



UNIVERSITÀ DEGLI STUDI DI FERRARA

DIPARTIMENTO DI ECONOMIA E ISTITUZIONI E TERRITORIO

Via Voltapaletto, 11 – 44100 Ferrara

Quaderno n. 20/2011

November 2011

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The Case of the Municipal Theatre of Ferrara

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Quaderni deit

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Performance Measurement Systems in Theatres: The Case of the Municipal Theatre of Ferrara

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ABSTRACT[‡]

In recent years, cultural organisations have introduced and tested new management tools to achieve their institutional goals of efficiency, effectiveness and social cohesion. This process has been widely linked to New Public Management for public sector cultural organisations, but the introduction of these tools has been an interesting process in private cultural organisations too.

This paper aims at considering more specifically one kind of management tools: performance measurement systems. Their goal is to give to the management a set of information of quantitative and qualitative nature that could guide the strategic choices in the long-term. With this work, we will consider the real possibilities of application of a good performance measurement system in cultural organisations, with a particular focus on theatres.

Our research starts with the analysis of the theoretical framework of performance measurement systems and theatres management. The theoretical approach is supported by the analysis of a case study, the Municipal Theatre of Ferrara (Italy). In this way, we will try to verify and discuss opportunities and critical points implied by the introduction of a performance measurement system in theatres.

Keywords: New Public Management, Management Tools, Performance Measurement, Theatres, Municipal Theatre of Ferrara

JEL Classification: H83 ; L30 ; M10; M41; Z11

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[‡] The work is the result of the combined work of the authors. However, it is possible to attribute the paragraphs 1, 2, 4 and 5 to Francesco Badia and the paragraph 3 to Elena Borin.

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1. Introduction

This paper aims at analysing the possibilities of application of some management tools to cultural organisations, in particular to theatres. In recent years, the number of cultural organisations that have introduced new management systems and tools has constantly grown. As a matter of fact, some important changes of the institutional context highlighted the need for a more efficient and effective management for cultural organisations.

More specifically, we might consider the following elements:

- The general situation of difficulties in public finance in Western countries in the last 10-15 years and the crisis of the financial system started from 2008, which has negatively impacted on the overall situation;
- The growth of cultural “consumptions” and the constant development of mass cultural events; these phenomena extended on the one hand the economic impact of the cultural sector and on the other hand the general attention of media and general public to the quality of cultural services;
- The increasing demand of transparency and accountability to the management of cultural organisations; this is a corollary of the previous two points, because less financial resources and more attention to their use lead to being responsible and transparent in the choices of allocation of those resources.

These three points are valid for every kind of cultural organisations, but their effect has been particularly strong for public sector organisations in the cultural field. Public sector, in a general context not related only to culture, has lived and is still experiencing an important period of changes, reforms and maybe even revolutions. The paradigm of New Public Management (NPM) held a fundamental role in these processes: it could be considered their inspiring principle and theoretical substratum.

In this work, we intend to deeply analyse all these aspects, in order to evaluate the real opportunities of the introduction of management tools in cultural organisations. As showed in next paragraphs, we develop this study for a specific management tool – performance measurement (PM) systems – and a specific type of cultural organisation – theatres.

From a methodological point of view, at first we present some studies concerning the introduction of management systems and tools in the cultural sector and their links with NPM

and concerning the basic points of PM (paragraph 2); then, we analyse some of these points specifically for theatres (paragraph 3). Moreover, we present a specific case study related to these subjects, the Municipal Theatre of Ferrara (paragraph 4). Finally, the conclusions (paragraph 5) aim at outlining the main arguments of this work. In particular, the concluding remarks try answering to the following research questions addressed in this work:

- 1) Which are the main advantages of the introduction of a PM system in general and, more specifically, in a theatre?
- 2) What strategies have to be introduced in order to implement a good PM system?
- 3) What are the difficulties and the critical points of the introduction of a PM system in cultural organisations?

However, the answers to the above research questions will not be included only in the last paragraph, but rather highlighted throughout the different parts of this paper. In particular, the answer to the first two research questions will be also addressed in paragraph 2, while the third research question will be responded in the paragraphs 3 and 4 as well.

