

## **MANAGING IC IN AN OPERA HOUSE: THE CASE OF LA SCALA**

***Mariarita Pierotti, Prof.***

Department of Business Administration, Finance, Management & Law,  
University of Milano-Bicocca, Italy

***Gianluca Risaliti, Prof.***

Department of Accounting, Management and Economics,  
University of Naples Parthenope, Italy

***Greta Cestari, PhD***

Department of Economics and Management, University of Ferrara, Italy

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### **Abstract**

In this paper we refer to IC as the dynamic and firm-specific system of intangible resources and activities based on knowledge, which, interacting with tangible resources, is able to generate competitive sustainable advantages, at the basis of the firm's performance variations.

We strongly believe that IC can provide a conceptual framework for managing Non-Profit Organizations (NPO), as their main inputs and outputs are intangible in nature. Inside the No – Profit area, extremely diversified sector, are traditionally included the cultural companies. These realities are themselves characterized by a great variety of typologies: museums, theatres, record labels, television companies, radio stations etc.

In particular, validating the articulation of IC into the three subcategories of human capital, organizational capital and relational capital, we have the aim to decline these subcategories for the Opera Houses, underlining the specificities of the cultural organizations.

In this contribution, starting from the above defined dimensions of IC we propose to understand if, in the case of the Teatro alla Scala, the Human Capital and the Relational Capital are managed “*by antennae*” (Donato, 2008). Furthermore we will deepen a possible evolutionary path of the measurement instruments and the model of Intellectual Capital Reporting that can be proposed to the managers of the theatre.

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**Keywords:** Intellectual Capital, Opera Houses, human capital, knowledge, structural capital, relational capital

## **Introduction**

In recent years, the notion of intellectual capital (IC), understood as the system of intangible corporate resources on the basis of which companies are able to gain a competitive edge, has become widespread. Intellectual capital comprises the knowledge, skills and know-how of employees (human capital) as well as all in-house knowledge codified in manuals, software, databases, organization models and even corporate culture (structural capital). A significant portion of intellectual capital groups together relations that create value for companies, in other words, relations with customers, suppliers and strategic partners (relational capital).

For quite some time, academics in our field have concerned themselves with the measurement, representation and reporting of these resources. More specifically, a great many international contributions have been offered on how IC relates to corporate objectives, how it is classified and defined and the role it plays in terms of competitive advantage, a top priority for economic organizations (Petty and Guthrie, 2000; Garcia-Ayuso, 2003; Edvinsson, 2000).

However, while from a theoretical viewpoint the importance of IC has been widely studied and analyzed, from an operative standpoint, it remains an important question that eludes answer. Essentially, the question is: Do companies know how to manage this important resource in order to obtain the best results for business development (Guthrie, 2001) With reference to this issue, we are inclined to share the position whereby in the current competitive market, companies need to take an approach that takes into account first and foremost the vision of the organizational dynamic as well as the tools and methods for communicating and interpreting IC for profit-seeking companies as opposed to non-profit companies (McAdam and Reid, 2000).

From a strategic point of view, IC becomes a crucial factor for a firm's performance in knowledge-based economies (Kong, 2010), and this is even more true for the non-profit sector. We strongly believe that IC can provide a conceptual framework for managing non-profit organizations (NPOs), as their main inputs and outputs are intangible in nature. The non-profit area, an extremely diversified sector, traditionally includes cultural companies, which also cover a wide spectrum: museums, theaters, record companies, television companies, radio stations, etc. Basing ourselves on the breakdown of IC into the three subcategories of human capital, organizational capital and relational capital, we aim to translate these subcategories as pertaining to cultural organizations.

Drawing from the above-defined subcategories of IC, we set out in this paper to 1) examine the role of IC in opera houses in Italy 2) analyze the contributions IC makes to the performance of these organizations 3)

understand to what extent the managers of La Scala opera house perceive the potential connected to measuring these intangible components 4) and, finally, determine whether it is possible to overcome the obstacles posed by managers by offering up suitable IC reporting and assessment tools.

## Methodology

For the development of the research, we have opted for a deductive qualitative approach. This method, in our opinion, is more consistent with the descriptive and exploratory aim of the research (Eisenhardt, 1989).

