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LOCAL DIRECTOR Prof. Emidia Vagnoni

**Strategic or struggling?
Exploring Sustainability in cultural
organisations.
*Italian and international perspectives***

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Candidate

Dott.ssa Chiara Carolina Donelli

Supervisor

Prof. Antonello Zangrandi

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Statement of original authorship

In compliance with the requirements relating to admission and submission of a thesis for the degree of Doctor of Philosophy of University of Parma and the University of Ferrara, the following declaration is made.

I hereby certify that, unless otherwise stated, the work that follows is mine and has not been submitted for a higher degree to any other institution or university.

ABSTRACT

The debates on the management of public and non profit organisations are still tackling the unanswered issues of sustainability. In the cultural organisations in particular, the theme has greater relevance, where creating value for society should be ensure although the scarcity of financial resources and government cut-backs. Indeed being sustainable is not the mission of cultural organizations, whereas it is a precondition for ensuring enhancement of cultural heritage in an unstable economic environment.

This research contributes to the ongoing debate over sustainability in the arts and cultural sectors, through a qualitative inductive approach of multiple case studies. Four areas has been took into consideration, as representative of different perspective of how sustainability has been strategized and included in the reform of the public sector. The results indicate that in order to be sustainable, arts organisations, seek autonomous and different ways to handle the issue. This includes strategize actions, restructure their internal organisation, attract philanthropic support, encourage sustainable management practice and, generally, diversify their funding.

INTRODUCTION

who knows the price of everything and the value of nothing.

Oscar Wilde

*Management is what tradition used to call a liberal art—“liberal” because it deals with the fundamentals of knowledge, self-knowledge, wisdom, and leadership; “art” because it deals with practice and application. Managers draw upon all of the knowledges and insights of the humanities and social sciences, but they have to focus this knowledge on effectiveness and results—on healing a sick patient, teaching a student, building a bridge, designing and selling a “user-friendly” software program. — Peter F. Drucker, *The daily Drucker**

Cultural Organisation has becoming an engaging research field in management studies, since the first emergence of the term in the 1960s within the American research community (Chong, 2002; Varbanova, 2013). Over the last fifty years, Arts Management has made considerable progress towards developing into a valuable academic discipline and profession globally (Evard & Colbert, 2000). There is still the need to create a body of discipline and profession specific knowledge for a sector at the crossroad between public administration and non profit logics.

Since the 1980s, the rise of New Public Management (NPM) in many developed countries, has seen an increasing emphasis on sustainability, accountability, financial viability and effectiveness in public organisation (Hood, 1991). Further, government and market reforms have gained popularity in public service, as part of a package of changes, the purpose of which is to implement innovation as a source of adaptability for public sector organisations and sustainability (Piening, 2011; Vicente, Camarero, & Garrido, 2012).

Thus, cultural organisations have been forced to diversify their funding mix, search for management efficiencies and recognise that they operate in an increasingly competitive environment as they seek to serve their social and creative mission. Some of the major changes of relevance to these organisations include a shift from public to private (Dubini & Monti, 2018; Kawashima, 1999), a more prominent role of the private sector with market principles more widely applied than in the past (Kawashima, 1999) and new requirements of

financial sustainability (Sicca & Zan, 2005; Zan, 1999; Zangrandi, 2012). The discipline evolve over the decades dealing with management practice, accountability, performance management and innovative form of governance of both arts organisations and creative sector.

These changes have led to the formation of private public serving organisations, in which there is a combination of public and private organising logics: mission-driven social enterprises; cross-sectoral collaborations; and public-private partnerships (Jay, 2013).

This thesis mainly focus on sustainability of cultural organisation as a precondition for public service effectiveness (Osborne, Radnor, Vidal, & Kinder, 2014) while, on the long terms, maximizing their social value across generations (Moldavanova & Goerdel, 2018).

This research contributes to the ongoing debate over sustainability in the arts and cultural sectors by exploring different cases study at national and international level.

The focus of the thesis approach sustainability, as a meso-level organizational concept (rather than micro- individual- or macro -large scale- level), following the research stream that focuses on sustainability of organizations as a precondition for them to have a positive impact on the environment and society (Moldavanova & Goerdel, 2018; Osborne et al., 2014; Weerawardena, McDonald, & Mort, 2010).

Giving the complexity and peculiarity of different arts organisations, case studies are chosen to discuss the implication of different management system and issues.

A qualitative inductive approach dominate the thesis, nevertheless an evolution of the methodological approach, in terms of complexity and rigour, can be observed within the four cases: from an exploratory research with single data source to a more complex multiple case study with different source and data are triangulated too ensure higer level of trustworthiness.

In the first chapter the case of university arts collection is analysed, due to the relevance of this assets in supporting the three missions of the higher education system: research, teaching and third mission. Sustainability is addressed as the way of making available the resources of

the academic institution for the benefit of the community, focusing on the Italian case, where the enhancement, management and accessibility of the universities collections are part of new universities evaluation system. The aim of the first chapter is to map the state of the art of the university art collections in Italy and investigate the three managerial challenges defined by the Council of Europe: accessibility, financial sustainability and communication of university collections.

In the second chapter, disruptive innovations in the field of financing cultural organizations, are discussed. This chapter analyses the innovative management tool implemented by the Italian Government, under a new fiscal reform, to privately finance national heritage, and the implications for the managers of cultural organizations. The opportunities behind crowdfunding platform, as a mean to finance third sectors organisation, has been widely discussed. The case discuss the case in which the cultural organizations seeking for contributions are public entities and the promoter of the crowdfunding platform is the government itself.

The theme of long-term financial sustainability of public and public serving organisation is elaborated in the third section with the peculiar case of Opera houses. Several Italian operas are undergoing serious financial crisis, and there is widespread public debate on measures to ensure agency efficiency. In the past there have been huge discrepancies between outputs in the short run and outcomes in the long run

Following the research stream of performing arts institution, an international comparison is given in the fourth chapter. Major performing arts organisations in Australia are studied as private public-serving organisations. Sustainability in this case is tackled by strategizing philanthropic giving. Using multiple cases and transverse data from 1999 to 2016, that entails analysis of annual reports and interviews from performing arts organisations, this study examines different strategy implemented by single organisation.

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CHAPTER ONE

University Collections: Managing the artistic heritage behind the University ivory tower

1. Introduction

1.1 Genesis of the collection

The cultural heritage held by universities has ancient origins and has historically embodied a strategic role for research and teaching purposes (Murphy, 2003). For older universities, the significance and scale of their collections has become a symbol of their role and prestige in the national and international cultural scene. Younger universities are making art collections of their own and developing them as a symbol of their entry into the establishment (Kelly, 2001).

The body of work differs for each collection, from teaching materials and research instruments to artefacts and antiquities. Despite the European academic debate that has been dominated by scientific collections (Kelly, 2001; Capanna, Malerba & Vomero, 2011; Giacobini, 2010; Pugnaroni, 2003), the heritage belonging to universities includes artwork, books, sculptures and decorative objects. In accordance with the model suggested by Hamilton (1995), the multitude of items that belong to universities can be grouped into four main categories:

- ceremonial objects such as mace and furniture;
- commemorative objects such as portraits, works of art given in memoriam and plaques;
- decorative objects such as works of art that have been acquired to hang in public or private spaces within the university;

- didactic objects such as works of art, artefacts or natural history materials that have been acquired for research demonstrations and teaching.

University collections have evolved over time and not always as a result of acquisitions, such as the case of scientific collections beginning with departmental collections (Bragança Gil, 2002). In the case of artistic heritage, the formation of the collection follows a disconnected route, where the collection is slowly enriched through the acquisition of different works over time. External entities have donated their private collections and the universities have developed collections through an ongoing series of gift and loans (Kelly, 2001).

1.2 Behind the management-style profile

In the last few decades, universities have moved from being seen as inaccessible ivory towers to places of culture and learning that are widely accessible to the public (Tirrell, 2000). Within this redefinition of the higher education system, universities are required to become more accountable to their various stakeholders and to demonstrate their impact on society (Trencher et al., 2013). In this changing environment, university collections and museums find themselves at a crossroads in terms of the fulfilment of two missions: responding to educational functions and departmental requirements, and being custodians of the national heritage, a vital public space for the wider public (Weber, 2012).

This results in a multitude of different organizations within the universities, from inaccessible collections to museums open to the public. Although the theme of university collections has been traditionally associated with university museums in the academic debate, the two terms are not interchangeable, despite being linked. Collections are part of the tangible heritage that belongs to universities, while the museum is only one aspect chosen by the universities to display and manage their assets.

University collections are managed under various arrangements that can be grouped into three main profiles:

- 1) Departmental collections or “laboratory collections” are an integral part of the school, faculty or department. They are not always perceived as a core activity in the strategic plan of the university. These collections are mainly used for teaching purposes; they

are often lacking in an institutional identity and are not necessarily known or accessible to the wider public (Giacobini, 2010; Forster, 2005). As teaching and research priorities change over time, the perceived value of the collection among academics and students will also fluctuate, leading to an unstable balance between use and preservation (Hamilton, 1995).

- 2) University museums with clearer institutional identities that are still part of the wider administrative structure of the university fit the second profile (King, 2001). Hence the operational models are more structured and there are usually dedicated personnel who have day-to-day responsibility and disclosure requirements. They are still financially dependent on their parent organization (Klamer, 1996). The role of the collection is also different. It shifts from an internal academic resource to a place that is open to public and has additional civic responsibility to help produce and disseminate knowledge (Giacobini, 2010). Museums, if truly accessible, become effective: the university can communicate to the wider world while serving the educational mission that was the rationale for their creation.
- 3) The third profile is the network of an independent monumental complex or museum that is structured within a museum system. The creation of this system aims to promote the creation of museum centres by streamlining resources and sharing activities. Different museums are coordinated from an “umbrella entity” (museum coordination centre) which promotes consistent and profitable cooperation, providing an opportunity to focus on the heritage of the university, promote alliances as well as effective communication with the stakeholders.

The governing structure is considered an essential strategic asset for the achievement of the institution’s mission, especially for a cultural institution (Fanelli et al, 2015; Chong, 2002; Donato & Gilli, 2011). This explains the widespread tendency to organize the collections into external entities and why museums utilize managerial autonomy and dedicated personnel (Giacobini, 2010; Lourenco, 2003).

1.3 The journey of awareness

Despite the potential of the university museums, only in the last twenty years has there been a growing concern over their conditions, resources, safety and the general future of the collections of university museums. The formal recognition of University Collections by the International Council of Museums (ICOM) only occurred in 2001 with the foundation of the University Museum and Collections Alliance (UMAC). One year later, UNIVERSEUM was created: a European network with the aim to facilitate university heritage and define and interpret cultural identity.

The necessity of an international alliance originated in the crisis that university museums underwent in the 1980s due to the profound changes in their management, the reduction of public funding and the rise of different research interests (Stansbury, 2003; Warhust 1986; Willet, 1986). UMAC was created with the aim of providing a forum to identify partnership opportunities; enhance access to the collections; formulate policies to assist curators, management and other stakeholders; and, when requested, advise university management (Bragança Gil, 2002). The Council of Europe went one step ahead and implemented a recommendation (Rec 13/2005) on the governance and management of university heritage in order to overcome ongoing difficulties and provide international standards of conservation and management.¹

1.4 Building good practices through three management practices

In order to encourage good practices for management, three main themes emerged from the guidelines recommended by the council (Council of Europe, Rec 13/2005): accessibility, financial sustainability and clear communication to the stakeholders.

The first guideline: accessibility, means not only being a custodian of the heritage of the university museums but also encouraging public accessibility, reasonable opening hours and lifelong learning opportunities for both the academic community and the general public. Accessibility can be established through appropriate governance, management and organizational choices.

¹This was followed by the 2013 UMAC Resolution, with special attention given to evaluation guidelines for eventual disposition and protection.

Financial sustainability is the second guideline. The achievement of the goal of protection of the university museums relies on the financial sustainability of the organization. This is based on the diversification of the revenue stream, the provision of dedicated funds in the university budget, and an increase in additional funding from external private sources.

Communication is the third crucial guideline. Remaining independent from parent institutions while maintaining accessible prices is important. Universities should be encouraged to use appropriate communication systems, raise awareness of the uniqueness of their heritage to the public and make their goals and values clear.

Although the recommendations were sufficiently general to embrace the variety of collections of the university heritage (scientific, artistic, archaeological and demographical), a debate exists in relation to the scientific collections.

Considering that cultural heritage is subject to national legislation, the guidelines, created as tools at a European level, did not consider national peculiarities and contingent problems. This limit was already identified in the recommendation of the Council of Europe: “In some countries, higher education legislation may contain provisions that are also relevant to university heritage, but there is little or no synergy between these two [university and cultural categories of laws”.

2. The Italian scenario

The case of Italian cultural heritage is widespread, differentiated and strongly ingrained within the history of the territory (Donato & Gilli, 2011; Settis, 2005); the university heritage reflects this scenario. The Italian higher-education system is one of the oldest in the world; its collections and museums represent an important submerged part of entire Italian cultural heritage that is undervalued and still poorly studied in all its complexity (Corradini & Campanella 2013; Martino 2014; Martino & Lombardi, 2014). Despite university collections and museums represent a relevant dimension in Italy, the debate on their role and function started late (Capanna, Malerba & Vomero, 2011). The first attempt to discuss this topic was made in 1999 with the Conference of Italian University Chancellors (CRUI - Conferenza dei Rettori delle Università Italiane) It was established to examine the situation of university

museums, to assess their problems and to formulate proposals for their protection, enhancement, use and promotion. The conference committee consisted of representatives of almost all of the Italian universities. The goals of the conference were to map the scientific university museums and collections (Favaretto, 2005) and to define the standards for cataloguing technical-scientific assets within the framework of a national cataloguing system. This committee is no longer active; it was dissolved in 2002 and was not reformed. Its work has covered only part of the cultural heritage and scientific collections of the Italian universities, but it was an important springboard for reflection in this area.

2.1 The support of cultural heritage to the University third stream

The increasing interest in the cultural university heritage of Italy is linked to the introduction of the third mission in the evaluation mechanisms of the universities by the National Agency for the Evaluation of the University and Research System (ANVUR – Agenzia Nazionale per la Valutazione del Sistema Universitario e della Ricerca). The agency, founded in 2006 to achieve a quality certification of the Italian university system, has introduced evaluation parameters for the quality of teaching, research and the third mission of the each university.

The third mission of the universities is a concept born in the United States in the 60s. It supports the two main missions of the higher education system: the production and transmission of knowledge. It is the activity of making available the resources of the academic institution for the benefit of the community; it highlights the complex economic and social activities that universities put in place to transfer academic knowledge to the economy, territory and civil society. Third mission activities are therefore concerned with the generation, use, application and exploitation of knowledge and other university capabilities outside of the academic environment. In other words, the third stream is about the interaction between universities and the rest of society (Boffo e Moscati, 2015). This interaction spans three areas: technology transfer, continuous education and public engagement.

Technology transfer is based on entrepreneurial logic and a functional integration between university research, the state and various firms (Etzkowitz et al. 2000), instead in the continuous education and public engagement a logic of service to the community prevails.

These are characterized by the development of university activities of a cultural, social, educational or civil content that are capable of enhancing collective resources and multiplying them (Binetti & Cinque, 2015). The public engagement activities largely concern cultural and scientific communication policies (Scamuzzi & De Bortoli, 2013); this includes the management of cultural assets, the organization of cultural events and scientific dissemination. In this context, the higher education system is called to make its cultural and artistic heritage available and accessible, open to the public and embedded within the territory. In this framework, the role of accessibility is key in understanding the new challenges that universities have to face. Accessibility means organization, dedicated resources (funds and staff), services and communication; this is in line with the recommendations of the Council of Europe (Rec 13/2005). ANVUR has placed museums among third mission activities that are capable of producing positive results outside the university communities (ANVUR, 2013). Additionally, the Italian universities have been asked by ANVUR to measure, through a self-assessment process, the existence of museums, the management of cultural heritage and historical buildings and the presence of cultural activities that involve the non-academic public.

2.2 The state of the art

The challenges to the Italian higher education system gave rise to a wide debate. The two main problems involved mapping a world, sometimes unknown, even to the university itself, and highlighting the characteristics and managerial issues related to the enhancement and communication of heritage. Since 2012, many projects have been established in order to respond to these issues. This is the case with the Portal of Italian University Museums (POMUI), the result of research undertaken at the University of Modena and Reggio (UNIMORE). Coordinated by UNIMORE, twelve universities have monitored their scientific collections for a project that is directly financed by the Ministry of Education, Universities and Research to create a real and virtual network (Corradini, 2016). The main objectives of the first phase of the project were (Corradini, & Campanella 2013):

- ! to make an inventory of the most significant findings and to represent the main themes to which the network has decided to devote attention to: the regional landscape and the biography of important teachers for the history of the evolution of scientific instruments;
- ! to create a website to raise awareness and promote their scientific heritage.

The project has evolved by developing educational programs dedicated to schools that are aiming to disseminate scientific culture (Corradini, 2017).