2. New Management Tools for Cultural Organisations

Since the '80s, public sector has experienced a crucial transformation, in almost all the Western countries, due to a series of legislative initiatives of National Governments (Guthrie *et al.* 2005). The most important factors that influenced the reforms are basically two, the former one of endogenous nature and the latter one of exogenous nature:

1. The need to involve every public sector organisation in the public spending cuts that were undertaken in close connection with the gradual reduction of the Welfare State in almost all the Western democracies;
2. The increasing demand of a part of the community, i.e. tax payers, to reduce waste of public resources, to increase efficiency and improve the quality of public services¹.

In all the countries involved by this kind of transformations, the reforms were accompanied by the spread of the theoretical paradigm of NPM, especially among the experts in public administration and management (Hood 1991; Osborne and Gaebler 1992; Stewart and Walsh 1992; Dunleavy 1994). NPM considers, among its basic features:

- Use of the typical culture of private corporations for managerial practices rather than that of administrative bureaucracies which characterised the public sector; this change

¹ In some nations, such as Italy, this second element assumed an even greater importance due to some relevant corruption scandals (such as the so-called 'Tangentopoli' case in the early '90s).

of perspective brings to a more complete use of principles, tools and methods of business and management sciences for public sector organisations²;

- Promotion, as a consequence of the previous point, of the “Value for Money” approach, based on the “3 E’s” (efficiency, effectiveness and economy), where effectiveness has not only an economic and quantitative dimension, but also a qualitative and social relevance; the combination of the 3 E’s is considered the real guarantee for the pursuing of the social interests linked to the existence of public sector organisations;
- Clearer call for subsidiarity, both vertically and horizontally; the first meaning is linked to delegating and decentralising the decision-making process, promoting the autonomy of single bodies in the public administration, especially those most directly in contact with citizens; they are for example local authorities and other bodies supplying services directly to the community; horizontal subsidiarity regards instead the cooperation between public and private sectors for the supply of certain types of public services; horizontal subsidiarity could be however promoted, where necessary, through forms of competition within the public sector, aimed at achieving the best possible performance in services;
- Focus on the satisfaction of the citizens, to be considered not as simple undifferentiated users of services, but rather as customers, and so to be approached by the means of the achievement of quality in the services provision; this could be reached through a careful analysis of their needs, not only when they are expressed, but also when they are hidden;
- Impressive change to the public sector accounting systems, with (a) the introduction of accrual accounting, alongside or instead of the traditional cash accounting methods, (b) the development of new accounting standards (like IPSASs), and (c) the wide-scale use of the techniques of PM³; in particular, the introduction of PM should aim at giving a contribution to the managers and making them more responsible, by linking their performance to the remuneration system.

After this description, it seems useful to mention how the framework of reforms have decisively influenced the institutional and administrative parts of the public administration, leading to a reduction in size of the public apparatus (such as ministries, public bodies and agencies); moreover, a new logic of competition has emerged between the various parts of the

² This concept has been reproduced in the Italian literature with the term “aziendalizzazione”, translatable with “corporatisation”, i.e. using the typical management tools of a private company (Anselmi 1993).

³ See Eccles (1991); Kaplan & Norton (1992, 1993); Simons (1995, 2000).

public administration (e.g., it has been observed in the health and education sectors). In the same way, the use of juridical forms and contractual practices that are of a private nature has taken on growing importance, especially with third parties.

The adoption of the theories of NPM has promoted important changes to managerial functions and roles in public sector and to the procedures of provision of some public services⁴. First of all, a new role for public managers has been encouraged through the emphasis on their autonomy and responsibility and the separation between the functions of the policy makers and the managers. Finally, with reference to the provision of public services, policies of outsourcing⁵, privatisation⁶ and liberalisation⁷ have been developed.

As first conclusion of this general part, we should consider that a real and definitive change in the public administration has not been completed yet, due to some difficulties in the implementation process and to the necessity to debate and talk over some controversial points of the reforms (e.g., the weight of public expenditure on the GDP, the role of the civil servants, the choice about the public utilities to privatise and liberalise).

However, the above-mentioned reforms have regarded all the public administration sectors and markets, culture included. This consideration is important because the relevance of public sector organisations in cultural sector is preminent particularly in Italy. One of the most important claims of the NPM in cultural field has been the efficiency in the use of public resources: historically cultural organisations were more targeted on the artistic and cultural profiles rather than the economic profiles. Many practitioners consider this aspect a necessary and unavoidable consequence of the social value of culture, but probably in some cases the negligence about the economic and financial profiles was not sustainable, in particular under the light of the current context of financial crisis.

