

Internal and External Factors in the Development of a Network Organization in the Arts: Case Study of Društvo Asociacija

Andrej Srakar

Institute for Economic Research (IER), Ljubljana, Slovenia

Faculty of Economics, University of Ljubljana, Slovenia

srakara@ier.si

ORCID: <https://orcid.org/0000-0001-7296-6275>

Abstract

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Network organizations in the arts have recently received substantial discussion in cultural policy research. Yet, very seldom have they been empirically modeled. We analyze development of Društvo Asociacija, the umbrella network of nongovernmental organizations and freelancers in culture and the arts in Slovenia between 2004–2017. Using mediation analysis, we observe two breakpoint periods in the development of the network and explore if they were the effects of internal, organizationally related factors or the mere response to external, macroeconomic changes. Our findings demonstrate the importance of internal decisions of the organization which have a self-standing, but not a mediating effect to the consequences of external factors like financial crises. This has an important consequence for European cultural policies as it shows to which extent network organizations in the arts should be supported directly and to which manner their condition is just a consequence of the changes in their external environment.

Introduction

Network organizations, are defined as »a group of legally independent companies or subsidiary business units that use various methods of coordinating and controlling their interaction in order to appear like a larger entity« (Baker 1993), have become an important topic in research on cultural policy and management. A behavioral view on the topic is that a network is a pattern of social relations over a set of persons, positions, groups, or organizations (Sailer 1978; Biggart and Hamilton 1993; Jarvenpaa and Ives 1994), a definition which emphasizes structure and different levels of analysis. On the other hand, a strategic view of networks considers them as »long term purposeful arrangements among distinct but related organizations that allow those firms in them to gain or sustain competitive advantage« (Jarillo 1988: 32; see also Nolan et al. 1988; Nohria and Eccles 1993; Perrow 1993; Jarvenpaa and Ives 1994). Finally, a third definition incorporates organic adaptation and flexibility, suggesting they are:

... adapted to unstable conditions, when problems and requirements for action arise which cannot be broken down and distributed among specialists' roles within a hierarchy. ... Jobs lose much of their formal definition ... Interaction runs laterally as much as vertically. Communication between people of different ranks tends to resemble lateral consultation rather than vertical command [and] omniscience can no longer be imputed to the head of the concern (Lawrence and Lorsch 1967: 188).

Generally, network organizations are defined by elements of structure, process, and purpose (Van Alstyne 1997). First, related to structure, a network organization combines co-specialized and often intangible, assets under shared control (Eccles and Crane 1987; Gerlach 1992; Baker 1993; Biggart and Hamilton 1993). »Joint ownership« is essential and must produce an integration of assets, communication, and command in an efficient and flexible manner. Second, related to process, a network organization constrains participating agents' actions via their roles and positions within the organization while allowing agents' influence to emerge or fade with the development or dissolution of ties to others (Galbraith 1974; Jarillo 1988; Malone and Rockart 1991). As decision-making members, agents intervene and

extend their influence through association; they alter the resource landscape for themselves, their networks, and their competitors and in the process can change the structure of the network itself. Finally, a network as an organization presupposes a unifying purpose and thus the need for a sense of identity useful in bounding and marshaling the resources, agents, and actions necessary for concluding the strategy and goals of purpose (Snow et al. 1992; Nohria and Eccles 1993).

Three main types of network organization are typically seen in practice: (a) internal where a large company has separate units acting as profit centers, (b) stable where a central company outsources some work to others, and (c) dynamic where a network integrator outsources heavily to other companies (Van Alstyne 1997).

The literature on networks as a method and approach for understanding structures and processes of society and organizations is large (for some of the best known works see Granovetter 1973, 1983; Wellman and Berkowitz 1988; White 1992; Burt 1995; Castells 1999, 2007; Scott 2005). While the previously noted literature largely refers to network organizations in business, according to Kirchberg (2014) the application of explaining and analyzing real world arts organization networks is not as comprehensive, although there are a few substantial contributions to the understanding of arts organizations by networks (Thurn 1983; DiMaggio 1987; Anheier and Gerhards 1991; Gerhards 1997; Friedrichs 1998; Albertsen and Diken 2004). On the other hand, Kirchberg does not mention several units of literature on the topic, related to network organizations in cultural policy. Staines (1995) examines the needs of cultural networks and shows how their ability to operate effectively is weakened by a lack of structural support and insufficient recognition of their real potential. Stadler (1998) examines the expectations, experiences and problems of Central and Eastern European members of European networks on the basis of a series of interviews, while Minichbauer and Mitterdorfer (2000) extend their analysis and analyze the participation of Central and Eastern European members in European/global networks and examine, document and perform individual analysis of regional and national networks in Central and Eastern Europe. In an edited volume, Cvjetičanin (2006) identifies the new tasks and changing roles of cultural policies related to cultural diversity and the newly emerging digital cultures, and calls attention to the phenomenon of new ways and