Another research, conducted by the Sapienza University of Rome, examined secondary data and analysed 198 museums and 44 collections to determine the general profile of each museum and collection in reference to the main features: name, scientific field, presence on the web and possible affiliation to a central coordinating structure (Martino, 2016). The research shows a very complex system of collections and museums, distributed all around the Italian territory; 80 percent of them are scientific and only for 20 percent are definable as art collections (largely affiliated with an internal coordination structure). The universities with the largest number of museums and collections have a formal autonomous coordination centre that is organized as a specific business unit with the primary aims being to obtain dedicated funds, manage their assets strategically, maintain an autonomous perspective and promote internal synergies (Martino, 2016; Giacobini, 2010). The organizational model is clearly related to the economic sustainability of the university collection and museum system. Although ANVUR values the third university stream and the cultural activities, the funding system of Italian public universities does not provide any dedicated transfer of money for the third mission. The Italian universities have to self-finance the activities of public engagement or find new revenue streams.

3. An exploratory study of University artistic heritage

3.1 The research topic

This paper focuses only on artistic university collections in Italy. Other studies that deal with this topic refer specifically to scientific museums and outline a first map of this university heritage (CRUI, 2000; Sapienza University of Rome; POMUI of University of Modena and Reggio); however, these studies show different estimates and quantifications and do not provide a clear idea of how the university heritage is relevant to the artistic one. Therefore, there is an increasing need to explore first the artistic university collections in term of number of artworks and economic value; and second, the current approaches in the management of this heritage to identify strengths and weaknesses in suggested suitable solutions. These issues have become priorities for universities in light of the interest that numerous international entities have shown in this topic (e.g., the Council of Europe, UNESCO, the European Union, the European Science Foundation, UMAC, ICOM and the International Council on Archives).

3.2 Research design and methodology

For the aim of this study, university collections concern not only real museums but also minor exhibition structures that do not necessarily have a systematic order and are not continuously accessed by the public. Hence, the operational model and mission of these structures is only partly analogous to those of a real museum. In addition, we also consider as “artistic heritage” the following items: collections and archives of art and artist; ancient, modern and contemporary visual artworks (paintings, sculptures, drawings, engravings, photographs, designs, and video art); excluded are properties, furnishings, libraries, ethnographic museums, museums of natural history, scientific and technical equipment and everything that does not fit into the aforementioned categories.

Taking into consideration the purpose of this paper, which is to map the artistic heritage of the Italian universities and to investigate the management of university collections, the research team has conducted an empirical analysis through a survey questionnaire.

The questionnaire was developed in collaboration with the students of the Master in Economics and Management of the Arts and Cultural Heritage – Sole 24 Ore Business School.

The questionnaire defines three macro-areas of investigation:

The first section collects some general information about the university: whether it is public or private, the number of students (which gives us an idea of its dimension), the geographical area (north, centre or south of Italy), and the year of its founding. These characteristics are used to check for any potential relations between these variables and the different approaches to management of the university collections.

The second section focuses on the artistic heritage. It quantifies the number and value of the artistic assets and classifies their historical period. With reference to the historical period, the questionnaire divides the artistic assets into four groups: ancient art, medieval art (from the fourth to the fourteenth century), modern art (from the fifteenth to the first half of the nineteenth century), and contemporary art (after the second half of the nineteenth century). This section also defines the type of artistic asset: paintings, drawings, sculptures, photographs, items of fashion, items of design, archaeological finds, or others (not specified). Additional data in this subject-area has been directly collected from the websites of the universities and from information reported by the main disciplinary inventories such as UMAC (<http://publicus.culture.hu-berlin.de/umac/>) or UNIVERSEUM: the European Academic Heritage Network (<http://universeum.it>).

The third section investigates the managerial choices concerning some critical challenges with relation to the management of university collections. Three topics that emerged from the recommendations of Council of Europe (Rec 13/2005) are investigated. The first topic concerns the ability of the university to make its artistic heritage available. The second topic refers to the financial sustainability of the management of the university collections. The last topic refers to the external communication and promotion of the university collections.

Table 1 shows the recommendations of the Council of Europe that underline these three topics and the questionnaire that explores these topics.

Topic	Council of Europe Recommendations	Questionnaire
Accessibility	21. As far as is compatible with the main missions of the university and	<i>How can you benefit from the university artistic heritage?</i>

	<p>with international and national standards of ethical practice, universities should be encouraged to make their heritage accessible to members of the academic community and/or the general public, as appropriate.</p> <p>22. [...] institutions should be encouraged to make every effort to achieve a reasonable balance between heritage conservation needs, the needs of research and teaching and the desirability of providing wide access for the general public. [...]</p> <p>23. Institutions should be encouraged to give access to their university heritage for members of the general public at affordable prices and within reasonable opening hours.</p>	<p>None/ Archive reserved for researchers/ Archive with consultation open to the public /</p> <p>Temporary exhibitions /</p> <p>Permanent exhibitions</p> <p><i>What are the days and hours of opening to the public?</i></p>
Financial Sustainability	<p>17. [...] The institutions should in their turn be encouraged to make provision for the financing of their heritage policies within their own budget, whether publicly or privately funded, and seek to obtain additional funding from external sources.</p> <p>18. Higher education institutions</p>	<p><i>Do you usually lend artworks to external subjects?</i></p> <p>No/ Yes, mostly free of charge/ Yes, mostly for valuable consideration</p> <p><i>Which of these services are present?</i></p> <p>Museum services (teaching,</p>

	<p>and bodies should be encouraged to provide and maintain suitable physical accommodation for their heritage and to provide balanced and reasonable funding for its protection and enhancement.</p> <p>19. To the extent that the upkeep and protection of university heritage is financed through the general university budget rather than through earmarked provisions from public or other sources, higher education institutions should be encouraged to set up the budget in such a way as to make it possible to identify the appropriations for heritage purposes.</p> <p>20. Where required, institutions should be encouraged to seek supplementary external funds to enhance their heritage and implement their heritage policies. Such funds may be sought from local, regional, national or international sources.</p>	<p>guided tour, ticket office)/ Shop/ Guestroom/ Restaurant or Bar/ Other (specify)</p> <p><i>For each service, please specify who manages it.</i></p> <p>Not applicable/ University/ External subject</p> <p><i>How does the financing of artistic heritage management take place? (Specify a percentage for each source)</i></p> <p>University's own resources (%)/ Fundraising and private donations (%)/ Ticket sales (%)/ Other (specify) (%)</p>
Communication	<p>6. [...] In so doing, institutions could make explicit their understanding, preservation and enhancement of their heritage and the goals for its conservation and</p>	<p><i>How are activities and services related to artistic heritage communicated externally?</i></p> <p>In no way/ Ad hoc website/ University website</p>

	<p>for raising awareness of it, as well as specify the structure, instruments and means with which the institution intends to implement these policies, including its decision-making structures and a clear planning process.</p> <p>12. Higher education institutions should be encouraged to make their goals and policies for the university heritage explicit, for example through the adoption of a heritage charter for the institution or a specific heritage plan.</p> <p>25. As far as possible and in accordance with their general heritage policies, universities should be encouraged to take appropriate measures and develop methods for the promotion of the value, nature and interest of this heritage today.</p>	<p><i>Are activities and services communicated externally through social media?</i></p> <p>Yes/ No</p>
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TABLE 1: MANAGERIAL TOPICS OF THE UNIVERSITY COLLECTIONS

Source: Authors' own elaboration

In a subsequent phase, where necessary, additional information regarding the managerial issues has been collected through direct contact with the universities. The questionnaire was sent by email to all Italian universities. The recipient of the questionnaire was identified in the museum services manager. However, it was not always easy to identify a possible respondent. In many cases, prior to emailing the questionnaire to the universities, it was

necessary to contact the university beforehand to identify the most suitable figure to provide answers. Responses were collected over a four-month period (September 2015 to December 2015).

4. Results

4.1 Description of the sample

At the end of the period, we collected forty-three questionnaires on seventy-one universities (60.5 percent). Some universities said that they did not have an art collection (27.9 percent). For the aims of this research, we have excluded these universities from the sample. Therefore, the focus is on the thirty-one universities that have an art collection (72.1 percent). Most of these universities are located in the north (48.4 percent); some are located in central Italy (38.7 percent), and even less are located in the south (12.9 percent) (Figure 1).

FIGURE 1: DISTRIBUTION BY GEOGRAPHICAL LOCATION

Source: Authors' own elaboration

The sample is made of 29 public universities (93.5 percent) and just 2 private ones (6.5 percent). The universities sampled are different in terms of dimensions and history. Eleven universities have been established for less than one century (35.5 percent), and six of these are under fifty years old. Some universities (25.8 percent) have been established for between 100 and 500 years, and 38.7 percent of universities are over 500 years old.

Regarding the number of students, the sample records an average of 27,700 students, but with a high standard deviation (21,400). However, we can classify universities according to three groups: “small” (less than 15,000 students); “medium” (more than 15,000 but less than 30,000 students); and “large” (more than 30,000 students). In the sample, 25.8 percent of universities are small, 41.9 percent are medium and 32.3 percent are large (Figure 2).

FIGURE 2: SAMPLE DISTRIBUTION BY DIMENSION (NUMBER OF STUDENTS)

Source: Authors' own elaboration

Table 2 shows the

sample, highlighting for each university the year it was founded, the geographical location, dimension (the number of students in the year 2015), and whether it is private or public.

University	Year Established	Location	Dimension	Private or Public
Sapienza University of Rome	1303	centre	100,020	public
University of Bologna	1088	north	76,840	public
University of Milan (Apice)	1924	north	61,119	public
University of Florence	1321	centre	49,897	public
University of Catania	1434	south	49,621	public
University of Pisa	1343	centre	45,001	public
University of Palermo	1805	south	42,438	public
Polytechnic of Milan	1863	north	41,280	public
Polytechnic of Turin	1859	north	30,853	public
Bicocca University of Milan	1998	north	30,257	public
University of Chieti-Pescara	1965	centre	27,533	public
University of Cagliari	1620	south	26,439	public
University of L'Aquila	1596	centre	23,926	public
University of Parma	962	north	23,320	public
University of Perugia	1308	centre	22,327	public
University of Pavia	1361	north	21,470	public
Ca Foscari University of Venice	1868	north	19,210	public
University of Salento	1955	south	18,000	public
University of Siena	1240	centre	15,676	public
University of Ferrara	1391	north	15,634	public
University of Trieste	1924	north	15,386	public
University of Udine	1978	north	15,182	public
University of Trieste	1877	north	14,750	public
University of Urbino	1506	centre	14,136	public
Bocconi University of Milan	1902	north	13,137	private
University of Macerata	1290	centre	9,623	public
University of Varese-Como	1998	north	9,144	public
University of Cassino	1979	centre	8,554	public
University Tuscia of Rieti	1979	centre	7,749	public
University of Molise	1982	centre	7,237	public
IUAV of Venice	1962	north	4,379	private

TABLE 2. CHARACTERISTICS OF THE SAMPLE Source: Authors' own elaboration

4.2 The profile of the artistic heritage of Italian universities

Overall, Italian universities possess more than twelve million artworks; the value of these works of art is roughly 356 million euros.

From the interviews carried out with those who did respond, a problem in relation to the management of inventories was highlighted; two critical issues emerged. The first critical

issue relates to the artworks' value and how to correctly determine the value of the artwork due to the impossibility of obtaining an expert report/evaluation. For this reason, many artworks are inventoried only with a symbolic value (e.g., 1 euro). The second critical issue is linked to the accuracy of the archives. In the case of the donation of an entire archive collection in Italy, it is possible to record it as a *unique corpus* (as a single item), without taking into account the number of individual units. This issue can be overcome when items are listed in an internal index, but also catalogued and counted according to the number of pieces.

This difficulty also emerged in the questionnaire. Only 51.6 percent of the universities sampled list their artworks in an internal index (catalogue), whereas 35.5 percent only do an inventory and just 12.9 percent have neither an inventory nor a catalogue. Moreover, although the number of the artworks are listed in an internal index, this does not mean that a clear financial estimation of the collection has been completed.

With reference to the classification of artworks based on the historical period, we discovered that most of them belong to the contemporary art period (12 million works of art valued at 103 million euros). Roughly 6,500 works of art belong to the ancient art period (valued at almost one million euros) and about 4,000 works of art belong to the modern art period (valued at 250,000 euros); only ten works of art are belong to the medieval art period.

In Table 3, we show the division of the collections (according to their historical period) and their relative economic value.

Historical period	Number of artworks	Total Value (€)
Ancient Period	6,415	1,000,000
Medieval Period	10	N/A
Modern Period	3,886	251,211,177
Contemporary Period	12,006,895	103,882,837

TABLE 3: UNIVERSITY COLLECTIONS ORGANIZED BY HISTORICAL PERIOD

Source: Authors' own elaboration

This composition of the artistic heritage of the various sample universities is in accordance with previous studies. As Martino (2016) states: *“It is also interesting to note an emerging exhibition genre dedicated to contemporary art: this sector presents great expressive*

potential and affinity with the languages of communication and also allows institutions without a historical patrimony to form a collection ex novo” (e.g., Bocconi Art Gallery; Laboratory Museum of Contemporary Art – Sapienza University of Rome; Contemporary Art Network – University of Tuscia; Permanent exhibition of the Mediterranean Picture Gallery – University of Palermo).

Regarding the compositions of works of art, we know that more than 80 percent are photographs, and 18.2 percent are drawings. The remainder includes paintings, sculptures, items of fashion, items of design, and archaeological finds.

Table 4 shows all the data in detail, including the economic value of the works of art.

Type of artwork	Number of artworks	Total Value (€)
Paintings	4,294	48,532,830
Drawings	2,022,687	8,062,184
Sculptures	667	13,391,817
Photographs	9,003,141	3,000,520
Items of Fashion or Design	60,300	2,000,000
Archaeological Finds	9,809	2,450,000
Other	3,042	279,008,019

TABLE 4: UNIVERSITY COLLECTIONS BY ARTWORK TYPE

Source: Authors’ own elaboration

An in-depth analysis of the data shows that there are only two photographic archives, at the University of Parma (CSAC: Study Centre and Archive of Communication) and at the Torvergata University of Rome (MIFAV: Museum of Photography and Visual Arts). CSAC holds the largest university collection of photographs in Italy. There are two reasons for the high concentration of photographic archives in just two universities. The first is that in the case of photographs, donations or acquisitions concern entire collections and not single pieces, as is the case with other artworks. Secondly, for the conservation and reproduction of these artworks, large investments are required in laboratories and equipment, and therefore, not every university can afford it. Most of the photographic artworks are located in the north (99.7 percent), followed by the centre (0.2 percent) and the south (0.1 percent).

In the classification of universities by dimension, when CSAC is not considered because it is an outlier in the sample, there is a link between the number of students and the number of artworks. “Large” universities have an average of about 5,000 artworks; “medium”

universities have an average of 1,200 artworks, and “small” universities have an average of 160 artworks. Whereas no links are evident between the age of university and the number of artworks of its collection. This data leads us to reflect on the effects the large universities have on the territory: large universities have a greater impact on the territory and therefore a greater ability to attract donations (Kelly, 2001).

It is interesting that 75.9 percent of artworks are as a result of donations to universities who rarely buy artworks for their collections (only three universities state that the most of their collection derives from purchases).

4.3 The management of university collections

As described in the previous sections, Italian universities possess an enormous cultural heritage, both in terms of artworks and in terms of economic value. This heritage can contribute to reaching the third mission of universities, as mentioned previously. Because of this, it is crucial for universities to correctly manage their cultural heritage and artistic collections. However, data collected from the third section of the questionnaire shows that many improvements in the management of collections could be made to meet the recommendations of the Council of Europe.

Below are the results of the three managerial issues investigated: accessibility, financial sustainability, communication.

1. Accessibility

A specific question in the questionnaire investigates how the university makes its art collection available. It is surprising that seven universities (22.6 percent) declare that their artistic heritage is not accessible; if we add this number to the four universities that reserve the consultation of artworks to researchers and scholars only, this figure rises to 35.5 percent. The data thus shows that for many universities there is a great difficulty in sharing this important heritage with a wide audience. The main critical issues faced by the universities concern the scarcity of financial resources, adequate space, dedicated personnel and specialized skills.

The remaining 64.5 percent of universities make it possible for the public to access their art collections. Most of these (fifteen universities) display this art through a museum (or museums); the other universities do so through other university spaces. In addition, ten universities provide for a public consultation of the collections and twelve universities organize temporary exhibitions. It is interesting to note that the oldest and the medium to large universities make their artistic heritage more available, compared to the recent and small universities. Moreover, on the issue of accessibility, it is equally important to investigate *how* the university makes its artistic collection accessible to the public. In this area, the data shows great potential for improvement. For most universities (75.0 percent), the accessibility to their art collections is limited to the university's opening hours. Only five universities have planned openings on weekends.

To conclude, there are no links between the organizational model of collections management and accessibility to the collections themselves. However, the data shows a general tendency of universities to organize the management of the art collections through a museum system (38.7 percent) or museum (9.6 percent), followed by a single departmental (32.2 percent), autonomous research centre (16.1 percent), and archive (12.9 percent). Autonomous entities such as museums or museum systems have been created to ensure formal recognition of the collection. In the past, for reasons related to departmental necessity (to create new space for research and teaching), the collections fell into degradation, with improper interventions, transfers and break-up of the collections. This was mainly due to lack of human, financial and spatial resources and inadequate attention given by the institution.

