ERASMUS SCHOOL OF HISTORY, CULTURE AND COMMUNICATION

PERFORMANCE IN CULTURAL ORGANIZATIONS: THE CASE OF ORGANIZAÇÕES SOCIAIS IN BRAZIL

Master Thesis – MA Cultural Economics and Entrepreneurship
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Abstract

The public support for the arts and culture has been widely discussed by economists, arts administrators, and policy-makers in the last decades. The shortage of funds to support the cultural sector - intensified in many countries during the 1990's - increased the demand for performance measurement and accountability in the sector. Performance indicators started to be applied to monitor the operations and the management of cultural organizations, resulting in a general complaint based on the alleged inappropriateness of the managerial rationality to the arts field. Despite of this fact, the use of performance measurement methods is being adopted by many countries to implement new hybrid models for the funding and management of arts and cultural institutions. In this sense, this study uses quantitative methods to examine the performance evolution of cultural organizations operating under the Brazilian Social Organizations (OS) model. The results indicate that OSs are being more efficient and effective in terms of revenue and accountability maximization, and are less focused on economy maximization objectives. The effectiveness of the OS model in terms of reducing the dependency on public funding and enabling the diversification of revenues might lead cultural institutions towards financial stability and organizational sustainability. While many positive aspects regarding Social Organizations have been identified, this study emphasizes some points of attention regarding the OS model and the use of performance indicators in the arts and cultural field.

Keywords: *Arts and Culture Funding, Nonprofit Organizations, Performance Indicators, Social Organizations, Organizações Sociais.*

Acknowledgements

This last months and the years of 2016 and 2017 will be always remembered by me. After more than six years, I boarded to a new country to experience the academic life one more time. It was not easy to leave my job and family behind to start a new phase. However, I was going back to university to study a theme that has always called my attention.

Actually, even without being aware of my future steps, I wrote about creative industries and entrepreneurship for my bachelor thesis. It was not an obvious choice for a student of business administration that used to work with mergers and acquisitions. Therefore, I do not like to face this thesis as an ending point. I would rather see it as the starting point of a new journey.

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Right now, I have the feeling that the year of 2017 is just starting, and I am sure that the experiences that I have gained during these months at Erasmus University, and in the Netherlands, will help me to achieve many accomplishments.

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1. Introduction

Support and subsidies to the arts and culture have been widely discussed by economists, arts administrators, and policy-makers since the publication of Baumol and Bowen's book, *Performing Arts: The Economic Dilemma*, in 1966 (Towse, 2010; Heilbrun, 2011). 'Baumol's cost disease' refers to financing problems derived from the "ineluctably rising unit costs" (Heilbrun, 2011, p. 67) of labor-intensive sectors such as the performing arts. As argued by Baumol and Bowen (1966), these sectors are subject to continuous cost pressure derived from a 'productivity lag', once they are unable to increase labor productivity but must operate with increasing cost levels – i.e. wages (Frey, 2011, p. 373). Unable to fully recoup cost by means of ticket sales (Netzer, 2011, p. 306), arts administrators used 'Baumol's cost disease' as a justification for the economic inefficiency of their organizations, avoiding to expose potential bad managerial decisions (Towse, 2010, pp. 11-12). In this sense, the gap between the rising costs of production and the generated revenues would need to be funded by public subsidies or private patronage in order to maintain arts' quality and quantity (Towse, 2010).

Since 'Baumol's cost disease' many scholars have argued about state's responsibility for financing and supporting artistic and cultural activities, using the principle of market failure as an economic argument to support state patronage in the cultural sector (Towse, 2010). In this sense, government intervention – by means of subsidies, taxation or regulation – is meant to correct market failures and improve social efficiency (Towse, 2010, p. 166).

Next to market failure, the equity argument, which states that arts should be available for everyone, is another economic justification for public support to the arts. Based on this argument, state patronage of arts is a necessary instrument to promote equality and democratization of arts and culture (Zimmer & Toepler, 1999, p. 34), enabling the maximization of social welfare. Following this idea, public subsidies are intended to lower the prices and widen access to arts and culture for lower income individuals.

Nevertheless, there are some counter-arguments for public support to the arts. Frey (2011) suggests that government intervention in the arts is also subject to failure because politician's individual utility prevail compared to the social goals of the arts organizations. Additionally, the author argues that, frequently, public subsidies do not achieve the equity objective and cultural goods are mostly enjoyed by the high-income class (Frey, 2011). Part of the literature opposes public subsidies for the arts because of the impossibility to measure their effects and the limited extent of the impact in term of beneficiaries. King & Blaug (1976) analyze the Arts Council procedures in the United Kingdom, showing that there is no clear definition of its objectives for their funding to the arts. According to the authors, this prevents any analysis of the cultural policy's effectiveness. For Grampp (1989), public subsidies are "an involuntary transfer of resources from the public to arts organizations and their audiences" (p. 120) and the main beneficiaries are their audiences and the organization itself.

Furthermore, some scholars argue that the form and structure of state subsidies can lead to cultural organizations inefficiency and can create a total dependency on public financing. According to Frey & Pommerehne (1990), the lump-sum structure of subsidy might eliminate the incentives for cultural organizations to be more efficient and can even create incentives to increase financial debt. In this sense, Schuster (1997) suggests that arts institutions might strategically optimize their deficit level in order to assure optimal subsidies from the government.

In order to avoid undesired and uneconomical behavior of both, public agents and cultural organizations, in the last years many countries adopted new models and systems for the funding and management of cultural organizations. Countries such as UK, Australia, New Zealand and Ireland adopted the 'arm's-length' principle of public finance, where private not-for-profit organizations operate under a hybrid funding model, receiving subsidies from the government and complementing it with income from sales and donations (Towse, 2011, p. 5). This system intends to limit political interference in the arts and culture organizations and create accountability for public funds (Withers & Alford, p. 2011). In Europe, some state cultural institutions gained autonomy and flexibility (Hutter, 1997; Benhamou, 1998), functioning like private nonprofit organizations (Netzer, 2011). In Brazil, the Social Organizations (*Organizações Sociais – OS*) model was created to allow the management of public cultural assets by private not-for-profit organizations, aiming to provide more efficiency to arts and cultural activities (Costin, 2008; Fiore, Porta, & Duarte, 2011).

In this sense, some authors argue about the importance of performance measurement in cultural organizations that receive public financial support. Gilhespy (1999) argues that monitoring the performance of these organizations is one method of accountability in public expenditure. Peacock (2003) claims that any form of public funding to cultural activities – independent if the recipient is a private or state-owned and operated organization – requires the adoption of assessment techniques. In practice, the relation of the funding agency with the grant recipient involves some form of contract, which states the selected indicators to measure if the performance of the organization corresponds to the expectations (Peacock, 2003). Schuster (1997) also acknowledges the importance of the adoption of performance indicators in cultural organizations, suggesting that the exposure of their operations to public debate could strengthen governments commitment to arts and culture.

Considering the above presented background, this research will examine the performance evolution of cultural organizations operating under the Brazilian Social Organizations' (OSs) model. This model, created in 1998, has been used actively by the governments of some federal units such as São Paulo (Fiore et al., 2011) to improve the efficiency of cultural assets (e.g. museums, theaters). As the model relies on public funds, it is necessary to use performance indicators to assess if it is achieving its objective (i.e. improve efficiency, reduce dependency on public funding).

The next sub-sections will explain in more detail the relevance of this study and the way the thesis is structured.

1.1 Relevance of this research

As it will be discussed in this study, the shortage on funds to support arts and culture increased the demand for performance measurement and accountability for public money (Gainer & Padanyi, 2002; Turbide & Laurin, 2009). Many countries developed new models aimed to avoid, or at least limit, uneconomical behavior of cultural organizations and public agents.

In Brazil, the Social Organizations (OS) model was created to enhance the efficiency of cultural assets and to lower its dependency on public funding. However, the literature on this theme is focused on the legal, qualitative, and implementation aspects of the model. Quantitative analysis regarding the efficiency and effectiveness of the OS model is inexistent, at least until the limits this study could verify.

In this sense, the relevance of this research lies in the fact that it presents quantitative empirical information on a relatively new model for the management of cultural public assets (e.g. museums, theaters), where the state is responsible for policy decisions and private nonprofit organizations oversee operational and strategic matters to accomplish the objectives of the policy.

The findings of this research might be of great value on the development and improvement of cultural policy-making, performance indicators and incentives for OS's managers in order to avoid uneconomical behavior.

1.2 Structure of the thesis

In order to facilitate the reading and comprehension, this thesis is structured in five main chapters, including this first introductory section. The second chapter presents an overview of the literature on the most relevant topics for the purpose of this study. The third part is dedicated to explaining the methods used for the analysis of the Social Organization (OS) model's performance. The fourth chapter discusses the results and the main findings of the analysis. Finally, the last chapter comprehends the general conclusion of this study, its main limitations and suggestions for future research.

2. Literature review

This chapter will present a brief overview of the literature on the most relevant topics for the purpose of this thesis. It starts with the review of not-for-profit organizations, alleged to be the most common organizational structure for institutions which receive public funds (Caves, 2000; Throsby, 2000). The second sub-section comprehends a brief overview on the evolution of organizational performance analysis, followed by a section devoted to the review of literature on performance measurement in cultural institutions. The fourth sub-section examines the theories on the use of performance indicators in the arts and cultural sector, and the last gives a brief overview of the Social Organization model.

2.1 Not-for-profit organizations in the arts and cultural sector

The arts and cultural market is formed by firms organized on (i) not-for-profit basis, (ii) for-profit basis (including independent artists); and (iii) the state (Netzer, 2011, p. 304). As the purpose of this research is to analyze the OS model (which is exclusive for nonprofit organizations), this section will focus on the not-for-profit form of organization.

On a simplified definition, a not-for-profit organization (nonprofit or NPO) is a legal entity prohibited from distributing profits to shareholders or managers (Hansmann, 1980). Netzer (2011) argues that, although non-profit firms' definition and characteristics differ significantly among countries, they can be defined as organizations with a formal structure and governance, which share two basic characteristics:

> (1) the managers of the organization do not own the enterprise or have an economic interest that can be sold to other firms or individuals; and
> (2) any surplus of revenue over expenditure may not be appropriated by the managers of the organization, but must be reinvested in ways that further the stated purposes of the organization. (p. 304)

Additionally, Hansmann (1980) suggests that NPOs can be classified as commercial, when its operations account for the majority of its revenues, or donative, when the organization depend on external funding resources.

In a simplistic and broad view, not-for-profit organizations appear to deliver goods and services that are not provided neither by the public nor by the private sector (Etzioni, 1972; Kotler & Murray, 1975). In other words, NPOs emerged to satisfy consumers' needs which were not being fulfilled by any other player. According to Weerawardena, McDonald, & Mort (2010), "Business does not satisfy these needs because it cannot do so profitably. Government does not satisfy these needs because there is not enough public support to do so." (p. 347). In this sense, NPOs' purpose is to fulfill a mission that is not economically viable under a for-profit business model and for which there is not enough public support for a direct government action (Hansmann, 1980; McDonald, 2007).

Based on this perspective, Weerawardena et al. (2010) position for- and nonprofit organizations in two different extremes. On the one hand, "for-profits aim to create increased shareholder wealth through the delivery of superior value to its customers", and on the other hand, "NPOs must strive for financial resources in order to deliver social value to its clients." (p. 348). With these clear differences, the authors claim that nonprofit organizations operate in a more complex and challenging environment, dealing with a broader range of stakeholders under an exclusive relationship between operations and revenues (Weerawardena et al., 2010, p. 347).

Regarding the emergence of not-for-profit organizations in the arts and cultural sector, many scholars argue that it is related to the cost structure of the organizations in this field (Hansmann, 1986; Caves, 2000; Netzer, 2011). Hansmann (1986) argues that the fixed costs of production in performing arts, museums and cultural broadcasting are very high in comparison to variable costs. For this reason, according to Netzer (2011), "it may be impossible to fully recoup costs by charges paid by direct users in most cases" (p.

306). In this sense, organizations tend to charge customers only the necessary amount to cover the low variable costs (Netzer, 2011, p. 306).

In his analysis about the emergence of NPOs in the performing arts, Caves (2000) argues that the nonprofit model is almost the solely form of organization in symphony orchestras and opera companies. However, he shows that music performance and museums were mostly profit-seeking ventures in the nineteenth century and presents the evolution of the donor-supported nonprofit model: “Nonprofit organizations in the arts plausibly flourish where high fixed costs and contract failures would bedevil profit-seekers.” (Caves, 2000, p. 238). The author argues that organizations operating under the nonprofit model were able to deliver performance with higher quality if compared to other models: “conventional profit-seeking firms might not generate maximum social benefits. They might charge too much, settle for inferior quality, or fail to produce some creative goods at all. Donor supported NPOs can in principle repair the deficiencies.” (Caves, 2000, pp. 246-247).

These deficiencies are also discussed by Netzer (2011), who argues that it is difficult to prevent “for-profit enterprises (and their employees) from appropriating the proceeds as extra income” (p. 306). In this sense, some authors, like Throsby (2000), suggest that the not-for-profit model is the only structure that enables cultural institutions to receive grants and gifts to survive and deliver public goods.

The facts presented above show that there are many benefits on using the NPO model for arts and cultural organizations. However, some scholars argue about the inefficiencies of not-for-profit institutions. The next sub-sections will present a brief overview on (i) the literature about inefficiency in cultural NPOs; and (ii) new mechanisms and models adopted to avoid uneconomic behavior in arts and cultural institutions.

2.1.1 The inefficiency of the nonprofit model in arts and cultural organizations

Although the NPO model is widely used and defended as the only structure for arts and cultural organizations receiving public funds (Caves, 2000; Throsby, 2000), some authors argue that the structure of the subsidy might affect cultural nonprofit organization’s behavior. Frey & Pommerehne (1990) explain that the lump-sum subsidy - the predominant form of grant for nonprofit theaters - is designed to ensure the existence of the organization and is not related to its inputs, outputs or prices, eliminating the incentives to earn profits. The authors argue that organization’s deficits are “often accomplished by improving quality above the level desired by the audience, distributing rents to employees, concentrating on the 'artistic side' and disregarding other possible sources of revenue" (Frey & Pommerehne, 1990, p. 180).

Schuster (1997) goes further arguing that arts institutions might strategically optimize their deficit level in order to assure optimal subsidies from the government: "If it was too large, the arts council or the ministry would begin to worry about poor management; but if it was too small, there would be little reason to give the institution public resources." (p. 258). The author makes a similar argument for an organization dependent on private donations: "it does not want its annual report to ever show a surplus because there would then be no reason to give. Conversely, the institution does not want to show a deficit that is too large, because then it might seem fiscally irresponsible." (Schuster, 1997, p. 259).

However, this uneconomic behavior cannot be simply attributed to the nonprofit operation model. Grampp (1996), who according to Netzer (2011) is one of the most critic author about economic behavior of museum managers, states that "Nonprofit does not in principle signify inefficiency even if it does in practice." (Grampp, 1996, p. 221), arguing that the economic inefficiency of museums is more related to rent seeking attitudes of their managers. Grampp (1996) argues that the motivations of nonprofit museum managers (agents) are often aligned with the board of trustees (principal). In this sense, Netzer (2011) claims that "Both gain satisfaction from non-economic management of museums, and have no reason to maximize either the utility of museum visitors or financial results: gifts and grants ensure that the latter is satisfactory." (p. 307).

