

GOVERNANCE STRUCTURES, PUBLIC FUNDING, AND PERFORMANCE OUTCOMES IN CULTURAL ORGANIZATIONS

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Abstract

This study examines the dynamic association between governance structures, public funding, and performance outcomes in cultural organizations. The research adopts a qualitative approach, utilizing semi-structured interviews with key stakeholders and documentary analysis of relevant organizational reports and funding guidelines. The findings reveal that strong governance, characterized by strategic leadership and active board engagement, significantly enhances an organization's ability to secure public funding and meet performance expectations. Conversely, organizations with weak governance frameworks struggle to adapt to the expectations of funders and experience difficulties in achieving positive performance outcomes. Public funding, while critical, often imposes constraints on organizational creativity, as funding criteria prioritize community engagement and accessibility over artistic freedom and autonomy. The study concludes that effective governance structures are essential for cultural organizations to navigate the complexities of public funding and maximize their social and artistic impact. The results have significant implications for policymakers and cultural leaders seeking to balance accountability with creative autonomy in a competitive funding environment.

Keywords: Governance Structures, Resource Dependence Theory, Strategic Leadership, Audience Engagement, Artistic Innovation.

Introduction

Cultural organizations occupy a unique intersection between public value and institutional complexity. The mission of arts and culture institutions, in contrast to commercial businesses, is to produce creative works and serve a larger social purpose: to preserve tradition, increase cultural participation, and affirm the community. Effective execution of these multifaceted positions requires most of these organizations to rely on a well-organized system of governance and state funding that influences how the decisions are made, how funds are distributed, and, eventually, how the outcomes will be obtained. The dynamic relationship between governance, state funding, and performance outcomes is also vital to policymakers, managers and scholars who want to increase the resilience of the cultural sector in an age of fiscal constraints and changing societal pressures.

The governance in cultural organization is usually the formal and informal structures by which an organization achieves its set goals, gains power, oversees performance and ensures accountability of the organization. Nonprofit and public cultural institutions frequently have hybrid logics compared to the for profit governance models: they combine their mission driven objectives with the accountability to the numerous stakeholders such as government funders, audiences, artists, and the communities at large. According to Turbide and Laurin, governance in nonprofit arts and culture is commonly viewed in a limited way, where boards are more passive and concerned with meeting the needs of external funders instead of

actively driving the direction of strategic planning (Turbide & Laurin, 2014). Such limitations of governance may have tangible consequences to the well-being of the organization, particularly in settings where government grants are a major factor in survival.

Public funding is a life-affirming and a power-enhancing tool of cultural organizations. States and local governments make investments in cultural programs to contribute to social cohesion, promote creative economies and promote cultural diplomacy, although the form of this assistance is highly varied across jurisdictions. Some countries have established programs like the Culture 21 initiative which put cultural policy in concrete position in sustainable development policies, which promote decentralized governance and access to culture by all (UCLG, 2008). The systems of public funding can be direct appropriations, cultural council grants, tax or performance based allocations, such as in the Canada Council model, which incorporates parliamentary appropriations with merit based allocation of grants (Canada Council, n.d.). Such sources of funds are supposed to empower cultural organizations to achieve social missions which markets might not be particularly appreciating.

The connection between governance and funding is critical when the governments put the performance expectations on the financial support. In the performance led paradigms of public management, like New Public Management (NPM), it is focused on the results of performance instead of inputs. Although the focus of NPM studies has been mostly on the public agencies, the logic behind it has been used in different cultural policy contexts: funding decisions have come to emphasize indicators of audience reach, educational impact, and financial sustainability to the point that cultural organizations will put on the record their contribution not just on traditional artistic merit. This translates to demands and pressures on cultural institutions to perfect internal practices in governance and process of strategic planning.

Empirical researches demonstrate that the characteristic of governance has a direct effect on the organizational behavior and funding opportunities. Studies of museums, such as the one, indicate that the level of independence and certain characteristics of governance can greatly influence the ability of a museum to exploit competitive sources of external funding, indicating that more adaptive forms of governance are associated with an increase in the external sources mobilization (Cavalieri, 2025). This kind of finding has highlighted the fact that governance is not only a bureaucratic formality but also a factor of strategic agility in cultural organizations especially in the era of tight public budgets and heightened competition in other sources of revenue.

