluded that the English non-profit theatrical sector is currently incurring the negatively ramifications of subsidy-based inefficiencies. This analysis was conducted through the theoretical lens of Resource Dependency Theory, in an attempt to ascertain how such high levels of external resource dependency affect the internal processes and by association efficiency of the focal firm (Casciaro & Piskorski, 2005; Pfeffer & Salancik, 1978).

Overall, the findings derived from the longitudinal panel data regressions run within this paper suggest that the higher the level of resource dependency incurred the more severe the occurrence of subsidy-based inefficiency, in terms of higher expenditure levels and lower earned revenues (Carmen & Jose, 2008; Dace, 1979). The results offer substantial support for both hypotheses posed, beginning with Hypothesis 5 which predicted a negative association between levels of unearned revenues received at time “t” and the level of earned revenue attained at time “t+1”. With this negative relationship clearly being depicted within the national level regression analysis conducted, results of which can be seen on Table 32, suggesting that a 1 percentage point increase in the cumulative levels of unearned revenues available to a firm at time “t”, reduces the given firm’s earned revenues by £7,630.21 at time “t+1”. These findings are consistent with existing literature which suggests that the acceptance of such non-market funding shifts the focus the given theatre’s management away from consumer orientation and towards donor orientation, resulting in lower consumer demand and therefore lower earned revenues (Carmen & Jose, 2008, Stokburger-Sauer & Wetzels, 2007). Furthermore, the results of this study also offer support for Hypothesis 6, which predicts a positive association between levels of the unearned revenues received at time “t” and the amount of a firm’s total expenditure at time “t+1”. This positive relationship also being seen within the national level regression on Table 32, which suggests that the total resources expended increases by £22,763.19 at time “t+1”, in response to a 1 percentage point increase in the cumulative levels of unearned revenues at time “t”. With such findings being theoretically backed by numerous varied assumptions and rationales, as the acceptance of unearned revenues can result in the inflation of expenditures due to increased fundraising expenditure, budget maximising principals as well as resource misallocation (Austen-Smith, 1984; King & Blaugh, 1976; Peacock, 1998).

When considering the study’s findings at a regional level, it is clear from the results on Table 33 that the negative ramification of unearned revenues on organisational efficiency are the most prevent within Greater London. It was none the less expected that the impact or occurrence such inefficiencies would vary in severity based on geographic location, due to an uneven distribution of arts funding within England (Arts Council England, 2018b). With roughly 50% of all cultural funding of both a public and private nature being disbursed in London, there is a greater concentration of such non-market funding within organisations in the capital and by association higher levels of external resource dependency being incurred by these theatres (Arts Council England, 2018b; Wry et al, 2013; Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978). As such, the higher level of resource dependency incurred by London based organisations would increase their propensity to adapt to a donor oriented strategy, and by associated increase the likelihood of the occurrence of subsidy-based inefficiencies (Voss & Voss, 2000a; Carmen & Jose, 2008). This contrasts with more rural locations, which receive much lower levels of subsidy and as such did not incur such inefficiencies. Such geographic distinction resulting in a variation in the propensity to incur subsidy-based inefficiencies, is potentially due to the inverse U-shaped relationship between the amount of public funding received and the market performance of the organisation in question (Jourdan & Kivleniece, 2017). As low levels of external support will boost the available resource pool, and temporarily shield the recipient firm from adverse changes in the external environment, this creates positive performance effects through resource accumulation. Thereby, explaining the lack of the occurrence of such inefficiencies within rural locations that do not attain unearned revenues beyond the point of positive performance effects (Jourdan & Kivleniece, 2016).

