Factors affecting strategic management attitudes and practices in creative industries organisations

Marge Sassi
Estonian Business School, Estonia
marge.sassi@ebs.ee

Ülle Pihlak
Estonian Business School, Estonia
ylle.pihlak@ebs.ee

Toomas Haldma
University of Tartu, Estonia
toomas.haldma@ut.ee

ABSTRACT

Organisational performance measurement is essential for the competitiveness of organisations – however, measuring performance is not widely used among Estonian cultural and creative industries organisations (CCIOs). This study aims to indicate the factors that influence strategic management attitudes and activities within CCIOs. Factor analysis is used to detect those factors affecting the internal and external environment of CCIOs. Cluster analysis leads to establishing differences between five identified clusters of Estonian CCIOs. As a result of the study, the following potential critical success factors for the competitiveness of organisations in cultural and creative industries were mapped: the lack of financial resources, a highly competitive environment and orientation to international co-operation. The study distinguishes those features contributing to organisational performance measurement and specifies “evaluation-friendly” and “evaluation-hesitant” CCIO characteristics. Some implications for managers of CCIOs and a future research agenda are also offered.

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Strategic management
Performance measurement
Factor analysis
Cluster analysis
Introduction

The cultural and creative industries organisations (CCIOs) are the fastest growing sector of the world economy (UN Industrial Development Organisation, 2013). Since the sector has an important role in the creation of employment and added value in the economy (ASEF, 2014), it is in the interest of the state and the CCIOs themselves to work as efficiently as possible. However, there are claims that the industry does not work as effectively as it could. This brings us to the central question of the current paper: which factors affect strategic management attitudes and practices in cultural and creative industries organisations?

In the Baltic States, it is evident that there are three types of “logic” for developing a coordinated approach to the creative industries: commercial logic, professional logic and cultural logic (Lassur, Tafel-Viia & Viia, 2010). In the context of the current research, commercial and professional logic play a key role, as these aim to improve leadership skills in the sector and build a larger skills base (Lassur, Tafel-Viia & Viia, 2010). However, there are only a few studies related to creative industries management in Estonia. Therefore, the managerial issues in Estonian CCIOs are still more or less an undiscovered territory. The current article targets the managers of CCIOs of all organisational types and has its focus on both creative enterprises and public arts organisations. The purpose of the current paper is to define the factors influencing the performance measurement mindset and implementation in CCIOs. This leads to the following research questions, which we will aim to address:

- What are the main external and internal challenges according to CCIO managers in Estonia?
- What factors make some CCIOs think and act strategically and some not?
- What features characterize a CCIO with a strategic mindset and orientation toward organisational performance measurement?

So far, the issue of what motivates a CCIO toward a strategic mindset has not been researched in Estonia. This study will specify how “performance evaluation”-friendly or hesitant CCIOs are. This kind of characteristic could have practical implications for CCIO managers by helping them raise the effectiveness of their organisations. To identify whether organisations actively evaluating performance are more successful than those who do not could be seen as input for future research (outside the scope of the current article).

The paper is organized as follows. The next section will present a brief overview of the key concepts in the field of CCIOs with a focus on factors, challenges, strategic management and performance evaluation. Section three outlines the research sample and methodology. The fourth section presents our results and main findings. Finally, section five presents some concluding remarks on the factors that influence managers of Estonian CCIOs in regard to specific management practices, including strategic management and performance evaluation.

Theoretical framework

In this section, we outline four main conceptual approaches to measuring organisational performance in CCIOs.

Key concepts in CCIO strategic management

There are tens of definitions about the cultural and creative industries, and as an industry it has become one of our most vibrant and engaging in the early 21st century (Editorial, 2013). Most existing definitions focus on “the creative” content or some kind of “mysterious” phenomenon related to the cultural and creative field, or the “specifics of the objects” of the cultural and creative industries. One of the most dynamic definitions comes from Keane, who called the “creative economy a mysterious animal” and paid attention to the fact that it seems to have many heads and appendages (Keane, 2013). Therefore, a double-edged sword might be needed to target this kind of animal. Consequently, the current article addresses the concept of the “measurement of organisational performance” in CCIOs from strategic management and strategic planning perspectives. We will now define the following key concepts of the article: challenge, factor, performance, organisational performance measurement and strategic planning.

As the current study is framed by challenges, it is important to define those challenges. Phillip J. de Prez sees a challenge as an important motivational factor based on an organisational setting. He has also stressed that a challenge comprises numerous components, which together are grouped into four distinct elements based on the individual’s perception of the challenge as temporal, emotive, achievable and motivational (de Prez, 2016). The definition of the latter is the most appropriate in the current setting, with “motivational challenges” being more than “ordinary” or day-to-day tasks, they are obstacles to overcome with a reward that is meaningful (de Prez, 2016).

To general knowledge, the organisations are not environmentally independent. For the development of the evaluation of knowledge management and innovation management factors and determining organisational performance, the internal aspects and external factors of the management have to be taken into consideration (Dickel & de Moura, 2016). However, it is important to keep in mind that the distinction between
environment and the organisation itself is relative to the goals and actions of organisational decision-makers (Child, 1972). External factors are the key factors in accounting for different decision frameworks and resulting strategies in the same objective environment (Anderson & Paine, 1975). The current article analyses the influence of a selection of internal or external factors (referred to as independent variables) in organisational performance evaluation.

