

# Balancing artistic and financial performance: is collaborative governance the answer?

Simone Fanelli, Chiara Carolina Donelli and Antonello Zangrandi

*Department of Economics and Management,  
University of Parma, Parma, Italy, and*

Isabella Mozzoni

*Department of Humanistic Studies, Social and Cultural Affairs,  
University of Parma, Parma, Italy*

Balancing  
artistic and  
financial  
performance

Received 21 May 2019  
Revised 30 July 2019  
25 September 2019  
Accepted 13 October 2019

## Abstract

**Purpose** – Opera houses have been traditionally publicly financed in many western countries. However, today many opera houses are facing serious financial troubles, due to the recent financial crisis. There is thus a widespread public debate on measures to ensure agency efficiency for performing arts organizations. Focusing on the reform implemented recently in Italy, which submitted opera houses that had severe financial difficulties to a recovery plan and encouraged forms of collaborative governance (CG), the purpose of this paper is to investigate the impact of CG on the performance of the arts sector.

**Design/methodology/approach** – Multiple case studies are used, on longitudinal data from multiple sources over a period of up to five years, in order to triangulate the narrative of financial and artistic performance and ensure trustworthiness. The study thus spans the period before the Bray Law came into force (2013) and covers the entire period in which recovery plans were implemented.

**Findings** – The analysis explores how opera houses are building sustainability for themselves and the community in terms of financial and artistic performance through CG. Various forms of CG adopted yielded positive results. Furthermore, more robust forms of CG generated better performance, especially from a financial point of view.

**Originality/value** – This paper adds to the limited knowledge of CG in the non-profit sector by bridging the fields of agency performance and CG. It discusses how the introduction of forms of CG can build up long-term sustainability, solving the dilemma of how to achieve financial equilibrium without compromising artistic quality, focusing on the case of opera houses, which are notably affected by Baumol's cost disease.

**Keywords** Framework, Collaborative governance, Economic sustainability, Art sector, Economic-financial performance, Opera house

**Paper type** Case study

## Introduction

Opera is one of the most fascinating forms of performing arts, and gives expression to human passions and emotions at the crossroads between music and theatre. The modern tradition of opera dates back to the nineteenth century, as do the related financial problems: the frequent gap between income required and income acquired (Baumol and Bowen, 1966) and the difficulties in measuring the intangible benefit to society (Throsby and Glenn, 1993). Opera and financial sustainability have always been considered awkward bedfellows. On the one hand, there is a requirement to keep ticket prices affordable to ensure access to this public heritage, as a “merit good”; on the other hand, opera entails extremely high fixed costs, which can rarely be lowered (Cwi, 1980; Towse, 2001). Financing is also a critical

The research was carried out without funding. No competing interests are at stake and there is no conflict of interest for any of the authors. The work presented in this paper was first presented at the International Symposium on Collaborative Governance, University of Palermo, October 2018. The paper builds on helpful comments of the reviewers both at the Symposium and from the Journal. The authors would like to thank the special controller appointed by the Ministry, Gianluca Sole, for his valuable assistance.



---

variable for performing art organizations as it can preclude the achievement of their mission of artistic performance. Sustainability is here understood as the ability of an organization to “deliver social value via the pursuit of its social mission” (Weerawardena *et al.*, 2010, p. 347), thus serving the financial and artistic needs of current and future generations.

Since the recent economic downturn, these organizations have been caught between the need to lower costs, due to a progressive reduction in public funds allocated to culture (Rubio Arostegui and Rius-Ulldemolins, 2018), and the need to ensure high artistic standards. Their long-term viability can no longer be exclusively based on public subsidies (Towse, 2001) and their inability to diversify sources of revenue has compounded the severe financial difficulties in the sector (Baumol and Bowen, 1966). In many western countries, two main approaches can be observed. On the one hand, there is a trend towards privatization and decentralisation (Zan *et al.*, 2012), and on the other hand, there is a new managerial attitude, encouraging opera houses to be more business oriented, including through new forms of governance, strengthened by central government reform (Dubini and Monti, 2018). In Italy, for example, the “Bray Law” introduced forms of collaborative governance (CG) to overcome long-standing financial difficulties of opera houses, without compromising the quality of their artistic performance.

This paper discusses the issue of financial sustainability, including financial independence, minimization of debt and short-term efficiency (Moldavanova and Goerdel, 2018) of Italian opera houses, focusing on collaboration at the governance level, which the literature suggests is a potentially useful path to follow (Amsler and O’Leary, 2017; McGuire, 2006) and to date not fully addressed in performing art studies. It addresses the following question:

*RQ1.* How does CG impact on the performance of opera houses?

This paper considers CG and its relevance for performance for organizations which struggle to be financially sustainable, such as opera houses in Italy. It outlines first the Italian scenario and the evolution of the regulatory framework of opera houses, then the regulatory framework of CG and its effects on performance. The paper then discusses the method and results by presenting how CG impacts on artistic and financial performance in the performing arts sector, and concludes with a discussion of the practical and theoretical outcomes.

### **The evolution of the regulatory framework of Italian opera houses**

Italian Opera is internationally recognized for its outstanding value in communicating inner human emotions, and is a point of reference for art lovers in the western world. The performing arts scenario in Italy is dominated by 14 opera house foundations located in major cities. In terms of the volume of activities and workforce, they are similar to medium-sized companies, and are usually funded through a combination of grants from local and/or national government.