2. *Financial sustainability*

Financial sustainability is strongly connected with the possibility of making the artistic heritage of universities more available. In this sense, universities are encouraged to increase and diversify their sources of funding. However, 84.7 percent of the resources dedicated to the management and maintenance of the artistic heritage are the university's own resources. More precisely, half of the universities states that 100 percent of the resources dedicated to the management of their artistic heritage are internal resources. Only 4.8 percent of resources derive from private donations, 3.4 percent from ticket sales, and the remaining 6.8 percent

from transfers from other national or international public entities. Thus, only six universities receive private donations and only five apply ticket prices to visit the collections. Therefore, universities could and should activate strategies to increase and diversify their financial resources for a more efficient and effective management of artistic collections. Fundraising and crowdfunding activities can help universities improve their financial sustainability (Donelli, Fanelli & Mozzoni, 2017). In order to successfully develop these strategies, it is necessary to invest in employees who have the right skills in the sector.

It is also interesting to note that 51.6 percent of universities do not usually lend their artworks to external subjects, and that even among those who do lend their artworks, 41.9 percent of them do so free of charge. The lending activity for a valuable consideration could therefore represent a simple and convenient way to increase and facilitate financial sustainability.

A final way to increase the financial resources of universities is to offer facilities related to the management of artistic collections. This would also allow for the achievement of a twofold objective: increasing available financial resources on one hand, and on the other hand offering a comfortable and stimulating place for public so as to positively impact on the usability of the artistic heritage.

Nevertheless, although many universities (87.1 percent) offer basic museum services (such as educational tours, etc.), only eight universities offer additional services (such as shops, guestrooms, bars and restaurants). In 75 percent of cases, these services are managed by third parties as said parties are more competent and have dedicated personnel for these activities. However, as already mentioned, universities can benefit from these partnerships with private individuals to offer a full experience of the artistic heritage.

3. *Communication*

The last managerial challenge is in relation to the ability of universities to externally communicate the activities and services related to their artistic heritage and to promote their cultural products to a wide audience. Good communication can also support the first managerial challenge: to make the artistic heritage of universities more widely available. Today, the internet can be a powerful communication tool thanks to the use of social networks.

The presence of ad hoc websites concerning the artistic heritage of the university could be a more effective means of external communication. However, only 48.4 percent of universities have a specific website for their artistic collection. About 32 percent of universities communicate activities and services related to the artistic heritage through their own institutional site. It is a cause of concern that six universities in the state do not use any communication channels to externally promote their artistic heritage.

Data on the use of social networks is slightly more encouraging; 54.8 percent of universities use these innovative communication tools. However, there are still many actions that can be put in place to improve external communication.

To conclude, it behoves universities, in the interests of transparency, accessibility, and scholarship, to follow the lead of major museums such as the British Museum and the Museum of Fine Arts, Boston, and place their collections online.

5. Conclusion

The research conducted describes a reality with great potential and difficulties. Two trends emerge on the organizational and management level: the tendency for the “musealization” of the art collections and the centralization of the management (museum system). There is, therefore, an attempt to overcome the collections department based, characterized of restricted access and basic storage facilities. However, accessibility is still a very complex subject that needs to be addressed. The universities involved in this research have expressed many issues: exhibition spaces are often insufficient and unsuitable for conservation and for the reception of the public. Therefore, they would need investments that the universities find it difficult to provide due to the lack of dedicated financial resources. Financial sustainability is at the heart of the matter. The conservation and accessibility of the art collections generate costs related to personnel, services, insurance and safety. These burdens weigh directly on the shoulders of the universities. No type of public funding is dedicated to cultural activities of public engagement. The Italian higher education system has also not yet been able to raise private funds to ensure reasonable opening hours and the accessibility of its assets by the general public. Linked to the lack of funds is the scarcity of dedicated and prepared

personnel. The lack of personnel was often mentioned as an issue by the interviewed managers in terms of recruitment difficulties related to the university employment contracts that set constraints regarding timetables and working days. In general, the research shows a difficult coexistence between the management needs of Italian universities and the needs of museums. In this sense, new technologies can provide a valid support system for the process of opening up the collections to the outside world. The example of UNIMORE highlights a possible scenario, where the collections are virtually accessible through an online platform. This means overcoming the problems related to space and the costs of opening the collection to the public. The POMUI project also demonstrates how the use of ICT can help to create virtual lifelong learning paths in concordance with other local actors.

The last piece of this complex puzzle regard external communication and the involvement of stakeholders. The universities will need to seek innovative solutions and employ a systematic managerial effort toward solving this mission, which it still a prerogative of isolated independent case, that we can consider best practices.

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CHAPTER TWO

The State as a Fundraiser? Evidence from the Newly Introduced Italian Cultural Heritage Reform

1. Introduction

Fundraising has always been a central topic in managing any kind of non-profit organization (Anheier, 2000; Dolnicar & Lazarevski, 2009). However, fundraising is now a central issue for cultural organizations for at least two reasons: the reduction of public contributions, and an ongoing necessity for organizations to be financially viable in both the long and short term.

In most European countries, factors such as the financial crisis and the demand from citizens for quantitatively and qualitatively better public services have reduced the allocation of public financial resources to cultural organizations (Kaul, 1997). Regarding the second aspect, cultural organizations have become aware of the need to be more autonomous in defining their goals and pursuing action to achieve these goals, in order to persist in the long run (Anheier, 2000).

In this context, managers have a crucial role in implementing effective strategies to increase and diversify funding sources (Chong, 2002; Colbert, Nantel, Bilodeau, & Rich, 1994). In particular, donations by individuals and corporations represent, for cultural organizations, an important source of income towards which managers need to direct their efforts. An effective fundraising strategy requires a managerial system built on different kinds of action: company sponsorship, fundraising events, corporate and individual membership, bequest fundraising, etc.

However, others factors also influence potential donors, such as awareness, solicitation, altruism, reputation, psychological benefits, personal value, and usefulness (Bekkers & Wiepking, 2011; Ranganathan & Henley, 2008), in addition to an appropriate legal and fiscal system (Bönke, Massarrat-Mashhadi, & Sielaff, 2013).

This research analyzes whether—and how—state intervention has been successful in promoting private donations to cultural organization; and further discusses the implications for management.

A case study is presented, of heritage reforms newly introduced in Italy that are based on two elements: a fiscal tool that provides tax benefits for patrons donating to public cultural organizations, and a public crowdfunding platform covering organizations throughout the national territory.

The authors strongly believe that cultural policies and managerial strategies are deeply interconnected. Managers can implement effective long-term strategies only if supported by an incentivizing policy framework; on the other hand, the implementation of a fruitful cultural policy relies on the willingness and ability of individual managers to support it.

2. Related Theory And Research

Stories of successful fundraising have long been analyzed from a number of perspectives. Empirical studies have shown some management implications for the definition of successful fundraising strategies.

2.1 Motivations for giving

The starting point for cultural organizations is to identify the motivations that induce various patrons to donate, in order to enable managers to create strategies tailored to different donors.

Indeed, altruism and psychological motivations mainly influence the choices of individual donors (Bekkers & Wiepking, 2011; Ranganathan & Henley, 2008), while corporate philanthropy could be mainly regarded as a strategic options for business, in which other economic factors such as brand development and legitimation (Campbell & Slack, 2008; Moir & Taffler, 2004) or corporate tax returns (Carroll & Joulfaian, 2005) could influence the choice to donate.

This first consideration implies that management must develop a continuous dialogue with key stakeholders, to understand and attempt to satisfy their expectations (Valan ien & Jegelevi i t , 2014). In particular, the literature has shown decisive factors for the development of donations. Some authors suggest establishing a strong connection between a cultural organization and its community (Bray, 2016), to maximize the personal motivations of patrons connected with their “cultural capital” and the involvement of stakeholders (Andreoni, 1990; Caldwell & Woodside, 2003). Andreoni (1990) argues that the presence of a compensation system for donors can be a determining factor for donations; this includes a simple feeling of gratification, or possibly a system that facilitates real involvement by donors, in the organization and the activities of recipient institutions (Swanson & Davis, 2006). Other factors influencing donations include the preliminary specification of the activities that will benefit from donor contributions (Jordan & Quynn, 2009), and full transparency and accountability concerning the expenses associated with the contribution and with the results of the financed activities (Bertacchini, Santagata, & Signorello, 2011; Sargeant, 2001).

It is easy to understand how information technology (IT) has played a key role in facilitating connection with donors and ensuring the accountability of received funds. IT allows cultural organizations to connect with a wide audience, both to promote their own initiatives and to communicate the results achieved. In particular, the diffusion and broad accessibility of the Internet has facilitated a new category of fundraising: crowdfunding.

Crowdfunding draws inspiration from concepts such as micro-finance (Morduch, 1999) and crowdsourcing (Poetz & Schreier, 2012), and leverages the Internet in order to fund a diverse range of projects through relatively small contributions from a relatively large number of individuals, without standard financial intermediaries. Wang and Fesenmaier (2003) also refer to the motivations of crowdfunders via the following categories: instrumental effectiveness, quality assurance, status, and expectations. There are no analyses of the motivations of participating donors, since such projects differ widely in their characteristics, the campaign aims, and in the types of reward. Crowdfunding has traditionally been used by the private sector; however, an increasing number of public entities have begun exploring the potential of crowdfunding for transforming conventional methods of financing public projects and services. Recently the term *civic crowdfunding* has been used in reference to campaigns initiated by the public sector, including local, state, and federal governments. However, civic crowdfunding has, so far, only been applied to specific, individual projects to be financed by the private sector, rather than to an ongoing strategy for increasing private donations (Davies, 2015; Hollow, 2013).

2.2 Cultural policies

The necessary conditions for more effective fundraising strategies encompass not only management choices that might favor and promote more incisive fundraising strategies, but also state policies that support cultural organizations responsible for maintaining and preserving cultural heritage (Bönke et al., 2013). As previously mentioned, economic factors can also influence patrons' choices and the amounts they are willing to donate. Public policies, such as tax reforms, play a key role in stimulating charitable giving. As a result, many countries have introduced fiscal policies aimed at encouraging cultural patronage. Fiscal incentives could be regarded as a means of engaging the private sector, and as a way for governments to indirectly fund cultural organizations (Dehne, Friedrich, Nam, & Parsche, 2007; Salamon & Anheier, 1998). Cross-national differences, in terms of the volume of philanthropic donations and the types of donors, reflect the different forms of central

government and differing fiscal pressures of each country. Indeed, differing perceptions concerning which actors should oversee the financing of culture as a public good (whether the state or private supporters) influence how—and how much—donors decide to give (Mulcahy, 1998; Salamon & Anheier, 1998).

Indeed, the United States (US) has low fiscal pressure, a liberal non-profit sector, and a large pool of private donors. Private and corporate contributions to charitable organizations and state properties are fully tax-deductible (Federal Income Tax, section 501(c); Publication 526 of Charitable Contributions). The US was one of the first countries to provide tax incentives for charitable giving, introducing tax legislation in the mid-1950s and strengthening it during the mid-1980s. In France, indeed, public administrations work jointly with non-profit organization in the provision of public goods and services (this also applies in the art sector). For these reasons, there is high public spending in the cultural sector, and the government felt the need to encourage donations from corporations and individuals (Mulcahy, 1998). The necessity to reduce high tax rates and levels of public debt led the government to implement the current law on *Mécénat Culturel* (law 2003-709; 1/8/2003), allowing cultural organizations to increasingly seek alternative ways to finance their activities. Households can deduct 66% of their donations from income tax (up to a limit of 20% of all taxable income), and corporations can deduct 60% of their bonus from the corporate tax, corporations can deduct 60% of their donations from corporate tax, up to a maximum of 0.5% of their pre-tax earnings. Under this solution, the French system provides some of the most generous tax breaks in Europe, at both corporate and individual level (Schuster, 2006). In the United Kingdom (UK), the *Gift Aid Scheme* that came into effect in 1990 allows patrons, in the case of philanthropic donations, to claim tax credits (according to the amount of tax paid); and in the case of a recipient organization, to claim an additional 25% from the government in addition to the donation. The United Kingdom is considered one of the strongest players in Europe for private philanthropy (Pharoah, 2010; Wiepking & Handy, 2015).

Starting from these premises, the present study has two aims: to measure the impact of the newly introduced Italian system for cultural patronage of cultural organizations; and to investigate the managerial implications in terms of successful fundraising strategies for cultural organizations.

3. Italian Cultural Heritage System

Philanthropy may be expressed in a multitude of ways due to a wide variety of sociocultural contexts, cultural heritage, current economic difficulties, fiscal backdrop, conception of the role of individual and community, and organization of the charitable sector, in addition to the professionalization of fundraising methods. This study mainly focuses on the Italian scenario as representative of a system undergoing substantial reforms concerning the private financing of culture. Indeed, as in many other countries, Italy has also introduced rules aimed at encouraging corporate and private donations to cultural organizations.

The cultural heritage system in Italy is predominantly owned and managed by the public sector. Historically, this has resulted in high levels of public spending and a low degree of financial independence for cultural organizations. However, in the last two decades, cultural institutions that were previously under the proprietorship of public authorities have gradually been transformed into private organizations or converted into operational foundations, in order to give more freedom in management, to disburden the public cultural budget, and to enable these institutions to involve a growing number of private funders. Consequently, at present, cultural goods and activities are financed by both the public and private sectors. Public authorities primarily finance cultural heritage institutions, archives, and libraries, and to some extent performing arts (e.g., music, theatre). Private grant-making foundations and foundations with origins in the banking sector are fundamental sources of support for social, cultural, political, and economic development in Italy. In 2001, grant-making activities by foundations originating in banking represented 40% of total support for arts and culture (European Union, 2011).

Therefore, the ongoing reduction of public funding registered in recent years necessitates identifying autonomous means of self-financing for cultural institutions. Consequently, the Italian Government decided to act as a facilitator for private giving via two main laws:

- Initially, the introduction of Law 342/2000, which allows for the total deduction of cash donations from taxable income; and Law DPR 917/1986, which makes advertising expenses and representation costs wholly deductible from company income.

- Law 342/2000 was then replaced by Law N. 106 of 29 July 2014 (formally called Culture Decree), which introduced a new set of rules to encourage private donations to support culture and the arts.

The first reform (No. 342/2000) was remarkably successful, registering a 70% increase in private donations to the cultural sector in 2004–2005. However, donations were not equally distributed among the regions, with the highest percentages of donations seen in northern Italy (European Union,

2011).

The second reform (Culture Decree) is characterized by two main elements: a tax credit equivalent to 65% of the contribution, and a ministerial website that aims to engage patrons and encourage potential donors to donate. This measure was enacted in order to boost new models of public–private collaboration in financing Italian public cultural heritage based on the visibility and engagement of potential donors. Moreover, it applies to contributions made to maintain, protect, and restore public heritage; to support cultural institutions, museums, public libraries, and public sites; or to renovate and expand opera houses.

The law therefore provides limits: corporations can claim the credit within 0.5% of their annual revenues, whereas for individuals the cap, based on their annual taxable income, is set at 15%. The tax credit is only granted for monetary donations delivered to a public subject or a concessionaire of public cultural assets within one of the following intervention areas: A) Maintenance, protection, and restoration of public cultural assets (donations in this area are related to a specific asset and on clearly defined projects); B) Support for institutes and places of public culture (e.g., museums, libraries, archives, etc.), opera houses, and theaters (these include more generic donations in support of current operations and the ordinary activities of cultural institutions); C) Realization, restoration, and development of public theaters and auditoriums (donations are related to a specific asset but limited to public theaters and auditoriums).

The reform also introduced an online platform, managed by the Italian Ministry of Cultural Heritage and Tourism, with the aim of making general information openly available, concerning public cultural organizations (who they are; which project they want to finance; the value of financial resource requested and received) and patrons (who they are; how much they have donated; and to which institutions).

The features of the platform recall the structure of the crowdfunding website: bringing together project owners and potential backers, facilitating information flow and transactions (Zvilichovsky, Inbar, & Barzilay, 2015). Crowdfunding campaigns can be categorized into four groups, based on the rewards provided to supporters: donation-based, lending-based, equity-based, and reward-based models (Mollick, 2014). The system introduced in Italy seems to follow the donation-based model of crowdfunding, typically used for artistic or humanitarian projects, which places the funders in the position of philanthropists who expect no direct return for their donations except for recognition in terms of visibility.

4. Methodology

In order to interpret how the introduction of a new tool has impacted private donations to public heritage, a case study was conducted of the Italian experience, taking into consideration the Italian cultural heritage reform from a longitudinal perspective, comparing datasets pre- and post-reform. This approach enables detailed interpretation of the effects of the recently implemented reforms. As Merriam (1998) pointed out, case studies are particularly suited to the analysis of transition processes, which involve causal explanation.

The uniqueness of the case lies in the fact that Italy implemented reforms based on tax breaks together with an experiment in civic crowdfunding, through a platform owned, managed, and operating directly to and from the public sector.

The case study employs both historical data extracted from existing reports (Associazione Civita, 2009; European Union, 2011), and recent data obtained by the authors from the ministerial open-access website (for the two years following the implementation of the reform: 1st June 2014 to 30th September 2016).

Through longitudinal data analysis, the authors identified implications for managers seeking to maximize the potential offered by the reforms.

5. Results

In the two years after the introduction of the Culture Decree, €123,261,089 was donated by individual and corporate donors to finance 764 funding campaigns throughout Italy. Donations were mainly devoted to public cultural assets and monuments (Area A; 50.4%: €62,164,315) and performing arts institutions (Area B; 49.5%: €60,957,373); the remainder was donated to the restoration of theater and performing arts buildings (0.1%: €139,400). The recipient organizations could be categorized according to two main areas: campaigns devoted to specific projects (maintenance, protection, and restoration) for cultural public heritage and institutions (Areas A and C); and campaigns devoted to the operational activities of performing arts institutions (Area B), hereafter termed Cultural heritage (Areas A and C) and Performing Arts Institutions (Area B).