Basically, in the first phase of the research, our focus was on the study of literature dealing with IC. We then escalated to more detailed research on the role of intangible resources as specifically pertaining to cultural organizations. In particular, this study focuses on operatic institutions as interesting examples of entities strongly centered on IC.

Nowadays, in Italy, public funding endeavors for the arts are being undermined by the crisis and social tensions. Despite this, institutions such as La Scala opera house have continued to operate in the performing arts and gain international recognition. Therefore, our interest in La Scala is mainly motivated by the fact that since 1921 (the year in which it was founded as an Autonomous Entity, acquiring for the first time full juridical autonomy) La Scala sets the benchmark for all the opera houses in Italy and around the world<sup>1</sup>.

The “Teatro alla Scala” is unanimously considered the high temple of opera. After a comprehensive refurbishment in 2004, the new Theatre was inaugurated with the representation of “*L’Europa riconosciuta*”, in a symbolic reference to the first historic opening in 1778.

The theatre is managed by the “*Fondazione Teatro alla Scala di Milano*” (La Scala Milan Foundation). To ensure stable development in a more flexible form and with the aim of promoting musical culture in Italy and worldwide, in 1997 the Theatre was legally transformed from an “*Ente Autonomo*” (independent body) to a Foundation<sup>(2)</sup> The legal founders<sup>(3)</sup>, both Ordinary and Permanent<sup>(4)</sup> created a private-law not-for-profit institution, establishing it as an organisation of national interest pursuant to Law 800/1967.

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<sup>1</sup>La Scala is considered the leading opera house in Italy and the world. It is often used as a benchmark for artistic and managerial excellence. One of its biggest “fans” was French novelist Stendhal, who penned the following words: “*I will run what is the first theater in the world...*” Stendhal, *Rome, Naples and Florence*, translated by Schacherl B., Parenti 1960.

<sup>2</sup>The legal transformation was implemented by Law 549/1995 and Decree Law 367/1996.

<sup>3</sup>The legal founders are the State, the Lombardy Region and Province, the Municipality of Milan and the Milan Chamber of Commerce.

<sup>4</sup>The Founders are those who made a contribution of not less than € 520,000 (Ordinary) and € 5,200,000 (Permanent).

The present is the result of the past and to understand how La Scala reached current times we must highlight some of its “critical” moments in the past.

At the end of the 19th century the theatre was obliged to close because of lack of funds. At the time the Municipality of Milan had available 150,000 lire which had been allocated to school canteens. It was at this point that some private persons, led by Duke Guido Visconti di Modrone, decided to step forward. La Scala acquired a new legal status - the first limited liability company in the cultural sphere - and opened again on 26 December 1898.

In the 1920s the thorny issue of what legal status to give the theatre loomed again and the “*EnteAutonomo del Teatroalla Scala*” (the La Scala independent entity) was established as a model which inspired other theatres. By 1936 there were thirteen independent entities. Apart from the existing ones of Milan, Rome and Florence, the following new ones were founded; Verona, Venice, Turin, Genoa, Naples, Palermo, Bologna, Trieste, as well as the musical orchestral institutions of Santa Cecilia in Rome and Cagliari.

At the end of the twentieth century a new and important transformation took place: the publication of Law 367 of 29 June 1996, entitled “*Disposizioni per la trasformazione degliEnticheoperanonelsettore musicale in Fondazioni di dirittoprivato*” (Provisions for the transformation of the Entities which operate in the musical sector into private-law Foundations), signed by the Deputy Prime Minister Veltroni of the time, which made obligatory the transformation of the Independent Opera Entities into private-law foundations, a change which had already been available optionally by a previous decree (the Dini government).

La Scala, faithful to its role of precursor, did not fail to be the first to implement the law, which made such independent entities change into private-law foundations. 76 years after the establishment of the theatre as an independent body, La Scala turned the page, adopting a legal status intended to encourage the entry of private persons into the decision-making bodies, so as to strengthen assets and access to finance. Thus favouring a certain plurality in these bodies and seeking thereby to reduce the dependence of these bodies from public contributions and policies.

In 2010 the lives of La Scala and the other Opera Foundations were shaken again by new changes. These were introduced by a law which had the name of the Minister for Cultural Heritage and Activities of the time, Sandro Bondi. These reforms were strongly opposed by strikes, protests and endless arguments<sup>5</sup>.

