The Process of Top Management Team Reconfiguration During Strategic Change: A Theatre Case Study

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Résumé

Dans cet article, nous étudions le processus de reconfiguration de l'équipe de direction lors d'un changement stratégique. À cette fin, nous utilisons une étude qualitative riche de la gouvernance et du développement de la stratégie d'une organisation dans l'industrie des arts de la scène. Nous retraçons longitudinalement les étapes que les acteurs clés ont suivies pour répondre à un changement majeur de l'environnement. Nous développons un modèle de processus pour la résolution efficace des tensions stratégiques par des actions collaboratives et compositionnelles au niveau de l'échelon supérieur. Les implications de cette recherche peuvent informer les études futures sur la gestion stratégique des organisations culturelles, créatives et multipartites.

Mots clés: top management, étude de cas, équipes de direction, changement stratégique

Introduction

Theatres, concert halls, opera houses and auditoria are spaces in which different cultural products/services (e.g., concerts, plays, conferences, etc.) and societal events (e.g., political gatherings) take place and thus play a key role in connecting the producers and creators of nonmaterial cultural products with their audiences as their 'consumers' (Hirsch, 2000). As economies in the Western world continue their extensive growth in the exchange of intangible, creative, and knowledge-based products, organizational fields like the cultural industry offer a unique possibility to reflect on the important management issues faced by the people working in them.

Managerial decision making in such contexts is complex because it involves balancing acts among sometimes conflicting, "opposing imperatives" (Kanter & Summers, 1987). On the one hand, managers need to take into account the artistic and professional values of the producers, and on the other, pursue economic and sometimes political objectives set up by contributors and/or owners by considering among others market demands and shifts in audience tastes (Castañer, 1997; Lampel, Lant, & Shamsie, 2000). They often also need to address the tension between tradition, differentiation and novelty in the offering (DiMaggio & Stenberg, 1985; Perretti & Negro, 2006). There is also an important balancing between multiple important selection systems of stakeholders (Wijnberg, 2004). As those being the "gatekeepers" of their organizations (Hirsch, 1972), the individuals who manage theatres (and other cultural spaces) have an important influence over the cultural production in their locales broadly put.

While some research on how the educational background and work experience of top managers affects programming in theatres (DiMaggio & Stenberg, 1985) and other cultural organisations (e.g. Castañer & Campos, 2002) exists which parallels TMT research on the effect of managers' functional background on decisions in corporations (e.g. Dearborn & Simon, 1958; Finkelstein & Hambrick, 1989), there is little research that directly explores the process through which top managers arrive at these decisions and even less so on how the top management of cultural organizations is selected and composed. Furthermore, research on the determinants of the (functional) background of top managers focuses on the existence of a dominant logic for a given background (e.g. Fligstein, 1987; Ocasio, 1999). However, as mentioned, in the 'cultural' sector, there are at least two logics always present, the artistic or cultural logic and the economic

logic. Thus, we are interested in investigating how cultural organizations deal with these logics in terms of the staffing of top management.

One 'classical' solution is sole top decision-maker, the general manager or (super-)intendant, who might be able or not to consider both dimensions equally well, depending in part on his/her background (DiMaggio & Stenberg, 1985). Another solution is a dual-leadership structure in which the responsibilities for the artistic and commercial/economic goals are separated and delegated to different individuals, who can, on par, jointly run the organization. This practice however seems to lead to the emergence of management conflicts at the top level – between the two role incumbents – that can be detrimental to the functioning of the team (dyad) and the organization as a whole (Pearce, Conger, & Locke, 2008). Although some remedies have been explored (Reid & Karambayya, 2009), the processes by which such structures emerge or are abandoned, and how generally decision makers construct the composition of the leadership collective, are poorly understood.

Existing research from the "upper echelons" perspective on organizations (Hambrick & Mason, 1984), which focuses on the influence of senior managers on organizational outcomes, unfortunately also offers limited insight into the processes and antecedents of TMT composition. Two common themes are central to this perspective. One is about the role of environmental change, such as market shifts or reduction of resource availability (munificence), that can trigger turnover (succession) at the upper ranks of the organization (e.g. Castañer, 1997). According to this literature, the boards of the concerned organizations will seek to deal with the changed environmental conditions by attracting top managers who possess characteristics that match the new environmental demands (Haveman, Russo, & Meyer, 2001; Rajagopalan & Datta, 1996; Wiersema & Bantel, 1993). The second stream looks at the strategy of the organization, where top management staffing is considered as a device for obtaining and implementing strategic goals (Guthrie & Datta, 1997; Keck & Tushman, 1993; Szilagyi & Schweiger, 1984). Both themes have been integrated (e.g. Wiersema & Bantel, 1993) and researchers have looked at the ways in which organizations match management competences to types of strategies that are followed as a response to environmental changes.

This existing literature rests on assumptions about the process of TMT composition that although may be valid for traditional, large, product-based organizations, may not apply for organizations that share the characteristics of the cultural industry. First, strategy is

conceptualized in existing research as a uniform choice among discrete generic options or archetypes (Miles & Snow, 1978; Porter, 1985). As mentioned above, cultural organizations need to balance multiple priorities for multiple stakeholders. Strategy formation is therefore a much more negotiated and ambiguous cognitive process than it is often portrayed for corporations. Second, TMT composition is seen as a series of discrete events of replacing or appointing new executives, while in reality such decisions are processes where considerations of the status-quo and path dependence influence the behaviour of the appointing executives. Third, existing literature overlooks any simultaneous organizational and governance adaptations that occur with the reconfiguration of the TMT. The positions that new incumbents occupy are seen as being the same as the ones their predecessors occupied. However, functions and responsibilities are in practice often shifted, redefined and adapted as the strategic change unfolds. Existing models for the antecedents of TMT composition, however, do not account for that.

To address these gaps, we approached the problem with an inductive, process-oriented research with an organization experiencing environmental change and executive turnover. Our selection for a theatre organization as a research setting for this in-depth case study is motivated by the characteristics of the sector that allow to delve into processes that differ from traditional empirical settings for TMT research.

Theory

We view TMT configuration as a process, which involves multiple actors at multiple levels and not only along the principal-agent axis. Existing TMT research has concentrated either on discrete (demographic) characteristics of individual TMT members, or on features of the team as a whole (primarily its heterogeneity). The analytical advantages of such approaches notwithstanding, existing theory portrays a rather atomistic view on the phenomenon. The main drawback is that certain theoretical mechanisms (for the effects or antecedents of TMT composition) are assumed rather than observed or studied directly.

The influence of executive turnover on organizational outcomes

The process of strategy change evolves from a set of strategic choices, in which managers play a central role (Kor, 2003). According to Hambrick and Mason (1984), the organization is a reflection of its top managers. Their upper echelon theory suggests that there is a link between

cognitions, values and perceptions of executives and organizational outcomes. Researchers have since studied various organisational outcomes (Carpenter, Geletkanycz, & Sanders, 2004). Since the purpose of this study is to gain insights in the role of executive succession for the process and content of strategy change, this study will concentrate on developing theory that links the two concepts. In existing studies, executive turnover has been conceptualized as antecedent to strategic change (Haveman et al., 2001; Tushman & Romanelli, 1985), a consequence (Wiersema & Bantel, 1993), or one of the elements of strategic change itself (Hannan & Freeman, 1984; Singh, House, & Tucker, 1986).

