Product Innovativeness, Organizational Legitimacy and Reputation in the High Arts: What Signals Drive Decisions by Intermediaries?

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ABSTRACT

Many organizations have adopted innovative product strategies because innovativeness is generally seen as a valuable product characteristic. However, innovativeness may also increase uncertainty about the product's acceptance in the market and this has important consequences for decision making by intermediaries between the producer and the final consumers. In the high art theatre industry, for example, uncertainty regarding product quality and demand is extremely high, because every new production has to be scheduled long before the production is finalized. In this article we investigate decision making by a particular kind of intermediary: venue programmers, who have to select, among all the upcoming theatre and dance productions of all production companies, the productions that will be included in their venue's program for the next season. We compare the effect of the production company's legitimacy with its reputation and the innovativeness of its past productions. Our analysis of 551 new productions of subsidized high art companies in the Netherlands shows that: (1) innovativeness is negatively associated with scheduled capacity, (2) legitimacy is more important than reputation with respect to obtaining scheduled capacity, and (3) the relationship between innovativeness and scheduled capacity is positive for companies with lower legitimacy.

Keywords: *innovativeness, legitimacy, reputation, intermediaries, decision making*

1 Introduction

In the high arts[1] industries, innovativeness plays a highly important role, because it is considered by itself a value-creating product characteristic (O'Hagan and Neligan 2005, e.g. Voss et al. 2006, Wijnberg and Gemser 2000). At the same time, innovativeness always adds to uncertainty with regard to market response, and these same high arts industries are already characterized by a relatively high level of market uncertainty (Caves 2000, Walls 2005).

The problem of market uncertainty is faced not just by the producers but also by the intermediaries who buy from the original producers and sell to the eventual consumers, such as retailers who have to decide which products to stock and how much shelf space to allocate to the products (Borin et al. 1994). This problem becomes even more difficult if the intermediaries have to take decisions about innovative products that are not yet in existence, and often still in the process of being developed. Precisely this is the situation in which venue programmers of theatres find themselves when they have to decide which productions by which theater companies to include in the next season's program.

These intermediate buyers decide about performances that take place in the upcoming season, which may be up to a year later. Venue programmers' scheduling decisions are aimed at satisfying the needs of the audience and the venue at large (Kawashima 1999). The venue programmer decides if, when, on what stage, and for how long a new production of a high arts

[1] We make a common distinction between two organizational types in the cultural industries: (1) the highbrow fine art sector in which a large proportion of organizations and individuals are non-profit or subsidized and (2) the lowbrow commercial or popular art sector in which most organizations and individuals are for-profit and do not receive subsidies (DiMaggio 1982, Holbrook and Addis 2008).

organization will be performed at the venue. What is more, venue programmers often make these scheduling decisions about a production in the pre-production phase. Thus, decisions are made on the basis of the venue programmer's assessment of the production, the production company, future demand and the impact on, for example, sponsors and subsidies.

A widely adopted solution to deal with uncertainty, is to keep the supply chain flexible so that unsuccessful products can be removed from the 'shelves' as quickly as possible (Christopher et al. 2004). However, this is not always feasible, also because of conflicting interests of channel members (Sahin and Robinson 2002) and decision makers often have to fall back on product and organizational signals that work as predictor of success under extreme uncertainties (Chen et al. 2011, Klein et al. 2011, Lee and O'Connor 2003, Lilly and Walters 1997, Roberts and Dowling 2002).

In this paper we study scheduling decisions and focus on the signals that can reduce uncertainty regarding quality and audience demand, such as legitimacy and reputation of the production company and the innovativeness of the production. There can of course be many different ways to consider innovativeness, but we focus on the newness, to the local theatre industry, of the particular play that is being performed, and which has been used before in studies of the performing arts. DiMaggio and Stenberg (1985a), and following them O'Hagan and Neligan, (2005), used the term "conventionality" to denote the opposite of innovativeness and operationalized this by looking at the number of times a particular play has been performed before. This study will follow their general approach to innovativeness. The concept of organizational legitimacy is derived from Aldrich and Fiol's (1994) conceptualization of cognitive legitimacy and refers to how "visible", or "taken for granted" organizations are for third parties. Being reviewed in newspapers means that an organization is a legitimate player in the

field that the reviewers are supposed to evaluate. Organizational reputation concerns *how positive or negative* the evaluations are that organizations receive in the media (Deephouse 2000).

While previous studies on the determinants of competitive success in the cultural industries mostly focused on performance in the final stage – that is: audience attendance and other indicators that are the result of this, such as box office – this study will focus on what explains success in the preceding stage, that of the intermediate buyer. Since companies that are not successful in that stage cannot be successful in the next, this seems to be an approach that is necessary to fully understand the competitive dynamics of the industry (Kawashima 1999). Furthermore, this study will provide an important contribution to the literature on decision making about new products, and especially regarding the combined effects of signals denoting organizational reputation, legitimacy and innovativeness in an early stage of the market planning cycle.

In the next sections we discuss the decision making process of venue programmers, why innovativeness is an important product characteristic and discuss literature about organizational legitimacy and organizational reputation, on the basis of which three hypotheses will be proposed. In the following sections we discuss the data, method and results and the final section offers a discussion and conclusion.

