

THE APPLICABILITY OF STRATEGIC  
ANALYSIS METHODS FOR COMPETITION  
ENVIRONMENT IN THE DIAGNOSIS OF  
CULTURAL ORGANIZATION IN REGIONAL  
CONTEXT

**Abstract**

Culture has various dimensions, from instrument of communication and promotion of national values and expression of the national spirit to ways of spending free time. One of these dimensions has a special manifestation in the arts management performance context: culture is a vital element for institutions aimed at mobilizing community's social, moral and educational resources. Therefore, cultural institutions have become interested in issues such as costs, financing and competitive advantages, as development and profitability have become priorities for managers in this field, which has witnessed a shift from cultural institution to cultural organization. Indeed, nowadays cultural organizations use more and more intensively management instruments as a consequence of environment changes and increasing complexity of the approached problems. The paper aims at revealing the implementation methods of strategic analysis models for identifying the appropriate opportunities and strengths required for creating distinctive features and competitive advantages within cultural organizations.

**Keywords:** cultural institution, cultural organization, competitiveness, strategic diagnosis, strategic analysis methods, competition environment, cultural management, opportunities and threats of the competition environment.

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**APLICABILITATEA UNOR  
MODELE DE ANALIZĂ  
STRATEGICĂ A MEDIULUI  
CONCURENȚIAL ÎN  
DIAGNOSTICAREA  
ORGANIZAȚIILOR  
CULTURALE ÎN CONTEXT  
REGIONAL**

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**Rezumat**

Cultura la nivelul societății are valențe diferite, de la mijloc de comunicare și de promovare a valorilor naționale și expresie a spiritului național până la modalitate de petrecere a timpului liber. Una dintre acestea are o manifestare aparte în contextul performanței managementului artelor: cultura este un element vital pentru instituțiile ce au drept scop mobilizarea resurselor sociale, morale și educaționale ale comunității. De aceea, instituțiile culturale au devenit preocupate de aspecte precum costurile, finanțările și avantajele competitive, dezvoltarea și profitabilitatea au devenit priorități pentru managerii acestora, realizându-se astfel trecerea conceptuală de la instituție culturală la organizație culturală. Într-adevăr, astăzi se constată aplicarea din ce în ce mai intensă în cadrul organizațiilor culturale a instrumentelor de management, cerută de schimbările de mediu și de complexitatea crescândă a problemelor abordate. Lucrarea își propune să releve modalitatea de aplicare a unor modele de analiză strategică pentru a facilita identificarea oportunităților și amenințărilor potrivite necesare creării unor competențe distinctive și avantaje concurențiale pentru organizațiile culturale.

**Cuvinte cheie:** instituție culturală, organizație culturală, competitivitate, diagnosticare strategică, modele de analiză strategică, mediu concurențial, management cultural, oportunități și amenințări ale mediului concurențial.



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## 1. CONCEPTUAL FRAMEWORK FOR THE NOTIONS "CULTURE" AND "CULTURE SECTOR ORGANIZATION"

"Culture is the lifestyle of a society, it is the configuration of taught behaviours and their results, it is the assembly of normal and expected answers from an individual by that society in a given situation" (Radu, 2005, p.160). "Culture is the collective noun for all traditionally artistic and cultural expressions and services that are directed, presented and/or provided. The given approach includes theatrical art, visual art and design, architecture, opera, music, film, multimedia, cyber art and cultural heritage, as cultural examples and services" (Hagoort, 2005: 27). "From the multitude of meanings given to culture by ethnologists, anthropologists, journalists, sociologists, we keep in mind those that present culture as a system of cultural goods, along with their recognized value, and culture as the totality of institutions and activities involved in its promotion and broadcasting, including the cultural creation activity" (Moldoveanu and Valeriu, 1997: 11).

The role of culture in the life of the individual and society can be synthesized into:

- importance for the country's image;
- a means of communication and promotion of national values;
- expression of national spirit;
- a key to understanding oneself, time and destiny;
- an important factor in an individual's education;
- a useful leisure and hobby for youth;
- a crucial element for institutions in mobilizing social, moral and educational resources of the community;
- an element of the moral strength and spiritual bulwark for the people whose national security is threatened or whose liberty is restricted;
- a compensatory factor of contemporary society's materialism.

