

Much Ado About Management: *Managerial Rhetoric in the Transformation of Italian Opera Houses*

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Introduction

In what follows we take a critical look at the organizational and management changes that in recent years have swept through Italian opera houses – the shrines of grand opera for opera lovers the world over. The winds of “managerialization” – a watchword that has affected most arts institutions across the European continent (Pick-Anderton, 1996; Sicca, 1997; Fitzgibbon and Kelly, 1997; Zan, 1998, 2000) – have perhaps blown strongest of all in the world of Italian opera, with a reform that has altered the status of opera houses, making them private foundations (Sicca, 1998). It seems appropriate to inquire into the organizational and management consequences of this transformation, for the process is subject to a contradiction in terms. In Italy, as elsewhere, it involves profound and delicate organizational and management changes, but here these are being made by means of national legislation. This comes as no great surprise in a country that introduced management accounting into the public sector by law, surely a case of “management by decree” (Marcon and Panozzo, 1998). In this context the reform has undoubtedly made a great impact, radically modifying the status quo. Whether the results correspond to the intentions is open to discussion.

Our approach involves a close reading of the texts of the reform and the specific data

concerning one institution, the Fondazione Teatro Comunale of Bologna, focusing on the rhetorical nature of management (McCloskey, 1986; Czarniawska, 1997; Gratton et al., 1999; Zan, 2000; Harris and Purdy, 2000).

Our material was gathered from available public documents (laws, ministry documents, financial statements and reports) and numerous encounters with the people who are experiencing the ongoing reform from within, making sense of the text and the terminology used by the practitioners and reconceptualizing the most prevalent metaphors (Deetz, 1986; Morgan, 1986). The dynamics of an organization cannot be grasped if one ignores the context of economics and industrial policy and the interchange between the micro and macro levels. In the same way, in order to understand the structural and dynamic problems facing the Teatro Comunale of Bologna, we constantly tried to take account of both national cultural policy and the actual experience of the individual organization (Bennett, 1995; Berenson, 1996; Gray, 1996). On the other hand, structures and meanings of public policy are difficult to understand without investigating the effects at the level of individual social action.

The paper is structured as follows. In the section below we analyse some of the key legislative measures in light of management rhetoric. In the third section we consider the impact of the reform at the global level, look-

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ing at some quantitative data regarding the 13 national opera houses in terms of the participation of private investors in funding, and the changes introduced into the distribution of public funding (by means of the Fondo Unico dello Spettacolo, or FUS, the single fund for the performing arts). In the fourth section we investigate the micro level by assessing the impact of the new management on the Teatro Comunale of Bologna, before offering some conclusions in the final section.

The Reform and Management Rhetoric

“**T**here are two possible models for arts policy. The American one, where the market rules, taxation is minimal and the state stays out of the picture, or the French one, with massive investment of public money in selected cultural initiatives. I am backing a third version: a state that does not shirk its cultural responsibilities but at the same time is not intrusive, with more favourable conditions for private investors.” This is how Walter Veltroni, Italy’s deputy premier and culture minister (subsequently leader of both the Partito dei Democratici di Sinistra and the European Socialist Party), presented law 367/96, which transformed the Enti Lirico Sinfonici (operatic and symphonic institutions) into Fondazioni di Diritto Privato (private foundations) (Chiaberge, 1996).

Among its provisions, the law stated that the 13 institutions “of pre-eminent national interest” specified in law 800/1967 were to be “turned into private foundations” (Section 1). It also went into how this transformation was

to be accomplished (Part II), stipulating a period of three years for the changeover. The legislators’ main concern was ensuring the gradual introduction of private capital into the sector while maintaining FUS funding at the same levels.

Although the input of private investors was the most conspicuous element in the change of status, from a management point of view there was a subsidiary – and perhaps more far-reaching – intention: to strengthen the business culture among the operas’ administrators – for example, in terms of planning and accountability. “Albeit with a reasonable transition period, the measures envisage the incisive *participation of private investors in the funding* and decision-making processes of such institutions, with the objective of *more efficient management* in line with the criteria of market forces and above all strict budgeting” (Dipartimento dello Spettacolo [DPS], 1996, p. 1; emphasis added). This second objective of efficient management was in fact one step in a long process of reform, entailing a complex sequence of administrative measures and directives.¹ The process began with law 163/85, whose “chief innovation consisted in seeking to order the fragmented world of the performing arts into well-defined, self-contained sectors in a single organism, financed by a fund distributing subsidies to music, theatre, cinema, circus and touring artists established *ex ante*, on a three-year basis, *so as to ensure financial security for all interested parties*” (DPS, 1996, p. 5; emphasis added). Another directive is more explicit: “[It is] self-evident, therefore, that delays in consigning the FUS funding, even when this has been due to complex problems in public financing, has undoubtedly been detrimental

ABSTRACT

This paper analyses the transformation of Italian opera houses from public institutions to private foundations. This reform was imposed by legislation calling for a more managerial approach, including the introduction of private capital. The authors, focusing on the rhetorical nature of management, examine the results of this transformation, both at an aggregate level and with reference to one of Italy’s 13 national opera houses, the municipal theatre of Bologna. The findings show that the results have been very modest and have not included the introduction of managerial practices; moreover, some of the results can be seen as perverse effects of the reform.

KEYWORDS

Opera houses, institutional transformation, public sector changes, arts management, managerial rhetoric, Italian cultural sector

to the three-year planning schedule envisaged in law 163/85" (DPS, 1995, p. 1).

The winds of change signalling a management culture did not cease with law 367/96. In the 1998 annual report of the department concerned, the government's action is described in terms of "continuing the 'privatization' of cultural institutions, having successfully transformed the opera houses, the Venice Biennial, the School of Cinema and the Institute of Ancient Drama from public institutions to more agile private entities, in the interests of both *rendering their administrations less bureaucratic* and opening them up to society at large and to the injection of private capital," together with "support for broader long-term planning for performances by means of the triennial allocation – by law – of state funding for the sector, in order to *give greater security and stability to the major cultural institutions* and to operators in the spheres of theatre, music and dance" enshrined in law 492/98 (DPS, 1998, p. 1; emphasis added).

Law 134/98 took this process further, prefiguring the transformation of the Enti Autonomi (public institutions) into Fondazioni di Diritto Privato (private foundations) and outlining some of their main features: "[The] transformation, begun with law 367/96, which set the deadline of July 1999 for the 13 opera houses and assimilated symphonic institutions to adopt the status of foundation, has been advanced with law 134/98, introducing it for those opera houses that have still not completed the process [i.e., all of them apart from the Teatro alla Scala]. Law 134/98 covers adoption of the statutes and assessment of the assets of the former Enti Autonomi and sets out the structure and composition of the governing boards: prior to the participation of private investors...the members of the board

are to be appointed by the government department responsible for the performing arts. The chairperson is to be the president of the foundation (by statute this is the mayor of the city where the opera house is located), and the board comprises representatives of the central and regional governments and two members nominated by the mayor (in the case of the Accademia di S. Cecilia the board is made up of seven members). Right from law 367/96, a crucial role was assigned to private investors, on condition that they contribute at least the equivalent of 12% of total state funding to the foundation's financing. Once such investors come forward, the statute can be modified, but state funding cannot be increased if private investment falls short of 12." (DPS, 1998)

A further crucial step forward was taken with law 239/99, concerning the criteria for the allocation of the share of the FUS destined for the 13 opera houses. It laid down the parameters for a system that explicitly set out to reward efficient management (whatever this is taken to mean).