Performing arts institutions have traditionally received greater attention from the private sector, as they are more widespread throughout Italy and representative of traditional heritage, as confirmed by historical data (2007–08). During the two years following the Cultural Decree, the opposite trend was observed, with cultural heritage attracting 22% more funding than performing art institutions

(€62,303,715 versus €60,957,373). Table 1 compares the amounts donated to performing arts institutions and cultural heritage, pre- and post-reform.

	Years 2007–08		Years 2014–16	
	N° donations	Amount donated (€)	N° donations	Amount donated (€)
Cultural Heritage	1,375	24,475,272	1,788	62,303,715
Performing Arts	547	38,928,713	1,361	60,975,373
Institutions				
Total	1,922	63,403,985	3,149	123,279,088

Table 1: Pre- and post-reform donations: a comparison

Source: elaborations by the author

Table 2 shows post-reform donations by individuals and corporates to cultural heritage and performing art institutions.

	Cultural Heritage			Performing Arts Institutions		
	N° donations	Amount donated (€)	Average donation (€)	N° donations	Amount donated (€)	Average donation (€)
Individuals	1,227	3,148,747	2,566	866	3,458,764	3,994
Corporates	661	59,154,968	89,493	495	57,498,610	116,159
Total	1,788	62,303,715	34,845	1,361	60,957,373	44,789

Table 2: Donations to Cultural Heritage and Performing Arts Institutions

Source: elaborations by the author

The group of corporate donors comprises private companies, non-profit organizations, and banking foundations. More detailed analysis reveals that banking foundations are the most important patrons for cultural heritage, donating €30,576,254 overall (mean donation €826,385). In particular, funding was provided mainly for the conservation and enhancement of historic buildings and archaeological sites (27.4% of donations), with private companies giving €27,191,016 (mean donation €58,728) and non-profit organizations donating €1,387,698 (mean €22,749). Among performing arts institutions, the major patrons are private companies, (€32,796,508; mean donation

€77,350), followed by non-profit organizations (€17,671,004; mean €535,485), and banking foundations (€7,031,097; mean €185,029).

Therefore, the data show that the largest number of donations is made by individuals (Table 1), but that individual donations represent only 5.4% (€6,607,511) of the value of all donations received by cultural organizations.

The trends in donations also show strong regional disparities between the different geographical areas of Italy. For example, among donations to cultural organizations, 83.4% were made to organizations located in the north, 14.9% to those in central Italy, and only 1.6% in the south. Moreover, cultural organizations in northern Italy are both more active and more successful in fundraising campaigns (52% have established campaigns; mean income €259,353), than those in central (38%; mean €63,177) and southern Italy (10%; mean €25,671). Regional disparities are also observed in the number of patrons and the value of donations: 67.2% in the north (mean donation €51,124), 30.1% in the central regions (mean €20,334), and 2.7% in the south (mean €24,708).

Table 3 shows the differences between northern, central, and southern regions in terms of fundraising campaigns, amount donated, and number of patrons.

	N° of fundraising campaigns	Amount donated (€)	N° of patrons
North	397	102,963,114	2,014
Center	290	18,321,336	901
South	77	1,976,639	80
Total	764	123,261,089	2,995

Table 3: Geographical disparities

Source: elaborations by the author

This geographical disparity reflects a tendency already identified in previous years (European Union, 2011).

In the light of these findings, there are at least three major implications for the management of cultural organizations. A successful fundraising strategy must consider the following topics: accountability, the types of donors, and the relationship with the territory.

The data show that donors prefer to finance specific projects for the maintenance, protection, and restoration of cultural public heritage, which implies tangible and controllable use of the resources, rather than funding the general operational activities of performing art institutions, where donors have less control over the outcomes (Table 2). Therefore, cultural organizations must increase the

accountability of their activities and the transparency of fundraising campaigns. The innovative ministerial web platform could be a more useful management tool if used not only to promote fundraising campaigns but also to communicate how donations are used. Outside these ministerial channels, management can also promote external reports to describe the interventions resulting from donations, for example through the use of social networks or newsletters. Therefore, the strategic challenge is to establish a relationship between the recipient organization and private donors, based on trust and traceability in the use of donations.

Further evidence concerns the type of donors: The data show that the vast majority of donations are made by corporate donors (94.6%; see Table 2). This implies that management must activate specific fundraising communications campaigns orientated towards corporates; therefore, it is of strategic importance to understand corporations' motivations for donating. Usually, corporations are more inclined to donate when they envisage a return from the donation in terms of visibility and building legitimacy (Campbell & Slack, 2008). Managers should provide greater visibility to donors, in addition to the evidence already displayed on the ministerial web platform; for example, on specific organization web site, naming events or activities after major donors, but also creating preferential channels for communicating and engaging with different donors.

Fundraising has traditionally been based on a small numbers of patrons making high-value donations, whereas crowdfunding relies on small donations from a larger pool of donors, potentially worldwide. The data show that individuals and small donors still account for only a residual percentage among the Italian donor population. This means the reforms have not yet lived up to their potential. Individuals require full transparency and a higher level of engagement in the activities of the cultural organizations to which they are donating. At present, the government website does not facilitate closer relationships between donors and cultural organizations. This implies that, although the governmental platform is a first step towards ensuring visibility for cultural organizations, individual managers should identify autonomous mechanisms by which to engage with and relate to their donors.

The third implication refers to the relationship between cultural organizations and the territory. Detailed analysis shows that approximately 95% of corporate donations are made to cultural organizations located within the same region, rather than to those in other regions. This also explains the geographical disparities observed in the donation trends: Savings bank foundations represent the major group of donors, of which more than half are located in northern Italy (46 foundations, compared with 11 in southern Italy), along with more than 74% of their assets. Therefore, cultural

organizations must introduce participatory processes that involve donors in their activities. Specifically, managers could include main patrons in decision-making processes, or offer complimentary gifts.

6. Conclusion

The case study of Italian heritage reform reveals a positive scenario for cultural organizations. Two years on from the introduction of the new tool, donations are improving under each profile: the number of donations has increased by 64%, the amount donated has almost doubled (+94%), and the average donation has increased by 16% (Table 1). These results demonstrate that the system developed by the Italian Government to promote private donations is generating the desired benefits. Naturally, the issue of tax incentives is an important factor for stimulating donations, but the true element of innovation is the web platform designed to connect donors and cultural organizations. The idea of introducing a financing system derived from the private sector, such as the crowdfunding model, has proven to be the key factor in this success, particularly in a country that has a historically low propensity to donate and high levels of bureaucracy. The ministerial platform facilitates the relationship between prospective donors and recipient organizations, and is a first step in providing patrons with greater transparency in the use of donations.

However, the platform also has several limitations; for example, it operates within a national boundary (the website is only in Italian); it does not inform patrons about the stages of progress of the project they supported; besides a fiscal benefit that differentiates individual from corporate donors, the website does not establish any differentiated strategy; more importantly, it does not allow patrons to directly donate online, but instead requires them to contact an individual organization. Therefore, there is also capacity to further increase donations, through differentiated strategies. The present findings suggest that managers should explore novel or innovative opportunities for developing successful fundraising strategies. These must: consider the different types of donors and their motivations for donating, in order to plan tailored fundraising strategies; provide tools to increase transparency, accountability, and step-by-step communication regarding the activities implemented by cultural organizations; and, while strengthening relationships within their own territory, should explore ways to engage with different donors through multi-lingual websites and the possibility to directly donate online.

In conclusion, the Italian case represents a useful example for government, within a context of weak philanthropic tradition and a need to encourage and increase private funding of cultural organizations. However, although Italy is part of the European Union, each member state has specific laws and different approaches to supporting the cultural sector. Therefore, future research will compare the results achieved in Italy with those of other European countries.

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CHAPTER THREE

The complicated balance between financial performance and public value: Is collaborative governance the answer? The experience of Italian opera houses

1. Introduction

Opera is one of the most fascinating performing arts and gives expression to human passions and emotions at the crossroads between music and theatre. The tradition of opera dates back to the 19th century, as do the related financial problems in the frequent gap between income required and income acquired (Baumol & Bowen, 1966) and the difficulties in measuring the intangible benefit to society (Thorsby et al., 1993). Opera and financial sustainability have always been considered awkward bedfellows. On one hand there is the requirement to keep ticket prices affordable to ensure the accessibility of this public heritage (Chong, 2010), on the other, there are extremely high fixed costs, which can rarely be lowered (Towse, 2001). In the majority of western countries these reasons have been used to justify the high level of public support to the performing art sector (Cwi, 1980; Thorsby, 1993). But the recent economic downturn and the frequent public spending cuts have led to a progressive reduction in funds allocation to culture (Finessi, 2010; Bennett, 1994).

Today it is no longer possible for public subsidies to ensure long term viability for opera house, thus many of them are now severe financial difficulties, because unable to diversify their sources of revenue (Dubini & Monti, 2018). In many countries, opera houses are in serious debt and are struggling to achieve economic sustainability (Baumol & Bowen, 1966; Towse, 2001, 2002). They are seeking new equilibria, based on new forms of governance and innovative management solutions. Two main approaches can be observed. On one hand, there is a trend towards privatisation and decentralisation (Zan et al., 2007; Fitzgibbon & Kelly, 1997; Sicca, 1997), and on the other hand, a new managerial attitude, encouraging opera houses to be more business oriented, is being enforced by central government reform of the sector (Rentschler, 2002; Fillis, 2004).

In Italy, a series of reforms have been implemented with the aim of overcoming the chronic problem of financial difficulties. The most recent reform (Law No. 112/2013, known as the Bray Law, after the Minister of Culture Massimo Bray in office) intended to help opera houses in most serious debt by giving them access to long-term loans, on condition of submitting a recovery plan. The Bray Law made the inclusion of private actors in the decision-making processes of opera houses mandatory. The reform was implemented top-down, although the actual decisions and response to the reform were left to the individual organisation.

This research discusses the issue of financial sustainability of Italian opera houses, focusing on their financial and social performance in as affected by collaboration at the governance level, which the literature suggests is a potentially useful path to follow (Huxham, 1993; McGuire 2006; Vangen & Huxham, 2010)

The remainder of the chapter is structured as follows. First, the literature review and the theoretical framework, then focus on Italian case studies and how the new regulatory framework has been implemented. Then present the empirical findings, followed by a discussion and main conclusions. Concluding by discussing some limitations of the study and offering suggestions for future research.

2. Background

2.1 Collaborative governance

Over the last three decades, policy makers and public managers have implemented different methods of outlining service priorities and allocating resources (Crompton et al., 2018). In particular, government practice has tended to shift from a perspective in which the state was the sole player setting policy, to one in which policy is horizontally influenced by state and civil society actors (Doberstein, 2016). This new strategy of governing is called “collaborative governance”. Ansell and Gash (2007) define collaborative governance as “*a governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage public programs or*

assets” (p. 544). This is a more restrictive definition of collaborative governance than is sometimes found in the literature but it fits the ideas underlying the Italian legislation.

Ansell and Gash (2007) in fact identify six main criteria of collaborative governance: 1) The forum is initiated by public institutions; 2) The forum includes public and private actors; 3) Private actors are involved directly in decision making by public institutions; 4) The forum is formally organized and meets collectively; (5) The forum aims to make decisions by consensus; 6) The collaboration focuses on public policy or public management.

With regard to the first condition, Italian opera houses were historically public institutions under the direct control of the Ministry of Culture and Tourism (MiBACT). The privatization of opera houses, dated 1999, changed their legal status from public corporation to the more flexible “opera foundation” with a private status. However, control remained in public hands because the board of an opera house consists of public actors, so although on paper the houses were privatized, they remained essentially public in nature (Barbati, 2013). The opera houses described in this paper thus have legally private status, but are democratic institutions in the sense that they have a public mandate and are financed and governed by directly or indirectly elected figures.

Regarding the second condition, the Bray Law restructured boards to promote the involvement of private stakeholders, individuals and/or firms, in the management of opera houses. Each opera house identifies its own criteria to allow private parties to join the board and participate in running the foundation. Generally, the criteria is financial; that is, a private actor obtains the right to be part of the board if they donate a certain amount of resources to the opera house annually.

Thirdly, private stakeholders are actively involved in the decision-making process and not merely consulted by public institutions (Fischer, 2003; Fung, 2015). The private stakeholders serving on the board of an opera house have the same opportunities to influence the decision-making and the right to vote on any issue pertaining to the board, although public institutions maintain a distinctive leadership role in collaborative governance (Ansell & Gash, 2007). As noted by Beierle and Long (1999), collaboration between public and private actors implies two-way communication and opportunities for stakeholders to talk with each other.

Fourthly, the forum is formally organized. Opera house statutes determine the criteria for private stakeholder to serve on the board of foundations as well as their rights and the obligations. The statutes also lay down when the board should meet and the issues for discussion and approval. Responsibilities are clearly defined and collaboration is structured and formalized. These elements distinguish collaborative governance from more casual and conventional forms of public institutions-interest group interaction (Padilla & Lesley, 1998; Walter & Petr, 2000).

Fifthly, decisions taken in collaborative forums are consensus oriented (Connick & Innes, 2003; Seidenfeld, 2000) and there should be a certain degree of consensus among stakeholders. This is guaranteed in opera house board meetings because decisions are made on the basis of consent expressed by the majority of those entitled to vote. Board meetings can be considered multilateral and formal forums where decisions are taken, and where public and private actors aim to achieve consensus or, at least, to strive to discover areas of agreement.

Finally, Ansell and Gash's (2007) last criterion regards the focus of collaborative governance, which is on public policy or public management. This condition differentiates collaborative governance from other forms of consensus decision-making, such as alternative dispute resolution or transformative mediation (Busenberg, 1999; Futrell, 2003). Opera houses are performing art organizations whose activities range from music to theatre, and are considered strategic in that they are part of the national heritage. Several studies discuss the nature of this heritage, with the aim of justifying public support of the arts. For example, Cwi (1980) identifies three main arguments used to justify public interest in artistic and cultural activities. The first sees "the arts" as a merit good; the second emphasizes market failure; and the third underlines the public benefits associated with art activities. These points of view support the idea that opera houses have a public mandate to carry out their activities and to create public value.

In addition, the framework of collaborative governance scheme outlined in the Bray Law includes interagency coordination between the public institutions. Scholars define interagency coordination as collaborative governance (Agranoff & McGuire, 2003; Elazar, 1962) and

some authors find that it is the most efficacious model of collaborative problem resolution (McGuire, 2006; Agranoff, 2012). Emerson et al. 2011 give a wider definition of collaborative governance than Ansell and Gash (2007), as follows “*the processes and structures of public policy decision making and management that engage people constructively across the boundaries of public agencies, levels of government, and/or the public, private and civic spheres in order to carry out a public purpose that could not otherwise be accomplished*” (p. 3).

By this definition, collaborative governance in Italian opera houses is horizontal, as it includes private stakeholders, and also vertical, as it includes different levels of public government. It fits a top-down model in that opera house boards incorporate both ministerial delegates from national government as well as actors at lower levels in regional and local government (McGuire, 2006).

Governments usually use this kind of collaborative arrangement to deliver services and solve problems not easily solved by a single public institution (Rogers & Weber, 2010; Kettl, 2006).

The Italian government is aware that the role of opera houses has many dimensions: cultural, economic and social (Turbide & Laurin, 2009). They make numerous contributions to society which are intrinsic and practical at the same time. They involve various areas of policy and are affected by cohesion policies, education, tourism and citizenship, among other areas. This means that management is complex and requires the involvement of a multiplicity of actors. For these reasons, new vertical and horizontal partnerships are today replacing the traditional model of direct service delivery by opera houses.

There are thus two main reasons for the government’s policy of promoting collaborative governance and legislation which specifies that boards should represent public institutions at different levels, and private stakeholders as well as civic society.

The first reason is that opera houses have value for society. This entails that collaborative governance as a principle acknowledges the right of the public to participate in democratic governance. Generally, public participation seeks and facilitates the involvement of those potentially affected by or interested in a decision. This can be in relation to individuals,

governments, institutions, professionals, firms or any other entities that affect public interests at local, regional, national and even international level. For many scholars, collaborative governance is the new paradigm for governing in democratic systems (Frederickson, 1991; Jun, 2002; Kettl, 2002). The second reason for promoting collaborative governance is more related to practical and pragmatic issues. In this light, a collaborative approach is the best tool to meet a challenge, as a way of combining interests in a practical way, by sharing the responsibility and combining resources, sometimes in a context where no single player has the requisite human or financial resources available.

For these reasons, collaborative governance initiatives have proliferated in contemporary society (Van Oortmerssen et al., 2014) and have been widely researched. In fact, around the world, collaborative governance has been applied and studied in several policy contexts. It has for example been used by the Veterans Health Administration (Dudley & Raymer, 2001), law enforcement agencies (Nicholson-Crotty & O'Toole, 2004), the Department of Homeland Security (Taylor, 2006), environmental agencies (Smith, 2009), and public health departments (Daley, 2009). It has been also applied to child and family service delivery (Berry et al., 2008), government contracting (Bloomfield, 2006), local economic policy (Agranoff & McGuire, 1998), crisis management (Kettl, 2006), and to conflict resolution (Susskind, 1999). However, collaborative governance in the arts sector is still relatively unexplored, although many authors identify the positive contribution that greater stakeholder involvement in the management of performing art organizations can bring to arts organizations (Andersson & Getz, 2008; Markusen & Gadwa, 2010; Wellens & Jegers, 2014).