new actors in communication — all of which announces a restructuring of the global cultural space. Specifically, Uzelac (2006) explores the role of virtual and internet networks and provides an overview of structural aspects of networks on the internet, following the social network theory. In a special compendium, edited by Cvjetičanin (2011) the authors explore what the new perspectives of cultural networking are in the 21st century. Specifically, Švob-Đokić (2011) explores the link between cultural networks and cultural policies and Uzelac (2011) explores cultural networks and the cultural sector in digital space. Some other notable works are Hieropolitanska and Rola (2013) who explore the european cooperation networks in practice; Steinkamp and Pascual (2015), who explore global cultural networks and local cultural development; and IFACCA (2016). Finally, the debate has also come to the fore with the publication of edited volumes of Innocenti (2014) and Imperiale and Vecco (2017). Both contain an overview of research work on the topic, in particular related to the network organizations in cultural heritage. In this manner, Watson and Paulissen (2014) present Remapping Europe — a Remix as a case study in international and inter-institutional collaboration and networking. Macdonald (2014) presents the concept of »migrating heritage« as an example of networks and networking in the case of Europe and Islamic heritage. Arquez Roth (2014) presents the project Cité nationale de l'histoire de l'immigration as another example of networking on a national level. Edelman and Coy (2017) present emerging international networks in arts and culture research and education. Finally, Cerquetti (2017) presents the approach of building bottom-up networks for the integrated enhancement of cultural heritage in inner areas.

Despite several detailed contributions to this topic, the structure, process and purpose of the network organizations in the arts have very seldom been modelled. The contribution which should be noted is Kirchberg (2014), who models local arts network organizations in a North German town and uses centrality measures and cluster separation for network analysis. In particular, very few efforts have been posed to separate analysis of internal and external factors, influencing an arts organization. Related to an organization, we define internal factors, following an elaboration in Cirikovic (2011) as those which have an internal impact on the organization, inside the organization, and the organization can have an influence on them. This group of factors includes: goal,

strategy, technology, size, human resources, product and location. External factors of organizational structures come from outside the organization and the company can not influence them. These include: institutional environment, integration processes, market and application of scientific achievements. The basic characteristics of the listed factors are their variability and flexibility over time, and their intertwined, interdependent relationship and impact on organizational structure.

In this article, we use data on membership of Društvo Asociacija, the largest network organization in the arts and cultural sector in Slovenia, representing nongovernmental organizations and freelancers in culture and the arts. We use these data to model the development of Asociacija's network membership and explore the relevant changes between 2004-2017. Two clear breakpoints emerge in the data, related to financial support to the organization's structure that comes for the European Structural Funds (ESF) and the broad effects of financial crisis in Slovenia. Such funds (ESF) support the thesis that the funds and their role in cultural policies can be very important for the development of network organization, as well as any organization in the arts. We are able to explore to which extent they were the consequence of either of the two and demonstrate the importance of their own, internal organizational dynamics which did not only follow the changes in the macroeconomic and social environment. By this, we aim to contribute firstly, to the knowledge on network organizations in the arts, and secondly to the knowledge on management of art organizations in general in the wider EU policy framework.

The article is structured in the following way. In the next section, we briefly present the case study, dataset and methods used. We also elaborate on the key hypotheses and provide their justification. In the following section, we present the basic data analysis, demonstrating in a descriptive sense the dynamics of the observed phenomena. Following this, we present a more detailed statistical analysis, using mediating variables and regression methods. Finally, we conclude by reflecting on the findings for the research on European cultural policies that significantly open paths for future research and some policy recommendations, following the context of the case study.

Data, methods and main hypotheses

Društvo Asociacija is an association »Društvo«¹, attempting to ensure sustainable conditions for the professional working in nongovernmental organizations and independent artists (freelancers) active in culture and the arts, seeking to improve their material, social and legal position. The network began informally in 1992, and today it is a professionally coordinated modern advocacy and service organization. It is also the main, and perhaps the only, large network of nonprofit organizations in the arts in Slovenia. The art sectors in Slovenia are mainly represented by sectorial organizations which in principle used to be formally joined in a Cultural Chamber, a fictitious state supported cover organization, founded by the Slovenian legislation, but factually never operational and which seized the work in 2017. The first stage of Asociacija's development lasted until 2009, when it operated largely on a voluntary basis. Main changes in the professional development of the network came in 2009, with accepting to carry the project "Mreženje in krepitev kapacitet NVO v kulturi" [Networking and capacity building of NGO's in culture], co-financed from the European Structural Funds. This lasted until 2012, when the public funds from almost all sources had been cut to the association (the financing from the above project and related ones ended), leaving the organization in severe financial problems, leading them to search for the possibilities of different local, national and international tenders and fundraising options which corresponds with the third stage of the development of the organization. Finally, in 2014, the public funds, based on European Structural Funds have been secured again, being ensured until 2019, which describes the present stage of the organization².

The mission of Asociacija is "attempting to ensure sustainable conditions for the professional functioning of nongovernmental organizations and independent artists active in art and culture and seeking to improve their systemic position" (Asociacija 2018). Its vision is described in the following:

¹ Slovenian legal corporate framework knows of two most common legal forms of nongovernmental organizations (but foundations and cooperatives are possible to found as well): »Društvo«, a membership organization with the aim of the benefit of its members, and »Zavod«, an »ownership« organization, set by few founders, performing activities, monitored by the founders and other legal bodies.

² In all cases, Asociacija had to apply to the ministry to get access to the funds from this tender.

with careful and professional development and operation, effective and successful advocacy work and the provision of quality support services, we want to be a credible partner in placing culture and art among the promoters of the development of society, doing this by modernizing a cultural political system that will promote cultural and artistic diversity and create the conditions for equal access to a diverse cultural content (Asociacija 2018).

