

AADM Y504 – Arts Organizations

Spring 2024



Instructor: Michael Rushton

Drop-in Hours: SPEA 410D – Wednesdays 2:00 – 4:00, or by appointment, or if my door is open.

Contact: mirushto@indiana.edu

About this course:

This course covers elements of strategy for arts organizations: understanding market conditions, pricing, choice of organizational form, and planning.

Expectations of students:

I expect students to fully engage themselves with the course.

After much trial and error, I have come to the following policy on electronic devices: no phones. Laptops or tablets may be used for (1) taking notes, and (2) referring to documents on the Canvas page for this course. Students will not use devices for any other purpose, or any other webpages, during class – it is disruptive and negatively affects the learning experience for your fellow students.

I do not take attendance, nor do I grade on classroom participation, though I will sometimes direct questions to you for your thoughts. But coming to class is by far the most effective way to get something of value from the course.

Evaluation:

There will be two short quizzes, each worth 10 points, a mid-term exam worth 30 points, and a final examination, held during final-exams week, worth 50 points.

Readings and Course Outline:

Note there is no book to purchase for this class – all readings will be posted on Canvas.

Part I: The Basic Economics of the firm**Week 1: January 9 - 11: Some basic economics: optimizing at the margin, rates of return**

Rushton's notes.

Week 2: January 16 - 18: Market structure and barriers to entry. A case study: Penguin books.

Michael Porter "How competitive forces shape strategy" *Harvard Business Review* (March-April 1979): 137-145.

Allan Lane, "Penguins and Pelicans" *The Penrose Annual* (1938).

George Orwell, "Review of Penguin Books" *New English Weekly* (1936).

Penguin First Editions, "History of Penguin Books" (blog post)

Week 3: January 23 –25: Cost disease. What do unions do?

The Economist, "An Incurable Disease" (September 29, 2012).

Timothy B. Lee, "William Baumol, whose famous economic theory explains the modern world, has died" *Vox* (May 4, 2017).

James L. Medoff and Richard B. Freeman, "The Two Faces of Unionism" *The Public Interest* (Fall, 1979).

Week 4: January 30 – February 1: The Make-or-Buy Problem. Relational Contracts. What makes the arts different from other sectors? A case study: the demise of the movie studio system.

The Economist, "Coase's Theory of the Firm" (29 July 2017).

David Frydlinger, Oliver Hart, and Kate Vitasek, "A New Approach to Contracts: How to Build Better Long-Term Strategic Partnerships" *Harvard Business Review* (September-October, 2019).

Richard Caves, *Creative Industries: Contracts Between Art and Commerce* (Harvard, 2000). Introduction, Chapters 1, 2 and 5.

Edward Jay Epstein, *The Big Picture: Money and Power in Hollywood* (Random House, 2005), "The Two Hollywoods".

February 6: Quiz #1.**Part II: Pricing****Weeks 5 – 9: February 6 – March 5: Pricing in the Arts.**

Michael Rushton, *Strategic Pricing for the Arts* (Routledge, 2015).

Michael Rushton (2017) "Should public and nonprofit museums have free admission? A defense of the membership model" *Museum Management and Curatorship* 32:3: 200 - 209.

Michael Rushton (2016) "Touts Out? The Waterson review on secondary ticketing" *Cultural Trends* 25:4: 287-90.

March 7: Midterm Exam.

March 12 –14: Spring Break

Part III: Organizational Form

Week 10: March 19 - 21: Commercial Firms, small and big. The Separation of Ownership and Management.

Robert W. Hamilton and Richard D. Freer, *The Law of Corporations in a Nutshell* (6th edition) (West: 2001): Chapter 1.

Eugene F. Fama and Michael C. Jensen "Separation of ownership and control" *Journal of Law and Economics* 26 (June 1983): 301-25.

Milton Friedman "The Social Responsibility of Business is to Increase Its Profits" *New York Times* (13 September 1970).

The Economist "What companies are for" (22 August 2019).

Andrew Hill "When Milton Friedman, prophet of profit, met a pandemic" *Financial Times* (21 October 2020).

Week 11: March 26 – 28: Family business. Nonprofits.

Michael Carney, "Corporate governance and competitive advantage in family-controlled firms" *Entrepreneurship Theory and Practice* (May, 2005): 249-265.

Xin Chun Li, et al "Research on Chinese Family Businesses: Perspectives" *Management and Organization Review* 11:4 (2015): 579-97.