In practice, two quite distinct orders of problems seem to be covered by the rhetoric surrounding the privatization at the heart of the reform of the Enti Autonomi: (a) the attempt to involve private investors in the financing, with the objective of reducing, or at least not increasing, the level of public funding; and (b) the attempt to introduce a more effective governance structure and forms of economic responsibility, through a triple innovation: more streamlined governing boards (at least on paper); the administrative systems currently in place in the private sector, with greater focus on planning flexibility (including the declared intent of stabilizing the FUS); and direct management of human resources.

RÉSUMÉ

Cet article analyse la transformation en fondations privées des opéras d'Italie, jusqu'alors des institutions publiques. Imposée par le législateur, cette réforme exigeait une approche plus managériale ainsi que l'apport de capitaux privés. Dans une optique de gestion, les auteurs examinent les résultats de cette transformation, tant pour l'ensemble des institutions qu'en référence à l'un des 13 opéras nationaux d'Italie, le Teatro Comunale de Bologne. Les conclusions révèlent que l'impact a été très modeste et n'a pas entraîné l'adoption de pratiques managériales; certains résultats peuvent même apparaître comme des effets pervers de la réforme.

MOTS CLÉS

Opéras, transformation institutionnelle, changements dans le secteur public, gestion des arts, rhétorique managériale, secteur culturel italien

From this point of view it is clear that the reform was full of references to the concepts and indeed the very language of management. Did this rhetoric produce the desired results in terms of the financial involvement of private investors and the development of "efficient and effective" forms of management?

Overall Impact of the Reform

A comprehensive evaluation of the transformation of the Enti Autonomi into foundations has three key aspects in terms of management rhetoric: the question of whether rationalization of the sector has been furthered through adjustments in the division of labour between production and distribution activities; the actual involvement of private investors; and the system of incentives for the new economic rationale in the allocation of the FUS.

Division of Labour Between Production and Distribution

It is interesting to analyse some of the likely consequences of the reform at the aggregate level, because the legislators set out to re/organize the performing arts system as a whole, as can be seen in the debate that raged in the leading Italian economic and music journals (Serra, 1998; Sicca, 1998; Mora, 2002; Trimarchi, 2002).

In order to understand the issue of the division of labour between production and distribution one must consider the organization of opera production in Italy. Beyond the 13 operatic foundations, opera is performed regu-

larly in 24 *teatri di tradizione* (Bari, Bergamo, Brescia, Catania, Como, Cosenza, Cremona, Ferrara, Jesi, Lecce, Lucca, Livorno, Macerata, Mantova, Modena, Novara, Parma, Piacenza, Pisa, Ravenna, Reggio Emilia, Rovigo, Sassari and Treviso). Whilst these theatres have increased artistic production through the development of regional orchestras, their level of activity remains limited. Each has a theatre (often in an historic building), but no orchestra, chorus nor corps de ballet, nor do they have their own production facilities: stage and administrative tasks are generally carried out by employees of the local council (Trezzini and Curtolo, 1985).²

The *teatri di tradizione* receive 3.36% of the FUS, whilst 47.811% goes to the 13 opera foundations. Minor operatic institutions receive a contribution of 0.7% for so-called ordinary operas, according to article 27 of law 800, 1967 (*Legge Corona*). The remaining funds are divided among all the other branches of the performing arts (cinema, theatre, music associations, symphony orchestras, circuses, etc.).

Despite their small share of FUS funding, the *teatri di tradizione*, festivals and minor operatic institutions offer the possibility of reconfiguring the division of labour between production and distribution. This would require a cultural policy aimed at moving from the seasonal model (*modello a stagione*) for all 13 foundations to a mixed model based at least partially on repertoire (*modello stagione-repertorio*), where each theatre specializes in terms of geographical, historic and musical tradition. Such a cultural policy would require a reconfiguration of all existing theatres, institutions and associations, so as to allow for economies of scale and scope through specialization.

RESUMEN

En este trabajo se pasa revista a la transformación de los teatros de ópera italianos, los que dejaron de ser instituciones públicas para convertirse en fundaciones privadas como resultado de sanciones legislativas dirigidas a lograr una gestión más empresarial, incluida la apertura para el ingreso de capitales privados. Con el acento puesto en la naturaleza retórica de la gestión, los autores analizan los resultados de tal transformación, observando tanto los resultados de conjunto como los alcanzados en uno de los trece teatros de la ópera nacionales de Italia, el Teatro Municipal de Bologna. Sus conclusiones indican que estos resultados han sido muy acotados y no se observa la incorporación de prácticas de gestión; de hecho, algunos de estos resultados pueden verse como efectos nefastos de la reforma.

PALABRAS CLAVE

Teatros de la ópera, transformación institucional, cambios en el sector público, gestión de las artes, retórica de la gestión, sector cultural italiano

At present there is little or no differentiation at the aggregate (national) level in the supply of opera by different opera foundations based almost exclusively on the formula of an opera season. This generally makes for high-quality production, but at the expense of a number of performances, which are much better safeguarded by the repertory system in place in most other European countries.

The particular Italian division of labour between production and distribution has deep historical and cultural roots (Ernani and Iovino, 1993). The Enti Autonomi date back to 1921 and the creation of the Ente Autonomo Teatro alla Scala di Milano, due largely to the talents and charisma of "Il Maestro," Arturo Toscanini. Since that time, state financing of opera has responded to two principles: the autonomy of each entity, and the "decisive funding" (*sovvenzione determinante*) provided by the state. Toscanini believed that the principle of autonomy could protect the theatre from the external forces that threatened its artistic and aesthetic choices. At the same time, a system of subsidies would ensure continuity and thus allow administrators to plan ahead. Yet these two principles were never elaborated into an organic arts policy and the state was invariably called on to bail out theatres whenever they went into the red (Sicca, 1997). This cultural attitude remains virtually unchanged in the new operatic foundations and has inhibited the transformation from structural rigidity to managerial flexibility.

It could be said, therefore, that the true impact of the managerial revolution will not be felt by the 13 former Enti Autonomi until the current division of labour has been superseded. It will be difficult for each opera house to continue as an independent production and distribution unit in the absence of an organic distribution network (Salvemini and Soda, 2001). To grasp the problem of the division of labour between the two functions in terms of the *business system*, one must bear in mind that Italy is the "motherland" of *bel canto*: its opera productions are among the best in the world. The pride ingrained in each individual house contributes to the quality of each production and performance and enhances the international reputation (whence the pride!) that the house has secured for itself. This self-perpetuating process relies on the staging of

elaborate productions (which sometimes add little to the quality of the performance or the aesthetics of the opera in question).

Every house is at one and the same time a production centre and a distribution centre, producing operas for its own stage and also distributing them, mainly to local audiences. To abuse some terms from managerial rhetoric, it could be said that all houses have the same "mission" and "strategic positioning," use the same (collective) resources and the same production processes, and deliver similar products, with at most some differentiation in terms of quality.³ During Verdi's centenary year, for instance, seven productions of *Aida* were mounted in Italy, seen by a total of some 50,000 people (each of seven productions performed six or eight times to an audience of 800 to 1,000). On another level, according to Mariani (2004), in the period 1999 to 2003 for the whole group of 13 opera houses internal productions and revivals amounted to about 55% of all shows, while only 29% were performances purchased by other theatres, the remaining 17% being co-productions.

