Balancing Art & Business:
Performance Goals and Measurement Systems in Commercial Art Galleries

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Abstract
This research investigates the performance goals of commercial art galleries and the performance measurement systems (PMS) they use. As one of the first examinations into the topic, this research provides a foundational understanding of performance measurement in for-profit arts organizations. Combining notions from traditional management, non-profits arts PMS, and cultural economics I develop a framework within which to analyze galleries’ performance goals and PMS. Through qualitative interviews with galleries in Los Angeles and the Netherlands, I find that previous explanations of performance goals in arts organizations are insufficient to explain the varying goals of galleries. I develop a gallery orientation matrix that defines four types of galleries (discoverers, developers, endorsers, and canonizers) based on their values which helps to account for the variation in galleries’ goals and measurement systems. I also find several factors which are shared across galleries (motivations, challenges, and business structure) which shape performance goals and measurement systems. Based on these factors, the different performance goals and PMS of galleries are outlined.

Key words: performance, measurement, evaluation, art galleries, indicators, performance goals, for-profit, commercial, arts organizations
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1.0 Introduction

Galleries occupy a strange place on the organizational scale. They are neither a purely humanitarian enterprise, nor are they a purely profit-driven one. They are not solely concerned with the cultural education and enjoyment of their audiences, nor are they solely concerned with the growth of their revenue. They are concerned with both artistic and commercial endeavors. As a result, galleries find themselves trying to balance the very fine line between art and business. These two notions are so diametrically opposed it seems impossible for galleries not to fail. And the fact is, they often do. In a survey of over eight thousand gallerists in the US, the UK, and Germany, 30% of galleries were found to have less than 10% profit margins, and another 30% of galleries actually lost money (Resch, 2015, p. 26). The low barriers to entry for gallerists (i.e. no formal education, no practicing licenses, relatively little start-up capital required) creates a market that is overflowing with galleries (Chong, 2008; Robertson, Tseng, Singh, 2008, p. 91). Yet the rate of gallery closures is extremely high and has been increasing over the last two years (Resch, 2016; Douglas, 2017). The few high-end galleries find themselves in a winner-takes-all position, while mid-level and small-time galleries struggle to survive (Resch, 2015). This tension is exacerbated by growing competition from online art sales (Hudson, 2013) and a growing dominance of art fairs (Halperin, 2012). If galleries are to successfully navigate the path between art and business in this increasingly competitive market they must be the most effective and efficient they can possibly be. The use of performance measurement and evaluation can help galleries to critically assess their goals and ensure that their activities are actually working to help reach those goals, something which is of more importance now than ever. Yet virtually no information on performance measurement in commercial arts organizations exists.

Over the past decade, significant attention has been paid to performance measurement in the arts in the context of non-profit arts initiatives, such as museums and city arts programmes (Zorloni, 2010). This is largely due to the increasing need for accountability and for organizations to show results in order to attract funding (Zorloni, 2010). As a result, there have been measurement systems and performance indicators developed specifically for non-profits arts organizations.
Yet these systems assume that the main goal is public benefit and take profit entirely out of the equation.

Of course, while the non-profit sector has been at the forefront of arts performance measurement, the general concept of performance measurement has been around for decades in the traditional business sectors. Accounting and management studies introduced the concept as a way to measure progress and ultimately evaluate the success of an organization in reaching its goals (Kellen, 2003). This is relatively simple when the goal is as singular as maximizing profit. But galleries deal in both the business and the art world. So how do you measure the performance of a commercial gallery? By profits? By artistic value?

This research has pieced together information from traditional management, non-profits arts, and cultural economics in order to construct a framework within which to analyze the performance measurement of commercial galleries. Interviews with a range of galleries from Los Angeles and the Netherlands reveal an underlying set of factors, including values, motivations, challenges, and business structure, which all affect the performance goals and measurement systems which galleries use. I develop a gallery matrix which identifies four different types of galleries; discoverers, developers, endorsers, and canonizers. Each of these gallery types have their own performance goals and methods of performance measurement. The interviews also reveal a number of commonalities between gallery types, which also play a role in shaping galleries’ performance goals and measurements systems. This information allows us to 1. develop an overview of galleries’ major performance goals, 2. identify key performance indicators which galleries use, and 3. describe the scope of galleries performance measurement systems.

Chapter two assembles the disparate approaches to and studies of performance measurement and connects them with the commercial art gallery. Chapter three defines the research design and method used in this study. Chapter four first addresses the orientation and performance goals of the galleries before outlining the performance measurement systems used by them. Finally, chapter five discusses some of the idiosyncrasies of performance measurement in galleries and suggests further paths for future research.
2.0 Theoretical Framework

2.1 Performance, Measurement, and Evaluation

Before trying to analyze the use of performance measurement in art galleries, we should begin first by defining what we actually mean with the concept. The term “performance” has had a plethora of meanings heaped onto it by different authors over the last several decades—Lebas & Euske (2004) cite nine commonly used definitions just in the context of traditional business management. In an attempt to combine the key points from each of these, Lebas & Euske construct a new definition of performance, defining it as “the sum of all processes that will lead managers to [take] appropriate actions in the present that will create a performing organization in the future (i.e., one that is effective and efficient)” (2004, p. 68). The result is an incredibly cumbersome and difficult to understand definition. However, it does contain two crucial points. First, it defines performance as a causal process. That is, performance is not just the results of an organization’s actions— it is the causing of those results by the organization. Second, it defines a performing organization as one that effectively and efficiently causes those results. Effectiveness in this context refers to the ability to produce an intended result, while efficiency refers to the ability to produce that result with the lowest use of resources (Evans, 2000). Taking those two points into consideration, a more practical definition of performance is this: the effectiveness and efficiency with which an organization causes intended results.

Performance measurement can therefore be considered the measurement of the effectiveness or efficiency (or both) of an organization’s actions in causing an intended result (Kellen, 2003; Lebas & Euske, 2004). At this point it may be useful to differentiate between the two often conflated concepts of performance measurement and performance evaluation. Although these two concepts are closely connected, they are not the same thing. Measurement involves only the measuring of an organization’s actions. Evaluation examines those measurements and compares them to a predetermined benchmark in order to decide whether the actions are effective and/or efficient. In other words, evaluation uses measurement to pass a qualitative judgement about the organization’s performance. Measurement does not require evaluation but is the necessary first step in the evaluation process. It is important to remember that neither measurement nor evaluation is an end within itself. These are simply tools which are used to make changes which will ultimately improve the organization’s performance.
2.2 Performance Measurement Systems (PMS)

Performance measurement systems (PMS) (sometimes called performance evaluation systems) are the “formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities” (Kellen, 2003, p. 3). In essence, these systems help organizations to set strategic goals, monitor the organization’s progress towards those goals, and evaluate the success (or failure) of the actions taken to reach those goals (Behn, 2003; Kellen, 2003).

Boiled down to its simplest form, a PMS works by comparing an organization’s actual results with their intended results (i.e. the organization’s goals) (Kellen, 2003). This allows them to assess how effective and efficient their actions are in achieving their intended results (Kellog, 2004). This can be illustrated through the use of a logic model, a model which provides a visual representation of the logical relationship between the organization’s goals, activities, and results (Kellog, 2004). At each stage, the PMS helps to answer questions about how well the process is working (see fig. 1).

![Logic Model](image)

*Figure 1. Simplified traditional business logic model*

### 2.3 Gallery Orientation

A traditional business management approach to performance measurement takes as its starting point the performance goals of the organization. Galleries, however, may not all have the same performance goals. Therefore, in order to understand (the differences in) galleries’ performance goals, it is necessary to understand the basis for those goals. A gallery typology is therefore proposed to help distinguish between the different drives that galleries may have (which likely influence their performance goals). This typology is based on several key theories which all classify cultural organizations in different ways.

In 1976, Diana Crane published her theory of artistic reward systems. These reward systems are, according to Crane, systems by which “the social community in a
particular cultural area rewards its members” (Crane, 1976, p. 719). That is to say, the social community of a cultural field may provide both material and symbolic rewards. Closely related to this theory is the theory of selection systems, introduced by Nachoem Wijnberg. Selection systems, like reward systems, are the systems by which members of a field are “selected” i.e. favoured by means of granting material and/or symbolic rewards (Wijnberg, 2004, p. 1414). According to Wijnberg, there are three types of selection systems: market, peer, and expert (2004). Market selection systems are those in which the consumers determine which producers are selected (Wijnberg, 2004). Peer selection systems are those in which other producers determine which producers are selected (Wijnberg, 2004). Expert selection systems occur when those with particular knowledge or expertise determine which producers are selected (Wijnberg, 2004). Because the commercial art gallery sector is a for-profit sector, in theory, only the market can allocate material rewards (since galleries rely entirely on consumers for economic rewards). Symbolic rewards, on the other hand, tend to be rewarded by peers and/or experts. Different galleries may therefore be driven by different rewards and selection systems.

In 1978, Marcia Bystryn, in her study of art galleries as gatekeepers, described two types of galleries. The first type, she argued, is interested in helping emerging artists to create new, ground-breaking works (p. 393). The second type is driven by the desire to bring more established artists and artistic styles successfully into the art market (p. 393). Galleries may therefore have different performance goals based on which of these two types of artists they represent.

In 1993, Bourdieu introduced his theory of the field of cultural production. He suggests that the artistic field is split between two poles: the autonomous pole on one side and the heteronomous on the other. The autonomous pole is characterized by an independence from other fields, being governed by internal rules and norms and having a focus on “art for art’s sake” (Bourdieu, 1993). The heteronomous pole is characterized by a dependence on other fields, being governed by external rules and norms, particularly influenced by the market (Bourdieu, 1993). Cultural organizations, he argued, vary based on which of these two logics they follow. Thus, galleries may lean towards the autonomous pole, making them “art for art’s sake” oriented, or they may lean towards the heteronomous pole, making them more market oriented. Bourdieu also argued that actors may also vary in the “level of consecration” they receive (i.e. the amount of recognition received, either through
symbolic or material reward) (Bourdieu, 1993). Galleries on either side of the poles may therefore also range in the level of consecration they are given; those on the autonomous side may be given a lot of or very little consecration, as may those on the heteronomous side (Bourdieu, 1993).