Method

Research approach

The research is conducted through a single case study, which is a suitable method for research when the context is relevant to the concepts of the study and a rich understanding of it is desirable (Eisenhardt, 1989; e.g. Eisenhardt & Graebner, 2007; Yin, 1994). Where most studies of strategy processes have been done retrospectively, the outcomes of the TMT composition of our case organization are unknown yet. Van de Ven (1992) argues that prior knowledge of success or failure of the process biases the results of the research. The case study that is undertaken in this research aims to unfold the TMT composition process within *Stichting Dans-en Muziekcentrum The Hague* (hereafter called DMC) in the Netherlands. The organization runs a theatre complex consisting of two adjacent buildings: a concert hall, *Dr. Anton Philipszaal* (DAPZ) and a dance theatre, *Lucent Danstheater* (hereafter called LDT), in The Hague. The cultural industry in general in Holland (and elsewhere in Europe) and the DMC in particular have been subject to major changes. Due to the restructuring of the organization, a new CEO and new managers, a new building and several initiatives for change that were undertaken, this organization provides a fertile soil to reveal the dynamics of the TMT formation process.

Data collection

The main data sources of this study were semi-structured interviews with informants conducted in 2013. The selection of informants was based on their role within or in relation with the DMC.

The selected informants were: the chairman of the supervisory board, the interim CEO (from 2011 to 2012), the new CEO (from 2012), the new senior manager, the new marketing manager, the programming manager, the business controller, two employees of the marketing department and the marketing manager of the *Residentie Orkest* (RO), an orchestra organization with close cooperation with the DMC. The other informants were all involved in certain change initiatives or could provide other valuable information about management team and strategy changes. All the initiatives taken during the period were covered by this selection of informants.

In addition to the data collected through the semi-structured interviews, we used as sources for identification and better understanding of the motives for the managerial actions under study documents in which DMC presents its strategic plans for the period 2013-2016 as well as the cultural policy of the Municipality of The Hague. Moreover, we also used secondary data concerning LinkedIn profiles, websites and articles with information about the careers of the informants to complete information about the prior work experiences of the managers of DMC.

Data analysis

Our goal with the analysis was to identify the generative elements that lead to TMT composition changes. The audio-recordings of the interviews were transcribed into a written document. As each interviewee was involved to a different degree in various episodes of the TMT composition process, the data from the respective interviews produced segments that could be compared and validated. Each data segment was coded following an iterative process cycling between the data, emerging theory, and literature. We developed initial categories based on generic elements and themes discussed during the interviews. Following that, based on Glaser and Strauss (1967) and Miles and Huberman (1994), we systematically coded the data and in the process adjusted, expanded or removed categories to better represent the meanings conveyed by the informants. Eventually, we reached a set of first-order concepts (Gioia & Thomas, 1996), which we then grouped into non-overlapping second-order themes. We labelled these themes so there would be shared similarities of the first order concepts. For that, we used the meanings in the data but also drew on existing literature where available. We then combined the themes into five generative aggregate process dimensions that together explained each episode of TMT composition which are: goal structuring, resource and capabilities stocktaking, internal teaming, external search and

selection, and organizational structuring. Finally, we connected the aggregate dimension into a conceptual model explaining the TMT composition in the case study (see Figure 3).

Research context

Case study organisation

From its inception in 2013, the DMC was a foundation that is responsible for the exploitation of the theatre complex DAPZ and LDT in The Hague. The theatre complex was rented from the municipality of The Hague. In addition to occupying the complex, the DMC also took care of 70% of the total programming of DAPZ and LDT. The remaining 30% was taken care of by the two permanent performing groups, which are the *Residentie Orkest* (RO), a symphony orchestra, and the *Nederlands Dans Theater* (NDT), an international contemporary dance company. DMC results from a merger, as of the 1st of January 2013, between *Stichting Gastprogrammering* (GP) and the *Stichting Exploitatie Muziekcentrum en Danstheater* (SEM). In the former arrangement, GP was responsible for the remaining 70% of the programming of DAPZ and LDT, while the separate entity SEM was managing the two-stage building complex, the offering of proper hospitality facilities and commercial rentals. The structure of these organizations in this former situation was considered as complex and inefficient and as of 1 January 2013, GP and SEM were merged into the new organization DMC. While representatives of RO and NDT participated on the board of SEM and GP, this was not the case after the merger.

The DMC consists of five different departments, each with one manager. The five departments are Marketing and Publicity, Programming, Hospitality and Events, Technique and Facility Services. The managers of these departments are all in the management team together with the CEO. The management team is supervised by the Supervisory Board, which consists of a chairman and four other members.

The DAPZ and LDT occupy a unique position in the region of The Hague as large podia for (international) dance and music shows, opera and musicals. Up to 2012, the programming of GP contained a large variety of genres such as international dance and music shows, tango, flamenco, classical music, and shows for families and children. DMC, and formerly GP, organized approximately 180 events per year, which attract between 80.000 and 90.000 visitors. The DAPZ has room for 1890 seats, and 2500 visitors fit in when the seats are taken out. The LDT has space for a maximum of 1013 seats.