How much is this house pride costing the taxpayer? Are the exorbitant costs of maintaining a system that offers a handful of productions, seen by a small number of paying customers, representing a tiny fraction of the taxpaying public, justified in terms of benefits?

That is the quantitative aspect of the controversy over production and distribution in the performing arts. Qualitatively, managers are faced with a dichotomy between maximizing dissemination and identifying the aesthetic parameters of a performance (Heilbrun and Gray, 2001). They must achieve a balance between the need to reach a wider public and the need to serve the aesthetic dimension, and thus run the risk of abusing the requisites of the work being staged (Cappelletto, 1995). In a nutshell, to what extent is maximal dissemination compatible with the aesthetic identity of the work being presented (Kelly, 1993)?

Without necessarily abandoning the tradition of production-based opera seasons, the Italian opera must tackle its current cost structuring – which is characterized by a structural deficit – in particular by broadening the core activities. The process of "managerialization" entails a three-way trade-off (Zan, 2000):

between effectiveness in the aesthetic domain, effectiveness in meeting the demands of the consumer, and efficiency in the use of human and financial resources (with the consequences this brings).

It is often stated that Italian opera houses lack a management culture. After decades of inertia this issue should have been addressed by the legislators: laws 367/96 and 134/98 offered every opportunity to challenge those responsible for running the opera houses to make a long-term investment in management culture. Of course this cannot happen overnight. In all domains, particularly in the arts, aesthetic and linguistic re-elaboration (Strati, 1992; Jeffcutt, 1996; Gagliardi, 1996; Sicca, 2000) is required to prepare people to take on radical board and management changes (Gagliardi, 1986).

There appears to be no tangible progress in this direction. To verify this perception, and to ascertain some of the reasons for the lack of progress, the mechanism of incentives that was put in place must be investigated.

The Participation of Private Investors

In the period 1996 to 1999 the questions raised by the new legislation were widely debated by legal and economic experts and by those employed in the performing arts (CIDIM, 1996; Marasà, 1996; Finoia, 1996; Ruozi, 1996; Iudica, 1998; Bachella, 1998). The most salient arguments can be summarized in the words of the two highest officials in the Italian opera.

Lorenzo Jorio, then president of the National Association of Opera Houses (ANELS), made the following comments: "Like anything new, the law that transformed the Enti Lirici into foundations has some aspects that are satisfactory, some that need clarification and some that are unsatisfactory. Among the first of these is the procedure adopted. Full marks to Deputy Premier Veltroni for adopting a method and attitude quite different from those of his predecessors. Previously, documents were never made available in advance; we might get to see them at the last minute, which ruled out any possibility of going into them in any detail. Now it is possible to make substantial modifications to the final text, the one that has just become law.... The first positive feature of this

law is that it marks a turning point on the road to reform, which we all believe is necessary. Of course this route of transforming opera houses into foundations is full of pitfalls, but we are getting there. It is all the more positive in that the transformation has been made obligatory. ANELS has always fought for all institutions to be considered on the same footing, each with its own specifics but treated according to a common framework, with no preconceived categories. We were determined that all the houses should line up on the same starting line, and so it is. Other positive features are the streamlining of the governing bodies (secured at the 11th hour), the private status of contracts with employees, and the income-tax exemptions for commercial activities connected with a foundation's operations. Highly positive, although conditioned by the size of the grants, is the commitment to leave unaltered for a three-year period the money assigned for the Fondo Unico per lo Spettacolo, which should put paid to the histrionics caused by each annual budget. Among the aspects needing clarification (and the outcome will have far-reaching implications) is the proportions in the criterion for allocating government grants to the individual houses. As for the negative aspects, two are critical: [the risk that] the contribution of the state to the equity of the foundations will imply a parallel reduction in annual funding (with reference to parameters for the contribution of private investors, which will in effect set a ceiling on their investments), and the absence of any real tax incentives for the participation of private investors." (Cimarosti and Rossi, 1996)

Barone Francesco Agnello, president of the National Committee of Music (CIDIM), saw things rather differently: "The transformation of the Enti into foundations is not a reform. The legislators deliberately made no reference to the categories set out in law 800. In my opinion, this was a political decision. It is not by chance that the title of the law refers only to those musical institutions that are to gain recognition. Personally I do not consider this law satisfactory. Certainly, it will simplify the running of the opera houses considerably, but it can only complicate life for all the other institutions. What I find really unacceptable is the underlying philosophy. The aim is to reorganize music in Italy by introducing American

practices wholesale, with no regard for our own traditions and adopting a model that comes in for criticism even in the United States. The distinctive situation in Italy, made possible by a limited financial contribution from the state thanks to law 800, meant we were considerably more advanced than the Anglo-American world: it guaranteed the possibility for theatres to engage in programming activity without being slaves to the box office, coupled with very wide-ranging distribution. Now it is inevitable that the large institutions will swallow up all the available sponsorship, leaving smaller organizations high and dry. The situation is just the opposite of what Prodi makes out when he speaks of being a latter-day Robin Hood. It is precisely the smaller fish who will lose out, along with those organizations that at the moment take music-making into the towns and villages." (Cimarosti and Rossi, 1996)

In empirical terms these considerations can be set alongside Table 1, which demonstrates, based on data made available by nine of the foundations, the small scale of involvement of private investors in this process of transformation (Mariani, 2004).

Turning to privatization, which is supposed to accompany the transformation, the percentage of public funding remains at very high levels for all the opera houses:

– Even though the capital put up by private investors does manage, in all cases but one, to reach the target of 12% of state funding, it nonetheless plays a marginal role (on average 7.8% of total income, varying between 7% and 9% if we exclude the two extremes, La Scala, 17%, and Rome, 1%), while 71% of funding is provided by public bodies (i.e., state, region, province, municipality).

– What is normally referred to as private subsidies is to a large extent the contribution made by banking foundations, the result of a complex and controversial process of transformation of the Italian banking system according to the so-called Legge Amato (laws 218/90 and 356/90; for an overview, see European Foundation Centre, 2002). For instance, in the case of Florence in 2001, if private subsidies count for 7.290 of a total of 61.500 million lira (11.9%), the net impact, without the contribution of banking foundations and other semi-public bodies (Camera di Commercio,

etc.), is just 2.700 million (4.4%) of truly private funding.

– In methodological terms there is an anomaly in the law's placing a hurdle for private investment not in relation to an opera house's overall requirements but in relation to the government grant. In reality what is being rewarded is not management's ability to raise funds independently but the joint effort by management and the local authorities. For example, although the Teatro Comunale of Bologna succeeded in raising proportionately more private investment than Torino or Venice, it receives less funding from the local authorities – a decision over which it has no control – so that in practice it is penalized, or at any rate not rewarded, for its success in private fundraising.