Critically, this study sheds light on the ramifications of the acceptance of unearned revenues from the recipient's perspective. This topic within the current literature is severely under investigated, as most research considering voluntary funding to the arts is studies from the perspective of the donor. As such, this study adds to the burgeoning canon of literature on the presence of subsidy-based inefficiency within theatrical organisations, as well as allowing for a greater understanding of the organisational orientation shifts that occur due to such high levels of external resource dependency (Camarero et al, 2011; Stokburger-Sauer & Wetzels, 2007). The findings of this study suggest that the level of unearned revenues available to a given organisation contribute to the likelihood of the given organisation shifting their strategic alignment in favour of the demands to their donors (Walter et al., 2013). In addition to this, this study has also identified the occurrence of inflated expenditures as a result of the receipt of unearned revenues, which further reiterates the need for more stringent monitoring of the operations of such firms once they are in receipt of unearned revenues (Jourdan & Kivleniece, 2017; Colins & Hand, 1998; Whelan, 1990; Zieba, 2008).

Therefore, when considering the outputs of this study compositely, the results provided clearly identify the presence of subsidy-based inefficiency within the English non-profit theatrical market. This allows for a greater understanding of the rationale and reasoning behind the industry's behaviour and ever growing unbalanced dependency on unearned revenues. It can now be confirmed that this ever increasing need for external funding is in fact exacerbated by the inefficiencies caused by the acceptance of such non-market funding, resulting this cyclical need for unearned revenues simply being further perpetuated by these funds in themselves (Schwartz, 1982; Schwarz 1983). As such, these findings allow us to move away from traditionally held beliefs which suggested that live arts organisations are perpetually existing within a state of inefficiency and inadequate funding, for which voluntary funding was a solution, rather than being part of the problem which fuels this cycle of inefficiency.

Despite the clear and verifiable results derived from this study, this research has encountered significant limitation primarily surrounding data availability constraints, as all the data used within this study was manually collected and compiled due to a lack of any form of centralised database within the cultural sector. This severe lack of data and unified frameworks within the performing arts sector precluded the possibility of accessing data pertaining to the detailed breakdown of organisational revenues and expenditures, namely an understanding of the fundraising expenditure of the organisations included within this study. As such information would have allowed for an added layer of insight into this study and the verification of the theoretical notion that organisations increase fundraising expenditure when in receipt of unearned revenues to ensure the continuation of such funding. None the less, it is to be noted that the data availability constraints faced by this study is in fact a chronic problem within the majority of the arts sector, preventing poignant and vital research from being conducted (Nesta, 2013; Nesta, 2016). Thereby in light of the limitations faced within this study as well as the findings derived, it could be suggested that there is scope for further research. As the occurrence of subsidy-based inefficiency has now been identified within the English non-profit theatrical sector, it is now necessary to potentially explore other factors which may moderate the relationship between unearned revenues and organisational efficiency. For example, future studies could assess the differing effects of various forms of external funding on the propensity for an organisation to exhibit signs of subsidy-based inefficiency, as the source of the unearned funds received may impact the occurrence of such a phenomenon due to the varying demands of different donors. Another stream of potential inquiry might relate to a closer investigation into the precise rationale for such inefficiencies, for example assessing the amount theatres spend on fundraising which results in such high total expenditure levels, or alternatively an assessment of ticket sales, in order to further shed light on the reduction in earned revenues found within this study.

8.6. Conclusion

While the philanthropic and governmental funding of the arts has been a long-standing tradition within numerous cultural sectors, the effects of such non-market revenues have until recently remained under-studied. This study was among the first to explore the effects of unearned revenues on the organisational and financial performance of the recipient organisation. Findings reveal that the higher the cumulative level of unearned external funding an organisation receives, the greater the negative impact on their performance, specifically resulting in lower earned revenues and higher expenditure levels due to the undesirable ramifications of such non-market unearned revenues. These findings have a significant impact for future academic literature as well as industry practitioners alike. When considering academic implications, this research adds a new dimension to the existing literature surrounding arts philanthropy, as it adopts the perspective of recipient organisations rather than the donor as it traditionally undertaken. Further to this, such insights build upon existing literature within the fields of Resource Dependency Theory, and cultural management, as the implications of this study have suggested a much greater scope for gaining a further understanding of the organisational level impact of external resource dependencies. Finally, the identification of the occurrence of such subsidy-based inefficiencies has a plethora of practical implications for theatrical organisations, as they can utilise such information in order to gain a further understanding of their organisation's financial sustainability, in a means by which to monitor the cumulative levels of external funding accepted in order to avoid the traps of subsidy-based inefficiency.

