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## HARD TIMES OF OPERA HOUSES

### Abstract

Performances of Italian Opera houses are today particularly affected by diminishing Government budgets, inhibited private grant-making and the credit crunch. Performances of USA Opera houses are not, similarly, flourishing though, if Government grants have always been modest, private contributions have stimulated the USA opera industry for decades. Such results might be re-considered if Opera Boards would concentrate on both paying customers, members, donors, sponsors, Government, other Administrations, etc. *Willingness to pay* is only one focus of Opera Boards. Marketing is as necessary as fundraising of both public and private resources.

Reports of Italian Opera houses and of the Italian Ministry of Cultural Affairs are checked through for comparable data with USA ones. These ones are investigated in their performances referring to 2008 USA *990 Forms*. Cluster analysis – multivariate analysis with the Ward Method – will explore some trends in performances and revenue diversification of USA Opera houses.

This research will give evidence of USA and Italian trends: segmentation of paying consumers, segmentation of donors and hence, revenue diversification from multiple stakeholders could both support not-for-profit goals, gaining or consolidating a competitive advantage in the Not-For-Profit Market of Opera. If the Net Gain can be considered a performance estimate of Nonprofits, the *Fundraiser Profile* of both samples is successful and revenue diversification is limited and contradictory.

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**1. Literature review**

Nonprofit firms are a solution to market failures in the accomplishment of several social goals. The nonprofit entrepreneurship is a crucial function in market economies (Koning, Noailly and Visser: 2006, Seaman: 2004). In most European countries, they supply merit (and public) goods thanks to the public and the private support. In the USA private contributions are prevailing.

The global economic crisis is, particularly, affecting nonprofit cultural firms: endowments are suffering, ticketing revenues are not always increasing, contributions are diminishing as for public budgets cuttings, donors are targeted by a pressing good-cause related marketing and the selection of the good cause becomes very important. Screening of good causes is particularly diffused in today's USA donating behaviors: agencies and observatories are spreading in the evaluation and ranking of charities (Aldashev and Verdier: 2010, Thornton and Belski: 2006, Gordon, Knoch and Neely: 2009, Chhaochharia and Gosh: 2008, Andreoni and Payne: 2008, Thornton: 2006).

The cultural nonprofit entrepreneur is confronted with a marketing expense vs. a fundraising one tradeoff, where marketing concerns paying customers, their segmentation and their purchasing-power exploitation (Choi: 2009, Delany and O'Toole: 2007), and fundraising consists in gaining the propensity and loyalty of public and private supporters. The literature counts several contributions about marketing and fundraising in cultural firms (Colbert: 2004). From fundraising to marketing, revenue diversification is implemented in order to gain resources – money and in-kind – *for the cause from multiple audiences* (Carroll and Stater: 2008, Okten and Weisbrod: 2000). From a draft application to mature strategies, marketing and fundraising are exploited by the «cultural entrepreneur» who copes with the never-ending compromise between the *first best of the cultural quality* and an efficient allocation of resources.

The literature debate is, often, focused on the question of the main target: the not for profit entrepreneur should not concentrate on revenues or gains, but on the excellent accomplishment of the cultural activity. The cultural entrepreneur should estimate the number of customers or donors, customers' and do-

nors' satisfaction, the reputation or prestige, all variables that are not always calculated in euros or dollars. Standards matter when euros and dollars are not the most important parameters.

Moreover, if an entrepreneurial approach is to be applied, this one is not a recall of strategies, best practices and performance estimate standards usually developed by manufacturing entrepreneurs. A proper theory should be developed for the not-for-profit «business», with mutual concessions of economics and management theories, though the performance analysis could always recall the Net Gain as a positive indicator, remembering that the institutional form of the Not-For-Profit implies that the Net Gains are welcome, though they must be invested in the Not-For-Profit Goals.