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Governmental policies

Traditionally, the cultural sector in Europe and elsewhere relies heavily on subsidies granted by the government. In 2011, in the Netherlands, the total turnover of theatres consisted for 8% of financial support from the national government and for 37% of subsidies granted by the municipalities (VSCD, 2012). In the cultural policy report for 2013-2016 (Ministry of Education Culture and Science, 2012), the central government required a change of the current cultural policy, arguing that the cultural sector was too dependent on the financial support granted by the government. With regards to the performing arts, the Dutch government clearly gave the responsibility for managing this change to the local governments. As a result, the DMC does not receive any subsidies from the Dutch central government and is therefore dependent on the Municipality of The Hague. Therefore, the cultural policy of the local government has a large impact on the opportunities of theatres and performing arts organisations.
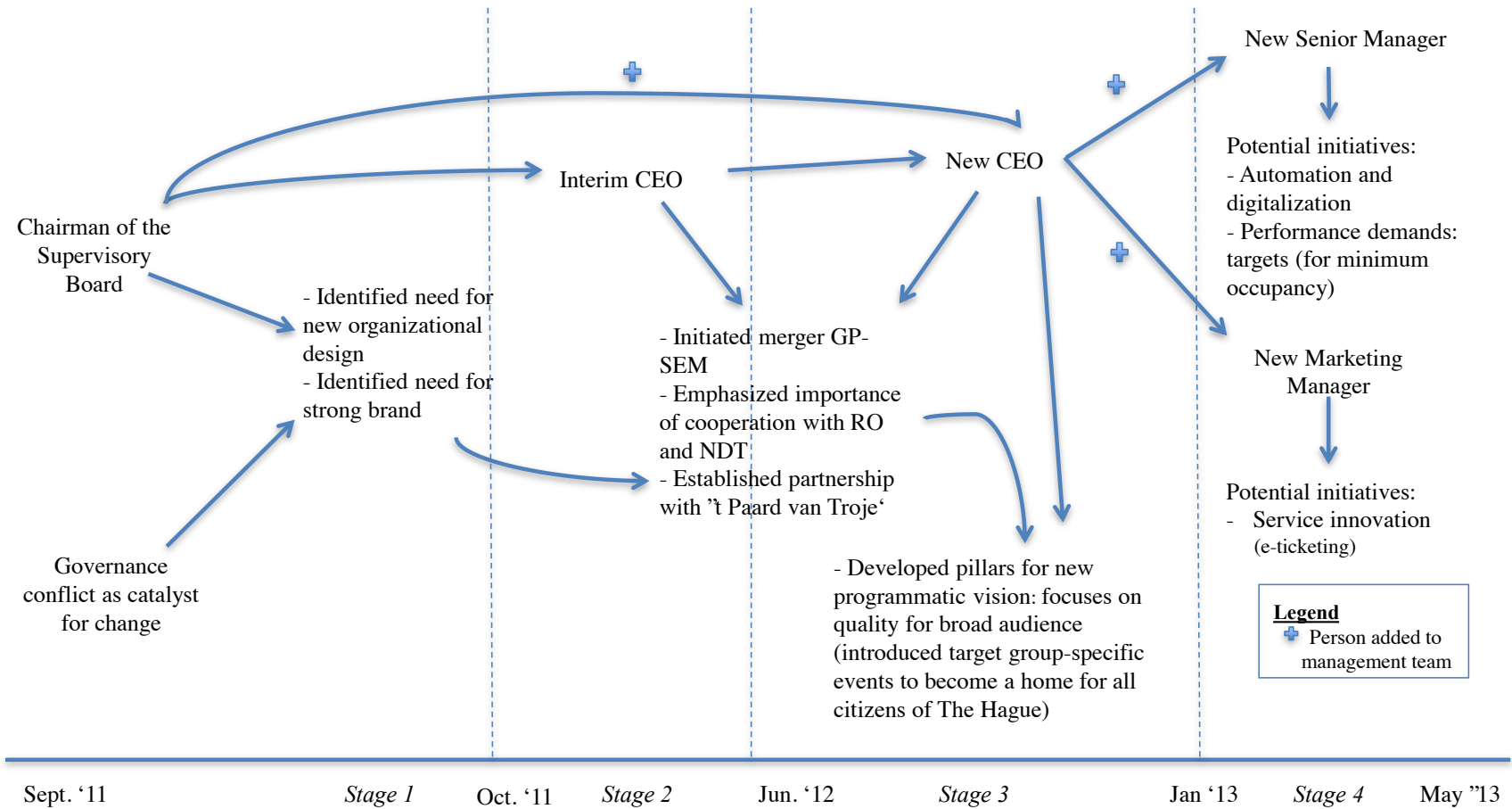
In its policy documents of 2012, the municipality of The Hague (2012) put high importance on culture. In particular, the large theatres were described as having an important promotional function on a national and international level, especially because of The Hague's ambition to become Europe's Cultural Capital in 2018. Moreover, the presence of high quality cultural facilities was seen as increasing the quality of life, which would, in turn, make the city attractive for companies to settle in this city. Therefore, the municipality emphasized the need for cultural entrepreneurship and overall prudence in managing costs in cultural institutions. The city also encouraged cultural institutions to cooperate among each other with the expected benefits of cultural education, audience development, and efficiencies in branding and marketing.

Issues and challenges for DMC

Several strategic issues were faced by the DMC in the study period. The first one was that the government reduced the budget available for the cultural industry in order to realize overall cuts triggered by worsened economic conditions. This was manifested in a stricter approach of providing subsidies to cultural institutions like the DMC. The request of the DMC to increase their subsidy for the period 2013-2016 was rejected and the organisation obtained the same amount as the previous period (Municipality of The Hague, 2012). The second one was the declining visitor numbers as consumers cut spending for culture due to the economic crisis (Ministry of Education Culture and Science, 2012).

Besides the problems caused by the economic crisis which affected the whole cultural industry, the DMC also had to deal with issues specifically related to its own organization. The merger of the two legal entities did not require integration of organizational units, but profiling and communicating single brand name to the organizational stakeholders. In addition, due to a conflict, the former CEO left the organization and the management team was deemed incomplete. Figure 1 summarizes the timeline of change events that the organization underwent.

Figure 1 Timeline of main changes in the case organisation

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New Senior Manager

Potential initiatives:
- Automation and digitalization
- Performance demands: targets (for minimum occupancy)

New CEO

Interim CEO

Chairman of the Supervisory Board

- Identified need for new organizational design
- Identified need for strong brand

- Initiated merger GP-SEM
- Emphasized importance of cooperation with RO and NDT
- Established partnership with 't Paard van Troje'

New Marketing Manager

Potential initiatives:
-   Service innovation (e-ticketing)

Governance conflict as catalyst for change

- Developed pillars for new programmatic vision: focuses on quality for broad audience (introduced target group-specific events to become a home for all citizens of The Hague)

Legend
✚ Person added to management team

Sept. '11   *Stage 1*   Oct. '11   *Stage 2*   Jun. '12   *Stage 3*   Jan '13   *Stage 4*   May "13

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Codes for strategic changes in DMC

The first goal of the interviews was to gather data about the different initiatives for changes and the ways these changes could be made. In

Table 1, an overview is provided of all the identified initiatives that will be elaborated on in this section.

Table 1 Initiatives for strategy change of DMC

Strategic initiatives

1. International and national excellence
2. Quality for a broad audience
3. Being a home for all different groups of the society of The Hague
4. Increase in quantity of programming
5. Reducing costs through efficiency
6. Strong brand
7. New building
8. Cooperation with RO and NDT
9. Partnership with 't Paard van Troje
10. New human resources
11. New organizational design
12. Customer-focused approach
13. Performance demands: targets
14. Automation and digitalization

1. International and national excellence in programming.

DAPZ and LDT have a long tradition of offering high-quality shows in dance and classical music such as opera due to the existence of the RO and NDT. Because RO and NDT are only able to take care of 30% of the capacity for shows in the theatre complex, DMC wants to complement the program in this genre in order to strengthen the pillar of international and national excellence.

2. Quality for a broad audience by programming popular genres such as pop concerts.

Although the DAPZ and LDT were already known for offering high-quality shows, there were still too many shows considered as mainstream by several informants. The CEO of DMC stated:

"If you would compare the programming of this season to those of Zoetermeer and Rijswijk, then you will see a lot of doublings. I don't want that anymore."

In addition to this, the chairman of the supervisory board had the following statement:

"Choices needed to be made. It wasn't bad, but it wasn't very special either. This means an explicit choice for a certain vision of programming, which contains elements that really suit in this theatre. No programming that you could see anywhere. Let special formats come back. So it is all about the recognition of the programming."

Hence, an explicit choice has been made for exclusive shows of international and national excellence in order to differentiate from other theatres. The theatre aims to get the international shows to The Hague, under the condition that these groups will not perform somewhere else in the Netherlands. However, the CEO of DMC explicitly mentioned there is a difference between top-of-the-bill quality and high art for the elite:

"It has nothing to do with high art for the elite. It is just about the best quality of all different genres that we provide here. That could also be a spectacular circus performance from Australia."