The current regulatory framework of Italian opera dates back to 1936, when opera was acknowledged as a form of performance of significant interest to the state, and a means to promote music education, culture and national identity. Over the decades, several pieces of legislation aimed to regulate the cultural sector and ensure economic sustainability (Zan *et al.*, 2012). The most significant reform, dated 1999, started a process of privatization, transforming opera houses from state bodies, into private foundations under private law, with boards of directors, budget autonomy and legal liability. This shift was intended to foster flexibility and help to overcome the limits of heavily bureaucratic organizations, to attract private capital through fiscal incentives and develop solid relations with a wider set of stakeholders. On the whole, opera houses were not prepared for such substantial change, and partly because managerial culture was slow to develop, they recorded disappointing performances in terms of accountability, differentiation of their revenue stream and development of a support network. Thus, a series of further reforms followed, including a

new regulation of public fund allocation in performing arts through the Single Fund for Entertainment – *Fondo Unico per lo Spettacolo* – FUS (Ministerial Decree, 29 October 2007). The new allocation took account of 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 (Zan *et al.*, 2012).

A further reform was Law No. 112/2013 (Bray Law) which included extraordinary and urgent measures to help opera houses solve their financial problems and to re-launch the performing arts system overall. The Bray Law created an *ad hoc* fund of EURO 75m to provide loans to struggling theatres, to be repaid within 30 years. In total, 9 of the 14 main opera houses in Italy opted to take advantage of this, or were obliged to do so, as they had been under a government appointed administrator for two years. Access to the loans was subject to the condition of adopting a recovery plan for balancing their budget within the subsequent three years, later extended to six years. A special commissioner was appointed by the government to monitor the recovery process of the nine opera houses. The Bray Law also provided for the inclusion of private parties in governance. The new framework specified the structure and composition of governing boards, establishing 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. It specifies that individuals who contribute financially to the management of the opera house to an amount equal to or higher than 3 per cent of the endowment fund become a “private partner”. In addition, private partners may appoint a representative to the board if, as individuals or cumulatively, in addition to the contribution to the endowment fund of 3 per cent, they donate to the opera house an amount not less than 5 per cent of the total public contributions for at least two consecutive years. An opera house board must be composed of a minimum of five, up to a maximum of seven, members, and is thus composed as follows: a president or chairperson, i.e. the mayor of the city where the opera house is located, one member appointed by the Ministry, one member appointed by the Regional Authority, one member appointed by the Municipality and one member nominated by each private member who fulfils the requirements noted 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 appoint a representative, the fifth member is a representative of the Ministry.

The Bray Law also assigned 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.

This paper investigates the impact of the introduction of forms of CG in the Italian performing arts sector.

### **Collaborative governance framework**

Previous studies on opera houses have explored the theme of sustainability, mainly addressing the theme from stakeholder theory perspective (Radbourne, 2003) including audience studies (Sicca and Zan, 2009), diversification of revenue through philanthropy (Donelli *et al.*, 2018) or agency theory (Azmat and Rentschler, 2015; Rentschler, 2015). Although the fact that governance structures can prevent and absorb financial crises has been already studied (Turbide, 2011), research on governance in the performing arts has been dominated by studies on board composition that aim to explore how human and social capital, and competences impact on organizational performances (Dubini and Monti, 2018; Johnson *et al.*, 2013).

In the public sector, over the last three decades, policy makers and managers have implemented different methods of outlining service priorities and allocating resources.

---

The first wave of managerial approaches into the public sector, inspired by paradigms like new public management (Hood, 1991) and which evolved into the theory of public value management (Moore, 1995), failed to produce viable long-term responses to global recession pressures for public organizations (Moldavanova and Goerdel, 2018). It is also acknowledged that overreliance on private sector strategies in public organizations may have a negative impact on organizational missions (Salamon, 2012). This raises the issue of how public organizations can be managed sustainably while continuing to maximize their social value now and for future generations, and brings a clear requirement for new forms of governance. In recent years, in fact, the public sector has been facing dynamic and complex problems which are not confined within the boundaries of a single organization (Klijn, 2008). Through CG, a public institution involves other community stakeholders in carrying out a strategic process aimed at framing public value, shifting from a perspective in which the public organization is the sole player setting strategy, to one in which strategy is horizontally influenced by public actors and civil society (Doberstein, 2016). The theoretical framework of CG is thus useful to explore the issue of opera house sustainability, and brings a new perspective to studies of governance.

#### *Collaborative governance in the Italian opera houses*

Ansell and Gash (2008) define CG 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). However, where the term governance is used to describe the framework between government and societal actors in a landscape of increasingly non-hierarchical relationships, many authors use Ansell and Gash’s model in a more restrictive way, focusing on the board of a single organization (Curry *et al.*, 2008; Ferkins *et al.*, 2018; O’Boyle and Shilbury, 2018; Van Oortmerssen *et al.*, 2014). In our case, this restrictive definition well fits the ideas underlying the Italian legislation.

Ansell and Gash (2008) in fact identify six main criteria of CG:

- (1) The forum is initiated by public institutions: Ansell and Gash’s definition stipulates a specific role for public institutions, such as bureaucracies, courts, legislatures and other governmental bodies at the local, state or federal level. Although privatization measures in the 1990s changed their legal status from public corporation to “opera foundation” with private status, Italian opera houses, remained essentially under public control and public in nature.
- (2) The forum includes public and private actors: although public agencies are typically the initiators of CG, it requires participation by non-state stakeholders. New boards of Opera houses promote the involvement of private stakeholders, individuals and/or firms. Each opera house identifies its own criteria to allow private parties to join the board and participate in running the foundation.
- (3) Private actors are involved directly in decision-making by public institutions: CG is never merely consultative. Private stakeholders serving on the board of an opera house have the same opportunities to influence decision-making and the right to vote on any issue pertaining to the board, although public institutions maintain a distinctive leadership role in CG. 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.
- (4) The forum is formally organized and meets collectively: the criteria of formal collaboration distinguish CG from more casual and conventional forms of agency-interest group interaction. Opera house statutes determine the criteria for

private stakeholders to serve on the board of opera houses as well as their rights and the obligations. Responsibilities are clearly defined and collaboration is structured and formalized.