In his study of over 8,000 galleries, Magnus Resch addresses the divide suggested by Bourdieu by identifying three categories under which art galleries’ goals may be grouped. First, economic goals; these stem from the fact that galleries are for-profit organizations (Resch, 2015). Second, artistic goals, which stems from the nature of the cultural field and the fact that “creative workers care about their product” as Caves (2000, p. 3) puts it (Resch, 2015). Third, social goals, which stem from the fact that galleries are concerned with the specific norms of the field and are judged by those within the field (Resch, 2015).

Combining these theories, we might say that there are two types of commercial galleries: the autonomous gallery and the heteronomous gallery. The autonomous gallery is driven by an “art for art’s sake” focus, with a desire to nurture emerging artists, and an artistic and social orientation. It is governed by the rules and norms within the field and is driven mainly by symbolic rewards which are doled out by other members of the field (experts and/or peers). The heteronomous gallery on the other hand is driven by a desire to promote established artists and is governed by the rules and norms of the market. It is interested mainly in material rewards which are doled out by consumers and therefore has corresponding economic goals. Both of these two types may range in the amount of consecration they receive; autonomous galleries may receive few or many symbolic rewards, and heteronomous galleries may receive few or many material rewards. Based on this, a gallery orientation matrix is proposed (fig. 2), in which there are two poles along which galleries can move: the autonomous-heteronomous pole, and the low-consecration-high-consecration pole. This results in four quadrants in which galleries can be located: autonomous with low consecration (lower left quadrant), autonomous with high consecration (upper left quadrant), heteronomous with low consecration (lower right quadrant), or heteronomous with high consecration (upper right quadrant) (see fig. 2).

These four quadrants are ideal-types, laying on the ends of a spectrum, with most galleries falling somewhere in between. Moreover, as commercial enterprises, even the most autonomous gallery must still rely on the market in order to survive.
And, as artistic enterprises, even the most heteronomous gallery, must still rely on artistically-minded people (i.e. the artists they represent) to survive.

![Figure 2. Proposed gallery typology matrix](image)

### 2.4 Implications for Galleries’ Performance Goals

As the typology highlights, commercial galleries are particularly complex because of their position between the “art for art’s sake” art world and the profit-maximizing business world. Unlike the cultural non-profit (about which virtually all arts-related PMS is written), art galleries are not just concerned with breaking even but also with making a profit. However, unlike the traditional business firm they are not solely concerned with profit; they are also concerned with artistic and social issues and care about symbolic rewards (Caves, 2000). Moreover, an additional level of complexity is added when we consider the fact that the “consumers” in the art gallery industry (i.e. collectors) are often regarded as experts and members of the field in their own right (Caves, 2000), making the rewards they confer both material and symbolic.

Traditional PMS have focused almost exclusively on the financial aspects of firms. However, over the past two decades or so, a number of PMS have been developed to include a more multi-dimensional approach. Arts PMS in particular must take a multi-dimensional approach, “because cultural goods have a two-fold nature: they are at the same time artistic products and economic products” (Zorloni, 2010, p. 168). The Balanced Scorecard (BSC), developed by Kaplan & Norton (1992), is by far the most widely cited multi-dimensional approach, even in literature on arts-organization performance (although it is a business PMS not related to the arts). It uses four performance dimensions: financial, customer, internal business, and innovation and learning” (Kennerly & Neely, 2004, p. 148). In addition to the BSC,
there have also been multiple arts-specific PMS developed (Ghilespy, 1999; Egloff & Zorloni, 2012; Turbid & Laurin, 2012; Hammar & Lagerborg, 2017). Research into arts-specific PMS have yielded a number of key performance goals for the arts, which may be related to one of four categories of goals: the three categories identified by Magnus Resch (2015) (economic, social, and artistic), as well as the category of organizational goals (which any organization, cultural or not, may have) (Neely, Gregory, & Platts, 1995). The goals identified throughout the literature have been compiled in this research into a table and categorized based on the four goal categories (table 1). Two main artistic goals have been identified: quality and innovation. The two social goals identified include one altruistic goal (public benefit) and one self-interest goal (reputation). Economic goals include financial goals, funder/investor satisfaction, and audience/customer satisfaction. Finally, two organizational goals, personnel satisfaction and quality of management, are identified.

**Table 1. Common Performance Goals Cited in Arts-Related Performance Research**

<table>
<thead>
<tr>
<th>Goal category</th>
<th>Performance goals</th>
<th>Research citing these goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artistic</td>
<td>Artistic quality</td>
<td>Evans, 2000; Turbid &amp; Laurin, 2000; Boorsma &amp; Chiaravolotti, 2009; Zorloni, 2010; Egloff &amp; Zorloni, 2012</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>Turbid &amp; Laurin, 2000; Boorsma &amp; Chiaravolotti, 2009; Zorloni, 2010</td>
</tr>
<tr>
<td>Social</td>
<td>Public benefit</td>
<td>Evans, 2000; Turbid &amp; Laurin, 2000; Boorsma &amp; Chiaravolotti, 2009; Egloff &amp; Zorloni, 2012</td>
</tr>
<tr>
<td></td>
<td>Reputation</td>
<td>Turbid &amp; Laurin, 2000; Zorloni, 2010</td>
</tr>
<tr>
<td></td>
<td>Funder/investor satisfaction</td>
<td>Turbid &amp; Laurin, 2000; Zorloni, 2010</td>
</tr>
<tr>
<td></td>
<td>Audience/customer satisfaction</td>
<td>Turbid &amp; Laurin, 2000; Boorsma &amp; Chiaravolotti, 2009; Zorloni, 2010</td>
</tr>
<tr>
<td>Organizational</td>
<td>Personnel satisfaction</td>
<td>Turbid &amp; Laurin, 2000; Egloff &amp; Zorloni, 2012</td>
</tr>
<tr>
<td></td>
<td>Quality of management/governance</td>
<td>Evans, 2000; Turbid &amp; Laurin, 2000; Zorloni, 2010; Egloff &amp; Zorloni, 2012</td>
</tr>
</tbody>
</table>
Of course, the above table is certainly not complete. Nor are the defining categories mutually exclusive; for instance, customer satisfaction may be both an economic and a social goal. Furthermore, this list is based on the available research on performance goals in the cultural sector, research that is almost exclusively focused on non-profits arts organizations, particularly museums and theatres. It can therefore be expected that art galleries share some but not all of the above performance goals and may have others which are not included. Thus, this research helps to determine the relevance of these goals for art galleries as well as to identify other indicators that have not been identified by previous literature. Nevertheless, the list illustrates the importance for arts PMS to take into account not only economic goals but also artistic, social, and organizational goals. Using the initial gallery typology as reference for different gallery focuses, it can be assumed that autonomous galleries’ PMS will focus more on artistic and social goals, while heteronomous galleries’ PMS will focus more on economic goals.

2.5 Evaluating an Organization’s PMS

Once the galleries’ orientation (autonomous/heteronomous) is established, how can galleries’ PMS be evaluated in order to determine whether it is appropriate and useful? Neely, Gregory, & Platts identify three levels on which to evaluate the appropriateness of a PMS:

“(1) the individual performance measures;
(2) the set of performance measures – the performance measurement system as an entity; and
(3) the relationship between the performance measurement system and the environment within which it operates.”

(Neely, Gregory, and Platts, 1995, p. 81)

2.5.1 Individual performance measures. A performance indicator (also known as a performance measure) is the descriptor that quantifies or qualifies an action/result and thus serves as an indicator for the success (the effectiveness or efficiency) of that action/result (Neely, Gregory, & Platts, 1995; Kennerly & Neely, 2004). Kellen (2003, p. 4) delineates seven types of performance measures:

1 This research uses the term performance indicator and performance measure interchangeably
- Objective (independently measurable) / subjective (dependent on contextual factors for measurement)
- Financial / non-financial
- Lagging (measure past performance) / leading (measure future performance)
- Complete (measures all relevant aspects of an action) / incomplete (measures only certain aspects of an action)
- Responsive (within the immediate control of the organization) / non-responsive (outside the immediate control of the organization)
- Inputs / process / output
- Critical (critical to the success of the organization; a KPI) / non-critical
- Tangible / intangible

Importantly, in order for indicators to be useful in the evaluation of performance they must be compared with appropriate benchmarks. Benchmarking is the process of comparing the result of an indicator with a reference (Lebas & Euske, 2004). It is what allows effectiveness and efficiency to be evaluated, rather than just measured. The benchmark is the reference that the organization predetermines as the threshold for effectiveness and/or efficiency; if the indicator surpasses this benchmark it is performing well, if it falls short then it is underperforming. A benchmark may be either internal (e.g. a comparison with the firm’s own previous performance) or external (e.g. comparison with another firm’s performance) (Lebas & Euske, 2004).

**2.5.2 Measurement system as a whole.** A successful measurement system should be greater than the sum of its parts. That is to say, the individual indicators should form a cohesive whole that, when read together, provide information about the overall performance of the organization (Globerson, 1985; Kennerly & Neely, 2004). A way to ensure that the measurement system reflects the firm’s overall performance is to use a Critical Success Factor approach (Zorloni, 2010). This is an approach which analyzes a “limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization” (Zorloni, 2010, p. 170). These critical factors should relate directly to the overarching goals of the organization and can be measured by Key Performance Indicators (KPI’s), indicators which measure actions that are critical to the success of the organization (Zorloni, 2010).

**2.5.3 Relationship between the measurement system and the environment.** As Neely, Gregory & Platts (1995) point out, there are two types of
environments important for a performance measurement system: the internal environment and the external environment. On an internal level, a PMS must be consistent with the structure of the organization. It must be practically useable by those within the organization and it must mesh with the organization’s culture (Neely, Gregory & Platts, 1995). On an external level, a PMS should address all relevant external stakeholders. In traditional PMS literature, the external environment refers only to the market environment, making the only relevant external stakeholders customers and competitors (Neely, Gregory, & Platts, 1995). However, as the gallery orientation matrix demonstrates, the market is only one component of the external environment. Both peers and experts may also be key external components (Crane, 1976; Wijnberg, 2004). If PMS are to take into account the entirety of the environment, they must take into account all relevant external stakeholders. Contemporary PMS literature and especially literature on PMS in the cultural sector recognizes a number of other external stakeholders, including artists, the public, the government, and other professionals in the field (Boorsma & Chiaravalloti, 2009; Turbid & Laurin, 2009; Egloff & Zorloni, 2012;). However, selection system theory suggests that due to limited resources, firms tend to orient themselves towards the selector(s) who are most relevant to achieving the organization’s goals (Voss & Voss, 2000; Bhansing & Wijnberg, 2015, p. 909). We might therefore assume that heteronomous galleries will tend to value stakeholders from the market, while autonomous galleries will tend to value peer and/or expert stakeholders.