Its program priorities can be captured in the following, i.e. the organization fulfills its mission (Asociacija 2018):

1. by linking, articulating and representing the common interests of network members to different stakeholders;
2. with continuous and structured advocacy and policy-making (local, national, Western-Balkan and European);
3. promoting the sector through information, organizing public events and researching various aspects of cultural policy;
4. networking with actors with similar interests at European, national and local level;
5. by linking with strategic partners and internationalization;
6. by promoting partnerships within and outside the NGO sector in culture;
7. by strengthening the capacity of NGOs in culture through training, counseling and mentoring.

Although membership of Asociacija has spread to over 100 institutional members (2012–2015), the provided data encompasses only the current institutional members, which are 40 in number³, and are classified in six main sectorial fields (Društvo Asociacija 2017):

- *Intermedia arts: 9 organizations;*
- *Performing arts: 13 organizations;*
- *Film: 2 organizations;*
- *Music: 8 organizations;*
- *Visual arts: 4 organizations;*
- *Literature and publishing: 4 organizations;*

³ We only observe the current institutional members due to limitations in the accessibility of data – the organization was unwilling to provide the data on organizations which exited the network for whatever reason which of course limits the generalizability of the findings.

The data were provided by the organization for the years 2004–2017 (the provided data encompassed the name of the organization and date the organization became a member). The original data were complemented by the accessible data for the organizational characteristics, accessible in national and online registries⁴. In our analysis, it was possible to include the following control variables:

- *Geographic location*: the city where the organization is based in (in our analysis, we use the binary classification whether the organization is located in the capital, Ljubljana, or not, being justified by the evidence on large centralization of Slovenian cultural scene, in particular in the NGO sector, see e.g. Srakar 2017)
- *Legal status*: whether the member organization is »Društvo« or »Zavod«, see footnote 1;
- *Size of the organization*: whether the member organization has less than 5 employees, or more than 5;
- *Age of the organization*: whether the organization is less than 20 years old (time since its founding) or 20 years old or more;
- *Art sector of the member organization*: as before, in six categories — Intermedia arts; Performing arts; Film; Music; Visual arts; Literature and publishing.

This analysis explores in more detail the dynamics of the membership in the problematic years 2012–2014, as well as the reasons for significant breakpoints in the membership throughout the period.

Managing the internal environment is usually connected to the degree of performance achievement of a business entity (Stegall, Steinmetz and Kline 1976; Albert 1981). However, rare are studies that examine the impact of an internal environment as a whole (combination of all/most of the internal factors) on business strategy and performance (Daft and Weick 1984; Cyert and March 1992), which holds also for the studies of external environment. Since the latter primarily affects the survival and the growth of business entities (Covin and Slevin 1989), other studies deal with the issue of efficiency of certain business orientations/strategies in a particular environment, i.e. how the external environment affects the strategy and performance

⁴ We mainly used the online database on legal subjects in Slovenia, bizi.si.

of the businesses (Levitt 1960; Hambrick 1983; Porter 1985; Day 1990; Kotler 1991; Diamantopoulos and Hart 1993; Avlonitis and Gounaris 1999; Pelham 1999; Slater and Narver 2000; Ellis 2006; Ward and Lewandowska 2008). However, very few studies compare the effects of internal and external environment on strategy and performance.

With this in mind we form three main hypotheses to test.

H1: The effects of internal decisions in Asociacija on organizational performance were not merely a consequence of the external factors in organizational environment.

H2: Reaction of Asociacija to the crisis in its external environment had an independent, mediating influence on the performance of an organization.

H3: The effect of internal organizational decisions in Asociacija as response to changes in their environment to their performance depended on the type of the changes.

The methods we use are a combination of descriptive analysis and statistical and econometric modeling. For the former, we explore the dynamics in the growth of the network (we stress that we only observe the current institutional members due to limitations in the accessibility of data, see footnote 2), in total and separated in categories by individual covariates/controls. For the second (statistical modelling) we use network analysis to visualize the development of the network. Finally, we use the basic algorithm described in Bai and Perron (2003) for simultaneous estimation of multiple breakpoints (following Hansen (2001), we say that a structural break has occurred if at least one of the parameters in time series analysis has changed at the chosen level of statistical significance at some date, the breakdate, in the sample period). The distribution function used for the confidence intervals for the breakpoints is given in Bai (1997a, 1997b) while the ideas behind this implementation are described in Zeileis et al. (2003). For the estimation we use statistical package R.

Finally, the mediation analysis used, where the level of budget of the organization (Asociacija) serves as a mediating variable for the effects of general macroeconomic conditions (proxied by the level of ministry budget for culture) on the performance of the organization (proxied by the number of institutional members at each given point in time — measured in months since the beginning of the observed period, January 2004). Mediation analysis is a statistical approach used to understand how a predictor produces an indirect effect on an outcome through an intervening variable (mediator). For

example, a diet programme might be hypothesized to reduce food intake, which, in turn, is hypothesized to reduce the participant's body mass index. An indirect (mediated) effect is defined conceptually as the effect of the programme on the outcome that is transmitted through the mediator. Mediation analysis, therefore, aims to uncover causal pathways along which changes are transmitted from causes to effects. Interest in mediation analysis stems from both scientific and practical considerations. Scientifically, mediation tells us about more complex interactions between phenomena in natural and social spheres, and practically, it enables us to predict behavior under a rich variety of conditions and policy interventions. There are two essential ingredients of modern mediation analysis. First, the indirect effect is not merely a modeling artifact formed by suggestive combinations of parameters but an intrinsic property of reality that has tangible policy implications. In an example analyzed in a reference article by Pearl (2014), reducing employers' prejudices and launching educational reforms are two contending policy options that involve costly investments and different implementation efforts. Knowing in advance which of the two, if successful, has a greater impact on reducing hiring disparity is essential for planning and depends critically on mediation analysis for resolution. Second, the policy decisions in this example concern the enabling and disabling of processes (hiring vs. education) rather than lowering or raising values of specific variables. These two considerations lead to the analysis of natural direct and indirect effects (Pearl 2014: 459).