2 Theory

2.1 Scheduling decisions by venue programmers

In many industries, production and distribution are relatively independent of each other. In the motion picture industry, for example, there have been laws that prevented studios to own cinemas

and in other industries this has grown as the most efficient and effective channel structure. In the high arts, production companies are often independent of venues and even the few companies that have a home-venue or venue affiliation have to negotiate with the venue programmer about how many nights they can perform particular productions in that venue. Thus, the venue programmer decides which productions of different performing arts production companies are appropriate to be performed in their venue.

If a production is believed to be appropriate, the venue programmer has to decide what number of nights and which halls – if the venue has multiple halls, which is the case in most major theatres – would be suitable for the production. In other words, venue programmers decide what the audience capacity is for productions of performing arts companies. In addition, if venue programmers offer flat-rate contracts, they fully determine the financial revenues of productions before they are performed. Therefore, venue programmers are key intermediaries that play a crucial role in the success of performing arts production companies.[2]

Venue programmers encounter various difficulties in their decision making process. First, venue programmers are offered many different productions, more than they are able to program and more than they could adequately inform themselves about regarding quality and audience reception. Therefore, especially the first round of selection will usually be on the basis of the most at-hand indicators. Second, venue programmers have to make scheduling decisions concerning productions in the pre-production phase; when they are not yet able to experience the product themselves. Often rehearsals will not yet have started and only the bare details about the production and the involved actors will be available. Third, venue programmers have to take into

[2] In the Netherlands, venue programmers' scheduling processes and the challenges they face in this are similar to those of programmers described by Kawashima (1999).

account that they are intermediaries and therefore have to predict how well a production will satisfy the preferences of final consumers, which in the cultural industries is notoriously hard to predict (Swami et al. 1999, Throsby 1990, Voss et al. 2006). Finally, once venue programmers have selected a production to be performed for a certain number of nights on a certain stage, it is practically impossible to increase or decrease a production's audience capacity in response to ticket demand by, for example, scheduling additional nights for a production. Any changes in program schedules will cause logistical problems for venues and performing arts production companies. Also, the inflexibility in program schedule does not allow venue programmers to create blockbusters out of productions that have been found to be popular with the audience. The complexities in decision making described above create an environment where decisions have to be made under high risk about product demand and high uncertainty about product quality.

Confronted with many alternatives and high uncertainty, venue programmers are likely to focus more on attributes that are readily available to them. Research has shown that organizational characteristics such as reputation can be used in a heuristic decision making process for judging the quality of a product (Dawar and Parker 1994, Hoyer and Brown 1990, Rao and Monroe 1989). Kahneman and Frederick (2005) refer to the replacement of attributes as the availability heuristic and others have used the concept of decision-making heuristics in order to explain buyer decision making (e.g., Lee and Marlowe 2003, Mantel and Kardes 1999) and have found heuristics to be, for example, influenced by product knowledge and experience (Johar et al. 1997, Johnson and Russo 1984, Lee and Geistfeld 1998). Furthermore, Lee and Geistfeld (1998) suggest that buyers use readily available information and decision making heuristics because this reduces information search costs.

2.2 Product innovativeness

In the present-day competitive environment of the 'high arts', the extent to which a product is innovative has become in itself one of the most important product characteristic, especially in art industries in which professional experts have a dominant role in recognizing and attributing value (Wijnberg and Gemser 2000). Therefore, innovativeness will be a dominant strategy for competitors in such an industry, to distinguish themselves from their rivals and also from more low arts competitors (Hellbrun 1993). In addition, government subsidies often play an important role in the production of high arts around the globe. Art policy is often defended on the grounds that government support allows companies to experiment and innovate, precisely because innovativeness brings huge commercial risks that companies would probably not take on unsupported. Chasse's (1995) research suggests that subsidized arts often act as proving grounds for ground-breaking new art forms. If not for subsidies, performing arts production companies would be highly preoccupied with managing possible harmful financial consequences of uncertainty in product demand. Adizes (1975) argued that it is difficult to cover production and operating expenses of innovative works and that this influences the financial viability of the producing organization.

A number of empirical studies have investigated innovativeness (or conventionality) in high art theatrical productions (Abbé-Deccaroux 1994, O'Hagan and Neligan 2005, Voss et al. 2006, Werck and Heyndels 2007). These scholars investigate different factors that are related to innovativeness. Abbé-Deccaroux (1994) takes into account the age of a production as measure of innovativeness and whether its playwright was alive or not and found that there is no relation between age of a production and the demand for theatre tickets. Werck and Heyndels (Werck and Heyndels 2007) show that theatregoers prefer theatre companies that offer revivals of old

productions over theatre companies that offer new innovative productions. The researchers take into account the age of productions and the percentage of adapted versus new productions in the product portfolio of a theatre company as measures of innovativeness. A similar conceptualization of innovativeness is used by Voss et al. (Voss et al. 2006). They investigate the relation between innovativeness in product portfolio and audience attendance of non-touring theatre companies and show that the percentage of new plays of the theatre company has a U-relation with subscriber ticket revenues and an inverted U-relation with single ticket revenues. Their result suggest that a balanced portfolio is crucial for non-touring theatre companies[3]. Although, the studies discussed in this paragraph do not focus on scheduling decisions of venue programmers, they do show that innovativeness expressed as the newness of productions in a theatre company's portfolio has mixed effects on audience attendance. Several studies outside the cultural industries also show non-positive aspect of innovativeness (Abrahamson 1991, Alam 2003, Calantone et al. 2006, Kleinschmidt and Cooper 1991).