Some other aspects are worth mentioning beyond the quest for more efficiency in public cultural organisations. They might be applied also to the cultural organisations of the private sector and could be summed up in the following points:

⁴ For a specific analysis of the Italian context, see Meneguzzo (1997).

⁵ Outsourcing policies consist in entrusting services or a part of them to external organisations that are usually private, while maintaining direct control over the achievement of the results expected by the public administration.

⁶ Privatisation may assume the features of a so-called 'formal' privatisation, regarding only the juridical form, which turns into private law, while it is called 'substantial' when there is an actual concession of the (majority of) shares or of the entire public utility company to private investors.

⁷ Liberalisation concerns the promotion of a competitive context in markets traditionally taken up by public sector organisations; liberalisation could be analysed: - either focusing on the development of a system in which various producers present themselves directly to users-customers with their offers (competition in the market); - or carrying out a public competition, the winner of which will be in charge of the monopolistic supply in a particular sector/market of public utility (competition for the market).

- The specific focus on the satisfaction of the “public” (visitors, audience, spectators) and the quality of the services (Donato and Visser 2010);
- The promotion of the horizontal subsidiarity, through the collaboration between public and private sectors and the application of contracting-out and out-sourcing policies by the cultural institutions (Zan 2004);
- The introduction and spread of the theories and logics of marketing in the strategies and in the communication processes of cultural organisations (Colbert 2001; Kotler and Kotler 1998);
- The adoption of new and more advanced financial and management accounting systems, based on accrual accounting and PM (Siblio Parri 2004; Marcon 2004).

Now we will analyse the importance of a PM system and its possible application in cultural organisations. These aspects will be completed in the paragraphs 4 and 5, through the analysis of the case study and the concluding remarks at the end of the paper. Generally speaking, PM seems to be necessary in two cases:

- When the traditional economic-financial indicators do not give a complete set of information about the concrete results of the organisation and its “state of health”;
- When the economic and financial results are not measurable (or not expressible in a clear and irrefutable way).

The latter point is the typical case of not-for-profit organisations and, consequently, of cultural organisations (belonging both to the public sector and the private one).

In a few words, PM could be seen as a managerial process, which has the goal of supporting the decision-making process (Simons 1995), linked to the strategic control (Lorange 1977), with reference to the pursuit of the pre-established goals. The process of control linked to PM is not only based on cost accounting, but on the real activities to implement: therefore, PM should be strictly linked to the theories of the Activity-Based Costing (Kaplan and Cooper 1998). The implementation of a good PM system starts with the identification of the main points of the strategy (or the “mission”) of the organisation. This aspect requires relevant efforts in public cultural organisations, where the most common mind-set of managers is oriented to the short-term and the yearly aims, rather than the long-term (i.e., strategic objectives).

The most common systems of PM, like the Balanced Scorecard (BSC) (Kaplan and Norton 1992; 1993) consider four basic principles for their application: 1) to harmonise short-term perspective with long-term perspective for the management choices; 2) to consider not only the financial dimension, but also other quantitative and qualitative dimensions (e.g., attention

to the customers/external stakeholders, quality of products/services, quality of internal processes, care of the human resources, etc.); 3) to implement (as a consequence of the previous point) a “multidimensional” (Lapsley and Mitchell 1996) indicators’ system; 4) to balance the orientation of the whole system between internal and external dimension.

“Balance” is a key word in the BSC model and at the beginning of its application, BSC was a simple tool of measurement of the achievement of balance in its different dimensions (between short-term and long-term, monetary and not-monetary indicators, internal and external perspective). Furthermore (Kaplan and Norton 2001), BSC becomes a complete system for supporting management in the decision-making process. With this orientation, BSC seems one of the best models that are currently available of PM systems.