- (5) Decisions taken in collaborative forums are consensus oriented: although public agencies may have the ultimate authority to make a decision, the goal of collaboration is typically to achieve some degree of consensus among stakeholders. In opera house board meetings 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 (Connick and Innes, 2003).
- (6) The collaboration focuses on public policy or public management: this condition differentiates CG from other forms of consensus decision-making, such as alternative dispute resolution or transformative mediation (Busenberg, 1999). 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, stressing their public mandate to carry out their activities and to create public value as a justification for public support of the arts (Cwi, 1980).

In addition, the framework of CG scheme outlined in the Bray Law includes interagency coordination between public institutions. Scholars define interagency coordination as CG (Agranoff and McGuire, 1998) and some authors find that it is the most efficacious model of collaborative problem resolution (Agranoff, 2012; McGuire, 2006). Emerson *et al.* (2011) give a wider definition of CG than Ansell and Gash (2008): “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).

According to Emerson *et al.* (2011), governance in Italian opera houses is horizontal, as it includes private stakeholders, and at the same time 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). In fact, governments usually use this kind of collaborative arrangement to deliver services and solve problems not easily solved by a single public institution (Kettl, 2006).

The Italian Government is aware that the role of opera houses has many dimensions: cultural, economic and social (Turbide and Laurin, 2009), and opera houses make numerous contributions to society which are intrinsic and practical at the same time. Running an opera house is part of various policy areas, including cohesion, education, tourism and citizenship. This means that management is complex and requires the involvement of numerous actors. For these reasons, new vertical and horizontal partnerships are today replacing the traditional model of direct service delivery by opera houses. It is interesting to note how Italian opera houses have decided to include different stakeholders in their board, adopting different levels of CG.

There are two main reasons for the government’s policy of promoting CG and legislation which specifies that boards should represent state 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 their CG as a principle should acknowledge 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, CG is the new paradigm for governing in democratic systems (Frederickson, 1991; Kettl, 2006). The second reason for promoting CG 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 (Amsler and O'Leary, 2017).

### **Collaborative governance and performance**

CG initiatives have proliferated in contemporary society. In fact, around the world, CG has been applied and studied in several policy contexts, including Veterans Health Administration (Dudley and Raymer, 2001), environmental agencies (Smith-Doerr and Powell, 2009) and public health departments (Daley, 2008). It has also been applied to child and family service delivery (Berry *et al.*, 2008), in regulating food safety (Chu and Wang, 2018), local economic policy (Agranoff and McGuire, 1998), crisis management (Kettl, 2006) and to conflict resolution (Susskind *et al.*, 1999). However, CG 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 (Markusen and Gadwa, 2010; Wellens and Jegers, 2014).

In addition, most academic studies focus on the preconditions necessary for a CG system to be effective, such as shared motivation, principled engagement and the capacity for joint action (Emerson *et al.*, 2011; Thomson and Perry, 2006); 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 (Johnston *et al.*, 2010). Only recently have studies examined the impact of CG on performance (Scott, 2015; Ulibarri, 2015), thus responding to a long-standing gap in research (Provan and Milward, 1995).

Investigating the impact of the introduction of forms of CG on Italian opera house performance, we start from the assumption that the organization performance is the direct consequence of the decisions taken by the board, as many authors have done previously (Crow and Lockhart, 2016; Huse, 2007; Nicholson and Kiel, 2007). The research focuses on artistic performance, as well as economic-financial performance. When discussing the performance of non-profit organizations, in fact, performance in terms of output and outcome is widely considered to be more important than economic-financial performance (Cutt *et al.*, 2000). 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, 1995). Consequently, it is not possible to positively evaluate the results achieved by CG in the case of opera houses if artistic performance is not taken into account.

In conclusion, starting from our research question we can formulate two propositions:

- P1. The introduction of a form of CG to Italian opera houses can result in improvement in financial and/or artistic performance.
- P2. Different levels of CG can produce different results in performance.

### **Method**

The research question that frames this study focuses on the impact of CG in improving the financial and artistic performance of Italian opera houses. We use a contextualist approach

to management (Pettigrew, 1987). We believe dynamics of an organization can only be interpreted if the economic and political context at micro- and macro-level is taken into account (Sicca and Zan, 2009).

With this aim, the annual reports (ARs), financial statements (FS), statutes and websites of 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 CG is to use single-case studies focusing on sector-specific governance issues (Ansell and Gash, 2008). 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 and reduce the impact of potential biases (Yin, 1994; Bowen, 2009). In this research, findings are triangulated through the analysis of the six-monthly report of the special commissioner appointed by the government.

Our study focuses on the 9 opera houses, out of the total 14, which drew up a recovery plan, as defined by Bray Law, for the period 2014–2017. The case studies analysed in our study represent the entire population.

#### *Board composition and collaborative governance*

The board composition of opera houses is described according to the type of CG implemented, using Ansell and Gash's criteria. As noted above, the Bray Law specifies that opera houses must restructure their boards by permitting private actors, who can be individuals and/or firms, to serve. This entails that there can be different levels of CG depending on how many private partners are members of the board. This consideration is important in discussing *P2*.

Data from this section are taken from ARs, statutes and institutional websites of each opera house.