The common understanding is that the final outcome for a CCIO is known as a performance – concert, film or artwork. However, organisational performance is difficult to define due to the multidimensionality of the performance concept (Verweire & Van den Berghe, 2004). Lönnqvist (2004) has distinguished three aspects of performance: first, performance can refer to the results or outputs of the actual activities; secondly, performance may refer to the quality of the activities carried out; third, performance may also refer to the ability or potential to achieve results. Hence, performance may be seen as actual or potential results or activities. Rumelt (2011) has claimed that “performance is the joint outcome of capability and clever design”. This argument plays a central role in the context of the current article. It is possible to conclude that CCIOs need both a good plan (strategy) and know-how (strategic management skills) in order to run their organisations well.

Organisational performance can be measured in relation to goals, resources, stakeholders, multiple criteria or as a system evaluation. The idea of equifiability suggests that similar results may be achieved with different initial conditions and in many different ways (Roberts, 1994). In the context of the current article, this means that the cultural and creative organisations might just follow their intuition, plan their goals and learn from mistakes. This kind of organisational learning is essential not just for development but also to stay competitive. Therefore, it is important for organisations to learn how to use small changes with regard to large consequences (Morgan, 1997). The main reason why organisations in the cultural and creative industries need to measure their organisational performance is because it helps both the funder and the organisation itself to ensure the maximum efficiency of their operations (Birnkraut & Heller, 2005).

In the current context, measuring organisational performance is seen as one of the most important elements of strategic management, since it makes it possible to identify the gap between the current situation of an organisation and “the level of excellence to be considered” (Colapinto & Porlezza, 2012). The main factors influencing CCIO management

According to neo-institutionalism, institutions consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct) and formal rules (constitutions, laws, property rights) (North, 1991). All of them affect both the attitudes and the activities within organisations. Ménard (2014) described “organisational arrangements” as rules that may develop internal rules, codes, and conventions that define the content of their governance (e.g. the internal structure of the firm). Those arrangements might influence the strategic management of cultural and creative industries both internally and externally, and therefore special attention was paid to the habits, plans and written documents guiding the daily routine of CCIOs. As a result of this argument, the current study examines organisational performance measurement among other factors, through attitudes (e.g. organisational values)
towards strategic management and the real performance evaluation activities carried out by organisations (e.g. evaluation routines) and formal rules (mainly seen as the external environment).

Therefore, in order to have a complete picture of the organisational performance evaluation of CCIOs, both the internal and external environment with its challenges and other factors influencing the organisations have to be taken into account. On the one hand, the analysis of the internal environment (Ahmad, 2012; Cocca & Alberti, 2010; Ehtesham, Muhammad & Muhammad, 2011; Epstein & Mcfarlan, 2011; Lin, 2015; Saulais & Ermine, 2012) of CCIOs aims at mapping the strengths and weaknesses of the organisations. On the other hand, the study of the external environment (Gkritzali, Lampel & Wiertz, 2016; Jones et al, 2004; Menguc, Auh & Ozanne, 2010; Morgan et al, 2009; Noyes, Allen & Parise, 2012; Parkman, Holloway & Sebastiao, 2012; Perry & Porter, 1982; Seifert & Hadida, 2006; Turbide & Laurin, 2009; Wu & Wu, 2016) seeks to identify the strategic opportunities and threats (Hill & Jones, 2012). Zorloni (2012) suggests that organisations in the cultural and creative industries should analyse at least the following areas: public value, internal learning and growth, external relationships, and resources and finances. As suggested by Florea (2016), this study uses the following list of internal factors: setting goals, designing strategies, financial force, feedback from different people or organisations work programs during the day, performance assessment, etc.; and external factors such as the degree of competitiveness, external challenges, etc. These factors are not considered to be challenges, as they are constantly present and can be seen as the natural setting for organisations.

The questionnaire for this study was composed using three sources. To map challenges, the study by Tscherning & Boxenbaum (2011) targeting creative enterprises was used. A self-assessment tool introduced by BTW Consultants (2010) in the USA was used to measure strategic planning and management practices. Additionally, Birnkraut’s (2011) suggestions for evaluation practices were drawn upon to map the regular organisational performance practices. The full questionnaire is included as annex 1; in short the questionnaire consisted of the following five sections:

- **Profile of the organisation** (subsector, number of employees, legal form and age of the organisation);
- **Organisational values** (education of employees, orientation to creativity, development orientation, enthusiasm, competition oriented mindset, etc.);
- **External environment** (competitive environment, uniqueness of products, and a wide list of challenges);
- **Internal processes and analytical mindset** (regular analysis of performance, existing system for analysing performance and individual activities, existence of well-established methodologies for performance measurement, planning and an analytical mindset, types of indicators used);
- **Organisational performance measurement** (frequency of collecting customer feedback, frequency of comparing plans with results, tools and/or methods used for collecting and/or analysing the feedback and/or performance).

CCIOs face numerous challenges daily, both internally and externally. When planning the study, the idea that an “organisation’s greatest challenge may not be external threats or opportunities, but instead the effects of entropy and inertia” (Rumelt, 2011) was kept in mind. Therefore, both types of challenges were paid equal attention. The internal aspects were targeted via mapping the strengths and weaknesses and also the plans and attitudes of the organisations. The study by Tscherning & Boxenbaum (2011) identified key challenges that affect the daily existence of organisations in the cultural and creative industries. According to their study, the following internal factors affect the daily performance of cultural and creative industries organisations:

- the educational profile of employees;
- the balance between the creativity and profit-seeking aspirations, daily activities based on the written mission statement, vision, strategy, and innovation;
- the uniqueness of production compared to competitors, and financial management (Tscherning & Boxenbaum, 2011).
The study of external factors focused on identifying the strategic opportunities and threats (Hill & Jones, 2012). Figure 1 illustrates the layers of the study. Therefore, these (sets of) aspects are expected to influence organisational performance evaluation in CCIOs. Additionally, different internal and external challenges might have a certain impact as well. Based on the literature review, these challenges are caused by different factors – managerial, content, funding and external. In the following subchapter these challenges are discussed in more detail.