A good example that shows that DMC aims to reach a broader target group is the programming of pop concerts. One of the big issues the organization had to deal with was that the target group they reached was relatively old, even compared to other theatres.

The Marketing Manager of DMC explained that this was due to the type of programming:

"The average theatre visitor is 48 years old, which is a national average. We would like to bring that down. Here it is even higher because of the programming, especially in the Philipszaal. That is mainly classical music."

To bring the average age of the visitors down and to reach a broader target group, DMC decided to programme pop concerts. In this way, the organization aimed to attract younger visitors to visit the theatre.

"By programming pop concerts, you will attract people that normally wouldn't go to the theatre. With this concerts, you could build a new audience and maybe they would like to try some other shows as well."

The advice committee of the municipality of The Hague supports the programming of pop concerts. Besides reaching a broader target group, they also see some other benefits. They would recommend DMC to intensify this element, because it will contribute to the publicity of the theatre, even outside the region of The Hague, and it could be expected to have a positive effect on the exploitation. The business controller of DMC emphasized the interdependency between the pop concerts and the pillar about international and national excellence:

"On the one hand, you want to have international excellence, for which you need to pay a high price. On the other hand, you also want to reach a broader audience such as immigrants. To make a pillar of that, you generate more income to attract the exclusive international shows."

3. Being a home for all different groups of the society of The Hague.

The third new pillar of the DMC is that theatre needs to become a home for the whole population of The Hague. As the marketing manager mentioned:

"We are working on getting diverse groups from The Hague into the theatre. The Hague is a very multicultural city. That is not really reflected in the audience of the theatre. We want to become a theatre for the whole population of The Hague."

As already mentioned, the theatre had a specific target group, which could be considered as quite old and high educated, while The Hague is a city with many different cultures and diverse groups. Therefore, the DMC wants to broaden their target group by providing events that are specifically focused on diverse groups of the population.

DMC has not made radical changes to their revenue model or cost structure. However, some incremental changes caused by the new value propositions, key resources and processes have been noticed.

4. Increase in quantity of programming

DMC aims to generate more revenues by increasing the quantity of the programming. When the theatre hall is empty, it only costs money and a chance is missed to gain revenues. Therefore, the intention of DMC is to fill up the hall as much as possible.

5. Reducing costs through efficiency

The implementation of a more professional attitude and more structured organizational processes within the organization will eventually lead to more efficiency, which consequently will save costs and also increase revenues. The CEO of DMC gave an example on how this may be realized:

"For example, when it turns out that requests for commercial exploitation are rejected 8 out of 10 times, because the theatre is not available, we can try to bring that down from 8 to 5 times. How can we do that? Do we need to program less shows? Or do we need to program on different days? And do we want that? First you need the information, then you can make a plan to manage this."

The main purpose of the improvements is to attract more visitors in order to increase the revenues of the organization. However, no explicit changes such as a new pricing strategy or cost structure are made so far.

6. Strong brand

As explained in the case description, the DMC lacked a clear profile. The organization was founded to fill up the program of the theatres DAPZ and LDT, because the RO and NDT could only perform a certain amount of shows. The name guest programming did not do justice to the vision and goals of the organization. The organization did not have a negative image, it just lacked image. People still considered DAPZ and LDT only as the home of the RO and NDT. Although this is partly through, the DMC needs to make clear that it is mainly their house by improving their brand. The CEO of DMC stated:

"A change needs to be made. Internally, this needs to be reflected in the programming, profiling and marketing to the target group. This needs to become a strong cultural house with two permanent performing groups. That is the goal."

The marketing manager complemented on that by mentioning that visitors should have the DAPZ and LDT in their mind when they want to go to the theatre instead of just going there because a specific show will be performed.

"We want people to say: "It's holiday, what do we want to do? Let's have a look at the Lucent Dans Theater, because they always do nice things for children." Likewise for pop concerts."

According to the chairman of the supervisory board, the lack of a strong profile is also caused by the complexity of the organizational structure and having two theatres in one complex. There was no common vision formulated by the three different organizations GP, RO and NDT.

"There was no strong drive to work together in marketing and branding. For example when you ask people what they think of the Concertgebouw, you will get answers about quality and admiration. I think that is more difficult here. People have a certain association with the Concertgebouw. I doubt that this association is here as well."

"Therefore, we decided to restructure the organization. We wanted to have one person that would be the face of the theatre. That is the new CEO, the host of the theatre. (…) Our task is to give the branding of the theatre a face, not only in our hospitality, but also the programming. By 2018, I want to see a theatre that excels in hospitality. And whether you are in the top or the bottom of the demographic social spectrum, you need to say: it is accessible and I feel at home in this theatre."

This is one of the reasons why the conservatory will become a permanent performer in the new building as well. The DMC hopes that this will result in a younger image.

7. New building

As already mentioned above, a new theatre will be built that will replace the old DAPZ and LDT. This new theatre will be called Spuiforum and needs to be ready by 2018, when The Hague will be the European Capital of Culture. The new building will help the theatre to deliver their new value propositions. As the Program Manager of DMC mentioned:

"It will have more facilities. More capacity, which makes it interesting for many pop groups. There is a need for a pop hall with a capacity of at least 2500 people."

It could be assumed that a new theatre will have several benefits that will improve the image of The Hague as a cultural city. A new impressive building will contribute to the goal of DMC to strengthen their brand and build a strong cultural house, where shows of international and national excellence will be more willing to perform and the whole population of The Hague will feel at home.

8. Cooperation with RO and NDT

The improved cooperation with the two permanent performing groups RO and NDT could also be described as a new key resource. At this moment, the cooperation is mainly focused on efficiency and marketing. The marketing manager of RO considers this as an important first step:

"At this moment it has just started. On the long term I would like to have an overarching marketing department that will focus on the marketing of the complex. At this moment, we mainly try to achieve purchase benefits, so it is on a very small scale yet."

The marketing manager of DMC agrees on this by emphasizing the importance of cooperation because of the overlap in visitors of RO and DMC.

9. Partnership 't Paard van Troje

The established partnership with 't Paard van Troje is a perfect example of a new key resource that is required to deliver a new value proposition. Through the relationship with 't Paard van Troje it will be a lot easier for DMC to program pop concerts. As a well-known pop stage, 't Paard van Troje could provide important expertise and their valuable connections in the pop business to DMC. The CEO of DMC said the following about the partnership:

"It was quite simple. 't Paard has got a capacity of 900. As certain pop groups will become too big for this stage at a certain moment, we are a great alternative. This partnership is important for both parties. It was very frustrating for 't Paard that they gave opportunities to groups to show themselves on the stage, but once 't Paard could make profit on them, they lost them. From our perspective, it is important to get the expertise and connections from 't Paard, because the pop business is very complicated. So there was a common interest. This means that when we program pop concerts with 't Paard, we share the revenues."

10. New human resources processes

With, amongst others, the new CEO, a new marketing manager and a new senior manager, it could be concluded that there has been a major change in the human resources of the DMC. It could be concluded from the interviews that they all contribute in a certain way to the new value propositions or other key resources. According to the chairman of the supervisory board, the new CEO is seen as a cultural figurehead who will contribute to the development of a strong brand.