2.6 Relevance of PMS for Art Galleries

Finally, it is worth understanding the relevance of PMS for art galleries. PMS in the art world, as mentioned earlier, has taken off largely in the context of non-profit organizations. Decreases in government funding has meant that non-profit cultural organizations need to prove their success in order to obtain funding, which has led to an increase in the use of PMS (Zorloni, 2010). Unlike non-profits, commercial galleries do not need to prove their success to secure funding and they report only to internal actors, not external ones. Why then should commercial art galleries use PMS? As the definition outlines, PMS do not just help create reports on an organizations performance- it is not simply a way of tracking progress so that it can be shown to funders. A PMS provides performance information to the organization
that can be used to alter activities and help ensure that the organization ultimately meets its goals (Behn, 2003). In essence, using a PMS allows an organization to assess its activities and measure its results in order to evaluate whether the actual results match their intended results (i.e. their goals). And, if the actual results do not match the intended results, it provides valuable information about which activities need to be altered to fix this (Behn, 2003).

Time and again, studies have shown that correct use of appropriate PMS is beneficial for organizational performance (Neely, 2004). Moreover, the competitive nature of the art market, with an oversupply of producers and a small pool of consumers (Chong, 2008), means that organizations must consistently perform well in order to stay in business. It is possible therefore that performance measurement is even more important for galleries than for other organizations.

However, there is one important factor that needs to be taken into consideration when talking about the relevance of PMS for art galleries. That is, art galleries tend to be very small in size (Chong & Robertson, 2008). According to Resch’s 2015 survey, 75% of galleries have fewer than five employees. This has several implications. First, traditional PMS, which is geared towards large organizations, may not be entirely relevant for the small firm. And second, art galleries may lack the resources to undertake a fully-fledged performance evaluation. Art galleries may therefore perform trimmed down versions and informal styles of performance measurement. And this may be all that is necessary (although it may not). An assumption that we can therefore draw is that larger art galleries will have more formal and comprehensive PMS while smaller galleries will have more informal and basic PMS.
3.0 Methodology

3.1 Research Question
The purpose of this research is to understand the performance measurement systems used by commercial art galleries. Therefore, the following research questions have been formulated in order to pursue this research:

- What are art galleries’ performance goals?
- To what extent do art galleries actually evaluate and measure their performance?
- How do art galleries evaluate and measure their performance?
  - What indicators do they use to measure performance?
  - What benchmarks do they use to compare performance?

3.2 Conceptual Model
In order to answer the research questions, a conceptual model was formulated based on the literature on performance measurement (discussed in the previous chapter). The model follows a logic model in which each stage relates to the next, starting with the gallery orientation. Simultaneously, each logic model stage corresponds to a level of PMS analysis. For example, the second stage (performance goals) is influenced by the first stage (the gallery orientation) and influence the third stage (the activities). Understanding the performance goals of a gallery helps to assess the gallery’s PMS as a whole. This model helped to inform the line of questioning used in the interviews with participants as well as served to identify possible themes and/or concepts useful for the coding process.

<table>
<thead>
<tr>
<th>Level of PMS analysis</th>
<th>Relationship between environment and measurement system</th>
<th>PMS as a whole</th>
<th>Individual indicators</th>
<th>Evaluation &amp; measurement in general</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of organizational analysis</td>
<td>Gallery orientation</td>
<td>Performance goals</td>
<td>Activities</td>
<td>Results</td>
</tr>
<tr>
<td>Questions</td>
<td>What is the gallery type?</td>
<td>What are the performance goals?</td>
<td>How does the gallery measure performance?</td>
<td>To what extent does the gallery measure and evaluate performance?</td>
</tr>
<tr>
<td></td>
<td>Do the performance goals match the gallery type?</td>
<td>Does the PMS match the performance goals?</td>
<td>What indicators and benchmarks does the gallery use?</td>
<td></td>
</tr>
<tr>
<td>Possible themes/focuses for codes</td>
<td>Autonomous</td>
<td>Economic</td>
<td>Type of indicator</td>
<td>Formal measurement</td>
</tr>
<tr>
<td></td>
<td>Heteronomous</td>
<td>Social</td>
<td>Type of benchmark</td>
<td>Informal measurement</td>
</tr>
<tr>
<td></td>
<td>Artistic</td>
<td>Organizational</td>
<td></td>
<td>No measurement</td>
</tr>
</tbody>
</table>
3.3 Research Design & Research Method

Seeking to understand how performance measurement is used by art galleries makes this research qualitative by nature. Furthermore, given that so little is known about performance measurement in art galleries, it is helpful to use a more open-ended approach, in which collected data can inform the theory and in turn allow for more pinpointed data collection (which further informs the theory, and so forth) (Bryman, 2012, p. 384).

3.3.1 Case selection. The galleries selected were limited to commercial (i.e. for-profit) galleries who sell contemporary art in the primary art market. That is to say, they generally represent artists who are still living and sell works by them which are entering the market for the first time. This helped to ensure that the galleries were comparable. Moreover, given that 93% of art galleries are contemporary galleries (Resch, 2015), this selection was most relevant to the sector.

A total of 17 galleries were interviewed for this research. A combination of purposive and snowball sampling was used to select the galleries which were interviewed. As much as possible, maximum variation sampling was attempted in order to “ensure as wide a variation as possible in terms of the dimension of interest” (Bryman, 2012, p. 419). That is to say, to the best of my ability, galleries were sampled so that the spectrum of gallery types (i.e. from each quadrant of the gallery matrix), were represented in the study. This was achieved by approaching as wide a net of galleries as possible. A number of galleries were also approached through contacts who knew the galleries (six in total). Nevertheless, a wide range of galleries were interviewed, varying from very new, small galleries to very well-established galleries with multiple locations (see table 2 for an overview of the galleries interviewed).

Galleries were sampled primarily in Los Angeles with supplemental sampling the Netherlands. In total, 12 galleries were interviewed in Los Angeles and 5 galleries in the Netherlands. The two locations were chosen in order to ensure maximum variation, as well as for feasibility purposes. Los Angeles is a city with a large number of both “superstar” galleries and mid-range galleries (Wagley, 2017). Galleries in the Netherlands, in contrast, tend to be much smaller, at least in their price ranges (Rengers & Velthuis, 2002).
### Table 2. Overview of Galleries Interviewed

<table>
<thead>
<tr>
<th>Gallery #</th>
<th>Position of interviewee</th>
<th>Location</th>
<th>Years since founding</th>
<th>Number of employees, including owner(s)</th>
<th>Number of artists represented</th>
<th>Location on gallery matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Director/founder</td>
<td>LA</td>
<td>1</td>
<td>1-4</td>
<td>10-20</td>
<td>Lower left quadrant</td>
</tr>
<tr>
<td>2</td>
<td>Director/founder</td>
<td>LA</td>
<td>27</td>
<td>1-4</td>
<td>40+</td>
<td>Upper left quadrant</td>
</tr>
<tr>
<td>3</td>
<td>Associate director</td>
<td>LA</td>
<td>20</td>
<td>1-4</td>
<td>40+</td>
<td>Upper left quadrant</td>
</tr>
<tr>
<td>4</td>
<td>Director</td>
<td>LA</td>
<td>18</td>
<td>5-10</td>
<td>20-40</td>
<td>Upper right quadrant</td>
</tr>
<tr>
<td>5</td>
<td>Director/founder</td>
<td>LA</td>
<td>13</td>
<td>1-4</td>
<td>10-20</td>
<td>Lower left quadrant</td>
</tr>
<tr>
<td>6</td>
<td>Director</td>
<td>LA</td>
<td>25</td>
<td>1-4</td>
<td>20-40</td>
<td>Upper right quadrant</td>
</tr>
<tr>
<td>7</td>
<td>Director/founder</td>
<td>LA</td>
<td>35</td>
<td>5-10</td>
<td>10-20</td>
<td>Lower right quadrant</td>
</tr>
<tr>
<td>8</td>
<td>Managing director</td>
<td>LA</td>
<td>26</td>
<td>1-4</td>
<td>40+</td>
<td>Upper left quadrant</td>
</tr>
<tr>
<td>9</td>
<td>Director</td>
<td>LA</td>
<td>12</td>
<td>1-4</td>
<td>20-40</td>
<td>Upper left quadrant</td>
</tr>
<tr>
<td>10</td>
<td>Director</td>
<td>NL</td>
<td>3</td>
<td>1-4</td>
<td>10-20</td>
<td>Lower right quadrant</td>
</tr>
<tr>
<td>11</td>
<td>Director</td>
<td>LA</td>
<td>2</td>
<td>5-10</td>
<td>&gt;10</td>
<td>Upper right quadrant</td>
</tr>
<tr>
<td>12</td>
<td>Director/founder</td>
<td>NL</td>
<td>30</td>
<td>1-4</td>
<td>20-40</td>
<td>Upper left quadrant</td>
</tr>
<tr>
<td>13</td>
<td>Artist &amp; Museum Liaison</td>
<td>LA</td>
<td>12</td>
<td>5-10</td>
<td>20-40</td>
<td>Upper right quadrant</td>
</tr>
<tr>
<td>14</td>
<td>Director</td>
<td>NL</td>
<td>19</td>
<td>5-10</td>
<td>20-40</td>
<td>Lower right quadrant</td>
</tr>
<tr>
<td>15</td>
<td>Director/founder</td>
<td>NL</td>
<td>10</td>
<td>1-4</td>
<td>10-20</td>
<td>Lower left quadrant</td>
</tr>
<tr>
<td>16</td>
<td>Director/founder</td>
<td>NL</td>
<td>20</td>
<td>1-4</td>
<td>&gt;10</td>
<td>Lower left quadrant</td>
</tr>
<tr>
<td>17</td>
<td>Director</td>
<td>LA</td>
<td>27</td>
<td>5-10</td>
<td>20-40</td>
<td>Lower right quadrant</td>
</tr>
</tbody>
</table>

#### 3.3.2 Data collection.** The research method that was employed was that of semi-structured interviews. Semi-structured interviews ensured that the necessary topics were covered but also allowed additional questions to be asked as necessary, to follow up on interesting responses, and to steer the interview based on the respondent (Bryman, 2012). An interview guide was used as the basis for the interview questions (see appendix for full interview guide), however supplemental questions were sometimes asked based on the individual interviews. Additionally, triangulation using the gallery websites was used to support the data collected through interviews. Using external sources to triangulate information helped to offer a greater level of validity (Bryman, 2012).