Although there is evidence of incentives for uneconomic behavior in nonprofit institutions, many authors advocate that the NPO model is more appropriate for the economic management of museums if compared to state control. Frey (1994) uses examples of nonprofit museums in the USA to argue that their economic behavior (e.g. longer opening hours, better conservation, exhibiting a larger percentage of the collection) is related to the independence from state control. Peacock (1998) perceives the nonprofit model as more flexible in terms of management decision if compared to state controlled organizations.

Finally, Netzer (2011) argues that although the nonprofit model might provide incentives for uneconomic behavior by managers, they minor if compared to the case of state cultural institutions, once "Uneconomic behaviour often is the very purpose of state provision of the service." (p. 308).

2.1.2 Models to avoid uneconomic behavior in arts and cultural organizations

In order to avoid uneconomic behavior of private and public agents, many countries have adopted a hybrid funding model for the arts and cultural organizations. Instead of relying only on private or public support for the arts, countries like the UK, Australia, New Zealand and Ireland adopted the "arm's-length" principle of public finance, where private NPOs "are granted sums of money from general taxation for a specific period of time and are expected to raise a considerable proportion of their incomes from sales and donations, increasingly helped to some degree by the tax system." (Towse, 2011, p. 5).

According to Withers & Alford (2011), this system is used to "limit short-term political interference…while retaining public accountability for use of taxpayers' monies." (p. 84). Peacock & Rizzo (2008) argue that in countries like the UK, were arm's-length system is operated by independent agencies, the decision-making process is more 'demand-oriented' if compared to countries with a state-driven system, such as Italy, where policy-making is held by bureaucracies. In this sense, Rizzo (2011) claims that arm's-length systems provide a better environment for "consultation and review procedures as well as regulatory assessment, which are useful means for reducing information asymmetries and improving the efficiency of the regulatory process" (p. 390).

Additionally, to avoid uneconomic behavior in cultural institutions, many state cultural organizations are changing in the last years, with some institutions gaining more autonomy and can even raise fund from private sources, acting more likely a NPO (Boorsma, 1998). Benhamou (1998) gives the example of The Réunion des Musées Nationaux, a French state entity that was converted into a private establishment to allow more flexibility (e.g. contract employees without lifetime job security) to its operation. In the same direction, Hutter (1997) discusses the increased flexibility and reduction of rules for state cultural entities in Europe, in a case of quasi-privatization of these institutions, and Schuster (1998) discusses the process that reduces the distinction of state and private nonprofit museums in the USA, a process he calls "hybridization".

The above presented models show a greater interaction between the private and public sector in terms of funding and management of cultural institutions. However, in the case of public-funded NPOs, the resource dependency makes nonprofit organizations "subject to their environment rather than autonomous in making financial decisions."

(Carroll & Stater, 2009, p. 948). This dependency, allied to the shortage on government money to support arts and culture, creates great revenue instability for nonprofit organizations (Carroll & Stater, 2009) and increases the demand for performance measurement and accountability for public funds (Gainer & Padanyi, 2002; Turbide & Laurin, 2009).

In this sense, the next sections of this study will discuss the (i) necessity of nonprofit organizations to pursue a more commercial orientation; (ii) evolution of organizational performance evaluation (in both, for-profit and not-for-profit contexts); and (iii) necessity to adopt a broader concept of accountability in the nonprofit context.

2.1.3 Market and commercial orientation in the nonprofit context

Hsieh, Curtis, & Smith (2008) argue that, in order to deliver services that satisfy individual and societal needs, nonprofit organizations depend on multiple streams of financial resources for survival. In a general view, NPOs rely on three different funding sources: (i) earned income (through operations); (ii) governmental support; and (iii) private donations (Weerawardena et al., 2010, p. 348).

Weerawardena et al. (2010) affirm that, in response to the increasing competitive environment (e.g. cut of public funds, growth in the number of competitors), NPOs were forced to adopt strategies designed for the achievement of financial stability, which is "demonstrated by their emphasis on revenue enhancing and cost reduction in their operational decisions." (p. 353). Rentschler & Potter (1996, p. 101) also defend a more commercial-oriented approach in the NPO context, suggesting that not-for-profit museums and performing arts organizations should focus more on an efficiency use of resources and on the effectiveness of their operations (p. 110).

According to Rentschler & Potter (1996, p. 100), nonprofit organizations should use the commercial approach to become more viable and vital. In the authors definition, viability is related to the long-term survival of the organization and "includes the relevance of the organizational mission", and vitality is connected to the "competitiveness, identity and distinctiveness" of the organization in the interaction with the external environment (Rentschler & Potter, 1996, p. 100).

Hsieh et al. (2008) also observe the change in NPOs' orientation. The authors argue that, aiming to reduce their resource dependency, arts organizations adopt a market-oriented approach to promote new income streams: "Managers turn to helps for not only audience development and customer retention, but also business ventures for new earned incomes.” (Hsieh et al., 2008, p. 7). This diversification of revenues, according to Griffin (1984), can be seen as a way to protect the main product (i.e. museums, which may be unprofitable) and support the justification of public expenditure on it.

Interested in the impacts of revenue diversification in NPOs’ sustainability, Carroll & Stater (2009) conducted an empirical analysis with data from more than 294 thousand US nonprofit organizations (p. 951). Their results indicate that organizations with diversified income streams have lower levels of revenue volatility, which can encourage organizational longevity (Carroll & Stater, 2009, p. 962). In this sense, Carroll & Stater (2009) suggest that “nonprofit managers may increase the financial stability of their organizations by adding additional revenue streams.” (p. 947).

Similarly, Gainer & Padanyi (2002) are interested in the relationship between market orientation and performance in nonprofit cultural organizations. Their survey with 138 Canadian nonprofit arts and cultural organizations suggests that market-oriented NPOs predicted higher revenues, higher levels of customer satisfaction and enhanced artistic reputation among peers (Gainer & Padanyi, 2002, p. 182)

Although also in favor of the diversification of revenues, Hsieh et al. (2008, p. 1) argue that the market orientation in NPOs in the arts and cultural sector is embedded in a stakeholder environment, and, therefore, organization’s sustainability rests on its ability to align its strategy to stakeholder’s interests. In this sense, according to Weerawardena et al. (2010) “nonprofit sustainability means that the organization will be able to fulfill its commitments to its clients, its patrons, and the community in which it operates.” (p. 347).

Last, as presented by Hansmann (1980), not-for-profit organizations are not prohibited of making profits. As argued by Weerawardena et al. (2010), “it is essential that a nonprofit be profitable in order to maintain operations to meet its mission. Profits from operations or donations are invested in capital expenditures like facilities and asset, or revenue producing assets to provide funding for future operations.” (p. 351).

The above presented arguments, and the change towards a more commercial-oriented approach leads to the need of a better understanding of the evolution of organizational performance evaluation (in both, for-profit and not-for-profit contexts), which will be done in the next sections of this literature review.

2.2 Evolution of organizational performance evaluation

Organizational performance evaluation practices are studied, among others, by the accounting literature, and can be related to both, internal and external reporting. On the one hand, the internal dimension is studied by the field of management accounting, defined as “the process of supplying the managers and employees in an organization with relevant information, both financial and nonfinancial, for making decisions, allocating resources, and monitoring, evaluating, and rewarding performance.” (Atkinson, Kaplan, Matsumura, & Young, 2012, p. 26). On the other hand, “financial accounting systems produce financial information for investors, regulators, and other external stakeholders according to rules and standards formulated by national and supernational regulatory bodies” (Chiaravalloti, 2014, p. 61).

The literature on organizational performance evaluation is rooted in the area of management accounting and can be classified in two historical phases: before and after the publication of Kaplan and Norton’s article, named “*The Balanced Scorecard—Measures That Drive Performance*” in 1992 (Chiaravalloti, 2014, p. 61).

Until the middle 1980’s, management accounting literature focused on the perspective of profit-oriented firms (Kaplan & Johnson, 1991). Shareholders and institutional investors were focused on financial measures, interested in sales, return on investment and other profit-related measures. Therefore, “traditional approaches to performance measurement have focused on indicators of profitability (e.g., profit margins, return on investment, economic value added or stock price performance).” (Turbide & Laurin, 2009, p. 57). In this sense, profit-oriented organizations’ accountability was measured based on the assessment of their financial statements in terms of liquidity and solvency (Rentschler & Potter, 1996, p. 104).

In the late 1980’s, academics started questioning the relevance of a unidimensional, profit focused, performance evaluation method (Johnson & Kaplan, 1987). In the 1990’s, according to Turbide & Laurin (2009, p. 56), academics and practitioners argued that the inclusion of non-financial indicators (deemed to be more related to organizations’ long-term strategy) to the performance measurement systems, would result in better indicators of management effort and less manipulation.

Kaplan & Norton’s (1992) balanced scorecard proposes a multidimensional approach towards performance measurement. Besides considering firms’ financial perspective, the balanced scorecard considers three other perspectives to evaluate performance: (i) customers; (ii) growth and innovation; and (iii) internal business-process. According to the authors, the four perspectives performance evaluation approach, linked with the organization’s strategy and meaningful indicators, can enhance the effective assessment of both short and long-term performance.

As mentioned above, the management accounting literature focused on the perspective of for- profit organizations. Nevertheless, as presented by Gilhespy (1999), the 1980's and 1990's were characterized by a re-examination of the functions of the state in some European countries, which led to new policies and methods to improve accountability in public expenditure. In this sense, Gilhespy (1999) argues that performance measurement is one method of accountability in public expenditure: "The reason put forward for monitoring or measuring the performance of an organization which receives public money is to provide information about whether the organizations is achieving what it is supposed to achieve." (p. 39).

In the perspective of public sector performance assessment, Jackson & Palmer (1988) present what was later acknowledged as the fundamentals of monitoring: economy, efficiency and effectiveness of service – also known as the Three 'E's. As these terms will be further referred in this research, it is worth exploring their definitions and usage in herein context.

The first term, economy, refers to how incurred costs compare with expected or planned costs (Jackson & Palmer, 1988). Second, efficiency, based on the literature of performance measurement, can be defined as the best possible relationships between inputs and outputs (Gratton & Taylor, 1992). In a technical approach, it can be represented as the organization's output divided by the consumed resources, or as the cost of inputs divided by the output (Jackson & Palmer, 1988).

Finally, the third term, effectiveness, is a problematic concept "in the sense that it can mean different things to different people." (Forbes, 1998, p. 183). On the one hand, Gilhespy (1999), uses the technical definition from the literature of performance measurement by Jackson & Palmer (1988), where "Effectiveness is defined as how far the output achieves objectives" (pp. 39-40). On the other hand, Turbide & Laurin (2009) use the definition of the management literature, where effectiveness is represented as "*the extent to which an activity achieves desired outcomes."* (p. 69, original emphasis).

Although, in a quick analysis, both definitions seem similar, there are important differences in the meaning of output and outcome, especially in the perspective of cultural organizations. Whereas output can be defined as "the direct product of the activity of cultural institutions, obtained through the combination of the resources available to those institutions" (Pignataro, 2011, p. 333), outcome is related to the specific objectives pursued by the cultural institution, been "represented by the ultimate goals of arts production, usually in terms of impact on its beneficiaries" (Pignataro, 2011, p. 333). As an example, the output of a museum can be represented by the number of exhibitions held, once it's outcome could be the enrichment and education of the visitors. In this sense, outputs in the arts and cultural sector tend to be easily identifiable and measured. Contrarily, "outcomes reflect qualitative aspects of cultural production, it may prove particularly difficult to find measures that can quantify these outcomes." (Pignataro, 2011, p. 333).

As argued by Cavaluzzo & Itner (2004), the difficulty of measuring qualitative outcomes is one of the main reasons that limit the development of performance measurement systems in the non-for-profit sector. Mariani & Zan (2011) go further and point out that the scarcity of accounting research in the arts is related to the ambiguity of concepts in the field: "the difficulty of understanding and interpreting inputs, throughputs, outputs and outcomes in the arts industries, due to the ambiguity of those concepts in the arts field" (Mariani & Zan 2011, p. 141).

For the purpose of this study, and in order to understand the difficulties of developing performance measurement in this field, it is important to review the literature on performance measurement in not-for-profit cultural organizations.

2.3 Performance measurement in nonprofit arts and cultural organizations

The acceptance of accounting principles for the evaluation of not-for-profit cultural organizations is a consequence of the diffusion of managerial rationality (Hooper, Kearins, & Green, 2005, p. 416) and of the pressure from the government and funding agencies in the case of public supported organizations (Chiaravalloti, 2014, p. 81). According to Turbide & Laurin (2009, p. 61), the increased demand for accountability and performance measurement in cultural institutions is explained by the decrease in public funding for the sector. The competitive environment for funds pressured cultural institutions towards the use of formal and standardized documentation (e.g. accounting forms) to demonstrate their organizational effectiveness to funding agencies (Turbide & Laurin, 2009, p.61).

Chiaravalloti (2014, p. 81) argues that this pressure to adopt formal standards is a case of what Miller (1998) defines as the process of the "adding of practices to accounting at its margins", forced "by regulatory bodies, government agencies and other institutionalized actors who argue that there is 'a problem,' that something needs to be done, and that accounting is the way to do this." (Miller 1998, p. 607).

However, Chiaravalloti (2014) demonstrates that the discussions in the literature evolved from a merely technical approach on how to apply procedures and accounting standards to arts and cultural institutions, to a more broaden perspective on how to proceed with the evaluation of the organizations' success in relation to their specific objectives.

The contemplation of organizations' objectives in the assessment of performance changed the discussion from the technicalities of accounting procedures to the differences between for-profit and not-for-profit organizations. Mautz (1988, p. 124), when discussing the topic of performance evaluation, argues that there is no natural measure for efficiency and effectiveness in not-for-profit organizations, and therefore, their success should not be evaluated in terms of market performance and profitability.

Glazer & Jaenicke (1991), when debating the technical aspects of the methods used to estimate the financial value of museums' collection, shift the discussion to the nature and purpose of museums, arguing that their objective is more related to a service return to the community rather than to a monetary return. In this sense, the authors argue that performance evaluation of museums should be grounded in the level of satisfaction of the visitors and in the service for community.

A clear example of the change from the technical accounting approach to a more broaden and context related approach in the literature on performance of arts and cultural organizations, are the two articles from Carnegie & Wolnizer (1995; 1996). The first, entitled "*The Financial Value of Cultural, Heritage and Scientific Collections: An Accounting Fiction*", where the authors argue against procedures of capitalization (and financial quantification) of museums' collections, is basically rooted in a technical approach, referring to accounting standards and practices. However, in their conclusions, the authors question the usefulness of this accounting practices in assessing the efficiency and accountability in institutions with non-commercial objectives, opening the debate for a context related approach.