Interestingly, the theatre related studies above do not measure the degree to which a new product is a radical or incremental product innovation. Also, information on innovativeness in respect to how the production is performed is most likely not available to or easy to interpret for the venue programmer in the pre-production phase and can only be assessed after the performance of a production. Different interpretations of innovativeness ask for different approaches and different methods to measure innovativeness (Paleo and Wijnberg 2008). What constitutes artistic innovation in the performance of a production can be ambiguous (DiMaggio and Stenberg 1985a). DiMaggio and Stenberg (1985a) argue that measuring innovation

[3] In this study we do not focus on non-touring companies as these companies are not subjected to the scheduling decisions of multiple venue programmers.

concerning, for example, stage design or performance style is troublesome, and therefore they only consider innovation to occur when completely new works enter the industry. This fits in well with Kleinschmidt and Cooper's (1991) conceptualization of innovativeness as the novelty of a product to an organization and its competitors.

Following Kleinschmidt and Cooper's (1991) we distinguish between new products that are completely new to the relevant market and new products that are created by producing new and different versions of existing products. This framework has frequently been used to assess the innovativeness of a product portfolio (Voss et al. 2006, Werck and Heyndels 2007). We add to this by employing DiMaggio and Stenberg's (1985b) measure of conformity, the opposite of innovativeness. This measure denotes how familiar the new product - in this case a theatrical production - is to the industry and takes into account the number of times a product has been produced before by similar organizations in the industry. On the one side of the innovativeness continuum we find 'new to the industry' productions, which are productions that have never been produced before in the Netherlands and on the other side of the continuum we find 'low innovative' productions, which are productions of which different versions have been produced many times before in the Netherlands.

2.3 Critics in the cultural industries

In the cultural industries expert media critics are important in determining the value of products. Cultural products, for example, books, cd's, games, films, musical productions and theatrical productions are regularly subjected to evaluations of media critics. These evaluations have been, for example, conceptualized as social judgments. A social judgment is "an evaluator's decision or opinion about the social properties of an organization"(Bitektine 2011, p. 152) or its products.

Social judgments can serve as artistic legitimization and institutional regulation of innovation within the cultural industries (Debenedetti 2006, Hirsch 1972). The social judgments of art critics have been perceived as an organized filtration system that controls the entry of new products, in a market that is flooded by prototypes (Hirsch 1972, Wijnberg and Gemser 2000). It is not only artists or cultural organizations but also the cultural industries as a whole that depend on this filtration system (Hirsch 1972).

The social judgments of critics, especially when considered an ongoing activity, can be referred to as critical discourse. According to Shrum (1991), critical discourse encompasses three elements: elements that describe the work of art, elements that show how the work should be understood, and elements that describe positive and negative aspects of the work. The latter element has been frequently addressed by different scholars.

Scholars have found that cultural products with weak signaling properties, such as low-budget work (Basuroy et al. 2003, Lampel et al. 2000, Reinstein and Snyder 2005) and work that belongs to unfamiliar genres (Desai and Basuroy 2005) show positive relations between the nature of the evaluation in critic reviews and consumer behavior. However, in their study on art house movies, Gemser, Van Oostrum.and Leenders (2007) found non-significant effects for the relation between critic reviews and audience attendance. Also, Boorsma and Van Maanen (2003) argue that the evaluative aspects of expert critic reviews does not influence the choice behavior of theatre-goers in the Netherlands. The findings of Gemser et. al (2007) and Boorsma and Van Maanen (2003) suggest that the nature of evaluations in expert critic reviews in the high arts do not have a strong influence on the audience.

The extent to which critical discourse will affect consumer behavior will depend less on the content of the discourse, and the evaluation expressed by it, but more on its visibility –

resulting in salience of the evaluated product. The visibility of reviews provides salience in the mind of individuals about works of art that have been reviewed. Salience has been defined as the degree to which product signals or the product itself can be noticed by stakeholders (Guido 1998). Studies have showed that salience is positively related to the sales of products (Chandon and Wansink 2002, Hasher and Zacks 1984). In Shrum's (1991) investigation of the Edinburgh Fringe Festival he found that the visibility that reviews provide is more important in increasing audience attendance than the evaluations that reviews provide. Gemser et al. (2007) found similar effects for the visibility and evaluative functions of critic reviews in the their research on the art house movies.

In the next subsections we will argue how visibility and evaluations can be considered indicators of, legitimacy and reputation.

2.4 Critical discourse and legitimacy

According to King and Whetten (2008) organizations have legitimacy when they are perceived as meeting the minimum requirements of belonging to a particular group. For the purposes of their study the researchers view organizations as either legitimate or not legitimate. However, other studies show that within a group there are some organizations that can be regarded more legitimate than other organizations (Deephouse 1996, Deephouse and Carter 2005). Within a group of legitimate organizations some members may have characteristics that are more similar to the ideal prototypical organization of the group than other members of the group. Deephouse (1996) shows that organizations can increase their legitimacy by adopting structures, strategies and processes of organizations that belong to a particular group and that this can increase the

acceptance of an organization by its external environment (DiMaggio and Powell 1983, Meyer and Rowan 1977).

According to Suchman (1995, p. 573-574) legitimacy is a "generalized 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." This study focuses on cognitive legitimacy (Aldrich and Fiol 1994, Suchman 1995), which can be considered to be closely linked to the extent of the 'taken for grantedness' of the organization, that the organization is seen as a fit subject of evaluations in a particular competitive arena, irrespective of whether it is evaluated highly or lowly (Aldrich and Fiol 1994, Jepperson 1991, Mol and Wijnberg 2011, Suchman 1995). Considered along these lines, cognitive organizational legitimacy is reflected by the level of evaluative attention the organization receives in the relevant media (Deeds et al. 2004).