Cultural institutions have become very preoccupied with the business environment and matters such as costs, funding, evaluation, development and profitability have become priorities for the managers of these organizations. Therefore, economics and management have increasingly gained more legitimacy in a field in which they were once totally excluded: CULTURE (Tobelem, 2007: 294). And thus the

cultural institutions become cultural organizations. They were introduced on an economic market, which, initially, was more than foreign to them (Popescu, 2009: 165). Although coming from a field which traditionally is not competitive, they may be regarded from an economic perspective: operating budget, labour force demand, commercial returns, number of visitors, value of purchases. Indeed, nowadays we can speak of "cultural organizations", placing the administrators of these organizations on the same level with company managers. We can observe the more and more intense application of management instruments, required by environmental changes and the growing complexity of problems raised (planning exhibition, fundraising, budgeting and computerization).

From the microeconomic perspective, "cultural organization is a formal structure, in which people cooperate to achieve certain goals. This definition can be used also for the cultural purposes, for example, for theatres, orchestras, theatre groups, museums, galleries, multimedia companies and academies of art" (Hagoort, 2005: 27).

In the paper "Marketing for cultural organizations", Bonita M. Kolb (2005) makes a clear distinction between art institutions and cultural organizations. Thus, an art institution means room for skills, while "cultural organizations should consider themselves members of the community in which they are placed. They should look at their art as something they want to share, not as something imposed by their superiors" (Kolb, 2005: 8).

Nowadays, at international level, there is a multitude of classifications of cultural organizations depending on the context, interests, services, activities, etc. According to Florescu (1999: 34), these are:

- for entertainment (theatre, film, music, dance, artistic groups, festivals, music trade shows);
- for broadcasting the cultural information (heritage institutions, archives, museums).

Depending on the consumers' degree of participation, cultural services are divided into two categories:

- those that cannot be achieved without the consumers' presence (shows, fairs, festivals);
- those that do not imply physical participation of the public (art exhibitions, TV shows).
- In terms of financial resources, the cultural organizations are divided into:
  - Institutions that operate exclusively from public funds;
  - Cultural institutions that are financed by the state to some extent, but can also support from own sources or from sponsorship (museums, theatres).

## 2. COMPETITIVE ENVIRONMENT FOR CULTURAL ORGANIZATIONS IN REGIONAL CONTEXT

The current paradigm of competition environment study shows that "in order to succeed, companies must cease to compete one another. The only way to overcome the competition is to no longer try to overcome it." (Kim and Mauborgne, 2005). In this context, the beginning of the third millennium's challenges, require a new approach to business development, by considering at least some significant changes in the environment (Cârstea, 2002):

- movement of the balance of power from the "offeror" to "client" in terms of partnership;
- the existence in almost all cases, of a supply greater than the demand;
- the existence of a dynamic environment characterized by risk and uncertainty, and very little by certainty;
- increase in competition among bidders, along with the emergence of competition alliance relationships between the participants in production chains that satisfy certain market segments.

The decrease of the negative impact of these mutations, respectively capitalization of opportunities that may arise, involve a new type of management in which anticipating and assessing environmental development become essential. In this regard, more concepts - such as strategic diagnosis, strategic management, strategic marketing - are used increasingly.

In Moldoveanu and Sabie (2009, p.115) opinion practicing an effective and efficient leadership in public organizations requires clearly defining the mission and objectives of institutions providing services. Many public institutions in Romania focus on issues and projects that are only means to achieve objectives. Most public organizations in Romania, as well as some private organizations, act by the identification of threats and not primarily of the opportunities. Often actions failure, result from the incorrectly formulated objectives, does not lead to reformulation in real-time of the organizations' goals.

The difference between the value (what customers are willing to pay for a product), and the cost of the production activities, determines the profit of the firm (Porter, 2008). In this context, the current concern of management literature appears to be very natural. This refers to explaining the mechanism by which a feature or more valences of a product were determined by a source of value for the customer, or how a product's attribute generates the act of purchase (Gamble and Thompson, 2010). To achieve the desired performance level, a company's strategic thinking systemically evaluates both