For the estimation of mediator effects we use a simple algorithm by Baron and Kenny (1986) which proposed a four step approach in which several regression analyses are conducted and significance of the coefficients is examined at each step (Y is the response, in our case the size of the network; X is the predictor, in our case the level of ministry budget for culture; and M is the mediator variable, in our case the level of Asociacija's budget). The detailed scheme of the approach is provided in Figure 1.

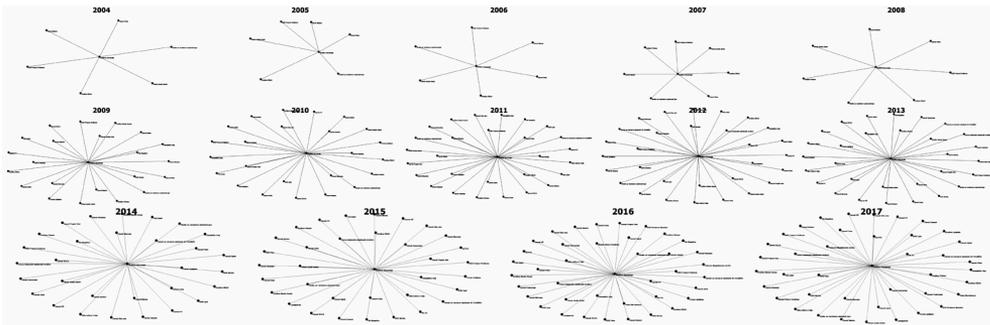
	Analysis	Visual Depiction
Step 1	Conduct a simple regression analysis with X predicting Y to test for path c alone, $Y = B_0 + B_1X + e$	
Step 2	Conduct a simple regression analysis with X predicting M to test for path a, $M = B_0 + B_1X + e$	
Step 3	Conduct a simple regression analysis with M predicting Y to test the significance of path b alone, $Y = B_0 + B_1M + e$	
Step 4	Conduct a multiple regression analysis with X and M predicting Y, $Y = B_0 + B_1X + B_2M + e$	

Figure 1: Basic diagram of Baron and Kenny's approach
Source: Newsom, 2012.

Dynamics of membership over the years and by individual variables

Below we provide descriptive data and visualizations of the growth of the Asociacija's network. In Figure 2, we present a network visualization, using basic commands of one of the best known packages for network analysis, Pajek (see De Nooy, Mrvar and Batagelj 2005). Already from this visualization it is apparent that a significant break happened in 2009, where the network more than doubled. Surely this is a consequence of the formalization of the network and its financing (the financial crisis started to take its effects in Slovenia only in 2012, for more see Verbič et al. 2016). Also, it can be seen that only after 2015 the network again started to grow a bit more, being largely stagnant in the period between 2009 and 2015.

Figure 2: Development of the network of Asociacija, 2004-2017
Source: Own calculations, based on data of Asociacija.



These effects are even more apparent in Figure 3 which presents another graphical visualization of the growth of the network. Clearly, a large breakpoint was in the second half of 2009, followed by another smaller rise in 2011, and then became largely stagnant until 2015, when it again began to rise. But, clearly, in 2012 (at least) two significant reasons could be observed which could have the decisive influence to the stagnancy: cutting the public funds of the organization because of the ending of the funding cycle of the ESF funds, leaving it largely stranded of finances (“internal” reason, which had its consequences inside the organization), and, secondly, the pronounced effects of the financial crisis, which took its large effects in Slovenia only in 2012 and after (Verbič et al. 2016), being reflected also in the levels of state public budget for culture (Srakar 2015)⁵.