In the basic model, the four perspectives of BSC (financial, customer, internal business processes, learning and growth) are closely linked to each other by cause-effects relationships: measurement of the last perspective (learning and growth) influences the previous one, until the first perspective (the financial one). Thus, every measurement has an effect on the financial performance, which is therefore the last horizon, even if it is not the only dimension to be considered (and measured). As a consequence, the management has not only a financial indicator, not always easily interpretable, but can observe all the process which has led to that result. The management literature offers an important debate about the most opportune ways to introduce performance indicators (PIs); in particular, the importance of considering a “system” of indicators is crucial because the evaluation of the results does not depend on a disconnected analysis of single indicators, but has to consider them in an unitary way.

In the re-interpretation made by the authors of the BSC model (Kaplan and Norton 2001) for the not-for-profit organisations, the last horizon is not the financial dimension, but the customer perspective, which represents the need for satisfying the interests of the “promoters” of the not-for-profit organisation, i.e., the community for a public sector organisation. We could name this perspective also as a “social” perspective (even if this is not the denomination adopted by the authors of the model). Nevertheless, since this “social” perspective is actually the final aim of a cultural organisation, it has to be strongly developed in the implementation process of a PM system in organisations like theatres, which are the specific subjects of the next parts of this work.

3. Main Topics on Theatre Management

In recent years there has been an increasing interest in management systems for museums, theatres and cultural institutions in general; more specifically, from the '60s onwards, economics studies have gradually entered the field of social sciences. It all started with the groundbreaking researches of Baumol and Bowen (1966); the publication of their studies in the mid-1960s made a relevant contribution to the development of cultural economics.

Baumol and Bowen identified a sort of syndrome implicit in cultural organisations, that they call "cost disease" (later called "*Baumol Effect*"), that implies an increase in costs but without a growth in productivity and incomes; as Chong explains, "*performing arts organizations, as "patients", had severe difficulties in achieving productivity advantages as achieved in manufacturing industries*" (Chong 2002). This income gap is experienced by theatres too, especially on the basis of the very high costs for productions and projects typical of the performing arts sector.

Moreover, performing arts is a sector that often experiences stagnation due to its traditional incapability to appropriately use technological innovation and improvements (Donato 2004). In their analysis, Baumol and Bowen focused also on some facets of management that did not concern exclusively the economic and financial aspects of cultural organizations, nevertheless considering them as key issues for arts management. According to Chong, "*rules and prescriptions based on numbers have been central to understanding management and organizational performance*".

These studies were further developed by Peacock (1969). Starting from the studies of Baumol and Bowen, he elaborates a new theory based on the assumption that it is necessary to combine the financial needs of the cultural institution with the needs of the prospective visitors/spectators; according to Peacock the key to better address issues related to the cost disease is to broaden the focus on the quality of the overall experience.

After Baumol, Bowen and Peacock the link between economics and culture has been deepened by different other studies. A first group of researchers has approached the cultural management field focusing on the reasons for using public funding for the cultural sector. Another group focused on the link between performing arts and social issues, among which tourism, local entrepreneurship, urban landscapes and national identity. A third group concentrated on cultural "consumptions", exploring the relationships between the expenses in the education and in the entertainment sectors and aiming to find an equilibrium between public and private funding. Finally, a fourth group of economists focused on the forms of

communication between the various stakeholders of the cultural sector. In particular, those studies analyzed on the one hand how knowledge is communicated to the general public and on the other hand how users behave and how artistic communities evolve.

All the above things considered, PM has become an integral part of the strategic management of theatres, especially when it is associated with quality, governance and accountability. It is therefore important to identify relevant Performance Indicators (PIs) that would illuminate and measure the institution's progresses in achieving its aims and objectives (Jackson 1991). Designing and effectively using good PM means "*articulating problems, rationalizing and reinforcing public images of control*" (Power, 1994). Performance indicators are particularly helpful to analyse what Baumol and Bowen called "*income gap*" (or cost disease), i.e. what they recognise as a common "disease" among cultural institutions. Moreover, management control techniques are important to ensure financial stability and to reach the objectives of efficiency and effectiveness; auditing practices as part of those techniques prove to be a crucial step to understand how a theatre could improve its performance in the long run. Accountability (Gray *et al.* 1996) should not be sustained by informal relations but rather rationalised and managed according to the vision and mission statements of the cultural institution⁸.