#### *Performance analysis*

A longitudinal analysis of the performance is conducted in order to investigate *P1*. Data on artistic performances were extracted from ARs and financial performance from FSs, and were processed by Excel Microsoft software. The analysis covers a period of five 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 recognized (Tinker and Neimark, 1987) as identifying the results of the action implemented and excluding possible issues that impacted in a specific year, and recent studies stress their potential as a means of identifying trends and changes in agency over the time (Rentschler *et al.*, 2019).

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

Financial performance is analysed using five key indicators referring to four economic/financial areas: revenue composition, operating profitability, efficiency and financial stability.

Revenue composition investigates the ability of an opera house to diversify revenue streams. Two indicators were used: the weight of private funds on total revenue and/or the impact of public contributions on total revenue. The second area explores opera house operating profitability using Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) on total revenue. A negative EBITDA margin indicates that the business has significant problems with profitability and cash flow, and a high EBITDA margin indicates

a solid and profitable organization. The third area is efficiency, i.e. the cost of each show calculated as production cost over the number of shows. The last area is financial stability or the level of debt. This indicator is important to assess whether the opera house has overcome its serious and persistent indebtedness.

However, as noted above, economic-financial performance should not be the ultimate goal of public management. For public organizations, good economic-financial performance is only the starting point for creating public or social value (Jääskeläinen and Lönnqvist, 2011). Additional data have been taken into account to evaluate the effective performance 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 indicators of performance are analysed: audience figures, number of shows and variation in FUS points. These three indicators were calculated after and before the reform, comparing mean data for the period 2014–2017 with data for 2013. Audience figures are a simple but useful measure to evaluate the ability of organization to attract users. The number of shows represents the vibrancy of the opera house. The FUS points indicator, the criteria applied by Ministry to regulate public subsidy of performing arts, reflects both qualitative and quantitative criteria. Qualitative criteria entail a discretionary evaluation of artistic quality carried out by four consultation panels of experts appointed by the Ministry. Quantitative criteria include number of projects co-produced with other theatres, number of new productions, 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.

Table I summarizes the indicators used to assess financial and artistic performance.

## Results

### *Board composition*

Note that the statutes of some opera houses provide for private partners who do not meet the requirement for appointing their own representative the right to participate in board meetings, without voting rights.

Our analysis distinguishes three levels of CG.

Opera houses with the lowest level of CG do not have any board members appointed by private partners; and private partners may not attend board meetings. For these organizations, therefore, CG is only expressed as interagency coordination between the various state institutions. The boards are made up only of members appointed by public institutions at different levels of government (state, regional and municipal government). In these organizations, private partners have less power to influence management choices through formal channels. This form of CG meets only four of the six requirements identified by Ansell and Gash (Nos 1, 4, 5 and 6).

The opera houses with an intermediate level of CG do not have board members appointed by private partners, but they can still participate in board meetings, although without voting rights. Private partners are thus more able to influence management

Performance	Area	Indicator
Financial	Revenue composition	Private funds/total revenue State contributions/total revenue
	Operating profitability	EBITDA margin
	Efficiency	Cost per show
	Financial stability	Level of debts
Artistic	Attractiveness	Audience figures
	Vibrancy	Number of shows
	Mission delivery	Variation in FUS points

**Table I.**  
Assessment  
framework



decisions and have more opportunities to find out about what happens in the foundation. In this case, CG meets five out of the six Ansell and Gash requirements (Nos 1, 2, 4, 5 and 6).

Finally, opera houses that have at least one member of the board appointed by a private member belong to the highest level of CG. This form of CG meets all the requirements identified by Ansell and Gash.

Analysis of opera house ARs and websites to reconstruct board composition in the period 2014–2017 showed that two organizations have low level CG, four organizations have intermediate level CG and three organizations have high level CG (Table II).

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. However, in only three foundations have private partners appointed their own representative on the board, while a higher number allow private partners to attend board meetings (60 per cent).

*Financial performance.* Financial performance was assessed with reference to the four areas, as shown in Table I.

A comparison of revenue diversification data for 2017 with data for 2013 shows that five opera houses increased the amount of financial resources deriving from private partners, and all except one reduced public subsidies during the period.

In 2013, seven opera houses out of nine showed a negative EBITDA. In 2017, only one organization continues to have a negative EBITDA and all organizations have seen an improvement over the period.

As for efficiency, all opera houses reduced the cost per show in the period 2013–2017 and six opera houses out of nine reduced the cost per show by over 30 per cent.

In terms of financial stability, only four opera houses reduced their debts in 2017 compared to 2013 and only three of these reduced debts by more than 10 per cent.

Table III shows financial performance in the four areas of analysis by opera house over the five-year period.

*Artistic performance.* Artistic performance shows an overall increase.

Regarding audience, data for the period 2014–2017 compared to 2013 show that all opera houses except one increased numbers. Four opera houses improved on this indicator significantly, increasing their audience by more than 30 per cent.

In terms of the number of shows, again, all the opera houses except for the Arena of Verona saw a significant improvement. Data are particularly positive here because six opera houses recorded an increase in the number of shows higher than 50 per cent.

The last indicator is the FUS score, where our figures show that seven opera houses improved quality. In four of these, improvement was even higher than 40 per cent.

Table IV reports percentage improvements for artistic performance in the period analysed.