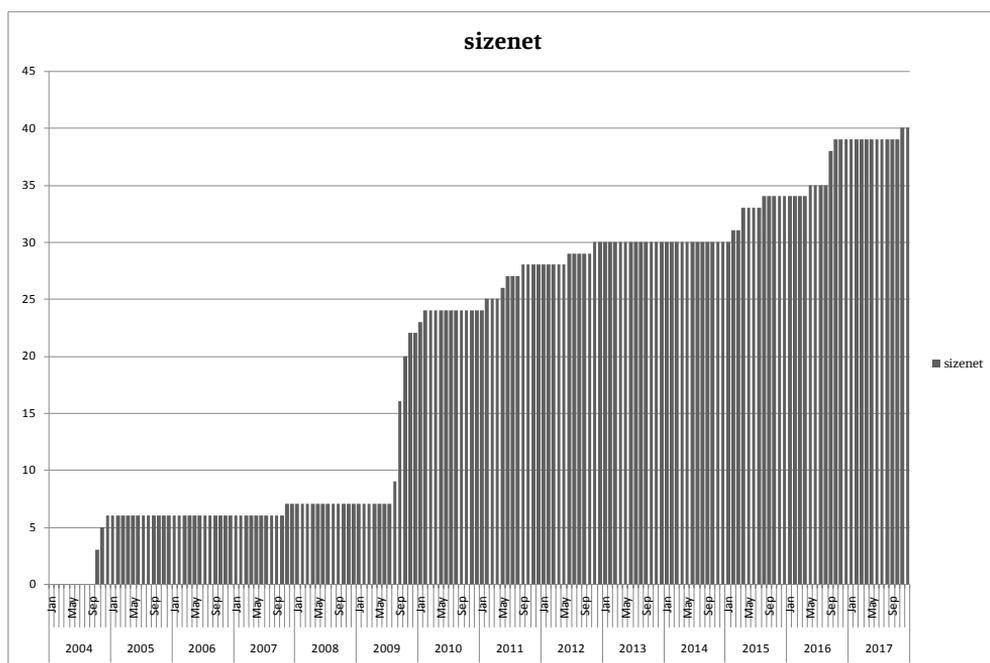


Figure 3: Growth in the size of the Asociacija’s network, 2004–2017
Source: own calculation, based on data of Asociacija.

First, one could ask whether the dynamics was caused (or reflected) by differences in organizational characteristics: their geographical location, size, age, legal status and/or art

⁵ Third possible reason in 2012 could be related to European Capital of Culture Maribor 2012, but more than 80% of the institutional members of Asociacija come from Ljubljana and more serious activities, related to local representation, started in 2015, so we eliminated this reason as a possible cause of the stagnancy.

sector. In Figure 4, we present the visualization of the growth of the network by differences in those covariates. First, clearly the changes in the number of members were reflected until 2015 almost exclusively for the institutional members from Ljubljana, the Slovenian capital. Second, the changes were also significantly more visible for smaller organizations, which are also largely predominant in the membership of Asociacija. Third, the break in 2009 was visible for both young and “mature” organizations which shows that the profesionalization/formalization of the network was really needed for all NGO organizations in culture, more mature and larger ones as well as the emergent. Next, there are also no particularly visible differences between the two legal statuses, as both organizations with the status of Društvo, as well as of Zavod experienced similar changes in memberships. Finally, it seems that the changes were more visible for performing arts organizations (being predominant in the membership of Asociacija in any case) and, in particular, intermedia arts

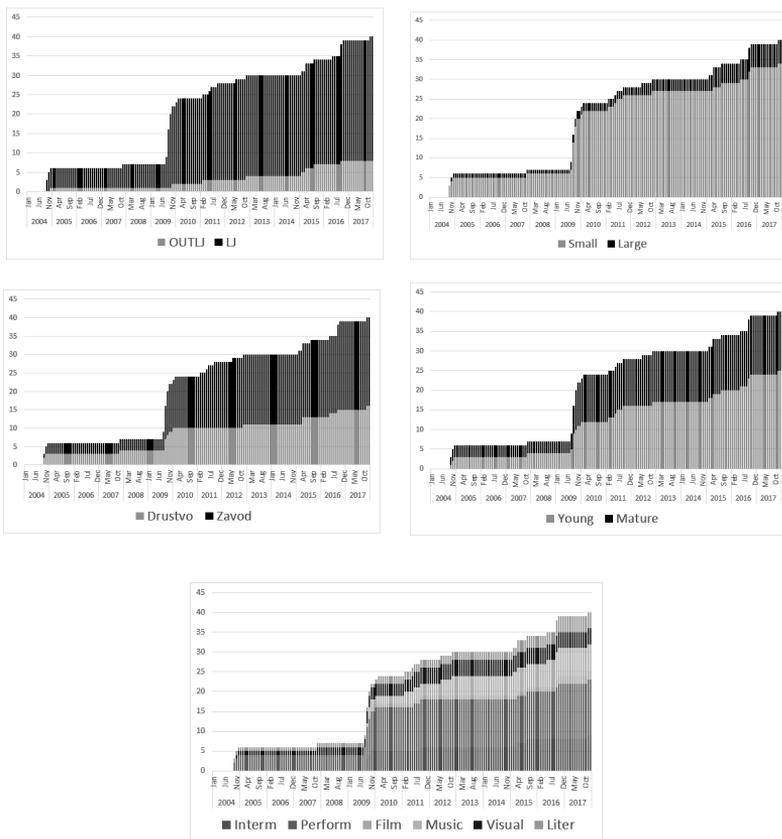


Figure 4: Growth in the size of the Asociacija’s network by individual covariates
Notes: Top left: by geographic location; top middle: by organizational size; top right: by organizational age; bottom left: by legal status; bottom right: by the main art sector the organization is involved in.
Source: Own calculations, based on data of Asociacija.

organizations, which only emerged at the “scene” (in Asociacija) with the break in 2009 and are today well represented in its membership, as compared to other art sectors.

Table 1 presents also the detailed budgetary figures of the Ministry of Culture and Asociacija. We can clearly observe the disparity between the figures and the periods in the development of Asociacija: before 2009, with a very low budget; 2009–2012 with a high budget; 2013–2015 with another period of low resources; and, finally, the period after 2015 regaining a high level of budget due to receiving public support on continuous basis.

Year	BudgetMKcult	BudgetASO
2004	136.034.648,00	10.132,00
2005	146.677.838,00	13.000,00
2006	154.232.177,00	11.600,00
2007	164.660.599,00	12.312,00
2008	178.120.982,00	14.695,84
2009	204.040.642,00	49.785,28
2010	191.308.915,00	58.880,25
2011	192.863.333,00	57.636,24
2012	172.156.681,00	56.461,00
2013	157.343.635,00	21.504,29
2014	161.124.250,00	31.734,00
2015	159.440.307,00	81.254,68
2016	146.825.867,00	80.572,57
2017	155.222.162,00	92.330,42

Table 1: Budgets of Ministry of Culture and Asociacija, 2004–2017
Source: Ministry of Culture RS; Asociacija; AJPES.