Chapter Nine: Composite Conclusions and Research Implications

When considering the findings and implications of the three studies within this thesis as a composite piece of research, it is vital to do so through the lens of the overarching research question posed: 'How does the receipt of unearned revenues impact the performance of non-profit theatrical organisations in its various definitions?'. Each study within this document aims to ascertain the impacts of unearned non-market revenues on the performance of non-profit theatrical organisations in a means by which to attain a better understanding of the ramifications of such funding from the recipient's perspective. Three extremely different effects of unearned revenues were considered within the three papers under review, these being: the crowding-in phenomena, innovation, and inefficiency. Thereby a brief overview of each individual paper will follow, prior to a discussion of the complete implications of such findings.

Paper One focused on the interaction or competition that occurs between two external funder groups, these being private and public donors, in regards to the likelihood of an increase in governmental subsidy to crowd-in or crowd-out private donations within the English non-profit theatrical sector. This matter was considered through the lens of Resource Dependency Theory. Findings provided substantial support for the occurrence of the crowding-in phenomenon, by which an increase in governmental funding at time "t", results in an increase in private donations at time "t+1". Such findings are both topical and imperative in light of the ever increasing popularity and need for cultural organisations to implement revenue diversification strategies. The occurrence of crowding-in suggests that private donors prefer to donate to organisations already in receipt of governmental subsidy, despite the notion of private and public donors having extremely conflicting demands and preferences for the organisations they fund. These favourable interaction terms shed light on the positive dynamic between governmental and private unearned revenues within the context of the English theatrical sector. With governmental subsidy acting as a legitimisation device resulting in the crowding-in of private unearned revenues. Such findings have numerous implications both practically and theoretically in regard to a contribution to the current canon of academic literature. In terms of practical implications, the knowledge that crowding-in is currently occurrent within the non-profit theatrical sector in England proves to be a useful insight for such theatrical organisations, as they can utilise the given findings as a means by which to effectively manage their unearned revenue streams, streamline their diversification plans, and bolster levels of unearned revenues if needed. In terms of theoretical contributions, the findings of this study build upon existing literature within the fields of Organisational Legitimacy, the Crowding-out phenomenon, and Resource Dependency Theory. The implications of the findings gained allow for a greater understanding of the dynamics between different external resource providers and the impact of such relationships on the recipient organisation.

Paper Two aimed to investigate the impact of meso level factors on the innovativeness of non-profit theatres, in regards to the effect of unearned revenues and the sources of such funding on a given organisation's propensity to innovate. Innovation here is defined as the conventionally of the given theatre's repertory offerings. Findings suggested that these organisations opted to increase their levels of innovation in response to an increase in unearned revenues irrespective of the source, implying effective that prioritisation mechanisms are in place within theatres as a means by which to manage the competing and at time conflicting demands of their numerous external funders. This research suggests that the preferences of governmental funding bodies, which in this case refers to Arts Council England, are being adhered to rather than the demands posed by private funders due to the consist increase in innovation seen. Such a finding could be due to numerous internal factors, such as the nature of governmental funding as it is traditionally categorised as the safest stream of unearned revenues available to theatres due to the stability associated with government funding leading to lower levels of revenue volatility compared to private donations, which are known to be more volatile on an annual basis. In addition, government funding usually comprises an annual lump sum from a single provider, suggesting it is perhaps easier and more viable to prioritise their demands in comparison to the demands of numerous private donors, the majority of which offer extremely small donations coupled with numerous varying demands. Overall, these findings reiterate the generally held beliefs that a lower reliance on box office revenues will result in higher levels of innovation. This is because organisations are able to take larger risks due to their lower reliance on earned revenues, thereby implying that external funding regardless of its source can be seen as a catalyst for innovation. Therefore, the findings derived throughout this paper offer both academic and practical implications. Academically, they build on the existing literature surrounding Innovation, Donor Preferences, Stakeholder Theory and Stakeholder Salience, allowing for a greater understanding of the impact of unearned funds and their source on a theatrical organisation's artistic output and by association propensity to innovate. On a practical level, these findings could prove to be useful to private donors and government funding bodies alike, as it would allow for a deeper insight into the demand prioritisation mechanisms implemented within many theatrical organisations. This allowing donors both of a public and private nature to make more informed decisions when selecting organisations to fund. In addition, this information could directly benefit the theatres in question, as it would potentially allow for an understanding of how to effectively balance the conflicting demands of their numerous external funders in a more fair and equitable manner.