The result of performance of cultural organizations influenced by two forces used as governance and public funding come in different forms. The key measures that the stakeholders use to determine success are financial sustainability, audience, cultural, educational and creative practice. The literature however, has insinuated that those systems of governance that have passive oversight or low levels of strategic engagement are able to hold performance potential back because they cannot synchronize organizational capabilities with the outside world expectations. On the other hand, those models of governance which are less focused on leadership and transparency and are more active in engaging stakeholders have a higher chance of utilizing public funds effectively and converting them into substantial performance results.

Nonetheless, the intricate ecosystem of cultural organizations necessitates governance formations, which is effective enough in the equilibrium of accountability and imaginative whereas public funding approaches are more and more demanding to show the influence outside of convention. A closer look at the manner in which governance may influence decision making, how the performance of the cultural sector may be encouraged by the public

funding sources, and how the performance outcomes are assessed in reality, both scholars and practitioners can better understand how the cultural sector may be made vital. This threefold connection between government, funding, and performance outcomes is a crucial boundary of discovery and practice in both study and policy in a period when political priorities and cultural demands shift.

Problem Statement

Cultural organizations assume a strategic position in regulating what is considered as values in society, heritage, and innovation. Such organizations however, are usually struggling with the balance between artistic freedom and responsibility to the sponsors of the government. The connection between the system of governance, government financial support, and performance performance is unexplored, and so little is known about the impact of the models of governance on the distribution of resources and the contribution to the success of the organization. These dynamics are becoming vital to the performance maximization and long-term sustainability of cultural organizations as the latter are becoming more and more reliant upon public funding.

Research Aim

This paper will explore how governance structure and public funding affect the performance outcome of cultural organizations. It aims at examining the effects of various governance models on organizational behavior, access to funding and ability to achieve performance targets.

Research Questions

- How do governance structures in cultural organizations affect their ability to access and utilize public funding?
- What is the relationship between governance models and performance outcomes in cultural organizations?
- How do cultural organizations balance artistic goals with the accountability expectations imposed by public funding mechanisms?
- To what extent do public funding mechanisms influence the strategic decision-making processes in cultural organizations?

Literature Review

Governance Structures in Cultural Organizations

Governance in cultural organizations can be described as systems that govern decision-making, authority and accountability in the organization. A particular relevance of these systems in nonprofit and publicly funded cultural institutions is that they need to find a balance between artistic and social goals and be answerable to multiple stakeholders, such as government agencies, the public and donors. As Turbide and Laurin (2014) state, it is common in many cultural institutions to have boards that tend to act passively instead of engaging in leadership roles by ensuring compliance with funding policies. This paradigm may restrict the strategic versatility and responsiveness of the cultural institutions, which require dynamic systems of governance to respond to the changing social and economic environments.

The challenge in finding the balance between stewardship and resource dependence is also noted in the research in reference to the cultural organizations. The theory of nonprofit governance implies that organizations have to struggle with the conflict between achieving their mission and gaining resources necessary to operate (Cornforth, 2003). As an illustration, boards with excessive dependence on funding can place more emphasis on external demands at the expense of the artistic integrity of the institution and its mission-oriented objectives (Turbide & Laurin, 2014). Moreover, research conducted by Cavalieri (2025) states that the models of governance with higher levels of autonomy and flexibility of cultural organizations

are more likely to win competitive funding of the government and access to changing audience and policy needs.

Moreover, the good governance practices are important in developing organizational capacity. As organizations in the culture sector experience external forces to prove their relevance and transparency, organizations that have a well-developed governance system are in a better position to adjust, innovate and interact with stakeholders. Knight and McAllister (2019) research discovered that companies that pay more attention to the active stakeholder involvement in the governance choices perform better regarding fund acquisition and audience reach. These results indicate that the governance structures are not only administrative but strategic tools, which influence the manner in which cultural organizations can accomplish their objectives.