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<sup>5</sup>Law No. 100 of 29 June2010.

The need for legislative action arose from the knowledge that the public purse could not always fund the requirements of the theatres because of an irreversible situation which had rapidly developed over the last few years.

For La Scala, the way out of this impasse was called a “special organizational form”. The President of the Republic, Napolitano, intervened on this issue and asked for and obtained acceptance that excellence was not an *a priori* status in itself but rather an arrival point which everyone could strive for.

In this sense, 5 May 2011 saw the passing of a regulation covering: “*criteri e modalità di riconoscimento di forme organizzative speciali per le fondazioni lirico-sinfoniche*” (criteria and methods of recognising the special organisational forms for opera and orchestral foundations). In this way some institutions can, on the basis of this provision, adopt organisational structures different from others provided that they meet specific requirements. The conditions required are essentially: three years of balanced accounts, at least 40% of their own resources and high-level and professional productions of international significance.

La Scala, always ready to respond to external stimuli, went into action at once and started the procedures for recognition of special organizational structures. Over the next few months these procedures will very likely bring important changes in the governance, organization and fundraising activities of the theatre.

Our research methodology consisted in a case study aimed at providing a description of the dynamics at work within single settings (Kidder 1982; Yin 1994; Merriam 1994; Stake 1995, 1998; Miles & Huberman 1994; Gillham 2001).

In agreement with other scholars (Campbell, 1975 Eckstein 1975 Yin, 2011), we subscribe to the idea that purely descriptive, phenomenological case studies that avoid broad generalizations are of high value in the process of gaining knowledge and have often helped cut a path toward scientific innovation. This is not to criticize attempts at formal generalizations, rather, it is only to emphasize the limitations that formal generalization pose when they become the only legitimate method of scientific inquiry. Case studies typically combine data collection methods such as archives, interviews, questionnaires, and observations.

For this research we used three data sources: semi-structured interviews, observation of preparation/production processes the operatic shows and analyses of archival documents and press accounts. Among the documents reviewed, we had the opportunity to gain access to financial statements intended for publication, single-opera and season-wide budget proposals and all internal reporting documentation used by managers to

assess the achievement of pre-established targets. In addition, we collected our information during on-site visits and while sitting in on formal and informal staff discussions. We conducted semi-structured interviews with top-tier managers, more specifically with: the head of institutional relations, the head of human resources, the head of production and the head of management control. The period of data collection took place between 2012 and May 2013.

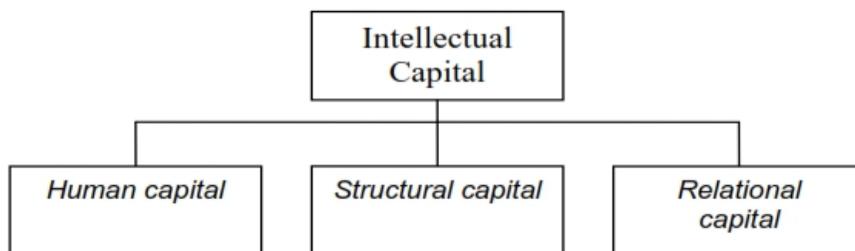
### Theoretical Framework

For some years now, the notion of IC has come to mean the intangible resource system that has been pivotal in affording companies the opportunity to create firm value.

In this work, we refer to IC as the dynamic and firm-specific system of intangible resources and activities based on knowledge, which, interacting with tangible resources, is able to generate competitive sustainable advantages, at the basis of the firm’s performance variations. From this definition emerges the intangibility of IC, its potential to create a firm’s value, the growth effect of synergies, the fact that the classification of intangibles changes over time (dynamicity), the fact that the expression of IC varies widely depending on the sector, industry, typology, size of the firm, etc. (firm specificity).

The expression “intellectual capital” was among the many coined in the late ‘90s. Definitions of the term were provided by academic authors and businessmen and also arose out of important national and international projects on the topic.

All of the major players in the IC field share the idea that, from a qualitative point of view, intellectual capital can be divided into three categories: structural capital, human capital and relational capital. More in detail, an early definition (Stewart, 1997) structured IC into three categories: human capital, structural capital and customer capital; only later did relational capital substitute customer capital (Bontis, 1998).