Verification of the hypotheses

To verify the hypotheses, we perform the Bai and Perron (2003) structural break test, described in brief above. We perform it, first, for the complete (»total«) time series of all institutional members, and then for each separate series by covariates, as visualized in Figure 4. The presentation of the results is in Table 2, and, where possible⁶, we computed also 95% confidence intervals using the above noted procedure of Bai (1997a, 1997b).

The results confirm the visualizations in Figures 2–4. Four apparent breaks appear in the data, common to almost all series analyzed. The first one apparently appeared at the start of 2006, but we do not study it specifically as the organization was not “professionalized” yet at that time. Yet, this break is not present

⁶ The problems in the impossibility of estimaton lie in the small sample size, see Bai (1997a, 1997b).

for several of the series, and for certain of them has a “wrong” date (for Visual Arts, July 2007) or extremely wide confidence interval (Total series, Ljubljana, Zavod). For this reason, we have chosen to disregard it as a special break in the time series. Second, for one series (young organizations) there should be a break in 2013, but, clearly, this break does not appear for any other series, so we disregard it in the following analysis as well.

Finally, we are left with three clear breakpoints, which also fits the explanations above: the first, which happened in the second half of 2009 (in the analysis, we date its start in August 2009), the second, which started in 2012 (again, we use as the “exact” start date August 2012), and, finally, the third one (end of stagnancy), which happened in accordance with what previously happened in 2015 (we use as exact start date July 2015)

Table 2: Structural breakpoints with 95% confidence intervals
 Note: In parentheses: 95% confidence interval (where possible to compute).
 Source: Own calculations, based on data of Asociacija.

	Break1	Break2	Break3	Break4	Break5
TOTAL	Jan06 [Dec05-Jan07]	Aug09 [Jul09-Sep09]	Sep12 [Aug12-Nov12]		Jul15 [May15-Aug15]
OutLj	Jan06	Oct09	Oct12		Mar15
Lj	Jan06 [Dec05-Jan07]	Aug09 [Jul09-Sep09]	Sep12 [Aug12-Dec12]		Nov15 [Aug15-Dec15]
Društvo	Jan06	Aug09	Oct12		Mar15
Zavod	Jan06 [Dec05-May07]	Aug09 [Jul09-Sep09]	Sep12 [Aug12-Nov12]		Jul15 [May15-Aug15]
Small	Jan06	Aug09	Sep12		Nov15
Large	Jan06	Jul09	May12		Mar15
Young	Jan06 [Dec05-Sep06]	Aug09 [Jul09-Sep09]	Sep12 [Aug12-Nov12]	Oct13 [Jan13-Nov13]	Nov15 [Sep15-Dec15]
Mature	Jan06	Sep09	May12		Mar15
IntermArts		Aug09	Sep11		Jul15
PerfArts	Jan06	Aug09	Sep12		Nov15
Film		Sep09			Nov15
Music		Sep09 [Aug09-Oct09]	May12 [Apr12-Jul12]		Jan15 [Dec14-Feb15]
VisArts	Jul07	Aug09	Sep12		
Literature	Jan06	Jan10			Mar15

To explore the reasons for the breakpoints, we perform the mediation analysis, as described above and in Figure 1. To this end we perform four regressions, using the robust ordinary least squares (OLS) method, in order to make the results

comparable among the regressions⁷. Surely, with this decision, the time dimension of the series is left unexploited, and should in further analysis be modelled using models from times series econometrics (in particular, the mixed data sampling methods like mixed-data sampling (MIDAS), as the series are of different frequency: the budgetary variables are on a yearly basis, while the network development is on a monthly basis) and, possibly, also the network structure (in our case, we are dealing with so-called egocentric network, based on only one, central organization, Asociacija, see, e.g. Halgin and Dejordy 2008).

Nevertheless, the results from Table 3 provide sufficient information for the verification of most of our hypotheses. We will closely follow the Baron and Kenny (1986) four step approach, presented in Figure 1.

In the first step, we perform the reduced model regression, with X (ministry budget for culture – in logarithm transformation, for the usual distributional reasons) predicting Y (size of the network, a count variable). Clearly, taken independently, the budget of the ministry does not predict the size of the network, i.e. organizational performance (the coefficient on the variable *LogBudgMoC* is insignificant in the regression of the first, left part). In all of the regressions, we include also the three breaks, established above, and the interactions of the breaks with the two budgetary variables, to take into account what interests us most – what was the effect of internal (Asociacija's budget) and external (ministry budget for culture) factors on organizational performance during the breakpoints, using proxies as variables of course (the information here does not describe the problem completely, but provides important information, sufficient for the basic verification of the above hypotheses).

In the second part (»Mediator model«) we use Step 2 of Baron and Kenny's approach – modeling the effect of predictor X (ministry budget for culture) on the mediator M (budget of Asociacija). Interestingly, no effect of the ministry budget for culture to Asociacija's budget could be observed, and even a negative effect of the ministry budget during the break of 2009, only confirming that the change at the time was »endogenous« – it was caused by the professionalization of the network based on European funds and not by some external factor.