Discourse about a work of art shows that the work is a worthy or, a legitimate object of attention in a particular field (Bourdieu 1983). Also, Hsu (2006) argues that expert critics will use evaluative schemes that are accepted by their audience. If this is the case, the critics will be legitimated in their role as critics and the actors whose products are reviewed using these evaluative schemes will be viewed as legitimate contenders in that particular arena, even if their products will not score high in the eventual evaluation. The argument that critic reviews create organizational legitimacy is in line with research that shows that only certain individuals within a market are able to confirm organizational legitimacy (Baum and Oliver 1991, Deephouse 1996, Galaskiewicz 1985, Meyer and Scott 1983). In the cultural industries, but also in other industries, attention from relevant media has been found to be important in establishing organizational legitimacy (Archibald 2004, Carroll and Hannan 1989, Deephouse 1996). As a result of this

process the amount of attention that organizations receive from expert critics is related to the degree in which organizations are perceived as legitimate.

Conversely, organizations that receive less attention by expert media critics are considered to be less legitimate and therefore are likely to be less successful. Zuckerman (1999, 2000) finds that organizations that deviate further away from the industries standard in the financial industries are less likely to receive media attention from analysts. As a result, they are less attractive to investors. This is subsequently reflected in their stock market returns.

2.5 Critical discourse and reputation

Especially in environments where product value is uncertain organizational reputation can serve as a useful signal of quality. Allen (1984) shows that reputation can be used to compete for economic resources and to differentiate from similar organizations. In addition, Chen and Dubinsky (2003) show that organizations with a good reputation are perceived as being more trustworthy and credible which in turn influences the perceived quality of their products. Furthermore, consumers are likely to assess more value to organizations with high reputation (Cretu and Brodie 2007, Lehmann and O'Shaughnessy 1974, Shapiro 1983, Yoon et al. 1993).

There is voluminous literature on the effects of expert reviews on the performance of products in the cultural industries (Allen and Lincoln 2004, Basuroy et al. 2003, Berger et al. 2010, Gemser et al. 2007, Ravid 1999, Van Rees and Vermunt 1996). By evaluating specific products of particular competitors these reviews also serve to establish the organizational reputations of the producers (Cameron 1995, Van Rees and Vermunt 1996). According to Deephouse and Carter (2005, p. 332) organizational reputation is “a social comparison among organizations on a variety of attributes, which include the same regulative, normative or cognitive

dimension." In other words, reputation indicates if an organization is positively distinctive within its peer group (King and Whetten 2008). To be more specific, in this investigation we focus on media reputation. Media reputation refers to the overall evaluations of a firm presented in the media (Deephouse 1996). This can influence other stakeholders' knowledge and opinions about an organization (Deephouse 1996).

Cameron (1995) specifically argues that organizational reputation in the cultural industries is a form of capital that is created by an accumulation of past criticism. This study will follow the same approach and consider organizational reputation as the average evaluation, by relevant and legitimate expert critics (Hsu 2006), of the products of the focal organization.

3 Hypotheses

There are different types of uncertainty that venue programmers have to manage in their scheduling decision making process. When these intermediate buyers assess the value of new products it is likely that they are concerned with and are uncertain about the quality of a production as well as the audience demand for a production. In order to handle these uncertainties we argue that venue programmers utilize several signals in their scheduling decision making process: product innovativeness, organizational legitimacy and organizational reputation.

Through offerings of the arts production company, the venue programmer obtains information about the innovativeness or lack of conventionality of a particular production. Innovativeness is likely to be a key aspect in venue programmer's decision making process, because, as discussed before, research has shown that innovativeness has become an important

product characteristic of high art (Wijnberg and Gemser 2000) and that government subsidy institutions encourage innovativeness (NFPK+ 2008, OCW 2007, Oosterbaan Martinius 1990).

As aforementioned, venue programmers use innovativeness as a signal for quality. Next to this, venue programmers may want to show that they are a good judge of product value, of which innovativeness is an important component. The research of Joy and Sherry (2003) suggest that intermediates such as venue programmers are concerned with educating the audience, providing the audience with work of high aesthetic value, and building and maintaining a personal reputation by selecting works with high product value as perceived by their peers. Therefore, it can be argued that venue programmers are likely to provide a greater audience capacity for productions that are 'new to the industry' than for productions that are less innovative.

H1a: The product innovativeness of a high art production has a positive relationship with scheduled capacity.

Although innovativeness is considered a driving force in many industries, uncertainty about product success is also attached to innovativeness (Kleinschmidt and Cooper 1991). Therefore, it can be argued that an alternative hypothesis 1 should be formulated. It is likely that the more innovative a production is the more uncertain the audience demand of this production is and the less likely venue programmers are to select the production. Venue programmers are buyers of performance art that are exposed to high risk about product demand, which they ideally want to reduce in their decision making process. Perceived risk that is associated with a product is a critical factor in buyer's readiness to purchase a product (Grewal et al. 1994). According to

Bauer (1960) perceived risk is the perceived possibility that a product will not deliver the expected or desired benefits.