The galleries were contacted either in person, by telephone or by email in order to request an interview. The interviews were conducted with the directors of the galleries (except in one case in which the interview was conducted with the Artist & Museum Liaison). Eight of the seventeen directors were also the founders of the
gallery. This ensured that the interviewees had the knowledge required to answer questions about the performance of the gallery, as well as knowledge about the strategic goals of the gallery. The interviews were conducted either in person, on site at the galleries (14 interviews), or over the phone (3 interviews) and lasted between 20 minutes and one hour. The interviews were conducted over the course of four weeks, between April and May of 2018.

3.3.3 Data analysis. Each interview was recorded and transcribed for analysis purposes. A relatively open coding method was employed in order to develop codes; this allowed new codes to be created based on the data (Bryman, 2012). However, some codes were created in advance based on concepts determined in theoretical framework, making it only a partially-open coding method (Bryman, 2012). Once several interviews had been conducted, they were transcribed and coded using Atlas.ti. Using a grounded theory approach, these first interviews were then analyzed, allowing the theory to be narrowed and the second set of interviews to be more pinpointed (Bryman, 2012). The rest of the interviews were then conducted, transcribed, and analyzed.

3.4 Considerations
During the interviews I attempted to coax out of the interviewees the different factors that they found important for performance measurement in their gallery. However, due to limited time during the interviews, it was not possible to gain an absolutely comprehensive list of all the relevant factors for the gallery’s performance measurement from each gallery. Although it was not the goal to ascertain every relevant factor for each gallery (rather, the goal was to understand gallery PMS more broadly), it is still helpful to keep in mind that just because a gallery did not explicitly mention a concept does not necessarily mean that it is not a relevant concept for them. Nevertheless, the semi-structured interview style permitted the interviewee to dictate the line of discussion, allowing them to focus on aspects which they felt were most relevant for them. Moreover, I do feel that theoretical saturation was reached on the majority of topics discussed during the interviews. That is to say, while not every interviewee mentioned every topic, almost all of the concepts were mentioned by at least two galleries and by the last several interviews no new concepts were introduced.
The overlap in responses from galleries in the Netherlands with galleries in LA (i.e. concepts mentioned by LA galleries were also mentioned by Dutch galleries and vice versa) suggests that these findings are not location-specific and can be generalizable to other locations. However, a larger sample would be needed to confirm this conclusively.
4.0 Findings

4.1 Introduction
Following the order of the logic model, we first look at the factors that influence performance goals, and how the performance goals vary based on these factors. These influencing factors can be broken down into four parts: gallery orientation, motivations, challenges, and the gallery business model. We can then examine galleries’ PMS by looking at the indicators and benchmarks they use, their measurement system as a whole, and that system’s relationship with its environment.

4.2 Gallery Orientation
The initial Gallery Orientation Matrix that was developed was based heavily on Bourdieusian field theory and other research which distinguished between an art for art’s sake orientation and a more commercial, market orientation. Over the course of the interviews it became apparent that this was not a sufficient description of the differences between the gallery orientations. Galleries on the right side of the matrix did tend to have a stronger economic focus, however, this did not necessarily mean they were less artistically focused than galleries on the left side of the matrix and 2. seemed to be the result of an underlying difference between the two sides, not the cause of the difference itself. Likewise, the initial matrix differentiated galleries based on the amount of consecration they received, with galleries at the bottom receiving less consecration and galleries at the top receiving more. While this was not necessarily incorrect, it too described a result of an underlying difference, rather than the cause of the difference itself.

The underlying difference between galleries lies in the fact that different galleries hold different values. These values are the “deep-seated beliefs about what actions are right and just” (Kolb, 2015, p. 27) and defines what organizations “find important, where they focus their attention and build knowledge, the criteria they use to make decisions, and why people engage in certain actions” (Jacobs et al, 2016, p. 5462). Each gallery has its own set of foundational values which determine what is important for the gallery and thus shape the gallery’s orientation. Moreover, these values determine “the goal or desired result at which a thing, situation or entity is directed” (Klamer, 2017, p. 55). Thus, these values not only shape the orientation of the gallery but ultimately influence the performance goals as well.
Cameron & Quinn (2006) devise a framework which defines general organizations based on the organizational values that they hold. This “competing values framework”, as the name implies, differentiates organizations based on two sets of competing values\(^1\) (Cameron & Quinn, 2006). Which of the four values organizations hold determines the characteristics of the organization, including their performance goals (Cameron & Quinn, 2006). The creation of this framework allowed Cameron & Quinn to determine the “key factors [that] define organizational effectiveness” for these organizations (Cameron & Quinn, 2006, p. 34). This framework concerns only general organizations (i.e. it is not art-specific) and refers only to organizational values (i.e. values concerning how the organization should be run, not values concerning what the organization is about). Nevertheless, this framework served as a reference with which the matrix could be redeveloped. Based on the foundational values described by galleries throughout the interviews, the revised matrix (figure 4), differentiates between galleries based on two sets of competing values, resembling Cameron & Quinn’s competing values framework much more than the Bourdieusian cultural field.

The vertical dimension differentiates galleries based on their artistic values; at the bottom galleries value *innovation* and at the top galleries value *proven quality*. Innovation refers to the creation of novel and ground-breaking work, while proven quality refers to tested and validated artistic excellence. This distinction is similar to the one that Bystryn (1978) makes between galleries that support emerging artists and galleries that support established artists. However, Bystryn’s distinction is based on what the galleries do (i.e. introduce new artists or popularize established ones). While this is not incorrect, it is the *result* of an underlying difference, not the difference itself; the underlying difference is that certain galleries value artistic innovation while other galleries value proven artistic quality.

The horizontal dimension differentiates galleries based on their organizational values, with the left-side valuing stability and the right-side valuing growth. According to Bourdieu’s field theory, cultural organizations vary based on whether they value “art for art’s sake” or whether they value “the market” (1993). This is an

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\(^1\) Cameron & Quinn distinguish between organizations that 1. value stability and control versus ones that value flexibility and discretion, and 2. value an internal-focus and integration versus ones that value an external-focus and differentiation (2006, p. 35).
over-simplification. It is unfair to say, as Bourdieu suggests, that galleries that have more aggressive economic goals are necessarily sacrificing artistic goals. Every gallery on the right-side of the matrix that was interviewed has artistic goals and values that are at least as rigorous as the galleries on the left. Likewise, it is unfair to say that galleries with strict artistic goals eschew economic goals. Galleries on the left-side of the matrix all have specific economic goals which they need to meet as consistently as galleries on the right-side. Rather, galleries on the right value the growth of their organization and therefore require more financial rewards in order to facilitate that growth. The growth is not simply to increase financial rewards (although it may certainly be part of it) but to grow the reputation and the capabilities of the gallery. By contrast, galleries on the left value stability, and try to pursue their gallery’s goals within the scope of their current gallery; they therefore require fewer financial rewards.

Figure 4. Gallery Orientation Matrix

4.3 The Four Gallery Types
These two sets of opposing values results in four gallery types: discoverers, developers, endorsers, and canonizers. These gallery types have distinguishing characteristics based on which of the two sets of values they possess. Of course, these
gallery types are ideal types and most galleries do not land perfectly to one side or the other but fall somewhat in the middle. Nevertheless, each of the galleries interviewed tended to lean one way more than another.

**4.3.1 Discoverers.** Located in the bottom left corner of the matrix, discoverer galleries value innovation and stability; four of the seventeen interviewed galleries were discoverers. As the name implies, discoverers are interested in discovering new, up-and-coming talent. They value remaining small, rather than trying to grow; this allows them to show innovative and groundbreaking art which they feel is not being given a chance at larger galleries. Their goal is to give emerging artists their first break and propel them into fame. As one gallerist put it:

> There’s two ways to go for a gallery; you can grow and try to become that bigger gallery, or you can try to keep discovering new things. Can you hold onto them forever? If you do, it’s a failure. So, I want to find young artists and have a good relationship with them and then have them leave me for somebody else, somebody bigger.
> (Director/founder, gallery #5)

Their focus on propelling emerging artists onto bigger things means that they rely heavily on public and art-world attention to place a spotlight on their artists. This attention is used to attract the gaze of larger galleries. Because they work with emerging artists they are relatively indiscriminate about whom they sell works to, since, at this stage of the artist’s career, any sales function as a form of approval. Naturally, sales to a respected collector can help to speed up the trajectory of an artist, and discoverers may pursue specific collectors- but they are generally not discriminatory with whom they sell to because they are simply trying to get the works to be broadly accepted. As one gallerist explained:

> I do not care who buys. I do want to put certain pieces in certain collections, and I aggressively go after that...but as much as possible, I try to be egalitarian about what we present. I think that you can add a little panache to a show and still be egalitarian. A lot of what I do with the space is poke fun at the idea that at the blue-chip level there’s a certain attitude; a sort of ‘Wait, you didn’t know that? I can’t sell something to someone who didn’t know about that’ attitude. That’s a terrible attitude. (Director/founder, gallery #1)
The discoverer galleries saw it as their duty to introduce the art world and the general public to new art and new ideas. As such, they viewed themselves not as a service to collectors but as educators of collectors, introducing them to new artists and new works. As one gallerist expressed:

[The owner of the previous gallery] used to say 'honey, you can’t sell art'. And I agree. It’s not like selling cars. But you can create the right environment to help people come in, to appreciate it, to educate them about the artist. (Director/founder, gallery #5)