The cultural entrepreneur is different from the «manager» of any other industry (Peneder: 2009, Roodhouse: 2008). Surely, the cultural manager should be an omnivore, covering a range of skills and capabilities that have unlimited boundaries, from an advertiser to a fundraiser, from for-profit to not-for-profit best practices. Next to the bundle of knowledge and skills, he has to combine flexibility, promptness, commitment «much more to *the good cause* than to the *job*», replying to multiple stakeholders whose interests may be sometimes conflicting, sometimes complementary (Hsie: 2010, Jawahar and McLaughlin: 2001).

The next paragraph will be a description of main performances of Italian Opera houses, affected by high personnel costs – the *creativity intensity* – and prevailing public contributions. The Italian Opera houses are the famous 14, born in Italy in the last century, all having an internationally well-known insourcing and maturity of artistic skills and, till now, only start-ups of Marketing and Fundraising Offices.

The third paragraph will investigate USA Opera houses whose 990 Forms were selected in «A6A Opera» category of the Guidestar website, [www.guidestar.org](http://www.guidestar.org). The analysis will consider the first 100 USA Opera houses for the relevancy of the keyword «opera». The selected sample includes opera houses that are all receiving a Government Contribution, in order to compare with the Italian strong propensity for public funds.

The universe of the Italian Opera houses and the sample of USA Opera houses will be investigated in their revenue diversification and main performances for data that are available for years 2007 and 2008<sup>1</sup>.

A quantitative analysis will refer to USA Opera houses, whose revenue diversification is comprehensive of multiple accounting categories though the main are similar to those ones of Italian Opera Houses: contributions, more private than public ones, and program service revenues. All revenues and costs will be

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<sup>1</sup> The analysis is related to available data for 2007 and 2008. It should be recalled that 2008 USA 990 Forms refers to a fiscal year beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>. Italian available data refers to reports whose calendar year begins January 1<sup>st</sup> and ends December 31<sup>st</sup>.

indexed to total revenues and total costs and a cluster analysis – Ward Method – of the sample will give evidence of emblematic groups.

This analysis is a focus on the double type of the Opera Entrepreneur: the Italian One still largely supported by the Government, the *Public Funds Raiser Type*; the USA One with well-developed marketing, fundraising skills and three main *Profiles*: the *Fundraiser Type* who is relying on prevailing private contributions, the *Price-Maker One* who is relying on program service revenues and the *Hybrid One*, mixing both.

## 2. Creativity Intensity and Funding priorities of Italian Opera houses

Italian Opera houses were public institutions till 1996, *heavily* financed by the Italian Government. In 1996 the Act n. 367/96 changed property and management patterns of Italian opera houses and orchestras. Main aim: private entrepreneurship should have coped with financing and managing. They were, therefore, transformed in foundations, supposing that private sponsors and managers would have joined to Boards and recovered scarce and diminishing resources of the Italian Government whose budget for cultural activities was continually cut.

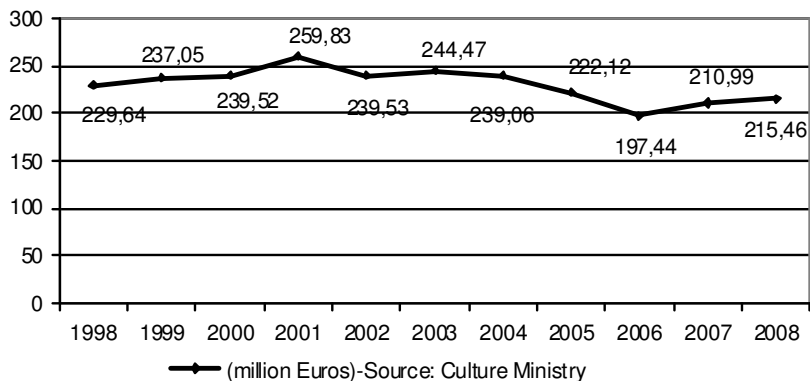
The Italian Opera Foundations have an own orchestra, chorus and drama schools. The in-sourcing of artistic personnel is typical of the history of Italian theatres who have always connected guesting with own productions (creativity intensity). The famous fourteen are: Fond. (Fondazione) Teatro Regio di Torino, Fond. Teatro Carlo Felice di Genova, Fond. Teatro alla Scala, Fond. Teatro Lirico G. Verdi di Trieste, Fond. Teatro La Fenice di Venezia, Fond. Arena di Verona, Fond. Teatro Comunale di Bologna, Fond. Teatro Maggio Musicale Fiorentino, Fond. Acc. Nazionale di Santa Cecilia, Fond. Teatro dell'Opera di Roma, Fond. Teatro S. Carlo di Napoli, Fond. Petruzzelli e Teatri di Bari, Fond. Teatro Massimo di Palermo, Fond. Teatro Lirico di Cagliari.