Step 3 of Baron and Kenny's approach consists of regressing Y on M and is presented in Table 2 as »Mediator to Response

⁷ Using OLS, all the coefficients represent marginal effects and can be compared among the used regressions. This would not be so plain when using any type of nonlinear modelling.

model«. Clearly, the budget of Asociacija is strongly and positively related to the size of the network, which is logical. Also, this effect is the most pronounced for the period 2015 onwards (after the third breakpoint, i.e. after the strongest professionalization of the network).

Finally, Step 4 of Baron and Kenny is the estimation of the full model, regressing Y on both X and M . This provides us with the final information on the validity of initial observations from previous sections. First, the effect of the external factors (proxied by the ministry budget for culture) is now extremely strong and significant. Also, the effect of the internal factor (Asociacija's own budget) remains positive and strongly significant. The effects of the three breaks appear logical: the effect of the first (2009) to the size of the network is positive and strongly significant, as expected, the effect of the second (2012) is negative, as expected, and the effect of third is, surprisingly at first, negative and significant, but this goes hand-in-hand with clear positive effects of the external and internal factors in this breakpoint (the coefficients in the final fourth part on the variables *LogBudgMoC_Break3* and *LogBudgAso_Break3*).

As controls, we used four variables: the share of Ljubljana-based institutional members at each time point (*ShareLJ*); the share of institutional members with »Zavod« legal status (*ShareZavod*; again, at each time point, which is the unit of our analysis); and average age (*AvgAge*) and size (*AvgSize*) of current institutional members at each time point of the analysis. The effects of those controls also appear clear: the effect of the share of Ljubljana-based organizations and »Zavod«s is positive and strongly significant — but at least for the first, geographically-based variable, it would be interesting to see if there was any change in 2015 and after, as one would expect a nonlinear trajectory here (as noted before, in 2015 Asociacija started with more pronounced »local« activities and now even has a special person-vice president, assigned with this task). But, interestingly, when controlling for legal status and location, the average age and size of the organization are negatively related to the size of the network: apparently, the growth of the network has been more related to including younger and smaller NGO's. This again seems logical: from the history of the Asociacija, it is known that the founding members have been some of the largest NGO's in the so-called independent sector and, only later, the smaller organizations joined.

	Reduced model, dep.var.:SizeNet			Mediator model, dep.var.: LogBudgAso			Mediator to Response model, dep.var.: SizeNet			Full model, dep.var.: SizeNet		
	Coeff.	t stat	Sig.	Coeff.	t stat	Sig.	Coeff.	t stat	Sig.	Coeff.	t stat	Sig.
Constant	-0.39	-0.34		383766	1850	*	0.58	0.67		-18.38	-2.60	**
ShareLJ	335413	17.66	***	0.23	1.46		368998	20.41	***	300551	18.79	***
ShareZavod	363832	15.75	***	-0.19	-1.33		375202	22.69	***	319860	16.86	***
AvgAge	-1.59	-11.00	***	-0.01	-0.83		-1.79	-17.02	***	-1.43	-16.32	***
AvgSize	-4.94	-13.25	***	0.01	0.17		-3.98	-5.70	***	-3.61	-10.06	***
LogBudgMoC	0.05	0.34		0.11	0.42					237507	2554	**
LogBudgAso							2.12	4.67	***	3.20	5.56	***
Break1	126462	2244	**	830850	2691	***	-6.28	-0.11		652148	5459	***
Break2	105063	0.98		-89.40	-32.21	***	361831	0.6		-410.25	-2.08	**
Break3	-605.70	-3.70	***	-20.34	-0.59		-19.65	-3.79	***	-573.21	-3.36	***
LogBudgMoC_Break1	-14.05	-2.08	**	-0.93	-2.50	**				-49.34	-7.59	***
LogBudgMoC_Break2	-12.30	-0.94		108549	32.25	***				217461	1042	
LogBudgMoC_Break3	752938	3763	***	261070	0.61					689928	3207	***
LogBudgAso_Break1							0.36	0.26		-5.34	-2.74	***
LogBudgAso_Break2							-0.74	-0.54		535691	2730	***
LogBudgAso_Break3							0.71	5585	***	0.38	2.04	**
Nr. Obs.	168			168			168			168		
F stat	16754.4	***		4319519	***		71707.47	***		68578.1	***	
(Adj.) R squared	0.9991			0.9965			0.9998			0.9998		
Log Likelihood	-185.7289			-192.1389			-191.1383			-200.4149		
AIC	3954578			4082777			4062766			4328297		
BIC	4329454			4457653			4437642			4828132		
D-W statistic	0.8377			0.2819			0.8325			0.8368		
Rho	0.5819			0.8649			0.5839			0.5818		

Table 3: Results of mediation analysis

Notes: The asterisks denote statistical significance: *** – 1%; ** – 5%; * – 10%.

Source: Own calculations, based on data of Asociacija.

Discussion and conclusion

Finally, we can list the findings, as related to the verification of our initial hypotheses:

H1: The effects of internal decisions in organizations on organizational performance are not merely a consequence of the external factors in organizational environment.

The hypothesis is clearly confirmed. If it would be otherwise, the coefficient of the ministry budget on the budget of Asociacija would already be significant, which was not the case. Also, the effect of an external factor (the ministry budget) should be significant in the first regression (step 1, the reduced model) which was also not the case.

H2: Reactions of organizations to the crisis in their external environment have a self-standing, mediating influence on the performance of an organization.