Public Funding Mechanisms and Their Impacts

One of the key foundations of most cultural organizations, especially the arts, heritage, and even in the education sector, is public funding. There are numerous methods of governments funding, such as direct grants, tax incentives, and public subsidies. Cultural institutions may also rely on the government to support them since they may not be able to survive on commercial income (Ashton, 2023). Nonetheless, a puzzle of interdependence between both the governance structures and organizational outcomes arises as a result of the dependence on the government funds. According to Lindqvist (2012), the growing popularity of the so-called performance-based funding, in which financial aid provided by the state is conditional on the achievement of a specific result, e.g. audience involvement or learning effectiveness, has a major impact on the functioning of cultural organizations.

The organizational behavior is significantly influenced by the public funding mechanisms. In case, using competitive grants as the model of government funding, a cultural organization should illustrate certain results to be able to obtain resources. Such results may have quantifiable effects on community participation or educational access as demonstrated by museums and art organization (Gstraunthaler, 2012). Nevertheless, the performance based funding though promoting accountability and transparency may also result in the focus on the results which can be easily measured at the cost of the artistic innovation and mission achievement. This is of special concern in a setting where funding is very competitive and organizations might feel compelled to match their programs to the desires of funders instead of pursuing their creative agendas (Leguina, 2025).

In addition, the intricacy of the system of public funding may lead to inefficiencies or inequities. According to Ashton (2023), the administrative cost of compliance to the multiple requirements in the process of receiving the funding is often counterproductive in the allocation of resources towards the actual programmatic activity. This issue is further augmented in those countries, in which the funding is devolved and prone to local politics agendas, which result in unequal funding in various regions and categories of cultural organizations. Such findings imply the need to have a flexible governance structure to traverse the complexity of the public funding systems without losing sight of the main missions of the governments.

Performance Outcomes: Measurement and Evaluation

The results of culture organizations performance are complex and impossible to measure. Conventional financial indicators like revenue generation or profitability are not sufficient to measure the success of cultural organizations which are focused on more broader social and cultural objectives, including engaging with the community, the artistic growth, and the community. According to Gstraunthaler (2012), some cultural institutions, especially museums, tend to apply a set of the output and outcome measures to define the success, which is the number of visitors, satisfaction of the audience, and learning outcomes.

Nonetheless, such measures have been criticized as being excessively simplistic and incapable of reflecting the entire cultural influence range.

The multiplier of the complexity of performance measurement in cultural organizations is the various stakeholders in such organizations with their own expectations of success. According to Leguina (2025), unlike artistic leaders, whose outcomes might include creative innovation and programmatic excellence, public funders tend to emphasize the following outcomes: community participation and inclusivity. According to Cavaleri (2025), the strain of these different expectations may influence the performance measurement and reporting, such that some organizations tend to use funder-congenial measures that put audience reach and accessibility above artistic quality.

In addition, there have been new trends in cultural policy creation, which now creates more comprehensive performance assessment systems, with quantitative and qualitative indicators. According to Lindqvist (2012), the introduction of new public management practices within the public sector has shaped the way cultural organizations report on their performance with the growing focus on the use of the impact measure that cannot be measured by the simple financial or attendance indicators. Such frameworks attempt to assess the overall societal value of cultural programming such as social cohesion and improved public well-being. Therefore, performance appraisals have frequently begun to incorporate social impact, cultural enrichment and community development measures and have broadened the understanding of success.

Theoretical Framework: Resource Dependence Theory (RDT)

The theory of Resource Dependence Theory (RDT) introduced by Pfeffer and Salancik (1978) is that organizations do not exist as independent entities, but they depend on the resources that are managed by outside parties. The theory is especially applicable in the case of cultural organizations which by and large depend on external sources of funds like government funding, grants and contributions to run their operations and to attain their goals. According to RDT, the more the organization relies on these external resources, the more it will be subjected to the demands and requirements of its funders.

Public funding is also a significant factor in the case of cultural organizations, and RDT clarifies that culture organizations are informed by the necessity to conform to the interests and performance standards of the external funder (Pfeffer and Salancik, 1978). These involve the adherence to funder requirements in terms of performance outcome, community involvement and financial accountability. RDT emphasizes the fact that cultural organizations and their resource providers are interdependent and such a dependency can cause changes in the organizational structure and strategy to enable them to receive further funding.

