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# MANAGEMENT MODELS FOR CULTURE COMMUNICATION – CULTURE COMMUNICATION FOR MANAGEMENT MODELS

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The theme of economic management of cultural businesses is of great importance nowadays. The most important reason of it must with no doubt be searched in the deep transformations which this sector is subject to, cutting transversally different territorial areas and becoming a «global» problem.

The factors which determine these transformations are rather numerous, so their exhaustive listing seems almost impossible. Just in order to mention the main ones, the first factor can be found in the generalized tendency to transform into businesses even those realities which do not operate directly on the markets. These are businesses which supply services perceived by different communities as public which are normally guaranteed to the members of the same community beyond the straightly market mechanisms.

The examples in such sense can be different. Let us think for example about the public services like public health, transport or public education. The so called «cultural businesses» or those which produce and diffuse culture, like theatres, can fully enter into this circle.

It follows that the management problems of such businesses cannot be free from a precise contextualization in space and in time. The most evident example of this can be the consideration of a public good health in the USA and, consequently, the economic and management mechanisms of the businesses which must guarantee this service. Concentrating ourselves on the «cultural businesses» our research leaves from the context factors which characterize different countries but it is developed along the direction which seems to be an international tendency: the growing awareness that the connotation of a service like a public one cannot justify antieconomic

behaviours and economic nature of the subjects dealing with the supply of this public service called «culture».

The second factor can be individualized in the global economic crisis which has reduced the possibility of the governments to contribute to the support of the cultural businesses by means of an uncontrollable financing and it has focused the attention on the economical and efficient use of the assigned resources by the enterprises. In order to make an example described in the research – since 1980 the public financing to the theatres in Italy has been reduced by more than 40%. So, the research has the scope to analyze different experiences by means of a comparative international analysis, first of all between Italy and Russia. This theme seems to us particularly important at least for two different reasons.

First of all, as there are no clear ways of solving this problem we think it useful to make a comparison between different experiences in the field which seems to us mutual.

On the other hand, we have the possibility to combine the precious history and experience of Italy in the field of business administration and accounting (it's exactly Italy the Motherland of double-entry bookkeeping system) and the indoubt primate of Russia in creation and representation of the culture (theatre, dancing and so on).

Such comparison cannot get rid of a precise contextualization, so after a preliminary analysis of the juridical form of the subjects operating in this sector (public, private, mixed) and of their sources of financing (public, private, mixed as well) we will concentrate the research on their different existing management modalities.

## **1. Economics of culture**

The economics of culture is a discipline which only recently acquired great attention on the international level<sup>1</sup>. Traditionally, the culture understood as the sector of economic activity which produces cultural goods and services was not considered as the object of a specific study neither by the Political Economy nor by the

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<sup>1</sup> Without pretending to be exhausting, in Italy, for example, there exists a special journal dedicated to the problems of the economics of the culture and art and special sessions are dedicated to these problems during the Meetings of the Society of Economists and of the Italian Academy of Business Administration. On the international level it can be mentioned the introduction of the «cultural economics» category into the classification system of the Journal of Economic Literature followed by the first survey of the discipline published in the same Journal and the growing success measured by the number of submitted papers, of the conferences of ACEI (Association for Cultural Economics International).

Business Administration. Moreover, it is still a diffused opinion that the economic evaluation of the cultural activities implies the reduction of one of the most noble forms of human expression to the most pragmatic (and for this reason unsuitable) measures.

The most famous case is that of *Keynes* according to whom «Our experience demonstrated clearly that such activities cannot be accomplished if they depend on the only profit and financial success. The usage and the eventual destruction of the God-given talent which submits to the aim of profit is one of the worst crimes of modern capitalism. The public financing must regard also the expenses (“improductive” *ex-facte*) but linked to the creation of the values outside the market (which for this reason cannot be appraised by the market in sense to assign them a price)»<sup>2</sup>.

However, such a drastic position is assumed not in order to deny the utility of an economic analysis of the cultural production sector but to sustain that if it is true that the traditional categories of economic analysis cannot be applied to this sector it is necessary to take into consideration that the economy and the cultural production represent different but not independent dimensions.