4.3.2 Developers. On the bottom right corner of the matrix lays the developer gallery; four of the seventeen interviewed galleries were developers. Like the discoverers, the developers value artistic innovation, but unlike the discoverers they value growth over stability. They search for young, emerging artists but rather than remaining small and pushing their artists onto bigger things, they desire to grow with their artists. The desire for both themselves and their artists to grow makes reviews extremely important for developer galleries because they garner attention for their artists and for themselves. They must also focus more heavily on collectors, as it is the collectors that provide the funds with which to fuel their growth. Moreover, perhaps even more importantly, establishing a prestigious collector base helps to raise the reputation of the gallery. Describing this dependence, one gallerist said:

We're a gallery that needs that kind of munition to make sure that people think ‘wow they’re doing a really good thing’. And, therefore, the reviews are important. You need contacts with collectors, of course, because you are more than 50% dependent on them. You need contacts with museums, freelance curators, but also with the press and the critics. With the combination of that you're making the structure, not the physical structure of the gallery, but the mental structure of the gallery ... art is a construction not only in what the work is about but also the value. What makes you pay €1500 and not €2.50? To create that belief structure around our gallery and our artists you need all those pieces of the puzzle. (Director/founder, gallery #10)
As a result, they tend to see themselves more as a service to collectors than as educators (the way the discoverers did). In order to grow their collector-base the developer galleries rely heavily on art fairs, which act as the main source for new clients. They also all set specific goals for art fairs (as illustrated in the above quote), with Art Basel being considered the pinnacle of success. They also pay close attention to the execution of their art fair spaces and their exhibitions, in order to attract the attention necessary to grow the gallery. One gallerist described the perpetual need to “step it up and make it like museum shows almost. To create that buzz that’s really what you need to do” (Director, gallery #14). Developers also tend to place more emphasis on growth in their artists’ financial value, with the expectation that they, along with their artists, would grow together. As one gallerist explained:

Growth for us is also thinking about the fact that we’re now 3 years old, we managed to get into Liste within our first 5 years, but it also means that between now and 2025 we should go to Art Basel. But that also means you need to be able to do fairs around €30,000, which means that your artists should grow with you. (Director/founder, gallery #10)

Developers are also highly competitive, making direct comparisons between themselves and other galleries and looking closely at the activities of other galleries in order to gauge the appropriateness of their own level of activities. As one gallerist acknowledged:

We always look at how they [other galleries] are doing; how they present themselves, the activities they do, the shows they present at the galleries and also at fairs. (Director, gallery #14)

They can be considered the most entrepreneurial, “21st century” type, of the four galleries, possessing all five characteristics which comprise an entrepreneurial orientation1.

4.3.3 Endorsers. Because both the discoverers and developers value innovation they seek to find new talent and introduce them to the greater art world. On the other hand, the endorsers (located in the top left-hand quadrant of the

1 Frese & Gielink define five characteristics of entrepreneurial orientation: autonomy, innovativeness, risk-taking, competitive aggressiveness, and proactivity (2014, p. 136).
matrix) value proven quality. They do not therefore try to discover new talent; rather, they assess the artists that have been picked up by the discoverers and developers and take on the most promising ones; five of the seventeen galleries were endorsers. The endorsers develop a reputation for proven-quality over long periods of time by selling art that is consistently valued on the market. Because the endorser galleries have developed this reputation, in taking on artists they endorse them and act as a seal of approval to the art world. One gallerist said of their gallery:

And as [the founder’s] reputation grew, because he has an amazing reputation in the United States and abroad, people came to trust him, they trust his opinion, his standards. (director, gallery #3)

In addition to a roster of mid-career and established contemporary artists, endorsers also tend to have strong representation of blue-chip artists on the secondary market. This “dual programme”, as one gallerist described it, likely helps to solidify the reputation of their contemporary artists by associating them with blue-chip artists from the secondary market.

The endorsers, like the discoverers, value organizational stability. They have developed a reputation for quality over a long-period of time and a corresponding base of collectors which allows them to sustain their gallery. They have also established a sizeable gallery space in a location which they like, and which works for them. As one gallerist described:

We’ve thought about starting another gallery in another city or another country, in Paris or New York, but we decided against it. It’s not really our goal. Because we’re quite happy here. (Director-founder, gallery #12)

Their reputation and their stable base of collectors allows them to focus on showing works that they themselves find interesting, without needing to consider how much art world attention an exhibition or an artist will garner. As the following gallerist explained:

His [the founder’s] gallery is so established that reviews don’t matter as much. I would say that’s more of an issue for more emerging galleries or smaller galleries. And even larger ones. But the medium galleries, they already have their base. (Director, gallery #3)
This focus on stability also translates to the relationship with their artists. While endorsers did of course wish to see their artists grow, they tended to have very long-term relationships with their artists, sometimes representing them for decades. Rather than moving their artists onto larger galleries as means of raising the status of their artists, they instead talked about the importance of placing their artists’ works in important collections. They are therefore much more discriminatory in their sales. Labelling it as one of their main goals, one gallerist said:

Tirst and foremost, we try to place artists that we’re working with in major institutions. That’s really our primary goal. And with important collectors who are at some point going to donate to major collections.

(Director, gallery #9)

4.3.4 Canonizers. The last group of galleries, the canonizers, take their value of proven-quality to the next level, working to turn mid-career and established artists into blue-chip artists; four of the seventeen galleries were canonizers. They may pick up artists from any of the other three groups and work to canonize them in the art world. Once artists reach the canonizers the next step up is into museums. The canonizers therefore work to thrust their artists into prestigious collections, particularly prominent museums, making them, like the endorsers, extremely discriminatory in whom they sell to. As one gallerist put it:

it’s not always about the quantity [of sales] but the quality for us. We don’t really need somebody who’s going to buy one thing and then never hear from them again, or a few things, or it’s not going into a major collection. Collectors that we end up having relationships with will nearly buy anything I offer to them for a museum or their personal collection. (Director, gallery #6)

Also, like the developers, their desire for growth means they rely heavily on reviews to help boost the attention of the gallery. They are, however, much more concerned with the esteem of the reviewers than the developers, as emphasized by one gallerist:

Reviews [are important], and the quality of those reviews. There’s definitely a perception that New York Times, LA Times, Art Forum, Frieze magazine are higher value reviews than something like CARLA [Contemporary Art Review Los Angeles] which is a small local
magazine that doesn’t have very much distribution or visibility.
(Director, gallery #4)

They are also the most explicitly concerned with providing income to their artists of all the gallery types. As one gallerist described:

The primary function of a gallery, I cannot state this enough, the primary benefit that a gallery provides to an artist is income. A studio practice is incredibly time consuming and resource consuming to maintain so without a direct source of income an artist’s practice cannot continue. So, it’s absolutely 100% the most important.
(Director, gallery #4)

Again, whether these two factors mean they alter the content of their exhibitions or which artists they represent in order to sell was somewhat mixed. One canonizer described giving their artists “free range”, saying:

We don’t want to push our artists into making something or showing something they don’t want to … Maybe they want to do a 25-foot sculpture and we have to say, ‘logistically that doesn’t work, our door isn’t big enough’. But that’s the only sort of guidance, not ‘make more red paintings, they sell’. (Director, gallery #11)

However, another canonizer described being much more targeted in their selection approach:

We know what the average range is that people will pay for things and, honestly, we know what size, what format, what colour palette, what subject matter works best. So, we try to make selections around that. We don’t tell them [the artists] that they need to make something like that but that’s generally what we pick from first.
(Director, gallery #6)

Like the developers, because they work to grab the attention of museums and important collectors they do everything they can to associate their artists with a museum setting. However, although they are still in the growing process, they are much larger and more financially capable than the developers and use this to their advantage. They have vast, museum-sized galleries, sometimes in multiple locations (two of the four canonizers interviewed had multiple locations, and a third had a
second location up until several years ago), and they work with prominent curators to construct complex and large-scale exhibitions.

4.4 Motivations
It became clear early on during the interview process that, in addition to having a gallery orientation, gallerists also had distinct motivations for establishing their galleries. These motivations correspond to, in management terms, the components of the galleries’ mission. That is to say, they represent “the overall purpose, or reason for being, of the organization” (Cashman, 2010, p. 12). These motivations were initially lumped into the general category of performance goals. However, although they are all closely connected to, and in some cases overlapping with specific performance goals of the art galleries, they are distinct from in the sense that they are all talked about specifically as reasons for creating the gallery, not simply as goals for an already established gallery.

There are four primary motivations which gallerists expressed as reasons for establishing a contemporary art gallery: enrichment, artistic control, sharing ideas, and supporting artists. All 17 gallerists explicitly stated at least two of these four motivations, with the vast majority stating three or all four of them, although most galleries placed more emphasis on one or two of the motivations than on the others. These motivations help to explain the rationale behind the commercial gallery; they explain not only why gallerists establish galleries in the first place, but also help to explain why they operate as commercial galleries rather than as non-profits.

The first motivation for establishing a gallery is the desire to provide themselves with a form of cultural and social enrichment. As one gallerist described, “That’s what this space was set up to be. To be a place that would enrich my experience” (Director/founder, gallery #1). Galleries allow gallerists to work in a field which they love, to collaborate with artists, to have close-up encounters with art, and to interact with other people who appreciate art. They are in this sense extremely intrinsically motivated, feeling that owning a gallery and working in this area is reward in itself. This explains why gallerists create galleries in the first place, as opposed to a regular business. As one gallerist put it: “If you own any kind of business that is connected to arts or some kind of enrichment, you’re in it for that. That is a reward. Otherwise we’d all be bitcoin salesmen” (Director, gallery #9). In simplest terms, gallerists create galleries because they love it.
Second, gallerists have a desire to show art that they themselves appreciate and to work with artists that they admire. Owning a gallery affords them complete artistic control, allowing them to exhibit any artists that interest them without restriction. This level of control is rarely, if ever, afforded to those in a non-profit. As one gallerist reported:

I do what I want to do, I show what I like, if I’m passionate about it. I kind of believe in love at first sight. I know what I like and I show what I like. And that’s why I didn’t go into the museum world, because it was just too slow for me, too bureaucratic, too many steps, too many people involved in the decision. This way I show what I want.
(Director/founder, gallery #2)

Third, gallerists are motivated to share ideas with other people and to create conversation. Galleries provide a space to share these ideas with the public, be they artistic, social, or political ideas. As one gallerist said:

A major part of what we do is the transmission of ideas...What are the ideas that this gallery is presenting out into the world? How do we sharpen that and use that as a way to voice our opinion, whether it’s on what’s happening politically, or happening socially. (Director, gallery #9)

As another gallerist put it:

You need to have a place where you can bring [people] in and get reactions and excite them... [a place for] other artists and friends and patrons and critics and whoever wants to come in and say, ‘god I hate that’ or ‘wow, that’s really cool’ and go off to a bar and have a conversation about it. (Director/founder, gallery #5)

This expression of ideas simply cannot be done through a construction business or a bakery. While this kind of expression is possible with non-profit organizations, directors of non-profits are often restricted by the overarching organization and/or limited in how controversial or experimental they can be.