2.3.1 The necessity to broaden the concept of accountability in the nonprofit context

In their 1996 article, entitled *Enabling Accountability in Museums* Carnegie & Wolnizer, engage in a more contextual debate, addressing the issue of accountability from a purely financial view to a broader dimension (Chiaravalloti, 2014, p. 67). Carnegie & Wolnizer (1996) propose a framework (EAM - Enabling Accountability in Museums) based on the use of financial and non-financial quantitative data and qualitative information to support the evaluation of organizations' performance. In this sense, the authors create an effective tool for both, internal control and external reporting (Carnegie & Wolnizer, 1996, p. 89).

The necessity to extend the meaning and scope of accountability beyond financial accountability, and perform a context and content related analysis, is shared by other authors in the arts and cultural sector. Barton (2000), when arguing that accounting principles should not be applied to heritage - because it has purposes other than only financial - suggests that performance evaluation in public heritage management should also include non-financial information related to the mission and responsibilities of the management institution. When assessing the lack of financial accountability in Pompeii (Italy), Zan (2002) argues that a broader notion of accountability in the sector is the best form to support the discussion "with professional concerns that are crucial and distinctive of these kinds of organization" (p. 93).

Rentschler & Potter (1996, p. 111) also assume a position in favor of a more broaden scope of accountability in subsidized not-for-profit museums and performing arts organizations. However, the authors argue that the only way to implement this broader concept of accountability is with clear organizational objectives, which enables the development of meaningful performance measures in areas of accountability, efficiency and effectiveness.

2.3.2 Accountability and organizational mission in NPOs

On the one hand, Turbide & Laurin (2009) argue that the simplest principle which should be considered when evaluating performance in non-for-profit organizations is "that effective performance measurement rests on a clear mission statement." (p. 59). On the other hand, Rentschler & Potter (1996, p. 111) recognize the challenge in developing a clear mission statement that enables the implementation of the broader concept of accountability in nonprofit organizations. Carnegie & Wolnizer (1996) suggest that performance measurements relying only on financial indicators neglect the complexity and diversity of objectives of publicly funded not-for-profit museums. In this sense, Rentschler & Potter (1996, p. 111) defend that the only mean to lead economists and accountants towards understanding the complexities of the nonprofit model is by developing clear organizational missions which enable the implementation of the broader concept of accountability.

In this sense, an external performance evaluation would only be meaningful with a clear statement of the organization's mission and objectives. This idea is connected to the results of Voss & Voss (2000), which indicate that organization's performance is related to its values and strategic orientation with external stakeholders. In this sense, a clear mission statement would facilitate this interaction with the external environment.

In summary, the review on the literature on performance measurements in the arts and cultural sector advocates that the evaluation should be held in a multidimensional perspective, broadening the concept of accountability beyond the financial perspective towards the context of organization's objectives and responsibilities.

Nevertheless, Turbide & Laurin (2009) argue that the literature "is mainly normative, focusing on how managers of NPO's should measure performance rather than on how they actually do so." (p. 58). Their study, a survey about the performance measurement in the performing arts, suggest that most of the organizations use multiple performance indicators in which "various dimensions that are related to financial and artistic aspects of performance" (p. 68) are taken into account.

These results call for a deeper understanding of the use of performance indicators by cultural organizations, which will be held in the following sub-section with a brief overview of the literature on performance indicators in the arts and cultural field.

2.4 Performance indicators in the arts and cultural sector

The use of performance indicators in the arts and cultural sector is not new and has gained much attention in the last decades (Schuster, 1997; Madden, 2005; Pignataro, 2011). According to Pignataro (2011), there is a simple reason behind the development of this practice in the field: "the scope for commercial profit-oriented activity is very limited in most sectors of arts production, and the size of public and private contributions can be large." (p. 332). The author goes further, arguing that, as stakeholders cannot rely in any market signal to evaluate the diverse features of arts production, there is a need to define and develop 'virtual' measures of arts organizations performance to provide empirical support on the value of their arts production (Pignataro, 2011, p. 332). In other words, the author states that for-profit organizations in the arts and cultural sectors are scarce, and that the high level of private and public funding to not-for-profit organizations demands a quantitative measurement of their production.

When reviewing the literature on performance indicators in the arts and culture, Schuster (1997) divides it as responding to three different phases in arts policy. The first period started after World War II, when arts councils and ministries of culture were created, and continues with the need for the development of social indicators in addition to the existing economic indicators (Schuster, 1997, p. 254). The period ends with scholars arguing that quantitative information would support these new created agencies to develop more rational policies (Girard, 1973; Schuster, 1975).

The second period started in the early 1980's, when, according to Schuster (1997), many countries collected and compiled quantitative data about their arts and culture sector. However, as argued by the author, the studies "focused less on performance indicators than on simple documentation of the size of the sector and the degree of activity within it.", revealing very little about the arts and culture sector in those countries (Schuster, 1997, p. 254).

Finally, the third and most recent period in the literature of performance indicators in the arts and culture sector initiated in the 1990's, with the decline of funding availability for the field and the increasing focus on accountability in public expenditure (Weil, 1994). This period is characterized by the shift from the macro to the micro perspective. Performance indicators started to be applied to monitor the operations and the management of cultural organizations, which resulted on a general complaint and tension in the field due to the new managerial rationality and the alleged "difficulty or inappropriateness of applying performance indicators to the arts and culture." (Schuster, 1997, p. 254).

Turbide & Laurin (2009) also argue about the tension related to the need for resources: "One of the difficulties in this sector is balancing the amount of resources needed to achieve artistic excellence with the dire need for funding." (p. 59). Lampel, Lant, & Shamsie (2000) recognize that cultural organizations are placed at complex managerial environment, in between two conflicting objectives: aesthetic purposes and market rules. In this case, the authors argue that the performance evaluation must be balanced between a creative-and a commercial-orientation.

Interestingly, this conflictual relationship appears to be present also when cultural organizations are measuring their performance. Turbide & Laurin (2009) conducted a survey with more than 300 general managers of not-for-profit performing arts organizations in the Canadian province of Quebec to understand how they measure their performance. Their results suggest that "that although performing arts NPO's are concerned mainly with artistic dimension in terms of their strategic priorities, they more frequently use financial indicators to account for their performance." (Turbide & Laurin, 2009, p. 68).

According to Turbide & Laurin (2009), there are some possible explanations for this result: the first is that managers appointed funding agencies as the most important stakeholders. In this sense, the resource dependence dynamic would be the explanation, once the economic dependency on funding agencies could induce the use of financial indicators (Morisson & Salipante, 2007). The second reason is related to the difficulty of measuring qualitative outcomes - e.g. artistic achievement - (Cavaluzzo & Itner, 2004; Morisson & Salipante, 2007; Sawhill & Williamson, 2001; Pignataro, 2011) which would result in organizations preferring indicators that are easily measured, compared and understood.

Even though the insurgence of the tension about the use of quantitative indicators for performance measurement in the arts and culture field seems to be rooted in the micro-level of cultural organizations management, the debates also regard "cultural indicators that are intended to monitor the levels of cultural supply and demand of a society." (Schuster, 1997, p. 253). In this sense, it is worth presenting, even if briefly, the types of indicators and review what they are designed for[1].

According to the International Federation of Arts Councils and Culture Agencies (IFACCA), there are some high-level types of cultural indicators:

> - cultural indicators (such as 'quality of life' indicators) and performance indicators for the cultural sector (such as financial indicators for the cultural industries and cultural institutions);
> - cultural indicators and cultural *policy* indicators;
> - intrinsic indicators and instrumental indicators;
> - arts indicators and cultural indicators. (Madden, 2005, p. 227, original emphasis)

Additionally, indicators can be classified according to the level of detail of their application (Madden, 2005):

- Macro indicators – sector monitoring and evaluation (e.g. cultural indicators for development, indicators for national policy evaluation;
- Meso indicators – regional monitoring and evaluation (e.g. indicators for measuring outcomes of a specific art policy);

[1] For an overview on the work done by different institutions and scholars on indicators, see Madden (2005).

- Micro indicators – for cultural program monitoring and evaluation (e.g. performance indicators for cultural institutions).

More focused on the micro-level of performance indicators, Pignataro (2011) classifies them in two types: (i) descriptive; and (ii) evaluative. On the one hand, the first type measures "a single 'real' dimension of arts production and consumption within an institution or a sector" and is "a mere quantitative 'description'" (Pignataro, 2011, p. 333) of these characteristics. Examples are number of performances, number of tickets sold, attendance, and number of employees.

On the other hand, the second type "includes 'constructed' measures, based on the definition of an aspect of performance to be evaluated (efficiency, economy, effectiveness and so on)" (Pignataro, 2011, p. 333) and are used as a method of evaluation. Examples of this type of indicators include cost per performance, cost per visitor, ratio of subsidies to total income.

At the micro-level, Pignataro (2011, p. 335) presents three main purposes regarding the use of performance indicators in not-for-profit arts and culture institutions: (i) managerial control; (ii) accountability - for public and private contributions; and (iii) organizational learning - to improve efficiency and mission achievement. Madden (2005, pp. 224-225) proposes a broader approach, considering also the use of cultural indicators by external stakeholders (e.g. funding agencies): (i) monitoring and evaluation (observing cultural phenomena and measuring policy efficacy, respectively); (ii) learning (indicators as tools for organizational learning, adaptation and change); (iii) advocacy (e.g. justification of government intervention); and (iv) influencing behaviors and attitude (which the author refers to as strategic effects).

On his article, Schuster (1997) discusses the use and implications of applying indicators to the arts and cultural sector: "in moving toward increased use of performance indicators, government should be concerned not only with the design of those indicators but also with their use." (p. 266). The author argues that when applying performance indicators to affect behavior of cultural institutions, it is necessary to expect an entrepreneurial attitude towards that indicator, thinking in advance "about counterproductive behavior as actors in the system adjust their behavior to take account of what they each perceive as their own best interests." (Schuster, 1997, p. 257). A clear example of this risk is managers' behavior to optimize the NPO deficit in order to secure grants for the next years, as discussed before in this study.

This perspective makes evident that the application of performance indicators in the arts and culture sector must be held with caution. Although this is not the focus of this study, it is important to shortly review what some scholar have presented as attention points when applying indicators to the field.

2.4.1 Risks of applying performance indicators to arts and cultural organizations

Turbide & Laurin (2009) argue that the arts and culture NPOs' dependence on funding agencies can influence a greater use of financial indicators as means to evaluate performance, changing the focus of the organization from the artistic quality to a financial perspective. Pignataro (2011) argues about the subjectivism of some indicators when comparing data source of indicators for outputs which are "computed from data that are generally collected by any organization in a more or less identical way (costs, attendance, number of performances and so on)" and outcome indicators "may be rather 'subjective' since they tend to reflect the perceptions of individuals." (p. 334).

Peacock (2003) focuses his analysis on performance indicators and the principal-agent problem in public funded arts and culture nonprofit organizations. He states that "The analysis of performance indicators as a planning tool by government in providing funding to arts companies very much depends on the institutional and financial independence of the latter from the former." (Peacock, 2003, p. 6). Peacock (2003) argues that even if constituted as an independent entity, the NPO could be considered as part of the public administration if it is financially dependent on government funds. In this case, the organization receiving the grant is only a passive reactor to the instructions of the funding body (Peacock, 2003, p. 6), diminishing the relevance of performance indicators.

Oppositely, if the funding authority is not able to operate a competitive tendering system in order to choose its recipients (e.g. that cultural organization is the only one which can provide that service), it might be trapped in a case "of the principal-agent problem with asymmetric information", where the "relationship is no longer one of constrained maximization by the recipient but one where bargaining has to take place in order for an agreed solution to emerge." (Peacock, 2003, p. 6). In this perspective, the government must rely on the information supplied by the cultural organization, which is the party most interested in the results of the performance indicator analysis. Under this perspective, Peacock (2003, p. 7) claims that, even if funding agencies are successful in implementing the use of financial indicators to estimate – and not merely record – cultural organizations expenditures, this does not guarantee effective financial control.

Finally, Gilhespy (1999) argues that the external evaluation of art and cultural organizations' performance, even when held by funding agencies, does not consider the essential objectives of this kind of organization. Defending a multidimensional performance measurement method for cultural organizations, Gilhespy (1999, p. 40) suggests the inclusion of a fourth 'E'- Equity - to the fundamentals of monitoring (Jackson & Palmer, 1988).

In this sense, Gilhespy (1999) defends the use of multidimensional performance indicators by cultural organizations in order to protect themselves against adverse performance evaluations by external stakeholders. The author claims that "the objectives of cultural organizations may be rendered down into a number of strategic options that may be pursued in relation to one another, and, further, that the achievement of these strategic options may be measured with a degree of sensitivity." (Gilhespy, 1999, p. 38).

Therefore, Gilhespy (1999, p. 41) proposes a performance measurement system based on 10 different policy objectives, forming what he calls "policy matrix":

1. Access Maximization
2. Attendance Maximization
3. Diversity/Multiculturalism
4. Economy Maximization
5. Education
6. Excellence
7. Innovation
8. Revenue Maximization
9. Service Quality Maximization
10. Social Cohesion

For each one of these strategic options, the author selects performance indicators that are designated to measure their evolution. As the policy matrix was elaborated based on an empirical basis, Gilhepsy (1999) argues that his multidimensional performance method "incorporates the objectives of cultural organizations and the requirement for accountability in public expenditure." (p. 50).

Schuster (1997) also defends the idea that the use of performance indicators can benefit arts and cultural organizations. The author argues that the implementation of performance indicator represents "a growing maturity within the field and an increased willingness to expose its operations to public debate", which, in his opinion, "can only strengthen the public commitment to the arts and culture" (Schuster, 1997, p. 267). Schuster (1997) concludes his article referring to the limited amount of resources available for arts and culture, arguing that this scenario demands stronger assessments of cultural programs and that "it becomes more important to weed out ineffective programs and to make a strong case for the programs that are continued as well as for the new ones that are implemented." (Schuster, 1997, p. 267).

In this sense, as the main focus of this research is to examine the performance evolution of cultural organizations operating under the Brazilian Social Organizations' (OSs) model, the next section will give a brief overview on the theme, referring to (i) the motivations for its creation; (ii) the functioning of the model; and (iii) the main benefits and critics of its implementation.

2.5 Social Organizations (Organizações Sociais - OS)

2.5.1 Motivations for the creation of the OS model

The theoretical conception of the Social Organizations (*Organizações Sociais – OSs*) model was created during a plan to reform the Brazilian state - *Plano Diretor de Reforma do Estado* - in 1995 (Alcoforado, 2005; Costin, 2008; Fiore et al., 2011). The idea was to enable the adoption of more efficient mechanisms to some public services (e.g. museums, theaters, hospitals and scientific institutes) that could also be offered by the private sector (Costin, 2008, p. 110).

According to Costin (2008, p. 113), the whole Brazilian legislation for public services was elaborated to prevent the misusage of resources and human capital by politicians and public managers. The framework of legal procedures - created to avoid undesired behavior from public agents - resulted in a bureaucratic, inflexible and inefficient structure, with strict norms in terms of people hiring, supplies' purchase and financial expenditures (Fiore et al., 2011, p. 2). This bureaucratic structure is most of the times incompatible with the operational requirements of some organizations such as cultural institutions (Costin, 2008, pp. 110 and 114-115).

In this sense, the conception of the OS (Social Organization) model intended to give more flexibility, agility and efficiency to public services in Brazil.