**Fig. 1** The three attributes of Intellectual Capital

The categories represent aggregates of intangibles which are grouped by virtue of same characteristics, similar type of functions served and equal proprietary relationship with company (Chiucchi, 2004). Even if the labels utilized are different, the content of categories is more or less quite similar (Bontis, 2000). It must be underlined that, despite the importance of the relationships evidenced in the following studies, from a regulatory standpoint, the IC categories remain the principal, if not exclusive, object of reference (Chiucchi, 2004).

Undoubtedly, IC becomes a crucial factor for a firm's performance in knowledge-based economies (Kong, 2010), and this is even more true for the non-profit sector. The first studies on IC in the public sector and NPOs show a remarkable and growing importance undertaken by this resource for the achievement of satisfactory performances (Guthrie et al., 2003; Habersam and Piber, 2003). As already mentioned, the non-profit area is highly diversified.

In this research, we set out to study the dynamic organizational vision, instruments and methods of communication and the interpretation of IC as related to a specific kind of cultural company: the opera house. In particular, based on the three subcategories of IC (human capital, organizational capital and relational capital) our aim has been to apply these subcategories to the Italian operatic sector.

Human capital (HC) can be defined as a set of aptitudes, experiences, knowledge, competencies and skills possessed by workers (Bontis 1999, Bontis et al., 2002). Since HC is not the property of the company, but lies in the workers, the company must reinforce the link with its workers to maintain this value within the company. In the context of an opera house, HC possessed by workers (singers, dancers, musicians) is a primary area of focus for managers as it determines whether or not the organization will function properly. When HC is well-managed, managers are able to meet the wide-ranging expectations of stakeholders in accordance with the organization's mission and values.

Structural capital (SC) is constituted of structured knowledge possessed by the firm and is shareable. Whereas HC is possessed by the employees, SC is controlled, possessed and managed by the firm. In this sense, SC can be defined as a supportive infrastructure for human resources (Benevene and Cortini, 2010) and includes, among others, the company's knowledge, organizational structure, procedures, management philosophies, organizational process systems and informational resources. Knowledge as well as organizational culture help the relation between internal and external stakeholders. To manage relationships with multiple stakeholders with different expectations suggests the formal mechanism to be used to improve communication channels between cultural organizations and its stakeholders

(Ospina et al, 2002). These mechanisms also include missions, value, culture, organizational culture and employee satisfaction (Kong, 2007).

A good relationship with stakeholders implies an improvement in the firm's trust and reputation and thus an increase in relational capital (RC). In Italian cultural firms, these features are crucial because public support is gradually declining and outside funding is becoming essential for survival. Consequently, RC should be managed properly in order to avoid the loss of valuable external resources (Ospina et al, 2002).

Opera is regarded as the most complex and the most expensive of the performing arts (Saint Pulgent, 1991; Towse, 2002; King, 2002). American economists Baumol and Bowen (1966) pointed out the outstanding economic characteristic of opera resulting from the extreme complexity of its operations and the costliness of its performances. The magnitude of the operation is suggested by the big size of the opera cast, but yet the seating capacity of most opera houses does not exceed 1,645 units. The unique economic nature of an opera production together with different funding patterns has a substantial influence on management systems adopted by opera organizations. However, based on case studies of several opera companies, Auvinen (2000, 2001) found that major problems in managing an opera house result from a dual organizational structure that seems to exist in opera organizations: one official and economic and the other unofficial and artistic.

In the framework of this “artistic-economic dichotomy” (Auvinen, 2001), managers of opera houses have to cope with a wide range of strategic management decisions, which involve programming policy and artistic innovation, artists recruitment, funding questions and economic stability, distribution issues, marketing and audience building strategies, social programs, etc. Some of these options may overlap in their objectives, for example marketing and economic issues, on the other hand, some may be of a conflicting nature, like artistic innovation and marketing strategy. Whether and to what extent managers prioritize certain strategic choices over others may depend on either internal management factors (organizational and managerial structure, leadership style and manager's background), or external environment forces (government and public bodies, fundraising patterns, competitors and consumers). Day and Nedungadi (1994) argue that although each of these factors may affect the organization performance, as managers tend to focus on certain elements to the exclusion of others.