– There are few signs of market orientation. These might, for example, involve identifying repertoire or initiatives to attract operagoers or a wider public. The watchword continues to be "conservation" of the proven cultural goods. This is perfectly in keeping with what has been said about the pride of each house and the predominance of the opera-season formula. Such a self-referential attitude should not be dismissed out of hand, however, for it indicates professional values and plays an important part in these institutions. There is one notable exception. The Verona Arena covers 41% of its costs through ticket and season-ticket sales. This is much higher than the average for the sector and shows the importance of being able to attract an audience from Europe at large. In the case of Verona this has little to do with the pursuit of excellence based on the star system and everything to do with the magnificent venue, as the Arena is located in the heartland of Europe close to the Austrian border. The appeal is thus a "stay in Italy" as well as a major cultural event in a city that can vaunt a cultural tradition featuring such universal archetypes as Romeo and Juliet. The Arena itself, by virtue of the organizational expertise of its management and its exceptional seating capacity, is able to benefit from economies of scale denied to other opera houses. The fact is that the large scale of the operation and the international, largely German, audience are tailor-made for private investors, who account for 10% of total funding, the highest percentage in Italy apart from La Scala. Its central location in

TABLE 1 FUNDING OF OPERA HOUSES, 2001 (IN MILLION LIRA)

	Bologna Comunale Teatro Comunale	Florence Comunale Teatro Comunale	Genoa Teatro Comunale	Milan Teatro Alla Scala	Naples Teatro San Carlo	Palermo Teatro Massimo	Rome Teatro dell'Opera	Torino Teatro Reggio	Venice Teatro La Fenice	Venona Teatro Arena	Rome - Accademia Nazionale di S. Cecilia	Average
SUBSIDIES												
State subsidy (FUS)	32,371	46,401	28,611	76,589	38,504	85,521	51,108	34,694	32,352	35,881	28,431	26,589
Other state subsidies	34	0	5,000	0	0	0	7,500	1,630	0	680	774	1,100
Regional subsidy	2,500	3,472	1,208	4,999	5,000	49,278	6,500	4,350	5,880	1,880	1,800	800
Provincial subsidy	0	199	13	199	500	0	0	39	10	0	0	140
Municipal subsidy	3,345	4,149	5,713	13,000	3,000	7,842	19,500	8,173	2,797	7,374	1,693	4,700
Private subsidies	4,138	7,290	3,806	34,049	1,531	2,835	845	3,797	4,601	4,493	9,480	2,983
Total	42,389	61,511	44,350	128,837	48,535	145,476	85,453	52,683	45,640	50,308	42,178	36,312
INCOME FROM TICKET SALES AND SERVICES												
Box office	5,411	6,698	4,673	31,877	6,598	10,984	6,862	8,893	6,582	1,671	52,553	10,677
Services	2,971	9,819	2,043	25,040	1,646	1,797	561	2,886	269	4,125	1,891	2,429
Total	8,382	16,516	6,716	56,917	8,244	12,781	7,423	11,779	6,851	5,796	54,445	13,106
OTHER INCOME												
Reimbursements	0	1,038	298	939	0	1,164	0	243	552	96	188	519
Contingent liability	1,357	0	198	1,921	5	13,945	0	501	1,110	1,004	535	0
Other	529	562	140	9,819	992	958	2,209	4	283	343	559	4,952
Total	1,887	1,599	636	12,679	997	16,067	2,209	748	1,944	1,443	1,282	5,471
OVERALL TOTAL	52,658	79,627	51,702	198,433	57,776	174,324	95,084	65,211	54,435	57,547	97,905	54,889
% private funding of state subsidy	12.8	15.7	13.3	44.5	4.0	3.3	1.7	10.9	14.2	12.5	33.3	11.2
% private funding of overall funding	9.8	11.9	8.6	26.4	3.2	1.9	1.0	7.2	10.1	8.9	22.5	8.2
% private funding of overall income	7.9	9.2	7.4	17.2	2.6	1.6	0.9	5.8	8.5	7.8	9.7	5.4
% public subsidy of total requirements	72.6	68.1	78.4	47.8	81.4	89.0	75.0	75.4	79.6	33.4	60.7	70.3

Source: Mariani (2004)

Europe and costs per performance – below the Italian average (Sicca, 1998; Brunetti, 2001) – give the Verona Arena a financial stability that other opera houses, particularly those in the south of Italy, can only dream of.

Economic Rationale and Transparency in Defining FUS Quotas

Much of the legislators' energy was taken up with defining the criteria for funding in the form of incentives or performance-related schemes. Aside from any positivistic considerations, what matters here is the social construction of these criteria as a crucial part of the management discourse characterizing recent developments. This was the basis for assigning funding from 1998 onwards in the two three-year periods 1998 to 2000 and 2001 to 2003.

Complex system of rules

Any qualitative analysis of the criteria entails a mastering of the complex system of calculations that has evolved over the years. One has only to glance at the breakdown of funding from 1995 onwards to grasp the theoretical, and presumably political, difficulty of framing a system of norms (see the column headings in Table 2). The framework was established in 1998, but it took three tortuous years to draw up, using rather unstable categories. The general idea was to set up an "operation" parameter alongside the "production" parameter (and much could be said about this distinction itself), with the former far outweighing the latter (98.25%). Even once the criteria for the triennial assignment of funding became operative, it was a very convoluted mechanism, entailing a series of detractions, reductions, increments not awarded, claw-backs and compensations, requiring a phenomenal effort to understand – on the part of the external analyst undoubtedly, but also, in all likelihood, on the part the management of the new institutions.

Law 239/99 set out four variables for apportioning the FUS among the various foundations: 60% on the basis of the average funding obtained by each institution in the previous three years; 20% according to expenditure on personnel, based on the complement of "functional staff"; 10% according to productivity, based on an ad hoc point system; and 10%

according to quality, to be assessed by the Music Commission at the ministry level.

The preponderant weighting of the historical data (60%) illustrates the caution characterizing the whole transformation process: in spite of a lack of faith in previous mechanisms for assigning funding, the various legislative and administrative documents constantly hark back to the pre-reform reality (according to a sound incremental approach).

A further quota of 20% is awarded to each foundation for personnel, reflecting the established staffing levels. Here, a chance was lost to tackle – or at least to begin discussing, with the greatest circumspection – the question of efficiency or "productivity" (in relative terms) of the various institutions involved. Although the notion of productivity itself would be hard to deal with, the law has nothing to say in this regard: the concept of permanent staff was formally abolished (and replaced with "functional staff") but in practice persists.

The remaining 20% is to be assigned on the basis of performance – 10% reflecting productivity and 10% quality. This is not a large percentage, but it is, as we shall see, by no means the most significant shortcoming from a management perspective, particularly in terms of managerial rhetoric.

With regard to quality, the Music Commission can increase or reduce the grant assigned to each foundation on the basis of its activities by up to 20%. The details are not specified (and would in fact be difficult to formulate), but the public conduct of the assessment processes should ensure transparency.

The real crux of the whole system is the drawing up of the productivity indexes, with two distinct problem areas:

– The assessment of different production activities entails quite different orders of costs and resources related to the three main genres (opera, ballet, concerts), with room for negotiation at the moment of deciding the amounts, when what is likely to be rewarded is not output or indeed productivity but bargaining skills in establishing the criteria.