Value for Money (VFM), i.e. the combination of efficiency, effectiveness and economy, demands that effectiveness be quantifiable. This is an important issue for theatre management. PIs could offer benefits such as important information for measuring progress (especially when the results are compared with the past performances of the theatre itself) or could be used to plan improvements to the overall strategy and asset of the organisation. Indicators could give important insights in the areas of strength and weaknesses, thus aiding the management of the theatre allocating resources in a more effective way and influencing the decision-making process.

PM in theatres could also serve as a mean to encourage and motivate staff, identifying the support organisation learning required by the staff or the needs of the audience. Performance evaluation is a relevant part of management practices and processes; there is a strict relationship between mission, objectives, do-wells (or critical success factors) and PM (for each do-well). Managers of theatres should therefore attempt to link PM with the institution's

⁸ See Chong (2002, p. 107): "*The growth of interest in accountability stimulated the significance of performance measurement during the '90s, especially in the UK. Economy, efficiency and effectiveness are fundamental to the so-called value for money (VFM) framework which serves to evaluate performance*".

mission and objectives, in order to develop also the institutional management talent and restructure the whole institution with less financial resources expenditure.

Most of these studies highlighted the difficulties for the performing arts in reaching economic balance. However, theatres are increasingly feeling the need to develop the necessary skills to face their economic problems and find a solution to the “cost disease”.

Lately this has become even more evident as a consequence of the worldwide financial crisis; the crisis has indeed generated a progressive decrease in public funding, that, especially in Italy, have often been the main financial source for theatres and cultural institutions in general. The constant reduction of the Welfare State contrasts with the pressures exerted on cultural institutions, that are constantly asked to have quality productions with less expenses. Therefore, the use of principles and methods taken from the management studies seems even more urgent to achieve the objectives of efficiency, effectiveness and economy in using public funding for cultural institutions: this implies a change of attitude in the managers and directors of cultural those theatres.

In Italy, in particular in these last years, public theatres’ managers have also tried to introduce efficiency and effectiveness in the management systems of their institutions. This has often been classified as a process that is considering theatre like private companies, thus implying that theatres should be analyzed within frameworks and logics of management sciences (Brunetti 2000). Priorities and objectives of performing arts organisations have been changed in some cases; hence, those changes have impacted on the management, the organisation and more generally the “culture” of Italian theatres. Some studies have also drawn attention to the opportunities and threats of such developments for theatres. Deeper analyses have been performed in the field of project management for theatres (e.g. the various projects of opera production), in the communication and marketing for theatres (both inward and outward communication), cost analysis and fundraising techniques.

Theatres, and performing arts institutions in general, should therefore try to reach their institutional goals using in an effective way the available resources. Bearing this in mind, PM systems might work as useful tools to improve theatre’s capacity to reach objective; the indicators in those systems should be adapted, to some extent event tailor-made, on the characteristics of the performing arts institutions. According to most studies in this sector, those indicators should measure theatres’ performance both at the qualitative and at the quantitative level. They should therefore be multi-dimensional, i.e. consider both monetary and non-monetary factors and qualitative variables, taking into account also management and strategy issues.

Therefore, also theatres' managers should adopt advanced measurement systems, and integrated PIs, in the following way. First, they should combine an analysis of both managerial and strategic aspects, not focusing only on outcomes in the short-run but also addressing the performance in longer periods. Second, they should balance their inwards and outwards orientations; in other words, they should analyse internal resources and also the relation between internal forces and external stakeholders (e.g., local and national communities, donors, members and sponsors, artistic communities, etc...). Third, as stated above, they should present multidimensional parameters in order to avoid focusing exclusively on financial performance and to achieve a broader image of the real qualitative level of the theatre itself.

As showed in the previous paragraph, the PM model of BSC is a flexible model that traces a continuous but not linear process of management and strategy. BSC requests however a process of adaptation to the peculiarities of a cultural organisation. This is particularly true for theatres, even according to many scholars. Among these authors, there has been some proposals to extend BSC model for cultural institutions, that show how measures could be implemented not only widening the controlled variables but also explicitly linking the operational dimension with the strategy (Marcon 2004). Other scholars promoted a even wider model of BSC that started with an initial definition of strategic maps and then focused on the data collection, in their opinion, should work as catalyst in accelerating the development of management control inside the cultural institution.