Zan (2000) argues that management of the arts has a multi-dimensional nature, tracing a distinction, on the one hand between substantial and procedural aspects, on the other between efficiency and effectiveness. Efficiency refers to the acquisition and use of financial and human resources (supply-side), while effectiveness refers, on the one hand,

to the aesthetic historical judgment (back-office) and on the other to public satisfaction indicators (demand-side).

In addition, extant managerial literature dealing with the more speculative creative industries (such as movie, music recording, trade book publishing, etc.) has emphasized that firms operating in this milieu are often expected to strike a balance between creativity and financial performance (Hirsch, 1972; Lampel et al., 2000). Indeed organizational performance is a multi-faceted concept involving both an artistic and a commercial dimension. The tensions between the artistic and the commercial objectives map out in complex ways as cultural/creative sectors are usually beset by high levels of uncertainty.

As a consequence, performance measurement in the aforementioned contexts is particularly difficult. Reliance on a single fitness dimension can be misleading (Meyer & Gupta, 1994) and different fitness dimensions may interact. Moreover, success along one dimension, such as the commercial one, may interfere with another, such as the artistic one (Baden-Fuller et al., 2007).

Defined as a sector where individual organizations carry out artistic productions that should be performed live in front of an audience (e.g., drama, opera, ballet), the performing arts sector represents an interesting empirical setting to detect the multi-dimensional nature of performance.

Following these thoughts, we assume that three main concerns should be taken into consideration by an opera house management:

- the artistic side of opera production reflected mainly in artistic *innovation*;
- the economic side meaning first of all a balanced *budget* and the marketing side related to *audience* development and diversification;
- the social side focused on the diffusion of culture among all social groups.

### **The Italian operatic sector**

In the light of the above reflections, the theatre companies can thus be included in the wider universe of non-profit organizations (NPO). In this context, the intellectual capital in its three components, HC (human capital), SC (structural capital) and RC (relational capital), assumes a particular relevance. Firstly the human resources structure of an NPO is more complex than a for-profit one and requires highly skilled managers (Melandri, 2003).

An Opera House is a labor intensive company, characterized by a direct relation between the operator and the end user, so the quality of services offered, which underlies the creation of a company's sustainable

competitive advantage and the forerunner of the organization's value, is highly dependent on the skills of the employees.

Employee satisfaction includes the chance to achieve the company's mission: artistic excellence. This is a very important intangible aspect that differentiates NPOs from for-profit companies. As already mentioned above, in the operatic sector the financial aspect is not in first position as the social mission. So managers have to act on this aspect, which can be synthesized as the awareness of achieving a social target.

Training is strictly linked to the other features (skills and employees satisfaction) as these can be achieved only through intensive training activity. It is important to spread and to maintain workers' knowledge.

The professionals involved in the actual making of an operatic production, usually coordinated and led by the artistic director and the production manager, can be grouped as follows: artistic masses (orchestra, choir, and corps de ballet), technical crew (property-men, stage-hands, electricians, etc.), core crew (orchestral and choir conductors, stage directors, scenery, set and costume designers, lighting designers), and singers.

The "Teatro alla Scala", like the main operatic theatres in Italy, adopts the "seasonal" model as production model, meaning that not all the artists are part of the fixed corpus of the theatre. More specifically, human resources usually break down into two sub-categories: the internal human resources (or permanent staff) and the external ones (or contract). The first category includes the singers, ballet dancers, and orchestra conductors permanently employed by the Foundation following a competition, aimed at testing the candidates' high artistic standards. Into the second category, on the basis of meetings with the head of personnel of the Foundation, the professional employees and the artists are included. The first ones are selected by rigorous auditions, in accordance with the requirements of the artistic program of the season, or used for meeting temporary gaps in the permanent staff of the theatre. The artists, instead, constitute a "niche" category for which the recruitment does not only have to respond to the theatre bill but very often to the need to endow the programming with a certain "appeal" by involving famous professional performers. If we consider company costs for human resources as 100%, the cost for the engagement of performers usually reaches 27-30%, while that for other staff stands around 9-10%.

