
Local Authority and Cultural Institution Management: Insights from Agency and Stewardship Theories in Public Management

Submitted 08/09/24, 1st revision 20/10/24, 2nd revision 06/11/24, accepted 30/11/24

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Abstract:

Purpose: The study investigates the strategic relationship between local/regional authorities and managers of public cultural institutions (CI) in Poland. Using agency and stewardship theories, the research explores the implications of market-based (NPM) versus relational (NPG) public management models in implementing local cultural policies.

Design/Methodology/Approach: The research employs a multiple case study method focusing on the city of Lodz, Poland. Data collection included document analysis, statistical evaluation, and 50 IDI interviews with CIs managers and local government representatives. Qualitative content analysis was performed using NVivo with coding based on agency and stewardship theoretical frameworks.

Findings: The results highlight tensions between the market-based and relational models. While agency theory aligns with the cultural policy mass culture objectives, stewardship theory better supports high-culture goals. Respondents emphasized autonomy and trust as critical factors for effective policy implementation, but financial and administrative constraints limit these dimensions.

Practical Implications: The findings suggest the need for differentiated management approaches tailored to the cultural sector's dual goals of fostering mass and high culture. Policy recommendations include decentralizing high culture management and adopting more collaborative models to improve trust and effectiveness.

Originality/Value: This study bridges public management and cultural policy by juxtaposing agency and stewardship theories with NPM and NPG models. Provides empirical insight into the governance challenges faced by cultural institutions and offers a framework for optimizing their strategic relationships.

Keywords: Public Management, Cultural Policy, Stewardship Theory, Agency Theory, Policy Implementation.

JEL Codes: H83, D21.

Paper Type: Research paper.

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1. Introduction

Public cultural policy is not only created and carried out at the national level; it also falls within the purview of cities and regions. In various countries, local and regional governments are increasingly recognizing the significance of culture in socioeconomic development, prompting them to establish distinct policies or strategies focused on the cultural domain.

In Poland, most large cities and regions began crafting such policies more than two decades ago, and today, there is greater emphasis on the effective implementation of these policies. It is essential to acknowledge that the governance relationship in local and regional cultural policy is crucial to achieving successful policy outcomes.

This research performs a comprehensive examination of the hierarchical strategic connection within the cultural sector. It focuses on the relationship between the public principal (local/regional government/administration) and the heads of public cultural institutions (CI), who influence the daily offerings of museums, theaters, art centers, libraries, and galleries (Act, 1991).

The study aims to investigate the aforementioned relationship through the lens of agency theory and stewardship theory (Davis *et al.*, 1997) within the public sector (Gerrish, 2016). Moreover, it is hypothesized that in this strategic relationship, the agency theory illustrates a market-oriented model of public management (New Public Management – NPM).

In this model, agents behave opportunistically, resulting in low trust between the principal and the agency. In contrast, stewardship theory illustrates the relational model (New Public Governance – NPG), where it is believed that agencies behave in a trustworthy manner (Krogh and Triantafillou, 2024). Consequently, the study seeks to connect these two modern models of public management (Osborne, 2006) with theories characteristic of strategic management, notably corporate governance (Anderson 2007).

This pertains to the local/regional cultural sector, wherein the cultural development policy, overseen by the local government, is executed in a specific manner (either market-based or relational) within the chosen model of public management. The primary research question was articulated as follows:

- What are the consequences of the market model in steering public cultural institutions in the process of implementation of local/regional cultural policy, and how is this approach evaluated by the participants of this relationship?

Research questions were specifically developed:

- How does the use of the market model in guiding the strategic relationship between the public principal and the agent (CI manager) impact cultural policy results?
- Which steering model for the CI in local/regional cultural policy aligns more closely with the public principal's expectations, and which matches the CI managers', and what are the reasons for this?

The research has exploratory character, and as such, no initial research hypotheses were established. The author has focused his efforts on gaining a deeper insight into the relationship between city/region administration and CI managers and on detecting new phenomena within this relationship. This should eventually allow for the creation of plausible hypotheses from the conducted research.

2. Theoretical Framework and Conceptual Operationalization

Agency theory and stewardship theory present two distinct perspectives on the relationship between the principal (owner) and the manager. In the corporate realm, this relationship became significant due to the separation of ownership and management, leading to differing objectives between these parties (Freeman and Reed 1983). In the public sector, it represents the relationship between the authorities acting on behalf of the local government, and the local administration on its behalf (the public principal), and the managers of local/regional cultural institutions.