Through RDT, we learn how the governance structures of cultural organizations are usually structured to handle the external relations and how they can reduce the risks involved in resource dependency. Cultural organizations should maneuver such relations strategically and therefore they need to be struck between the necessity to receive financial assistance as opposed to the urge to continue independent artistic guidance and choice on matters (Pfeffer and Salancik, 1978).

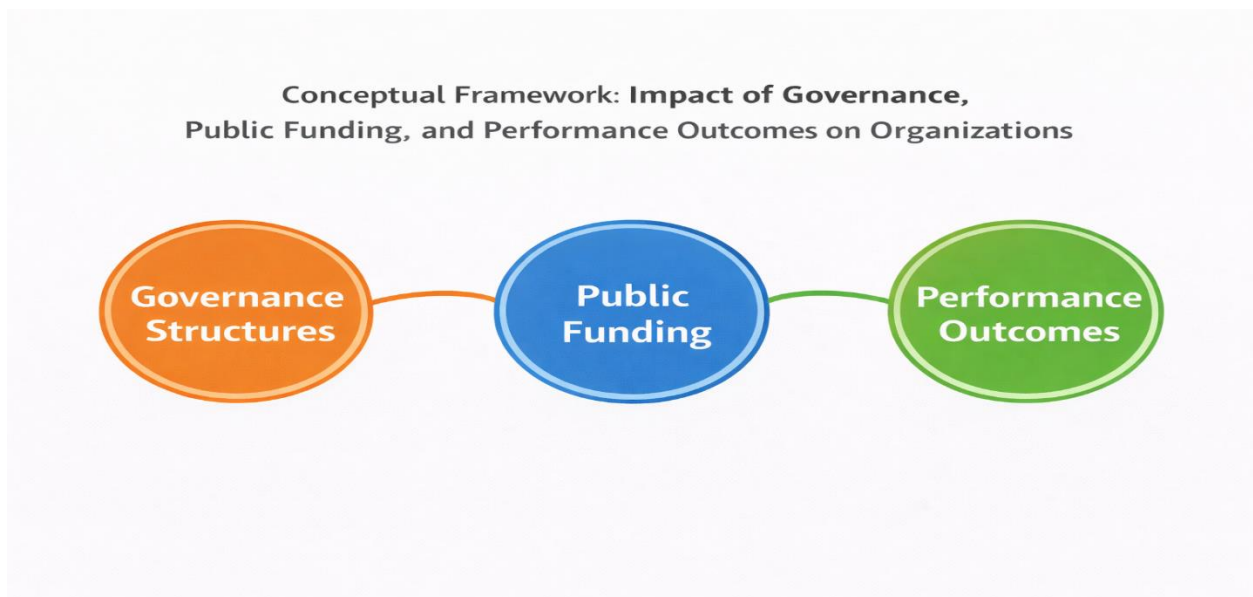


Figure 1

Research Methodology

The study approach towards the research was qualitative in nature, emphasizing the in-depth research and examination of the interactions between the governance structures, the funding of the culture organizations by the populace and the performance outcomes. Information was gathered by means of 6 semi-structured interviews with the key stakeholders, such as the members of the board, cultural managers, and the funding bodies.

Also, the documentary analysis was used to analyze publicly available reports, funding guidelines, and organizational strategies to find out patterns and practices in the distribution of public funds and the respective performance measures. Thematic analysis was applied to analyze the data obtained to determine important themes concerning the role of governance and funding in performance outcomes. The study was done taking into account all the ethical points.

Results and Findings

The results of the thematic analysis revealed three key themes related to governance structures, public funding, and performance outcomes in cultural organizations: the influence of governance structures on organizational performance, the role of public funding in shaping organizational priorities, and the interaction between governance and performance outcomes.

1. Influence of Governance Structures on Organizational Performance

The discussion also demonstrated that governance systems have a major impact on the strategic course and performance of cultural organizations. The absence of strategic leadership in certain organizations was one of the most vivid conclusions. Some of the respondents pointed out that governance mechanisms especially boards were usually passive as they mostly concentrated on the compliance requirements of the funding instead of taking active decisions. As an illustration, one of the interviewees who was a cultural manager observed:

"Our board is mostly reactive, and the decisions they make are based on the pressure to meet funders' expectations, rather than providing long-term strategic leadership." (Cultural Manager, Interview 3)

On the other hand, organizations with more active governance models reported higher levels of performance in securing funding and achieving artistic goals. For instance, a board member from another organization highlighted the importance of strategic foresight:

"We have a proactive board that is deeply involved in every decision. This has helped us not only secure better funding but also push boundaries artistically." (Board Member, Interview 5)

These findings indicate that the engagement of boards and governance structures in cultural organizations plays a vital role in determining organizational success.