In addition, most academic studies focus on the preconditions necessary for a collaborative governance system to be effective, such as shared motivation, principled engagement, and the capacity for joint action (Bentrup, 2001; Bryson et al., 2006; Thomson & Perry, 2006; Emerson et al. 2011); or on the critical factors in participatory decision-making such as the amount of time given to discussion, the number of participants, information management and the assignment of tasks and responsibilities (Friend & Hickling, 2005; Ansell & Gash, 2008; Johnston, 2010; Turrini et al., 2010). Only recently have studies examined the impact of

collaborative governance on performance (Ulibarri, 2015; Scott, 2015), thus responding to a long-standing gap in research (Provan & Milward, 1995).

This paper investigates the impact of the introduction of forms of collaborative governance in the arts sector, and more precisely, by opera houses in Italy. It therefore answers the following question:

How does collaborative governance impact on the performance of opera houses?

This research question is discussed with reference to Italian opera houses, where the Bray Law introduced forms of collaborative governance to overcome their long-standing financial difficulties. The Bray Law established that each opera house should have a board of directors combining public actors (representatives of different levels of central and local government) and private stakeholders. We therefore start from the assumption that the organisation performance is the direct consequence of the decisions taken by the board, as many authors have done previously (Brown & Caylor, 2006; Huse, 2007; Nicholson & Kiel, 2007; Crow & Lockhart, 2016). The research focuses on social performance, as well as economic-financial performance, which was the main reason for the introduction of collaborative governance in opera houses. When discussing the performance of non-profit organizations, in fact, social performance is widely considered to be more important than economic-financial performance (Cutt et al., 2000; McMurray et al.; 2010; Drucker, 2012). Good financial performance and economic equilibrium are necessary, but not sufficient, conditions for the success of a non-profit organization. In other words, the financial performance can be understood as the means to achieve the mission of the non-profit organization, which is to create social value (Moore, 2003; Quarter & Richmond, 2001). Consequently, it is not possible to positively evaluate the results achieved by collaborative governance in the case of opera houses if social performance is not taken into account.

2.2 The evolution of regulatory framework of Italian opera houses

The regulatory framework of Italian opera dates back to 1936 (Dubini & Monti, 2018). In the following decades, opera was acknowledged as a form of performance of significant interest to the state, a means to promote music education, culture and national identity. Several rules

implemented at a government level aimed to regulate the cultural sector and ensure economic sustainability, particularly opera houses (Zan et al., 2007). The most significant reform was approved in 1996, and was implemented in 1999. It started a process of privatisation, transforming “Enti Lirici” from state bodies into private foundations under private law, with boards of directors, budget autonomy, and legal liability (Sicca, 1997; Zan et al., 2007). This shift was intended to foster flexibility and help to overcome the limits of heavily bureaucratic organisations, to attract private capital through fiscal incentives and develop solid relations with a wider set of stakeholders . The reform was part of a slow process of decentralisation and privatisation which involved various public institutions in Italy (Zangrandi, 2008; Sicca & Zan, 2005).

However, the 1999 law was generally unsuccessful in bringing about change in management culture (Sicca & Zan, 2005; Ongaro, 2008). On the whole, opera houses were not prepared for such substantial change, and recorded disappointing performances in terms of accountability, differentiation of their revenue stream and development of a support network (Forte, 2009; Sicca & Zan, 2004, 2005). Change in the Italian public sector is mainly implemented by national top down reforms (Zangrandi, 2008), and the 1999 law was followed by a series of further reforms to enforce it (Table 1). An important aspect was a new process of allocating public funds to the performing arts sector, through the Fondo Unico per lo *Spettacolo* (FUS²). This FUS was set up with the aim of encouraging careful use of the resources and rewarding efficient management.

Name of the law	Main content of the law
Decree n. 367, 1996 Decree 134, 1998	Transformation of Enti Lirici from public entities into private foundations

²FUS is the state fund used by the Italian Ministry of Culture and Tourism to regulate public funding intervention in the performing arts field. FUS provides financial support to organizations, institutions, associations and companies operating in cinema, music, dance, theatre and circus, and supports the promotion of specific events or initiatives of national importance, in Italy and abroad. The Italian live performing arts sector is heavily dependent on government subsidies distributed through the FUS.

Ministerial Decree, 29 October 2007	Reforms of the funding allocation criteria : 65% management indicators; 25% number of productions and personnel involved; 10% artistic quality
Law No. 112, 2013 (Bray Law)	Government support to opera houses in financial hardship
Ministerial Decree, 3 February 2014	Reform of fund allocation, now on a three-year basis: 50% number of productions and personnel involved; 25% ability to access resources from the private sector; 25% artistic quality
Law No. 106, 2014 (Artbonus)	Fiscal incentives for private donations to public heritage; 65% of donations are tax-deductible within three years. Simplification of relocation of excess personnel; greater autonomy for self-financing to support capable opera houses. In addition, 5% of funding allocated as a reward to theatres succeeding in breaking even

Table 1. Changes in law concerning opera houses

The FUS system resulted in an overall fall in subsidies to opera houses at national and local level (Dubini & Monti, 2018). In 2013, the government took extraordinary and urgent measures to help opera houses solve their financial problems, issuing the Bray Law.

Under the Bray Law (the enactment of the 2012 Legislative Decree “*Conservation and Enhancement of Cultural Goods and Tourism*”) measures were taken to re-launch the performing arts system overall. A far-reaching set of new regulations were introduced to reform opera house statutes and allocation criteria of state subsidies. Boards, management and funding of top opera houses and orchestras were restructured.

Essentially, the main change was in new allocation criteria for state subsidies which now took into account the plurality of funding sources, productivity and co-productions, and the need to foster creativity and artistic innovation, along with an improved territorial and social outreach. In addition, an *ad hoc* fund of 75 million euros was created to provide loans to struggling theatres, to be repaid within 30 years, overseen by a new, extraordinary commissioner. Nine opera houses out of the fourteen main opera houses in Italy opted to take advantage, or were obliged to do so, as they had been under a government appointed

administrator (*amministrazione straordinaria*) for two years. Access to the loans was subject to several conditions: submission of a recovery plan balancing their budget within the subsequent three years (extended to six years), closing the deal on the renegotiation and restructuring of the existing debt as of end of 2012, rebalancing the foundation's accounts, a 50% reduction of technical and administrative personnel, and reduction of artistic personnel. A special controller (*commisario straordinario*) was appointed at government level with the aim of monitoring the recovery process of the nine opera houses.

The Bray Law also provided for the inclusion of private parties in governance. Previous reforms had already emphasized the need for new models of financial sustainability for opera houses in Italy, particularly models involving individuals and external stakeholders in the pursuit of efficiency. The Bray Law specified the structure and composition of governing boards, which however were still public dominated. They comprised members appointed by the government department responsible for performing arts (MiBACT) as well as representatives of central government and regional and local administrations. The president or chairman of the foundation is the mayor of the city where the opera house is located. The Bray Law also assigns an important role to the governing board. The board establishes economic and financial directions, with the aim of ensuring a balanced budget for the opera house. Its functions are thus supervision of all opera house activities, approval of the season's productions, assignment of specific tasks to individual board members, approval of internal regulations, promoting the acquisition of external financial resources, and fixing staffing levels and possible modifications.

3. Methodology

The research question that frames this exploratory study focuses on the impact of collaborative governance in improving the financial and social performance of Italian opera houses.

With this aim, the annual reports and financial documents of nine opera houses are analysed. An interpretive approach based on quantitative and qualitative data is used to describe results of the different opera houses. Case study analysis is considered appropriate when interpreting

and understanding change in strategic directions (Eisenhardt, 1989). Documentary analysis provides a useful means of tracking change and development, and is particularly applicable to case studies (Yin, 1994), as it provides rich description of phenomena.

The predominant approach in the field of collaborative governance is to use single-case case studies focused on sector-specific governance issues (Ansell & Gash, 2007). These studies widen the perspective of multiple case studies based on documentary analysis, and economic/financial analysis. Multiple methods are encouraged in qualitative research to triangulate findings (Bowen, 2009; Yin, 1994) and reduce the impact of potential biases (Patton, 1990; Bowen, 2009). In this research, findings are triangulated through the analysis of the six-monthly report of the special controller nominated by the government.

Annual Reports (ARs), which include the management report and auditor's report, are extracted from websites. They can be considered an accurate expression of organisational performance and record of intent, because they are audited, and reported to stakeholders. Additionally, under Italian law on administrative transparency (Decree No. 33, 2013), organisations receiving public funds are required to produce and publish data and documents and information showing the activities carried out during the exercise of public functions.

ARs are thus documents produced for purposes of accountability, and feature a degree of authenticity not associated with other reporting formats. They are often the principal means through which management fulfil reporting responsibilities (Boyne & Law, 1991)

3.1 Cases background

The performing arts scenario in Italy is dominated by fourteen opera house foundations located in major cities. They represent the strong tradition of opera and music in Italy, and are a point of reference for arts lovers in Italy and overseas. In terms of the volume of activities and the workforce, they are similar to medium-sized companies.

The study focuses on the nine opera houses which developed a recovery plan, as defined by Bray Law, for the period 2014-18 (Table 2). The case studies analysed in the study represent the entire population.

Petruzzelli Theatre of Bari
Comunale Theatre of Bologna
Maggio Theatre of Florence
Carlo Felice Theatre of Genoa
San Carlo Theatre of Naples
Massimo Theatre of Palermo
Opera Theatre of Rome
Verdi Theatre of Trieste
Arena of Verona

Table 2. Italian opera houses under a recovery plan

3.2 Board composition and collaborative activities

The opera houses in the sample are described according to the type of collaborative governance implemented. The analysis applies an inclusive definition of collaborative governance, which considers the presence of private actors on the board, the inclusion of external actors in a more general decisional process covering co-productions, institutional working parties and commissions, as well as long-term collaboration projects with other local authorities and organizations.

Data from this section are extracted from ARs and institutional websites of each opera house.

3.3 Performance Analysis

A longitudinal analysis of the social and financial performance is conducted with the use of financial statements (FSs). FSs were taken from the websites of each opera house.

The analysis covers a period of four years (2013-2017). It thus spans the period before the Bray Law came into force (2013) and covers the entire period in which recovery plans were implemented, up to 2017.

The advantages of a longitudinal study have been recognised (Tinker & Neimark, 1987) as identifying the results of the action implemented and excluding possible issues that impacted in a specific year.

The analysis focuses on different aspects in order to assess whether and how opera houses improved their financial and social performance during the period, as required by the law.

Financial performance is analysed according to three key indicators. The first is overall performance considering the net income. The second indicator is EBITDA (Earning before interest taxes depreciation and amortization), which is often used to measure effects of financing and accounting decisions. The third indicator refers to the expenses side, showing the ratio of input (production cost) to output (the cost of each show).

Data for the elaboration of balance sheet ratios is extracted from the statement of comprehensive income in the FS. However, as noted above, economic-financial performance should not be the ultimate goal of public management. It should rather be a tool to evaluate the financial comparability of various priorities in areas such as public value, and social and environmental policy, etc. (Borgonovi, Anessi-Pessina, & Bianchi, 2018). A solid accounts side is an essential but not a sufficient condition for public or non-profit organizations. For these organizations, a good economic-financial performance is only the starting point for creating public or social value (Osborne, 2018). Additional data thus needs to be taken into account to evaluate the effective performances of opera houses in order to assess whether they were able to achieve financial equilibrium through other means in addition to cutting costs. Three additional qualitative indicators of performance are analysed: audience figures, number of shows, and variation in FUS points before and after the reform. FUS points are the criteria applied by MiBACT to regulate public subsidy of performing arts, and reflect both qualitative and quantitative criteria. Qualitative criteria entail discretionary evaluation of artistic quality carried out by four consultation panels of experts appointed by the Ministry. Quantitative criteria include the size of audiences, number of productions, and the number of employees, etc.

The FUS point scores can thus be taken as a proxy for the quality of theatrical productions and artistic strategy.

4. Results

4.1 Collaborative governance and collaboration activities

The Bray Law made urgent provision for the recovery of opera houses and the launch of a national system of excellence in music in Italy. One of the requirements it imposed is for

opera houses to restructure their boards by opening them up to private actors, who can be individuals and/or firms. Under the law, an individual who contributes financially to the opera house to an amount equal to or higher than three percent of the endowment fund becomes a “private partner”. Private partners can appoint a representative to the board if, as individuals, or cumulatively, they pay an amount not less than five percent of the total public contributions for at least two consecutive years, in addition to the three percent contribution to the endowment fund.

Opera house boards must be composed of a minimum of five up to a maximum of seven members. They thus comprise a President, who is the mayor of the city, one member appointed by MiBACT, one member appointed by the Regional Authority, one member appointed by the Municipality, one member nominated by each private member who complies with the requirements described above, up to a maximum of three members appointed by private partners. If none of the private partners are eligible to nominate a board member, or if they forfeit the right to nominate, the fifth board member will be a representative of MiBACT.

Board membership lasts for five years and can be renewed. Members appointed by a private partner remain members for as long as the private partner remains eligible to nominate them.

Board meetings are valid in the presence of the majority of members, including at least the President or the Vice-President. Voting is by absolute majority of those present, and where votes are a tie, the President’s vote prevails, or, in his/her absence, the Vice-President’s.

Statutes of the nine opera houses in the sample show that some opera houses have also provided for the right to attend the meetings of the board for private partners who do not meet the requirement to appoint their own representative, although without voting rights.

The annual reports and websites show that in board composition in the period 2014-2017, three foundations have at least one member of the board nominated by private partners and that six foundations allow private partners to attend board meetings (Table 3).

Institution	No. of private partners	No. of board members nominated by	Possibility for private partners to attend the
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		private partners	board meeting
Petruzzelli Theatre of Bari	1	1	Yes
Comunale Theatre of Bologna	3	0	No
Maggio Theatre of Florence	16	0	Yes
Carlo Felice Theatre of Genoa	1	1	No
San Carlo Theatre of Naples	8	0	Yes
Massimo Theatre of Palermo	5	0	Yes
Opera Theatre of Rome	2	0	Yes
Verdi Theatre of Trieste	3	0	No
Arena of Verona	3	2	Yes

Table 3. The role of private partners in opera house boards

The data show that since 2014, the year the boards were instituted, all opera houses have been supported by at least one private partner (Before 2014 the management of these nine houses was entrusted to a special commissioner).

The issue of collaborative governance is related to the more general issue of networks. The new composition of the boards is already a first level of collaborative governance. The annual reports however show clearly that collaborative governance is not limited to the application of the law concerning board composition. In fact, almost all opera houses implement interactions similar to the mechanisms of inter-organizational collaboration typical of networks. The network, as an organizational and governance solution, provides structured and non-competitive relationships which connect autonomous entities (Doerr & Powell, 2010). These relationships can be of different types (transactions, information flows, behavioural interactions, affiliations, etc.) and have different objectives (economies of scale, flexibility, innovation, etc.), but in general they define an organizational model that is alternative to a hierarchy, and is based on trust and the exchange of resources for the realization of shared projects. In particular, the opera houses analyzed carry out coordination and collaboration processes which can be considered “behavioral interactions” and “information exchanges” with the goals of generating economies of scale, improving artistic quality, increasing audience size and improving cultural activity available to the public. Activities which can be identified as structured collaboration processes include co-productions, participation in institutional commissions, panels and working parties, and long-

term collaboration projects with other local authorities and organizations. Table 4 shows the opera houses boasting long-term external collaboration projects.

Institution	Co-productions	Participation in institutional working parties	Collaboration with other local authorities and organizations
Petruzzelli Theatre of Bari	No	No	Yes
Comunale Theatre of Bologna	No	Yes	Yes
Maggio Theatre of Florence	Yes	No	Yes
Carlo Felice Theatre of Genoa	No	No	No
San Carlo Theatre of Naples	No	Yes	Yes
Massimo Theatre of Palermo	Yes	No	Yes
Opera Theatre of Rome	No	No	No
Verdi Theatre of Trieste	No	Yes	Yes
Arena of Verona	No	No	No

Table 4. Collaboration with outside parties

In conclusion, the results show that all opera houses have recognized the benefits of collaboration with outside parties. In addition to mere compliance with the law in appointing boards, they have also embarked on different levels of collaboration with other external stakeholders.

4.2 Financial and Social performances

The serious debt and persistent failure to balance the books among opera houses in Italy led to fairly heavy government intervention in 2013. One of the main interventions, which took effect in 2014, was the encouragement of collaborative governance. As described in the sections above, all the opera houses in the sample now have collaborative governance and many of them go beyond legal requirements in the field.

This study thus uses a simple model to assess opera house performance in 2017 compared to 2013, the year before the Bray Law brought in collaborative governance. The aim was to

verify whether government policy and subsequent opera house strategies were successful over the course of five years. In other words, we tested whether collaborative governance of opera houses brought about the improvements intended by the legislation.

For two main reasons, performance was evaluated on two levels: economic/financial and social. Economic/financial performance was what led to legislative intervention. Social value however was also evaluated, given that creating social value is the key mission of an opera house. Their performance cannot be evaluated solely by looking at economic and financial results.