favorable and unfavorable elements of the competition environment, as well as the production activities that would lead to achieving competitive advantage either through cost, or through differentiation. One of the managerial instruments that have proliferated in this kind of analysis is the value chain (Porter, 2008), which provides a rigorous understanding of those sources of value for the client that make him purchase a product and which will impose an added cost. From this perspective, strategy is an internal configuration of the company's activities, which distinguishes it from its rivals. And in order to analyze and propose sources of competitive advantage, the value chain systemically examines the activities performed by a company, it identifies the way in which they interact and it decomposes them into components that are strategically relevant for understanding the mechanism of both existing and potential costs and differentiation sources. A company's value chain is incorporated into a larger stream of activities named the value system, which indicates that the suppliers have upstream value chains (which create resources and, depending on the balance of power, influence the performance of the companies that purchase), while the customers have downstream distribution value chains (which influence the final customers' behavior and, consequently, the company's performance). In the same context, it is worth mentioning the model of the five competitive forces developed by Porter (customers, competitors, suppliers, substitute products, potential competitors).

In order to correctly identify the sources that can generate opportunities and threats for the management of the cultural organizations we shall start from listing a few elements with high applicability in most competitive environments, whose understanding facilitates the accuracy of strategic diagnosis:

- the transition from the classical philosophy "produce and then sell!" to the one la aceea summarized in "producing what the customer intended!";
- diferențiere increase in costs for the study of customers' needs, in promotion costs and fixed costs generated by the need to differentiate;
- the price is more the result of the market and to a smaller extent of the cost;
- the increasing concern for processes quality management involved by the making of a product;
- the upstream or downstream integration for increasing the competitive position (lower cost, accessibility to resources, control of distribution and sales);
- the need for more flexible portfolio of products and activities;

- the understanding of the fact that the product / service no longer means exclusively the result of a physical / intellectual process, but the whole capability of the company to create an offer that meets the customers' needs.

In this context, it is noted that although, traditionally, the management of cultural organizations was seen as separate and distinct from other types of business administration (Kolb, 2005: 10-11), the reality of the recent years has shown the necessity of change in this managerial vision by addressing the elements outside the organization as factors that generate competition. Thus, the opportunities given by the relationship with the customers or the positioning among competitors have become primordial elements.

Regarding the competition, even if cultural organizations are not commercial organizations, they operate within a market. For consumers, the temptations are multiple: to see a play, to visit an exhibition, to dine in a restaurant, to watch a sporting event etc. This perspective is enriched by recognizing the fact that for a cultural institution the competition is perceived as such by the visitor and should not be limited only to similar institutions. For example, if the individual consumer believes that a visit to the museum is competing with the care of his garden or with preparing a party for his friends, then, according to experts (Kotler and Andreasen, 1987), these activities enter in a direct competition with that museum.

Regarding customers, the attitude towards visitors has developed over the past century up to now, when people working in the cultural organizations have realized the importance of visitors, in terms of marketing (Rentschler, 2007: 354). In those institutions in which marketing is irrelevant in the managerial approach, consumer researches are neglected. According to Kotler, „based on various studies there can be said that the difficulties faced by some organizations are not always caused by ignorance or lack of motivation from consumers 'side". On the other hand, in those cultural organizations that have adopted a marketing approach, marketing services are not just about efforts to change the consumers' needs, desires and perceptions, but rather, they try to anticipate them. The studies regarding an institution's market allows a complex evaluation of the consumers and a means to test decisions on target groups, in order to ensure they are effective (Kotler and Andreasen, 1987).

The analysis conducted so far, has begun to produce results that can be considered more than empirical and that passed the rudimentary stage of knowledge and research. Thus, possible sources of opportunities and threats specific to the cultural organizations' competition environment may be:

### ***Urban development***

There can be observed the fact that the city increasingly acquires entrepreneurial character, a character which results both from policies and from their actions. Nowadays, urban areas enter the market directly as economic actors, unlike the situations in the past when they only had an interference role, in case of a market collapse. Most cities are led by elected mayors, invested with the power to coordinate economic development. Many successful cities were involved in creating systems and networks of European labor force, which encouraged them to become expansionist, entrepreneurial and truly international. The urban and regional policies are faced with many problems, in the context of relatively rapid political and economic changes. There is a strong tendency to strengthening the big cities' network and metropolis development (Popescu, 2007: 129). The main area of investigations concerns the inequalities faced by urban areas and related to size, geographic location, city specializations (which gives lower or higher benefits). Many comparative studies have indicated the existence of a strong polycentric system which becomes more and more integrated by the European cities, revealed by the existence of a high degree of interdependence between greater urban hierarchy levels of the Member States. Major European cities (defined as those with over 500,000 inhabitants) have developed more rapidly, in terms of population and employment, than smaller cities of the EU during the same period. This trend contrasts with that which had manifested in the '70s, when medium-sized cities knew a relatively strong growth, especially in the northern Member States, mainly because of the decline of core industries (textiles, steel, shipbuilding) in the large cities and because of the growing importance of new industries and service activities in smaller ones. The increase of the population and employment in areas where large cities are located, has had two effects: (1) the dispersion of the population and employment within the totality of these areas due to the fact that: (a) residents leave the center of the city to live in the suburbs or in the nearby cities, (b) companies locate some of their activities in peripheral areas; (2) the decline of small and medium-sized cities.