From recent contributions we can cite the thesis of scientists like *Baumol* and *Bowen* according to whom the live cultural sector is affected by the «costs disease» which is typical for these activities which cannot benefit from the economies deriving from the technological progress [Baumol, Bowen, 1966].

It derives that the question is not «if» theatre or dancing must be sustained by the State or other public bodies, but «in what measure» must interfere the public hand.

So, it is important to enucleate better the problem. To do it it is inevitable to make a step back and to recognize that the equilibrium is the final aim of any enterprise [Giannessi, 1960; Amaduzzi, 1949], and it will be the basis of our interpretative scheme.

In this sense we can affirm that any enterprise (comprised those operating in the cultural sector) must maintain the proper internal equilibrium connected to the integration of dynamics like costs, revenues, inputs, outputs. It is the minimal equilibrium condition which guarantees the business surviving.

Still, the internal equilibrium is not isolated from the context, the business is inserted in.

Definitely, the general equilibrium is given by the systemic sum of partial equilibriums between:

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<sup>2</sup> «Art and the State», our translation.

- the cost-value difference which the enterprise assign to every specific factor and the price requested for this factor by the market;
- the difference between the cost of the process of transformation and the value added by means of such process;
- the difference between the price-value which the enterprise assign to the goods or services and the cost which the enterprise is going to pay for this value.

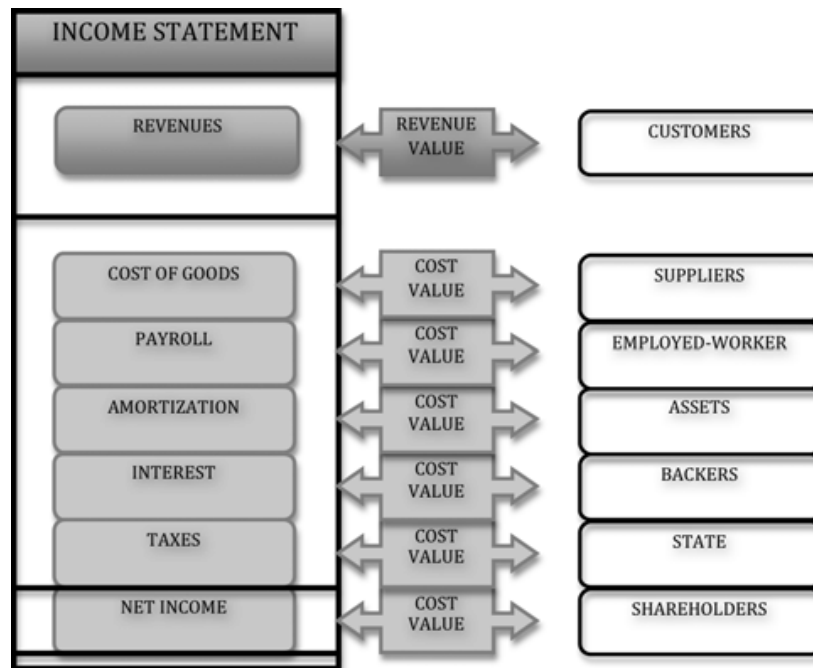


Fig. 1.

## 2. Problem description and models

To our mind this interpretative scheme maintains its validity also in the frame of the enterprises operating in the performing art sector.

As it was introduced the artistic aims not always contrast the *market orientation*. Market orientation is defined here as a management process directed at the creation of superior value for customers and other stakeholders by means of behaviors based on market information generation and dissemination in the organization [Kohli, Jaworski, 1996; Narver, Slater, 1990]. A performing arts organization is market-oriented when it designs and produces services that yield superior value for customers and activities are based especially on information about both the needs and expectations of customers and other stakeholders, i.e. artists, media, and competitors [Sorjonen, 2001]. The examples confirming it are numerous: it's enough to think about the levels of economic-financial equilibrium achieved by rock concerts capable to cover with

proper revenues the invested capital and to guarantee an adequate earning to who realized the productive combination of goods and services.

In the performing art the need which is satisfied (so, the culture) belongs to the category of «laudable» goods. So, the production value is not retributed by the consumers (single subjects aware to obtain from these goods and services a specific value and able to pay for this value a price), but by the entire society which recognizes in this «value of the production» a laudable good, so a wealth for the entire society which must be compensated by the whole society under the contributes form.