Evaluation of economic performance was based on three indicators; economic equilibrium and net income; EBITDA; and production costs. These indicators reflect three aspects crucial to any commercial company and opera houses as well. The explicit aim of the Bray Law was in fact for opera houses to balance their books and an evaluation of net income shows clearly whether they achieved this. The figures in fact show that six of the nine opera houses closed the financial year at a loss in 2013, whereas none of them showed negative net income, or ran at loss, in 2017.

The second indicator, EBITDA, measures the operational management of each opera house. Seven opera houses recorded a negative EBITDA in 2013, while only one did in 2017. Note however that this opera house in any case improved its EBITDA significantly over the five-year period. Lastly, in order to assess productivity, production costs were assessed in relation to the number of performances or shows each opera house put on. There was significant improvement in productivity too, and for eight of the nine houses production costs fell. Only one house saw its production cost per show basically unaltered from 2013.

Table 5 shows economic performance in 2017 in comparison with 2013 for the nine opera houses in the sample.

Institution	Net Income		EBITDA		Cost per show	
	2013	2017	2013	2017	2013	2017
Petruzzelli Theatre of Bari	- 1.956.840	520.000	- 1.469.916	1.340.000	118.227	25.175
Comunale Theatre of Bologna	- 2.732.043	204.311	- 1.254.151	1.091.428	32.260	32.731

Maggio Theatre of Florence	- 9.303.147	32.520	- 6.263.925	595.066	35.326	25.704
Carlo Felice Theatre of Genoa	- 5.814.066	106.242	- 4.077.686	- 477.112	25.858	21.031
San Carlo Theatre of Naples	235.178	906.804	6.652.947	8.768.149	48.128	46.023
Massimo Theatre of Palermo	369.629	336.000	547.709	578.000	50.274	21.523
Opera Theatre of Rome	-12.905.145	18.525	- 7.944.736	4.636.162	85.017	44.106
Verdi Theatre of Trieste	4.847.173	334.938	- 166.126	1.193.505	45.697	19.514
Arena of Verona	395.169	656.989	- 2.489.022	5.509.164	200.226	142.188

Table 5. Economic Performance (in euro)

Three indicators were used to measure the dimension of social performance, and the quality of activities. These were the number of shows, audience figures and FUS points.

The number of shows gives the amount of activity over the years. Seven houses significantly improved on this indicator. Of the other two, the Comunale Theatre of Bologna remained steady and the Arena of Verona put on fewer shows.

Audience figures show the capacity of the house to attract the public. Again, all the houses except for one, the Arena of Verona, saw significant increases in audiences over the five-year period.

The last indicator is the FUS points which are allotted by the MiBACT on the basis of quality. They are used in allocating state subsidies so that opera houses providing higher quality can be rewarded. The more points a opera house receives, the more financing it will obtain. The figures show that six of the nine opera houses were assessed as having improved quality. Table 6 reports percentage improvements for social performance in the period 2013-2017.

Institution	Number of shows	Audience	FUS points
Petruzzelli Theatre of Bari	+ 113.43%	+ 99.55%	+ 72.99%
Comunale Theatre of	+ 0.76%	+ 12.28%	+ 33.44%

Bologna			
Maggio Theatre of Florence	+ 75.95%	+ 49.30%	+ 27.54%
Carlo Felice Theatre of	+ 46,09%	+ 18,49%	– 5.00%
Genoa			
San Carlo Theatre of Naples	+ 18.00%	+ 62.68%	+ 12.44%
Massimo Theatre of Palermo	+ 66,25%	+ 39,21%	+ 7.30%
Opera Theatre of Rome	+ 69.23%	+ 47.29%	+ 22.13%
Verdi Theatre of Trieste	+ 87.18%	+ 51.12%	+ 11.53%
Arena of Verona	– 11.11%	– 17.57%	– 7.18%

Table 6. Social performance (Percentage variation 2013-2017)

It is clear that all opera houses improved performance in the period 2013-17. These results confirm that government policy played a positive role, and that the various forms of collaborative governance adopted were able to turn policy into positive concrete results.

In order to summarise the overall performance of each opera house, a single indicator was constructed to take account of both economic and social aspects of performance. Each dimension counts for 50% as in the formula:

$$\text{Overall Performance} = 50\% \text{ Economic performance} + 50\% \text{ social performance}$$

Financial/Economic performance was assessed using the three indicators described above, with a value of 1 if considered positive and 0 if negative. The three indices are weighted differently. In more detail, net income was taken as positive (1 point) if it was positive in 2017, and was weighted at 50%. EBITDA was taken as positive (1 point) if it was positive in 2017, and was weighted at 25%. Production costs were taken as positive (1 point) if they were lower in 2017 than in 2013, and weighted at 25%.

Financial performance can be given a maximum of three, according to the formula:

$$\text{Economic performance} = 50\% * \text{Net Income} + 25\% * \text{EBITDA} + 25\% * \text{production costs}$$

Social performance was measured in the same way. The three indicators (number of shows, audience figures and FUS points) were taken as positive and given the value of 1 if they were above the average values in the sample, and 0 if they were average or below average. In weighting the indicators, FUS points were weighted most heavily at 50%, while the number of shows and audience numbers were weighted at 25%.

Social performance can also be given a maximum value of three, according to the formula:

$$\text{Social performance} = 50\% * \text{FUS points} + 25\% * \text{Number of shows} + 25\% * \text{Audience figures}$$

The values for financial and social performance were added to yield a percentage showing improvement. One hundred per cent improvement occurs when all six indicators rise, and gives an overall result of six out of six. Figure 1 shows percentage improvement of the nine opera houses.

Figure 1. Overall improvement in performance (2013-2017)

As Figure 1 shows, all nine opera houses showed improvement in performance in the period 2013-17. Five of the nine in fact show improvement on all indicators, in other words, 100% improvement. Two houses show an improvement of above 90%. Even the lowest performing institution, the Arena of Verona, shows a smaller but positive improvement (50%).

5. Conclusions

This research evaluate how collaborative governance has impacted on the performance of opera houses in Italy.

The recent Bray Law laid down forms of governance which would actively involve all stakeholders in decision-making processes. Many opera houses had been in severe economic difficulties for years, and the reform aimed to include private parties as well as public institutions, at different levels of government, in running them.

We found that under this law, all opera houses in the sample have introduced forms of collaborative governance, at varying levels of intensity. Each opera house has identified a specific strategy based on collaboration suitable for its own circumstances.

The reform was thus innovative in that it did not involve direct cuts in spending, which took place in other sectors. In performing arts opera, the government chose not to adopt funding policy which would have led to short term improvements but long term negative impact on outcome.

The policy chosen was to promote collaborative governance as a central guideline, but individual houses were left to identify how and where to intervene to improve levels of performance, which decreased the risk of policy resistance. The introduction of collaborative governance inclusive of different stakeholders redrew the traditional paradigms where policies and management had been entirely institution-based. The new governance entails a co-production of results by different agents, and aims at strengthening community resilience and sustainable socio- economic development.

The analysis on financial and social performance shows positive results in the period following the Bray Law. The different forms and intensity of collaboration are the outcome of independent choices which made it possible to reach the target overall.

The combination of making each opera house responsible for its own strategy and introducing collaborative governance as a basic structure made it possible to reach objectives and enhance performance in the long as well as the short term.

This study is preliminary exploration of collaborative governance in opera houses.

The question of measuring performance in terms of outcome is widely debated especially in cultural organizations. The indicators used in the study were selected mainly on the basis of the need for the sample to be traceable and homogeneous. One of the weaknesses of the study is in fact selection of indicators, which would ideally need to reflect performance with a higher level of accuracy.

It is also the case the although performance certainly reflects management strategy and government reform, opera house performance also reflects externalities which vary from

house to house and which are not taken into account here. Further research could usefully focus on measures taken specifically by each house and their efficacy.

Lastly, for the aims of this research, collaborative governance is evaluated in terms of who the board members are. But stakeholder presence on the board does not necessarily mean that they take an active role in making decisions or that leadership is effective. It would be useful for future research to organise observation and focus groups to study the dynamics of decision-making processes where there is collaborative governance. It would be helpful to draw up guidelines for setting up forms of governance as suitable as possible for strategy to be implemented.

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CHAPTER FOUR

Strategic or struggling? Money, mission and Philanthropy in the Performing Arts Sector

1. Introduction

Since the 1980s, the rise of New Public Management (NPM) in Australia, and in many other developed countries, has seen an increasing emphasis on sustainability, accountability, financial viability and effectiveness. This new emphasis has had a huge impact particularly on arts organisation as traditionally public owned and run. Some of the major changes of relevance to these organisations include a shift from public to non profit organisation (Kawashima 1999; Dubini and Monti 2018). Further, government and market reforms have gained popularity in public service, as part of a package of changes, the purpose of which is to implement innovation as a source of adaptability for public sector organisations (Piening 2011; Vicente, Camarero, and Garrido 2012).

It is significant also that the number and types of rapid changes in organisational strategy, structure and funding of arts organisations, expedited due to the lacuna of public funds, has introduced new requirements in public sector management. In public service delivery, the private sector has taken a more prominent role with market principles more widely applied than in the past (Kawashima 1999). These changes have led to the formation of organisations, in which there is a combination of public and private organising logics: mission-driven social enterprises; cross-sectoral collaborations; and public-private partnerships (Jay 2013).

Peculiar is the case of arts organisations, forced to diversify their funding mix, search for management efficiencies and recognise that they operate in an increasingly competitive environment as they seek to serve their social and creative mission. The main mission for those organisation is to develop, preserve, and communicate collectively accumulated cultural capital from one generation to another in perpetuity. For such institutions, therefore, survival is a necessary, although insufficient, condition for sustainability, and they should view institutional survival as only a baseline for achieving intergenerational sustainability (Moldavanova and Goerdel 2018).

The dilemma for public-serving organisations is to combine artistic and managerial challenges. In this case, the tension between market and non-market logics has to do with the ambiguity of managing an organisation that is oriented towards the creation of public value, is part of the cultural and creative industries yet under market logic (Hewison 2004; Radbourne 2003; Tremblay 2004). In order to survive, arts organisations seek to attract philanthropic support, encourage donations, and generally diversify their funding, while they strategize and restructure. In this context, philanthropy giving is a key tool for any arts organisation, as demands on the sector increase; it is essential for viability (Sargeant, Shang, and Shabbir 2010) and a possible way to solve the dilemma in mission.

Nonetheless, what is meant by philanthropy is a contested term. Contestations have seen philanthropy emerge with various qualifiers, such as strategic, venture, entrepreneurial or 'new' philanthropy, to name a few (Phillip & Jung 2016).

Indeed, philanthropic giving not only finances additional revenue but also provides benefits indirectly by fostering citizenship behaviour (Sargeant, Shang, and Shabbir 2010). Over time, different public policies have been implemented to encourage philanthropic giving as a means of benefiting society. Citizenship behaviour boosts public participation in social organisations, such as performing arts, increasing a sense of belonging and value co-creation of benefit to individuals, organisations and the community (Azmat et al. 2017). For these reasons, it is important that philanthropic giving is viewed as facilitating growth. This is the case whether philanthropy is undertaken to boost opportunities to improve health and education or alleviate poverty (Daly 2012; Phillips & Jung 2016), or indeed to fill the financial gap in the arts left when government funding and ticket sales are insufficient. However, with leaders in performing arts organisations struggling to change behaviour in the face of extraordinary external pressures caused by global financial crises, changing government policy, and reduced government grants to each performing arts organisation, the question remains of how performing arts organisations position themselves for long-term sustainability. Not being able to access philanthropy often sees non profits organisations struggling, even on occasion leading to collapse (Reid & Karambayya 2009).

Philanthropy may buffer organisational financial crises (Turbide 2012), acting as a mediator between market forces and organisational mission, orienting the organisation's growth trajectory. Certainly, governments and performing arts organisations are at different stages in this major change process, meaning that not every one of them is able to benefit from new behaviour that requires a different way of strategizing (Osborne 2018).

In this work has been build on the work of previous scholars, defining philanthropy as the use of private funds for public benefit and social change (Harrow and Jung 2011; Payton and Moody 2008).

Against this background, the aim of this research is to examine how philanthropy is enacted in non-profit performing arts organisations, using resource dependency theory. Performing arts organisations may be buffered against the winds of change which occur due to government policy shifts or economic uncertainty (Sargeant, Shang, and Shabbir 2010), but such buffering may occur differentially dependent on diversification of revenue primarily due to philanthropy. Thus, this study answers the research question: *How is philanthropy enacted in building public service organisations sustainability?*

2. Background

2.1 Sustainability in the Performing Arts Sector

From the 1980s, New Public Management (NPM) became a government initiative which aimed to restructure the public sector (Kuipers et al. 2014; Halligan and Power 1992; Hood 1991). The arts have not been exempted from NPM reform and renewal. Hence, NPM is defined as an improvement of public service quality and cost efficiency. The implementation of NPM changes has been introduced differently in different countries (Halligan 1997). For the performing arts sector in general, adopting NPM meant achieving sustainability through broader funding diversity (i.e., philanthropy); new models of public-private partnerships (Brady et al. 2011); and change in legal status and co-creation of value through audience-centricity (Rentschler and Geursen 2004). By the 1990s, new trends became of interest in the cultural sector, with the Australia Council for the Arts, the government's arts funding and

advisory body, requesting arts leaders to reorient their services to an audience focus, with a diversity of funding sources to supplement government income (Johanson and Rentschler 2002; Gibson 2011). Public Management paradigm is now considered a transitional period in the evolution of the Public Administration (Osborne 2006) which failed to produce viable long-term responses to external threats for public, private, and non profit organisations engaged in the provision of public service (Osborne et al. 2014). Organisational sustainability, emerge as a crucial theme for public service organisation requiring to be managed efficiently while continuing to maximize their social value for future generations.

The fragile nature of the performing arts sector, theorised in Baumol and Bowen's (1966) classic cost disease theory, makes for performing arts organisation even more necessary to be sustainable. Sustainability is therefore of extreme importance for this organisation, struggling to manage service costs efficiently and effectively (Rentschler 2002), while ensuring product quality (DiMaggio 1987).

Participation in revenue diversity and the ability derive external resources to ensure mission delivery is then a key priority for cultural organisations survival, as postulated in the resource dependency theory (Jeffrey Pfeffer and Salancik 2003; J. Pfeffer and Salancik 1978). In this case, diversity of funding sources relates to the growth of philanthropy, bringing in an additional funding stream. Resource dependency theory (RDT) is helpful in understanding both intra-organizational and interorganizational behaviour. First, external resource dependency affects power structures and relationships inside organizations, such as people or units in organisation which deal resource-related strategies (Moldavanova and Goerdel 2018; Jeffrey Pfeffer and Salancik 2003), such as Philanthropy manager or department. This explain the necessity to investigate structure of the organisation.

In addition resource dependency theory explains how organizations cope with resource deficiencies caused by external factors, when organizations develop self-sustaining revenue strategies, including greater reliance on earned income and creation of their own enterprises (Weerawardena, Robert, and Mort 2010).

Financial performance can be regarded as a feature of philanthropic planned or emergent strategy for performing arts organisations. It determines whether performing arts

organisations are able to promoting greater organisational longevity, through diversification of revenue portfolios (D. A. Carroll and Stater 2008; Bowman 2011).

2.2 Philanthropic Strategy and Structure

There is an extensive body of conceptual and empirical work on philanthropic using different perspectives and various motivations. The landscape has been dominated by motivational studies of two segments of donors having different types of motives: individual (Bekkers and Wiepking 2011; Bertacchini, Santagata, and Signorello 2011; Ranganathan and Henley 2008; Lindahl and Conley 2002; Van Slyke and Brooks 2005; Grace 2011); and corporate (Moir and Taffler 2004; Navarro 1988). Other authors studied how external factors can affect donation behaviour, such as government support (Brooks 1999; Borgonovi 2006; Bergstrom, Blume, and Varian 1986) and tax benefits (Donelli, Fanelli, and Mozzoni 2017; Mulcahy, 1998; Pharoah, 2010). The shared interest in motivation is reflected in the corporate strategic management literature, where the emphasis lies in measuring the instrumental benefit for donating firms, in terms of reputation and stakeholder satisfaction. Corporate philanthropy, in the other hand, can be regarded as strategic for business. This is because economic factors such as brand image and legitimation (Campbell and Slack 2008; Moir and Taffler 2004) drive the decision to support no-profit institutions, along with the key role played by corporate tax returns (R. Carroll and Joulfaian 2005). Strategic philanthropy is so how donors can think strategically about their giving and maximize the public and private benefits of donation (McAlister and Ferrell 2002; Maas and Liket 2011; Campbell and Slack 2008).

Shifting the focus from donors to recipient cultural organisations, studies on philanthropy have been undertaken mainly in marketing studies, where potential donors have been seen, and compared to, potential consumers (Mixer 1993; Sargeant 2001). As noted, this partly explains the attention given thus far to donor behaviour in terms of motivation. In the other hand the majority of study on recipient cultural organisation addressed are philanthropic foundation (Rhodes, 2009) for which raising funds is the core activities of their business model. Our study takes a management perspective on the topic, demonstrating a contribution to the literature of strategical thinking of philanthropy as peripheral activities, in public and

non profit organisation.