"Preferably, you would like to have one person who will be the host of the theatre. Since DMC is responsible for the main part of the visitors, we needed a CEO that could literally be the face of the theatre."

Furthermore, there is also a new employee hired that is specified in organizing events that are focused on specific target groups to increase the diversity amongst the visitors and to become a home for all the different groups of the society of The Hague.

11. New organizational design

The merger between SEM and GP could also be considered as an important change that affects the organisation. The main change is that RO and NDT are no longer responsible for the exploitation of DAPZ and LDT, as the CEOs of both organizations left the board. The merger is important for the development of DMC in the future, since it has become easier for to create a strong profile.

"I noticed that the merger came just in time to play a role in the discussion about the exploitation and programming of the new theatre. In November, the city council discussed openly about the option for a commercial operator. But because of the merger, they are convinced that the exploitation needs to be done by the DMC. It gives me a better opportunity to profile ourselves as the operator and programmer of this house."

12. Customer-focused approach

Several informants mentioned the shift to a more customer-focused approach as essential. Until recently, the theatres just created a program in line with the preferences of the artistic employees without involving the needs of the customer in this process. The senior manager said the following about this shift in approach:

"The cultural industry has lived on a pink cloud for a long time. I believe that it is very important that the whole organisation will adopt a more customer-focused approach. That is

something I preach. You always need to realize that the customer is priority. It starts with your visitors. The theatre competes for visitors."

This approach needs to become an operational norm incorporated in all strategies, plans and initiatives of the organization in order to fulfil the needs of the customers and reach a broader target group. The marketing department has started with building a Customer Relationship Management System, which enables DMC to create customer profiles and approach different customer groups in different ways.

13. Performance targets

The introduction of key performance indicators and targets indicates the process of increasing professionalization within DMC. As it seems to be very normal for an organization to have these targets, it was not incorporated in the cultural industry in general and DMC specifically due to the subsidies. Several informants indicated that the subsidies offered space to a program that was more composed based on feeling instead of a structured method that takes the costs and potential revenues into account. According to the business controller of DMC, setting targets creates a certain pressure and responsibility.

"Now you can say to the programming manager: you can do the negotiations, but in the end you have to gain 100.000 euro on all shows."

The business controller explained that the advantage of setting targets is that one can monitor the process and intervene when it seems to become difficult to realize the target:

"Earlier we just looked after the show if the expected amount of visitors was realized. Then you're always too late. If you monitor in time that it will be difficult to realize the target, you can already respond on a low ticket sale beforehand."

14. Automation and digitalization

Automation and digitalization of processes and systems will also contribute to the efficiency of the organization. One of the best examples that shows that DMC is behind on this aspect, is that the organization still works with paper tickets instead of e-ticketing. The marketing manager mentioned that although paper tickets and brochures are way more expensive than digital versions, most visitors of the traditional target group prefer the physical ticket. Therefore, the e-ticketing system is not introduced yet, but should be implemented soon to, amongst others, reduce costs.

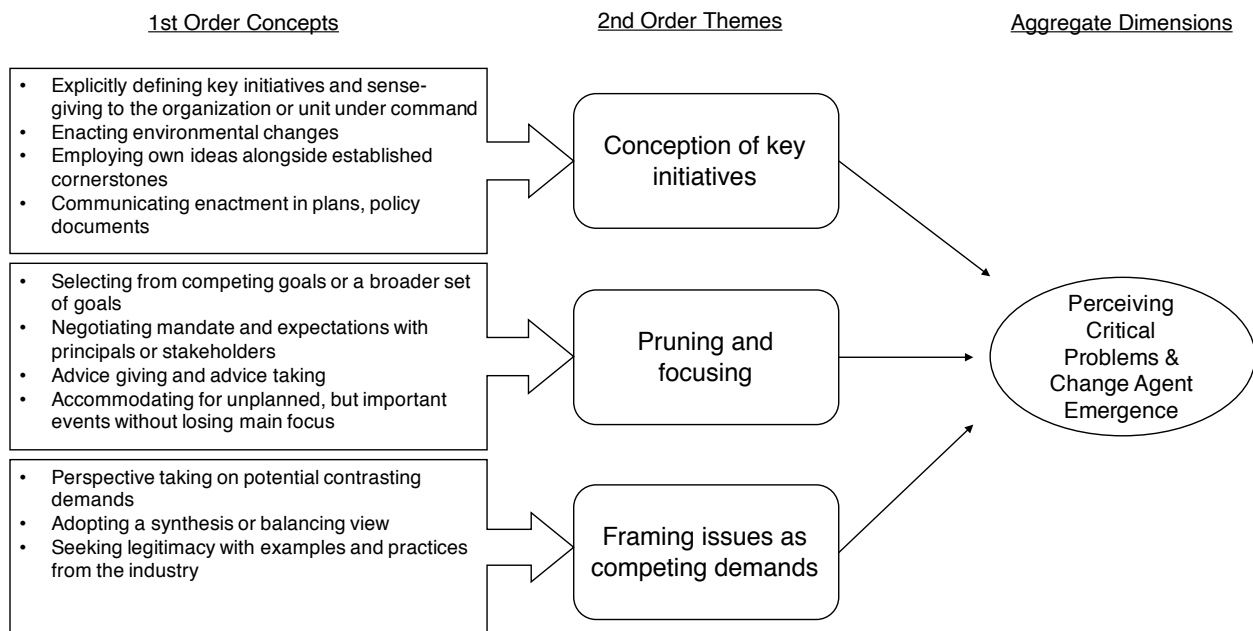In addition, the new senior manager strives to simplify all the processes by implementing a new POS system:

"There is a lot of work to do. You've got all kind of different systems: a hospitality system, accounting system, planning system. These all need to be connected with each other. Sometimes manually, sometimes digitally. It is fun to provide insight on that and to investigate where you could simplify things by using new technological opportunities."
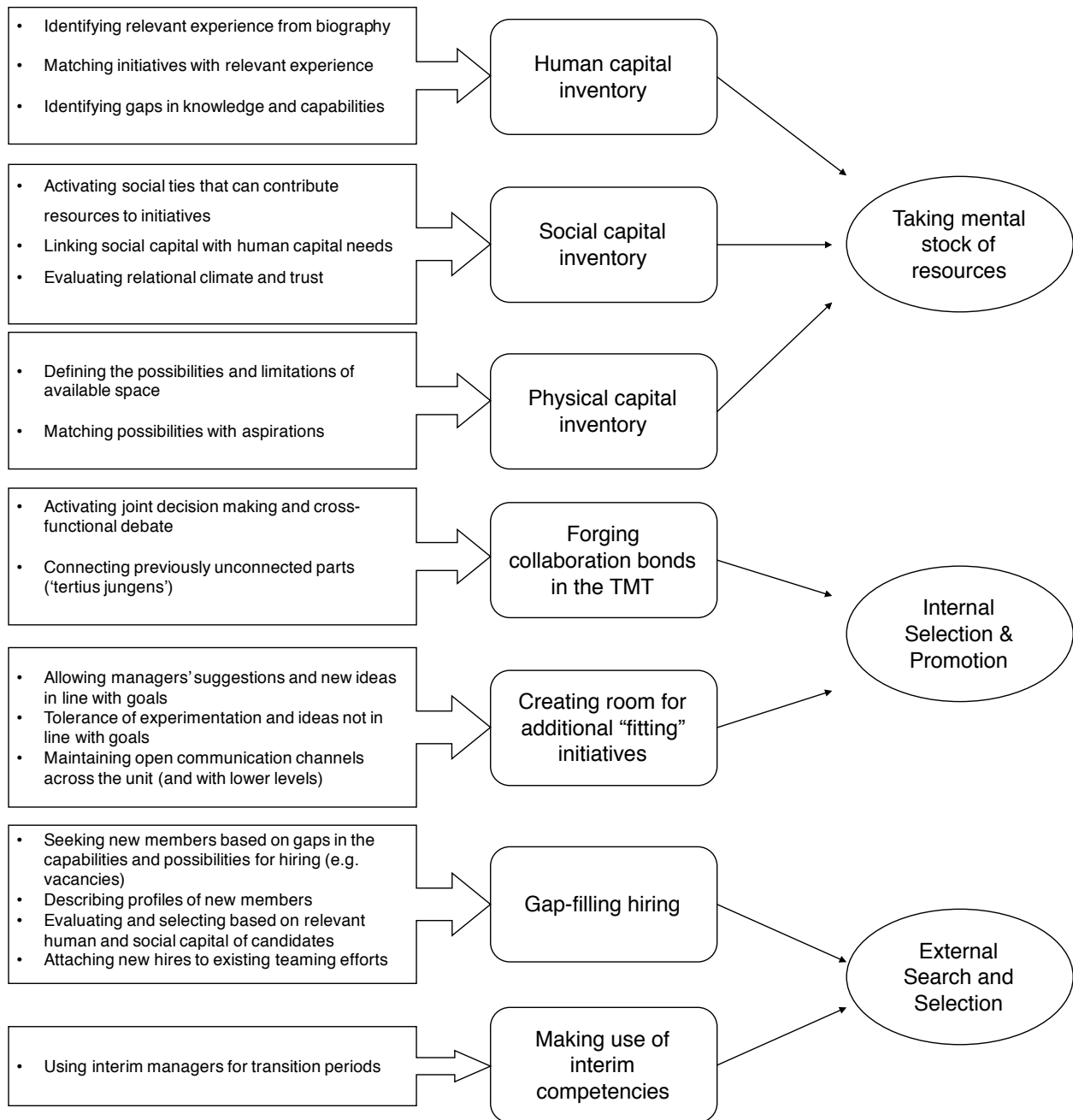
Although these changes does not seem to have a large impact on delivering the **value proro**positions and key resources on the first sight, without these essential changes the organization will not move forward as fast as it could be as money and time will be wasted.

Results

The analysis produced the data structure presented on Figure 2. The five dimensions that comprised the process of TMT composition were: a) perceiving critical problems & change agent emergence, b) taking mental stock of resources, c) internal selection & promotion, d) external search and selection, e) structural and activity changes.

Figure 2 Data structure

- Identifying relevant experience from biography
- Matching initiatives with relevant experience
- Identifying gaps in knowledge and capabilities

→ **Human capital inventory**

- Activating social ties that can contribute resources to initiatives
- Linking social capital with human capital needs
- Evaluating relational climate and trust

→ **Social capital inventory**

- Defining the possibilities and limitations of available space
- Matching possibilities with aspirations

→ **Physical capital inventory**

→ **Taking mental stock of resources**

- Activating joint decision making and cross-functional debate
- Connecting previously unconnected parts ('tertius jungens')

→ **Forging collaboration bonds in the TMT**

- Allowing managers' suggestions and new ideas in line with goals
- Tolerance of experimentation and ideas not in line with goals
- Maintaining open communication channels across the unit (and with lower levels)

→ **Creating room for additional "fitting" initiatives**

→ **Internal Selection & Promotion**

- Seeking new members based on gaps in the capabilities and possibilities for hiring (e.g. vacancies)
- Describing profiles of new members
- Evaluating and selecting based on relevant human and social capital of candidates
- Attaching new hires to existing teaming efforts

→ **Gap-filling hiring**

- Using interim managers for transition periods

→ **Making use of interim competencies**

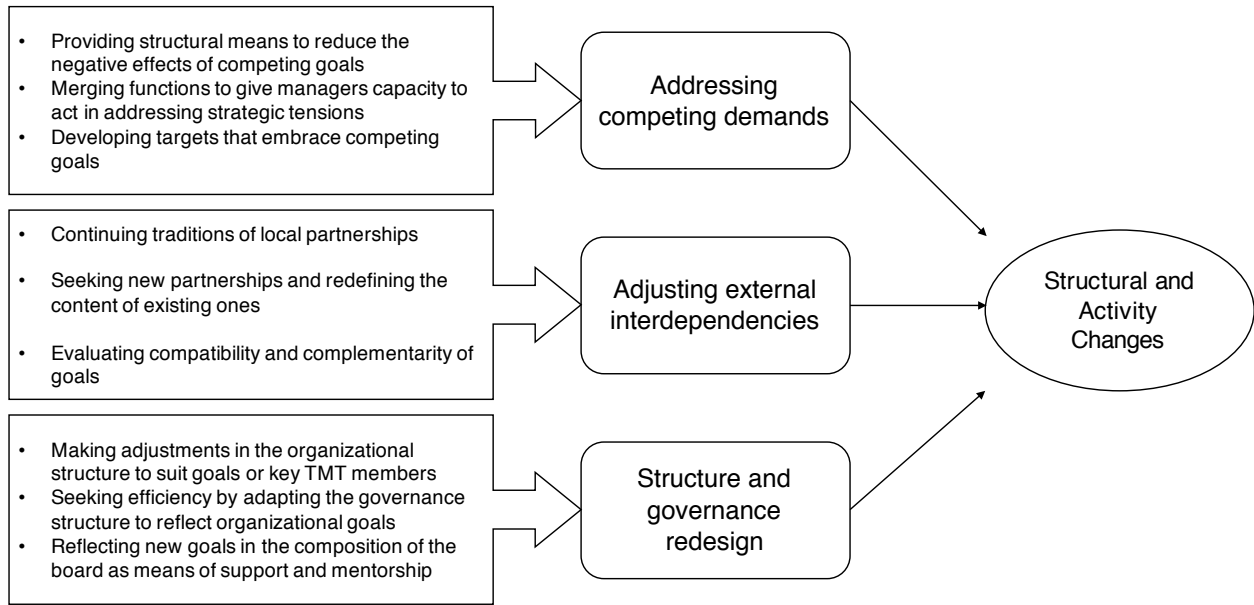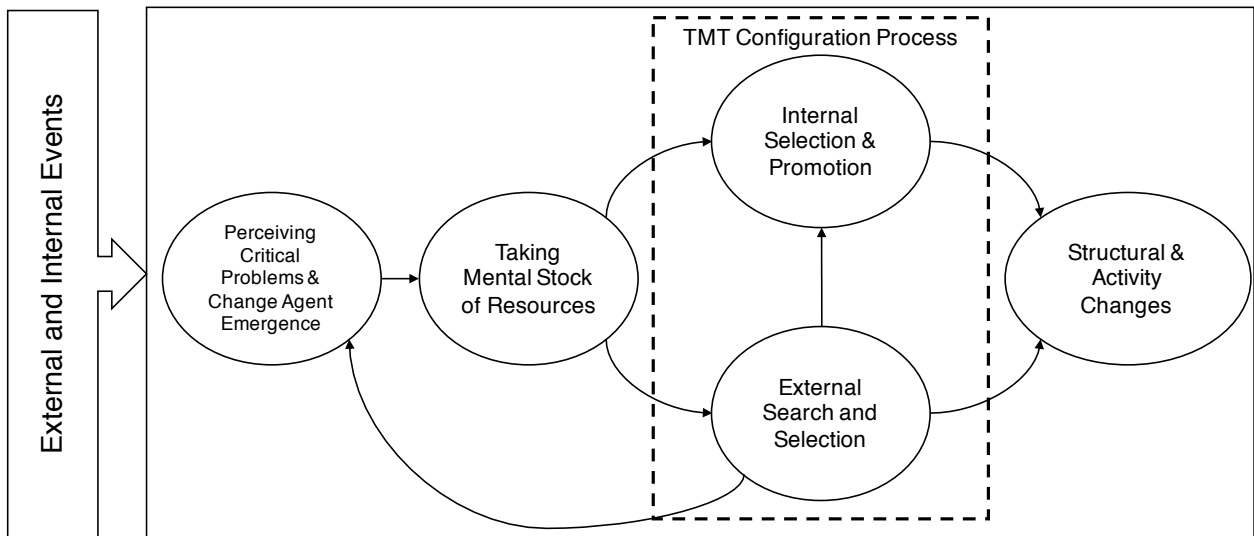→ **External Search and Selection**