Fig. 2.

Such situation implies two moments. The first one could be synthetized in the following formula: «if the equilibrium conditions must take into consideration such sustain, such sustain must not neglect the equilibrium conditions».

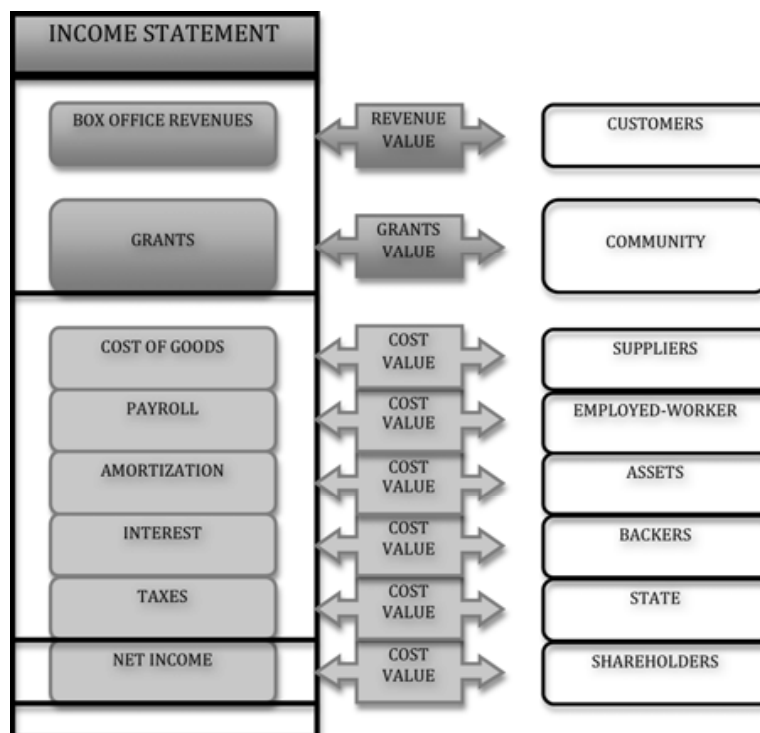


Fig. 3.

The second one is connected to the absence of the market logics during the resources assignment and in front of the general reduction of available funds the crisis of the traditional models of collective consumptions susbtain arised. Actually the

more diffused decision-making mechanisms in Europe and North America for the distribution of State funds can be conducted to the following:

- 1) the restricted peer review model;
- 2) the challenge or reverse matching grants model.

The first one realizes the assigning of the decisional power on the funds allocation to an experts commission which express an opinion about the quality of the project presented by the institution. The subjectivity of the commission is linked by the further rules on the funds allocation, like the establishment of some maximum and minimum limits of financing to single institutions, or other added criteria, like geographical allocation, for example<sup>3</sup>. This latter is used in Italy for the determination of the amount of financing deriving from the Common Performance Fund to a single cultural institution<sup>4</sup>. In 2008 the quotas of single sectors were the following.

**Table 1.**

CPF 2008	%
Lyrical and Symphonical Foundations	45,72
Music	13,41
Dance	2,03
Prose	17,87
Circus	1,48
Cinema	19,31
Performance observatory	0,14
Committees and Commissions	0,04

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<sup>3</sup> Unfortunately, such system has not been adopted in Russia yet: in 2009 the financing of culture entities was equal to 114 mlrd rubles (2,8 mlrd euros), but these funds were destined majorly to the reconstruction of Bolshoi Theatre and the stage construction in Mariinski Theatre.

<sup>4</sup> In 1985 a Common Performance Fund (CPF) was instituted (Law, № 163, 1985). Its aim is to deliver a definite and organic sistemation to the financial interventions of the State in favour of the performing art.