Paper Three focused on the negative ramifications of unearned revenues on the organisational efficiency of the recipient firms. This is in regards to a reduction in earned revenues coupled with inflated expenditures, due to the occurrences of subsidy-based inefficiencies as a result of the non-market nature of unearned revenues. The results of this paper suggest that the English non-profit theatrical sector at large is currently experiencing the negative effects of subsidy-based inefficiency, as an increase in the composite unearned revenues available to a given organisation at time "t", results in a decline in earned revenues coupled with an increase in total expenditure at time "t+1". This has numerous implications within the theatrical sector as well as a within a more academic context. It confirms the notion that the receipt of unearned revenues acts as a catalyst which spurns on additional inefficiencies within the receipt firm, resulting in the need for ever more unearned revenues on a yearly basis. Theatrical organisations could benefit from this knowledge as they could use such information as a means by which to mitigate against the unfavourable consequences of unearned revenues. This may be through the limitation of the level of such non-market funds accepted or the consideration of alternative methods which could assist in guarding against the occurrence of such inefficiencies. For funders and policy makers, the confirmation of such inefficiency creates the need for more stringent and rigorous monitoring process subsequently to the provision of unearned revenues. It has been suggested that the ability of theatrical organisations to adapt to budget maximizing principals or other such wasteful practices is sheerly as a result of a lack of due diligence and monitoring on the part of the donor. When considering these findings within an academic context it is worth noting that this study is among the first of its kind to explore the effects of unearned revenues on the organisational and financial performance of the recipient firm in terms of inefficiency. Therefore, this work adds a new dimension to the existing literature surrounding Arts Philanthropy, as it adopts the perspective of the recipient rather than the donor as it traditionally undertaken. Further to this, such insights build upon existing literature within the fields of Resource Dependency Theory, and Cultural Management.

Based on the individual findings of each of these studies it can be suggested that this thesis has significant implications for both theory and sectoral literature within an academic context, coupled with industry insights for theatres, private philanthropists, governmental arm's length funding bodies, as well as relevant policy makers.

Beginning with the theoretical implications of this thesis, it can be suggested that the findings posed build significantly upon the current canon literature surrounding Resource Dependency Theory and Stakeholder Salience. It has been possible to gain further insights into the mechanism and nature of the RDT power dyad in the instance of a single firm partaking in numerous resource depend inter-organisational relationships simultaneously. This is in terms of the competition and interactivity occurring been these varied external parties, the means by which a firm manages or prioritises these conflicting demands, as well as providing an understanding of the overall impact of external resource dependency on the innovativeness and efficiency of the recipient organisation. In regard to phenomena based or sector specific literature, the composite findings gained add to the generalised canon of literature surrounding the cultural industries through the use of extensive case studies of numerous non-profit theatrical organisations within England. However, when considering the contribution of this work on a more granular level, it has provided insights within the fields of Innovation, Organisational Efficiency, and the Crowding-out Phenomena, in context of the theatrical sector. It must noted, that despite this thesis' focus on non-profit theoretical firms as the subject of investigation, the findings and insights derived could be generalised to other sectors or cases allowing for the utilisation of such insights within the phenomenon based literature more widely.