2. Role of Public Funding in Shaping Organizational Priorities

There was also the analysis of the fact that the priorities of the cultural organizations as well as their operations depended on the public funding to a great deal. The nature of programs and services provided depended on the needs of funders. Interviewees disclosed that organizations heavily funded by the public were more prone to valuing the community involvement and accessibility to the audience more than experimentation in art. One cultural manager said:

"When funding is tied to community impact, we are often forced to create programs that appeal to a wider audience, which sometimes limits our artistic vision." (Cultural Manager, Interview 2)

In contrast, organizations with less reliance on public funds reported greater freedom to pursue innovative and niche artistic projects. A funding body representative noted:

"Our organization has more creative liberty because we rely on diverse revenue streams. Public funding is important, but it does come with strings attached, which can limit the type of projects we can undertake." (Funding Body Representative, Interview 4)

This suggests that while public funding is essential, it can also constrain the artistic independence of cultural organizations, steering them towards more commercially viable or socially aligned projects.

3. Interaction Between Governance and Performance Outcomes

Another important theme was the relationship between the governance structures and performance results. The statistics indicated that a stronger governance produced a superior match between the expectation of funding and the organization performance. To illustrate the example, a number of organizations that are well governed in terms of their governance and have clear performance indicators have recorded to have been more successful in the process of meeting the expectations of the funders. One participant explained:

"We have a strong internal governance system that aligns our goals with funders' performance metrics. This has helped us meet the expectations of our funders while still maintaining our mission." (Cultural Manager, Interview 6)

In contrast, organizations with less clarity in governance struggled to meet the performance requirements set by public funders. A board member from a smaller cultural organization shared:

"Without a clear strategy, we constantly miss the mark on what funders are expecting. Our reporting is inconsistent, and it feels like we are just trying to survive month to month." (Board Member, Interview 1)

This indicates that organizations with clear governance frameworks and well-defined performance metrics are more likely to achieve positive outcomes, particularly in the context of external funding pressures.

Figure 2 showed the derived themes and subthemes from the interviews.



Figure 2

Discussion

The paper has discussed the links between the system of governance, government subsidies, and performance within cultural organizations and, specifically, the implications of the Resource Dependence Theory (RDT). The results emphasized that there is a strong correlation between governance, funding, and performance measures, which affect each other and positively or negatively impact organization success. These findings will be interpreted in the discussion and put into context of the available literature to make conclusions on the importance of governance and funding mechanisms that affect the performance of cultural organizations.

The importance of the governance structures in cultural organizations has been a debated issue of scholars. As Turbide and Laurin (2014) point out, effective governance is capable of drastically boosting a strategic capability of an organization to address the external demands of the organization, including the demands of funders, market demands, and so on. Our research supports these results, and organizations with a proactive governance, i.e. an active boards, and articulate strategic leadership, reported higher in terms of receiving fund and fulfilling artistic objectives. The organizations could also accommodate their strategies to both artistic and social aims and prove to be highly efficient in balancing between mission-oriented goals and the need to attract external funding.

On the other hand, passive models of governance that featured the minimal involvement of board members and reactive approaches to decision making presented a challenge to adjust to the new fast evolving funding environment. This is in line with the resource dependence

theory which implies that organizations that do not align their governance systems with those expectations of the external environment risk compromising their ability to acquire and achieve access to resources (Pfeffer and Salancik, 1978). These results reveal that effective governance is not only about compliance but the key to long-term organizational performance since it allows using the external resources in a strategic way.

The impact of public funding, which is a major source of revenue in the majority of cultural organizations, was found to impact on organizational priorities significantly. The research found that the community engagement and inclusiveness were more significant concerns in the organization that depended on the government funding the most, as the organization addressed the particular requirements of the funders. These priorities found reflection in the funding principles reviewed in the process of the documentary analysis as it kept underlining the role of accessibility, audience development and social impact. This made it common to find organizations model their programs in a manner that they were able to satisfy these expectations at the expense of artistic innovation.