These statements confirm an opinion now incorporated in the most important policy thinking regarding operatic theatre, that is to say, the cost of human resources represents the most substantial expenditure item which, taken solely, prevents the achievement of profitable positions based solely on "box office receipts".

Structural capital (SC) can be defined as a supportive infrastructure for human resources (Benevene and Cortini, 2010) and includes, *inter alia*,

the company's knowledge, organizational structure, procedures, management philosophies, organizational processes systems and IT resources.

There is a strict link between HC and SC and it is represented by the organizational culture that is the basis for organizational management. Organizational culture represents the framework for the correct management of the company, such as defining the breakdown of activities and the methodology for perform job tasks.

The information concerning the components of the SC for La Scala has been collected following a series of discussions between the production head and some of his colleagues.

In particular, as from 2004 (the year of the return to the Piermarini after the period spent at the Arcimboldi theatre) La Scala worked very hard to improve its productivity, helped by a decidedly more modern structure in which there were no longer any structural obstacles. In the new context, in fact, up to three scenes can be created on the stage at the same time and the assembly and dismantling timings are remarkably reduced.

Now up to four performances can be performed in the same month. This production strategy has been called "*a treccia*" [plaited or inter-woven] programming. This approach takes place like this: there are three performances on the stage at the same time (A, B, and C), of which two go on stage alternately every evening (A and B) and one (C) which rehearses on stage during the daytime. During the same period, the fourth show (D) rehearses in the rehearsal room. In this way when performance A has gone through all the performances on the bill, it is replaced by C which until then has been rehearsing and D moves from the rehearsal room to the stage. This working strategy can be implemented if it can be managed to carry out at least a five-year program. With five years notice, the production head can check, performance by performance, the artistic feasibility of the project taking care to assess all the possible constraints: technicians' shifts (the management of three performances on stage needs a working schedule of 22 hours), union views and company contracts for the artists, alternating performances (which means exploiting all the types of artists which La Scala has available without overspending on overtime) and, last but not least, the need for season ticket holders (offer a number of performances in line with public expectations and of high artistic quality). After this first assessment, solely and exclusively artistic, the production director confers with the head of management to assess the financial feasibility.

From this it can be gathered that the SC dimension managed in the above-described ways makes the best use not only of the structure but also the skills of the artists; thereby making a positive contribution to the company's performance. Increasing the productivity of a structure with the high fixed costs which La Scala has to bear means, actually, facilitate a lot

the achievement of positive results in financial terms. In addition, widening the artistic offering by including differentiated performances within a given period undoubtedly makes a marked improvement in meeting the ever-increasing demands of the public. In this sense the strong link between the economic and social aspects which mark these organizations and the leading role which IC plays emerges all the more clearly.

For this reason here's an example of a program of works which production has provided us with and some data concerning the productivity of the theatre from 2000 until the present time.

Another relevant component of IC is relational capital (RC) composed of all the resources linked to the relationship with external stakeholders. It includes the exchange of knowledge between the NPO and its external stakeholders (Grasenick and Low, 2004) as well as the perception they have of the organization. A good relationship with stakeholders implies an improvement in the firm's trust and reputation and so an increase in RC (Relational Capital). In Italian cultural companies these features are crucial because public support is gradually declining and external funding is becoming essential for survival. Consequently this IC component should be managed properly to avoid the loss of external valuable resources (Ospina et al, 2002).

In the case of La Scala the management of relational capital has helped, over the time, to increase sponsorships and contributions from public and private bodies. The Foundation, after the recent change of statute (following the regulation published on 5 May 2011) can now count on the following categories of Founder Partners:

- Ex officio Founders: the State, the Lombardy Region, the Province, the Municipality and the Chamber of Commerce of Milan.
- Ordinary and Perpetual Founders: private persons, who have contributed not less than 600 thousand Euros for Ordinary Founders and 6 million Euros for Perpetual Members and who must then pay each year 8% of what the State pays. The first group will have one vote in meetings, the second ten.

The Ordinary and Perpetual Founders are in fact the result of the intense fundraising which the Foundation has carried out during the years. This is demonstrated by the ever-increasing presence of important personalities from the world of finance ready to invest resources in this archetypical Milan theatre.