Institution	No. of private partners	No. of board members nominated by private partners	Possibility for private partners to participate in the board meeting	Level of collaborative governance
Petruzzelli Theatre of Bari	1	1	Yes	High
Comunale Theatre of Bologna	3	0	No	Low
Musical Theatre of Florence	16	0	Yes	Medium
Carlo Felice Theatre of Genova	1	1	No	High
San Carlo Theatre of Naples	8	0	Yes	Medium
Massimo Theatre of Palermo	5	0	Yes	Medium
Opera Theatre of Rome	2	0	Yes	Medium
Verdi Theatre of Trieste	3	0	No	Low
Arena Theatre of Verona	3	2	Yes	High

**Table II.**  
Level of collaborative governance

Institution	Revenue composition		Operating profitability EBITDA margin (%)	Efficiency Cost per show (%)	Financial stability Level of debts (%)
	Private funds (%)	State contributions (%)			
Petruzzelli of Bari	-5.3	-5.0	+20.0	-50.7	+9.2
Comunale of Bologna	+3.5	-2.1	+11.4	-10.0	+8.3
Musical of Florence	-0.6	-3.4	+23.4	-36.8	+14.8
Carlo Felice of Genova	+3.4	-18.1	+19.2	-35.9	+88.1
San Carlo of Naples	-2.9	+1.4	+4.4	-27.4	-18.4
Massimo of Palermo	+0.5	-3.1	+0.0	-32.0	-14.9
Opera of Rome	-2.9	-3.7	+23.6	-38.0	+28.0
Verdi of Trieste	+0.2	-4.4	+7.8	-44.3	-8.2
Arena of Verona	+5.0	-1.0	+17.0	-17.2	-10.0

**Table III.**  
Financial performance  
(percentage variation  
2013–2017)

Institution	Attractiveness Audience figures (%)	Vibrancy Number of shows (%)	Mission delivery FUS score (%)
Comunale of Bologna	+8.3	+7.2	+29.6
Musical of Florence	+34.5	+52.4	+63.3
Carlo Felice of Genova	+20.0	+54.8	-10.0
San Carlo of Naples	+32.7	+38.5	+42.6
Massimo of Palermo	+20.0	+50.2	+16.4
Opera of Rome	+37.2	+38.1	+46.9
Verdi of Trieste	+15.3	+64.1	+39.5
Arena of Verona	-14.7	-9.9	-10.2

**Table IV.**  
Artistic performance  
(percentage variation  
2013–2017)

## Discussion

Our findings confirm *P1*, showing a general improvement in performance for all opera houses in terms of both financial and artistic indicators.

It is interesting to note that in terms of financial performance, the three opera houses which have a highest level of CG (Table IV) show the best financial performance in three of the four areas. At the same time, the two opera houses with a low level of CG show an improvement in only one area. For opera houses with an intermediate level of CG, three of them obtain the best performance in two areas and one opera house in only one area. For classification as “best”, we adopted a threshold for each financial indicator above (or below) which performance can be considered very positive. Thus, best performance in the first area is achieved when the organization reduces the impact of state subsidies on total revenue by more than 5 per cent and/or increases private funds on total revenue by more than 3 per cent. In the second and third areas, we evaluate as best performance those which reach an increase of at least 15 per cent in EBITDA margin and a reduction of over 30 per cent in cost per show, respectively. Finally, for financial stability, best performance is considered to be where debt shrinks by more than 10 per cent.

Our results therefore demonstrate a positive relationship between the level of CG and financial performance, as can be seen in Table V. *P2* is thus also confirmed regarding financial performance. Our results are consistent with Ulibarri’s (2015) study conducted in the environmental sector, which in fact found that higher ratings of collaboration led to better performance rather than lower-quality collaboration.

However, there is no clear link between the best artistic performance and the level of CG, which means that *P2* cannot be fully confirmed for artistic performance. For example, the

Arena of Verona, which has a high level of CG, has worsened its performance on all three indicators. The other two opera houses with a high level of CG, on the other hand, perform best in at least two out of three indicators (two indicators for the Genova theatre and three indicators for Bari). However, the two opera houses with a low level of CG continue to record the poorest performance improvement. Looking at opera houses with a medium level of CG, three achieved best performance on two indicators and one on all three indicators. For artistic performance, we used the following threshold values to classify a performance as best: growth higher than 20 per cent in audience figures; an increase higher than 50 per cent in the number of shows; a positive variation in the FUS score higher than 40 per cent.

Table VI shows the indicators for which each opera house achieved best artistic performance.

This research to our knowledge is the first to apply the CG framework to the arts sector, and indicates its positive effects on the financial performance of performing art organizations. Our findings are particularly useful for all such organizations, public and non-profit, which face discrepancies between short-term outputs and long-term outcomes. Through CG, an institution involves other community stakeholders in implementing strategy combining a shared long-term view with an institutional view. CG overcomes the traditional narrowness of perspective of a single organization.

## Conclusion

This paper has evaluated how CG has impacted on the performance of opera houses in Italy, drawing on the model suggested by Ansell and Gash (2008). It takes into account the recent Bray Law laying 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 state institutions, at different levels of government, in running them.

Institution	Collaborative governance	Revenue composition	Operating profitability	Efficiency	Financial stability	Total
Petruzzelli of Bari	High	x	x	x		3
Comunale of Bologna	Low	x				1
Musical of Florence	Medium		x	x		2
Carlo Felice of Genova	High	x	x	x		3
San Carlo of Naples	Medium				x	1
Massimo of Palermo	Medium			x	x	2
Opera of Rome	Medium		x	x		2
Verdi of Trieste	Low			x		1
Arena of Verona	High	x	x		x	3

**Table V.**  
Best financial  
performance achieved  
by opera houses

Institution	Collaborative governance	Attractiveness	Vibrancy	Mission delivery	Total
Petruzzelli of Bari	High	x	x	x	3
Comunale of Bologna	Low				0
Musical of Florence	Medium	x	x	x	3
Carlo Felice of Genova	High	x	x		2
San Carlo of Naples	Medium	x		x	2
Massimo of Palermo	Medium	x	x		2
Opera of Rome	Medium	x		x	2
Verdi of Trieste	Low		x		1
Arena of Verona	High				0

**Table VI.**  
Best artistic  
performance achieved  
by opera houses

---

We found that in compliance with the Bray Law, all opera houses in our sample introduced forms of CG, but at varying levels of intensity. The reform was thus innovative in that it did not involve direct cuts in spending, which took place in other sectors. In performing arts and 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 CG as a central guideline, but individual opera houses were left to identify how and where to intervene to improve levels of performance, which decreased the risk of resistance to policy (Amsler and O'Leary, 2017), as the willingness of the single actors to engage with CG is crucial for effective implementation (Sønderskov, 2019).