Some authors have underlined the importance of adapting BSC to theatres including also indicators concerning the so-called "intellectual capital" or "intangibles"⁹, that is to say inserting those difficult-to-measure quantities or factors that sometimes are determining the quality of theatres' activities and their perceived value (Donato 2004). The interest in PM has started to become evident also in Italian national legislation. For example, as Brunetti and Ferrarese (2009) noted, Italian law concerning cultural institutions and performing arts not only outlines the social value of cultural organizations but also the importance of values such as effectiveness and efficiency. According to the law, theatres should not only present a plan of their activities (both in the short run and in the long run) but also include careful accountability schemes/programs (economic and financial) and managerial reports; in other words, they should have a reporting system for their management that should include both planning and budgeting.

⁹ For these concepts, see Lev (2001).

4. Performance Measurement for Theatres: the Case of the Municipal Theatre of Ferrara

The case of the Municipal Theatre of Ferrara, that will be presented in this paragraph, seems to be an interesting and typical case for the application in Italy of the basic concepts of this work. Briefly, the main points of interest are:

- The need to implement a broad measurement system for an organisation with multiple activities;
- The difficulties to adopt a measurement system which considers all the perspectives of performance;
- The peculiarities of the funding system of theatres and the consequent critical points for the implementation of the performance measurement.

The Municipal Theatre of Ferrara can not be considered one of the first theatres in Italy for its audience and prestige, notwithstanding it is one of the 28 Italian “teatri di tradizione” [literally “theatres of tradition”], defined by the Italian law 800/1967 and the Ministerial Decree of November 9th, 2007 as theatres with the duty to “*promote, favour and coordinate the musical activities, with particular reference to opera, in their local areas*”. So, this theatre could be reckoned quite important, at least at regional level and particularly for its opera season.

Its foundation dates back at 1798. During the last century, after a closing period of the Theatre caused by World War II, the Municipality of Ferrara acquires its property and reopens it in 1964. An important change of the juridical status occurs in 1994, with the transformation into “institution”, a juridical form which gives a little more autonomy to the Theatre. But the most important juridical change happens in 2009, with the adoption of the status of “foundation”. The purpose of this last change is to stimulate the participation of private subjects in the Municipal Theatre. This kind of participation – which implies financing – would entitle privates to be involved in the management of the Theatre. Actually, so far this goal has not been reached and the Municipality of Ferrara is still the only founder member. Therefore, the funding system of the Theatre is mainly based on the contributions allocated by the Municipality every year.

With reference to the current size of the Municipal Theatre of Ferrara, it currently has 58 employees¹⁰, 23 with permanent contracts. Each year, from October to June, about 80 plays are staged, counting over 160 performances of dramas, ballets, operas, concerts, experimental

¹⁰ Fact of November, 2010.

theatre and theatre for children. The season ticket holders are over 4,000 and the yearly audience is more than 25,000 people. The seasons combine classic repertoire with international contemporary repertoire. In particular, the most important seasons are drama (October – April), ballet (October – April), opera (November – May) and concerts (October – May).

As “theatre of tradition”, the opera season requires the main financial and organisation engagement of the Municipal Theatre of Ferrara. The permanent collaboration of Maestro Abbado since the first 90’s is worth mentioning. Furthermore, orchestra leaders, soloists and orchestras of international relevance regularly participate in the concerts’ season. In particular, Ferrara have hosted for 13 years the Mahler Chamber Orchestra, composed by 15 well-known young musicians. The playbill is enriched by meetings, such as presentations of the companies, historical and literary workshops for teachers, students and general public. Finally, the Municipal Theatre of Ferrara has an archive and a library open to the public.

The Theatre has stable relationships with the Municipality of Ferrara (its founder member and owner), with the other companies, owned by the Municipality of Ferrara (in particular with “Ferrara Musica”, co-responsible for the organisation of the concerts’ season and “Ferrara Arte”, responsible for the organisation of the most important art exhibitions in Ferrara¹¹), with the University of Ferrara and the Emilia-Romagna Region.

After the presentation of the institution, we will describe its PM system. First of all, we have to consider an important element for the implementation of a PM system: the definition of the stakeholders of the organisation. According to the management, the public is the main stakeholder, considered both as audience and as general community. Secondly, the Municipality of Ferrara, the Theatre’s employees, the sponsors and the members, the local public administrations and the private firms are considered important stakeholders as well.