**Challenges for CCIOs**

When trying to understand how organisations in the cultural and creative industries work, the constantly changing internal and external environment needs to be taken into consideration. Faulkner & Anderson (1987) already described the “cultural industry” in the 1980s as having great unpredictability – which means they have to face different challenges on a daily basis. Even today, the cultural and creative industries form a significant and rapidly growing set of different industries with the continuous emergence of new sub-industries; in other words, a remarkable sector but not one that is cohesive (Potts & Cunningham, 2008).

The way CCIOs function differs from how the other business sectors function and the challenges managers in the sector face also differ. Often CCIOs do not even have a horizon for long-term commercial planning, as a Danish study revealed, they still face major challenges concerning strategy and business development (Tscherning & Boxenbaum, 2011). This may be caused by the fact that managers in CCIOs often have an educational background in the arts and are not formally educated to manage organisations. Jeffcutt & Pratt (2002) also agreed that in practice most managers of CCIOs do “not have either a core task or a core competency in management”. Therefore, the first challenge the industry faces is the competence of its managers. The research by Tscherning & Boxenbaum (2011) showed that there is a great need for the development of support services within the creative industries sector that would concentrate, among others, on the strategy and business development of creative organisations. The same study also stressed that one barrier that CCIOs face daily is a lack of business competencies.

Perhaps the most widespread challenge concerns the managerial process. Berziņš (2012) found that the strategic management process is more complicated in creative than in traditional industries. One of the reasons for this is that when implementing classical management functions – planning, organisation, motivation and control – the managers in creative organisations must consider additional factors and parallel functions (Berziņš, 2012).

Different financial factors form another group of challenges for CCIOs in terms of the lack of both financial resources and financial literacy. The analysis by Tscherning & Boxenbaum (2011) revealed that there was a special need for attention to the areas of finance, marketing and strategic development, where creative companies lack competencies, and according to Noyes, Allen & Parise (2012) financial resources shape the survival and innovation capacity of players in creative industries. A Baltic-Nordic comparative study also revealed a lack of knowledge in all areas of the most important entrepreneurial competencies: for example, working with numbers, accounting and financial planning were especially difficult for creative people (Kütlim, Arvola & Venesaar, 2011). Moreover, planning and decision-making on whether to prefer artistic aims over financial ones (doing what one likes or what earns income) were outlined as well (Kütlim et al., 2011).

Probably the most difficult challenge to overcome is related to the performance (products and services) of CCIOs. Many of the services provided by cultural institutions are of an intangible nature or functionally creative (Towse, 2010). CCIOs are all involved in the production of goods and services with cultural value that is sometimes called “symbolic value” (O’Connor, Cunningham & Jaaniste, 2011).

The challenges discussed above are caused mainly by internal factors. However, perhaps the most important challenge that CCIOs have to overcome on a daily basis is the constantly changing competitive environment. One might ask how this is different from other industries. In addition to the typical competitive business environment, there are more competitive aspects for CCIOs. As stated in the study by Benghozi & Lyubareva (2014), CCIOs have to handle dematerialized transactions, market extensions, new offerings and new customer relations. Another important aspect that differentiates the CCIOs is that they belong to a highly specialized and highly skilled industrial sector “that is based around individual expertise, individuals can be ‘leached out’ of firms, or lost altogether, through employee migration and poaching” (Jeffcutt & Pratt, 2002).

Therefore, we can conclude that the factors influencing strategic management within organisations may be external or internal, but may also be characterized in terms of attitudes and real activities. After analysing the challenges, it is possible to clarify how changes in some factors may radically alter the mix of efficacious strategies (Rumelt, 2011), or more relevant in the context of the current article, to understand the essence of strategic management in Estonian CCIOs. This leads us to the first research question: what are the main external and internal challenges according to CCIO managers in Estonia?
“THE FACTORS INFLUENCING STRATEGIC MANAGEMENT WITHIN ORGANISATIONS MAY BE EXTERNAL OR INTERNAL, BUT MAY ALSO BE CHARACTERIZED IN TERMS OF ATTITUDES AND REAL ACTIVITIES”

**Strategic management attitudes of CCIOs’ managers**

CCIOs are usually considered to be creative by nature, and therefore supposed to be managed differently. Caves (2000) has paid attention to the fact that employees in the creative industries often care mainly about originality and do not perhaps pay so much attention to the practical side of their production. The research by Berziņš (2012) showed that creative organisations use the same strategic management methods as traditional organisations, but with two exceptions. The strategic planning period in cultural and creative industries organisations is shorter and strategic flexibility is correlated with the compliance of management decisions with the external environment of the organisation and the specifics of the creative industry (Berziņš, 2012). Furthermore, other studies have indicated that the focus of management issues in CCIOs is usually “here and now” and not dedicated to the future (Jeffcutt & Pratt, 2002). Tafel-Viia et al (2011) revealed that 62% of creative enterprises were lifestyle oriented, while only 19% were “growth-oriented” and 19% were creative enterprises with “features of growth orientation”. This central finding contradicts the overwhelming business logic that companies are usually growth-oriented (Tafel-Viia et al, 2011).