The *Foundation Evolution* has not particularly affected their economic performances. Most of them are suffering heavy losses and they are now developing managerial competences as regards marketing or fundraising (Agid and Tarondeau: 2008). Most of them still depend on State resources though these ones are diminishing.

In the following Figure the decrease of Government grants is meaningful, especially if we consider the first decade after the *Foundation Evolution*, in 2006.

Figure 1

**Government grants to the 14 Italian Opera Houses (1998–2008)**



In 2009, for 200 million euros, the Government holds the main *share* in Opera total revenues. Next to the Government, local public administrations constantly support the same performing arts for a percentage that is, on average, the 40–45% of the total amount of the Government grant.

In 2010 the Government Grant is 194.608.804,83 and a drastic institutional revolution is announced in the Act DPR n. 64/April 2010. In front of Italian Opera houses strikes of the artistic personnel are becoming a *constant*. As a protest against the budgetary cuttings, openings of seasons and special *primas* are often canceled.

Corporate sponsorships are not more than 5–10% of total revenues, apart of Foundation Alla Scala. Individual donations are quite absent.

For 2007 and 2008 available data as regards ticketing, opera revenues are decreasing at the same time and only pop music consumption seems to cope with these *entertainment abandon* trends:

At the end of 2007, 6 of 14 Italian Opera Foundations suffered of heavy losses: San Carlo Naples (–5.5 million euros); Alla Scala in Milan (–4.3), Il Maggio fiorentino (–1.8); Il Comunale in Bologna (-1); Verdi Theatre in Trieste (–0.655 million euros); La Fenice in Venice (–0.093 million euros). The following ones registered large and modest gains: Massimo Theatre in Palermo (+1.9); Carlo Felice in Genova (+0.044); Petruzzelli and Bari Theatres (+0.042); Opera in Roma (+0.039), Santa Cecilia Academy (+0.029); Lyric Theatre in Cagliari (+0.007) and the Royal Theatre in Torino (+0.006).

**Table 1**  
**Revenues from ticketing of Italian performing arts (euros)**

	2008	2007	% Variation
Cinema	695,728,373.52	734,209,674.97	-5.24
Theatre	208,907,310.62	234,970,776.40	-11.09
<b>Opera</b>	<b>89,212,349.71</b>	<b>100,814,951.07</b>	<b>-11.51</b>
Musicals	36,216,732.89	38,722,499.74	-6.47
Dance	29,416,921.44	32,943,743.38	-10.71
Classical music concerts	44,453,110.55	46,382,860.67	-4.16
Pop music concerts	227,795,387.03	207,703,192.95	9.67
Jazz concerts	13,307,572.39	13,450,506.91	-1.06

Source: Siae data.

In 2007, Opera Foundations received State funding for 210,990,000 euros and more than 124,413,000 from local public administrations. Private funds counted only for 30.8 million euros. The Santa Cecilia Academy was the luckiest one for *private affection*: 5.4 million euros.

At the end of 2007, debts were 291 million euros and the personnel expense amounted to 342 millions euros.

At the end of 2008 losses of Italian Opera Houses are more than 40 million euros. Only 6 Foundations out of 14 count a modest profit: from Cagliari with 2,381 euros to Massimo in Palermo with more than 800,000 euros. G. Verdi Theatre in Trieste suffers of a very modest loss of 13,955 euros but both Carlo Felice in Genova and Opera in Rome are affected by a loss of more than 10 million euros.