This hypothesis is not completely confirmed. Namely, it consists of two parts: that the reactions should have both a self-standing (which is true) and mediating influence on the performance. If the effect of the internal factor would be a mediator in this case, two things should be satisfied here which are not: first, the effect of the external factor in the reduced model (i.e. the »raw« effect of the external factor) should be significant, but it is not. Secondly, the effect of the external factor should be reduced when also including the internal factor in the regression (Step 4). Again, exactly the opposite is the case – the effect of the external factor is significant *only after* including the »mediator« (internal factor) in the analysis.

This, therefore, means that the internal factors surely have self-standing effects, but do not act as mediators in this case – there is no causal path leading from ministry budget to the budget of Asociacija and, finally, to the performance of the organization. Said in a more simple manner, the ministry budget does not act as an important factor which would also have a separate effect on, first the organizational budget, and, then, to the performance of the organization. Quite the opposite, the internal factor is by far (in statistical sense) the more important here.

H3: The effect of internal organizational decisions as response to changes in their environment to their performance depends on the type of the changes.

The hypothesis is verified. The behaviour of the coefficients in the three breaks (in particular, for the two breaks which at first point seem similar – those in 2009 and 2015) is completely different. We could say that reaction to the first break in 2009 was followed by large growth in the size of the network but not such an effect (or even acting in the opposite direction) as related to the budgetary variables. On the other hand, the reaction to the second break was not reflected so much in the »direct« growth in the membership, but is more related to the budgetary variables, to the contextual factors, therefore, be they internal or external. In particular, the funds of ESF, which were of course externally assigned, were important (their provider was external from Asociacija), but their presence and/or absence conditioned the internal decisions in Asociacija in accordance with the above.

What are the consequences of the findings for the topic of this special issue entitled European Union and Challenges of Cultural Policies? Although it might seem that we analyzed a particular issue, related mainly to a narrow topic in arts

management, this is not so — the consequences could be large. First, the article explores in more detail the role of civil society and networks in formulating cultural policies, by exploring the relationship of the development of civil society network organizations and macro-level factors, cultural policies. As networks are becoming more and more important, sometimes even a predominant form of organizations in the arts, their behavior is of large consequence and relevance to the cultural policies in Europe. We demonstrated that (at least) sometimes the internal factors in organizations could have a more important role in the performance of the organization than the policy level factors, e.g. raises and cuts in the public budgets. This shows that European cultural policies, if they would want to stir the development of network organizations, should focus more on micro level initiatives and incentives for organizations and less on the broad »cuts and raises« in the public budgets »story«. This seems of great importance and steers the path for future policies in this area — on how to stimulate civil society organizations and networks in the arts in future by policy means.

Furthermore, as stated by Cvjetičanin (2011: 4), »networks have been gradually substituting traditional diasporas in supporting the mobility of artists and other cultural actors; they link like-minded organizations and individuals over large distances into an interactive and cooperative association, facilitating participative and transformational art, as well as the exchange, promotion and distribution of cultural production«.

The consequences of the findings in our article could be generalized not just to networks of organizations, but also to networks of people, even communities and diasporas. There are numerous ways in which a network can *represent* in today's society. In this light, our findings show that for all those forms of organization, internal dynamic can be significantly more important than external — the decision by the staff can outpace the effects of the organizational environment which again denote the importance of stimulating organizations in their internal dynamics and not influencing them. Although the findings relate to nonprofit context, we could easily transfer them also to networked entrepreneurship or even networked cultures, described by Cvjetičanin (2011). Surely, also to the virtual networks described by Uzelac (2006, 2011), although in this case internal and external would have a different meaning, definition and connotation.

But even larger consequences seem on the side of future research. The article is located on the border of four large disciplines, related to cultural »policies«: »direct« cultural policy research, research in arts management, and even arts entrepreneurship, and cultural economics. For future work, more developed empirical research should be applied to arts management, not to say, cultural policies. Issues such as causality and causal inference should be the core of future research on arts management, to finally get more detailed (and, if possible, practical) insights to help the organizations in their different stages of development. This does not mean that the specific nature of arts organizations should not be taken into account — it is possible also to develop the causality research, following, for example, insights from social and cultural anthropology and sociology of culture, demonstrating also the multisided nature of perceiving causality. But, for an organization, acting in a concrete context, decisions should be made with solid evidence. Many organizations, in the arts and in general, are asking and demanding today the information on the basis of which they could act. Empirical insights with a solid theoretical basis should also be developed with this purpose in mind.

Future research should also be broadened in terms of research on network organizations. First, at this point, the research still appears unsystematic. Large areas of network organizations, apart from cultural heritage, appear underresearched. It would be important to know whether the findings such as presented in this article could be transferred to organizations in individual arts sectors (Asociacija is, of course, a »cover« organization, encompassing organizations from several art sectors): to the networks in performing arts, in music, in visual arts, in literature, etc. It would also be interesting to analyze the network organizations on the international level, like ENCATC or similar. Sometimes, the term network of networks has been used in the arts as well (for example, in relation to the Anna Lindh Foundation) which would be good to define and contextualize. Finally, it would be highly interesting to compare the characteristics of network organizations with other (non-network) organizations in the arts — what are their differences, what does their performance depend upon, how do they grow, develop, respond to changes in their environments and crises. A lot of large open paths remain »to walk« for both arts management and cultural policy research, indeed, for all the four broad disciplines mentioned

above. But we will see which path the development in those areas will follow in the future.

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