Therefore, the management of cultural and creative industries is usually considered complex because creativity and innovation are managed in a context of diverse and fast-changing knowledge flows (Jeffcutt & Pratt, 2002). However, there seems to be an understanding that the field could be characterized by controversies (Banks & O’Connor, 2009) and it is necessary to understand the organisational phenomena of CCIOs (Pick et al, 2015) before making any conclusions. Pick et al (2015) claim that the development of a theory for creative industry management requires new thinking. The authors of this article were eager to identify the driving forces behind current thinking and so the study that forms the basis for the current article aims at establishing the factors that influence managers of Estonian CCIOs when selecting specific management practices, including strategic management and performance evaluation. This leads us to the second research question: **what factors make some managers of CCIOs think and act strategically and some not?**

**Measuring success, efficiency and effectiveness in CCIOs**

The central question in strategic management is how organisations can identify whether they are successful or not. There are different approaches concerning the relations between success and strategic management. For instance, Andrushkiv & Fedyshyn (2013) have stated that a “key prerequisite for successful strategic management improvement is organisations ability to quickly and efficiently connect market requirements with the potential of new technologies and integrate the results into their own products and processes development”. While Rumelt (2011) has claimed that the core of strategy work is in “discovering the critical factors in a situation and designing a way of coordinating and focusing actions to deal with those factors”. Turbide & Laurin (2009) have paid attention to a slight contradiction in CCIOs – even though non-government organisations (NGOs) in the field of performing arts have acknowledged artistic excellence as their most important success factor, their performance measurement systems focus more on the financial indicators than on the non-financial ones. Therefore, they identify their success through financial performance indicators.

Pfeffer, Salancik & Leblebici (1976) claim that “organisations survive to the extent that they are effective and their effectiveness derives from the way they can handle demands of different interest groups upon which the organisation depends for resources and support”. Neely, Gregory & Platts (1995) also state that effectiveness is related to customers; according to them, this refers to the extent to which customer requirements are met. Neely et al (1995) point out that efficiency indicates the economical use of the firm’s resources. Gilhespy (1999) finds that efficiency is related to socially desirable aspects of performance while effectiveness is more about the output of achieved objectives. Therefore, in order to find out if the organisation is effective or not, its actions need to be analysed, and special attention is focused here on the external environment – clients. According to the guidelines of the “quality framework” in Scotland, the importance of audience information is stressed for forming overall planning and decision-making in arts organisations (Scottish Arts Council, 2009).

Therefore, there is a clear link between success and performance measurement. However, there is still a certain resistance towards performance evaluation.
in CCIOs. Birnkraut (2011) stresses that conducting an evaluation has very much to do with the psychological ability to recognize errors or weaknesses and the potential for change. Therefore, it is also important to consider changes and optimisation options as something positive. Birnkraut (2011) admits that one reason for the reluctance to evaluate is that cultural institutions defend themselves by saying that artistic quality cannot be measured. But even if the artistic quality is not evaluated, functioning processes, effective use of resources and good internal and external communication are involved in the success of an organisation.

According to common sense, analysis/learning and improvement/development (that might lead to success) go hand in hand. Consequently, in order to develop, one needs to analyse the current situation. However, people and organisations do not often make rational choices. Rational choice-driven approaches emphasize the logic of consequences. This means that actors identify their goals and then choose the most efficient way to achieving those goals (Morgan et al, 2009). In order to do that, the organisations need to plan their goals and later analyse whether these have been achieved. Still, the choices of CCIOs are not always very rational. This leads us to the third research question: what features characterize a CCIO with a strategic mindset and orientation toward organisational performance measurement?

Sample and methodology

Estonian creative industry organisations

Discussions about the creative industries agenda in the Baltic countries began in the 2000s. The first state level steps involved statistical mapping surveys of creative industries in Estonia, Latvia and Lithuania in 2010 (Allikmäe, 2011). The Estonian definition of creative industries addresses “collective creativity”, and the official definition is as follows: “Creative industries are industries that have their origin in individual and collective creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property”. In 2013, the Estonian Institute of Economic Research (Eesti Konjunktuuriinstituut, 2013) mapped the Estonian creative industry organisations and concluded that based on their objectives they can be described as follows:

- creative businesses with clear business goals (revenue, profits, employment);
- creative businesses and institutions that organize cultural events mainly using the state or local government funding;
- creative businesses and institutions that enhance culture in the region and/or public awareness and bring indirect foreign investment and promote international business;
- creative people who do not have a commercial objective, and who enjoy the creative process, and do not care about the market and consumers (Eesti Konjunktuuriinstituut, 2013).

According to the Overall Global Creativity Index (Florida, Mellander & King, 2015), Estonia is ranked 33rd in the world, while other Nordic Countries (Finland, Sweden, Norway) are ranked 5th, 7th and 11th, respectively, and neighbouring Latvia 40th, and Lithuania 51st. Estonia seems to be doing slightly better in terms of creativity than the other Baltic States, while the high level of creative know-how in the Nordic countries seems to be out of reach. The reasons for that are not clear yet.

Sample description

The aim of the study was to determine the factors that influence strategic management practices in Estonian organisations in the cultural and creative industries, and as a result, analyse different organisational clusters based on the latent tendencies. Proceeding from the purpose of the study, our research was designed as a systematic sampling survey to provide inferences for the whole population of cultural and creative industries in Estonia on the basis of a carefully selected subset. According to the latest available data, the number of CCIOs in Estonia in 2011 was 7,066 organisations (Eesti Konjunktuuriinstituut, 2013). The final sample used for the current analysis included 460 managers of different CCIOs, representing all 13 cultural and creative industries subsectors.