2.5.2 Functioning of the model

On May 15th, 1998, the federal law number 9,637 was promulgated, officially creating the institutional figure of the Social Organizations (OSs). This legal figure was specifically designed for social services contractualisation, in which, a qualified organization of the Third sector (not-for-profit association or foundation) is contracted to provide public services (Alcoforado, 2005, p. 4).

The general instrument adopted to guide this relationship was the ‘contractualisation of results’, because it enables the implementation of activities such as planning, analysis and monitoring of the service’s execution by the contracting party (the state) and the third party (Alcoforado, 2005, p. 1). Furthermore, according to Alcoforado (2005, p. 4), the OS model enables a management based on control mechanisms common in the private sector. These practices are applied mainly in the accounting, finance, supply and human resources departments.

The specific legal instrument that regulates the relationship between the state and the OS is the ‘management contract’ (*contrato de gestão*), which defines the rights and obligations of each party. In a simplistic way, on the one hand the state is responsible for the financing of the activity and/or the cession of public assets. On the other hand, the OS is responsible for the execution of the activities and for the provision of the public service (Costin, 2008, p. 110; Fiore et al., 2011, p. 2).

The contract, established by the public administration with the organization, basically defines the overall responsibilities of each party, the amount of public resources involved in the agreement, the rules and description of the evaluation mechanisms, and penalties in case of contract breach (Fiore et al., 2011, p. 8). The performance evaluation of the Social Organization is based on (i) performance indicators - managerial, quality and productivity; and (ii) goals - organizational, production and social (Alcoforado, 2005, p. 5). Additionally, in the specific case of cultural OSs, the organization have specific goals related to private fundraising, by means of tickets, sponsorships, donations and other cultural projects supported by tax benefits (Alcoforado, 2005, p. 5).

2.5.3 Main benefits and critics of the OS model

Besides the efficiency benefits of the model, according to Fiore et al. (2011, p. 20), OSs are seen as means to guarantee access to cultural services with higher quality. Furthermore, the OS model enables greater agility for external funding, by means of private sponsorship, tax incentives laws and ancillary activities (e. g. shops, restaurants), reducing organization’s dependency on public resources. The model also brings additional opportunities for shared management of public services with civil society (Costin, 2008, p. 109). In this sense, Fiore et al. (2011, p. 20) argue that many OSs have artists, cultural managers and important personalities of the society as members of their boards, which brings the civil society closer to the formulation, execution and evaluation of public policies.

Despite the above mentioned benefits some authors offer critics to the OS model. Fiore et al. (2011, pp. 10-11) expose two different views of the possible role of OSs in the cultural field: (i) with high level of autonomy, acting as formulators and developers of cultural policies; or (ii) highly dependent on the government, being used as a mere tool to avoid the bureaucratic and inflexible framework of the public system. Costin (2008, p. 109) believes, depending on the autonomy given to OSs, that there is a risk of the state losing control over public policies. In her opinion, Social Organizations are mere instruments for the implementation of public policies, and should not participate on the formulation or even on the coordination of the implementation of such policies (Costin, 2008, p. 116).

Regarding the methods to assess if OSs are accomplishing the goal of the management contracts, on the one hand, Fiore et al. (2011, pp. 8-9) argue that many performance indicators - used as means to evaluate the OSs - are still incipient and crude, making a proper analysis impracticable. On the other hand, there is a lack of qualified organizations to assume the contracts (Fiore et al., 2011). In the process of contracting the organizations, this shortage generates a dependency of the state on OSs that are already operating other contracts and do not necessarily have the specific knowledge in the required cultural field (Fiore et al., 2011, pp. 9-10). In this sense, there is a need to strive for the continuous development and improvement model strengthening of the oversight agencies (Fiore et al., 2011) and application of penalties and sanctions (Martins, 2016).

Furthermore, some authors point out problems with transparency, government oversight and lack of control on the operations of OSs (Fiore et al., 2011). In terms of transparency and accountability, some authors call for a more informatized system (Fiore et al., 2011; Martins, 2016), with overall access to management contracts, individual objectives, goals and performance indicators evolution.

3. Methodology

As discussed in the last chapter, many authors argue about the necessity of nonprofit organizations pursuing a more commercial-oriented approach, focusing on the efficient use of resources, on the effectiveness of their operations (Rentschler & Potter, 1996) and on achieving financial stability (Weerawardena et al., 2010). Additionally, some authors suggest that NPOs should strive for different sources of funding in order to reduce their dependency on public funding (Wijkström, 1997; Hsieh et al., 2008) and achieve financial stability (Carroll & Stater, 2009). In these sense, the use of performance indicators might be of extreme value for arts and cultural organizations.

For the purpose of this research, this section will discuss the methodology adopted to analyze the performance of the OS model in terms of economy, efficiency and effectiveness.

3.1 The case of Social Organizations (OS) in Brazil

As mentioned before, for the purpose of this study, it was chosen to use the Brazilian OS model as a case to analyze the cultural organization's performance evolution in terms of efficiency, effectiveness and economy, and their evolution towards achieving financial stability and reducing dependency on public funds.

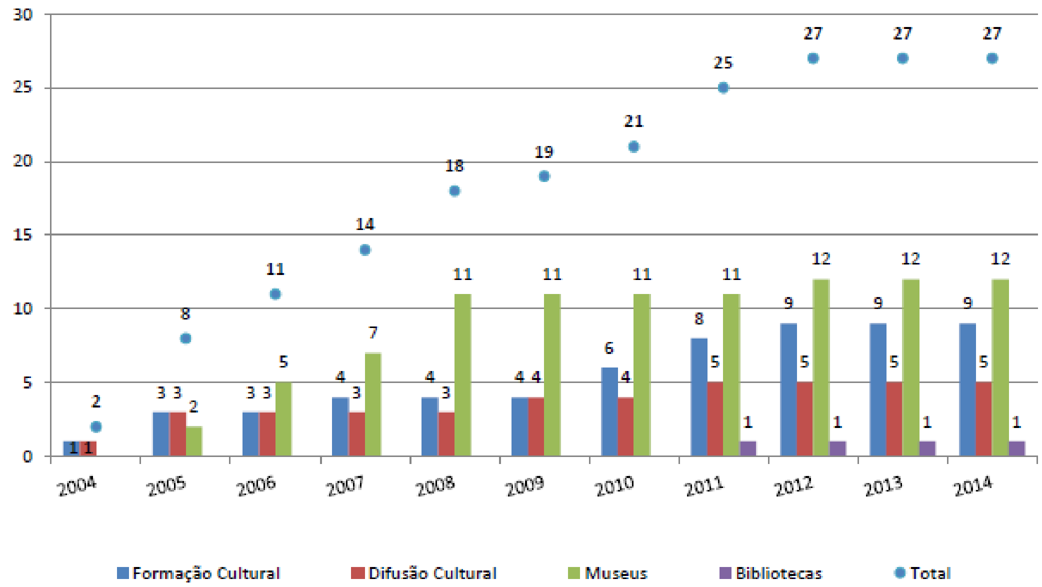
As argued by Fiore et al. (2011, p. 4), the OS model is consolidated in the state of São Paulo, and is the unique model for the implementation of new cultural activities and programs. In 2015, 79%[2] of São Paulo's budget to culture was distributed to Social Organizations (Unidade de Monitoramento da Secretaria da Cultura do Estado de São Paulo, 2016a, p. 30).

According to the Secretary of State for Culture of the state of São Paulo (SEC – *Secretaria de Estado da Cultura*)[3] there are, currently, 30 entities qualified as OS in the state of São Paulo, with 18 of them having contracts in force for around 28 cultural assets/projects. In this sense, some OSs are responsible for more than one contract/project. The cultural assets are classified in four main activity areas: (i) Libraries and Reading (*Bibliotecas e Leitura*); (ii) Cultural Diffusion – mostly related to performing arts - (*Difusão Cultural*); (iii) Cultural Formation – related to artistic and cultural

[2] Excluding Fundação Padre Anchieta and Fundação Memorial da América Latina, which are considered related entities.
[3] http://www.transparenciacultura.sp.gov.br/organizacoes-sociais-de-cultura/os-qualificadas/, access on May 18th, 2017.

education - (*Formação Cultural*); and (iv) Museums (*Museus*). The graph below shows a ten-year evolution of the number of management contracts in force in the state since the adoption of the OS model for cultural institutions in the State of São Paulo.

Graph 1 - Evolution of the number of management contracts in São Paulo



Source: Unidade de Monitoramento da Secretaria da Cultura do Estado de São Paulo (UM SEC-SP, 2016b)

In 2014, there were 27 contracts in force, with 20 different Social Organizations.

3.2 Sample selection

For the purpose of this study, and to facilitate the analysis when assessing data, it was opted to restrain the investigation to OSs of a single activity area. As presented by Chiaravalloti (2014), performance research on the arts and culture field are concentrated in the museum and performing arts sector. In order to support and compare the findings of this study with the available literature on the field, it was chosen to focus the analysis on OSs on one of these sectors. Because of their greater sample (twelve against nine as shown in Graph 1) OSs in the Museums area were chosen. After the selection of the area of activity, it was decided, in order to reduce demographical variables, to focus on OSs which were managing cultural assets solely in the municipality of São Paulo, the capital of São Paulo state. Further, two OSs were excluded from the final sample because of the specificity and objectives of the cultural assets under their management (more focused on research and education and with programs geared towards performing arts). The final sample comprehends six organizations. More information can be observed in the table below.

Table 1 - Selected Social Organizations

Social Organization - OS	Date of incorporation	Date of qualification as OS	First management contract	Cultural equipments	Management contract in force	Term	Number of employees (2015)
Associação Pinacoteca Arte e Cultura – APAC (Former Associação de Amigos da Pinacoteca do Estado)	11.01.1993	18.08.2005	01.01.2006	Pinacoteca Luz Estação Pinacoteca Memorial da Resistência de São Paulo	05/2013	22.12.2013 to 30.11.2018	196
Associação do Paço das Artes Francisco Matarazzo Sobrin	22.08.1993	16.08.2006	30.11.2006	MIS - Museu da Imagem e do Som Paço das Artes	06/2013	01.01.2014 to 30.11.2018	110
Associação Museu de Arte Sacra de São Paulo – SAMAS (Former Sociedade Amigos do Museu de Arte Sacra)	18.05.1992	07.05.2007	01.07.2007	Museu de Arte Sacra	07/2013	01.01.2014 to 30.11.2018	50
A Casa – Museu de Artes e Artefatos Brasileiros	16.03.1999	30.04.2008	02.05.2008	Museu A Casa	10/2016	01.01.2017 to 31.12.2021	54
IDBRASIL Cultura, Educação e Esporte (Former Instituto da Arte do Futebol Brasileiro)	24.06.2008	22.08.2008	08.09.2008	Museu do Futebol	04/2016	01.07.2016 to 31.12.2020	131
				Museu da Língua Portuguesa	08/2016	01.01.2017 to 31.12.2020	
Associação Museu Afro Brasil – AMAB	17.02.2005	07.04.2009	22.06.2009	Museu Afro Brasil	04/2013	22.06.2013 to 31.12.2017	68

Source: elaborated by the author, with information retrieved from: http://www.transparenciacultura.sp.gov.br

3.3 Data collection

The organizations qualified under the OS model are legally required to make their financial information (as well as some operational data and operational/financial goals) available for society. In this sense, SEC (*Secretaria de Estado da Cultura*) created a website[4] which consolidates information about the management contracts, the respective OSs contracted as well as the financial and operational results of their activities. This could be an adequate source of information, however, the available data is restricted to the time period from 2010 to 2015[5]. An alternative source, once organizations are obliged to disclose these information in their website, would be to access each OSs' website individually. However, some initial search showed that some data were incomplete and not updated. Additionally, some entities are not operational anymore, it might be impossible to access historical data.

In this sense, this study used the website of São Paulo state's official gazette (*Diário Oficial do Estado de São Paulo*)[6] as the unique source of data collection[7]. Once

[4] http://www.transparenciacultura.sp.gov.br/busca-contratos-de-gestao/
[5] By the time of the last access to the website (18.05.2017), information about the year of 2016 was not yet available on the website.
[6] https://www.imprensaoficial.com.br
[7] The research and collection from this source is more time consuming, once it is necessary to find each organization and download each page of the publication separately

the website is an official government source, it is the most reliable data source, at least in terms of up datedness. The collection used two main search mechanisms: (i) the income statements consultation; and (ii) word search tool. Once some OSs have changed their corporate name during the period, research was conducted utilizing organization's entire name and variations, the legal entity taxpayer registry (CNPJ, in Portuguese) and the number of the management contract.

As mentioned before in this section, OSs are legally required to disclose, in addition to their financial statements, the assessment of the contracted goals achievements (e.g. operational, financial, educational etc.). This data could be used for a rich multidimensional analysis in this work. However, to avoid the use of potentially biased data – derived from the asymmetric information in the relation from funding agencies with cultural institutions (Peacock, 2003) – this study opted to use data collected solely from financial statements[8], which are less susceptible to manipulation by the agent due to mandatory accounting standards and to the assessment of independent auditors.

3.4 Research method and performance evaluation model

In summary, this study uses quantitative research methods, based on the analysis of official secondary (financial) data from Social Organizations, which are published in the official gazette of São Paulo state (*Diário Oficial do Estado de São Paulo*), to assess the performance evolution of these organizations. The main objectives of this research are to analyze if the OS model achieves its primary goal (e.g. increase public services' efficiency), and to assess the performance of this cultural organizations in terms of sustainability (Weerawardena et al., 2010) and viability (Rentschler & Potter, 1996).

This assessment will be done based on Gilhespy's (1999) model to measure the performance of cultural organizations, presented in the previous chapter. In relation to the aim of this work, performance indicators were chosen considering three (out of ten) of the most important policy objectives for managers in cultural institutions, as argued by the author (Gilhespy, 1999): (i) Attendance Maximization; (ii) Economy Maximization; and (iii) Revenue Maximization. Additionally, considering the public funded nature of the OS model and the purpose of this study, a fourth policy objective - related to

[8] Except for the number of visitors, which were collected from the *Relatório de Atividades* (Activity Reports), normally published together with the financial statements.

accountability in public expenditure - will be considered: (iv) Accountability Maximization.

The table below summarizes the indicators based on Gilhespy's (1999) model, explains the calculation method and the perspective which will be measured (economy, efficiency or effectiveness):

Table 2 - Selected performance of indicators

Objective	Performance Indicator	How it is calculated?	What is being measured?
Attendance Maximization	Number of visitors	Total attendance	Effectiveness
	Visitors per R$ 100 invested	Total attendance / Total cost and expenditures /100	Efficiency
Economy Maximization	Share of HR expenses	HR expenses / Total income	Economy
	Ratio expenses to income	Total cost and expenditures / Total income	Economy
Revenue Maximization	Ratio income to expenses	Total income / Total cost and expenditures	Economy
	Share of earned (operational) income	Earned (operational) income / Total income	Efficiency / Effectiveness
	Share of private support (donations)	Private support (donations) / Total income	Efficiency / Effectiveness
	Cost per visitor	Total cost and expenditures / Total attendance	Efficiency
	Revenue per visitor	Earned (operational) income / Total attendance	Efficiency
Accountability Maximization	Public direct resource per visitor	Public direct income / Total attendance	Efficiency / Effectiveness
	Public resource per visitor	Public direct + indirect income / Total attendance	Efficiency / Effectiveness
	Share of public direct resources	Public direct income / Total income	Efficiency / Effectiveness
	Share of public resources	Public direct + indirect income / Total income	Efficiency / Effectiveness

Source: elaborated by the author based on Gilhespy (1999)

The aim is not to compare the values of this micro indicators (Madden, 2005) among organizations. As argued by Pignataro (2011), the relevance of comparison across organizations is limited "by the fact that quantities of output, multiples or submultiples of that achieved by any given organization, are not necessarily technically attainable employing multiples or submultiples of the inputs used by that organization." (p. 334). In this sense, this work aims to investigate the evolution of selected performance indicators that could indicate OSs' performance evolution.