As for the available comparative data of ten Italian Opera houses, here follows a summary of main performances (table 2).

The main cost refers to the personnel, above all the artistic one. Confirming the well-known Baumols' Cost Disease (Baumol and Bowen, 1966), Italian Opera houses reveal a meaningful creative labor intensity.

Massimo Theatre in Palermo counts the highest Gain, but the highest dependence on public contributions.

Though suffering a loss, Arena in Verona is successful in product and price marketing, gaining the highest Program Service Revenues.

The world reputation of Alla Scala profits by the highest private contributions though they are less than one fifth of total revenues.

Table 2

**Main performances of Italian Opera houses on the 31st December 2007, %<sup>2</sup>**

<i>From Reports ...</i>	Alla Scala	Cagliari	Arena – Verona	Carlo Felice – Genova	G. Verdi- Trieste	Massimo – Palermo	San Carlo- Napoli	Comunale – Bologna	Regio – Torino	Opera – Roma
Personnel Costs	57,6	55,9	50,8	62,8	64,1	66,7	58,0	65,2	45,3	69,1
Net gain or loss	-4	0	-8	0	-2	<b>+4</b>	<b>-14</b>	-4	0	0
Public Contributions	39	83	<b>31</b>	76	78	<b>88</b>	76	73	68	-
Private Contributions	<b>18</b>	3	3	10	4	3	4	7	9	-
Program Service Revenues	43	14	<b>66</b>	14	18	<b>9</b>	20	20	23	18

Source: own elaboration on reports

Apart of public funds – the highest percentage on average – program service revenues and private contributions are the other Opera houses resources. A modest revenue diversification is the prevailing feature of the fourteen.

Funding priorities become pressing as for the never-ending rising costs and they should stimulate private donations thanks to proper fundraising campaigns. The Italian people regularly donate to social goals but the cultural activity is not the preferred cause<sup>3</sup>.

<sup>2</sup> The Personnel cost as percentage of total costs, the Net Gain or Loss as percentage of total revenues, Public Contributions, Private contributions and Program Service Revenues as percentage of total revenues.

<sup>3</sup> In 2005, individuals in the US gave over 260.28 billion dollars to charity, or 76% of the total dollars donated. About 70 to 80 percent of Americans contribute annually to at least one charity. The trends in giving over the last 30 years show that total giving has been on a steady rise. Though the latest crisis, they are particularly fond of social and especially community goals. (Andreoni and Payne, 2008)

In 2003, the Italian donated 3,5 billion euros to charities and it is foreseen that donations will amount to 14 billions euros in 2050. Philanthropy means 0,13% of the Italian GDP. The profile of the patron is as follows: 30% of the Italian population, between 14 and 64 years old, with an average of two donations in one year. Most of all, the Italian give to the scientific research (14%), international emergency (13%), developing countries (8%) and religious institutions (7%). ([www.istitutoitalianodonazione.it](http://www.istitutoitalianodonazione.it))

By the standards applied to profit-seeking organizations and the not-for-profit industry, Italian opera houses should impressively cope with their productivity and sustainability decline investing in marketing and fundraising.

### **3. USA Opera houses: the cluster analysis of 2008 main performances and prevailing profiles**

The USA National Endowment for the Arts – the USA federal administration with the supporting role of USA arts – reports that, in 2008, 4.8 million adults (2.1% of the adult population) attended at least one opera performance. According to a *OPERA America* survey, 5.6 million adults attended opera events in 2009<sup>4</sup>.

In 2007–2008, North America's professional opera companies presented 1,990 performances of 414 fully-staged main season and festival productions.