Recent studies in the field of management suggest new models of fundraising, resulted from changing times and transformations in donor behaviour (Radbourne and Watkins 2015). Hence, the term philanthropy has undergone significant changes over time and in ways that illuminate both contemporary and academic understanding of it (Lindahl and Conley 2002). Philanthropy emerges more recently as a new concept which moves from purely transactional (ie. raising money), to one of shared value co-creation, which Drucker called *people development* (Drucker 1995, p.74). Philanthropy and fundraising have been used interchangeably with the two concepts sometimes fall under the umbrella of called 'patronage'. Fundraising is a social exchange between the agency (cultural organisation) expressing a need, and the prospect (the donor) who gives in exchange for tangibles (public recognition) or intangibles (e.g., self-actualisation, personal satisfaction) benefits (Mixer 1993; Radbourne and Watkins 2015).

Recognising that philanthropy can be conflated with these other terms. In this brief overview here, it is not possible to review all definitions of philanthropy, which emanate from the ancient Greek (Sulek 2010). Suffice it to say that philanthropy descends from early English usage such as 'goodness,' 'benevolence' and 'goodwill towards fellow man.' More recently it is said to apply to 'active efforts to promote human welfare.' It concerns the application of private means through money, time, goods or effort to public ends (Sulek 2010; Harrow and Jung 2011).

Financial support is the consequence of building relationships and sharing values with external constituents (Voss and Voss 2000), or developing a sense of shared organisation ownership (Drucker 1995), that has a strategic intent.

2.3 Strategy

Strategy, as a whole, has been neglected in both the arts sector literature and practice (Cray and Inglis 2011). Practitioners seem mainly to focus on the day-to-day operational exigencies, rather than consistent long-term strategy (Kong 2008), except in moments of crisis (Mulhare 1999). However, the content of strategies is crucial to the level of engagement

of different segments of the organisation and the different levels of engagement of stakeholders (Nutt 2001; Cray and Inglis 2011).

Further, interpreting strategic organisational implementation means interpreting structure. It is based on the recognition that strategy is the left hand and organisational structure is the right (Chandler 1962; Mintzberg 1989; Moore 2000; Hatten 1982). When considering philanthropy and the arts in a rapidly changing, volatile world, Mintzberg's deliberate and emergent strategy framework seems appropriate to address strategy formation and implementation (Mintzberg 1978).

In achieving sustainability strategy can be emergent or deliberate (Mintzberg 1978; Mintzberg and Waters 1985), depending on the approach taken by those responsible for it in the arts organisation. In the NP sector, in particular, a useful approach to philanthropy is for NP organisations is to begin with organisational functions (Hatten 1982), such as integration into organisational structure and types of and approaches to giving.

Strategy here entails a complex combination of planned and emergent forces (Mintzberg and Waters 1985; Mintzberg 1978) implemented at different times and in different ways in different organisations. The necessity of a whole of organisational commitment, has been identified as one of the key elements for strategic success in the philanthropy literature (Bönke, Massarrat-Mashhadi, and Sielaff 2013; Radbourne and Watkins 2015; Grace 2011). Philanthropy is indeed based on an entire organisational commitment towards building long-term relationships and sharing values with donors, between donors and via organisations (Chong 2002; Radbourne and Watkins 2015).

Contrary to its name, philanthropy rarely focuses on soliciting for charitable donations. Instead, fundraising practitioners spend a majority of their time involved in managing the relationship between NP organisation and donor (Kelly, 1998). Moreover, recent studies have shown that fundraisers are increasingly taking on more managerial duties than technical ones (Tindall & Waters, in press; Waters, 2008).

Following this premise, sustainability is studied regarding three themes: (i) revenue diversification (strategy realised) (ii) strategy and structure (representing how RDT impact on

power structure); and (iii) engagement between performing arts organisation and donors key element for philanthropy . The three theme aims to answer to the research question:

How philanthropy conform to strategy for sustainability in public service organisation?

3. Methodology

3.1 Study Setting

The respective power of philanthropy and government to address societal concerns is geopolitically determined. The American philanthropic sector has implemented visible, resolute, intentioned and strategic effort to affect on the ground change, policy decisions and ultimately to scope what is possible (Rich 2005). Examples exist in public health policy (Tesler and Malone 2008), social policy (Guilhot 2007) and economic policy (Anderson 2008) among others. The setting for the research was Australia as a part of a cluster of Anglo-Saxon countries (Hood 1995), categorised by Pollitt and Bouckaert (2011), as core-NPM countries.

The type of central government and fiscal pressure are factors which influence public perception of who should be responsible for financing culture as public good, whether the state or private subjects (Mulcahy, 1998; Salamon & Anheier, 1998).

Understanding national diversity is crucial for a rigorous study on philanthropy strategy.

Comparative studies across different countries in fact reveal that there are numerous different national approaches (See for example: Dehne, Friedrich, Nam & Parsche, 2007; Salamon & Anheier, 1998; Wiepking, & Handy, 2015).

Our study is set in Australia, a dynamic multicultural society with a lively arts and cultural scene.

The foundation of the Australian major performing art companies in their current form dates to the mid-20th century, although there were commercially supported arts companies from the early days of European settlement. In 2017, twenty-eight flagship performing arts organisations operate in dance, theatre, opera, orchestra and circus, at the national level. They

are supported by the federal Government's art funding and advisory agency, the Australia Council for the Arts.

Cultural activity makes a substantial contribution to the Australian economy, contributing A\$ 50 billion to Australia's GDP, comparable to GDP share in the USA. It includes over A\$ 4.2 billion from the arts. Expenditure on culture by Australian governments in 2012–13 was A\$ 7 billion, including over A\$ 1.3 billion on the arts (Australia Council for the Arts 2015). With a welfare state philosophy, a cultural disposition toward privacy, and a reluctance to celebrate wealth or individual achievement, Australia arguably does not have a strong culture of philanthropy (Leat, 2004; Liffman, 2008; McDonald & Scaife, 2011; Scaife, McDonald, & Smyllie, 2011). Against this background, philanthropic giving in the performing arts sector is growing. Revenue from donations, corporate sponsorship and fundraising events in Australia grew by 15.2% in 2016, to a total of A\$ 95.7 million. Overall, private sector support for the major performing arts (MPA) companies contributed 17% of their total income in 2016, with 42% coming from performance income, 28% from government grants for core funding (federal and state) and 3% from grants for specific projects/initiatives, and 10% from other sources (AMPAG 2017). The growth of private sector support was vital for the arts, as from 1990s the arts sector has undergone deep changes in governance and funding in response to the new requirements of sustainability, resulting from NPM. During Prime Minister Howard's era in the 1990s, the federal government commissioned a series of reviews inquiring into the legislative frameworks, industry structure and governance for the arts (MacNeill, Lye, and Caulfield 2013).

Indeed, Helen Nugent (1999) was commissioned to undertake the first major national analysis of the status of performing arts organisations in Australia. Her report aimed to 'secur[e] the future' of the performing arts sector in Australia, which then represented 75% of all funding by the Australia Council. Recommendations emerged for both government and performing arts companies, in order to achieve a viable sector that supported artistic vibrancy but was financially sustainable. Recommendations included: ensuring private sector support as a major provider of additional income; reducing costs by establishing collaborative processes for productions; increasing economies of scale by merging functions in different companies

(such as an opera company and an orchestra); and creating strict requirements to be enlisted as a major company. Despite the positive levels of net assets achieved by performing arts companies as a result of the recommendations of the Nugent Report, by the 21st century, there was again a need for higher levels of private sector income to ensure the future of the performing arts sector in Australia. The last report, *Opera Review* (Nugent 2016), identified the continuing gap between production costs and income earned in Australian opera.

3.2 Approach

In order to interpret change in philanthropic strategies of the different performing art institutions, an interpretive approach was used, mixing quantitative and qualitative data to interpret findings. The research has an Australian focus on the performing arts sector. The study commences with the results of the Nugent Report (1999), providing a suitable starting point for the study, as it had strategic philanthropic recommendations for the performing arts sector. The approach in this study uses multiple case studies based on content analysis along with interviews with stakeholders (including CEOs, board members and philanthropy directors) and financial analysis. Multiple methods in qualitative research triangulate findings (Bowen 2009; Yin 1994) and reduce the impact of potential biases (Patton 1990; Bowen 2009).

3.3 Case Studies

This study employed twelve cases in one year (2016), in order to determine philanthropic strategies across art forms (discussed below). Case study analysis is considered appropriate when interpreting and understanding change in strategic organisational direction (Eisenhardt 1989). Case studies were selected in order to obtain a sub-population of twelve within the population of twenty-eight performing arts organisations supported by the Australia Council. The case studies are limited to the art forms of dance, theatre and opera, as these are considered more affected by the introduction of large-scale commercial musicals, festivals, opera and dance spectacles (Recommendation 3.2, Nugent report), but are spread across Australia. Hence, selection necessitated ensuring geographic spread, various art forms, organisational size by turnover, variety in strategy, structure (including legal status) and VCC

approach, and funding diversity which provides evidence of transitions impacted by NPM. Major performing arts organisations³ selected are recognised for their national leadership and artistic excellence by the Australia Council for the Arts. The cases are selected to provide a national perspective, geographic spread, art form difference, and traditional and contemporary art styles (e.g., ballet versus Aboriginal dance); indeed, all Australian states are represented, except for Tasmania, where no performing arts organisation in the genre (dance, theatre or opera) was present. Eight cases have a non-profit status (company limited by guarantee or incorporated); one is a department of a university; three are registered as statutory authorities of which one is ‘in the process of moving away from the current structure as a statutory authority to that of a private non-profit company’ (State Theatre Company of South Australia AR, p. 6). The organisational profile is shown in the Table 1, illustrating their location, legal status, establishment and size by turnover, summarised as small, medium or large.

Table 1. Characteristics of performing arts organisations

Organisations	Location State	Legal status*	Established	Size†
West Australian Ballet	Perth (WA)	NP Inc	1952	Small
Melbourne Theatre Company	Melbourne (VIC)	UniDep	1953	Large
Opera Australia	Sydney (NSW)	StA	1956	Large
Queensland Ballet	Brisbane (QNL)	LBG	1960	Medium
Australian Ballet	Melbourne (VIC)	LBG	1962	Large
Queensland Theatre	Brisbane(QNL)	StA	1970	Medium
State Theatre Company	Adelaide (SA)	StA	1972	Small
State Opera of South Australia	Adelaide (SA)	StA	1976	Small
Sydney Theatre Company	Sydney (NSW)	LBG	1978	Large
Opera Queensland	Brisbane (QNL)	LBG	1981	Small
Bangarra Dance Theatre	Sydney (NSW)	LBG	1989	Small
Black Swan Theatre Company	Perth (WA)	LBG	1991	Small

³ According to the Australia Council of the Arts, these companies must meet a range of criteria, including the demonstration of the highest artistic standards, a sizeable audience base and having a minimum average annual income of more than \$ 1.6 million over the previous three-year period. (<http://www.australiacouncil.gov.au/strategies-and-frameworks/list-of-the-major-performing-arts-companies/>).

Notes: * NP Inc. (Non Profit Incorporated Association); UniDep (University Department); StA (Statutory Authority); LBG (Company limited by Guarantee)

† Companies are treated as 'large' if their turnover exceeded \$15m, 'medium' for companies with a turnover between \$8m and \$15m, and 'small', less than \$8m.

3.4 Document Analysis

Documents analysed included Annual Reports (ARs) and websites. Document analysis provides a useful means of tracking change and development, and seems particularly applicable to case studies (Yin 1994), providing rich descriptions of phenomena. The interpretation of the data and process of coding were facilitated by using NVIVO11. The researchers used an inductive approach to content analysis, in order to describe phenomena where existing theory was limited (Hsieh and Shannon 2005), avoiding using preconceived categories, but allowing them to emerge from the data (Kondracki, Wellman, and Amundson 2002).

For the purpose of this study, ARs are considered an expression of organisational strategy as they are audited, signed by the chair and the CEO as a statutory requirement, reporting to parliament and their stakeholders, as a record of intent. Although the content of ARs are variable in content and form (Christensen and Mohr 2003), they provide similar information, are produced on an annual basis, and reflect organisational mission and values (Rentschler 2001).

3.5 Financial Analysis

A longitudinal analysis of financial performance was conducted by examining the ARs. The advantages of a longitudinal study have been recognised (Tinker and Neimark 1987) as identifying the results of philanthropic strategy and excluding possible issues that impacted on a specific year and identify around change (Rentschler 2001). A total of 180 financial statements were analysed over fifteen years (2001-2016).

AR analysis took into consideration revenue composition of the different organisations. Data on different revenue sources was extracted from the statement of comprehensive income in the financial reports. All financial reports had been prepared in accordance with Australian Accounting Standards (AASs) adopted by the Australian Accounting Standards Board

(AASB) and the Australian Charities and Not-for-profits Commission Act. Note that two organisations prepare their statutory accounts on a financial year rather than a calendar year basis. Sources of income have been identified as: public grants (including state, government and local contributions); sponsorship; philanthropy (cash and in-kind donations); and earned income (e.g., revenue from box office, royalties, rental income). If the AR dataset was incomplete (i.e., unable to obtain an AR in any given year), the data based on historical performance was estimated. Revenue was categorised into four different trends which emerged from examining philanthropic income as a percentage of total revenue over time. These differences are registered in the results under four headings.

3.6 Interviews

Semi-structured interviews were conducted using a guide based on the research questions which emerged from the literature (Lapan 2003). Interviews were based on broad, open-ended questions structured around three main themes: planned philanthropic strategy; emergent philanthropic strategy; donor engagement; and demographic questions. Fifteen interviews were undertaken with executive directors, philanthropy directors and stakeholders with influence on policy and practice, from December 2017 to March 2018. Previous constructs were used in the interview design to build trustworthiness into the study (Lincoln 1995). They provided a means of triangulating the data that emerged from document analysis.

4. Results

In order to assess differences in philanthropy in performing arts organisations, as a result of income diversification, strategy and structure, and engagement.

4.1 Strategy and Structure

Sustainability is an integral part of organisation thinking, influencing many of the organisations' key decisions and activities. Considering strategy and structure in relation to philanthropic giving, it is evident that performing arts organisations invest differently in

philanthropy in relation to how significant it is in their planned strategy or in their organisational structure.

In relation to strategy, data shows an overall attention to philanthropy at both board and executive levels in all ARs examined. All organisations have at least one member of the board with competence in private giving.

We now have a board member, who has fundraising experience, which is fantastic! It helps to communicate at higher level [of the organisation] what we do, the energy our philanthropic strategy requires. They think you just sit here and the cheque is coming.

(Interview 3S, Stakeholder)

However, the important role of philanthropy is recognised by all organisations in the sector, as having made a difference in strategic choices, which can be identified indirectly by analysing the organisational structure. There is a general understanding to the importance of the role of the professional philanthropy manager. Indeed, with the exception of one case, all organisations analysed have at least one philanthropy position (either full-time or part-time) in their organisational structure. The philanthropic team can vary, from a more mature structure that includes a number of different roles, which specialise in different functions (for e.g., planned giving manager; bequest manager; or regional philanthropy manager) to a development director supported by a philanthropy coordinator. In relation to structure, however, despite the rhetoric of philanthropy, the level at which philanthropy is seen as strategic by different organisations was interpreted differently from different organisational structures.

Philanthropic organisational structures differ, some have made more robust organisational choices. Structures contain managers with fundraising duties (either philanthropic director or development director) sit in the leadership team and implement the board's strategic direction together with the artistic and executive directors, to ensure the goals are co-created, shared and realisable. A donor committee or a foundation board works alongside the board. These

organisational features recognise the strategic role of fundraising, assigning this activity to a line function in the organisational structure and a hierarchical dependence directly on the board. Multiple managerial supporting roles in the management team are present. Generally, there is a foundation board as a sub-committee of the board, comprised of ‘volunteer community leaders’ and philanthropists; its task is to assist in introducing people and ‘broadening relationships’ that are beneficial to the organisation and ensure a constant exchange between donors and the organisation. For example:

The Foundation Board assists in introducing people and broadening relationships that will be beneficial to The Australian Ballet.

(Australian Ballet, website, 2017)

We build a bigger structure for philanthropy within the team that enabled us to really lift off. We will never reduce this back as true, we've just gone from strength to strength.

(Interview 4, Dance Company)

For performing arts organisations with fluctuating philanthropic income, there are different philanthropic roles at different organisational levels, but there is less integration and strategic intent. The leadership role (sitting in the executive team) is not necessarily working full time on philanthropy (e.g., director of development, who is working on partnerships, government relations). In some cases, the executive director dedicates part of their time to philanthropy and it is supported by a coordinator. A foundation or external fund is present to manage the funds received and ensure flexibility in decision-making (i.e., statutory authorities).

The MTC Foundation will ensure MTC remains an iconic Melbourne institution commissioning and development new works in our state-of-the-art venue.

(Melbourne Theatre Company, AR 2016, Foundation Chair Report, p.5)

Our governance structures are quite complicated. (...) That's why our Foundation was

important for us. We really do need a foundation to help us administrate that and manage it. Although we operate as very separate units there is a lot of idea sharing and goodwill which is great.

(Interview 7, Theatre Company)

Other organisations have opted for less strong solution, the executive team only comprises the artistic director and the CEO. Philanthropy is assigned to a philanthropy coordinator (e.g., when the position was present in two organisations out of three, the position was vacant for the year 2016) or was not well defined (e.g., was the responsibility of a single board member). Organisational structures have been touched little by philanthropic strategy. Indeed, in these organisations, philanthropy is addressed together with other functions, such as marketing and communications. Where a foundation manages fundraising projects as a ‘fully independent private body’ (State Theatre Company of South Australia 2016 AR, p.8), it has been recently introduced, but works in parallel to, not within, the organisation, potentially causing governance dysfunction.