Finally, the most heavily emphasized (explicitly stated by all 17 galleries), is a desire to support artists. Succinctly summed up by one gallery director:
As I understand it, primarily [our motivation is] to be able to support artists. To make sure they have an income and they can continue working and for art to be their full-time job. That’s the reason we sell work. And to give them a space, a platform for them to show work. (Artist & Museum Liaison, gallery #13)

4.5 Challenges

While establishing a commercial art gallery provides an outlet to fulfill these motivations, it also presents the galleries with a number of challenges. Four main challenges were reported by galleries: accounting or the nobody knows property, trying to make profit, the changing market landscape, and reconciling art and business.

The most talked about challenge (with 8 of the 17 interviewees explicitly mentioning it) is trying to account for the nobody knows property. This property, introduced by Richard Caves, is the idea that demand for the arts is highly uncertain (2000, p. 3). As one gallerist describes:

You’re not going to hit a home run every show. And we’re always bringing in new artists and you’re never sure which artists are going to be the one that’s going to hit it” (Director/founder, gallery #7)

The result of this demand uncertainty is that the income, or at least the cash flow, of a gallery is highly variable since with each new artist or exhibition the demand level changes. In other words, the success of a gallery in terms of sales is difficult to predict and often erratic. As the owner of one of the longest running galleries of those interviewed (27 years) lamented:

You can never predict. Artists will ask ‘why did my show do well this time but not well last time?’. And people say, ‘it was tax time, it was holidays, graduation, the weather was bad, there was a football game on so no one was coming’. There’s always something. Literally, there’s always something, some reason why people aren’t here. And I don’t have an answer for that. I can’t guess. (Director/founder, gallery #2)

The second and related challenge that was mentioned by seven of the gallerists is simply the difficulty of making a profit. Finding consistent income
through collectors is extremely difficult. For blue-chip galleries, purchasing an artwork often from them requires a significant financial investment, meaning that the pool of financially capable collectors is relatively small. However, galleries that worked with emerging artists (and therefore offered lower prices) also found it difficult to make profit because the price of the artworks often did not outweigh the costs of running the gallery. One gallerist described the challenge of finding income through sales of emerging artists:

It’s difficult to run a major, semi-major operation because the cost basis is so low. You’re selling a 2,000-dollar piece of art with a 20% discount because it’s an artist they’ve never heard of and you really want to get them into that collection, so you knock 400 dollars off. But you can’t take that off the artist because they’ve got rent to pay so you give them 10% from the artists cut. So, you’re giving the artist 900 bucks and you just got 1600 for it. So, you got 700 dollars and it cost you 2000, when you factor in rent and overhead and staff, to make that sale. That doesn’t work. (director/founder, gallery #5)

The third challenge that was discussed is the changing landscape of the art market; specifically, the increasing importance of the internet (mentioned by 8 of the galleries) and of art fairs (mentioned by 10 of the galleries) for both sales and general public attention. Gallerists that were interviewed described struggling to find a balance between their online activities and art fair activities with their more traditional gallery activities. As one gallerist reported:

[Internet sales are] something that we would definitely like to see happening more. But it’s more of an enigma to us, where we’re not really sure what works. We’ve tried lots of different platforms, like Artsy, Artnet ... In short, we’re really trying to figure it out but there aren’t really any hard and fast things that have worked. (Director, gallery #6)

Finally, the fourth challenge that was discussed, namely, the difficulty in reconciling art and business, was talked about both as a blessing and a curse. Six of the sixteen gallerists talked explicitly about the challenges that come with trying to make a business out of an artistic pursuit. One gallerist described it as “...two different
worlds. The one is very corporate, and the other is the art scene that we love” (Director/founder, gallery #15).

4.6 The Commercial Gallery Business Model: Balancing Art & Business
It is this combination of orientation, motivations, and challenges that shapes the business model of the galleries. The framework of the business model is a two-tiered system which consists of, on the one hand, non-commercial activities and, on the other hand, commercially-viable activities. This business model framework is used by all 17 of the galleries interviewed. However, the balance between the two varies based on the motivation and orientation of the gallery.

4.6.1 Non-commercial activities. In order to fulfill their art for art sake motivations (e.g. showing art that they love, sharing ideas and inciting debate, providing an artist with a platform) galleries undertake non-commercial activities, such as experimental exhibitions, or representation of controversial artists. These activities should not strictly be considered not-for-profit activities because it is possible that these activities make profit, and the gallerists would be perfectly happy if they did. Rather, the main goal of these activities are artistic not financial ones. The gallerists are aware of the fact that it is highly unlikely that these activities will generate profit and are acceptant of this. As one gallerist explains:

We definitely have things on our roster for this year and next year which are probably more critical than they are commercial. We always aim to sell...but sometimes we’re aware that we might put on a show of video work where it will almost be impossible to recoup the costs that we put into that. That’s not the end of the world, that’s just part of running a gallery. (Director, gallery #11)

As another gallerist expressed it:

If you know getting into it that it’s a non-commercial idea, and you’re ok with it -if the artist is ok with not selling because they want to do this show, and you’re both willing to do it- then that’s great. And if you make money that’s just gravy on top. (Director/founder, gallery #1)

4.6.2 Commercial activities. Because galleries cannot rely on grants or subsidies to fund their non-commercial activities, they must also take on
commercially-viable activities in order to support their non-commercial work. However, the galleries do not simply take on any activity that is commercially viable. They choose to take on activities that, while more commercially oriented, do not conflict with the artistic goals of the gallery. Two gallerists describe the challenge of finding the balance between commercial and non-commercial activities:

The shows don’t always make money. So how do you survive? You’ve got to get scrappy, you’ve got to figure out, if you want to keep the lights on, what can I do that isn’t selling my soul, that isn’t completely changing the focus of the gallery? (Director/founder, gallery #1)

To make this kind of [non-commercial] show you need to put something in your programme which you think is more likely to sell without making that a commercial show about which you say, ‘we only did this to sell’. (Director/founder, gallery #10)

The commercial activities which the galleries undertake vary from gallery to gallery although there is a great deal of overlap. These include the sale of artworks on the secondary market (mentioned by 12 of the galleries), buying artworks directly from artists as a form of investment (mentioned by 5 galleries), brokering sales for clients and/or the sale of consignment pieces (mentioned by 7 gallerists), and the reliance on sales at art fairs for financial support (mentioned by 8 galleries).

4.6.3 Interdependence of commercial and non-commercial activities. It is not simply the non-commercial activities that are dependent on the funding from the commercial activities. The commercial activities rely on the non-commercial activities to provide the reputation and attention for the gallery which the gallery uses to facilitate its commercial activities. In other words, the commercial activities provide income to pursue the non-commercial activities, while the non-commercial activities provide the reputation and attention that enables the commercial activities (fig. 5). As one gallerist put it:

[Relying solely on the sales from exhibitions] doesn’t work. So you have to find other ways. And that’s where the private sales, the secondary market comes in... but the secondary work that I do that pays for all of the primary work leans heavily on that reputation which I built through the primary work. It leans on the fact that I’m still
here, that I’m not a double dealer, that I don’t fuck around. I have, I like to think, a good reputation in the art world. (Director/founder, gallery #5).

Figure 5. Two-Prong Business Model of Commercial Galleries

4.7 Performance Measurement & Evaluation

Combined, the orientation, motivations, challenges, and business structure of the galleries determine the parameters within which galleries set performance goals. That is to say, in order for a PMS to be successful the performance goals must be aligned with the orientation and motivations of the galleries, they must address the challenges the gallery faces, and they must be feasible within the business structure of the gallery. Setting performance goals which fulfill these conditions helps galleries to achieve their mission and realize their values. In order to evaluate art galleries’ PMS, the three levels on which a PMS can be evaluated will be analyzed:

“(1) the individual performance measures;
(2) the set of performance measures – the performance measurement system as an entity; and
(3) the relationship between the performance measurement system and the environment within which it operates.”

(Neely, Gregory, and Platts, 1995, p. 81)

4.8 Individual Performance Measures.

One of the key narratives that came out of the interviews (explicitly mentioned by 14 of the 17 gallerists) was the challenge of quantifying performance in the art world. One gallerist described the sector’s challenge:

I would say that unlike most larger businesses I have yet to work in or know of a gallery where there is a set, tangible evaluation of
performance for their goals ... It’s sort of not applicable to this business which is very much a social one. Things tend to happen organically over long periods of time. (Director, gallery #4)

Gallerists not only felt that it was difficult to quantify the performance of their galleries, they were also very glad not to have to do so. As one gallerist expressed:

If I wanted to live in that world I’d work for KPMG or an accounting firm. We’re in the idea business which I think allows us a little freedom to not have to uphold those kinds of corporate standards. (Directory, gallery #9)

As a result, galleries tended to measure only what they found to be absolutely necessary (in other words, key performance indicators), and the vast majority of indicators that galleries used were qualitative in nature. The few quantitative measures that were used relate almost exclusively to the commercial pillar of the business model. Using kellen’s (2003) seven characteristics of performance indicators (discussed in chapter 2), we might say that the majority of performance indicators used by galleries are:

- Subjective (dependent on contextual factors for measurement)
- Non-financial
- Lagging (measure past performance)
- Incomplete (measure only certain aspects of an action)
- Output related
- Non-responsive (outside the immediate control of the organization)
- Critical (critical to the success of the organization; a KPI)

Table 3 outlines all the performance goals and corresponding measures described by the interviewed art gallerists. These performance goals are a result of the orientations, motivations, challenges, and structure of the gallery. The goals are differentiated by the four performance goal categories outlined in chapter two: artistic, economic, social, and organizational. As mentioned in chapter two, it is important to realize that these categories are not always mutually exclusive; what is considered a social goal, for example, may also be relevant as an economic goal. Likewise, an indicator for one goal may also be an indicator for other goals as well. Each goal is also broken down by gallery orientation. The gallery type that is placed with a goal is based on which gallery type(s) placed the most emphasis on that goal;
other gallery types may also share that goal but have not placed the same emphasis on it during the interviews. Gallery goals which are shared by all galleries relate to the shared motivations or challenges that galleries face. For example, artist satisfaction and providing income for artists are both goals that relate to the desire to support artists, a motivation that was described by all of the galleries. Conversely, gallery goals that are gallery-type specific relate to the competing values in the gallery orientation matrix. For example, gallery growth is a goal shared by developers and canonizers but not by discoverers and endorsers. The table also outlines the indicators that galleries used to measure their performance goals. These indicators are discussed in the next section.