In table 1 below are listed the contributions of the ex officio and other Founders from 2000 to 2012. As the prospectus makes clear, faced with a progressive reduction of the "obligatory" institutional contributions, there was a gradual increase in "spontaneous" contributions both from public and private entities over this period. The most difficult period was

undoubtedly the spell at the Arcimboldi (from 2002 to 2004) which experienced a marked fall in the non ex officio financing.

**Table 1.** Statement of contributions from public and private Founding Partners from 2000 to 2012 (€000). Source: La Scala

YEARS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Government contributions	35,823	39,555	39,247	39,637	33,976	34,079	30,901	32,026	37,296	36,910	31,935	33,238	30,748
Region	3,616	2,582	2,582	1,305	7,582	2,582	2,430	2,712	2,712	2,710	2,700	2,710	2,908
Municipality	6,714	6,714	10,214	8,114	6,714	8,014	8,714	6,714	7,334	7,214	6,564	7,414	6,414
Charges linked to the management of institutional contributions	-344	-403	-399	-459	-506	-759	-756	-726	-828	-868	-874	-909	-894
<b>TOTAL CONTRIBUTIONS FROM EX OFFICIO CONTRIBUTORS</b>	<b>45,809</b>	<b>48,448</b>	<b>51,644</b>	<b>48,597</b>	<b>47,766</b>	<b>43,916</b>	<b>41,289</b>	<b>40,726</b>	<b>46,514</b>	<b>45,966</b>	<b>40,325</b>	<b>42,453</b>	<b>39,176</b>
Public contributions	2,892	904	1,103	1,103	2,103	3,105	6,612	5,418	5,418	5,151	7,223	5,966	2,983
Private contributions	19,108	21,949	15,980	16,071	17,468	22,552	18,671	20,167	17,972	18,872	20,106	22,307	22,606
<b>TOTAL CONTRIBUTIONS FROM NON EX OFFICIO FOUNDERS</b>	<b>22,000</b>	<b>22,853</b>	<b>17,083</b>	<b>17,174</b>	<b>19,571</b>	<b>25,657</b>	<b>25,283</b>	<b>25,585</b>	<b>23,390</b>	<b>24,023</b>	<b>27,329</b>	<b>28,273</b>	<b>25,589</b>

This paragraph makes it even more obvious that some components of the intellectual capital, in particular the quality of relations with public and private interlocutors and the quality of the performances put on constitute essential institutional objectives for opera theatres. However there are also writers (Donato 2008) who break down the intellectual components into two main areas: the intellectual dimension of the input (quality of the artistic and other staff and quality of the production organization), and the one of the output (quality of the artistic performances and quality of relations with stakeholders). In our opinion, this type of distinction can help sector operators to embark on a path towards a management style and measurement of the intellectual capital which would not just be left to the personal sensibilities of the managers but which would be inserted into a formal plan for measuring the intellectual capital.

## Conclusion

In the introduction, we proposed to achieve the following aims with this study:

- 1) to enhance the role of IC in Opera Houses in Italy
- 2) to deepen the contribution of IC attributes to the performance of these organizations
- 3) to understand if the managers of the La Scala Opera House are aware of the potential linked to the measurement of these intangible components

4) if there is any possibility of overcoming the obstacles created by the managers by proposing suitable instruments for the reporting and evaluation of IC.

In the following pages we study the results achieved by each objective pursued during the study.

*1) to enhance the role of IC in Opera Houses in Italy*

A review of the managerial literature on cultural/creative organizations has shown that the performance of these organizations has a multi-dimensional nature that mainly relies on intangible elements such as employee skills and competence, routines in the development of the organizational process and the networking relations the organization establishes both with government offices and with private funders.

Opera houses are non-profit organizations usually controlled by public bodies and rooted in a particular geographic and social context. For these institutions, the dissemination of artistic, cultural and musical patrimony is an institutional objective. So, after studying the literature on the subject of intellectual capital for cultural organizations, we share the opinion of those who prefer to break down the concept of this intangible capital into two large categories – input and output (Donato, 2008).

Again, from studying writings on the subject, it was possible to understand how relations with stakeholders and the prestige of a theatre acquired through constant attention to artistic excellence, are output factors for the intellectual dimension which play an extremely important role with regard to sources of revenue.