The Economist, "Dynasties" (18 April 2015).

Andrew Hill "A billionaire with no master plan for his family business" *Financial Times* (2 February 2020).

Chris Ip "Lessons from *Succession* for Non-billionaire families" *The Atlantic* (December 2021).

Henry B. Hansmann "The role of nonprofit enterprise" *Yale Law Journal* 89(5) (April 1980): 835-901.

Paul J. DiMaggio "Cultural Entrepreneurship in Nineteenth-Century Boston" *Media, Culture and Society* 4 (1982): 33-50.

Week 12: April 2 –4: Control in Nonprofits. The tax exemption. Hybrids.

Joseph P. Newhouse, "Toward a theory of nonprofit institutions: an economic model of a hospital" *American Economic Review* 60(1) (1970): 64-74.

Michael Rushton "Why Are Nonprofits Exempt from the Corporate Income Tax?" *Nonprofit and Voluntary Sector Quarterly* 36:4 (December 2007): 662-75.

Michael Rushton "Hybrid Organizations in the Arts: A Cautionary View". *Journal of Arts Management, Law, and Society* 44:3 (2014): 145-52.

April 9: Quiz #2.

Week 13: April 9 - 11: Public Sector Bureaucracies. The make-or-buy problem again, or "contracting out". The "New" Public Management. Arm's Length Agencies.

James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (Basic Books, 1989): Chapter 7 "Constraints".

Andrei Shleifer, "State versus private ownership" *Journal of Economic Perspectives* 12(4) (Fall 1998): 133-50.

David Osborne and Ted Gaebler, *Reinventing Government* (Plume: 1992): Chapter 1, "Introduction: An American *Perestroika*".

Anna Upchurch, "John Maynard Keynes, the Bloomsbury Group and the Origins of the Arts Council Movement" *International Journal of Cultural Policy*, 10(2) (2004): 203-17.

Bill Ivey "America Needs a New System for Supporting the Arts" *Chronicle of Higher Education Review* (4 February 2005).

Week 14: April 16 – 18: Constraints on strategy: conformity, muddling through

Paul J. DiMaggio and Walter W. Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields" *American Sociological Review* 48:2 (Apr. 1983): 147-160.

Charles E. Lindblom, "The science of 'muddling through'" *Public Administration Review* 19(2) (Spring 1959) 79-88.

Henry Mintzberg, "The Fall and Rise of Strategic Planning" *Harvard Business Review* (January / February 1994): 107-114.

Week 15: April 23 – 26: "Strategic Plans"

A selection of recent strategic plans from nonprofit and public sector arts organizations.

Supplementary Information

Student support

In addition to the supports and services listed below, please know as your instructor, and as fellow human, I care about your well-being, and know that we all experience times in our lives where maintaining studies, work, family-care and self-care can become overwhelming. Should you be experiencing such a time whilst at O'Neill, I encourage you most strongly to seek out support, through me, or through our excellent O'Neill staff, or through the services listed here:

1. **TimelyCare:** Indiana students have free, 24/7 access to virtual mental health care services with TimelyCare. Students do not need insurance to access TimelyCare services.
<https://www.iu.edu/mental-health/find-resources/timely-care.html>
2. **Counseling and Psychological Services:** For information about services offered to students by CAPS: <http://healthcenter.indiana.edu/counseling/index.shtml> (Links to an external site.) (Links to an external site.).
3. **Disability Services for Students:** For information about support services or accommodations available to students with disabilities, and for the procedures to be followed by students and instructors: <https://studentaffairs.indiana.edu/disability-services-students/> (Links to an external site.) (Links to an external site.).
4. **Sexual Harassment.** As your instructor, one of my responsibilities is to help create a safe learning environment on our campus. Title IX and our own Sexual Misconduct policy prohibit sexual misconduct. If you have experienced sexual misconduct, or know someone who has, the University can help.

If you are seeking help and would like to talk to someone confidentially, you can make an appointment with:

- The Sexual Assault Crisis Service (SACS) at 812-855-8900
- Counseling and Psychological Services (CAPS) at 812-855-5711
- Confidential Victim Advocates (CVA) at 812-856-2469
- IU Health Center at 812-855-4011

For more information about available

resources: <http://stopsexualviolence.iu.edu/help/index.html> (Links to an external site.) (Links to an external site.). It is also important to know that federal regulations and University policy require me to promptly convey any information about potential sexual misconduct known to me to our campus' Deputy Title IX Coordinator or IU's Title IX Coordinator. In that event, they will work with a small number of others on campus to ensure that appropriate measures are taken and resources are made available to the student who may have been harmed. Protecting a student's privacy is of utmost concern, and all involved will only share information with those that need to know to ensure the University can respond and assist. I encourage you to visit <http://stopsexualviolence.iu.edu/help/index.html> (Links to an external site.) (Links to an external site.) to learn more.