Unfortunately, information (e.g. attendance, income, costs) prior to the application of the OS model is scarce, if not inexistent, for the selected cultural assets. It would be interesting to analyze the performance of the cultural asset before and after the implementation of the model. Due to this limitation, the assessment will be held with information regarding the organization (and not the cultural asset) over the years of the management contracts. For example, if a Social Organization (OS) is contracted to manage two different assets, the number of attendance expressed in the analysis will reflect the sum of visitors of both museums.

3.5 Data treatment and analysis

After downloading all financial statements for the six organizations, financial data was tabulated and prepared for analysis in Microsoft Excel. For the purpose of this research, organization's income was classified in five different streams:

1. **Public Direct** – corresponds to the amount of money transferred by the government to the OS as per the terms of the management contract (*Contrato de Gestão*);

2. **Public Indirect** – funds derived from Federal, State or Municipal tax incentives which are directly invested by taxpayers in selected cultural projects;

3. **Earned (Operational)** – corresponds to the total amount of OSs' operational income (e.g. tickets sale, museum's shop sales, space rental, courses fees, sponsorships not incentivized by tax deductions, etc.);

4. **Private Support (Donations) –** corresponds to the amount of donations collected by the organization; and

5. **Financial –** revenues (or expenses) generated by all financial investments of the organization.

An important part of this research is based on the analysis of historical performance indicators which measure the relation of the volume of inputs (e.g. money) to a certain level of outputs. As argued by Peacock (2003, p.3), the comparison of resource inputs with outputs over a time period demands deflation using an appropriate price index. In this sense, Earp & Estrella (2017, p. 316) criticize the Brazilian studies about investment in culture, claiming that the use of nominal values creates unrealistic data in countries with high inflation rates such as Brazil. To avoid this problem, the present study follows the methodology proposed by Earp & Estrella (2017) and uses the IPCA (*Índice Nacional de Preços ao Consumidor Amplo*)[9] price index to deflate all financial data to

[9] The IPCA index is measured by the Brazilian Institute of Geography and Statistics – IBGE (*Instituto Brasileiro de Geografia e Estatística*) and can be retrieved from: http://www.ibge.gov.br/home/estatistica/indicadores/precos/inpc_ipca/ipca-inpc_201704_3.shtm

2016 Brazilian Real values[10]. Therefore, all graphs and tables related to OSs' financial figures are expressed in deflated values.

Additionally, some management contracts are signed in the middle of the year (in some cases in the last months of the year), which could lead to biases in yearly comparisons. For this reason, this study will consider the first whole calendar year of operation as the starting point for analysis purposes.

In other cases, OSs have managed a cultural asset for a short period of time, and are not responsible for it anymore. In this sense, to avoid biases, the years in which the OS temporarily managed these assets will also be disregarded. For the analysis purposes, the starting point of the assessment will be the first year without the temporarily managed asset. Any different approach will be referred in the text. Table 3 below summarizes the OSs and respective starting year for analysis purposes.

Table 3 - Analysis starting years

Social Organizartion - OS	Starting year (for analysis purposes)
Associação Pinacoteca	2006
Associação do Paço das Artes	2009
Associação Museu de Arte Sacra	2008
A Casa Museu	2009
IDBRASIL	2009
Associação Museu Afro Brasil	2010

Source: elaborated by the author

4. Results

Chapter 4 aims to present and discuss the results of the data analysis and performance indicators' evolution. The chapter is divided in three main sections: the first exhibits a more descriptive and general overview of the evolution of the six selected OSs, the second focuses on the analysis and interpretation of the selected performance indicators, and the third summarizes the main findings.

4.1 Descriptive evolution of the six OSs

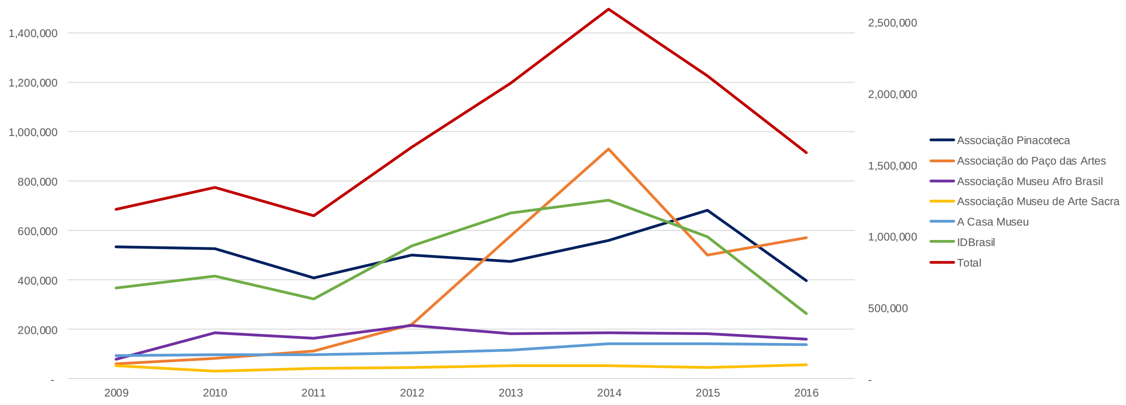
In this sub-section, the evolution of three main aspects of the selected OSs will be presented and discussed: (i) attendance; (ii) funding structure; and (iii) financial results.

[10] A table with the yearly IPCA rates and the respective deflation indexes can be found in Appendix II.

4.1.1 Attendance evolution

Graph 2 shows the evolution of the total number of visitors for the six selected Social Organizations since 2009. In a simple and general analysis, it is possible to observe that the total number of visitors increased by 33% from 2009[11] to 2016, when the attendance of the sample reached almost 1.6 million people.

Graph 2 - Number of visitors' evolution (six selected OSs)



Source: elaborated by the author based on OSs' Activity Reports (Relatório de Atividades)

This represents a compound annual growth rate (CAGR) of 4% in the period. The year of 2014 can be highlighted as a year of records, when the number of visitors summed approximately 2.6 million people. On the one hand, this is partially explained by the fact that Brazil held the FIFA World Cup in 2014, which was mentioned as the main reason for the unforeseen increase according IDBrasil's 2014 financial statements (this OS is responsible for the management of Football Museum - *Museu do Futebol*). On the other hand, Associação do Paço das Artes (responsible for MIS - *Museu da Imagem e do Som* - Museum of Image and Sound) released that the strong increase was related to the public appeal of two special exhibitions: *David Bowie* and *Castelo Ra Tim Bum*.

The great attendance decrease that occurred in 2016 can be explained by two main events: (i) the economic crisis derived from Brazil's president impeachment (as argued by some organizations in their income statements); and (ii) the fire at *Museu da Língua Portuguesa*, which occurred in December 21st, 2015. According to IDBrasil, the museum

[11] Due to the date of the qualification as OS (07.04.2009), the numbers of Associação Museu Afro consider only seven months of operation in 2009.

will remain closed for reconstruction at least until March 2019[12]. Just as reference, this museum received more than 352 thousand visitors in 2014, which represented around 14% of the sample's total attendance. With these considerations being made, in order to avoid biases, it is deemed necessary to run an alternative analysis, disregarding the year of 2016.

Considering the year 2015, the number of visitors increased by 78% in relation to 2009, reaching around 2.1 million people. This represents an average increase of 14% per year (CAGR – compound annual growth rate) in the period from 2009 to 2015. The most impressive results were accounted by Associação do Paço das Artes, which managed to increase its attendance on a yearly average (CAGR) of 67%.

It is worth explaining that this OS launched a special project for MIS (*Museu da Imagem e do Som*), called *Pontos MIS*, which, among other activities, consisted on executing itinerary film projections outside the premises of the museum (e.g. other municipalities). In this sense, because of the importance[13] of the project for both, the museum and SEC (*Secretaria de Estado da Cultura*), the number of spectators was considered to calculate the total attendance. It would be possible to argue that this consideration has affected the analysis and the overall performance of the OS, however, even when disregarding the number of *Pontos MIS* spectators in the total attendance, the number of visitors of Associação do Paço das Artes increased 34% per year on average.

4.1.2 Funding structure evolution

As discussed in the previous chapters, the OS (Social Organization) model was meant to provide more flexibility, agility and efficiency to public services in Brazil. Additionally, regarding public cultural assets, the main focus of this study, the model provided more agility and flexibility for institutions in search for revenue diversification. For example, when selecting a private company to operate ancillary activities (e. g. shops, restaurants, parking lot), the cultural OS is not legally required to do it by means of a public bid – the bureaucratic process that all Brazilian public institutions are obliged to follow when contracting private services.

[12] http://www.museudalinguaportuguesa.org.br/?p=786, access on 19.05.2017

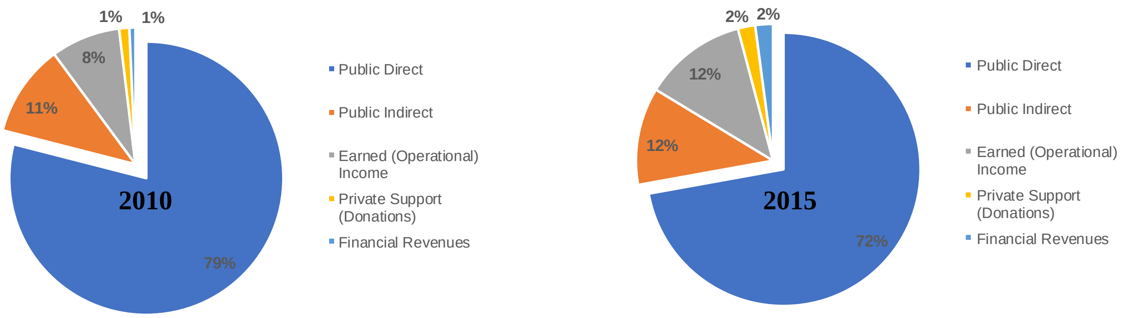
[13] The importance of *Pontos MIS* project to SEC is reflected in the fact that specific goals and attendance targets were included in the management contract. In this sense, OS's performance was also being measured in relation to the results of this specific project.

In fact, as mentioned before in this study, the management contract states – by means of goals and indicators – that the cultural organization must strive for additional financial resources in the market (e.g. tickets, sponsorships, donations, cultural projects supported by tax benefits). In this sense, it is clear that one of the main objectives of the implementation of the OS model in cultural organizations is to reduce the dependence on public direct funds.

Therefore, analyzing the data on the evolution of organizations' funding structure is of extreme importance for the aim of this research. It is expected that the OSs are evolving towards a more balanced funding structure, less dependent on public direct resources.

A general overview of the samples' funding structure evolution is shown in Graph 3 below.

Graph 3 - Evolution of OSs' funding structure (2010 and 2015)



Source: elaborated by the author based on OSs' financial statements

The time period of this analysis was defined between 2010 and 2015 to consider only full operational year data (Associação Museu Afro Brasil first full year results is 2010). The year of 2016 was disregarded to avoid misinterpretations derived from the fact that *Museu da Língua Portuguesa* was closed during the whole year of 2016[14].

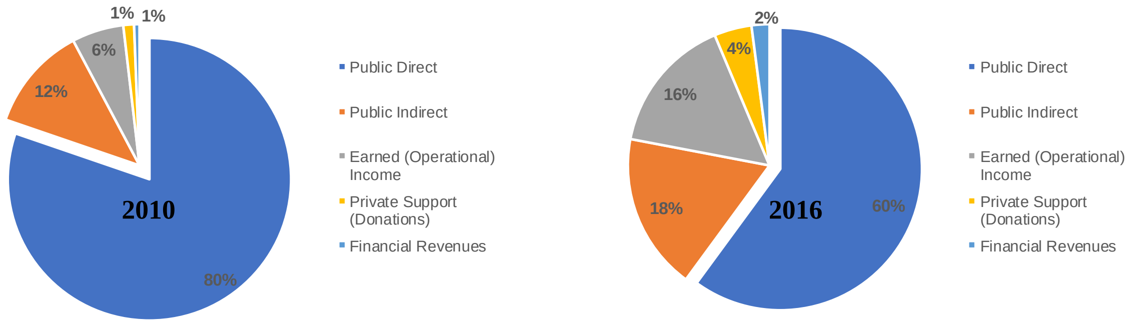
Based on Graph 3 above, it is possible to observe a slight evolution in terms of funding balance. The organizations reduced their level of dependency on public direct funding (seven percentage points decrease), relying more on their operational income, which's share increased four percentage points in the period. The participation of public indirect funds, donations and financial revenues also increased on OSs funding structure.

[14] Even though the museum was closed due to the fire in the end of 2015, the six days lost in terms of ticket sales are deemed insignificant for the purpose of this analysis.

Although the decrease in public funding might be considered minor, it exposes a clear movement towards a more balanced funding structure.

When excluding IDBrasil (the OS responsible for *Museu da Língua Portuguesa*) from the sample, and stretching the time period to 2016, the analysis shows a more impressive evolution, with a considerable decrease of the dependency on public direct financial support, as show on Graph 4 below.

Graph 4 - Evolution of OSs' funding structure (2010 and 2016 without IDBrasil)



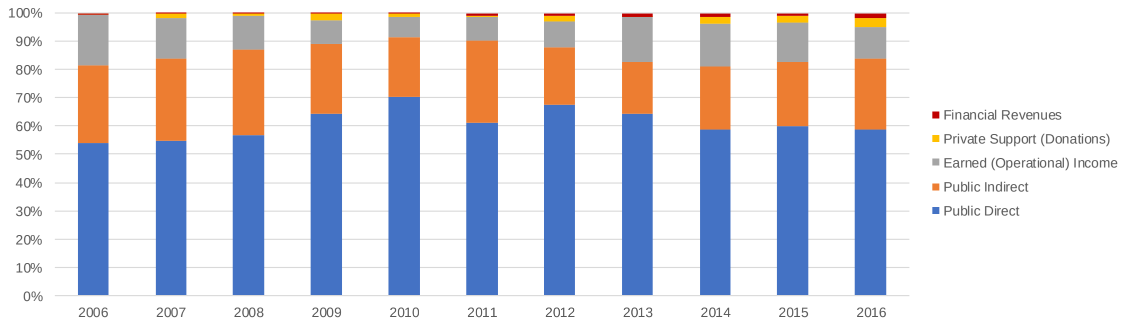
Source: elaborated by the author based on OSs' financial statements

The graph shows a clear evolution towards a more balanced structure. However, it also indicates that changing the sample can influence the analysis considerably. In this sense, it is worth assessing organization's funding structure individually.