The representativeness for each cultural and creative industries subsector was guaranteed by the fact that all five most common organisational forms were well represented – private enterprises (45%), NGOs (17%), public sector institutions (16%), municipal bodies (17%) and foundations (5%) as presented in table 1. The table also illustrates the number and percentage of the subsectors and organisational form of participating organisations. All responses in the survey were weighted in order to achieve the same proportion of organisations in different subsectors as in the study of 2013 (Eesti Konjunktuuriinstituut, 2013), which currently provides the latest available statistical data on CCIO indicators in Estonia.

1 For more information, see http://www.kul.ee/en/activities/creative-industrie
<table>
<thead>
<tr>
<th>Subsector of CCI</th>
<th>Number of respondents</th>
<th>Valid % within the sample</th>
<th>SHARE OF OWNERSHIP FORMS WITHIN THE SUBSECTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>PUBLIC</td>
</tr>
<tr>
<td>Architecture</td>
<td>58</td>
<td>12.60</td>
<td>0.00</td>
</tr>
<tr>
<td>Design</td>
<td>34</td>
<td>7.40</td>
<td>0.00</td>
</tr>
<tr>
<td>Performing arts</td>
<td>26</td>
<td>5.70</td>
<td>0.00</td>
</tr>
<tr>
<td>Film and video</td>
<td>25</td>
<td>5.40</td>
<td>0.00</td>
</tr>
<tr>
<td>Publishing</td>
<td>29</td>
<td>6.30</td>
<td>10.30</td>
</tr>
<tr>
<td>Art</td>
<td>10</td>
<td>2.20</td>
<td>10.00</td>
</tr>
<tr>
<td>Entertainment software</td>
<td>4</td>
<td>0.90</td>
<td>0.00</td>
</tr>
<tr>
<td>Museums</td>
<td>19</td>
<td>4.10</td>
<td>57.90</td>
</tr>
<tr>
<td>Music</td>
<td>69</td>
<td>15.00</td>
<td>14.00</td>
</tr>
<tr>
<td>Libraries</td>
<td>129</td>
<td>28.00</td>
<td>44.20</td>
</tr>
<tr>
<td>Advertising</td>
<td>38</td>
<td>8.30</td>
<td>0.00</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>3</td>
<td>0.70</td>
<td>66.70</td>
</tr>
<tr>
<td>Handicraft</td>
<td>16</td>
<td>3.50</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>460</td>
<td><strong>100.00</strong></td>
<td><strong>16.00</strong></td>
</tr>
</tbody>
</table>

**TABLE 1. SUBSECTOR AND ORGANISATIONAL FORM OF THE RESPONDENTS**
Source: Authors’ own elaboration.

The data was collected using the Google Forms online platform. In total, 2,001 organisations were targeted and the final sample of 460 respondents was achieved – which makes the response rate approximately 23%. The survey environment was accessible for the participants during 2.5 months (from mid-January until the end of March 2016).
**Data analysis**

**Analytical framework**

Data analysis was conducted using SPSS (Statistical Package for the Social Sciences). The questionnaire including 35 questions targeted organisational performance measurement issues, strategic management and the external environment of organisations in the cultural and creative industries.

First, simple descriptive analyses were used in order to understand the scene and identify whether there was any correlation between the variables. It was considered useful to base the analysis on sets of variables and not operate with single items. In order to move from data to information, complexity was reduced at the variable level using factor analyses and at the case level using cluster analyses. Factor analyses were chosen in order to highlight the connections among the long list of variables based on the latent variables. In the subsequent analysis, cluster analyses were used in order to identify homogenous groups among the CCIOs.

**Factor analysis**

Factor analysis is only significant if the variables involved are sufficiently correlated to one another. Therefore, the pre-analysis started with a Pearson correlation in order to identify whether the correlations were sufficiently strong to apply factor analyses. The Pearson correlation was applied to all the statements of the questionnaire. Factor analyses were considered to be reasonable, since the Pearson correlation coefficient was greater than 0.30 for 26 out of 34 variables. The strongest correlation coefficient occurred for evaluation-related statements. The KMO and Bartlett’s Test indicated that 82.9% of the content could be described using factors; therefore, it was concluded that the data was suitable for factor analyses.

The results of several types of factor analysis were compared to identify the best possible solution for summary variables. Finally, the factor analysis using the Principal Component Analysis method was selected. The analysis produced three initial factors with eigenvalues over 1. As the principal components extraction using Varimax rotation produced a set of factors that were the easiest to interpret, and were also superior according to the statistical parameters, it was decided to persevere with this type of factor analysis. The statistical parameters considered were the commonalities of the initial variables, the cumulative proportion of variance described by the factor model, the evenness of the distribution of initial variables between factors, and the proportions of variance described by each factor. To see whether merging some factors would increase the reliability, Cronbach’s alpha as the most suitable reliability test for a Likert scale was calculated for every set of variables forming the basis for the 3 factors.

**Cluster analysis**

Cluster analysis is a method "for displaying the similarities and dissimilarities between pairs of objects in a set" (Romesburg, 2004). In order to better understand the latent tendencies illustrated by factors, a cluster analysis on the basis of the same factors (F1, F2 and F3) was conducted. The goal of the cluster analysis was to divide the weighted cases into groups so that a high degree of similarity exists between cases in the same group, and a low degree of similarity between cases belonging to different groups. Before starting with the cluster analyses, the correlations of the (remaining) variables were measured again. The correlations were especially high among the evaluation subsection variables, but nonetheless no collinearity was discovered between the variables.