Werck and Heyndels's (2007) results suggest that audience members favor high art theatre productions with more certain outcomes and that theatre companies choose low innovative products to attract more audience. In addition, research concerning performing arts organizations has shown that a reduction in risk positively effects demand (Abbé-Deccaroux 1994), high innovative productions are new products which are perceived as more risky (Voss et al. 2006) and that companies that produce low innovative productions depend more on the market than companies that produce high innovative productions (DiMaggio and Stenberg 1985a, O'Hagan and Neligan 2005). Also, Thorsby (1990) shows that audience members do not favor works of unknown writers and have a much greater preference for classics or plays from well-known writers. As one of the goals of venue programmers is reducing uncertainty regarding audience demand, this brings us to the alternative hypothesis: hypothesis 1 (A).

H1b: The product innovativeness of a high art production has a negative relationship with scheduled capacity.

Venue programmers need to deal with balancing different goals and the different kinds of uncertainty with respect to these goals. They are especially confronted with uncertainty in quality (hyp1 (A)) and uncertainty in demand (hyp1 (B)). It is paradoxical that the artistic environment encourages venue programmers to prefer high innovative productions while high innovative productions seem to increase uncertainty in audience demand. Organizational legitimacy can explain the opposing findings in previous literature with respect to innovativeness. A way to

balance the tensions between high innovativeness and demand uncertainty is by justifying selections of productions with low innovativeness – high uncertainty in quality, but more certainty in demand – by selecting organizations with high legitimacy. In other words, product innovativeness seems a less strong signal of quality when the producing organization has high legitimacy, since high legitimacy already implies that the organization is perceived as an organization is able to produce products with high quality or at least as an organization that produces products that are usually accepted by the market. However, when innovativeness is high, quality is more certain and reducing uncertainty by organizational legitimacy may be less necessary. We argue that venue programmers use legitimacy as a moderator for deciding if they need to reduce uncertainty in quality or uncertainty in demand.

> *H2: The relationship between product innovativeness and scheduled capacity of productions in the high arts is moderated by legitimacy of the performing arts production company; legitimacy has negative influences on the relation between innovativeness and scheduled capacity when innovativeness is low.*

Next to legitimacy, one could argue that venue programmers may also choose to reduce risk and uncertainty of a new production by selecting a company with high organizational reputation. Previous research suggests that products of organizations with high reputation have more perceived value (Cretu and Brodie 2007, Lehmann and O'Shaughnessy 1974, Mudambi 2002, Yoon et al. 1993). However, reputation can change from good to bad very quick, for example, when scandals emerge or recent organizational performance has been poor (Wartick 1992). Research shows that the reputation of an organization can vary from year to year and that

this variation can be relatively high (Hutton et al. 2001), and that the effects of reputation are mostly short term (Fuller et al. 2007). Especially in the cultural industries, reputations may be very fickle (Barker-Nunn and Fine 1998). Furthermore, the research of Galenson (2005) suggests that having a low reputation or a non-existing one does not indicate that artists cannot produce successful works and previous organizational performance is a more important antecedent for reputation than for legitimacy (Deephouse and Carter 2005). A minimum form of legitimacy remains as long as the organization's actions fit within the social system of which the company is a part of (Dowling and Pfeffer 1975). Thus legitimacy is less variable and therefore a more reliable signal of an organization's capabilities than reputation. This suggest that organizational reputation may be a less important signal for venue programmers than legitimacy, precisely because it will serve less well to reduce uncertainty and, as we have argued before, innovativeness already signals quality. Therefore, we expect that organizational reputation does not moderate the relation between innovativeness and the audience capacity that venue programmers provide for a new production.

H3: The relationship between product innovativeness and scheduled capacity of productions in the high arts is not moderated by reputation of the performing arts production company.

4 Data and method

4.1 Research setting: High arts in the Netherlands

The research setting that is used to test our hypotheses consist of high arts organizations in the Netherlands, in particular theatre (e.g., drama and comedy) and dance companies. These organizations operate in an environment that is characterized by high uncertainty in terms of funding and demand and they often receive multi-year subsidies from the Ministry of Education Culture and Science (OCW) or the Dutch Foundation for Performing Arts (nfpk+). All mid-sized and major cities have at least one professional performing arts organization focusing on dance or theatre (OCW 2007). Theatre and dance companies mainly present their work at specialized high arts venues and these venues often schedule other forms of art in addition to theatre and dance productions, such as stand-up comedy and musical concerts. Each mid-sized to major city in the Netherlands has about 4 to 8 theatre venues.

4.2 Sampling

We obtained scheduling data on 551 productions of theatre and dance companies from the NAPK (Dutch Association of Performing Arts). The data consists of the date, location, venue capacity and attendance regarding productions in theatre season 2005, 2006, 2007 and 2008. All productions in the sample are 'regular' productions as defined by the NAPK and we excluded workshops and performances at schools. Also, we filtered out 'special' performances, for example, Christmas specials and additional performances of productions that premiered in the prior season. By deleting the latter productions, which are a result of high audience demand in the production's first season, all the productions in our sample belong only to a particular season. This allowed us to focus only on those productions that were new and original productions in that season. Of the 551 productions, 134 were staged in 2008.

4.4 Dependent and independent variables

4.4.1 Scheduled Capacity

Scheduled capacity was measured by the number of seats that a production obtained during its run across theatres. This variable represents the potential audience for a production in the eyes of venue programmers. It does not indicate how many seats were filled with audience members during the performances of a production.

We have data on the actual capacity of the theatre and the number of visitors during the performances of past productions. Production companies usually produce multiple productions and the actual attendance of their past productions may be important signals for the venue programmer. The average number of visitors that the production company obtained in 2007 during a regular night is labeled "recent attendance" and "attendance" is the long term average.