The former have considerable autonomy in Poland. Officially, CIs report to the public authorities, but governments have limited legal means to enforce changes in these positions unless financial misconduct occurs. A unique aspect of the cultural sector is that managerial roles in CIs are often filled by individuals from the sector itself or those with artistic backgrounds, which does not always prove advantageous.

Some scholars perceive both theories as complementary (Davis *et al.*, 1997; Dicke *et al.*, 2002; Van Slyke, 2007; Lambright, 2008; Grundei, 2008; Bjurstrøm, 2020; Schillemans and Bjurstrøm, 2020). They contend that examining these relationships enables the simultaneous identification of elements from both theories, thus rendering them complementary in a sense.

Nevertheless, more commonly, agency theory and stewardship theory are considered to be competitive, as they favor different approaches to motivating managers (Bundt, 2000; Donaldson *et al.*, 1991). Davis *et al.* (1997) suggest that theories are primarily distinguished by psychological mechanisms, particularly motivation, social comparison, identification, and power, along with situational mechanisms, such as management philosophy and cultural distinctions (Yu, 2023).

The summary of the basic differences between the two alternative theories, agency and stewardship – provides a basis for linking them to two models of public

management. In the market model (NPM), associated with agency theory, the manager is the 'economic person', while in the relational model (NPG), the manager is a 'social person', oriented towards self-realization (Krogh and Triantafillou, 2024).

This juxtaposition will serve to operationalize the empirical thread concerning the relationship between local/regional authorities and public managers at the head of local and regional cultural institutions.

3. The Research Methodology

The research employed the multiple case study method (Yin, 2013), located within the cohesive framework of the city under examination, which opted to assume an above-standard role of culture within its socioeconomic development strategy. A purposeful selection of the city was implemented for the study. The author identified a Polish city that met the following criteria:

- a city that applied for the title of European Capital of Culture (ECC 2016 in Poland), emphasizing cultural empowerment in its development plans;
- a city that serves as the regional capital, enhancing its cultural significance in the area;
- a city whose administration manages cultural activities following a market-based approach.

The author aimed to conduct a detailed research in a city that has taken on a more significant role than usual for cultural and creative industries in its growth, where the mentioned relationship was handled using a market-based approach.

The investigated relations were established in the specific context of Lodz. This context is related to the role that the city assigned to culture in the municipal strategic documents, as well as to the actions taken to implement these intentions, with particular emphasis on the relationship between the city authorities/administration and the managers of the CIs, and the position of the city on the cultural market in the country and internationally, resulting from these actions. Understanding this context was achieved through the examination of official documents, including the city's and voivodeship's development strategy and cultural strategies/policies.

Lodz's participation in the 2016 ECC competition led city officials to recognize the importance of culture in socio-economic growth, embedding this theme into nearly all documents guiding the city's strategic development of the city. It should also be noted that in 2013, the city adopted its first strategic document focused on cultural development. The second local cultural policy was finally adopted in 2024. The strategic documents formulated in 2012/2013 and in 2021/2024 signify an crucial role of culture in the development of the city, which presents the challenge of

implementing them. These responsibilities were assigned to the deputy mayor of Lodz and, in her place, to the director of the Culture Department (within Lodz City Office). The CIs located in Lodz were treated as cases in the presented research.

From the two theories describing vertical relationships (agency theory, stewardship theory) between principals/stewards and managers, key categories were derived as differentiating factors. They refer to both government/administration (city and region) that facilitate almost thirty public cultural institutions.

It is also necessary to clarify the division of cultural activity into 'high culture' and 'popular culture', because these terms are elements of the formulated research problem. In the article, to define high culture, the activities undertaken by cultural institutions recognized as artistic institutions were adopted. In the Act on organizing and conducting cultural activity (Act, art. 11.2) it is assumed that artistic are those CI that have been established to conduct artistic activity in the field of theater, music, dance, with the participation of (creative sector or community) creators and performers.

The Act indicates a list of such entities, in particular: theaters, philharmonics, operas, operettas, orchestras, song and dance ensembles, and choral ensembles. Both the above-mentioned areas of cultural activity create consumer goods of culture, which serve first of all to improve the quality of consumers' leisure time. On the other hand, it is worth distinguishing cultural and creative industries, which produce intermediate goods and are used in further production processes as an important production factor (Głowacki, 2013, p. 436).

The relationship being analyzed is crucial in the conduct of local cultural policy. It is especially important when local authorities take on the critical role of culture in the development of the city. In such a situation, it is crucial for the local administration to exert an effective influence on the key public cultural policy actors (managers of museums, theaters, houses of culture, galleries) in the process of implementation of the local cultural policy.