A two-step procedure was used for clustering the CCIOs. First, the hierarchical clustering method was used in order to define the number of clusters. Ward’s method as a variance method was selected - the means for all the variables were computed for each cluster. The distance between the clusters was calculated using Absolute Euclidean Distance. Various models were calculated and compared to find the best solution. Based on the agglomeration schedule and dendrogram, 4-7 clusters appeared as the suitable model solutions. This result was used as an input for the K-means method.

In the next research phase, the cases were weighted and data was analysed using the K-means cluster analysis. The following statistical criteria were considered: the reasonableness of cluster sizes, the f-values of the variables within the model (<10-161) and the clear difference between clusters as described by cluster centre values. The most suitable model appeared to be the one with five clusters produced by the K-means cluster analysis. The distribution of the organisation numbers within the 5 clusters is described in table 2.

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Unweighted</th>
<th>Weighted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>81</td>
<td>93.88</td>
</tr>
<tr>
<td>2</td>
<td>162</td>
<td>130.80</td>
</tr>
<tr>
<td>3</td>
<td>63</td>
<td>62.99</td>
</tr>
<tr>
<td>4</td>
<td>78</td>
<td>90.56</td>
</tr>
<tr>
<td>5</td>
<td>76</td>
<td>80.51</td>
</tr>
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<td>460</td>
<td>458.74</td>
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</tbody>
</table>

**TABLE 2. DISTRIBUTION OF 5 CLUSTERS**

Source: Authors’ own elaboration.
Results and main findings

When analysing the responses of organisations in the selected sample, it appeared that all types of cultural and creative organisations shared the following characteristics: innovative mindset, creativity-focused approach and uniqueness of their services or products. A more precise description of organisations could be formed based on organisational type and age – both variables correlated with the competition and challenges related variables, but as it was just the start of the study it will not be elaborated further here.

The main external and internal challenges of strategic management

In order to understand what kinds of factors influence the strategic management in CCIOs, a factor analysis was applied. First, the latent variables describing the scene were indicated in order to identify the key factors that influence the operational performance of the CCIOs. It was expected that both internal and external challenges played a central role in influencing the daily strategic management practices and attitudes. However, the actual results formed threes lightly different factors: evaluation practices (F1), strategic challenges (F2) and mindset (F3). Therefore, these factors describe the latent trends that have a major impact on the strategic management of the organisations in the field. These three factors will now be analysed in more detail.

Evaluation practices (F1). The first factor mainly indicated the regular evaluation practices and partly the attitudes towards the “evaluation-culture”. The strongest correlation besides the factor-variables could be found with the factor and the following statement: “Analysis of the performance and current activities is a natural part of our daily work”. This rather surprising result might be explained by the fact that the Estonian CCIOs measure their organisational performance for two reasons, to ensure the maximum efficiency of their operations both for the founder and the organisation itself. In the current Estonian context, where remarkable EU funding is contributing to developing the infrastructure of CCIOs, the CCIOs have a special interest in meeting the evaluation criteria set by the EU. However, the factor is also weakly correlated to learning and development values within organisations and with a written mission statement, vision and strategy. Negative correlations could be found with the following statement: “We operate in a field/market with strong competition”. Therefore, the sense of high competition seems to limit creativity and enthusiasm.

Strategic challenges (F2). The second factor indicated the main challenges that organisations face in their daily existence. Based on the strongest correlations besides the factor-variables, the following aspects seemed to be the most challenging for organisations: analysing and reporting on activities and acting in compliance with laws. The Danish study cited above also revealed that the major challenges of CCIOs concern strategy and business development (Tscherning & Boxenbaum, 2011). The following weak correlations indicate more moderate challenges that the organisations face in their daily activities: being innovative, making profit, having no confidence in terms of income, receiving external funding, finding customers and obtaining new orders.

Mindset (F3). The third factor described the attitudes concerning creativity and enthusiasm, but also the dependence on the state budget. The factor is weakly correlated to the statement concerning the existence of a written mission statement, vision and strategy. Negative correlations correspond well with the study by Tscherning & Boxenbaum (2011), where the Danish researchers stated that one of the challenges that CCIOs face is seeking a balance between the creativity and profit-seeking aspirations, daily activities based on a written mission statement, vision and strategy. Negative correlations could be found with the following statement: “We operate in a field/market with strong competition”. Therefore, the sense of high competition seems to limit creativity and enthusiasm.

What factors make managers of CCIOs think and act strategically?

In order to understand what makes some managers of CCIOs think and act strategically and some not, a cluster analysis was used. This made it possible to describe the character of the CCIOs that do and those who do not think and act strategically. The analyses resulted in five clusters and the formal characteristics of the clusters are described in table 3. Same clusters are content-wise described in annex 2.

The main informal aspects that differentiated the clusters included level of competition and existing evaluation practices. The significant differences between the clusters indicate that there is no single and uniform strategic mindset in the cultural and creative industries – strategic management traditions are different and depend more on available resources and attitudes towards the enthusiastic mindset.

The cluster analyses revealed that when describing organisations based on their performance measurement practices and strategic attitudes, approximately 18% of the organisations in the cultural and creative industries consider organisational performance evaluation important and practice at least some elements of it on a regular basis (cluster 1). Conversely, 14% of the respondents of the survey did not consider performance evaluation important and avoid it even though they are among the most eager to collect feedback from their target groups after each activity (cluster 3). Approximately 52% of the organisa-
tions (clusters 2 and 4) do collect and analyse feedback from their target groups, but not as systematically or consciously as the organisations belonging to cluster 1 (18%). The members of the fifth cluster do not employ systematic or conscious evaluation practices and from the managerial perspective are weaker than the rest of the participating organisations.