From the six OSs in the sample, four (67%) managed to reduce public direct share in their funding structures since their individual starting point of analysis (see Table 3).

Associação Pinacoteca, although being one of the organizations that did not reduce the share of public direct resources on its funding scheme, has managed to maintain a balanced structure. As observed in Graph 5 below, public direct money accounted for less than 60% of the OS income in the last three years of the analysis.

Graph 5 - Funding structure evolution: Associação Pinacoteca

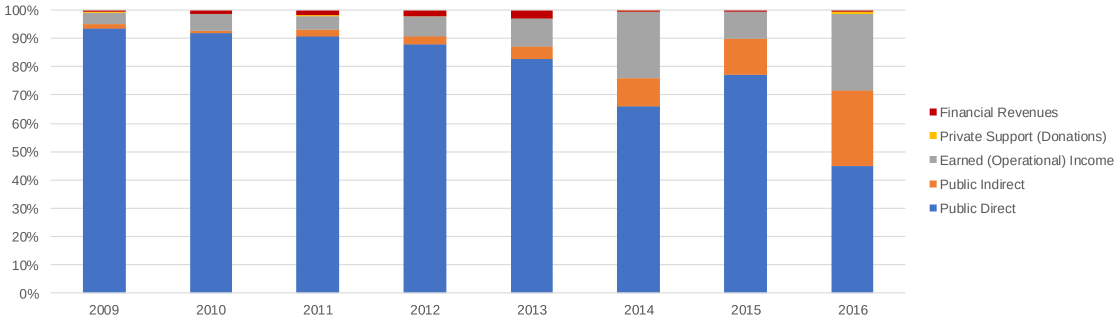


Source: elaborated by the author based on OSs' financial statements

In this specific case, the funding structure at the starting point of the analysis was already balanced, with public direct corresponding to 54% of Associação Pinacoteca's income. This might be explained by the fact that this organization manages *Pinacoteca do Estado de São Paulo*, the oldest and one of the most famous and respected museums in the city, which could have benefited external fund-raising. Additionally, the organization was founded in 1993 and is one of the oldest entities in the sample, which could reflect in a long-time relationship development with private external stakeholders and funders.

Another distinctive case that deserves to be highlighted is the evolution of Associação do Paço das Artes, which can be observed on Graph 6 below.

Graph 6 - Funding structure evolution: Associação do Paço das Artes



Source: elaborated by the author based on OSs' financial statements

The organization managed to reduce the share of government direct income from 93% in 2009 to 45% in 2016, increasing, considerably, the participation of box-office and public indirect income streams on its funding structure. As mentioned before, the organization reached these results by producing special 'blockbuster' exhibitions, which are considered a relatively new trend in the museum world (Frey & Meier, 2006, p. 1042).

Overall, the data shows a tendency in the reduction of OSs' dependency on public direct resources and the reliance on more diversified revenues (for more details of OSs' individual funding structure refer to Appendix I).

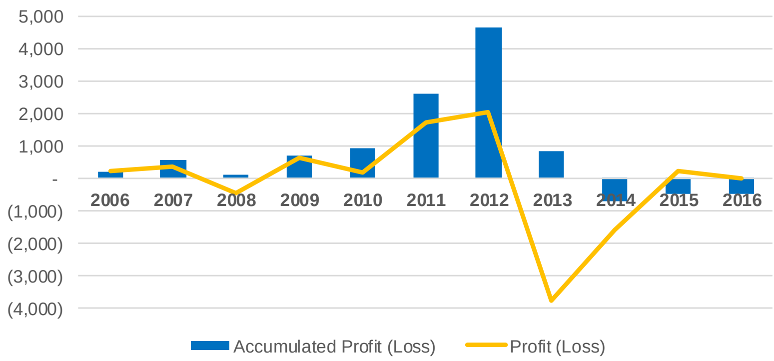
As referred in the literature, a diversification in revenues streams might lead to financial stability (Carroll & Stater, 2009). However, the lower dependence on government funds, when analyzed alone, does not necessarily mean that OSs are evolving towards achieving financial sustainability. The reduction can be caused simply by a decrease of public direct funding, which, if not compensated by an increase of other income streams, can result in insufficient funds to cover expenses, generating financial losses to the organization. For this reason, it is fundamental to assess OSs' financial performance, which will be held in the next sub-section.

4.1.3 Financial performance evolution

For the purpose of this section, the analysis will also consider non-full years of operation[15]. Considering the operational time frame for each of the six OSs, there are 58 observations in the sample. During this period, 64% of the observations correspond to positive financial results[16]. In this sense, it is possible to consider that, in average, organizations were not generating deficit, or, in other words, presented financial sustainability. However, this conclusion is extremely simplistic, once it does not take into the consideration other aspects, such as the size of the profit and losses.

In view of the exposed above, a more in-depth analysis (see Graphs 7 to 12 below) shows that only two OSs (33% of the sample) have accumulated losses in the period. Associação do Paço das Artes (Graph 7) and Associação Museu de Arte Sacra (Graph 8) have accumulated losses of R$ 505,754 and R$ 367,282 respectively.

Graph 7 - Associação do Paço das Artes financial performance



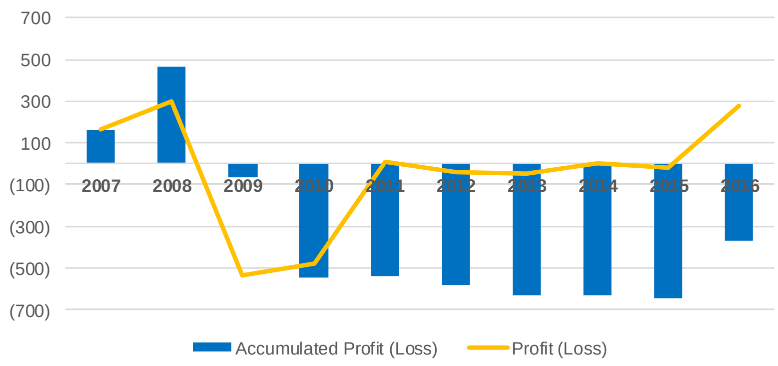
Source: elaborated by the author based on OS's financial statements

On the one hand, Associação do Paço das Artes (Graph 7, above) accounted losses only in three years (27% of the observations), and its accumulated loss represents only 0.2x[17] the amount of its maximum profit (2012). In a simple way, this figure means that the OS would need a profit equal to only 20% of its highest profit to recover the

[15] In this sense, the time frame of 'Table 3 - Analysis starting years' is not applicable for this sub-section.
[16] For this study, positive financial result is considered as profit generation or result equal to zero, due to the nonprofit nature of Social Organizations.
[17] This figure was calculated through the division of the accumulated loss by the highest observed profit.

accumulated loss. In other words, it would be expected that the organization could easily recover the accumulated loss.

Graph 8 - Associação Museu de Arte Sacra financial performance

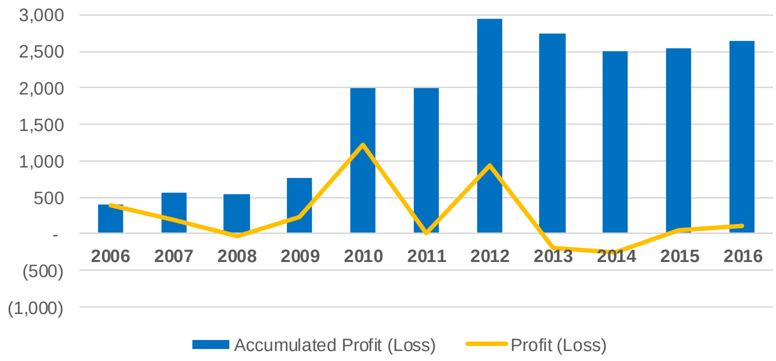


Source: elaborated by the author based on OS's financial statements

On the other hand, Associação Museu de Arte Sacra (Graph 8, above) recorded losses in five years (50% of the observations) and accumulated a total loss which represents 1.2x the amount of its highest profit (2008). This means that the OS would need excellent financial results (i.e. 20% higher than its best ever profit) to recover its accumulated loss. In other words, it would be expected that this organization would require some years of profits to recuperate its losses.

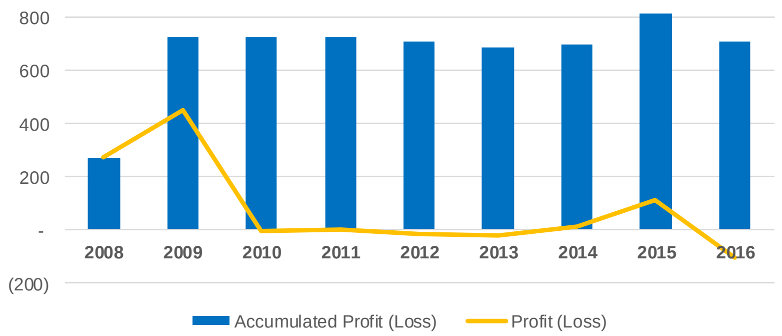
Graphs 9 to 12 (see below) show that the four other OSs (67% of the sample) have accumulated profits in the period.

Graph 9 - Associação Pinacoteca financial performance



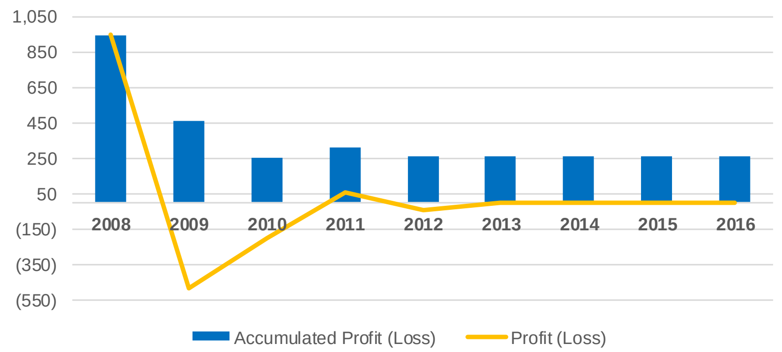
Source: elaborated by the author based on OS's financial statements

Graph 10 - A Casa Museu financial performance



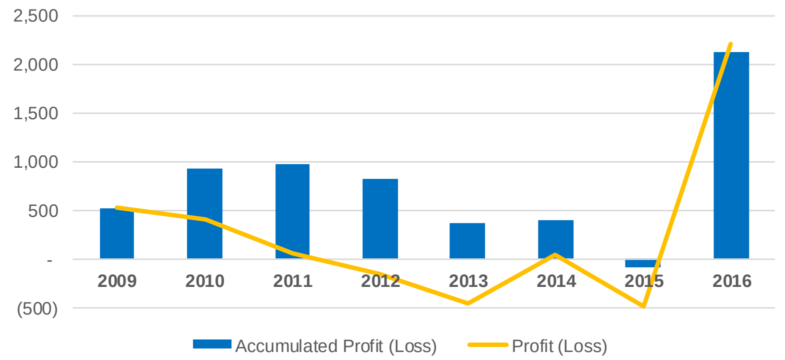
Source: elaborated by the author based on OS's financial statements

Graph 11 - IDBrasil financial performance



Source: elaborated by the author based on OS's financial statements

Graph 12 - Associação Museu Afro Brasil financial performance



Source: elaborated by the author based on OS's financial statements

In this sense, it is possible to argue that, on average, OSs presented financial sustainability considering their current funding structure. However, any unexpected changes in the public direct funding (which can be considered as almost granted, once the values and payments are stablished in the management contract) might affect financial sustainability.

Regarding the evolution of the financial results, it is not possible to infer that OSs evolved towards being more profitable organizations. However, in line with what the results from Carroll & Stater (2009) have anticipated, Graphs 8, 9, 10 and 11 show that OSs presented more financial stability in the years which they achieved greater revenue diversification (i.e. in the last years of the analysis).

4.2 Performance indicators

In this sub-section, the analysis will focus on the evolution of the selected performance indicators (see Table 2 in chapter 3). The aim is not to discuss OSs' individual results for each of the 13 indicators, but to offer an overall assessment of the evolution of the OS model – represented by the sample of six OSs (the detailed presentation of each organizations' individual performance results is presented in Appendix II).

Table 4 provides a better overview of the results.

Table 4 - Performance indicators' results

Objective	Indicators	Effectiveness	Efficiency	Economy
Attendance Maximization	Number of visitors	5.0	n.a.	n.a.
	Visitors per R$ 100 invested	n.a.	1.0	n.a.
Economy Maximization	Share of HR expenses	n.a.	n.a.	1.0
	Ratio expenses to income	n.a.	n.a.	2.0
Revenue Maximization	Ratio income to expenses	n.a.	n.a.	3.0
	Share of earned (operational) income	4.0	4.0	n.a.
	Share of private support (donations)	6.0	6.0	n.a.
	Cost per visitor	n.a.	1.0	n.a.
	Revenue per visitor	n.a.	6.0	n.a.
Accountability Maximization	Public direct resource per visitor	1.0	1.0	n.a.
	Public resource per visitor	1.0	1.0	n.a.
	Share of public direct resources	4.0	4.0	n.a.
	Share of public resources	4.0	4.0	n.a.
	Total score	**25.0**	**28.0**	**6.0**
	Total possible score	**42.0**	**54.0**	**18.0**
	Total score / Total possible score	**60%**	**52%**	**33%**

Source: elaborated by the author

Each indicator is related to at least one of the three 'E's (Jackson & Palmer, 1988), and was, discretionarily, defined to have a maximum score of six points (one point per OS) and a minimum of zero points. Whenever the 'E' is not related to the indicator, it is marked as not applicable (n.a. in the table).

In this sense, if the OS shows evolution in one given indicator, it contributes with 1.0 point to that indicator. If no evolution, or a worsening, is observed, no point is accounted for the indicator. As an example, considering the indicator 'Number of visitors', the value 5.0 means that there was an evolution of this indicator in five organizations.

In his paper, Gilhespy (1999) suggests a list of indicators to measure performance in cultural organizations, but unfortunately, he does not provide a methodology to measure the evolution of the indicators. For the purposes hereof, the proposed methodology will consist in measuring the indicator's yearly variation – i.e. its increase or decrease overtime.

The analysis of the average increase of the indicators seems to be appropriate since it neutralizes potential disparities among the years. For instance, if the OS presents a high performance in a certain year and a decline in the following years, the simple average of the absolute values could suggest that the overall result was good. Nonetheless, this would not signal an actual evolution, but only an average distorted by the exceptionally high results of a particular year. Therefore, the proposed methodology seems to be a more accurate way of measuring the performance of the indicators.

In a simple way, if the indicator has presented an average increase during the period – average variation higher than zero[18] – it is considered that the performance indicator evolved. In such cases, the evolution of the indicator will entitle 1.0 point to each OS.

As per Table 4, Effectiveness is measured by seven indicators, which means that its maximum score is 42.0 (i.e. 7 x 6). Efficiency measurement is linked to nine indicators (maximum of 54.0 points) and Economy to three (maximum of 18.0 points), summing a total possible score of 114.0 points. The sub-sections above will present an overview of the results considering each 'E' perspective.

[18] Or smaller than zero, when the indicator result is desired to be the lowest possible – e.g. cost per visitor, share of public resources.