Figure 3 visualises the process that we theorise to link between environmental change and the new TMT configuration.

Figure 3 Process model for TMT configuration

Stage 1: Initiating the strategy change process

The first stage concerns the response to the shifts in the environment and the taking stock of existing resources which might be used.

Responding to critical problems and change agent emergence

In the first phase of this stage, key decision makers formulate key initiatives that have the possibility of providing an effective response to the changes in the environment. Managers select signals and enact the changes they observe. The key process here is explicit formulation of key initiatives. This formulation is used as a communication vehicle to give sense to the rest of the organization and define what is important to be done.

This does not occur in isolation, as mangers take heed of objective and social reference frames when they select and prune among different alternative ideas. The pathway of the organization is taken in consideration and new ideas are blended with already existing and ongoing projects. The selected strategic initiatives are then described in plans and policy documents. The social environment, represented by principals and other stakeholders, is accessed for advice and for negotiation in the initiative selection process. Unplanned events occur which need to be added to the strategy ad hoc and justified in the sense-giving to the rest of the organization.

This is the phase when it becomes evident whether the demands of different interest groups are compatible or conflicting. Strategic managers then decide on the perspective they are willing to take on the potentially contrasting demands. This is often a choice between a balancing of the opposing demands by seeking compromise or synthesizing new solutions that put an equal importance to each of the multiple demands. Avoiding this choice or selecting only a single interest group in the opposition, was not observed in this case. In the balancing or synthesizing pursuit, managers seek examples from the industry for comparison and providing legitimacy for their choice.

Taking mental stock of resources

Once the initiatives to respond to contextual demands are defined, managers reflect on the existing stock of resources of different kind. From the inventory of the human capital, relevant experiences are identified from the biographies of key functional executives that make up the management team. Top executives seek fit between these capabilities with the demands expected from the defined strategic initiatives. As the initiatives require changes, there are inevitably gaps that are spotted and required knowledge and capabilities are identified. Thus, as ideas to respond

to the new contextual constraints emerge, so do challenges or problems related to the internal means to answer these demands.

Some of the ways to bridge these gaps is to enable interorganizational strategies. The starting point for such strategies is also the existing social capital of the organization. The inventory of the social capital can point to the ties that are most or least likely to contribute to reaching the identified goals. Senior managers can relate human capital gaps to social capital assets in this phase. Additionally, the internal relational climate and trust are evaluated to scope the possibilities for internal collaboration.

The physical space poses an important constraint for the organization's ambition. Here the possibilities are canvassed against the aspirations. Adaptations in this area require much longer trajectory of planning and change.

In the case of DMC, there is a clear marking point where the process for change is started. As the chairman of the supervisory board stated:

"A conflict has clearly been the catalyst to bring parties together. I was responsible for the latter as a chairman of GP. When the conflict broke out, I also became chairman of the SEM. So I managed that process."

The chairman has several clear ideas about improvements within the organization and towards what direction the organization should move. Based on his experience for leading organizations in the profit sector, the chairman identified certain issues. During his first years within the organization, he had noticed that the complicated organizational design caused several tensions. As former general director of an advisory company that amongst others is specialized in structuring organizations, he understands the importance of a transparent administrative construction. The chairman of the supervisory board also emphasized the need for a strong brand in order to show the importance of the theatre for The Hague. There was no clear programmatic vision and no structured branding and marketing strategy. Furthermore, the theatre needed to have a CEO that could be the face of the organization, a cultural figurehead.

Stage 2: Shaping the right conditions for internal selection and promotion
TMT composition begins with processes which occur internally. Once the strategic initiatives are identified and clarity is obtained regarding the existing capabilities, senior managers engage in selecting team members to be assigned to specific strategic initiatives. This occurs through

debate and negotiation regarding the content of the task given to the sub-group. By assigning team members with different functional orientation to the same project, senior managers connect previously unconnected parts and cut across existing organisational boundaries. This happens without necessarily the introduction of specific structural or functional changes, which may take place at a later stage. Compositional changes are in essence implemented as an additional, ad-hoc, layer over the existing structure of interdependencies in the management team. Furthermore, next to the collaboration in sub-sets of TMT members, there is a room for individual initiative on the side of TMT members. Suggestions for variations and alternative pathways related to the strategic initiatives are welcomed and there is to an extent tolerance for experimentation even with ideas that are not in line with the goals. Therefore, the given task may extend or alter in scope and content. Senior executives attempt to maintain open communication channels within the top management team and with the lower levels of the organization. Control is ensured through regular and detailed information exchange.

The new managers developed, for example, their ideas. The marketing manager emphasized that DMC needs to offer more than just the show:

"We want the children to have a whole theatre experience. They will be there an hour before the show and stay one more hour after the show as well. We want the parents to say: 'That is fun, it is a whole afternoon full of theatre related activities with a show in it as well. This is where we want to go with shows for kids.'"

In addition, the marketing manager also mentioned the opportunity for DMC to distinguish itself with an excellent service level such as VIP treatments where people will pay for extra services.

The new senior manager, which is very experienced in internal business operations, contributed with ideas for automation and digitalization of certain systems. As a business manager for many years at different organizations within the cultural industry, he aimed to implement a realistic business approach in order to gain better insights in the opportunities of the organization.