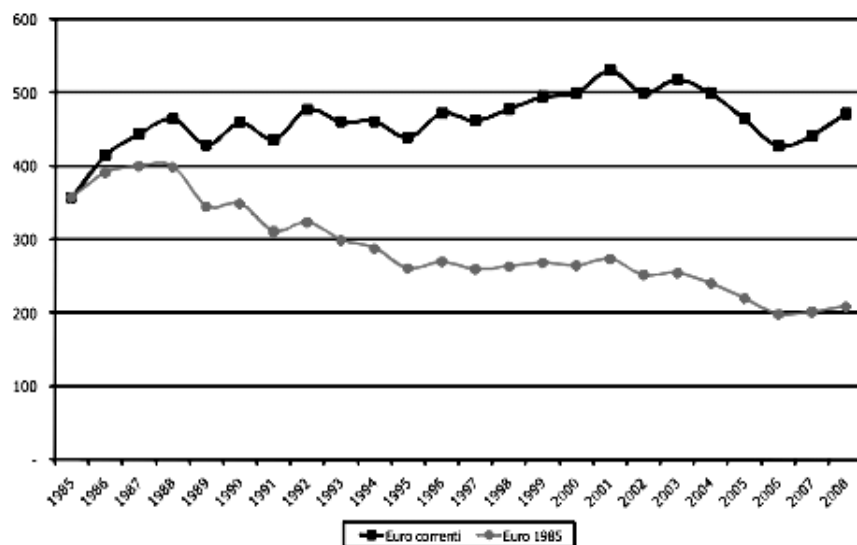


Fig. 4.

In Italy the reduction of value for cultural activities has assumed recently dramatic dimensions. The legislative base for the assignment of contributions to Lyrical and Symphonical Foundations was subject to substantial modifications after the approving of a Ministerial Decree 29 October 2007 «General criteria and division percentages of CPF quotas» which substituted the Ministerial Decree 10 June 1999 n. 239. This Decree eliminates the so called «historical parameter» included in the previous law which regulated the erogation of a significative funds quota according to the contribution received previously in order to emphasize the concepts of production costs and the foundation management (art. 1).

The other erogation criteria is defined according to the production costs deriving from the activity programmes presented by every foundation during a year, while the next quota is established in base of the artistic quality of the performances (art. 1). The parameters of determination and the percentages of contribution for every Foundation can be reassumed in such a way.

Table 2.

Parameter	Quota determined in base of:	%
Management	Production costs connected to the approved functionals. Inside of this quota two sub quotas of 2% are calculated in order to give a bonus for the costs reduction interventions	65
Production	Production costs deriving from the programmes of activity	25
Quality	Artistic quality of performances	10

The second type of model is that of challenge grants (actually it is not considered broadly by the CPF regulations). It consists in the following: for every euro/ dollar of public financing the organization must obtain at least three (or four) euro/dollars of not-State financing. A similar scheme is that of reverse grants, in which the State ensures the own contribution in case of a considerable enhancing of private financing sources under the form both of donations and sponsorship from private enterprises or foundations.

So, the «performing art» enterprises move along two directions.

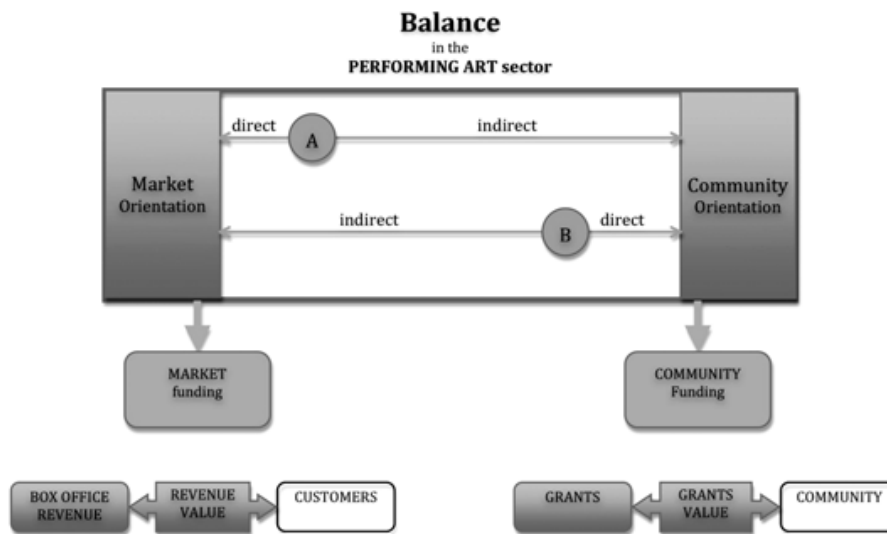


Fig. 5.