**Table 3. Art Gallery Performance Goals & Indicators**

<table>
<thead>
<tr>
<th>Goal category</th>
<th>Performance goal</th>
<th>Indicators</th>
<th>Gallery Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artistic</td>
<td>Proven quality</td>
<td>Mid-career to Blue-chip artists</td>
<td>Gut feeling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Critical reception</td>
<td>Long-term relationship with artist</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collector, visitor, artist feedback</td>
<td>Critically-recognized artists</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>Emerging artists</td>
<td>Gut feeling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Critical reception</td>
<td>Long-term relationship with artist</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collector, visitor, artist feedback</td>
<td>Peer-recognized artists</td>
</tr>
<tr>
<td></td>
<td>Artistic integrity</td>
<td>Cohesive roster of artists</td>
<td>Long-term relationship with artists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gut feeling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Artist satisfaction</td>
<td>Artist feedback</td>
<td>Long-term relationship with artist</td>
</tr>
<tr>
<td>Economic</td>
<td>Financial stability</td>
<td>Consistency of sales</td>
<td>Regularity of cash flow</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long-term relationship with collectors</td>
<td>Diversification of artists, exhibitions, collectors etc.</td>
</tr>
<tr>
<td></td>
<td>Gallery growth</td>
<td>Sustainability of expenses</td>
<td>Collector-base size</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase in sales</td>
<td>Physical space</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collector-base size</td>
<td>Staff size</td>
</tr>
<tr>
<td>Economic</td>
<td>Artist growth</td>
<td>Frequency of activities (e.g. number of art fairs, collaborations, exhibitions)</td>
<td>Velocity of sales (how quickly do artworks sell)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of artists</td>
<td>Diversification of artists, exhibitions, collectors etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Value of artworks</td>
<td>Artist online following</td>
</tr>
<tr>
<td>Collector satisfaction</td>
<td>Artist exhibitions in other galleries, museums, events</td>
<td>Number of visitors to artists’ exhibitions</td>
<td>Developers, canonizers</td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Providing income for artists</td>
<td>Reputation of galleries’ collectors</td>
<td>Number of reviews, quality of reviews</td>
<td>Sales</td>
</tr>
<tr>
<td>Collector feedback</td>
<td>Long-term relationship with collectors</td>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sales</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Social</th>
<th>Long-term relationship with collectors</th>
<th>Collector feedback</th>
<th>Discoverers, endorsers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education of collectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of gallery talks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong art-world reputation</td>
<td>Reviews, quality of reviews</td>
<td>Long-term relationship with collectors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Collector, visitor, artist feedback</td>
<td>Long-term relationship with artists</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Reputation of galleries’ collectors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public/art world attention</td>
<td>Reviews; frequency of reviews</td>
<td>Number of visitors</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Online attention</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational</th>
<th>Gut feeling</th>
<th>Long-term relationship with staff</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel satisfaction (owner and staff)</td>
<td>Staff feedback</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of staff</td>
<td>Long-term relationship with staff</td>
<td>Staff work ethic</td>
<td></td>
</tr>
</tbody>
</table>

### 4.9 Key Performance Indicators.
A number of key performance indicators were repeatedly mentioned by gallerists as means of measuring their goals. As mentioned earlier, because of the difficulty and reluctance in quantifying performance, the indicators used by galleries are largely qualitative and are the bare minimum necessary for performance measurement.

#### 4.9.1 Long-term relationships.
All 17 galleries rely on long-term relationships with their artists as an indicator for proven quality and/or innovation. Long-term relationships with their artists allowed the galleries to view the progression of the artists’ work, to gauge their commitment to their career, and to test how well they worked with the gallery. As one gallerist explained:

> This business is really dependent on relationships. For instance, the artist that is exhibiting now, I’ve known him for twenty years. So,
there’s a trust that I have there; not only does he make great work, but
I know that he’s going to continue to make great work for a long, long
time...when I present a work to a client of mine, I need to be
absolutely certain that this artist is going to continue on in their
career beyond the two or three paintings that I have at the gallery.
(Director, gallery #9)

This is also particularly important because many of the galleries which were
interviewed (at least five) rely entirely on good-faith, trust-based agreements with
their artists, without the use of any written contracts (although verbal contracts may
in some cases be legally valid (Winkleman, 2009).

Each gallery also relies on long-term relationships with their collectors as an
indicator of their performance. Long-term relationships with collectors is an
indicator of financial stability, collector satisfaction, the successful education of
collectors, and also of a positive reputation. As one gallerist described:

I have some people that are repeat customers almost every year. It’s
amazing. They’ll go ‘I go to all the fairs and all these things, but I
always come back for your work’. But it’s not just the work, it’s the
way it’s curated, and it’s our personalities. It’s really terribly
important that they trust you. (Director/founder, gallery #7)

4.9.2 Reviews & feedback. Reviews are also described as key performance
indicators by all 17 galleries. Reviews are seen as indicators of the success of an
exhibition, as well as an indicator of the growth of an artist’s value. Additionally,
three galleries explicitly mentioned their importance in acting as a seal of approval
from the art world. As explained by one gallerist:

[Reviews are] important in that it would be weird to do an exhibition
of an artist and the show closes and no reviews have been printed.
That creates a sense of unease in collectors who visit the
exhibition...The value of reviews is also that it helps build an archive
that places a practice in context which is valuable because... [it’s]
producing materials that will be available later on for scholarship or
future research, so something exists that is a record of the work,
outside of the work itself. (Director, gallery #4)
Positive feedback from artists, visitors, and collectors are also seen as important indicators of a positive reputation, artistic quality, and innovation by all 17 of the galleries. One gallerist described their importance:

I think the feedback we get from people who come through, from collectors [is important]. Especially when we see people revisit the show or we have people that come in and say, ‘my friend forwarded me the email to your show’ and they weren’t even on our list. Sometimes we know prior to a show that it probably isn’t going to be necessarily a financial success, but we know it’s a strong show curatorially and that’s important to us. (Director, gallery #8)

4.9.3 Experience & instinct. The most intangible indicator of success, having an “instinct” about something was explicitly mentioned by 9 of the 17 gallerists, although it was implicitly clear that all 17 of the gallerists relied on their instinct as an indicator of performance on a regular basis. Having a “hunch” that something is going to sell, the “instinct” that a certain art fair will be good, or a “feeling” that the activities are getting stale (all three mentioned by different galleries) were important indicators for galleries. This instinct is likely a combination of both knowledge, experience and a natural talent for perception. As one gallerist described:

If you’ve done this as long as I have you get pretty good at guessing. But every once in a while, you say ‘I don’t know if this show is going to make any money, but I want to do it’, because something feels right and you want to be in the zeitgeist. As I’ve gotten older, I’ve gotten luckier or my timing has gotten better, I’ve got an innate recognition of when I should do things. (director/founder, gallery #1)

4.9.4 Reputation of collectors. The reputation and renown of the collectors to which the gallery sells is an important performance measurement, indicating the strong reputation of the gallery, and the reputation of the galleries’ artists. This was mentioned by 15 of the 17 galleries, however it was particularly important to the endorsers and canonizers. As one canonizer gallerist acknowledged, “It’s not just the volume we’re selling but who we’re selling it to which is a measure of success for us” (director, gallery #6).
4.9.5 Financials & quantitative indicators. Financial indicators were used by all 17 of the interviewed galleries. These included things like sales, velocity of sales (i.e. how quickly artworks sold at the start of an exhibition or fair), distribution of cash flow, and diversification (of artists, collectors, sales platforms etc.). A number of other quantitative indicators were also used by gallerists, including number of visitors, number of clients, staff size, physical gallery space, number of reviews, and size of online following. These financial and quantitative indicators are all signals of financial stability, growth, and public/art-world attention. However, they are not always necessary indicators for the success of, for example, an exhibition. As one gallerist explained, “we can do an exhibition where we only sell one thing and I can think it’s successful because that one thing maybe sold to a museum” (Director/founder, gallery #2).

While quantitative indicators such as financials are an indicator of success (and indeed if minimum financial thresholds are not met the gallery cannot function), they are not the only relevant indicator. Because galleries are also concerned with artistic and social goals they also have artistic and social indicators. An exhibition may be an artistic or social success without being a financial one. Ideally, a gallery’s activities are successful in all categories, however, as the gallery business model suggests, activities are often focused more on one than the other.

4.10 Benchmarking

All galleries use past performance as a benchmark to some degree, although several gallerists described the difficulty of comparing with past performance because of the infinite variety (the fact that every artwork is different) and nobody knows (the fact that demand is uncertain) characteristics, as described by Caves (2000). These properties make it problematic to compare the success of one artist’s exhibition with another’s. As one gallerist described it, “every show is so different that it’s impossible to really get a good measure” (director, gallery #6).