Table 1 provides more insight into the scheduled capacity variable we have computed variables that display characteristics of an average production. On average, a theatre production runs seventeen nights in seven locations with an audience capacity of 320 and 168 actual visitors. For dance, a production runs on average for eight nights on four locations with an audience capacity of 542 and 322 actual visitors.

Insert Table 1 Here

4.4.2 Organizational Legitimacy

The legitimacy variable was calculated by counting the number of expert critic evaluations the productions of a company received in 2005 through 2007 and dividing this number by the total productions of the company in 2005 through 2007. Therefore, this variable is an organizational

average. We obtained expert critics evaluations from 5 national newspapers (Volkskrant, Trouw, Telegraaf, Algemeen Dagblad and NRC). These newspapers are considered to be sources with high credibility (Dholakia and Sternthal 1977).

4.4.3 Organizational Reputation

The organizational reputation variable was calculated by scoring the expert critic evaluations (from the same 5 national newspapers) the productions of a company received in 2005 through 2007, adding all the scores and dividing these by the total productions of the company in 2005 through 2007. In our calculation of reputation we only included productions for which the company received at least one evaluation by an expert critic. In the most recent years, performances have been scored on the basis of a one to five star system, expressing the appreciation of the reviewer (five stars being wonderful, one star being very bad). The raters were instructed to score all earlier reviews in the same way.

4.4.4 Product innovativeness

Our data allowed us to measure the innovativeness variable in a unique way. We obtained data from TIN (Theatre Institute the Netherlands) on the number of times that a newly performed production in season 2008 was produced by any production company since 1900 in the Netherlands. Some descriptive statistics on five low innovative and five innovative productions are presented below.

Insert Table 2 Here

Some productions are observed many times (for example, Shakespeare's Romeo & Juliet) while other productions are relatively new. We used the log of the number of times a production was produced before the focal season to measure innovativeness. The production that was the lowest in innovativeness had the lowest value. This makes the interpretation of the regression coefficients easier. Of course, this would be impossible for completely new productions, because we would have to log zero, and we dealt with this by adding 1 to the original number.

4.4.5 Control variables

In our study we control for several factors: *organization age*, *organization size*. Organization size concerns the number of full time equivalent (FTE) employees in the organization. Also, as mentioned before, we controlled for audience *attendance*: the percentage of occupied seats of productions of a company in season 2005 through 2007. Similarly we calculated the short term audience attendance: *recent attendance*. This variable only incorporated season 2007. Furthermore, we included control variables that inform if the performing arts organization was a theatre or dance company: *organization type*, and if the theatre or dance companies had their own venue or an affiliation with a venue that served as a home base: *home-venue*.

5 Results

To test hypotheses 1 through 3, several analyses were conducted. The means, standard deviations and correlations are presented in Table 3.

Insert Table 3 Here

The organizational level correlations in Table 3 show significant bivariate correlations between scheduled capacity and the several independent variables. As expected product innovativeness (r = -0.485, $p < 0.01$) and organizational legitimacy (r = 0.486, $p < 0.01$) correlate significantly with scheduled capacity. Also as expected, the organizational reputation variable (r = 0.109, $p > 0.05$) is not significantly correlated with scheduled capacity. Interesting to note is that audience attendance and recent audience attendance are not significantly correlated with scheduled capacity.

Insert Table 4 Here

A multivariate regression analysis was conducted to test hypotheses 1-3. In our multivariate regression analysis we followed the moderator method of Baron and Kenny (1986). To calculate the interaction variables we first mean-centered the variables. Furthermore, there were no concerns for multicollinearity and non-linear relations.

We conducted three regressions on scheduled capacity. All models contained the dependent variable: scheduled capacity; the independent variables: product innovativeness, organizational legitimacy, organizational reputation; and the control variables: attendance, recent attendance, organization size, organization age, organization type and home-venue. In addition to these variables, model 2 included three 2-way interaction variables which showed the interactions between product innovativeness, organizational legitimacy and organizational reputation. Model

3 extended model 2 with a 3-way interaction variable between product innovativeness, organizational legitimacy and organizational reputation.

Our analysis (model 1) shows a significant negative influence of product innovativeness on scheduled capacity (β = -0.248, $p < 0.05$). This result provides evidence to reject hypothesis 1 (A) and accept hypothesis 1 (B). Furthermore, hypothesis 2 is also supported. The interaction between organizational legitimacy and product innovativeness has a negative significant effect on scheduled capacity (β = -0.300, $p < 0.05$). Figures 1 displays that theatre and dance companies with high legitimacy have more scheduled capacity for low innovative productions than companies with low legitimacy. Figure 1 also show that product innovativeness has a positive relation with scheduled capacity when companies have low legitimacy and that product innovativeness has a negative relation with scheduled capacity when companies have high legitimacy.

Insert Figure 1 Here

Hypothesis 3 is also supported by our results. The interaction between organizational reputation and product innovativeness does not have a significant effect on scheduled capacity (β = -0.027, $p > 0.10$). Furthermore, the 2-way interaction between organizational legitimacy and organizational reputation and a 3-way interaction between product innovativeness, organizational legitimacy and organizational reputation, which were added as a control for possible interaction effects of our main constructs, also have no significant effects on scheduled capacity. Other interesting results are that attendance and recent attendance do not have a significant effect on

scheduled capacity. Also, worthy to note is that the 2-way model (model 2) explains more variance in scheduled capacity than the 3-way model (model 3).