– The mechanism appears to misinterpret the concept of aggregate production efficiency, rewarding the proliferation of activities, when in a system like the Italian opera what is needed is rationalization. We do not intend here to go so far as to advocate a radical conversion

TABLE 2 EVOLUTION OF ALLOCATION OF FUS, 1995–2001

		Comunale, Bologna	Comunale, Florence	Carlo, Genoa	La Scala, Milan	San Carlo, Naples	Massimo, Palermo	Opea, Reggio,	Rome Torino	Comunale, Trieste	La Fenice, Venezia	Santa Cecilia, Rome	Cagliari, Palermo	Total
1995														
Management parameters (98.25%)	26,930	40,120	20,352	65,366	33,542	37,665	44,876	25,551	21,635	32,124	20,255	20,904	12,078	401,395
Production parameters (1.75%)	406	543	429	1,308	666	305	441	406	380	410	882	600	374	7,150
Total	27,335	40,662	20,781	66,674	34,208	37,969	45,317	25,958	22,015	32,534	21,137	21,504	12,452	408,545
Quota of 98.25%	28,990	43,230	21,811	70,420	36,187	40,577	48,192	27,487	23,111	34,580	21,288	22,260	12,620	430,754
Cost indicators	294	287	327	418	299	216	283	349	289	241	767	439	214	4,421
Specific purposes	97	392	71	718	208	205	270	309	190	257	184	202	148	3,251
Total	29,382	43,909	22,209	71,556	36,693	40,998	48,745	28,145	23,590	35,078	22,240	22,900	12,982	438,427
Quota of 98.25%	28,535	42,589	21,380	69,363	35,690	39,969	47,330	27,038	22,586	34,036	20,486	21,691	12,075	422,769
Cost indicators	522	519	546	714	578	330	439	667	493	390	1,241	758	335	7,530
Total	29,058	43,108	21,926	70,077	36,268	40,299	47,769	27,705	23,079	34,426	21,726	22,449	12,410	430,299
Quota of 60%	17,864	26,562	13,558	43,487	22,229	24,856	29,601	16,998	14,425	21,245	13,784	14,030	8,147	266,786
20% grant for personnel	5,535	7,326	5,370	13,325	6,654	8,073	10,239	5,699	4,935	5,734	8,117	4,269	3,653	88,929
10% grant for activities 1995–97	2,959	4,738	3,192	4,913	3,327	4,378	3,619	4,255	4,007	3,005	2,004	1,986	2,081	44,464
10% grant for quality	3,343	5,591	2,969	5,896	3,160	3,721	3,438	3,958	3,206	3,546	1,603	2,369	1,665	44,464
Total	29,701	44,216	25,088	67,621	35,370	41,028	46,897	30,910	26,573	33,530	25,508	22,654	15,546	444,643
Deductions for La Scala														-1,217
Definitive funding	29,701	44,216	25,088	66,404	35,370	41,028	46,897	30,910	26,573	33,530	25,508	22,654	15,546	443,426
Distribution 2000	30,659	45,643	25,898	69,802	36,511	42,352	48,410	31,907	27,430	34,611	26,331	23,385	16,048	458,986
Deductions for La Scala														-1,217
Funding 1999	30,659	45,643	25,898	68,586	36,511	42,352	48,410	31,907	27,430	34,611	26,331	23,385	16,048	457,769
Distribution 2000	30,773	45,643	25,898	69,363	36,511	42,352	48,410	31,907	27,430	34,611	26,105	23,385	16,048	458,434
Reimbursement	-325	-329	0	-6,008	-2,107	-614	-2,464	0	0	-2,044	0	3,057	-543	463,767
Balance due	0	0	2,432	0	0	0	0	2,281	2,725	0	0	0	0	-14,434
Amount due 2000	30,448	45,314	28,329	63,354	34,404	41,738	45,946	34,188	30,155	32,567	29,162	22,842	18,770	13,217
2001														
Quota of 60%	19,228	28,589	16,222	43,116	22,869	26,528	30,323	19,985	17,182	21,679	16,445	14,648	10,052	286,866
20% grant for personnel	5,912	7,835	5,768	14,045	6,959	8,863	11,362	6,080	5,394	6,206	8,786	4,496	3,915	95,622
10% grant for activities 1995–97	3,360	4,673	3,017	5,232	3,973	3,966	4,218	4,030	4,560	3,703	1,880	2,157	3,043	47,811
10% grant for quality	3,410	4,723	3,017	5,282	3,913	3,906	4,158	4,080	4,500	3,753	1,820	2,157	3,093	47,811
Total	31,910	45,820	28,025	67,674	37,715	43,263	50,061	34,174	31,635	35,341	28,931	23,458	20,103	478,110
Miscellaneous deductions	-206	-377	0	0	0	0	0	-195	0	-218	-500	0	0	-1,496
Definitive funding	31,704	45,443	28,025	67,674	37,715	43,263	50,061	33,980	31,635	35,122	28,431	23,458	20,103	476,614

from the opera-season to the repertoire formula. Nonetheless the fact remains that there are 13 “production units” lacking any specific identity or characterization (the situation of some important monograph festivals is different), devoting resources to events that once produced are not distributed except in very rare cases, sometimes with a degree of redundancy difficult to imagine in any other country. In this context, the rational behaviour on the part of individual actors – driven by the mechanism of incentives – is to generate ever more events, which will merely have the perverse effect of increasing “production excess” at the global level.

Implementation of the system

Having analysed some of the shortcomings of the criteria for allocating the FUS, we can make some observations on the outcome, in terms of their application during the periods 1998 to 2000 and 2001 to 2003.

The beneficiaries of the new mechanism are Cagliari, Verona, Trieste, Torino and Genoa, while Venice, Rome Opera, Naples and above all La Scala are penalized and Santa Cecilia, Palermo, Florence and Bologna come out with only slight losses. The fact that there are winners and losers shows that the system is able to discriminate between different situations and is not flat. When we come to look in more detail, however, we see that there are not a few surprises.

Table 3 presents a series of ratios that, treated with due circumspection, can serve as benchmarks indicating relative efficiency and effectiveness (those opera houses showing above-average efficiency or effectiveness are highlighted):

- In the first column, relating the grant for personnel to the quota of 60% (which reflects part of the overall subsidy in previous years) gives a ratio for labour productivity; in relative terms, a lower payroll means higher productivity.

- In the second column, relating the grant for personnel to the grant for productivity gives a ratio for efficiency; in relative terms, a lower proportional personnel/activity ratio expresses higher efficiency.

- In the third column, relating the quota of 60% to the grant for productivity gives a ratio for efficiency, albeit in a very particular

sense; in relative terms, if the overall activity parameter is greater, this indicates some form of increased productivity.

- The fourth column shows the assessment parameter for quality used by the Music Commission; a value in excess of 1 indicates above-average effectiveness.

- The fifth column shows the overall effect of FUS allocation in the first three-year period. Bearing in mind the need for caution in applying these indicators, possible paradoxes emerge: a negative correlation between quality and the incentives mechanism – one of the houses not adjudged as being of higher quality has been rewarded by the overall mechanism; and the mechanism is more sensitive to efficiency, but in a truly bizarre fashion – Palermo, Bologna and Florence, which score for efficiency in the three first columns, are not rewarded, while houses that are not efficient (on all three parameters, Verona) or only partially so (on two parameters, Genoa, Torino, Trieste and Cagliari) are rewarded.

Thus while the rhetoric stresses efficiency, effectiveness and economic responsibility, the outcome is quite different. Considerations of space prevent us from extending our analysis to the second three-year period; we shall merely mention two additional anomalies:

- the rollover effect of the establishment of the quota of 60% from the previous three-year period (meaning that rewards can continue to be handed out even when performance levels have declined)

- the Music Commission’s difficulties in rewarding or penalizing anyone for anything: the minutes of its meetings of 11 November 2000 and 2 February 2001 give a graphic picture of their difficulties in drawing up an analytical grid of any shape or size, or even coming up with slight variations on the initial figures (quantitative production data); they debated paltry sums of 50 or 60 million lira, or adjustments of just 1.5% or, in one case, 3% – a far cry from the 20% envisaged in the legislation. Moreover, if we compare the implicit parameter of reward or penalization obtained from Table 4 with the one actually used by the Commission for the period 1998 to 2000, the flattening-out effect is clearly visible: the quality factor counts only marginally, and the Commission appears to have given up any attempt to fulfil its function.