The research process consisted of two phases. The initial phase (A) involves evaluating Lodz's cultural standing in both the Polish and European markets. The subsequent phase (B) seeks to obtain a deeper understanding of the examined relationship based on participants' responses.

Data obtained from the Polish Central Statistical Office in Poland were utilized to evaluate the progression of the cultural offerings in the examined city and the extent of engagement with them. Additionally, these data were used to compare Lodz to other Polish cities that previously sought the title of ECC, such as Gdansk, Katowice, Krakow, Lublin, Poznan, Torun, Warsaw, and Wroclaw.

To evaluate the position of the city under study on the European cultural market, the Cultural and Creative Cities Monitor (CCCM 2017; 2019; 2023) reports were utilized. The three editions of this survey to date have allowed the determination of Lodz's ranking among Polish cities competing for the 2016 ECC title and among major European cities, as well as the identification of relevant trends. From 168 cities in the 2017 edition, 190 cities in the 2019 edition and 196 cities in 2023, encompassing EU countries along with Norway and Switzerland, nine Polish cities were ranked, including the city studied.

The ranking data derive from European Commission resources (DG Regio, Survey on Quality of Life, Eurostat Regional Statistics, Eurostat Urban Audit) and external sources (international university rankings, ETER register, Trip Advisor, OpenStreetMap). The variety of data used improves the reliability of the ranking, further corroborated by a scientific publication in a well-respected international journal (Montalto *et al.*, 2019).

All editions of the CCCM (2017; 2019; 2023) are accessible to the public and include the criteria used. This enabled us to understand Lodz's relative position in the cultural sphere within the European market. The evaluation of Lodz's cultural standing on both national and international levels was also the focus of direct research. Respondents were asked to offer their own assessment of this standing. They confirmed the weak standing of cultural institutions in the provision of high culture and the significant potential of events that represent popular culture.

The subsequent main phase of the research comprised comprehensive interviews with individuals representing both parties in the relationships examined. The participants included the managers of both municipal and regional CIs located in Lodz, in addition to directors from the municipal and regional bureaucracies, who fulfill the duties of local/regional authorities concerning cultural development. Both parties in the relationship were subjected to a direct examination.

The method employed was the in-depth interview (IDI) facilitated by scenarios. All interviews conducted (50) were recorded and completely transcribed. Subsequently, these transcriptions were imported into NVivo 12 a software tool to facilitate qualitative content analysis.

The research employed directed content analysis (Hsieh, Shannon 2005), utilizing codes based on pre-established theories during the coding procedure. Referring to the seminal approach by Davis *et al.* (1997), which differentiated between agency theory and stewardship theory, the following categories were determined, around which data from the comprehensive interviews were collected, manager's behavioral model, manager's motivation, manager's reference group, the manager's identification with the organization they lead, nature of authority, relationship management philosophy, risk attitude, time horizon, goal orientation, and cultural differences.

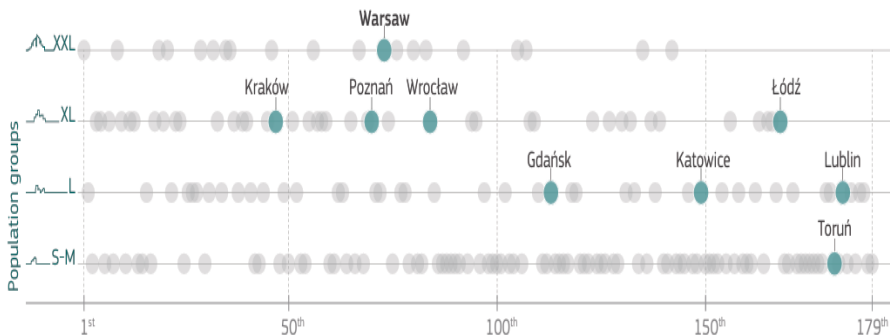
4. Research Results and Discussion

Evaluating Lodz's performance in the cultural sector through a quantitative analysis of cultural events enables a favorable assessment of the activities of local and regional Lodz-based cultural institutions (CIs). Statistics indicate a relatively high number of cultural events occurring with a fairly large attendance, although a slight decrease in this aspect has been observed. Consequently, there are consistently more events but fewer attendees or participants.