4.2.1 Effectiveness

As indicated in Table 4, it is possible to observe that OS's presented evolution in terms of effectiveness in five out of seven indicators: (i) number of visitors; (ii) share of earned (operational) income; (iii) share of private support (donations); (iv) share of public direct resources; and (iv) share of public resources. On this perspective, the analysis show that OS model is achieving one of its main objectives, that is to reduce the dependency on public direct resources.

Additionally, OSs also evolved in terms of decreasing their reliance on public indirect funding. It is worth highlighting that all of the six OS's developed their private support (donations) income stream, and five of them showed clear evolution in terms of number of visitors. The earned (operational) income indicator also presented evolution in four OSs, which is directly related to the decrease on public funds dependency.

Regarding the indicators were the OS model presented weak performance (i.e. public direct resource per visitor; and public resource per visitor), with only one organization presenting progress, one possible explanation is that the government, and the OSs, are more focused on other objectives (e.g. developing organizational structure, research) rather than on audience maximization.

According to Table 4, in relation to effectiveness, OSs achieved 25.0 points, which represents 60% of the 42.0 possible points. Based on this result, it possible to argue that the Social Organizations model is effective in terms of achieving its objectives.

4.2.2 Efficiency

In relation to the indicators which measure efficiency, the OS model scored 28.0 out of 54.0 possible points (52%). The organizations were more efficient in indicators related to own revenue generation - i.e. revenue per visitor, share of private support (donations), share of earned (operational), share of public direct resources, and share of public resources. All six OSs increased their revenues per visitor, which means a more efficient use of resources (e.g. infrastructure).

It is important to highlight that this indicator does not consider ticket sales as the solely source of earned operational income. It also considers ancillary activities such as restaurants, shops and course fees. In this sense, the 'revenue per visitor' indicator shows if the organization is diversifying its operational revenue sources. These results are partially reflected in the indicators related to public funding dependency (i.e. share of public direct resources, and share of public resources), in which four OSs presented considerable evolution.

However, when analyzing cost related indicators (i.e. visitors per R$ 100 invested; and cost per visitor), only one cultural institution – Associação do Paço das Artes - presented evolution. There are at least two possibilities to explain these results. The first, is that this nonprofit organizations are not focusing their efforts on cost reductions, contrary to the findings from Weerawardena et al. (2010, p. 353) when analyzing business decisions on Australian NPOs.

The second, is that using the number of visitors might not be the most appropriate indicator for this measurement. Maybe using an additional indicator (such as cost per exhibition) would enable a better assessment and understanding of the performance in this perspective.

4.2.3 Economy

The analysis of economy indicators corroborates the explanations exposed in the last paragraph above. This perspective presented the weakest results in terms of performance evolution, recording only 33% (6.0) of the 18.0 possible points. The data analysis show that only two OSs have evolved in terms of economy maximization.

Some organizations, such as Associação do Paço das Artes, which had reduced its expenses to income ratio from 0.91 in 2009 to 0.84 in 2012[19], presented much higher ratios in the subsequent years. The ratio for Associação do Paço das Artes in 2013 was 1.27, the highest in the OS's history. This might be explained by the fact that the organization accumulated a great amount of profits until 2012 (see Graph 7 – Associação do Paço das Artes financial performance), which, in accordance to the management contracts, would need to be returned to the government by the end of the agreement in 2013.

In this sense, the organization does not have incentives to keep costs at minimum level, and might decide to follow uneconomic behavior (Schuster, 1997; Peacock, 2003). The year of 2013 accounted for Associação do Paço das Artes highest loss. Nevertheless, after the termination of the management contract, in this same year, the organization managed to be selected by the government for another five-year contract. In the subsequent years - 2014, 2015 and 2016 - the organization managed to reduce the

[19] For a detailed presentation of each organizations' individual performance results see Appendix III

expenses to income ratio to 1.08, 0.99 and 1.00 respectively. This data opens the possibility to interpret this case as a strategy of deficit optimization to assure optimal subsidies from the government (Schuster, 1997).

This situation is also similar to the case that Frey & Meier (2006) present regarding public museums that rely exclusively on public grants: "with a surplus, the public grants would correspondingly decrease, which acts like an implicit tax of 100 percent on profits." (p. 1030). Without incentives to produce a surplus, the authors argue that museum managers change their focus to emphasize "non-commercial aspects, such as referring to intrinsic 'artistic', 'scientific', or 'historical' values." (Frey & Meier, 2006, p. 1030).

4.3 Main findings

The results presented above allow some interesting reflections. First, the selected Social Organizations presented a clear evolution in terms of attendance. Nevertheless, when assessing the performance indicators, it is possible to observe that the increase in the number of visitors was not achieved efficiently. However, as argued, the government might not have elected attendance maximization as the main focus of its cultural policy and OSs could have focused their efforts on other areas (e.g. research, collection conservation)

Second, the result confirms that the OS model is effective in terms of reducing dependency on public funds. Overall, OSs presented a more balanced funding structure with considerable increase of earned (operational) income.

Third, regarding the financial results, although it is not possible to state that organizations achieved financial sustainability, the analysis shows that results are less volatile in the last years and that OSs' success on diversifying their funding resources might lead to financial stability (Carroll & Stater, 2009). The results show that the assessed organizations present viability, and therefore, can be held accountable in terms of using public funds (Rentschler & Potter, 1996). Nevertheless, in line with what the theory has foreseen, the results also demonstrate that there is evidence that OSs might be strategically optimizing their deficits (Schuster, 1997; Netzer, 2011).

Finally, based on the performance indicators results, it is possible to observe that OSs are being more efficient and effective in terms of revenue and accountability maximization. The majority of the indicators related to economy and cost efficiency presented weak results. This outcome could be explained by the nonprofit nature of Social Organizations, which provides no incentives to operate at minimum cost, and the objectives and goals of the government with the OS model, which seem to be more related to reduce dependency on direct public resources.

5. Conclusion

5.1 General conclusion

As presented in this study, the Social Organization model is being used as a tool for the management of cultural institutions by the state of São Paulo. Over the last 13 years, since the first experience with this model by São Paulo's state government in 2004, OS model's importance has grown considerably, in terms of budget allocation and expansion of cultural activities and assets. As argued by Fiore et al. (2011, p. 4), the OS model is consolidated in the state of São Paulo, being the solely tool used for new cultural activities and programs implementation.

Nevertheless, as argued during the review on Social Organizations, the literature on the theme is still scarce and focused more on the legal, qualitative, and implementation aspects of this relatively new model. A quantitative analysis regarding the assessment of the effectiveness of the model and its evolution was inexistent, at least until the limits this study could verify.

In addition, this research argued about the importance of accountability for public funds in nonprofit organizations. Although the herein study acknowledges the importance of a broaden concept of accountability in NPOs – which should consider financial, non-financial, quantitative and qualitative data (Carnegie & Wolnizer, 1996), as well as their mission statement (Rentschler & Potter, 1996; Barton, 2000; Turbide & Laurin, 2009) – it opted to focus on the financial perspective to analyze the specific case of performance evolution in the OS model for cultural institutions in Brazil. There are two main reasons for this approach: first, the aim of the research was not to assess cultural institutions' individual performance, but to analyze the evolution of the Social Organization model itself. Therefore, it would not be appropriate to consider organizations' mission, but rather to consider the objectives of the OS model (i.e. more efficiency, reduce dependence on public funding) in order to assess its effectiveness and efficiency. Second, financial statements were chosen as the solely source of data to avoid, or at least limit, the use of biased data derived from the principal-agent problem with asymmetric information in the relation of cultural organizations and funding agencies (Peacock, 2003).

Overall, the results show a clear evolution in terms of attendance in the investigated sample. However, based on the analysis of performance indicators, it is possible to observe that this was not achieved in an efficient way. Nevertheless, the analysis shows that the Social Organization model is effective in terms of reducing not-for-profit cultural organizations' dependency on public funding. In this sense, the OS model can be seen as an effective instrument to generate greater accountability for public money, once it demands a balanced funding structure for the supply of these cultural services.

The results illustrate that the Social Organization model also enhances accountability for public funds by encouraging a more commercial and economical approach in cultural NPOs. In this sense, the observed diversification of revenues is a means towards financial stability (Carroll & Stater, 2009), enabling organizations' sustainability (Weerawardena et al., 2010) and viability, which, according to Rentschler & Potter (1996), is one of the criteria to hold nonprofit arts and cultural organizations accountable in relation to public money.

On the one hand, the analysis of the performance indicators suggests that OSs are more focused on revenue maximization. On the other hand, the weak results on the indicators used to measure the economy perspective, show that economy maximization is not the main objective of these organizations. This might be explained by the not-for-profit nature of OSs and the absence of clear incentives for managers to strive for more profitable operations. In this sense, the assessment presented some evidence of uneconomical behavior from some organizations. Although this issue calls for a more in-depth analysis, it seems that, in line with what was verified on the literature review, some OSs are strategically optimizing their deficits (Schuster, 1997; Netzer, 2011).

On this perspective, this research also highlighted the importance of a thorough approach in relation to performance indicators and the risk related to their implementation in cultural organizations. When applying performance indicators - to affect, evaluate, monitor or infer behavior - funding agencies should not only be concerned with their design (Schuster, 1997; Pignataro, 2011), but also with the entrepreneurial attitudes and possible counterproductive behavior from the affected agents (Schuster, 1997; Peacock, 2003).

Although mentioning many benefits of the OS model, this study also presented some points that call for attention, mainly in terms of accountability. As argued by some authors, it is necessary to strive for the continuous development and improvement of the Social Organization model in terms of (i) performance indicators quality (Ferraz, 2008; Fiore et al., 2011); (ii) strengthening of oversight agencies (Fiore et al., 2011); and (iii) application of penalties and sanctions (Martins, 2016).

Nevertheless, this research presents some empirical evidences on the effectiveness and efficiency of the OS model for cultural institutions in the state of São Paulo, especially in terms of revenue diversification and decrease on the dependency on public funding.

5.2 Limitations

The majority of the limitations of this study are related to its methodology. The use of a unidimensional (i.e. financial) perspective in organizations' performance evaluation can limit the extent of the findings or, in some cases, be misleading. However, as explained before, this choice was made in an effort to work with accurate and unbiased data. Furthermore, although the option to focus on OSs operating in a single area of activity (i.e. museums) has facilitated the analysis and results comparison, it limits the extents that the findings can be generalized to OSs of other cultural activity areas. In addition, the size of the selected sample (six OSs) is also a limitation in terms of generalization, once it represents around 30% of the Social Organizations which have contracts in force with SEC (*Secretaria de Estado da Cultura*).

Another important limitation to the analysis is the fact that OSs have adopted different accounting principles over the assessed time period. Even though the selected sample was formed only by NPOs managing the same type of cultural assets (i.e. museums), financial statements structure (and accounting principles) differed among organizations. In 2012, the Brazilian Federal Accounting Council (CFC – *Conselho Federal de Contailidade*) approved, under resolution 1,409/12, the technical interpretation ITG 2002 for not-for-profit entities, which legally placed all OSs under the same accounting principles. Considering the time frame of this study, these changes have some impact in the analysis, however, it is deemed insignificant for the overall results assessment.

Finally, one last limitation regards the focus of the selected performance indicators on the number of visitors output. The research could have selected additional indicators based on other outputs (e.g. number of exhibitions) to enrich the analysis. However, the difficulty to collect data limited this possibility. As mentioned before, although the Secretary of State for Culture of the state of São Paulo (SEC) has a dedicated website[20] with information about the OSs, the data is limited and not updated. In terms of transparency and accountability, as also defended by other authors, the OS model calls for more informatized systems (Fiore et al., 2011), with overall access to management contracts, individual objectives, goals and performance indicators evolution (Martins, 2016).

5.3 Future research

As mentioned before, research on the OS model in cultural institutions is still scarce. The herein study is of great value for the literature on Social Organizations once it is one of the first quantitative analysis on the subject. The findings of this work can be used as a starting point to other researchers interested on the relationship of public and private agents on the supply of cultural goods. Additionally, the research presents information and analysis on a relatively new model for cultural public assets management (e.g. museums, theaters) where the state is responsible for policy decisions and private nonprofit organizations oversee operational and strategic matters to accomplish the objectives of the policy.

Future research on this filed could combine other data sources for a multidimensional evaluation of the OS model. The use of both, qualitative and quantitative data could enable assessments which connect organization's mission to the objectives and goals stated in the management contract to have a better understanding of their performance evolution (e.g. verify if the efficiency evolution is related to the goals of the management contract or if it is part of OS's maturity). These studies could help on the development of cultural policy-making and on the definition of adequate goals and performance indicators. Future research on the efficiency of the OS model could also use historical budgets and realized figures to assess the evolution of organization's processes and planning.

Finally, future research could deepen on the evidences of deficit optimization by OSs. The findings of such research might be of great value on the development and

[20] http://www.transparenciacultura.sp.gov.br

improvement of the management contracts, performance indicators and incentives for OS's managers in order to avoid uneconomical behavior.

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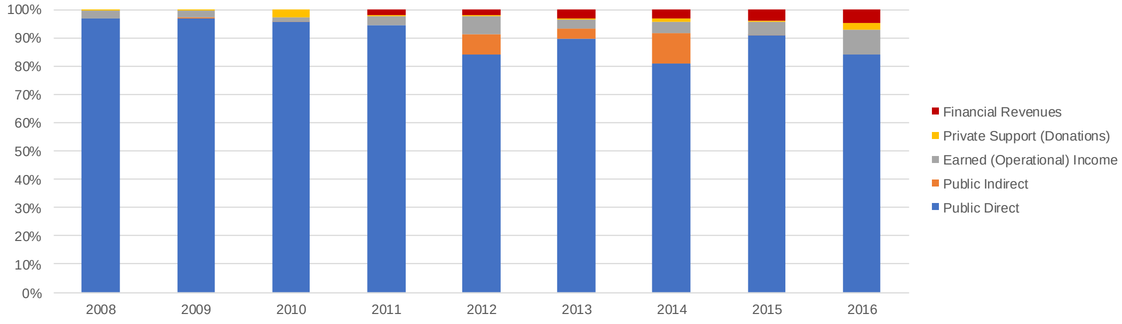
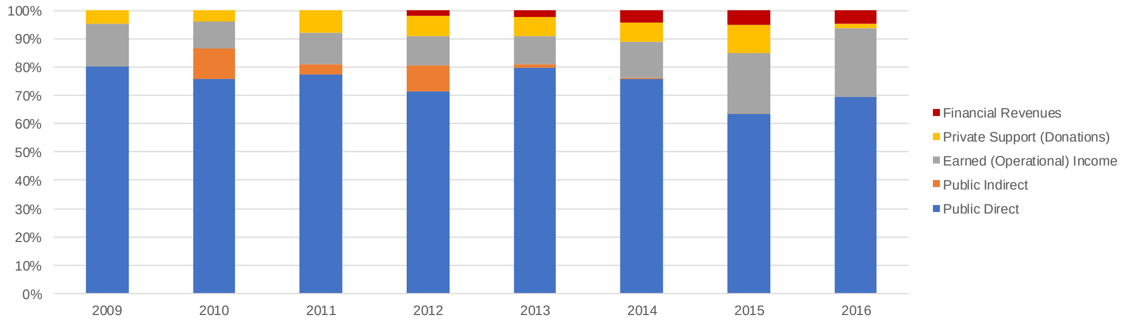
Appendix I