Features characterizing the CCIOs with strategic mindset and orientation to organisational performance measurement

The most evaluation-friendly (cluster 1) and the most evaluation-hesitant (cluster 3) clusters have rather opposite positions – this indicates that a more challenging environment leads to less performance evaluation practices and vice versa. The external environment of the organisations in the first cluster is competitive and they are willing to improve their international competitiveness and to expand into foreign markets. The managers of these organisations do not consider strategic planning challenging and their performance measurement attitude is very positive. Their activities are based on a written mission statement, vision and strategy, while their organisational culture supports learning and development values. The organisational performance measurement practices of these organisations are systematic – they claim to have an effective system for analysing the performance and this is integrated into the daily working process. However, it is not just the existing performance measurement system that characterizes them formally, but also the practical implementation of the plans and processes. The achieved results are then compared to core goals, and the annual planning is related to the analysis of past performance. However, organisations belonging to this cluster do not seem to face any challenges, neither financial nor challenges in their daily activities that might limit the performance of other organisations.

The key feature of organisations belonging to the third cluster is uncertainty concerning income. They seem to struggle a lot with finances – both earning a profit and receiving external funding but also financial management in general is seen as a challenge by those organisations. CCIOs belonging to that cluster seem to struggle more than other organisations with recruiting qualified personnel, which might influence the rest of the challenges they face; for instance, being in compliance with the law or being innovative. The managers of these organisations do not see performance measurement as valuable and do not practice any kind of organisational performance measurement – they do not collect or analyse any kind of data concerning their performance. They consider strategic planning, analysing and reporting very challenging, and therefore difficult. Their activities do not follow a written mission statement, vision or strategy. They seem to be “lost” since they do not have a strategy that could guide them out of the jungle of challenges.
As our analysis in the previous chapter revealed, the most important challenges faced by the cultural and creative industries organisations in Estonia are related to financial management and strategic planning. Similar results were found in the Danish study that targeted only the private creative enterprises (Tscherning & Boxenbaum, 2011) and which revealed that organisations in the creative industries have acknowledged the need for new know-how in regard to strategic planning. In the current study, not all aspects of evaluating organisational performance differentiated the respondents. The core aspects concerned annual planning, comparison of goals with actual performance, managerial attitudes towards the benefits of performance measurement, learning from previous experience and the existence of performance measurement systems and methodologies.

As a result of the analyses, the following modified conceptual model can be presented. Based on the empirical data from this study, the model was modified and, as presented above, strategic challenges (both internal and external), mindset and competitive market indicate the attitudes and activities related to organisational performance evaluation.

The data also indicated that the organisations belonging to the most evaluation-friendly cluster do not face any challenges, while the evaluation-hesitant organisations struggle with all possible challenges. In order to find an explanation for this, one has to look at cluster number 4. Organisations belonging to that cluster practice organisational performance measurement but also struggle with some challenges. They are not as eager of evaluation practices as the organisations in cluster 1 and their orientation to learning is at an average level. The biggest difference between cluster 1 and cluster 4 is that the CCIOs belonging to cluster 4 are not oriented towards development and expansion and they have difficulties with financing. However, more interestingly they face most of the challenges that limit the third cluster but do not limit the first cluster. These are future oriented challenges: expansion to foreign markets, being innovative, justification of their existence to funders and strategic planning. Their daily challenges are related to the following fields: analysing and reporting, finding customers and obtaining new orders, recruiting qualified personnel and laws-related challenges.

The general findings indicate that the organisations that depend on external funding were more enthusiastic about what they did. Whether state-funded organisations are more enthusiastic about what they do because they do not need to worry about income, or whether there are other reasons needs further investigation. However, the organisations that are already active in organisational performance measurement do not seem to have any shortage of know-how or lack of qualified personnel. While organisations that are evaluation-hesitant could benefit from training in the following fields: strategic planning, analysing and reporting, and financial management. They could also benefit from an infrastructure that supports them with development and expansion, finding customers, obtaining new orders, recruiting qualified personnel and finally, but most importantly, receiving external funding. However, their central struggle seems to be coping with their daily activities.
Conclusion

The article discusses the results of a survey conducted among Estonian cultural and creative industries organisations. A diverse set of topics focusing on the evaluation of organisational performance and managerial attitudes in these organisations was explored. The central question the paper proposed was: which factors affect strategic management attitudes and practices in creative industries organisations?

First, the main strategic challenges of CCIO managers in Estonia are analysing and reporting on activities and acting in compliance with the laws. CCIOs also face the following challenges in their daily activities: being innovative, making profit, having no confidence in terms of income, receiving external funding, finding customers and obtaining new orders.

Second, CCIOs are driven to think and act strategically by three closely linked factors: challenging environment, willingness to increase international competitiveness, and willingness to expand to foreign markets. However, organisations that think and act strategically barely face any challenges – internal or external. It is also important to stress that they are also coping well with their finances. The managers of such organisations do not consider strategic planning challenging and their performance measurement attitude is positive.

Third, the CCIOs that are evaluation-hesitant avoid comparing their goals with actual results and do not consider evaluation activities useful or beneficial. The most remarkable fact is that they display the greatest difficulty with regard to different external challenges even though they consider their business environment the least competitive compared to the other organisations.