Finally, when considering the practical implications, the findings gained would be primarily beneficial to non-profit theatres, as the insights generated throughout this thesis will allow for a greater understanding of the impacts of unearned revenues on artistic innovation, organisational efficiency, as well as the legitimating properties of governmental subsidy in regards to the occurrence of the crowding-in phenomenon. Thereby the knowledge derived within this thesis can aid theatrical organisations in effectively managing their unearned revenue streams, especially when considering recent trends within the sector in favour of revenue diversification practises. Further to this, benefit funders and policy makers could also benefit from insights gained in regards to ensuring the selection of appropriate organisations to provide funding to, in addition to ensuring the enactment of enhanced monitoring subsequently to the provision of such funding, to ensure that the unearned revenues provided are used in a beneficial manner within the recipient firm.

Thereby, the three studies conducted, and their associated results allow for an understanding of varied impacts and repercussions of the receipt of unearned revenues of a non-profit theatres. Specifically identifying they key effects of unearned revenges within the recipient firm in regard to efficiency, internal innovation, and to attain further financial stability. This aids in filling numerous key gaps within the current canon of literature, in addition to assisting theatrical organisations in the betterment of their future financial planning.

Despite the definitive results that have been derived throughout all three studies housed within this monograph, it cannot be denied that such research is without its fair share of limitation, and by association scope for significant future research. The limitations that have occurred within this thesis although not of a major nature span a few varied forms, namely methodological, theoretical, and contextual. In regards to the methodological limitations, such factors have been discussed through the course of this thesis, however in summary the primary limitation that occurred in regards to the methodological processes involved within this thesis are primarily centred around data collection processes. Although all information being used was of a quantitative and secondary nature, this did not prevent numerous pieces of data proving to be unobtainable, resulting in some of the experiments conducted within this thesis to be curtailed prematurely due to an inability to collect vital data, thereby preventing a deeper analysis of the theme's studies throughout this thesis. None the less, this limitation in itself proves to be a key opportunity for future research, as a means by with to study the impacts of unearned revenues on the recipient organisation in further depth, it could be suggested that in order to guard against the data collection problems faced within this thesis similarly to much of the existing literature discussing the cultural sector, it might be advisable for future research to undertake a primary qualitive approach by which data is collected through first hand interviews of employees within relevant theatrical organisations. As such qualitative data might allow for a deeper understanding of the "how" and "why" factors of some of the topics delt with within this thesis. For example, interviewing theatrical staff might allow for a better understanding of precisely "how" and "why" theatrical organisations prioritise their funders in a particular manner, which would shed further light on factors such as repertory conventionality or the crowding-in phenomenon. More specifically such first hand data could shed light on the precise protocols in place within such organisations to simultaneously manage the demands of their numerous external funders on a concurrent basis, which was not possible through secondary quantitative data.

Further limitations within this thesis were of a theoretical nature, as many of the phenomenon that have been studies within this thesis have not been extensive studies within the current literature, therefore resulting in extremely limited information being know about these phenomena prior to the completion of this study. Thereby it can be seen as more than likely that there are other relevant or impactful exogenous and endogenous factors which have a marked impact on the phenomenon under review, which are yet to be discovered or defined thereby necessitating the need for future research. This limitation being especially pertinent in regards to the notion of "subsidy-based" inefficiency as this topic was the least researched of all topics under review within this thesis, as such very little is currently known about potential factors which may mitigate against or strengthen this occurrence of subsidy based inefficiencies within the focal firm once in receipt of a certain level of unearned revenues. Thereby it would be extremely advisable for further research to be undertaken on such a matter, as a means by which to ascertain whether there are any further mitigating factors of a micro or macro level which may impact the propensity or likelihood of an organisation or incur subsidy-based inefficiencies.

Finally, although of a minor nature, this thesis does contain a study period limitation, which is primarily due to the tumultuous impacts of the Covid-19 pandemic and associated lookdown protocols on the theatrical sector which were not taken into account within this thesis due to the 2008 to 2018 study period. With such prolonged and drastic closures of the entire sector being expected to have a marked impact on the success of theatrical organisations for numerous years to come, necessitating the need to alter the current model of operations in a bid to further adapt to the new post-covid economy. As such subsequently to these shifts within the market, it may be necessary to reassess and retest many of the findings of this thesis in order to ascertain how they have altered and adapted in light of the drastic changes to the theatrical sector which are being enacted at present. With such future research allowing for insights into how and if the pandemic altered the impact of unearned revenues within such organisation, or alternatively whether the patterns seen within this thesis hold true despite market shifts.