Stage 3: External search and selection of TMT members

The next stage in the process of composing the TMT concerns the attraction and replacement of TMT members who have previously not been part of the organisation. New members are sought typically through a formal hiring process which includes describing the profile of the candidate that is desired. Senior managers rely in their idea of whom to attract on the gaps in the skills and capabilities delineated in the previous stages. In the selection process, this is also the key element for evaluating and ranking the candidates for a position: to what extent can a candidate fulfil a specific capability gap and can contribute to specific strategic initiative. The contribution can be also through the connectedness or new social capital that is brought in. The newly-hired members of the team are often directly attached to ongoing collaborations of the sub-groups formed in the previous stage. In DMC, a new CEO was appointed who has a lot of experience within the cultural industry. Prior experiences as CEO at a theatre in Utrecht allowed him to make relative fast decisions on what direction the programming of DMC should move to. One of the most important initiatives the new CEO introduced was the programming of special target group focused events in order to attract all the diverse groups of the population of The Hague:

"This has to do with my personal history. This is already the third theatre I work for and I always made that a main pillar."

In transition periods, interim managers are appointed. A transition period is defined as part of the path towards a desired future state of the organisation where certain capabilities are required. In DMC, after the former CEO left, an interim CEO was appointed by the Supervisory Board to effectuate several changes. One of the main tasks of the interim CEO was to simplify the organizational structure. As being an interim CEO for already thirteen years, mainly within the non-profit sector, he is very experienced in dealing with managerial conflicts and simplifying complex administrative situations and organizational designs.

"Because the conflict also revealed the problems between the boards of SEM and GP, my task was to identify how this could be better organized in the future. I was asked to do this because of my experience with similar situations."

Because of his extensive experience with realizing mergers, the interim CEO was able to come up with a proposal to simplify the organizational design. However, he emphasized that this

design was specifically developed for the situation of this theatre, since there is not just one model that could be applied in any situation.

The interim CEO created the administrative basis for the further strategic initiatives of the theatre. Furthermore, the interim CEO tried to diminish the tensions and rivalry and improve the cooperation between DMC, RO and NDT in order to contribute to the development of a strong cultural centre in The Hague. This was achieved through his style of leadership.

"I am someone who cooperates. I have been director of the Chamber of Commerce for a while. In this function, you do not do anything else than bringing parties together and support cooperation. (..) What contributes to the development of a stronger profile are the joint marketing efforts of the DMC, RO and NDT."

Stage 4: Structural and activity changes

Changes in the composition of the management team lead to organizational structural and processual changes both within and across the boundary of the organization. The structural changes are used to directly accommodate or resolve some of the tensions that are the result from competing or diverging demands. Senior managers can introduce structures to reduce the negative effects of competing goals. With that purpose, functions can also be merged or expanded in scope. In defining the targets, attention can also be given to the competing goals.

Partnering is the second mechanism through which organization manages the uncertainties resulting from the previously discussed changes. Existing alliances and collaboration can be continued, but after an evaluation of their suitability to fulfil the newly formulated strategic initiatives. With the same idea in mind, new partnerships are sought: both as a way of accessing critical resources and for providing legitimacy for actions that go beyond the existing domain of the organisation. In the negotiation process, the different parties discuss the compatibility and complementarity of existing goals. For example, besides the cooperation with RO and NDT, the interim CEO also established a partnership with 't Paard van Troje concert podium to co-program pop concerts in the future.

The structural changes concern governance re-adjustment that is a direct consequence to the new configuration of the TMT. The changes that are implemented are aimed at creating a fit between the structure and the goals envisioned by senior executives and board members. On the one hand, ad-hoc collaborations within the team are institutionalized in new structures and on the

other, new structures are created for the new members of the team. Finally, changes are also made at the level of the supervisory board or board of directors that also reflect the needs of resources that can enable the new strategic priorities.

Discussion

The study findings show that existing models for TMT composition need to be extended to represent better contexts that differ from those in the traditional literature. The implications of this research can inform future studies on strategic management of cultural, creative and multi-stakeholder organizations. The data analysis explored and traced the relationships between executive succession and strategic change. The initiatives were a reflection of the contributions of the decision makers of DMC, which is in line with the general postulates of upper echelon theory where an organization is a reflection of its top managers' characteristics (Hambrick & Mason, 1984). DMC's managers developed their ideas based on knowledge gathered through their prior work experience. Not surprisingly, they pursued initiatives they had previously implemented successfully within other organizations.

Another important insight from the analysis is that the type of executive succession followed a lot more closely the content and variation of the new strategic initiatives. This speaks for a more complex process than typically described in executive succession literature. Each stage within the process required different knowledge and skills. Although a certain manager could be highly qualified to manage an organization, it could be that this manager would not fit that specific situation well. Instead of immediately hiring a new CEO who is extremely experienced in programming shows and has an extensive network within the theatre industry, DMC's Supervisory Board decided that some other characteristics and skills were needed first in order to create an optimal basis for success. Therefore, the interim CEO with his extensive knowledge about reorganizations was appointed first to shape a basis on which the new CEO with his industry experience could build further on. As a result, different managers with different backgrounds were behind the initiatives that composed the organization's strategy. In the beginning, initiatives were developed with generic skills to shape a basis, which can be built on in the next stages with more industry-specific capabilities.

In addition to that, the highly interdependent initiatives were not all developed simultaneously, but consecutively. Strategy change followed a purposeful, teleological process

(Van de Ven & Poole, 1995). The initiatives were added to and built upon each other in multiple ways in order to achieve the desired goals.

Once the initiatives were identified, the role of executive succession could be revealed. Throughout the strategy change, different types of turnover played a role in the development of the initiatives, as new managerial human resources were acquired for the organization and internal shifts occurred among the existing members of the TMT. Thus, in this case the organization's executive turnover can be considered both as a predictor and consequence of the strategy change. It follows the initial stages of defining a response to environmental change and taking stock of resources and it precedes the institutionalization of structural and processual changes that shape the organization for the future.

The findings of this study contribute to the literature by investigating in-depth the nature of the TMT composition process. This conceptualization provides valuable insights on 'how' and 'why' strategy change occurs how it relates to executive succession. Strategic change is not a stand-alone concept. It is the result of a set of strategic choices taken by the senior executives of an organization and the motives on which these decisions are based cannot be viewed separately from their profile and capabilities as they ascend on their positions.

This study provides valuable insights regarding TMT composition and strategy change to any organization in general and theatre organizations in particular. The results create awareness on the different stages within the changes happen, which could help organizations better identify what kind of knowledge and skills are needed in a specific situation. The simultaneous occurrence of internal shifts and additions from outside is new for the existing literature. More questions remain for future research. Will resistance to change increase or will succession be accelerated as a result of the actions of the incumbent members of the TMT? What is the role of the CEO to prevent this process? In this case, the strategy change process started at the same time a new CEO and new managers were appointed.

This study contains several limitations. The first limitation is about the lack of generalizability of the findings. The case study strategy incorporated a single case instead of multiple cases. Another limitation is related to the focus on succession as a broadly defined concept. Specific characteristics of managers such as their human capital, social capital or cognition (Adner & Helfat, 2003; Kor & Mesko, 2013), which were not incorporated in this research, might influence their change initiatives as well. The third limitation concerns the

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performance outcomes of change initiatives. Since the initiatives for strategy change were only recently developed and some of them were not even implemented, it was not possible to conclude whether the initiatives were successful or not.

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