TABLE 3 EFFICIENCY AND EFFECTIVENESS IN FUS ALLOCATION (1998)

	Quota 60%	20% grant for personnel	10% grant for activities 1995-97	10% grant for quality	Total	Deductions for La Scala	Definitive funding	Grant for personnel/quota 60% efficient	Grant for personnel/activities efficient	Quota 60%/grant for activities efficient	Quality parameter effective	Overall effect on allocation favoured
Comunale, Bologna	17,864	5,535	2,959	3,343	29,701		29,701	0.31	•	1.9	•	0.17
Comunale, Florence	26,562	7,326	4,738	5,591	44,216		44,216	0.28	•	1.5	•	0.18
Carlo Felice, Genoa	13,558	5,370	3,192	2,969	25,088		25,088	0.40		1.7	•	0.24
La Scala, Milan	43,487	13,325	4,913	5,896	67,621	-1,217	66,404	0.31	•	2.7		0.11
San Carlo, Naples	22,229	6,654	3,327	3,160	35,370		35,370	0.30	•	2.0		0.15
Massimo, Palermo	24,856	8,073	4,378	3,721	41,028		41,028	0.32	•	1.8	•	0.18
Opera, Rome	29,601	10,239	3,619	3,438	46,897		46,897	0.35		2.8		0.12
Regio, Torino	16,998	5,699	4,255	3,958	30,910		30,910	0.34		1.3	•	0.25
Comunale, Trieste	14,425	4,935	4,007	3,206	26,573		26,573	0.34		1.2	•	0.28
La Fenice, Venice	21,245	5,734	3,005	3,546	33,530		33,530	0.27	•	1.9	•	0.14
Arena, Verona	13,784	8,117	2,004	1,603	25,508		25,508	0.59		4.1		0.15
Santa Cecilia, Rome	14,030	4,269	1,986	2,369	22,654		22,654	0.30	•	2.1		0.14
Palestrina, Cagliari	8,147	3,653	2,081	1,665	15,546		15,546	0.45		1.8	•	0.26
Total	266,786	88,929	44,464	44,464	444,643	-1,217	443,426	0.33		2.0 average	0.17 average	13

The picture that emerges from the micro-macro dialectic is a stark one. The system as it now functions is patently unable to orient action to the rhetoric that accompanied its elaboration. When all is said and done, the whole mechanism based on percentages is weak. On the one hand, if the idea was to ensure more favourable conditions for programming, this objective is undermined by the instability of the overall grants. On the other hand, the crucial importance of the percentages points to the political nature of the allocation of funds among the 13 opera houses. The whole procedure simply does not orient action, whether in economic-cultural terms or in managerial terms; instead, it represents a tool for the appropriation of resources among the 13 institutions.

Indeed the *a posteriori* use of these percentages leaves one wondering whether there was ever any intention of providing orientation. Rather than guiding opera management towards the operational modes that performance-related

pay systems explicitly or implicitly incorporate, the legislation actually rewards past performance. The imposed funding cuts hinder the processes of development and maintenance (though of course the importance of historical data continues to mitigate this effect).

No serious attempt was made to tackle efficiency in setting up the mechanism of FUS allocation, and even quality soon disappeared from the scene. In addition, a sort of perverse effect has emerged at the global level, caused by the incentive to expand production rather than make more efficient use of resources and explore economies of scale in the distribution processes.

A Micro-level Evaluation: The Teatro Comunale of Bologna

We will investigate the effects of the transformation by looking at a single orga-

TABLE 4 QUALITY ASSESSMENT IN FUS ALLOCATION

	1998–2000		2001–03			Implicit parameter
	Parameter used by the ministry	10% grant for activities 1995–97	10% grant for quality	Variation %		
		effective				
Comunale, Bologna	1.13	•	3,360	3,410	1.5	1.01
Comunale, Florence	1.18	•	4,673	4,723	1.1	1.01
Carlo Felice, Genoa	0.93		3,017	3,017	0.0	1.00
La Scala, Milan	1.20	•	5,232	5,282	1.0	1.00
San Carlo, Naples	0.95		3,973	3,913	-1.5	0.98
Massimo, Palermo	0.85		3,966	3,906	-1.5	0.98
Opera, Rome	0.95		4,218	4,158	-1.4	0.99
Regio, Torino	0.93		4,030	4,080	1.2	1.01
Comunale, Trieste	0.80		4,560	4,500	-1.3	0.99
La Fenice, Venice	1.18	•	3,703	3,753	1.4	1.01
Arena, Verona	0.80		1,880	1,820	-3.2	0.97
Santa Cecilia, Rome	1.19	•	2,157	2,157	0.0	1.00
Palestrina, Cagliari	0.80		3,043	3,093	1.6	1.02
Total	13		47,811	47,811		1

nization, the Teatro Comunale of Bologna. Various factors make this a difficult task. The process is ongoing – in fact it is still in its initial stages. There is little documentation (just a couple of financial statements, for example) against which to triangulate the information and impressions elicited during the interviews with opera-house employees. The change of superintendent in September 2002 (when our study was nearing conclusion) puts the independent analyst in an invidious position: he risks both being used in wrangles over the evaluation of the first phase of the transformation and being associated with preconceptions regarding the new direction of the house.

The analysis focuses on three variables: the opera house's institutional assets and its (re)organization, action taken in human resources, and action taken in financial resources.

Institutional Setting and Organizational Structure

This initial phase in the transformation process, as observed at the Teatro Comunale of

Bologna, has some striking features. The first is the subordinate role conferred by the statute on the governing board (Consiglio di Amministrazione). Actually the board oversees decisions, while power (as is the case in many organizations) lies wholly in the hands of the superintendent, who draws up the guidelines, defines the objectives and implements the decisions taken (article 9 of the statute). In principle the board could provide support for the superintendent in running the opera house, supplying the necessary skills and competence (for example, in industrial relations and in legal, administrative and organizational issues). As it is, however, it acts merely as a representative of the institutions that finance the opera house. This situation is all the more troublesome in view of the fact that most superintendents have a background in music. If the board functioned as a means of integrating different cultural backgrounds, it could play a crucial role in closing the divide between art and economics, and in getting away from the situation of “monocracy devoid of managerial professionalism” that at present characterizes

the opera house's institutional framework, in the words of the superintendent himself.

In terms of organizational structure, Bologna has seen the formation of a management team around the superintendent, with new positions being created and new personnel being recruited. Nonetheless, concerns have been expressed in various quarters as to the real impact of this reorganization, with accusations and counter-accusations. There is no doubt that the high level of special skills required in staging an opera makes everything more complicated, as do the specific professional identities of many of the employees. (The role and identity of the orchestra is an issue in itself, considering the dire effects that any attempt at restructuring this critical resource is bound to have.) An external observer can only record the various criticisms: the in-house unions accuse management of lacking managerial know-how, while management accuses the unions of resorting to resistance and permanent unrest to defend the conditions of privilege deriving from ingrained associative practices. (There is support for this latter charge in the avoidance of any reference, in reform documents, to the issue of labour productivity, as we saw above.)