Fourth, based on the results, it is possible to conclude that organisations that have a strategic mindset do not face any of the challenges listed in the questionnaire. Further research is required to investigate whether sufficient resources cause the strategic mindset or vice versa.

The current study has its limitations, since the number of respondents in some subsectors of cultural and creative industries was insufficient for statistical interventions, thereby preventing us from drawing any conclusions from the subsectors. However, there is reason to believe that the organisations from different subsectors represent different strategic management attitudes and activities. Further exploration of this topic using a larger sample is definitely necessary. Therefore, future research plans are to conduct a study to investigate whether the regular practice of organisational performance evaluation leads to better financial performance.

REFERENCES


ANNEX 1

QUESTIONNAIRE

How many paid employees does your organisation have?
What is the juridical form of your organisation?
What is the age of your organisation?
Please choose the field of activity of your organisation.

ORGANISATIONAL VALUES AND OPPORTUNITIES

1) Employees higher education rate in our organisation is over 75%.
2) Creativity and creativeness play central role in our organisation.
3) Our organisation is oriented to the development and/or expansion.
4) Our organisation is governed by the written mission statement, vision and strategy.
5) The employees of our organisation could be characterized rather by enthusiastic acting than striving for results or profit.
6) Our organisation’s earnings depend directly on the state/local grants.
7) Our organisation has no confidence in terms of income.
8) For our organisation it is more important to do something that really interests us than earning revenue.
9) Our organisation is innovative.
10) We want to increase the international competitiveness of our organisation.
11) We operate in the field/market, where there is strong competition.

ENVIRONMENT

12) The services offered by our organisation do not differ significantly from those offered by the competitors.
13) Making profit is challenging for our organisation.
14) Protecting copyright and other intangible rights is challenging for our organisation.
15) Expansion to foreign markets and/or international cooperation is challenging for our organisation.
16) Being innovative is challenging for our organisation.
17) The justification of our own existence for funders or the public is challenging for us.
18) Recruitment of the qualified personnel is challenging for our organisation.
19) The financial management and keeping the budget balanced is challenging for our organisation.
20) Strategic planning is challenging for our organisation.
21) Being in compliance with laws is challenging for our organisation.
22) Receiving external funding is challenging for our organisation.

23) Analysing and reporting on the activities is challenging for our organisation.
24) Finding customers and obtaining new orders is challenging for our organisation.
25) Daily analysis of the performance and current activities is a natural part of our work.

INTERNAL PROCESSES

26) Our organisation has developed an efficient system for analysing the performance and individual activities.
27) Our organisation values learning and development.
28) Our organisation has well-established methodologies for analysing and assessing the work performance.
29) When planning new activities, we take into account the analysis results of the current activities.
30) The managers see performance evaluation as an important input to improve employees’ performance and activities.
31) In our organisation, not only will the performance be measured, but the achieved results will be compared with the goals planned.
32) In drawing up the annual plan the quantitative indicators to measure performance are planned.
33) In drawing up the annual plan the qualitative indicators to measure performance are planned.

PERFORMANCE EVALUATION

34) How often do you collect feedback from your visitors, and/or target groups?
35) How often do you analyse if the planned goals have been achieved?
## ANNEX 2 – 5 clusters of cultural and creative industries

### Organizations

The symbols used in the following table are as follows:
- ++ the most positive result
- + above average
- A average
- - below average
- -- the lowest result

<table>
<thead>
<tr>
<th></th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
<th>Cluster 4</th>
<th>Cluster 5</th>
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<td>Orientation to development and expansion</td>
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<td>--</td>
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<td>-</td>
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<td>Willingness to improve the international competitiveness</td>
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<td>+</td>
<td>++</td>
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<td>Being innovative as a challenge</td>
<td>--</td>
<td>+</td>
<td>++</td>
<td>+</td>
<td>-</td>
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<td>Justification of own existence to funders as a challenge</td>
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<td>+</td>
<td>++</td>
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<td>-</td>
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<td>++</td>
<td>+</td>
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<td>Analysing and reporting as a challenge</td>
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<td>-</td>
<td>++</td>
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<tr>
<td>Finding customers and obtaining new orders as a challenge</td>
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<td>Protecting rights as a challenge</td>
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<td>+</td>
<td>++</td>
<td>+</td>
<td>-</td>
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<td><strong>RATIONALISM vs EMOTIONS</strong></td>
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<td>Activities based on a written mission statement, vision and strategy</td>
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<td>++</td>
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<tr>
<td>Employees’ level of enthusiasm vs strive for profit</td>
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<td>++</td>
<td>+</td>
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<tr>
<td>Preference for interesting activities over profit earning</td>
<td>--</td>
<td>++</td>
<td>+</td>
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<td><strong>EVALUATION</strong></td>
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<td>Daily analysis of the performance integrated to the work process</td>
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<td>+</td>
<td>--</td>
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<td>Effective system for analysing the performance</td>
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<td>-</td>
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<td>Learning and development values</td>
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<td>--</td>
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<td>Planning related to the analyses of past performance</td>
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<tr>
<td>Achieved results being compared to set goals</td>
<td>++</td>
<td>+</td>
<td>--</td>
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<td>-</td>
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<tr>
<td>Using quantitative indicators in planning process</td>
<td>++</td>
<td>+</td>
<td>--</td>
<td>A</td>
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<tr>
<td>Using qualitative indicators in planning process</td>
<td>++</td>
<td>+</td>
<td>-</td>
<td>+</td>
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