The introduction of CG 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 (Amsler and O'Leary, 2017). 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 CG as a basic structure made it possible to reach objectives and enhance performance in the long as well as the short term. Our results confirm that government policy and legislation played a positive role, and that the various forms of CG adopted yielded positive concrete results. In addition, more robust forms of CG generated better levels of performance, especially financial performance.

The findings contribute to the underdeveloped areas of research on practical implementation on CG (Tuurnas, 2015). Specifically, this study helps to clarify the impact of CG on performance in the public arts sector. The few previous studies (Scott, 2015; Ulibarri, 2015) showed that CG has a positive impact on environmental performance, and this study confirms that CG can also be beneficial for the performance of organization itself. Our findings suggest that an inter-institutional perspective where policy coordination and CG foster long-term sustainability yields better outcomes long term. Although boardroom workings are not examined in this study, it uses a rigorous analytical approach (Rentschler, 2015) to build upon the above works by exploring the effects on performance a sector under financial pressure.

The results of this preliminary research confirm that greater stakeholder involvement in the management of performing art organizations contributes to achieving a positive performance in the public sector. It sheds light on the potential for a greater level of sustainability, in which financial needs are not in conflict with social needs (in this case artistic) and which ensures the transmission of value for future generations (Moldavanova and Goerdel, 2018).

How to make performing art organizations financially sustainable without compromising the achievement of their mission is one of the most important challenges faced by countries where the art sector is predominantly public in nature (Throsby and Glenn, 1993). This paper describes a possible solution to the problem in discussing the experience of Italian opera houses. Introducing horizontal and vertical forms of CG has in fact enabled them to improve both financial and artistic performance, showing that balance can be reached. The findings of this paper will be helpful for countries which intend to continue to recognize "the arts" as a merit good.

### **Limitations and future research**

This study is preliminary exploration of CG in opera houses in Italy. Although Italian opera houses have been considered an interesting case in previous studies of the sector (Carter, 2015; Kimbell, 1994), there are clearly limits in terms of generalization of our findings. Second, the issue of measuring performance in terms of outcome is widely debated,

---

especially in performing arts organizations (Radbourne, 2003). The indicators used in the study were selected mainly on the basis of the need for the sample to be traceable and homogeneous, and one of the weaknesses of the study lies in the selection of indicators, which would ideally need to reflect performance with a higher level of accuracy.

Furthermore, 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, CG is evaluated in terms of who the board members are, and does not investigate the inner workings of the boardroom. Like previous literature, it could be criticized for covering only what occurs outside the boardroom (Azmat and Rentschler, 2015; Rentschler, 2015). Indeed, the presence of official stakeholders on the board does not necessarily mean that they take an active role in making decisions or that leadership is effective. Future research might consider observation and focus groups to better understand the dynamics of decision-making processes where CG is present.

## References

- Agranoff, R. (2012), *Collaborating to Manage A Primer For The Public Sector*, Georgetown University Press, Washington, DC.
- Agranoff, R. and McGuire, M. (1998), "Multinetwork management: collaboration and the hollow state in local economic policy", *Journal of Public Administration Research and Theory*, Vol. 35 No. 1, pp. 67-91.
- Amsler, L.B. and O'Leary, R. (2017), "Collaborative public management and systems thinking", *International Journal of Public Sector Management*, Vol. 30 Nos 6-7, pp. 626-639.
- Ansell, C. and Gash, A. (2008), "Collaborative governance in theory and practice", *Journal of Public Administration Research and Theory*, Vol. 18 No. 4, pp. 543-571.
- Azmat, F. and Rentschler, R. (2015), "Gender and ethnic diversity on boards and corporate responsibility: the case of the arts sector", *Journal of Business Ethics*, Vol. 141 No. 2, pp. 317-336.
- Baumol, W.J. and Bowen, W.G. (1966), *Performing Arts – The Economic Dilemma: A Study of Problems Common to Theatre, Opera, Music and Dance*, MIT Press, Cambridge, MA.
- Beierle, T.C. and Long, R.J. (1999), "Chilling collaboration: the federal advisory committee act and stakeholder involvement in environmental decision making", *Environmental Law Reporter*, Vol. 29 No. 7, pp. 10399-10415.
- Berry, C., Krutz, G.S., Langner, B.E. and Budetti, P. (2008), "Jump-starting collaboration: the ABCD initiative and the provision of child development services through Medicaid and collaborators", *Public Administration Review*, Vol. 68 No. 3, pp. 480-490.
- Bowen, G.A. (2009), "Document analysis as a qualitative research method", *Qualitative Research Journal*, Vol. 9 No. 2, pp. 27-40.
- Busenberg, G. (1999), "Collaborative and adversarial analysis in environmental policy", *Policy Sciences*, Vol. 32 No. 1, pp. 1-11.
- Carter, T. (2015), *Understanding Italian Opera*, Oxford University Press, Oxford.
- Chu, M. and Wang, J. (2018), "Central-local collaboration in regulating food safety in China", *Public Money & Management*, Vol. 38 No. 6, pp. 437-444.
- Connick, S. and Innes, J. (2003), "Outcomes of collaborative water policy making: applying complexity thinking to evaluation", *Journal of Environmental Planning and Management*, Vol. 46 No. 2, pp. 177-197.
- Crow, P.R. and Lockhart, J.C. (2016), "How boards influence business performance: developing an explanation", *Leadership and Organization Development Journal*, Vol. 37 No. 8, pp. 1022-1037.