The seriously strained industrial relations are due in large part to the reformers' refusal to address labour issues. There has been no attempt to identify a macro solution or even to provide some guidance with a minimum of consensus, leaving the conflicts to flare up at the local level, with no global approach to the issue.

Human Resources: A Too-Soft Approach?

There has never been any question of the new foundations tackling the issue of human resources in terms of downsizing. Yet no reduction in employment levels has been made, apart from the superintendent's secretariat, which has been replaced by a newly created management team. What is more, as can be seen in Table 5, following an appreciable reduction in the 1990s (some 18% overall, or 15% discounting the elimination of the corps de ballet), over the last few years the level has crept up again (+ 8% as of 31 December 2002, although this figure could not be reliably attributed to either of the two boards and superintendents then in office).

TABLE 5 PERSONNEL

	31 December 1990	31 December 1998	31 December 2002	Vacant posts
Orchestra	104	83	92	21
Chorus	72	62	65	15
Extra musicians	6	6	6	2
Ballet	10			
Administration	48	43	44	11
Technicians	66	58	66	15
Total	306	252	273	64

Source: Teatro Comunale of Bologna

In addition, during the first three years of the foundation's existence the old contract for employees remained in effect (this was indeed the case in almost all of the institutions). This ruled out any private-sector approach to the management of human resources and imposed yet more rigidity on the system in spite of all the rhetoric about the need and desire for change.

As is often the case in such organizations, dissent and division are rife within the unions themselves, for the unions represent conflicting interests ("autonomous" and "mainstream," with conflicting interests even within individual sections), rendering the organization and management of the transformation all the more problematic.

Financial Resources and Administration

The process of converting an organization to management culture is often driven by administrative, financial and accounting concerns. In this respect the Teatro Comunale of Bologna shows some progress but also some problems. Management accounting is still not being widely applied: a new system of financial accountability is being introduced, but the vague structure of the organization as a whole and of its control mechanisms makes organizational reform difficult to achieve, according to the chief accountant. Up until now only expenditures have come under scrutiny, with no systematic attempt being made to tackle internal costs and overheads. This situation

goes hand in hand with another unsettling factor, according to the opera house's chief administrator: the financial statement shows a negative balance sheet due largely to the limited seating capacity of the 18th-century theatre. Indeed, with 700 seats, each performance generates a deficit. Whether or not this is the case, from our dual micro-macro perspective it is alarming that such a fundamental consideration has been ignored by the legislators. How can one call for a managerial culture while giving no thought to the consequences of a failure to break even at the operating level? And how should the distinction between conditions and results of managerial action be taken into account in this regard, in terms of responsibility for results (for instance, the decision-makers responsible for the choice to keep the theatre at its historical site, or the people in the theatre who have to simply accept this decision)?

The opera house's financial results warrant some attention:

– In terms of financial statements, in particular the balance sheet, at Bologna as elsewhere the rental space was evaluated as part of the foundation's assets. This is in line with the orientation of the legislation, but the concept of assets is highly questionable. In reality about 90% of assets are inaccessible. Additionally, such an asset-centred view diverts attention from the role and implications of financial statements. The financial statements of the Teatro Comunale of Bologna show that the house not only broke even, but managed to reach the target of 12% of revenue from private investors. Paradoxically this counted for nothing – while according to the statement of intent it should have done – in gaining extra funding in the subsequent round of FUS allocations.

– The crux of the matter is the small degree of freedom left to the top management of the foundation in terms of choices that could have an impact on the income statement. In such a situation it is very difficult to distinguish a good management team from a mediocre one. Personnel expenditure is very difficult to modify in the short term, particularly with the old contract still in effect. Likewise a lot of the operational expenditure cannot be changed in the short term because programming has

to be long term, and thus the short term (the coming year and its costs) is largely "given."

– The reform itself has produced additional negative effects, for funding conditions are still subject to uncertainty. This is due mostly to the use of percentages rather than absolute amounts in allocating the FUS, but also to a methodological solution rarely encountered in planning procedures. Programming of activities (generally drawn up two to three years in advance) and funding (deriving largely from the FUS) on a three-year basis devoid of a rolling mechanism that updates and extends the period covered each year are not synchronized. The management team is in the invidious position of committing expenditures and resources for the next three years with financing guaranteed for only the last 12 months of the three-year period.

– This distortion of basic accountability emerges in one further telling detail: by statute, the board and the superintendent come up for reappointment on 22 June every four years. This means that every four years there are two financial years in which it is impossible to assign financial responsibility (profits and losses on the 2002 financial statement, for example, could be imputed to either the outgoing or the incoming superintendent). Thus accountability on the basis of results – a touchstone of management culture – is determined by one apparently innocuous provision in the statutes. This gives the full measure of the "psychological distance" still separating the Italian legislation from management culture, revealing a prevalently legalistic culture among the reformers; and indeed since introduction of the reform little or nothing has been done to tackle the problem. (In fact all that is needed is an initial extraordinary period of six months in the first year, from 22 June to 31 December, following which results and responsibilities would go hand in hand.)

– In terms of management processes there is also evidence of controversial play between the central administration and the "autonomized" foundations. In the interests of fostering accountability, the reform has recourse to private-sector mechanisms, yet the central administration tends to behave as if it were immune to these processes. Rather than introducing private-sector rules into the public domain, it contaminates the private sector with

the shortcomings of the public sector. This is precisely what happened with the FUS allocation for 2002, which was reduced in January 2002 after the board of the Teatro Comunale had approved (in December 2001) its activities and budget for the coming year on the basis of an already defined FUS increase. In other words, the ministry refuses to control its own conduct and exerts wholly discretionary powers; private investors are forced to obey the logic of last-minute changes that characterizes the Italian public sector. Similarly, during 2002 all Italian opera houses (and thousands of other cultural institutions) were exposed to a situation of uncertainty that involved one of their major partners – that is, banking foundations – following a political controversy over the institutional nature of these granting bodies.⁴ This situation had nothing to do with management and operating agreements already established between banking and opera foundations but nonetheless caused serious cash-flow problems.

– One final perverse effect of the law: in order to benefit from the reform's own system of incentives and FUS mechanisms, the Teatro Comunale of Bologna is forced to increase and diversify its production to ensure a higher total number of points entitling it to additional resources. Thus the law not only is deficient with regard to overall reorganization of the sector and improving overall efficiency and effectiveness, but is actually counterproductive.

In substantive terms, the financial situation is very different from the human resources situation: the resources allocated over the last 10 years have been substantially reduced (Table 6). In real terms, the government grant for 1999 is only 76% of that for 1990.

Creeping Thatcherism, Italian-Style?

Even on the micro level, and leaving aside the use and abuse of management rhetoric, the long-term restructuring process (the final phase of which is transformation into a foundation) presents a peculiar situation: a largely benevolent attitude to the issue of human resources, glossing over issues of labour organization and productivity (while, it must be said, reining in the overall purchasing power of salaries, as shown in Table 6); and a much more guarded

attitude towards financial resources, with implicit substantial cuts being made outside any explicit design.