Funding structure evolution: Associação Museu de Arte Sacra



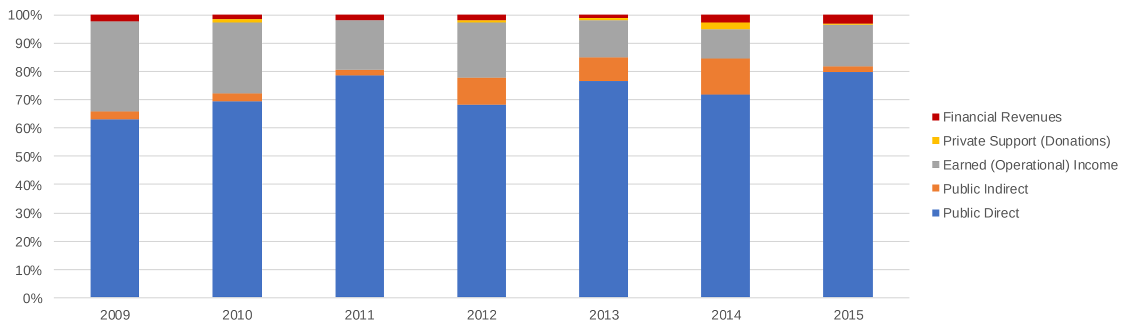
Source: elaborated by the author based on OSs' financial statements

Funding structure evolution: A Casa Museu



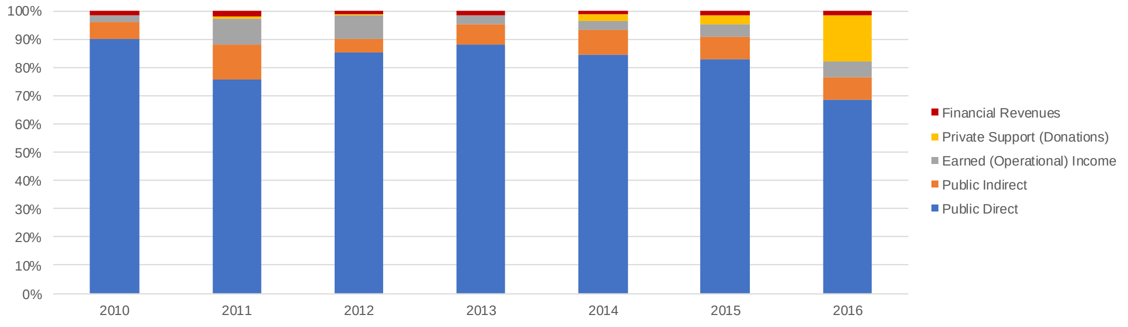
Source: elaborated by the author based on OSs' financial statements

Funding structure evolution: IDBrasil



Source: elaborated by the author based on OSs' financial statements

Funding structure evolution: Associação Museu Afro Brasil



Source: elaborated by the author based on OSs' financial statements

Appendix II

IPCA rates and deflator (based on 2016 values)

Year	IPCA (%)	IPCA Deflator
2006	3.14	1.77
2007	4.46	1.72
2008	5.90	1.64
2009	4.31	1.55
2010	5.91	1.49
2011	6.50	1.41
2012	5.84	1.32
2013	5.91	1.25
2014	6.41	1.18
2015	10.67	1.11
2016	6.29	1.00

Source: elaborated by the author based on information from IBGE retrieved from: http://www.ibge.gov.br/home/estatistica/indicadores/precos/inpc_ipca/ipca-inpc_201704_3.shtm

Appendix III

Performance indicators evolution

Associação Pinacoteca		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Attendance Maximization												
Number of visitors	Total attendance	454,433	415,382	544,168	536,691	526,572	407,208	500,332	475,008	561,200	683,140	396,664
Visitors per R$ 100 invested	Total attendance / Total cost and expenditures /100	6.48	4.98	5.04	4.36	3.06	2.23	2.52	1.66	1.73	1.99	1.11
Economy Maximization												
Share of HR expenses	HR expenses / Total income	0.27	0.32	0.33	0.38	0.32	0.37	0.40	0.37	0.42	0.42	0.41
Ratio expenses to income	Total cost and expenditures / Total income	0.95	0.98	1.00	0.98	0.93	1.00	0.95	1.01	1.01	1.00	1.00
Revenue Maximization												
Ratio Income to Expenses	Total income / Total cost and expenditures	1.06	1.02	1.00	1.02	1.07	1.00	1.05	0.99	0.99	1.00	1.00
Share of earned (operational) income	Earned (operational) income / Total income	0.18	0.15	0.12	0.08	0.07	0.09	0.09	0.16	0.15	0.14	0.11
Share of private support (donations)	Private support (donations) / Total income	0.00	0.01	0.01	0.03	0.01	0.00	0.02	0.00	0.03	0.02	0.03
Cost per visitor	Total cost and expenditures / Total attendance	15.44	20.09	19.83	22.93	32.65	44.86	39.61	60.35	57.72	50.32	89.91
Revenue per visitor	Earned income / Total attendance	2.94	2.99	2.34	1.90	2.53	3.87	3.71	9.44	8.55	7.06	9.84
Accountability Maximization												
Public direct resource per visitor	Public direct income / Total attendance	8.82	11.21	11.19	15.00	24.57	27.39	27.98	38.62	33.73	30.22	52.87
Public resource per visitor	Public direct + indirect income / Total attendance	13.25	17.20	17.22	20.80	31.93	40.42	36.51	49.65	46.45	41.68	75.69
Share of public direct resources	Public direct income / Total income	0.54	0.55	0.57	0.64	0.70	0.61	0.67	0.64	0.59	0.60	0.59
Share of public resources	Public direct + indirect income / Total income	0.81	0.84	0.87	0.89	0.91	0.90	0.88	0.83	0.81	0.83	0.84

Associação do Paço das Artes		2009	2010	2011	2012	2013	2014	2015	2016
Attendance Maximization									
Number of visitors	Total attendance	59,389	84,441	113,121	219,242	579,725	929,749	501,843	570,904
Visitors per R$ 100 invested	Total attendance / Total cost and expenditures /100	0.90	1.02	1.47	2.06	3.25	4.49	2.91	2.42
Economy Maximization									
Share of HR expenses	HR expenses / Total income	0.38	0.40	0.38	0.32	0.38	0.36	0.42	0.37
Ratio expenses to income	Total cost and expenditures / Total income	0.91	0.98	0.82	0.84	1.27	1.08	0.99	1.00
Revenue Maximization									
Ratio Income to Expenses	Total income / Total cost and expenditures	1.09	1.02	1.22	1.19	0.79	0.92	1.01	1.00
Share of earned (operational) income	Earned (operational) income / Total income	0.04	0.06	0.05	0.07	0.10	0.23	0.10	0.27
Share of private support (donations)	Private support (donations) / Total income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Cost per visitor	Total cost and expenditures / Total attendance	111.24	97.67	67.94	48.50	30.80	22.29	34.38	41.27
Revenue per visitor	Earned income / Total attendance	4.89	5.73	3.93	4.01	2.38	4.81	3.33	11.28
Accountability Maximization									
Public direct resource per visitor	Public direct income / Total attendance	113.51	91.78	75.46	50.77	20.05	13.57	26.82	18.57
Public resource per visitor	Public direct + indirect income / Total attendance	115.86	92.80	77.31	52.42	21.16	15.65	31.27	29.45
Share of public direct resources	Public direct income / Total income	0.93	0.92	0.91	0.88	0.83	0.66	0.77	0.45
Share of public resources	Public direct + indirect income / Total income	0.95	0.93	0.93	0.91	0.87	0.76	0.90	0.71

Associação Museu de Arte Sacra		2008	2009	2010	2011	2012	2013	2014	2015	2016
Attendance Maximization										
Number of visitors	Total attendance	41,309	54,934	30,366	41,929	46,859	54,219	54,690	45,979	57,197
Visitors per R$ 100 invested	Total attendance / Total cost and expenditures /100	1.81	1.78	0.97	1.13	0.82	0.69	0.73	0.58	0.72
Economy Maximization										
Share of HR expenses	HR expenses / Total income	0.25	0.36	0.42	0.39	0.40	0.37	0.41	0.46	0.44
Ratio expenses to income	Total cost and expenditures / Total income	0.88	1.21	1.18	1.00	1.01	1.01	1.00	1.00	0.97
Revenue Maximization										
Ratio Income to Expenses	Total income / Total cost and expenditures	1.13	0.83	0.85	1.00	0.99	0.99	1.00	1.00	1.04
Share of earned (operational) income	Earned (operational) income / Total income	0.03	0.02	0.02	0.03	0.06	0.03	0.04	0.05	0.09
Share of private support (donations)	Private support (donations) / Total income	0.00	0.00	0.03	0.01	0.00	0.00	0.01	0.00	0.03
Cost per visitor	Total cost and expenditures / Total attendance	55.18	56.26	103.40	88.24	122.13	143.95	137.39	172.84	138.53
Revenue per visitor	Earned income / Total attendance	1.69	1.15	1.43	2.78	7.65	4.60	5.46	8.38	12.53
Accountability Maximization										
Public direct resource per visitor	Public direct income / Total attendance	60.6085685	45.03	83.63	83.49	102.06	128.45	111.07	156.38	120.55
Public resource per visitor	Public direct + indirect income / Total attendance	60.6085685	45.24	83.83	83.49	110.55	133.65	125.81	156.68	120.55
Share of public direct resources	Public direct income / Total income	0.97	0.97	0.95	0.94	0.84	0.90	0.81	0.91	0.84
Share of public resources	Public direct + indirect income / Total income	0.97	0.97	0.96	0.94	0.91	0.93	0.92	0.91	0.84

A Casa Museu		2009	2010	2011	2012	2013	2014	2015	2016
Attendance Maximization									
Number of visitors	Total attendance	94,450	98,138	97,379	104,099	115,250	142,718	140,996	140,285
Visitors per R$ 100 invested	Total attendance / Total cost and expenditures /100	3.80	2.50	2.17	1.77	1.60	1.87	1.64	1.36
Economy Maximization									
Share of HR expenses	HR expenses / Total income	0.38	0.37	0.41	0.42	0.40	0.43	0.48	0.48
Ratio expenses to income	Total cost and expenditures / Total income	0.85	1.00	1.00	1.00	1.00	1.00	0.99	1.01
Revenue Maximization									
Ratio Income to Expenses	Total income / Total cost and expenditures	1.18	1.00	1.00	1.00	1.00	1.00	1.01	0.99
Share of earned (operational) income	Earned (operational) income / Total income	0.15	0.09	0.11	0.10	0.10	0.13	0.21	0.24
Share of private support (donations)	Private support (donations) / Total income	0.05	0.04	0.08	0.07	0.07	0.07	0.10	0.02
Cost per visitor	Total cost and expenditures / Total attendance	26.28	39.94	46.03	56.34	62.55	53.42	60.85	73.44
Revenue per visitor	Earned income / Total attendance	4.68	3.76	5.20	5.73	6.15	6.80	13.23	17.46
Accountability Maximization									
Public direct resource per visitor	Public direct income / Total attendance	24.94	30.29	35.73	40.06	49.70	40.58	39.22	50.59
Public resource per visitor	Public direct + indirect income / Total attendance	24.94	34.58	37.28	45.31	50.62	40.71	39.25	50.59
Share of public direct resources	Public direct income / Total income	0.80	0.76	0.78	0.71	0.80	0.76	0.64	0.70
Share of public resources	Public direct + indirect income / Total income	0.80	0.87	0.81	0.81	0.81	0.76	0.64	0.70

IDBrasil		2009	2010	2011	2012	2013	2014	2015
Attendance Maximization								
Number of visitors	Total attendance	367,895	416,653	324,289	538,563	670,984	723,765	574,292
Visitors per R$ 100 invested	Total attendance / Total cost and expenditures /100	7.24	7.62	4.36	5.46	4.48	3.74	3.02
Economy Maximization								
Share of HR expenses	HR expenses / Total income	0.48	0.52	0.42	0.52	0.50	0.46	0.52
Ratio expenses to income	Total cost and expenditures / Total income	1.11	1.04	0.99	1.00	1.00	1.00	1.00
Revenue Maximization								
Ratio Income to Expenses	Total income / Total cost and expenditures	0.90	0.96	1.01	1.00	1.00	1.00	1.00
Share of earned (operational) income	Earned (operational) income / Total income	0.32	0.25	0.18	0.20	0.13	0.11	0.15
Share of private support (donations)	Private support (donations) / Total income	0.00	0.01	0.00	0.01	0.01	0.02	0.00
Cost per visitor	Total cost and expenditures / Total attendance	13.82	13.13	22.92	18.32	22.30	26.74	33.08
Revenue per visitor	Earned income / Total attendance	3.96	3.21	4.05	3.56	2.91	2.81	4.81
Accountability Maximization								
Public direct resource per visitor	Public direct income / Total attendance	7.88	8.77	18.14	12.47	17.11	19.19	26.38
Public resource per visitor	Public direct + indirect income / Total attendance	32.04	38.69	62.04	73.47	110.62	114.69	110.41
Share of public direct resources	Public direct income / Total income	0.63	0.69	0.79	0.68	0.77	0.72	0.80
Share of public resources	Public direct + indirect income / Total income	0.66	0.72	0.81	0.78	0.85	0.85	0.82

Associação Museu Afro Brasil		2010	2011	2012	2013	2014	2015	2016
Attendance Maximization								
Number of visitors	Total attendance	187,385	164,417	216,941	182,995	186,478	181,745	159,655
Visitors per R$ 100 invested	Total attendance / Total cost and expenditures /100	3.08	2.23	2.60	1.94	1.82	1.63	1.45
Economy Maximization								
Share of HR expenses	HR expenses / Total income	0.57	0.53	0.62	0.61	0.65	0.60	0.47
Ratio expenses to income	Total cost and expenditures / Total income	0.94	0.99	1.02	1.05	1.00	1.05	0.83
Revenue Maximization								
Ratio Income to Expenses	Total income / Total cost and expenditures	1.07	1.01	0.98	0.95	1.00	0.96	1.20
Share of earned (operational) income	Earned (operational) income / Total income	0.02	0.09	0.08	0.03	0.03	0.04	0.06
Share of private support (donations)	Private support (donations) / Total income	0.00	0.01	0.00	0.00	0.02	0.03	0.16
Cost per visitor	Total cost and expenditures / Total attendance	32.47	44.82	38.44	51.44	54.89	61.53	68.87
Revenue per visitor	Earned income / Total attendance	0.71	4.13	3.18	1.49	1.63	2.54	4.72
Accountability Maximization								
Public direct resource per visitor	Public direct income / Total attendance	31.20	34.25	32.18	43.02	46.49	48.86	56.72
Public resource per visitor	Public direct + indirect income / Total attendance	33.34	39.84	34.03	46.67	51.45	53.45	63.34
Share of public direct resources	Public direct income / Total income	0.90	0.76	0.85	0.88	0.84	0.83	0.69
Share of public resources	Public direct + indirect income / Total income	0.96	0.88	0.90	0.95	0.93	0.91	0.77