In conclusion, it can be suggested that the findings generated within this thesis aid in filling three specific gaps within the current canon of literature surrounding RTD, cultural management and the theatrical sector. None the less due to the lack of research within such a context there is a great deal of scope for further research in order to allow for a deeper understanding of the operations and implications of such organisations from a variety of perspectives.

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Appendix I – List of Organisations included within Papers One and Three

TABLE THIRTY-FOUR

Composite List of Organisations Included within Papers One and Three

ID	Organisation Name	Region
1	Action Transport Theatre Company	Northwest
2	Actors Touring Company	London
3	Albatross Arts Project (Geese Theatre Company)	West Midlands
4	Almeida Theatre Company	London
5	Alnwick Playhouse Trust	Northeast
6	Alternative Theatre Company	London
7	Arcola Theatre Production Company	London
8	Bath Arts Workshop Ltd (Natural Theatre Company)	Southwest
9	Battersea Arts Centre	London
10	Belgrade Theatre Trust (Coventry) Ltd	West Midlands
11	Birmingham Repertory Theatre	West Midlands
12	Bolton Octagon Theatre	Northwest
13	Bristol Old Vic and Theatre Royal Trust	Southwest
14	Buxton Opera House (High Peak Theatre Trust)	East Midlands
15	Cardboard Citizens	London
16	Cheek By Jowl Theatre Company	London
17	Chichester Festival Theatre	Southeast
18	Clean Break Theatre Company	London
19	Clod Ensemble	London
20	Colchester Mercury Theatre Limited	East of England
21	Company of Angels (Boundless Theatre)	London
22	Cumbria Theatre Trust (Theatre by the Lake)	Northwest
23	Deafinitely Theatre	London
24	Donmar Warehouse Projects Ltd	London
25	dreamthinkspeak	Southeast
26	Eastern Angles Theatre Company	East of England
27	Emergency Exit Arts	London
28	English Stage Company Ltd (Royal Court Theatre)	London
29	English Touring Theatre	London
30	Extant	London
31	Fevered Sleep	London
32	Forced Entertainment Ltd	Yorkshire and The Humber
33	Forest Forge Theatre Company	Southeast
34	Forkbeard Fantasy	Southwest
35	Foursight Theatre Company	West Midlands
36	Frantic Theatre Company Ltd	London
37	Gate Theatre	London
38	Georgian Theatre Royal	Yorkshire and The Humber
39	Gloucestershire Everyman Theatre Company Ltd	Southwest
40	Hackney Empire Ltd	London
41	Hampstead Theatre	London
42	Harrogate Theatre (White Rose)	Yorkshire and The Humber