The asymmetry of these two elements taken together produces tangible effects: the organization is impoverished and the overall financial policy lacks flexibility, with the salary burden increasing, expenditures on activities decreasing and management's margin of manoeuvrability narrowing. All this goes on beneath a veneer of governance designed to increase the responsibility of managers. In both respects it has proved to be neither particularly incisive, failing to attract either private investment or professional know-how, nor fair, with the FUS being reallocated after the board has approved budgets and programming.

Conclusions

Several criticisms could be made concerning the transformation of the Enti Lirici into foundations. We have focused not on questions of effectiveness ("the law has not worked," "the law has not achieved the desired results") but

TABLE 6 SUMMARY OF FINANCIAL UPDATES OF MAIN ITEMS OF 1990 BUDGET

Index at December 1990: 100/index at August 2000 = 138.32

	Balance sheet 1990	Financial update at August 2000	Balance sheet 1999
State subsidy	28,205	38,980	29,710
Regional subsidy	1,850	2,560	2,500
Provincial subsidy	130	180	25
Municipal subsidy	2,200	3,044	2,700
Income from tickets and season tickets	3,200	4,427	4,971
Cost of personnel*	23,100	31,900	28,100
Cost of soloists and productions	9,121	12,617	12,475

* Net of cost of transfer for external performances including IRAP, which from 1998 replaced SSN contributions

Source: Teatro Comunale of Bologna

on the abuse of management rhetoric, which has produced a situation that has precious little to do with the processes of management and managerialization (Scase, 1998).

Something that many see as a sign of failure is, in our opinion, one of the positive elements in the whole transformation process: there has been no sell-out to the world of show business. A large part of the culture that defines any organization has been preserved. There has been no drastic market orientation: the repertoire and the performing and interpretive capacities that are the mark of professional Italian opera have also been preserved. In terms of conservation and public access, there are some parallels with the debate on museum management (including the need to keep certain features out of the public domain – Zan, 2000).

This being said, however, the transformation seems to have taken quite another tack, making “much ado about management” (management as a corpus of knowledge, skills and methodologies).

If management is above all a question of “focusing attention,” the cumbersome point system used in allocating the FUS seems designed to divert the attention of opera-house management away from the more crucial aspects of its job and the results it is out to achieve (there is the feeling that superintendents and general managers are to be transformed into accounting and algorithm experts).

The emphasis on percentages at the heart of the FUS distribution mechanism is perhaps one of its main weaknesses. It may have been intended to ensure continuity in the interests of sound management, but if the global funding (and thus the subsidy to each foundation *in absolute terms*) is revised, all attempts at sound programming are foiled, leaving managers only the consolation of knowing that their 12 counterparts are all in the same boat.

The curious, asymmetric process of pruning resources, which we see as Italian-style Thatcherism (cutting financial resources but leaving human resources untouched), is anything but a formula for imposing accountability and responsibility on the management of opera houses. All it does is limit financial resources without cutting the payroll, avoiding conflict at the global level but paralysing effective action at the local level. (This clearly goes

against the logic of congruence between objectives and resources, which has been a paradigm of management ever since the Renaissance – Zan, 2004.)

Considering how the law has been applied, one could argue that the superintendent’s role has been transformed in name only. The executive director is being asked to conjure up accounting skills in a situation of professional isolation, to invent all manner of expedients without legitimacy, and to deal with labour issues and efficiency matters as they crop up (with unresolved productivity problems and a union presence inherited en bloc from the public system).

Given such a situation it is astounding that the board is given such a passive role (in the framework of the law itself, and perhaps even more so in our case study). We are indeed confronted with a “monocracy deprived of any managerial professionalism,” where a culture or background that diverges from the purely aesthetic is never called on, even when it is available among the board members. The board continues to act as a rubber stamp.

In the absence of incentives for efficiency, and the absence of a structure of governance designed to facilitate decision-making, the outcome of the mechanism is perverse indeed. The individual organizations are encouraged to increase “production” in order to gain more “points” and hence larger subsidies. In other words, the whole framework not only fails to impose a sounder rationale at both individual and collective levels, but actually raises the pressure – fed by professionalism and distinctive identity – to increase production without any thought of a more intensive distribution of opera.

Perhaps the most glaring anomaly is the asymmetry in accountability between centre and periphery, or state administration and the foundations. The episode of the assignment of the FUS in 2002, which was reduced in January after the foundations had approved their budgets, is a case of false delegation and accountability that goes far beyond the issue of programming, itself one of the areas the reform was meant to address. The game is not fair: the state can go back on its word. A truly bizarre outcome is that instead of introducing private (commercial) practices into public institutions (the former Enti Lirici), the reform has

subjected the newly privatized foundations to the shortcomings of the public system (policies revised according to the overall requisites of public spending).

Much ado about management indeed.

Notes

1. Different legal sources may be referred to according to the Italian legal system and differences in the iter of formulation of the laws (*decreto ministeriale*, *decreto legislativo*, *decreto legge*). The main sources are as follows: L 163/1985; L 555/1988; DM 286/1990; DM 13.12.91; D.Legsl 29.6.1996, n. 367; Decreto Legge 545 23.10.96; D.Legsl 3 08.01/1998; D.Legsl 23.4.98/134; D.Legsl 492/1998; DM 239/99; DM 47/2002.

2. Opera is also performed during festivals sponsored by music associations or local councils. According to Trezzini and Curtolo (1985), amongst the most important of these are the Alessandria, the AS.LI.CO (Milan), the music activities of the Venice Biennial, the Rossini Opera Festival (Pesaro), the Pucciniano Festival (Torre del Lago Puccini), the Spoleto Festival and the Valle d'Itria Festival (Martina Franca). It is common practice to use existing local human and financial resources rather than set up new ones.

3. One notable exception has been Bologna and its regional *teatri di tradizione*. The first co-productions of the Teatro Comunale di Modena, the Ente Lirico di Bologna and the Teatro Municipale di Reggio Emilia go back to 1956, and in 1964 the Associazione dei Teatri dell'Emilia Romagna (ATER) was formed to give a systematic and structural identity to this collaboration. Its declared aim was to fight the all-powerful star system, and it represented something quite new in Italy. It succeeded in mobilizing enormous resources that had hitherto been pent up in provincial isolationism. In the early 1980s the ATER proposed the formation of a permanent Ente Lirico based on a network of interests, creating a repertory of productions that would go the rounds for several seasons. The proposal did not get off the drawing board, for once again the politicians preferred to rely on the "autonomy" and "decisive funding" that has been the leitmotif of Italian cultural policy. Thus today the region has two independent structures, the Orchestra Toscanini and Ater-balletto, both dependent on public funding (Sicca, 1997). Other experiments for an alternative model of production and distribution have been tried in the meantime, based on a networking logic, with both financial and aesthetic results (for instance, in Piedmont, Lombardy and Veneto).

4. In recent years banking foundations, the result of a reform of the previously public banking system, have been responsible for a large share of the funding of not-for-profit and social and cultural initiatives (Bacchella, 1998). In 2002 an institutional conflict emerged following an attempt by the finance minister "to reform the banking foundations so as to reinstate the influence of the governing parties," suggesting "a significant return to...spoils-sharing government," thus further conflating the cumulation of economic and political power in the hands of the government forces" (Donovan, 2002; see also Riva, 2002). In this situation of conflict and uncertainty, for more than a year the boards of the foundations were empowered only to make routine decisions (involving very small amounts of money); the decision to confirm the triennial funding of opera houses was apparently not a routine one.

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