*2) to deepen the contribution of IC qualities to the performance of these organizations*

Based on a literature review we identified and described the attributes that represent the IC construct.

Furthermore, based on the evidence gathered in the case study, we analyzed the role IC plays in opera houses and then we propose how IC attributes affect the different dimensions of performance of the operatic institutions.

In the light of the study carried out, we share the position of those who define Opera Houses as “vicious loops” or “hopefully virtuous loops” organizations (Donato 2008). Because in market oriented companies, the development of intangibles is deemed necessary in order to meet their financial objectives in the short or medium term. But in opera houses the balance between income and expense is based only for minimum part on market incomes, so a large part of income comes from fundraising activities and public support. Thus the link between the relationship with stakeholders and the dimension of the financing sources becomes evident. At the same time, good financial performance can allow opera houses to strengthen and

develop intangible resources. This is the vicious or virtuous circle which characterizes the management of these particular cultural entities and which binds the intellectual dimension to the financial, social and artistic ones in an inseparable manner.

*3) to understand if the managers of the La Scala Opera House are aware of the potential linked to the measurement of these intangible components*

From discussions and interviews with the various company department chiefs it became clear that there was a good awareness of the importance of Intellectual Capital for an Opera theatre like La Scala. The head of management control, the head of personnel, the production chief and all the other people we involved in the research always remarked on the critical nature of factors such as human resources, the structural capital and the relational capital. However, even understanding the importance of these components and their immediate impact on economic and financial performance, there is no codified system of measurement enabling the monitoring of the performance of these variables.

The lack of indicators and reports able to “capture” the contribution of the intellectual dimension to the achievement of financial, artistic and social objectives of the theatre can result in a management style with little awareness of the immaterial dimension. In managerial literature it is often highlighted that you can (better) manage what you (better) measure (Donato, 2008). In reality it is also true, as often emphasized by the company chiefs interviewed, that the choices for the management of the theatre cannot only be based on indicators. On the contrary, these are decisions taken initially by evaluating the artistic feasibility of the projects and in second place by checking the financial terms in great detail.

*4) if there is any possibility of overcoming the obstacles created by the managers by proposing suitable instruments for the reporting and evaluation of IC.*

Following these discussions we were able to check if company heads were ready to develop indicators capable of providing a first indication of these components, rather than developing formal instruments for reporting on the IC components.

The willingness to use indicators able to measure the immaterial dimension was in fact only expressed in favor of a better management of the relational component. With reference to the latter, we have suggested using indices which can be calculated on the basis of accounts data, as the expression of corporate strengthening and to what extent public or private entities would be attracted to partnerships ready to invest in the theatre field. We are talking about the indices shown in the table below.

These indices, calculated from 2006 to 2009, highlight how the efforts made in recent years by La Scala to strengthen the relational component have in fact resulted in a tangible increase in the patrimony available to the Theatre (Pierotti 2012). This gives the possibility of using such quotients as instruments to monitor this dimension of intellectual capital.

<i>Ind</i>	<i>Indicators of corporate strengthening</i>	<i>formula</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1	<b>Unit growth rate of net equity (NE)</b>	(final NE - initial NE) / initial NE	0.20%	0.04%	-1.48%	-4.72%
2	<b>Potential unit growth rate of net equity</b>	Sum of contributions to balance sheet received in year/initial NE	6.68%	6.85%	5.35%	10.22%
3	<b>Unit rate of use of contributions to net equity</b>	(final NE - initial NE) / sum of contributions to net equity received	3.02%	0.54%	-27.69%	-46.19%
4	<b>Growth rate of available net equity</b>	Margin available for strengthening / available NE	-0.20%	0.11%	3.36%	4.05%

<i>Ind.</i>	<i>Indicators of attraction of partnerships</i>	<i>formula</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1	<b>Incidence of revenues from non-obligatory partnerships</b>	<i>Revenue for non-obligatory partnerships / total macro-classes A C.E.</i>	17.75%	14.47%	18.09%	17.00%
2	<b>Impact of contributions for current expenses from non-obligatory partnerships on total contributions</b>	<i>Contributions for current expenses from private entities / total contributions for current expenses</i>	33.05%	24.50%	31.47%	31.86%

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