5.1 Robustness Checks

We conducted additional analyses that confirm the robustness of our findings. Reputation and legitimacy are organizational perceptions that are conceptually related (Deephouse and Carter 2005, King and Whetten 2008). In this study we have disentangled these concepts by formulating an organizational reputation variable that did not take into account productions that did not receive an evaluation from an expert critic. However, one may argue that not receiving an evaluation from a critic is an evaluation that is poorer than a poor evaluation. Therefore, we have conducted separate analyses with a reputation variable that also incorporated not evaluated productions. The difference is that companies of which not all productions were reviewed receive lower average reputation scores in the alternative reputation variable. For example, a company that produced 12 productions in the original variable, of which 7 received evaluations with a score of 3.5 and 5 did not receive any evaluation, had a (average) reputation score of 3.5. In the alternative reputation variable the (average) reputation score of this company would be 2.0. The analyses with the alternative reputation variable did not result in regression models that where substantially different from our original analyses.

The reputation and legitimacy variables were calculated over a three year period. It could be possible that recent events such as scandals or severally poor evaluations effect the venue programmer's perception of the company. As discussed before, especially organizational reputation is subjected to such instabilities (Hutton et al. 2001). Therefore, we repeated our analyses in a similar way with short term legitimacy and reputation variables. We substituted

organizational legitimacy and organizational reputation by variables that only used information from expert reviews in the one year period before the venue programmers' scheduling decisions. The analyses did not result in regression models that where substantially different from our original analyses.

To check the robustness of our findings we repeated our analyses with a multilevel regression models (in MLwiN). Since we conducted our analyses on a product level with the inclusion of organizational variables – the companies in our sample can produce more than one production and therefore these productions share all variables that are on the organizational level – there is the possibility that the variance in scheduled capacity could be partly explained by the fact that particular productions belong to particular organizations. However, the multilevel regression analyses showed that there was no significant variance in the intercept at the group level, so ordinary multivariate regression analysis is sufficient.

6 Discussion and conclusion

In this study we focus on scheduling decisions of intermediaries in the high arts. New productions are often planned in the theatre way before the final product is finalized. In a sense, a venue programmer's decision is similar to a retailer's decision to put a new product on the shelves or an airline company deciding to order the new Dreamliner from Boeing before the plane is fully developed.

Our research was guided by the idea that intermediaries' decisions about whether to adopt a new product or not is influenced by the innovativeness or lack of conventionality of a new production (and the signals that communicate the innovative properties of the new production)

and organizational signals, such as, the producing company's legitimacy and reputation, as reflected in the media discourse of expert critics.

We found that legitimacy is an important signal that can make an innovative new product strategy more effective in terms of obtaining market access. Additionally, this study clearly shows why research should make a clear distinction between organizational legitimacy and organizational reputation (Deephouse and Carter 2005, King and Whetten 2008)(Cole and Matsumiya 2007).

Our results clearly show that there is a negative main effect of product innovativeness on scheduled capacity in the high arts. This does not contradict that innovativeness is a general quality indicator for many relevant stakeholders (Hellbrun 1993, Wijnberg and Gemser 2000) . However, it does suggest that intermediate buyers are careful in balancing the advantages of innovativeness with its disadvantages, especially the increased risk, and particularly so in a market that is already characterized by high demand uncertainty. Our findings suggest that venue programmers seem to be guided more by the need to reduce uncertainty in audience demand than by the need to increase potential innovative qualities of their program. Our results are similar to the findings in earlier research that showed that audience members prefer classic plays or plays from well-known playwrights (DiMaggio and Stenberg 1985a, O'Hagan and Neligan 2005, Throsby 1990, Werck and Heyndels 2007).

More specifically, our findings suggest that decision makers either focus on the innovative quality of a production or on reducing uncertainty in demand, and that organizational legitimacy determines which of these paths they follow. On the one hand, venue programmers seem to provide more scheduled capacity for productions from companies with high legitimacy when their productions are low innovative than when they are high innovative. On the other

hand, venue programmers seem to provide more scheduled capacity for productions of companies with low legitimacy when their productions score high on innovativeness than when they score low.

In a somewhat paradoxical sense, this suggests that established organizations with high legitimacy are best positioned to reap the rewards from *not* being that innovative. In turn, this means that legitimacy is an important asset for a company to not being forced to be too innovative, with the attendant risks of doing so reduce innovation risks, as innovative productions are likely to be more risky in general.

As hypothesized, organizational reputation did not have an effect on the extent to which the venue programmers were willing to schedule innovative productions. Organizational reputation may be a less important asset in relation to product innovativeness, because reputation can be very fickle (Barker-Nunn and Fine 1998, Fuller et al. 2007, Hutton et al. 2001), and this is even more likely to be the case in the cultural industries (Chen et al. 2011).

Finally, our research illustrated that demand forecasts are very hard to make in the cultural industries. Scheduled capacity is, for example, positively related to past and recent attendance, but not significantly so. Past audience successes, therefore, seems to be a poor indicator of future audience successes. One of the reasons may be that intermediaries prefer legitimacy and innovation signals more than (past) visitor data and this is the first time that this mechanism is highlighted.

6.1 Limitations and future research

Of course, this study is limited because the empirical material comes from one particular industry in one particular country. Also, we focused on innovativeness as a product characteristic on the

basis of which intermediate buyers decide if they want to acquire a product and how much of this product they want. We have used a conceptualization that in essence represents how familiar stakeholders are with key elements of a new product. However, innovativeness can be conceptualized in different ways, for instance by also looking at new ways to perform an often-produced play, and also graded in different ways, for instance by distinguishing between incremental and radical innovations. Therefore, focusing on different types and grades of innovativeness may result in detecting relations between innovativeness and decisions of stakeholders that are different from the effects found in this study.