The attention to the local community is proved by frequent initiatives, promoted during the seasons:

- the “CittàTeatro” (“CityTheatre”) initiative, oriented to the direct participation of the community in artistic and theatrical events;
- the “Meetings with the public”, aiming at explaining the main plays of the seasons;
- the “Young Area”, addressed to the under-30-public, in order to favour their interest in the performances;

¹¹ The partnership with Ferrara Arte is oriented to the promotion of combined tickets and special offers for the public.

- the “Theatre and School” and “Theatre and University” initiatives, promoting the activities of the Theatre among students.

The analysis of the PM system should not be addressed without a wide reference to the general accounting and information system, of which the PM system is a component.

The accounting and information system of the Municipal Theatre of Ferrara is based on the classical tools of financial and management accounting. The basic document of preventive and consumptive analysis is a profit and loss account, at opposing sections; this document, in practice, functions as an economic budget. During the consumptive stage also the statement of financial position is produced, in conformity with the Italian laws.

The management accounting system is quite thorough; the charge criterion of the costs is direct costing, where every play is a cost (or profit) centre of first level, whereas the seasons are centres of cost (or profit) of second level. In this process the “general” costs are not subdivided, because the management considers too expensive and too discretionary their charge to the different cost centres.

This first picture of the accounting system shows that the accounting method used for the Municipal Theatre of Ferrara is accrual. This is an important circumstance, because accrual accounting is necessary to implement a performance measurement system where the financial perspective is properly represented. Moreover, in Italy, a lot of public sector cultural organisations still adopt the cash accounting system, which is unfit to support the management in the long-term decision-making process. In the case of the Municipal Theatre of Ferrara, the adoption of accrual accounting is partially a direct consequence of the juridical status of “foundation”, but it is also the result of a precise managerial choice, since its adoption is preceding the change of juridical form.

Important observations regarding the PM system could be deduced from the timetable of the accounting data gathering. In particular, in the previous paragraphs, we said that the link between strategy and PM system is absolutely essential. This is not possible in the situation of this theatre, which reflects however the general situation of theatres in Italy. Here below, we try to give reasons for this assertion.

The first element which does not permit a good process of strategy definition is the misalignment between artistic and financial decisions: the financial year is the solar year; this choice is considered unavoidable by the Theatre managers, due to the connection between the management of the Theatre and Municipality, which sets up its financial system, by law, on the solar year. The artistic decisions are instead linked to the seasons, which run from October to May. In this way, there are obvious difficulties in the planning processes. The artistic

planning starts every year in March, with the definition of the drama season. In the following months the decisions about the other seasons and the fringe activities are taken. The realisation of the budget – preventive profit and loss account is in October: this process is completed without any certainty about the real feasibility of the programme, because the extent of the funding from the Municipality is still unknown, until March of the following year. The very high dependence, even of the ordinary administration, on the funding of the Municipality gives a high level of uncertainty about the future and the real possibility to implement the shaped artistic strategies.

Moreover, this misalignment leads to a preventive document not only uncertain, but also incomplete, because during the Summer months only the next season is planned and not the whole scheduling of the following solar year. The other side of the coin is that the seasons' planning has a certain margin of definition for its first part (the months from October to December, for which the funding has been known), but this is not possible for the second part (from January to May), because this last belongs to the future fiscal year for the Municipality. Finally, we could note another misalignment in the strategy implementation which does not come from this time discrepancy. It regards an incomplete concordance between artistic and financial direction, with a situation where the importance of the artistic direction seems to be bigger.

Another relevant point for the implementation of a good PM system is the balance between internal and external orientation. The attention to the internal aspects of the management is surely present, even if in a not well defined picture of strategies definition. Unfortunately, the attention to the external dimension is not so developed. Moreover, the only measured results are the financial-quantitative ones, while the qualitative and the not-financial-quantitative aspects are scarcely considered. The only elements related to these profiles are some occasional analysis of customer satisfaction and the participation of the Theatre in the social reporting process of the Municipality; this initiative, however, has been recently given up by the Municipality. These critical points, anyway, are well-known by the management, which is studying in these months some possible extensions of the PM systems.