43	Havering Theatre Trust (Queen's Theatre)	London
44	Headlong Theatre Ltd	London
45	High Peak Theatre Trust Ltd	East Midlands
46	HighTide Festival Theatre	East of England
47	Hoipolloi Theatre Company	East of England
48	Hull Truck Theatre	Yorkshire and The Humber
49	Kali Theatre Company	London
50	Kneehigh Theatre Trust Ltd	Southwest
51	Lawrence Batley Theatre (Kirklees Theatre Trust)	Yorkshire and The Humber
52	Leeds Theatre Trust Ltd (Leeds Playhouse)	Yorkshire and The Humber
53	Live Theatre (Northeast Theatre Trust Limited)	Northeast
54	Lyric Theatre Hammersmith	London
55	New International Encounter	East of England
56	New Perspectives Theatre Co.	East Midlands
57	New Theatre Royal Portsmouth	Southeast
58	New Vic Theatre	West Midlands
59	New Wolsey Theatre	East of England
60	Newcastle Theatre Royal Trust Ltd	Northeast
61	Northampton Theatres Trust	East Midlands
62	Northern Broadsides	Yorkshire and The Humber
63	Northern Stage Company	Northeast
64	Nottingham Playhouse Trust Ltd	East Midlands
65	Ntc Touring Theatre Company Ltd	Northeast
66	Oldham Coliseum Theatre	Northwest
67	Orange Tree Theatre	London
68	Out of Joint	London
69	Oxford Playhouse	Southeast
70	Oxfordshire Theatre Company	Southeast
71	Paines Plough	London
72	Palace Theatre Watford Ltd	East of England
73	Pegasus Theatre	Southeast
74	Pentabus Theatre	West Midlands
75	Pilot Theatre Company	Yorkshire and The Humber
76	Pioneer Theatres Ltd (Theatre Royal Stratford East)	London
77	Propeller Theatre Company	Southeast
78	Proper Job Theatre Company	Yorkshire and The Humber
79	Punchdrunk	London
80	Quarantine	Northwest
81	Reckless Sleepers	East Midlands
82	Red Ladder Theatre Company	Yorkshire and The Humber
83	Ridiculusmus Theatre Company	London
84	Rifco Arts	East of England
85	Royal Exchange Theatre	Northwest
86	Royal National Theatre	London
87	Royal Shakespeare Company	West Midlands
88	Salisbury Arts Theatre Ltd (Wiltshire Creative)	Southwest
89	Shared Experience Theatre	Southeast

90	Sheffield Theatres (Crucible Theatre)	Yorkshire and The Humber
91	Soho Theatre Company	London
92	Spare Tyre Theatre Company	London
93	Stagetext	London
94	Talawa Theatre Company	London
95	Tamasha Theatre Company Ltd	London
96	Tara Arts Group Ltd	London
97	The Dukes Playhouse Limited	Northwest
98	The Red Room	London
99	The Robert Pacitti Company Limited	London
100	The Southampton Nuffield Theatre Trust	Southwest
101	The Watermill Theatre Ltd	Southeast
102	Theatre Absolute	West Midlands
103	Theatre Alibi	Southwest
104	Theatre Bristol Ltd	Southwest
105	Theatre Company Blah Blah Blah	Yorkshire and The Humber
106	Theatre de Complicite Education Ltd	London
107	Theatre Is	East of England
108	Theatre Resource (Zinc Arts)	East of England
109	Theatre Royal Bury St Edmunds	East of England
110	Theatre Royal Plymouth	Southwest
111	Theatre Royal Winchester	Southeast
112	Theatre Sans Frontieres	Northeast
113	Theatre Writing Partnership	East Midlands
114	Tiata Fahodzi Ltd	London
115	Tobacco Factory Arts Trust	Southwest
116	Told by an Idiot Ltd	London
117	Travaux Sauvages Limited (Wildworks)	Southwest
118	Tricycle Theatre Company (Kiln Theatre)	London
119	Unity Theatre Company	Northwest
120	Vayu Naidu Company Ltd	London
121	Wakefield Theatre Trust (Theatre Royal Wakefield)	Yorkshire and The Humber
122	Yellow Earth Theatre	London
123	York Theatre Royal (York Citizen's Theatre Trust)	Yorkshire and The Humber
124	Young Vic Company	London
125	Yvonne Arnaud Theatre	Southeast

