

# Introduction

This book was conceived as a tool for students who approach economics and management for the first time, and are specifically interested in companies and organizations that operate in cultural sectors. We believe, though, that it is also a useful tool for those who manage cultural organizations, because it explains in a clear but rigorous way the economic processes that take place in firms in general, and in cultural organizations in particular.

The goal of the book is to discuss under which conditions different types of firms operate in a viable way over time and, secondly, to examine the challenges facing managers of cultural organizations, through an in-depth look at the situations and specific characteristics of these organizations.

There are two main reasons for that decision.

First of all, after a period in which “culture” and “commerce” were considered opposites, we are now seeing a strong cross-fertilization between the two on both a professional and an academic level. For a long time, specialists in culture and business practitioners showed a strong, mutual distrust: the former suspicious of a possible intrusion of economic and market logics into the “free” world of culture; and the latter convinced that the “romantic” world of art was an expression of genius (and lack of discipline) of particular individuals, and not sustainable activities that produce wealth and economic value. Today we are seeing not only more dialogue, but also forms of integration and hybridization. The overcoming of the classical contrast of “culture as the negation of profitability vs. business viability as the negation of culture” has allowed the managerial world to rediscover the importance of culture, understood also as the multiplicity of skills to manage complexity, and the world of culture to exploit the principles of economic viability and creation of economic value as preconditions for effective management of cultural activities and heritage. From this standpoint, a careful application to the world of art and culture of managerial logics and practices (not only in terms of budgeting, but also marketing, organization, stakeholder management, etc.) can not only improve the efficiency and effectiveness of cultural production processes – for example increasing the availability of cultural products such as exhibits, films or theater performances – but also guarantee cultural organizations greater autonomy and independence from ideological conditioning. On the other hand, greater attention to diversity, inclusion, and the role of each organization – including in political terms – is increasingly important for companies that find themselves faced with requests that go well beyond the typical goal of maximizing financial results to the benefit of their shareholders.

Cultural organizations are characterized by very specific features, and as we will see in the course of the book, by nature they are called on to respond to expectations of multiple private and public actors and have a need to legitimize themselves in the eyes of experts of their field, as well as with general audience such as tourists or citizens. They often play a public role, but also have a need to supplement their cultural offering with the sale of services (for example the rental of spaces). They must distinguish what they offer, but be able to rethink it continuously to avoid being separated from modern society. In order to consider these specific characteristics, it is thus not possible to apply managerial solutions and practices tested in other situations *tout court*, but it is always necessary to be careful to recognize the context of artistic and cultural organizations from a cultural and social viewpoint. In this book, our goal is to identify the conditions for functioning of businesses of various types, and subsequently reflect on how it is possible to apply managerial practices to the world of art and culture, providing readers the basic knowledge and methodological tools for that purpose.

The second element that led to this book regards the fact that, if it is true, as stated previously, that cultural sectors are different settings than other economic sectors, at the same time they have some unique characteristics (for example the particular production process, the short life cycle of products, the high degree of risk and complexity, the strong focus on innovation and the introduction of new products) that make them interesting environments to study, also to draw implications that can be useful in more traditional sectors. In other words, cultural sectors are to be considered as *avant-garde* cases and offer occasions for reflection for sectors with high intensity of innovation, the communication and professional services sectors, and in general all sectors that are knowledge intensive. It is no coincidence that these sectors have been used by a high number of researchers as empirical settings where to test and develop managerial theories and models to be extended also to more traditional contexts.

The growing interest in the academic world has developed alongside the recent transformations of western economic systems, that have regarded both lifestyles and consumption processes, and also production systems. In this sense, the rapid technological changes, the intense dynamics of competition, and the increasingly central role of the symbolic dimension in determining the value of products and services have led to the emergence of creativity as a key source for competing with success. Therefore, studying cultural sectors and organizations is also useful to find solutions and practices that can help stimulate the ability to innovate of companies that operate in other sectors, thus contributing to their competitive advantage.

The analysis in the book focuses on the common principles of functioning of different types of companies, aimed at satisfying the needs and production of economic and non-economic value, with specific reference to companies that operate in arts and culture. The idea is to provide an overall view of the managerial problems and conditions to be respected for a business to be well-managed, while leaving the in-depth analysis of the single issues to the relevant functional courses.

The conditions for viability are valid for all types of firms, despite their variety. As Vittorio Coda (2015) wrote: “Quoting the famous sentence with which Tolstoy’s *Anna Karenina* begins: ‘All happy families are alike; each unhappy family is unhappy in its own way’. Likewise, I would tend to say to firms: all happy firms are alike; each unhappy firm is unhappy in its own way. And this is because there is essentially a single proper form of management of a business, while there are infinite pathologies”.

The expression “organizations that operate in arts and culture” brings together a very heterogeneous set of actors who have in common the centrality of an artistic or cultural product, are subject to specific regulations, and deal in goods and services that can only partially be classified under the established categories of economic theory. Their importance for social development, and not just economic development, of society in general, suggests paying particular attention to the conditions of sustainable management.

The book is organized so as to provide a series of conceptual tools valid for different types of businesses and an in-depth examination regarding businesses that operate in arts and culture.

After having examined the meaning of economic activity and defined businesses (**Chapter 1**), the institutional structures are described (**Chapter 2**) in terms of contributions and rewards between actors that have different interests, and of structures and mechanisms that govern ownership, economic governance and supervision. **Chapter 3** proposes a classification and description of the organizations that operate in the arts and culture, while **Chapter 4** deals with the issue of the relationship between organizations, their markets and end users.

Analysing the environment in which organizations operate, **Chapter 5** focuses on competitive analysis and introduces the issue of strategies aimed at limiting the activity of competitors and maintaining economic equilibrium in the organization. On this basis, **Chapter 6** focuses on dealing with management problems and in particular the variables that condition the optimum size of businesses and their confines.

**Chapter 7** is dedicated to organizational problems, and specifically looks at the issues of designing organizational structure, people management (especially the complex relationship between creative and managerial roles), enriching the analysis with numerous examples.

Lastly, **Chapter 8** considers financial statements as key documents to assess the economic viability of businesses, accompanying the reader in the construction and interpretation of the same.

This book is the result of years of teaching together in the halls of the CLEACC (Degree Course in Economics for the Arts, Culture and Communication) at the Bocconi University of Milan. Its background is firmly rooted in the discipline of business administration.

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