### 3. Business problems, BSC application

The performing art enterprises are labour intensive. It follows the example of a survey [Voss, Shuff, Rose, 2008] where 105 USA theatres were examined.

Table 3.

	2004	2005	2006	2007	2008
Payroll	55%	54%	54%	53%	52%
Other Expenses	45%	46%	46%	47%	48%
Total Expenses	100%	100%	100%	100%	100%

The personnel costs are equal to the half of overall costs.



**Table 4.**

	2004	2005	2006	2007	2008
Contributed income	100%	100%	100%	100%	100%
Payroll	125%	107%	117%	126%	123%

The personnel costs cover entirely the society financing. The same situation is typical for Italy too where the personnel costs cover totally both the public and State contributions. Below the data about CPF 2008 are shown.

**Table 5.**

Theatre	Totale contributi €	Cost of personnel €	% personnel contributi
Comunale Bologna	18.938.349	17.938.909	95
Maggio Musicale Fiorentino	30.953.639	27.779.000	90
Carlo Felice Genova	26.224.210	19.398.000	74
Scala Milano	50.170.269	64.702.000	129
S. Carlo Napoli	41.654.379	23.685.545	57
Massimo Palermo	37.868.599	27.317.510	72
Opera di Roma	52.556.467	41.697.000	79
Regio di Torino	31.917.860	22.654.482	71
Verdi di Trieste	20.921.639	17.302.000	83
Fenice di Venezia	26.035.727	19.690.000	76
Arena di Verona	23.266.605	29.400.000	126
S. Cecilia di Roma	24.804.940	21.842.900	88
Lirico di Cagliari	29.651.093	17.395.000	59
Petruzzelli di Bari	6.300.000	1.429.200	23
TOTAL	421.263.776	352.231.546	84

We can see that the costs of personnel structure and «cost-value» exchange is strategic in the performing art enterprises. The risk is that working force, sometimes in excess, shows the typical traits of public employment while the famous names of International circuits receive high contributions, often over any market logics.



Fig. 6.

The object of measurement in a theatrical enterprise is different from that of other enterprises: it is not enough to measure the generating of profits and monetary flows, but it is necessary to measure also (and first of all) the artistic and social performances. So, it is necessary to build an innovative model of results capable to unify the artistic sphere with the economic one and to appreciate the utility created in the theatre management.

Hence:

- economic results which express the classical measures of profitability, efficiency and so on (obviously to analyze according the typical logics of a non profit enterprise);
- artistic results which evaluate the cultural efficiency of the theatrical performance taking into consideration the proper artistic canons of the activity and of the strategic objectives of the body;