- 
- Curry, R.H., Burgener, A.J., Dooley, S.L. and Christopher, R.P. (2008), "Collaborative governance of multiinstitutional graduate medical education: lessons from the McGaw Medical Center of Northwestern University", *Academic Medicine*, Vol. 83 No. 6, pp. 568-573.
- Cutt, J., Murray, V.V. and Murray, V. (2000), *Accountability and Effectiveness Evaluation in Non-Profit Organizations*, Routledge, Abingdon-on-Thames.
- Cwi, D. (1980), "Public support of the arts: three arguments examined", *Journal of Cultural Economics*, Vol. 4 No. 2, pp. 39-62.
- Daley, D.M. (2008), "Interdisciplinary problems and agency boundaries: exploring effective cross-agency collaboration", *Journal of Public Administration Research and Theory*, Vol. 19 No. 3, pp. 477-493.
- Doberstein, C. (2016), "Designing collaborative governance decision-making in search of a 'collaborative advantage'", *Public Management Review*, Vol. 18 No. 6, pp. 819-841.
- Donelli, C., Rentschler, R. and Fanelli, S. (2018), "Value co-creation in non-profit organisations: the evolution of philanthropic strategies as entrepreneurial activities", *EURAM 2018 (European Academy of Management) Conference, University of Iceland, Conference Proceedings, Reykjavik, 19–22 June*.
- Dubini, P. and Monti, A. (2018), "Board composition and organizational performance in the cultural sector: the case of Italian opera houses", *International Journal of Arts Management*, Vol. 20 No. 2, pp. 56-70.
- Dudley, L. and Raymer, M. (2001), "Inside organizational change: puzzling across permeable boundaries", *Public Administration Review*, Vol. 61 No. 5, pp. 620-624.
- Eisenhardt, K.M. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 4, pp. 532-550.
- Emerson, K., Nabatchi, T. and Balogh, S. (2011), "An integrative framework for collaborative governance", *Journal of Public Administration Research and Theory*, Vol. 22 No. 1, pp. 1-29.
- Ferkins, L., Shilbury, D. and O'Boyle, I. (2018), "Leadership in governance: exploring collective board leadership in sport governance systems", *Sport Management Review*, Vol. 21 No. 3, pp. 221-231.
- Frederickson, H.G. (1991), "Toward a theory of the public for public administration", *Administration and Society*, Vol. 22 No. 4, pp. 395-417.
- Hood, C. (1991), "A public management for all seasons?", *Public Administration*, Vol. 69 No. 1, pp. 3-19.
- Huse, M. (2007), *Boards, Governance and Value Creation: The Human Side of Corporate Governance*, Cambridge University Press, Cambridge.
- Jääskeläinen, A. and Lönnqvist, A. (2011), "Public service productivity: how to capture outputs?", *International Journal of Public Sector Management*, Vol. 24 No. 4, pp. 289-302.
- Johnson, S.C., Schnatterly, K. and Hill, A.D. (2013), "Board composition beyond independence", *Journal of Management*, Vol. 39 No. 1, pp. 232-262.
- Johnston, E.W., Hicks, D., Nan, N. and Auer, J.C. (2010), "Managing the inclusion process in collaborative governance", *Journal of Public Administration Research and Theory*, Vol. 21 No. 4, pp. 699-721.
- Kettl, D.F. (2006), "Managing boundaries in American administration: the collaboration imperative", *Public Administration Review*, Vol. 66 No. 1, pp. 10-19.
- Kimbell, D.R.B. (1994), *Italian Opera*, Cambridge University Press, Cambridge.
- Klijn, E.H. (2008), "Governance and governance networks in Europe: an assessment of ten years of research on the theme", *Public Management Review*, Vol. 10 No. 4, pp. 505-525.
- McGuire, M. (2006), "Intergovernmental management: a view from the bottom", *Public Administration Review*, Vol. 66 No. 5, pp. 677-679.
- Markusen, A. and Gadwa, A. (2010), "Arts and culture in urban or regional planning: a review and research agenda", *Journal of Planning Education and Research*, Vol. 29 No. 3, pp. 379-391.
- Moore, M.H. (1995), *Creating Public Value*, Harvard University Press, Boston, MA.