Religious Observation

In accordance with the Office of the Dean of Faculties, any student who wishes to receive an excused absence from class must submit a request form available from the Dean of Faculties for each day to be absent. This form must be presented to the course instructor by the end of the second week of this semester. A separate form must be submitted for each day. The instructor will fill in the bottom section of the form and then return the original to the student. Information about the policy on religious

observation can be found at the following website: <https://policies.iu.edu/policies/aca-59-accommodation-religious-observances/index.html>

Disability Services for Students

Securing accommodations for a student with disabilities is a responsibility shared by the student, the instructor and the DSS Office. For information about support services or accommodations available to students with disabilities, and for the procedures to be followed by students and instructors:

<https://studentaffairs.indiana.edu/student-support/disability-services/index.html>

O'Neill School Expectations of Civility and Professional Conduct

The O'Neill School takes matters of honesty and integrity seriously because O'Neill is the training ground for future leaders in government, civic organizations, health organizations, and other institutions charged with providing resources for the public, and for members of society who are vulnerable and who are lacking in power and status. Precisely because O'Neill graduates tend to rise to positions of power and responsibility, it is critical that the lessons of honesty and integrity are learned early.

O'Neill requires that all members of its community – students, faculty, and staff – treat others with an attitude of mutual respect both in the classroom and during all academic and nonacademic activities outside the classroom. A student is expected to show respect through behavior that promotes conditions in which all students can learn without interruption or distraction. These behaviors foster an appropriate atmosphere inside and outside the classroom:

- Students are expected to attend class regularly and to be prepared for class.
- Students must be punctual in their arrival to class and be present and attentive for the duration of the class. Eating, sleeping, reading the newspaper, doing work for another class, wandering in and out of the classroom, and packing up or leaving class early are not civil or professional behaviors.
- Students must abide by the course policy regarding use of electronic devices in the classroom.
- Students must responsibly participate in class activities and during team meetings.
- Students must address faculty members, other students, and others appropriately and with respect, whether in person, in writing, or in electronic communications.
- Students must show tolerance and respect for diverse nationalities, religions, races, sexual orientations, and physical abilities.
- Students must not destroy or deface classroom property nor leave litter in the classroom.

** These expectations are excerpted from the O'Neill School Honor Code which can be found at: https://oneill.indiana.edu/doc/undergraduate/ugrd_student_honorcode.pdf (Links to an external site.) (Links to an external site.)

Academic Integrity

Online Course Materials

The faculty member teaching this course holds the exclusive right to distribute, modify, post, and reproduce course materials, including all written materials, study guides, lectures, assignments,

exercises, and exams. While you are permitted to take notes on the online materials and lectures posted for this course for your personal use, you are not permitted to re-post in another forum, distribute, or reproduce content from this course without the express written permission of the faculty member. Any violation of this course rule will be reported to the appropriate university offices and officials, including to the Dean of Students as academic misconduct.

Note Selling

Several commercial services have approached students regarding selling class notes/study guides to their classmates. Selling the instructor's notes/study guides in this course is not permitted. Violations of this policy will be reported to the Dean of Students as academic misconduct (violation of course rules). Sanctions for academic misconduct may include a failing grade on the assignment for which the notes/study guides are being sold, a reduction in your final course grade, or a failing grade in the course, among other possibilities. Additionally, you should know that selling a faculty member's notes/study guides individually or on behalf of one of these services using IU email, or via Canvas may also constitute a violation of IU information technology and IU intellectual property policies; additional consequences may result.

Technical Support

For additional help with technical issues, consult:

- [University Information Technology Services \(UITS\)](#) ([Links to an external site.](#)) ([Links to an external site.](#)) (human support)
- [IU Knowledge Base \(IUKB\)](#) ([Links to an external site.](#)) ([Links to an external site.](#)) (guides)
- [IUware](#) ([Links to an external site.](#)) ([Links to an external site.](#)) (download free software)