Like Krakow, Poznan, and Warsaw, Lodz has been categorized among the large cities (XL) in terms of population potential (as shown in Figure 1). Figure 1 presents 179 analyzed cities on the horizontal axis, marked by small round points. Cities with higher positions are on the left, while those with lower positions are on the right.

Figure 1 includes the names of all nine Polish cities featured in the ranking. It also offers insights into the standing of Polish cities within the identified population group (vertical axis). To date, Lodz has been evaluated three times and has consistently been at the lower end of this category. Nevertheless, from another viewpoint, Lodz's inclusion in the ranking among the 196 European cities that leverage culture and creativity for their potential should be considered positively.

Figure 1. Polish cities' position in the Creative Cities Monitor 2019 ranking according to their size. Population groups: XXL - very large cities; XL - large cities; L - medium cities; S-M - small cities.



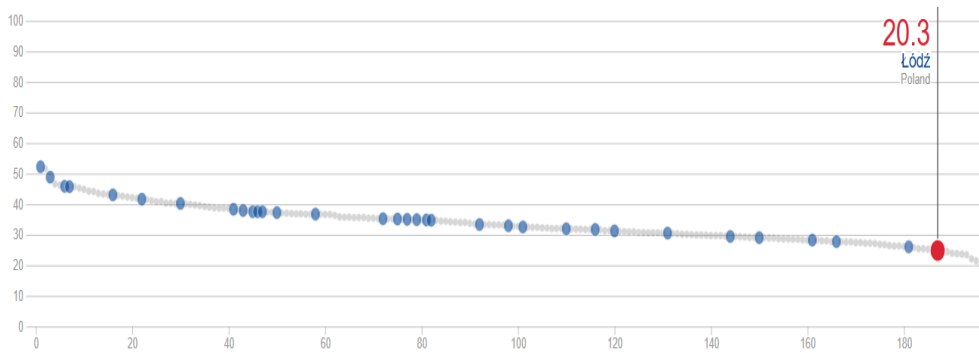
Source: V. Montalto, C. J. Tacao Moura, V. Alberti, F. Panella, M. Saisana (2019).

The Cultural and Creative Cities Monitor, Creative Cities Monitor - Poland, p.1, Publications Office of the European Union, Luxembourg.

On the contrary, Lodz's quality of cultural offer is comparatively below that of other Polish cities. This is supported by data and respondents' opinions, who harshly criticized Lodz's standing on Poland's cultural map and its international rank. They confirmed the weak standing of cultural institutions in the provision of high culture and the significant potential of events that represent popular culture. The city's low

standing was also confirmed by the European city ranking results for 2017, 2019, and 2023 (Figure 2).

Figure 2. The position of the city of Lodz according to the Cultural and Creative Cities Index in the Creative Cities Monitor 2023 ranking (XL group).



Source: Cultural and Creative Cities Monitor, 2023 edition. Publications Office of the European Union. <https://composite-indicators.jrc.ec.europa.eu/cultural-creative-cities-monitor>.

According to Davis *et al.* (1997), an important areas of distinction between the two alternative theories describing the relationship between the principal and the manager are the factors that can be called psychological ones. These mainly concern the manager and his/her personal characteristics, especially motivation, reference group, identification with the organization, and treatment of the principal on whom depends to some extent (e.g., financially).

A notable aspect of the research focuses on the nature of the local government or administration upon which the relationship model with CI directors is based. CIs representatives express strong criticism of the power's execution style, which reveals the dominance of local government administration over individual CI. Several statements suggest that this power's execution possesses an institutional nature and aligns with the model outlined by agency theory.

A major distinguishing element between agency and stewardship theory is the degree of managerial commitment. Conversations with CI directors highlight the importance of this element. This commitment manifests itself, among other things, in the expression of concern not only for the CI they run, but also for the rationality of spending funds on culture in the city. Some respondents have drawn attention to the misguided decisions of city authorities in this regard.

The study highlighted the issue of excessive control and the consequent decrease in autonomy. Representatives of CIs noted that although the autonomy of CIs is legally ensured, it is not consistently honored by the principal. Furthermore, cultural

managers emphasize the financial strategies employed by authorities / administration to restrict the autonomy of CIs and affect their core activities and the topics of their projects:

'We are certainly not sufficiently autonomous in financial matters, because these finances are modest and therefore we again indirectly have to fulfill certain kinds of obligations that we would probably prefer not to avoid. The financial straitjacket also causes some kind of constraint' [M_IK].*

'We could really use more autonomy in the organizational and financial sphere, so that we feel like people and institutions worthy of trust. After all, it is us who will bear the consequences if we do something wrong. Besides, we work better then, we have more open minds, we are more open to new ideas, also to thinking in an unconventional way, for example, about cooperation with others, right? For creating new ideas. And if this is blocked right away... Of course, we could try harder, show more will to act, for example, in looking for sponsors, promoters, in looking for new people, new areas, and new institutions with which we cooperate' [M_IK].*

5. Concluding Remarks

The findings align with the criticisms that the NPM model does not adequately address the unique characteristics of the cultural sector. Cultural managers are widely expressed dissatisfied with the exhaustive monitoring and regular oversight of their operations by municipal and other public authorities.