### ***The state***

Competitors, customers, suppliers, potential competitors, substitute products. These represent the competitive forces recognized as essential for the characterization of competitive relations in any industry. But in reality, in the competitive game a new „economic organization” interferes – the state. It can influence directly or indirectly numerous aspects of an activity field's structure. The state can be customer or supplier in various sectors or it can influence the structural evolution of a domain through some regulations of key variables such as: entering a specific activity field, competition practices, profitability. The regulations concerning products' quality and security, quality of the environment,

customs duties or facilities offered to different categories of investors are less direct forms of influence upon the relations in a competition environment, used by the public authorities. In the cultural field, the state's influence is more striking as it finances a large part of cultural organizations, some of them even being in direct competition.

### ***Social marketing.***

Cultural marketing has imposed both in theory and in practice as a distinct part of social marketing. Its determinants were: the assimilation, at the level of cultural theory and action, of significant concepts in the marketing field; the creation of new concepts and enrichment of existing ones with other meanings suggested by cultural practice; the theoretical generalization and the continuous reflection on the ideas generated by practice; the experimenting of new investigation methods for cultural consumption and consumer behavior; the development of effective tools for predicting the cultural market's phenomena. Furthermore, the conceptual mutation from cultural institution to cultural organization, accompanied by the appearance of competition between these organizations which is similar to that between the companies, has added premises for the effective cultural marketing to become a necessary instrument for increasing competitiveness.

### **3. SPECIFIC CHALLENGES FOR ROMANIAN CULTURAL ORGANIZATIONS**

In order to be effective, the process of strategically diagnosing the environment of the cultural organizations in Romania must start from understanding the specific challenges of this type of organization's management:

- The conceptual mutation from cultural institution to cultural organization, accompanied by the appearance of competition between these organizations, similar to that of companies;
- The necessity of orienting marketing from product to the public;
- The management (focused on organizational efficacy and efficiency) and the basic profession of the manager (which is intended to maintain the professional quality) form a powerful field of pressure, in which many contradictions in the managerial decision may arise. For this reason, the concept of artistic leadership emerged as prominent in the expert studies;
- Cultural organizations versus government policy: there is fewer and fewer money available at central level for the financing of cultural organizations, and a commercial approach which would generate income is essential. It is noteworthy that, despite this economic pressures,

cultural organizations assume their social role of providing access for the public and the entire community;

- The realities of cultural organization management certify that it is necessary for the manager to also be a specialist in its field of activity;
- Traditionally, the cultural organizations have focused their energy and efforts on product development, at the expense of developing studies about current and potential customers' needs. This approach was quickly changed. The improvement of research methods of the public represents an opportunity to increase the competitiveness of cultural organizations, allowing them to fulfil their social and economic obligations;
- The existence of a real discrepancy between the option of having a professional career in management of arts and the lack of a clearly defined market for managers in the cultural field.

#### 4. CONCLUSIONS

Cultural institutions have become very concerned about the business environment, and aspects such as costs, funding, evaluation, development and profitability have become priorities for the managers of these organizations. Moreover, the perpetuation of this phenomenon has made the change from cultural institution to cultural organization to look natural, and the use of terms like competitors, customers, suppliers, potential competitors, substitute products generated the need for a convergence study of competition environment which would have the purpose to increase the competitiveness of this type of organization.

In context, we affirm that the introduction and application of the idea of "rationalization" of opportunities and threats in the process of formulating the development solutions is very useful in terms of management. The vast specialized literature abounds with theoretical models of concurrent analysis of dozens of opportunities, but the practice shows that, in reality, there will be simultaneously valued only one or at most two favorable environmental elements, which makes the process of choosing difficult.

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