Growth-oriented galleries (i.e. developers and canonizers) tend to set specific targets for their performance. Acceptance into Art Basel was a target mentioned by all three of the developer galleries, for example. Stability-oriented galleries are much more like non-profits in terms of benchmarks, with their only targets being to meet their threshold level. That is, the only targets they set are to make enough and do enough to support the galleries main activities.
Galleries who value stability are also much more internally oriented with their benchmarks than galleries who value growth. The discoverers and the endorsers felt that it was impossible to benchmark with other galleries because, as one gallerist put it:

we all have different things. So, it's not competition. If we all had the same widget then yes, it would be fierce competition. But we don’t. We’re all doing very different things. (Director/founder, gallery #2)

Growth-oriented galleries, on the other hand, are much more externally oriented. The developer galleries in particular are very observant of other galleries. For example, one gallerist described benchmarking financial performance with other galleries: “when I look at the financial turnover, we’ve kept a good pace...especially when I compare it with other young galleries.” (Director/founder, gallery #10).

**4.11 Measurement system & relationship with the environment**

It would be inaccurate to describe any of the 17 galleries that were interviewed as having any sort of formal measurement “system”. The performance measurement used in galleries is extremely “fluid”, as two gallerists put it. What is relevant for one exhibition, may not be relevant for another. This is due to a number of factors. First, the dual structure of the business means that certain activities must be measured through economic indicators while others must be measured through artistic and social indicators. Second, the infinite variety and nobody knows characteristics means that a single set of indicators is not applicable to all activities because activities can vary along so many different lines. Third, because galleries have a more creative, less rigid organizational culture than larger, more traditional businesses, they are simply less formal in their measurement.

Nevertheless, each of the galleries have their own set of performance indicators and benchmarks with which they measure and evaluate their performance. Moreover, by nature of the fact that galleries find it so difficult to measure their performance, they tend by default to use a Critical Success Factor approach. That is to say, they look only at what is absolutely necessary to ensure the success of their business.

The original assumption based on previous literature was that the larger galleries would have more formal, comprehensive measurement systems. In fact, this
is not the case. Rather, growth-oriented galleries have more formal and comprehensive PMS while stability-oriented galleries have more informal, minimalistic PMS. Despite the difficulties of performance measurement which all galleries recognize, galleries who value growth feel that performance measurement is an important part in ensuring they meet their goals. As a result, developers and canonizers use much more business-oriented vernacular, referring to metrics, diversification, quarter systems etc. Conversely, all 10 stability-oriented galleries refer to using measurement simply as a means of ensuring that they can “keep the lights on”, as three of the stability-oriented gallerists put it. They are much less business-oriented in their vernacular, referring to their performance measurement as being very “informal” and “organic”. When asked about whether he had any indicators which he looked at to gauge the gallery’s success, one gallerist replied:

I’m sure that if I did have some more of that kind of [business] training I would. But that’s not the goal. I’m doing just fine with my own beliefs and I don’t think about those things honestly. You have to think about paying the bills, so there are certain things, but really, they’re not the first thing I think of. (director/founder, gallery #2)

Taking into consideration the internal environment of the different gallery types, these different levels of formality are befitting of each of the different gallery environments. That is to say, it makes sense that the galleries that are interested in growth, in raising their performance consistently over time, would have more formal, comprehensive PMS than the galleries who value stability.

In terms of the external environment, all of the galleries try to take their key stakeholders into consideration, including artists, collectors, visitors, critics, other cultural institutions like museums, as well as the general public. As one gallerist put it, “we really try to consider all the levels of the ecology of the art world” (Artist & Museum Liaison, gallery #13). Having said this, certain galleries do place more emphasis on certain stakeholders than others. Contrary to the initial assumption, it is not simply that galleries on the right-hand side of the matrix focus on market selection (i.e. the collectors) and the left-hand side focus on peer and expert selection (i.e. critics, artists, and other art-world members). All of the galleries care about all three; however, the aspects of the stakeholders that are considered are important vary by gallery type. For example, galleries that value proven-quality care more about
the prestigiousness of their collectors, and galleries that value growth care more about the esteem of their critics.
5.0 Discussion & Conclusion

5.1 Discussion

Based on the previous research that had been conducted on cultural organizations/individuals, the initial assumption was that commercially oriented galleries cared more about material rewards and artistically-oriented galleries cared more about symbolic rewards. In fact, gallery orientations are much more complex than “commercially-oriented” vs. “artistically-oriented” and this translates into their performance goals. It is not simply that some galleries have artistic goals and others have economic goals. Rather, it is that different galleries have different artistic goals (e.g. innovation vs. proven-quality) and different economic goals (e.g. stability vs. growth).

It is not only the complexity of galleries’ performance goals but also the difficulty of performance measurement that needs to be taken into account. The nobody knows, infinite variety, and art for art’s sake characteristics, as described by Caves (2000), make the measurement of a gallery’s performance extremely difficult. The nobody knows characteristic means that the success or failure of a gallery can depend entirely on forces outside the gallery’s control, like the tastes of the general public. The infinite variety characteristic makes benchmarking with past activities and other galleries problematic because each artwork, each artist, each exhibition, is different. On top of this, the art for art’s sake mindset results in gallerist’s resistance to formal measurement in the first place.

However, galleries have developed effective ways to deal with these challenges and complexities. All of the galleries use a two-tiered system which separates commercial goals from non-commercial goals, allowing them to pursue both their values and motivations while accounting for the challenges that they face. The commercial goals they measure mainly through quantitative indicators, such as sales, visitor numbers, or number of clients. On the other hand, they measure their non-commercial goals through qualitative and often very subjective indicators, such as their relationship with artists, gut instinct, or feedback from artists, staff, or collectors. Moreover, as relatively small commercial enterprises they are not accountable to shareholders (as in a larger commercial businesses) or to any board of directors (as in non-profit organizations). This allows galleries to construct their PMS in a way that is useful and practical for them and this generally means having an informal, intangible, and flexible PMS.
Having said this, there are several aspects that galleries paid little attention to that may be important for galleries to consider. First, virtually all of the indicators mentioned by galleries measure the output/outcome of an activity. Other than expenses, there were no indicators for inputs or throughputs. In other words, galleries looked almost exclusively at the *effectiveness* of their actions, they paid almost no attention to the *efficiency* of their actions. That is, they looked only at whether they achieved their goals, not at whether they achieved their goals with a minimal use of resources. Looking at how many hours is needed to achieve a goal, for example, could be a way of gauging whether an activity is successful. Five galleries explicitly mentioned spending very long working hours, but nobody talked about looking at how many hours are put into different activities. Of course, an art for art’s sake attitude means that, if an artistic goal requires 200 hours of work gallerists may not be willing to cut it down just to be more efficient. But there is more than one way to skin a cat; there are almost always multiple ways to achieve a goal, and it would be worth gallerists’ time to think about which ways would be most efficient.

Second, and somewhat related, given how prominent the divide between commercial and non-commercial goals are, very little attention is given to finding the right balance between the two. The galleries rely on finding the balance between the two organically. While it may be that galleries do not need to spend the time to formally set a balance between the two, doing so formally may help galleries to avoid goal displacement. Galleries may therefore find it useful to decide in advance how much of their resources they want to put into commercial activities and how much into non-commercial ones. They can then periodically evaluate whether they are maintaining that balance.

Finally, art fairs and the internet were mentioned by 15 of the 17 galleries as key points of change in their galleries. Despite this, only three of the galleries mentioned any form of objectives for their internet presence, and only three galleries mentioned any for their art fair activities. These objectives were talked about as part of the performance goal of increasing public attention, not performance goals of their own. While almost all of the gallerists talk about measuring their performance online and at art fairs (fifteen of the seventeen), the majority of them seem unsure as to what their goals are for the two. Do they hope to go to as many art fairs as possible to develop their base or go to just a few lucrative ones to support themselves financially? Do they hope to shift to primarily online sales or do they want to use the
internet only as means of visibility? Galleries may, naturally, have multiple goals for their online and art fair presence, and these goals may change over time- but it would likely be useful for galleries to articulate those goals and to set relevant benchmarks so that they have something to evaluate their performance with, rather than simply measuring for measuring sake.

These issues notwithstanding, galleries have managed to create PMS that is useful to them and takes up a minimal amount of their resources. Moreover, they have managed to develop indicators for extremely difficult to measure factors, such as artistic innovation and proven-quality.

5.2 Conclusion
The line between art and business in the art gallery world is even finer and more complex than first assumed at the outset of this research. The well-established notion that cultural organizations can be split between those that are driven by art for art’s sake motives and those that are driven by economic ones proves to be insufficiently nuanced enough to capture this fact. Interviews with gallerists in contemporary commercial galleries reveal that differences in artistic, economic, social, and organizational values play key roles in determining the orientation and ultimately the performance goals of the galleries. Galleries tend to vary based not on whether they hold artistic values but on which artistic values they hold, with some galleries valuing innovation and other galleries valuing proven-quality. Likewise, they vary based not on whether they hold economic values but on which economic values they hold, as some galleries value stability while others value growth. The result is four different gallery types (discoverers, developers, endorsers, and canonizers), each with their own performance goals. However, these disparate galleries all share key motivations for starting their galleries: a desire to support artists, to enjoy artistic freedom and control, to share ideas, and to gain a form of cultural and social enrichment. These motivations are a source of shared performance goals. The dual nature of the commercial gallery business model, split between commercial activities and non-commercial activities, means that galleries cannot use a single set of indicators. Rather, they must alternate indicators based on the type of activity, measuring commercial activities with quantitative, economic measures and non-commercial activities with qualitative, artistic, and social measures. Moreover, the typical challenges in the arts, the nobody knows, infinite variety, and art for art’s sake
characteristics shape the performance measurement systems, leading to more fluid, subjective, and informal methods. New challenges, in particular the prominence of the internet and art fairs in the lives of galleries, have in many cases not been taken full account of yet and it will be very interesting to see how galleries begin to adapt their performance goals to these challenges.

There are a number of studies which could add to the understanding that this research has begun to build on performance measurement in the for-profit arts. In particular, a quantitative study of the efficacy of galleries’ performance measurement would be extremely enlightening. Studies into how galleries are adapting their goals and measurement systems to the internet and to art fairs would also be informative. As well, the four gallery types are themselves an area that deserves more attention. It would be of particular interest to focus on their individual business structures and look deeper into the similarities and differences between them in how they conduct their enterprises. These are promising avenues for future research which can benefit from the foundation that this study has built on performance goals and measurement systems in the for-profit arts arena.
References