This observation is conforming to the previous studies about the role of funding on nonprofit arts organisations. To illustrate, Ashton (2023) discovered that arts organizations with a high dependence on governmental finances are more likely to focus on the measures that can be easily measured, including attendance and outreach, instead of focusing on creative freedom or creativity. Nonetheless, the research also established that those organizations, which were more diversified in terms of revenue sources, were more free to engage in niche artistic projects, which implied that the less diversified funding base could alleviate certain constraints of public funders.

Although resource dependence theory emphasizes on the need to gain access to outside resources, it also creates awareness of the difficulties that organizations encounter when they are too dependent on a small group of funders. Cultural institutions that are supported by public funding can be faced with structural constraints, where such institutions are usually expected to achieve certain performance performance in order to receive the funding. Such limitations can make organizations not undertake any innovative or experimental projects because they have to concentrate on programs that suit the interest of funders (Pfeffer and Salancik, 1978).

The paper also established that the governance-public funding relationship has a significant impact on performance results. Companies whose governance structures were made as per the performance expectations had an easy time fulfilling the standards of funders. These organizations have not only managed to get finances but have managed the funds to have quantifiable community changes. This observation supports the point that good governance is a major facilitator of organizational performance. Through accountability and strategic control, strong governance structures assist organizations to achieve the performance metrics, thus, enhancing their opportunities of receiving more public funding.

On the contrary, loosely governed organizations with inadequate strategic leadership and absence of effective performance measures could not live up to expectations of funders. Inconsistent reporting prevailed in these organizations, and this impeded their capacity to prove their impact to funders. This is a reflection of results reported by Lindqvist (2012) who established performance measures in the funding process as a result of reforms in the public sector, which led to the clear governance of the cultural organizations to enable them to ascend to the performance levels demanded by funders. Such organizations would lose funds or they would not deliver the intended results without strong governance.

The results of this study indicate that the level of performance of an organization does not entirely depend on the level of government funding but also the effectiveness of using the funding by the organization. Strong governance structures lead to organizations being in a

better place to fulfill the demands of funders and maximise upon the social and artistic outcomes of the programs.

The results of the current research have profound implications on policy makers as well as cultural organizations. To the policymakers, the findings imply that the criteria used to fund should be in favor of diversity in organizational objectives and freedom of expression in art. Although the connection of funding with social outcomes, such as the involvement of communities, is essential, the funding should not sacrifice the expression of creativity. Such cultural policies where the worth of artistic innovation and community impact are put into consideration are likely to create a more balanced and robust cultural sector.

In the case of cultural organizations, the research paper indicates that such organizations need to have robust governance structures that respond well externally and at the same time have artistic freedom. This especially matters in an environment that competitively allocates public funds based on the outcomes. Focusing on strategic leadership, transparency, and accountability cultural organizations will be able to improve their performance, attain funding, and play a significant role in the development of society.

Conclusion

The study reinforces the critical role of governance structures in navigating the challenges posed by public funding. Cultural organizations that invest in strong governance frameworks are more likely to successfully meet funding requirements and achieve positive performance outcomes. At the same time, public funding mechanisms must be flexible enough to support a diversity of artistic endeavors while holding organizations accountable for measurable social impacts. The interplay between governance, funding, and performance is complex but central to the success and sustainability of cultural organizations.

Recommendations

- Cultural organizations should strengthen their governance structures by fostering active board engagement and strategic leadership to improve decision-making and resource management.
- Policymakers should consider diversifying funding criteria to support both community-focused projects and artistic innovation, ensuring that funding does not restrict creative freedom.
- Cultural organizations should implement clear performance metrics aligned with funding criteria to enhance transparency and accountability, ensuring that they meet the expectations of public funders.
- To reduce dependency on public funding, cultural organizations should explore alternative revenue streams, such as private donations, ticket sales, and partnerships with other sectors.
- Cultural institutions should invest in professional development for board members and leadership to enhance governance practices, ensuring that they are equipped to navigate funding challenges and lead the organization effectively.

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