A few years ago, the “Friends” moved under our [the organisation] wing. They are now part of the machine, we really believe the organisation should be really close and connected to the true ballet fan.

(Interview 10, Dance Company)

Friends are usually people interested in the Opera and they see it is a way of fundraising for the Opera, but we are an incorporated body of our own.

(Interview 7, Opera Company)

4.2 Engagement

Where philanthropic strategy was present, the value communicated by the chair and the CEO was either expressed via visionary goals of creating a future for generations to come, or more tangible goals of financial sustainability

A series of themes can be observed linked to the concept of engagement, such as associating donors to ‘family’ or ‘community’ and inviting them to take active part in organisation life. Thus, it was not just about satisfying the organisation’s need for cold, hard cash but more about stressing the possibility for donors to align their own values with organisation values.

We continued to enjoy heartfelt support from individual philanthropic donors, welcomed five new members to the Artistic Director’s Circle and introduced the Music Director’s Circle for those particularly keen to direct their support to live music.

(Queensland Ballet, AR 2016, Executive Director, p.9)

The donor embodied the organisation role as co-creator, which has been associated with being an ‘investor’ in the future of the organisation, or the future of the sector in general.

Two examples provide a sense of the themes that emerged from the ARs:

There are a number of unique ways you can become part of the Queensland Ballet family.

(Queensland Ballet, website, 2017)

[We] translate traditional stories into accessible contemporary form (...). These vital initiatives are made possible by our generous donors, on behalf of us all at Bangarra, thank you for backing our vision.

(Bangarra Dance Company, AR 2016, Chair Report, p.5)

Interviews provided additional richness to the data, providing a leitmotif about emergent levels of engagement and differences in values across organisational types. Donors meet regularly with the company and take part in the life of the company. All donors are considered valuable, and donate through appeals in online donation campaigns. Hence, differentiated campaigns allow donors to donate according to tailor-made levels of commitment thus co-creating value. Specifically, one project entails donors in a manner that

has a direct relationship with how the donation is used, which could range from ‘buy a pair of pointe shoes’ to ‘one costume for a child performing’ to ensuring ‘your favourite dancer’s well-being’. The level with which donors engage is shown also in the attention given in the AR to donors and stakeholders in general, where a special report on philanthropy is present; accountability is demonstrated by explained use of resources; and clarity of donors’ roles is revealed as part of the process of value creation. Values shared with donors are expressed in daily operational activities in order to inspire and touch potential donors so that they are motivated to give.

A lower level of engagement is present when value is linked to the prestige of belonging to a closed group of donors or supporters for the ongoing vitality of the brand. The goal associated with this strategy reflects the need for money and for donations to support operational activities or build prestigious top-class performance. The level of engagement varies from tangible acknowledgement of the donation to being part of a ‘group of friends, special circle or becoming an ambassador’ of the organisation. Donations are acknowledged but special attention is given to major gifts; indeed high-profile donors are recognised by the CEO in their report. The value creation process is mainly a prerogative of the organisation, in which donors take part in accordance with the provision of funds. Indeed, strategy targets specific type of donors rather than specific values.

4.3 Revenue Diversification

Different revenue sources were extracted from the comprehensive income statements in the financial reports. Overall, revenue composition registered an increase in donations (+55.44%), sponsorship (+16.72%) and box office income (+3.13%) and a reduction in public grants of about 20%. Table 2 shows the revenue composition in 2001 and 2016, with the growth over time.

Table 2. Revenue composition of performing arts organisations 2001 and 2016

	2001	2016	2001-16
Philanthropy	5.51%	8.57%	+ 55.44%
Sponsorship	5.77%	6.74%	+ 16.72%

Earned Income	48.46%	49.98%	+ 3.13%
Public funds	32.34%	25.89%	- 19.94%
Other	7.91%	8.82%	+ 11.54%
Total	100%	100%	

In 2016, the organisations in our study collected around A\$ 50 million from private support, of which 56% was from donations (A\$ 27,890,292) and 44% from sponsorship (A\$ 21,944,714). Hence, private support impacts, on average, on 15.3% of total revenue (8.6% for donations and 6.7% for sponsorship). However, significant differences are evident between performing arts organisations in relation to percentage of philanthropic giving. The data shows very different performance trends among organisations in terms of capacity to attract private philanthropic funds. Indeed, in the sample, the percentage of philanthropy to total revenue has a high level of standard deviation (0.05), with a minimum value of 3.04% and a maximum value of 21.10%. The results are presented showing four trends in Figure 1. The four trends show the mean of how much philanthropy impacts in revenue formation during the period 2001-2016.

Figure 1. Trends in philanthropic giving as percentage of total revenue by type (2001-2016)

Upward: Three performing arts institutions have a very high level of private donations in 2016. They reach a mean of 12.7% in charitable giving on total revenue (+110% compared to 2001). In general, each of these organisations has more than 10% in donations. In all three cases the impact of public grants on total revenue never exceeds 40% (the mean being 24.17%). Organisations starting from a relatively high percentage of donations in 2001 (6%), show a constant upward trend in donations (+575% in absolute value). In particular, a crucial turning point emerged after the global financial crisis in 2009. The year 2016 illustrates the highest percentage of donations (about 13%) and the highest percentage of self-generated income over time (about 50% in 2016, -5% compared to 2001).

Fluctuating: A further three organisations show, in 2016, a high level of donations (on average 10% of revenue from philanthropy). However, they also register high levels of public revenue (about 40%). Moreover, their historic performance shows high revenue fluctuations

from philanthropy over the years, with spikes and sudden decreases. Philanthropy moves from a mean of 4% of donations in 2001 to 10% in 2016, recording the most important improvement in the period (+158%). Indeed, revenue from philanthropy in these organisations is a consistent part of their revenue stream, but the high fluctuations do not allow them to consider philanthropy as a stable source of income.

Downward: A different scenario is evident for two organisations which experience a downward trend in philanthropic income. In 2016 an average of 6.5% of revenue came from private donations, whereas they registered the highest level of philanthropy in the early 2000s (about 7%); therefore a slight downward trend is evident. They started with the highest percentage of donations in 2001 (average of 7%; 46% higher compared to other organisations), but they have a slight decrease over the years. In general, these organisations show more stable philanthropy, although slightly decreasing revenue over time, as public income impacts only marginally on their revenue stream (about 24%), due to the high percentage of self-generated income (with an average of 60%).

Stagnant: Four organisations show both the highest levels of public funds (average of 50%, with peak of 70%) and the lowest percentage of donations (less than 5%), with the lowest percentage of donations over the years. They started with philanthropic donations being almost absent (2.57% in 2001), and even if donations increased, in 2016 they do not exceed 5%. Low revenue from donations was consistent over time, with no increase in philanthropy. These organisations recorded the lowest percentage of self-generated income (on average 32.7% in 2016; with the lowest increase in the period +2%).

5. Discussion

This study distinguishes four main philanthropic strategic types in the performing arts in Australia. Those four types can be labelled according to the degree of upward, fluctuating, downward or stagnant philanthropic income trends. These trends are illustrated in Table 3 as visionary (upward income trend), experimenter (fluctuating income trend), prestige-seeker (downward income trend) and follower (stagnant income trend). Each of the trends is tagged

as having high or low engagement and organisational structure to philanthropy. The results indicate that different traditions still exist in performing arts organisations.

Table 3. Philanthropic strategy by type

Type	Revenue diversification	Strategy and Structure	Engagement
<i>Visionary</i>	Upward philanthropic trend	Structured and devoted	High
<i>Experimenter</i>	Fluctuating philanthropic trend	Multitasking	High
<i>Prestige-seeker</i>	Downward philanthropic trend	Structured and devoted	Low
<i>Follower</i>	Stagnant philanthropic trend	General and changing	Low

Visionaries in performing arts organisations engage with philanthropy as part of their core strategic vision and revenue portfolio. In practice, philanthropy has a clear impact over the strategic vision and business model of the whole organisation. Indeed revenue from donations (and the private sector in general) is a preponderant percentage of annual income over the years examined, demonstrating their active response to the Nugent (1999) review. Donors are seen as co-creators of the mission in these organisations. There is a well-established, dedicated leadership team and organisational structure to support philanthropic strategy. The strategy is formulated at the highest level of the organisation, with board direction, CEO and Artistic Director leadership, and philanthropic manager guidance to ensure that goals are co-created, shared and realisable. Tailor-made programs and high-level stakeholder engagement allow donors to create value for individuals, the organisation and society (Azmat et al. 2017). These organisations (including their artists and artistic directors) engage with donors directly and/or through online media. They create value by telling a compelling story. *Experimenters* provide evidence of organisations innovating in order to develop revenue from donations as a strong income source, thus ensuring financial viability and lower dependency on government grants. Despite external and internal limitations (e.g., inadequate resources; small staff; or regional location), they prioritise self-generated income in their strategic plan. They experiment with different possibilities of structuring their

organisation in order to maximise philanthropic strategy and to engage and monitor donor needs. Creating or implementing a foundation is a shared priority to maximise long-term sustainability; but it is yet to be realised. Experimenter organisations have high-level engagement with donors. Results of their strategy might have a high percentage of revenue from philanthropy, with a spike in conjunction with special campaigns (e.g., capital campaigns; anniversaries of organisation foundation), but it has not been consistent over the past decade.

Prestige-seekers encompass organisations which have high organisational attention towards philanthropy, which includes a philanthropy director positioned in the leadership team. The board has been an early adopter in the field of fundraising, but the strategic direction is mainly towards building brand image and creating prestigious experiences for elite donors (e.g., go behind the scenes to take a sneak preview of back-of-house activities). Digital technology and different levels of engagement are not proficiently developed. Their values are linked to the prestige of belonging to a closed group of donors. Their long story in the journey of fundraising has allowed them to create a foundation or fund to maximise philanthropic revenue for the future. The results of their strategy in terms of operating performance do not necessarily reflect their organisational effort. Indeed, they attained higher philanthropic revenue in the early 2000s and have experienced a slow downward trend in the last decade. *Followers* are illustrative of organisations which are highly supported by government, with philanthropic income and partnerships marginal in their revenue stream. They are complacent recipients of public funds who expect the status quo to continue. Fundraising activity is mainly towards major gifts and membership campaigns; relations are mainly established around the concept of exclusivity. Donors are seen as wealthy supporters of ongoing organisation activity, usually through a group of 'friends'. Philanthropic activity is a prerogative of single board members or external entities (e.g., through an external foundation or group of friends) without shared strategic direction with the organisation. In the management team the philanthropic position remains unfilled or is shared with other roles. The entire organisational structure is under profound change (e.g., change of legal entity; redefining the leadership team; implementing government advice, in response to the 2016

Opera Review). The main challenge in strategy implementation is the need for professional skills in fundraising and to prioritise fundraising from a strategic perspective at board (indeed not all board members donate) and executive levels. This results in a culture of asking for donations and communicating their values in a piecemeal fashion. The organisational effort is mainly focused on developing the brand as ‘special’. Such organisations lack effective communication and accountability for donations, and appeal more to online donors who give in smaller amounts.

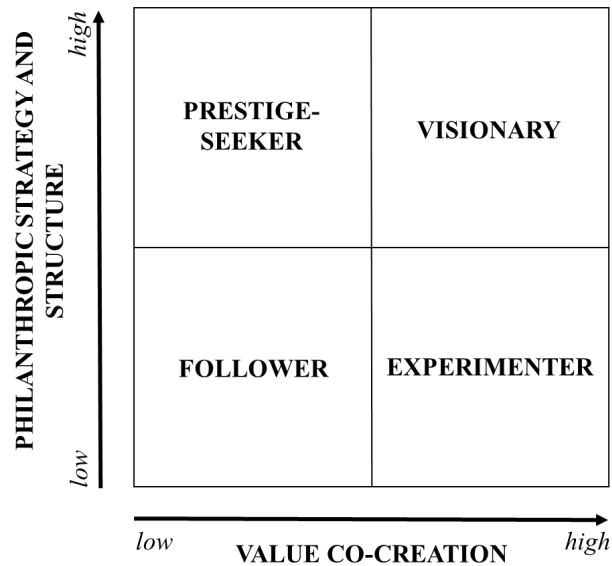


Figure 2. Matrix of philanthropic types

The study reveals that it is a quadripartite world for these performing arts organisations in relation to philanthropic strategy. It is illustrated in Figure 2. These quadrants impact on actions undertaken by performing arts organisations in the area of philanthropic strategy to varying degrees, characterised by varying responses to external reviews and economic shocks as well as NPM pressures. Of note is the point that government funding is declining for performing arts organisations, forcing them to innovate in philanthropic strategy.

Nonetheless, some have lagged in making the shift, putting at risk their sustainability in a

volatile world. Finally, philanthropic strategy differences in performing arts organisations are not dependent on location or size. Results show that organisations in large cities and with access to resources (e.g., staff with expertise; funding both from government and or philanthropy) have not necessarily made the best of their opportunities. Of course this is not always the case; there are some which have capitalised on their location, size and opportunities to maximise philanthropic strategy and re-structured to gain most from it. But it is striking to see that more can be done in philanthropic strategy if the vision, will and skill are present in the organisation.

6. Academic and Managerial Implications

This study highlights that substantial progress has been made since the first Nugent Report in 1999 for the performing arts sector. Income has been diversified, if at different levels and pace of change. Indeed, private support impacts, on average, 15.4% of total revenue of the performing arts sector in 2016. Our results demonstrate that philanthropy is not only raising money, but, at its best, is more about allowing room to engage donors. Indeed, donors are not only ccreators of financial sustainability but also co-creators of values, helping to communicate and create value for individuals, organisations and society (Azmat et al. 2017). Value is not as simple as matching donor requirements, which may vary from donor to donor. Rather, philanthropic strategy achieves higher results, including in donations and through self-generated income, when the entire organisation commits to creating possibilities for donors to place their own values and experiences into the organisational story, through effective relations with it and its governance, managerial and artistic people.

This research suggest that both sides—organisational strategy and structure and a comittment to co-create value—require a prominent part in developing and implementing strategy. As shown in Figure 2, despite a high level of organisational attention towards philanthropy, Prestige-seekers are not able to achieve high levels of revenue from philanthropy while experimenters are not able to maintain constant and stable revenue from philanthropy. In order to achieve long-term positive effects and avoid negative effects, in performing arts

organisations, philanthropic strategy works best when supported by an organisational structure that maximises effects on the long-term vision.

7. Limitations

This study was exploratory and interpretive, building on the sparse literature on performing arts, strategic philanthropy and value co-creation. Clearly, twelve case studies cannot provide conclusive evidence on all aspects of the role of philanthropic strategy and value co-creation. However, these case studies do illustrate some of the most salient ways in which philanthropic strategy is implemented in a core NPM management country in major performing arts organisations. It also illustrates how different strategies impact public services, from a revenue diversification perspective and create and deliver value for individuals, organisations and society. We understand the limitations of using a single year for cross-sectional analysis in order to develop a matrix of organisational philanthropic strategy, rather than longitudinal data (Campbell and Slack 2008). However, we enriched the dataset with longitudinal analysis from 1999 to 2016, plus interviews, providing an anchor for our conclusions over time in relation to income trends. We also understand the limitations of a single-country study and the need to extend the research into other countries.

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CONCLUSION

New public management paradigm has failed to produce viable and inclusive long-term responses to global recession pressures for public, private, and non profit organizations engaged in the provision of public services (Moldavanova & Goerdel, 2018; Osborne et al., 2014). The four areas analysed took into consideration different perspective in which the sustainability discourse could be decline, by focusing on solution identified by single or

group of organisations. Indeed in order to be sustainable, arts organisations seek autonomous and different way to tackle the issue, this include strategize actions, restructure their internal organisation, attracting philanthropic support, encourage sustainable management practice, and generally diversify their funding.

The case of universities collections shows that Italian universities hold an enormous cultural heritage, undervalued, both in terms of artwork and economic value. Although some universities have find autonomous solutions the majority of case show large critical issues regarding the three main topics of sustainability: accessibility, financial sustainability and communication.

The pervasiveness of the notion of money is a solution to the struggle in arts organisations is borne out in the search for diversified funds in the arts. Sustainability has been positively addressed in Italian newly introduced 'Art Bonus' fiscal scheme. The scheme that include a crowdfunding platform shows that an appropriate legislative system, which favours and encourages patrons to donate to cultural organizations, could represent a valuable mechanism for increasing funding by private individuals and corporations. innovating in their fundraising strategies for pursuing long term sustainability.

The paradigm of sustainability in the Italian public administration is mainly addressed through central reforms, this is not the case of the recently introduced forms of collaborative governance in the recovery plan of Italian opera houses. The analysis shows autonomy of Opera organisation in the management choice for sustainable outcomes. Opera houses are building sustainability for themselves and the community in terms of financial and social performance through collaborative governance.

Financial independence is a main predictor of organisational sustainability: self-sustaining revenue strategies of opera housed pass also through implementation of philanthropy. Elaboration of data shows four organisational approaches dominating the field of philanthropy: (i) visionary; (ii) experimenter; (iii) prestige -seekers; and (iv) follower. This quadripartite word identifies the extent to which philanthropic strategy conforms to voluntary action for the public good. Reasons for the gap between policy and practice entail balance

between capacity and co-sustainable strategy, resulting in differences in organisational thrust and intent.