They noted a relatively low level of collaboration between institutions and an absence of shared accountability for local cultural policy. The challenge in deciding on a strategy for forming this relationship lies in choosing either the market-based approach (as outlined by agency theory) or the relationship-focused approach (as described by stewardship theory). The conclusions drawn from the empirical data collected were presented in both theoretical and practical terms.

The findings have a dual nature. Quantitatively, the market steering of the relationship within the investigated city has led to numerous cultural events being held there and a rise in participant numbers – Lodz ranks among the top in Poland, just behind the leading cities of Warsaw and Kraków. Qualitatively, though, the city's cultural offerings do not make it distinctive, either nationally or internationally. Based on the research, the author suggests the following hypotheses to be validated in further quantitative analysis:

H1: The market model of steering the CIs by public principal in the execution of local cultural policies proves effective with respect to the objectives of advancing mass culture (with the principal–agent market relationship being recommended).

H2: Guiding CIs through a relational model by public principals in executing local cultural policy proves to be effective in achieving the goals of advancing high and elite culture (endorsing a principal–steward relation).

Taking into account the operationalization of the notions adopted in this article, one can simplify the matter by assuming that the study substantiated the relationship. According to this relationship, stewardship theory describes the principal–manager relationship, which optimizes activities for the benefit of high culture. In contrast, agency theory describes the principal–manager relationship when it is supposed to optimize activities oriented towards the popularization of mass culture.

The author believes that the statements from the empirical research support to both hypotheses, with the unique context of Lodz's cultural sector being essential to this interpretation. To confirm these hypotheses, however, broad empirical research nationwide or even comparative studies considering the contexts of different countries and cultural policy organization systems will be necessary. In terms of practical application, the established relationships could significantly influence local and regional authorities' decisions related to developing cultural policies for the communities they serve.

This is due to the fact that crucial decisions revolve around how to structure relationships between public principals and the managers leading CIs, which form the backbone of the cultural offerings at the local or regional level.

The credibility of the hypotheses derived from the findings of the empirical research presented herein can establish a foundation for distinguishing mass culture from high culture, delegating them to various managers with distinct personality traits, and implementing an alternative model of relationship building congruent with the anticipated outcomes.

Consequently, it may be prudent to decentralize certain functions (e.g., the advancement of high culture) from local government control and delegate such responsibilities (including associated budgetary allocations) to a nongovernmental organization, thereby establishing relations under an entirely new paradigm. It is also crucial to emphasize that these decisions are particularly significant for cities striving to transform culture into more than merely fulfilling cultural development policy objectives defined at the national level.

A further question driven by the scientific issue raised in the article is: Which model of directing the CI within the local cultural policy aligns more closely with the public principal's expectations, and which aligns with those of the CIs managers, and why? Empirical evidence in this area is clear.

Public principal representatives intentionally establish relationships with managers in the market model of public management characterized by the agency theory.

However, they confess their dissatisfaction with how this relationship is progressing due to managers' attitudes, who often challenge the essence of this relationship.

In contrast, feedback collected during the research suggests that cultural managers prefer a relational model defined by the stewardship theory. An assessment of the research material concerning psychological and situational mechanisms reveals that the typical respondent (public CI manager) sees himself as a 'social person'.

Their declarations suggest that their work motivation stems from higher-order needs, with their actions driven by intangible (intrinsic) motivators. A detailed examination of these declarations supports recognizing their significant dedication to the CI activities they lead. Their collaborative approach to task execution is evident from their interactions with entities across all sectors that can provide meaningful benefits to the CI mission implementation.

These relationships certainly tied to the particular nature of cultural tasks, should be highlighted, are in several instances due to exceptional initiatives by the managers surveyed, not merely regulations or the principal's directives. To summarize this segment of the author's analysis, it can be asserted that the CIs managers are strongly convinced of their alignment with the model of a social person rooted in trust, cooperation, strong dedication and fostering close, supportive relationships with the principal.

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