- 
- Moldavanova, A. and Goerdel, H.T. (2018), "Understanding the puzzle of organizational sustainability: toward a conceptual framework of organizational social connectedness and sustainability", *Public Management Review*, Vol. 20 No. 1, pp. 55-81.
- Nicholson, G.J. and Kiel, G.C. (2007), "Can directors impact performance? A case-based test of three theories of corporate governance", *Corporate Governance: An International Review*, Vol. 15 No. 4, pp. 585-608.
- O'Boyle, I. and Shilbury, D. (2018), "Identifying enablers and barriers: shaping collaborative sport governance theory", *World Leisure Journal*, Vol. 60 No. 4, pp. 330-352.
- Pettigrew, A.M. (1987), "Context and action in the transformation of the firm", *Journal of Management Studies*, Vol. 24 No. 6, pp. 649-670.
- Provan, K.G. and Milward, H.B. (1995), "A preliminary theory of interorganizational network effectiveness: a comparative study of four community mental health systems", *Administrative Science Quarterly*, Vol. 40 No. 1, pp. 1-33.
- Radbourne, J. (2003), "Performing on boards: the link between governance and corporate reputation in nonprofit arts boards", *Corporate Reputation Review*, Vol. 6 No. 3, pp. 212-222.
- Rentschler, R. (2015), *Arts Governance: People, Passion, Performance*, Routledge, London.
- Rentschler, R., Subramaniam, N. and Martin, B. (2019), "A longitudinal study of Aboriginal images in annual reports: evidence from an arts council", *Accounting & Finance*, Vol. 59 No. 3, pp. 1585-1614.
- Rubio Arostegui, J.A. and Rius-Ulldemolins, J. (2018), "Cultural policies in the South of Europe after the global economic crisis: is there a Southern model within the framework of European convergence?", *International Journal of Cultural Policy*, Vol. 15 No. 3, pp. 1-15.
- Salamon, L.M. (2012), *The State of Nonprofit America*, Brookings Institution Press, Washington, DC.
- Scott, T. (2015), "Does collaboration make any difference? Linking collaborative governance to environmental outcomes", *Journal of Policy Analysis and Management*, Vol. 34 No. 3, pp. 537-566.
- Sicca, L.M. and Zan, L. (2009), "Much ado about management: managerial rhetoric in the transformation of Italian opera houses", *International Journal of Arts Management*, Vol. 7 No. 3, pp. 46-64.
- Smith-Doerr, L. and Powell, W.W. (2009), *Networks and Economic Life. The Handbook of Economic Sociology*, Princeton University Press, Princeton, NJ.
- Sønderskov, M. (2019), "Do local politicians really want collaborative governance?", *International Journal of Public Sector Management*, Vol. 32 No. 3, pp. 320-330.
- Susskind, L.E., McKearnen, S. and Thomas-Lamar, J. (1999), *The Consensus Building Handbook: A Comprehensive Guide to Reaching Agreement*, Sage Publications, Newbury Park, CA.
- Thomson, A.M. and Perry, J.L. (2006), "Collaboration processes: inside the black box", *Public Administration Review*, Vol. 66 No. 1, pp. 20-32.
- Throsby, C.D. and Glenn, A.W. (1993), *The Economics of the Performing Arts*, Gregg Revivals, London.
- Tinker, T. and Neimark, M. (1987), "The role of annual reports in gender and class contradictions at general motors: 1917-1976", *Accounting, Organizations and Society*, Vol. 12 No. 1, pp. 71-88.
- Towse, R. (2001), "Quis custodiet? Or managing the management: the case of the Royal Opera House, Covent Garden", *International Journal of Arts Management*, Vol. 3 No. 3, pp. 38-50.
- Turbide, J. (2011), "Can good governance prevent financial crises in arts organizations?", *International Journal of Arts Management*, Vol. 14 No. 2, pp. 4-15.
- Turbide, J. and Laurin, C. (2009), "Performance measurement in the arts sector: the case of the performing arts", *International Journal of Arts Management*, Vol. 11 No. 2, pp. 56-70.
- Tuurnas, S. (2015), "Learning to co-produce? The perspective of public service professionals", *International Journal of Public Sector Management*, Vol. 28 No. 7, pp. 583-598.
- Ulibarri, N. (2015), "Collaboration in federal hydropower licensing: impacts on process, outputs, and outcomes", *Public Performance and Management Review*, Vol. 38 No. 4, pp. 578-606.

- 
- Van Oortmerssen, L.A., van Woerkum, C.M. and Aarts, N. (2014), "The visibility of trust: exploring the connection between trust and interaction in a Dutch collaborative governance boardroom", *Public Management Review*, Vol. 16 No. 5, pp. 666-685.
- Weerawardena, J., Robert, E.M. and Mort, G.S. (2010), "Sustainability of nonprofit organizations: an empirical investigation", *Journal of World Business*, Vol. 45 No. 4, pp. 346-356.
- Wellens, L. and Jegers, M. (2014), "Effective governance in non-profit organizations: a literature based multiple stakeholder approach", *European Management Journal*, Vol. 32 No. 2, pp. 223-243.
- Yin, R.K. (1994), "Discovering the future of the case study method in evaluation research", *Evaluation Practice*, Vol. 15 No. 3, pp. 283-290.
- Zan, L., Baraldi, S.B., Ferri, P., Lusiani, M. and Mariani, M.M. (2012), "Behind the scenes of public funding for performing arts in Italy: hidden phenomena beyond the rhetoric of legislation", *International Journal of Cultural Policy*, Vol. 18 No. 1, pp. 76-92.

#### **About the authors**

Simone Fanelli (PhD University of Parma, Parma) is Research Fellow of Public Management at the Department of Economics and Management, University of Parma, Italy. He is Professor of Non-profit Organisations Management. His research focuses on public management and services, non-profit organizations, fundraising strategies and performing arts institutions. Simone Fanelli is the corresponding author and can be contacted at: [simone.fanelli@unipr.it](mailto:simone.fanelli@unipr.it)

Chiara Carolina Donelli (PhD University of Parma, Parma) is Research Fellow in Management for Public Administration. With an academic and professional background in arts management and arts and community. Her research interests are in the area of management and organization for cultural institutions including public-private partnership, value co-creation and philanthropy.

Antonello Zangrandi is Full Professor of Public Management at the Department of Economics and Management, University of Parma. His research focuses on public management and services, health management and non-profit organizations.

Isabella Mozzoni (PhD University of Parma, Parma) is Lecturer of "Management and Organisation of Cultural Institutions" and "Management and Organisation for Educational Institutions". Main research interests include public administration, management of cultural institutions, health care management and educational services.