Table 34: Composite List of Organisations Included within Papers One and Three

Appendix II – List of Organisations Included within Paper Two

TABLE THIRTY-FIVE

Composite List of Organisations Included within Paper Two

ID	Organisation Name	Region
1	Action Transport Theatre Company	Northwest
2	Actors Touring Company	London
3	Almeida Theatre Company	London
4	Alternative Theatre Company	London
5	Arcola Theatre Production Company	London
6	Belgrade Theatre Trust (Coventry) Ltd	West Midlands
7	Birmingham Repertory Theatre	West Midlands
8	Bolton Octagon Theatre	Northwest
9	Bristol Old Vic and Theatre Royal Trust	Southwest
10	Cheek By Jowl Theatre Company	London
11	Chichester Festival Theatre	Southeast
12	Clean Break Theatre Company	London
13	Clod Ensemble	London
14	Colchester Mercury Theatre Limited	East of England
15	Company of Angels (Boundless Theatre)	London
16	Cumbria Theatre Trust (Theatre by the Lake)	Northwest
17	Donmar Warehouse Projects Ltd	London
18	Eastern Angles Theatre Company	East of England
19	English Stage Company Ltd (Royal Court Theatre)	London
20	English Touring Theatre	London
21	Fevered Sleep	London
22	Forced Entertainment Ltd	Yorkshire and The Humber
23	Forest Forge Theatre Company	Southeast
24	Foursight Theatre Company	West Midlands
25	Frantic Theatre Company Ltd	London
26	Gate Theatre	London
27	Hackney Empire Ltd	London
28	Hampstead Theatre	London
29	Havering Theatre Trust (Queen's Theatre)	London
30	Headlong Theatre Ltd	London
31	HighTide Festival Theatre	East of England
32	Hoipolloi Theatre Company	East of England
33	Kali Theatre Company	London
34	Kneehigh Theatre Trust Ltd	Southwest
35	Leeds Theatre Trust Ltd (Leeds Playhouse)	Yorkshire and The Humber
36	Live Theatre (Northeast Theatre Trust Limited)	Northeast
37	Lyric Theatre Hammersmith	London
38	New International Encounter	East of England
39	New Perspectives Theatre Co.	East Midlands
40	New Wolsey Theatre	East of England
41	Northampton Theatres Trust	East Midlands
42	Northern Broadsides	Yorkshire and The Humber

43	Northern Stage Company	Northeast
44	Nottingham Playhouse Trust Ltd	East Midlands
45	Ntc Touring Theatre Company Ltd	Northeast
46	Oldham Coliseum Theatre	Northwest
47	Orange Tree Theatre	London
48	Out of Joint	London
49	Oxford Playhouse	Southeast
50	Oxfordshire Theatre Company	Southeast
51	Paines Plough	London
52	Palace Theatre Watford Ltd	East of England
53	Pentabus Theatre	West Midlands
54	Pilot Theatre Company	Yorkshire and The Humber
55	Pioneer Theatres Ltd (Theatre Royal Stratford East)	London
56	Propeller Theatre Company	Southeast
57	Proper Job Theatre Company	Yorkshire and The Humber
58	Quarantine	Northwest
59	Red Ladder Theatre Company	Yorkshire and The Humber
60	Ridiculusmus Theatre Company	London
61	Rifco Arts	East of England
62	Royal Exchange Theatre	Northwest
63	Royal National Theatre	London
64	Royal Shakespeare Company	West Midlands
65	Salisbury Arts Theatre Ltd (Wiltshire Creative)	Southwest
66	Shared Experience Theatre	Southeast
67	Talawa Theatre Company	London
68	Tamasha Theatre Company Ltd	London
69	The Southampton Nuffield Theatre Trust	Southwest
70	The Watermill Theatre Ltd	Southeast
71	Theatre de Complicite Education Ltd	London
72	Theatre Royal Bury St Edmunds	East of England
73	Theatre Royal Plymouth	Southwest
74	Theatre Sans Frontieres	Northeast
75	Theatre Writing Partnership	East Midlands
76	Tiata Fahodzi Ltd	London
77	Told by an Idiot Ltd	London
78	Travaux Sauvages Limited (Wildworks)	Southwest
79	Tricycle Theatre Company (Kiln Theatre)	London
80	Vayu Naidu Company Ltd	London
81	Wakefield Theatre Trust (Theatre Royal Wakefield)	Yorkshire and The Humber
82	Yellow Earth Theatre	London
83	York Theatre Royal (York Citizen's Theatre Trust)	Yorkshire and The Humber
84	Young Vic Company	London
85	Yvonne Arnaud Theatre	Southeast

Table 35: Composite List of Organisations Included within Paper Two