In summing up, this case is interesting for this paper because it analyses a cultural organisation which tries to implement a performance measurement system despite some difficulties, lacks and critical points. A positive aspect is surely the attention paid to the financial dimension, which is not common for a cultural organisation, particularly in Italy. Lacks and critical points are mainly due to the poor consideration of the external dimension of the performance and to the very little use of qualitative and not-financial-quantitative

measurements. Difficulties are primarily connected to the strategy implementation process, where a deep series of (previously described) misalignments is present. In our opinion, a shift of the fiscal year of the Theatre management in the direction of its alignment with the season, would be a not so difficult change to introduce, although the fiscal year of the Municipality has to be the solar year. The adoption of this perspective would allow the use of the funding of the Municipality for every calendar year to plan the events and the performances of the following season. In practice, this simple change (which, of course, would create some problems during the first year of its introduction) would allow all the misalignments we have observed to be solved, except the one between artistic and financial directions: this misalignment could be corrected only with decisive and important changes in the organisation that are not directly linked to the implementation of the performance measurement system.

5. Conclusions

In the first paragraph, we clarified the three research questions of this work: (a) the search for the main advantages of a PM system in general and, more specifically, for a cultural organisation; (b) the attention to the strategies to be implemented to reach a good PM system; (c) the possible difficulties and critical points in the introduction of a PM system in a cultural organisation.

With reference to the research questions (a) and (b), we think that the picture emerging from paragraphs 2 and 3 provide readers with a clear answer. However, we believe it might be useful to summarise the main points:

- A good PM system allows every kind of organisation to orient the management towards the strategic aims, considering the necessary balances between financial and not-financial perspectives, short-term and long-term horizons, financial and not-financial dimensions of the performance;
- For a cultural organisation, particularly in this period of financial crisis and public spending cuts, a PM system could contribute to reach the aims of efficiency and social effectiveness in a converging way;
- The implementation of an effective PM system requests the clarification of the strategic aims of the organisation, its circulation through the organisation structure and the consideration of a multidimensional system of PIs, that should be able to catch all the crucial perspectives of the performance.

These points match for some aspects with the instructions for the implementation of the BSC. Actually they can be integrated with the new concepts introduced in the most recent works of the BSC's authors, regarding the "strategy maps" (Kaplan and Norton 2003) and the strategic alignment (Kaplan and Norton 2006)¹².

The case of the Municipal Theatre of Ferrara showed the following critical points and difficulties – research question (c) – which can be considered typical for a theatre belonging to the public sector:

- A critical point emerged in the implementation process of a complete PM system, linked to some time misalignments in the planning processes;
- A difficulty appeared in the inclusion of the "social" dimension of the performance; this aspect should not be neglected, because the current scenario requests for the cultural organisations not only PM systems which consider that dimension, but also a strong development of accountability (Gray *et al.*, 1996), necessary to give again credence to the role of cultural organisations in our society.

In this conclusive part, we propose an analysis of some possible risks of an inappropriate adoption of performance measurement systems:

- PM is the means, not the end goal; if this concept is not properly taken into account, the risk is to create a self-referential system, not target-oriented to the needs of the organisation;
- The expectations of the different stakeholders should be carefully evaluated and balanced; too much information is not only unnecessary but potentially harmful;
- Finally, another indispensable requirement of the information system is the timeliness; to have the information too late is equivalent not to have the information.

Summing up, we would like to propose some general conclusions of this work. First of all, a good PM system can give a very important contribution to the decision-making process in a theatre and help its strategy implementation processes; moreover, a good PM system could also support the accountability of theatres and their external reporting. However, a good PM system is not so easy to implement; it could present high costs for the organisation and it should not be too rigidly connected to the strategy, but necessitates of a flexible "alignment" to it. Finally, a PM system, in particular for articulated organisations like theatres, is not

¹² In brief, strategy maps aim at strengthening the integration of the strategic dimension in a performance measurement system based on the BSC. In this way, the BSC is not only a tool for the control, but becomes a basis of the corporate governance system of the organisation.

The concept of strategic alignment regards instead the necessity to look for synchronisation of the managerial activities, in order to develop the internal synergies and their integration with the governance of the organisation.

appropriate and could even be useless, if it is too complicated., with an use of too many indicators, and if the involvement of the available human resources has not been taken into account during the phases of its planning and construction.

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