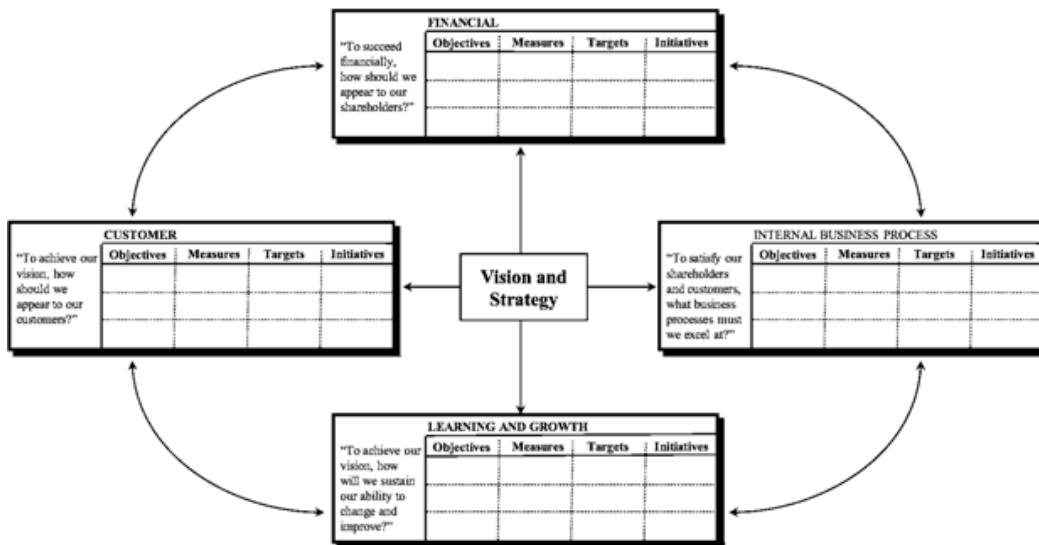


Fig. 7. Extending Balanced Scorecard to Non-Profit and Public Sector Enterprises

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 Conceptual Foundations of the Balanced Scorecard  
 Robert S. Kaplan  
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While initially developed for private sector enterprises, the Balanced Scorecard was soon extended to nonprofit and public sector enterprises (NPSEs). Prior to the development of the Balanced Scorecard, the performance reports of NPSEs focused only on financial measures, such as budgets, funds appropriated, donations, expenditures, and operating expense ratios. Clearly, however, the performance of NPSEs cannot be measured by financial indicators. Their success has to be measured by their effectiveness in providing benefits to constituents. The Balanced Scorecard helps NPSEs select a coherent use of nonfinancial measures to assess their performance with constituents<sup>5</sup>.

Since financial success is not their primary objective, NPSEs cannot use the standard architecture of the Balanced Scorecard strategy map where financial objectives are the ultimate, high-level outcomes to be achieved. NPSEs generally place an objective related to their *social impact* and *mission*, such as reducing poverty, pollution, diseases, or school dropout rates, or improving health, biodiversity, education, and economic opportunities. A nonprofit or public sector agency's mission represents the accountability between it and society, as well as the rationale for its existence and ongoing support. The measured improvement in an NPSE's social impact objective may take years to become noticeable, which is why the measures in the other perspectives provide the short- to intermediate-term targets and feedback necessary for year-to-year control and accountability.

One additional modification is required to expand the customer perspective. Donors or taxpayers provide the financial resources—they pay for the service—while another group, the citizens and beneficiaries, receive the service. Both constituents and resource suppliers should be placed at the top of an NPSE strategy map.

## 4. Conclusions

Definitely, by such research we want to affirm that our conviction is that many difficulties and delays in the process of «businessing» of theatres appear from

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<sup>5</sup> Still, the application of Balanced Scorecard in this sector is difficult even in highly developed economic realities like Italy or USA. In Russia it begins since about 2001–2002 and the actual situation is characterized by a great number of elaborated projects but quite a few actually implemented solutions. In the first place it is resulted from the fact that the majority of consultants work on the elaboration of a project but not on its implementation and a customer may not cope later on independently with the implementation. So, it turns out that according to statistics one of the known Russian consulting companies has about 60 projects elaborated and delivered to customers according to the BSC and only 2–3 of them are actually implemented ones. It comes to about 3% of implemented projects.

the preconception of many operators of this sector (culture can not be combined with economics and management because it would be sacrificed to the primary economic interest). On the contrary, we suppose that introduce the business aspects in the culture means first of all supply a less uncertain future for the artistic production and diffusion.

1. Operational volume (output)
  - Public = number of spectators
  - Production = number of performances
  - Production = number of tickets
  - Average repeating per ticket = number of representations/number of license
  
2. Economy (input and costs)
  - Artistic costs impact = artistic costs/total costs
  - Structure costs impact = structure costs/total costs
  - Personnel costs impact = personnel costs/total costs
  - Revenues partitioning = revenues per category/total revenues
  - Covering with proper resources = proper resources/total costs
  - Revenues per spectator = proper revenues/number of spectators
  - Public contributes per spectator = public contributes/number of spectators
  
3. Efficiency
  - Productivity of labour = number of performances/personnel
  - Productivity of labour = number of performances/personnel
  - Unitary cost per performance = total costs/number of performances
  - Unitary cost per spectator = total costs/number of spectators
  
4. Artistic dimension: success and quality
  - Innovation = number of new performances
  - Rehersal average time = number of days/number of tickets
  - Filling grade = number of spectators/max number
  - Frequency = number of performances/days
  - Presences in subscription = number of entries in subscription
  - Subscription impact = number of entries in subscription/number of spectators
  - Audience variation = spectators, subscriptions X/spectators, subscriptions X-1
  
5. Fund raising
  - Revenues = Revenues from tickets/total revenues
  - Public financing = Public contributes/total revenues
  - Private financing = Private contributes/total revenues

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