Our analyses contain organizational level as well as production level variables. A regression model in which we take into account that one company produces more productions did not provide a better model than a model in which each production is regarded as independent from the other productions of a company, because there was no substantial variance at the organizational level. Nevertheless, we note that the lack of significant organizational level variance may be specific for this study and that variance at the organizational level may become an important issue when the numbers of productions of a company increase due to a different design of the study.

Venue programmers have restrictions in terms of flexibility in their decisions, because scheduling decisions are made on a yearly basis. On the one hand, the restrictions of venue programmers allow us to construct a model that explains a substantial part of the variance in scheduled capacity, because there are few other factors that may influence venue programmers scheduling decisions. On the other hand, other types of intermediate buyers may have more flexibility and, therefore, may be influenced by other factors.

The above-mentioned limitations point the way towards possibilities for further research by studying different types of innovation and also different types of intermediaries. Of course, while in some industries, such as fashion, the value of innovativeness is comparable to what it is in the high arts industry, in other industries other product characteristics may come to the forefront as important indicators of quality to intermediate buyers. Also, while publicized expert reviews are high important in the cultural industries, and organizational reputation and organizational legitimacy can therefore be derived from a study of these reviews, other indicators may be more adequate in other industries. For example, in the bicycle industry retailers decide one year in advance which new product to stage. To estimate the new product's success they may focus on trade journals and/or preferences of professional athlete's as signal for legitimacy and industry awards as signal for reputation or product quality. Looking at different readily observable product characteristics and other operationalizations of organizational reputation and organizational legitimacy would allow further explorations of the generalizability of our results.

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Table 1: Descriptives of performances of a production in our sample.

	Mean	S.D.
Theatre		
Number of nights	17	16
Nights in one location	3	4
Number of locations	7	9
Capacity in location	320	245
visitors	168	167
Dance		
Number of nights	8	9
Nights in one location	2	2
Number of locations	4	6
Capacity in location	542	356
visitors	322	339

Table 2: Excerpt of innovativeness data.

Low innovative productions	count since 1900	*innovative productions*	count since 1900
Romeo & Juliet	97	A Streetcar Named Desire	2
Medea	63	Excellence in Exile	0
The Nutcracker	43	I'm Every Woman	0
A Midsummer Night's Dream	27	Victory Boogie Woogie	0
The Good Hope	18	Nannies Only	0

Table 3: Correlation Matrix Organizational.

	M SD	1	2	3	4	5	6	7	8	9
1 scheduled capacity	5478 8072									
2 Innovativeness	-0.36 0.93	-0.481**								
3 Legitimacy	29.34 22.64	0.478**	-0.426**							
4 Reputation	1.94 0.94	0.071	0.029	0.064						
5 Attendance	55.70 13.72	0.113	-0.029	-0.145	0.355**					
6 Recent attendance	56.52 16.57	0.146	-0.058	-0.162	0.409**	0.911**				
7 Organization size	27.32 24.51	0.298**	-0.318**	0.710**	-0.045	0.002	-0.048			
8 Organization age	27.49 18.04	-0.092	0.119	0.268*	0.163	-0.201*	-0.170	0.473**		
9 Organization type	0.20 0.40	-0.118	0.118	-0.214*	0.207*	0.210*	0.221*	0.283*	0.389**	
10 Home-venue	0.16 0.37	0.497**	-0.374**	0.375**	-0.088	0.122	0.152	0.236*	-0.193*	-0.172*

* < 0.05; ** < 0.01

Table 4: Effects of innovativeness long term legitimacy and long term reputation on audience scheduled capacity.

	Scheduled capacity		
Variable	Model 1 β t	Model 2 β t	Model 3 β t
Constant	-0.264	-0.753	-0.264
Innovativeness	-0.254	-0.120	-0.002
	-3.130 **	-1.273	-0.009
Legitimacy	0.464	0.343	0.328
	3.521 **	2.549 *	2.397 *
Reputation	-0.119	0.004	-0.003
	-1.391	0.044	-0.031
2-way			
Legitimacy*Innovativeness		-0.328	-0.356
		-3.136 **	-3.192 **
Reputation* Innovativeness		-0.073	-0.060
		-0.841	-0.678
Legitimacy*Reputation		0.096	0.099
		1.025	1.058
3-way			
Legitimacy*Reputation*Innovativeness			0.122
			0.731
Controls			
Attendance	0.014	0.058	0.014
	0.077	0.332	0.077
Recent attendance	0.176	0.055	0.176
	1.024	0.324	1.024
Organization size	-0.204	-0.119	-0.204
	-1.502	-0.842	-1.502
Organization age	-0.036	0.004	-0.036
	-0.373	0.043	-0.373
Organization type	0.074	0.016	0.074
	0.775	0.168	0.775
Home-venue	0.246	0.274	0.246
	2.996 **	3.413 **	2.996 **
N	134	134	134
R^2	0.446	0.502	0.505
Adjusted R^2	0.407	0.451	0.449
F-Value	10.851 ***	9.838***	9.086***

+ < 0.10; * < 0.05; ** <0.01; *** < 0.001

Figure 1: Interaction between long term legitimacy and innovativeness on scheduled capacity.