Currently, North American opera companies have over 55,000 full-time and part-time employees. The collective expenses of American and Canadian (members of *OPERA America*) opera companies for 2007-2008 were \$891 million, and the collective revenue was \$936 million. *OPERA America* and *Opera.ca* companies posted \$310 million dollars in box office receipts for FY08. Box office income represents 36% of total operating income for all companies. Private support of *OPERA America* companies in the United States totaled \$505 million in FY08, representing 58% of the total income. Support from the National Endowment for the Arts was \$1.4 million in FY08. NEA support represented less than 1% of all income reported by U.S. companies in 2007–2008, a very different percentage of the average of Italian Opera Houses.

With a niche market, USA Opera houses shows a complete different range of revenues, these revenues also listing accounting lines other than Government contributions, private contributions and program service revenues. These two ones are, anyway, prevailing.

Through the analysis of 990 Forms of the fiscal year 2008, here follows a cluster analysis of main accounting lines of 100 USA Opera houses, whose Statements of Revenues and Expenses were uploaded and analyzed during May 2010<sup>5</sup>.

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<sup>4</sup> *OPERA America* serves the opera field in its broadest dimension, supporting the creation, presentation and enjoyment of opera. In the United States, it counts 117 professional companies in 43 states in its membership. <http://www.operaamerica.org>

<sup>5</sup> The analysis refers to 2008's data as 2009's Statements are not listed in [www.guidestar.org](http://www.guidestar.org) for most of USA opera houses, that are not for profit organizations listed in Guidestar: 653 for the «A6A Opera» category.



Form 990, *Return of Organization Exempt From Income Tax*, is the IRS's primary tool for gathering information about tax-exempt organizations, for educating organizations about tax law requirements, and for promoting compliance with tax law. It supplies several pieces of information: from the governance to the composition of assets, liabilities, revenues and expenses of charities, not for profit organizations, those organizations engaged in the accomplishment of good causes. With regard to a tax period beginning on the 1<sup>st</sup> of July and ending on the 30<sup>th</sup> of June, the Form 990 is an annual document used by approximately one-third of all USA public charities to report information about their finance and operations to the Federal Government<sup>6</sup>. Guidestar<sup>7</sup> collects Forms 990 and uses these data to populate its database with financial information about nonprofit organizations. For this type of organizations, Forms 990 are downloadable from the website [www.guidestar.org](http://www.guidestar.org) selecting the exact name of an organization or an industrial category.

Opera houses were selected in «A6A Opera» category of Guidestar website, [www.guidestar.org](http://www.guidestar.org). The analysis considers the first 100 USA Opera houses for the relevancy of the keyword «opera» and all receiving a Government Contribution<sup>8</sup>.

In the following Table the sample is listed for increasing 2008 Government grants, indexed to total revenues. The second column shows all contributions (including Government Grants) and the third column reports the Gain or Loss, they are both indexed to total revenues.<sup>9</sup>

The sample features a drastic difference in comparison with *the Italian Fourteen*: the Government grant is 32% as a maximum, less than the lowest public contributions of the Italian sample, 39% for Alla Scala. 45 of USA Opera Houses, nevertheless, suffer of losses.

Performances of these Opera houses were further investigated referring to data Forms 990, as for the composition of revenues and costs. As reported in the Form Glossary revenues of a USA not for profit organization may include: *Direct public support*: contributions, gifts, grants and bequests received directly from the public. It refers to amounts received from individuals, trusts, corporations, estates, foundations, public charities or raised by an outside professional

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<sup>6</sup> In March 2009, the 2009 Form 990, schedules, and instructions have been revised to modify and clarify certain reporting requirements: Statement of Program Service, Governance, Compensation, Revenues and Functional Expenses, etc.

<sup>7</sup> Born in September 1994, the Philanthropic Research Inc – Guidestar – encourages nonprofits to share information about their organizations, reporting with about their mission, programs, leaders, goals, accomplishments, needs and performances.

<sup>8</sup> The Guidestar criterium means that the listing is recorded by the relevancy to the keyword.

<sup>9</sup> Creativity intensity is here present and absent. The sample includes opera houses with their own artistic personnel or not. The personnel cost is from 2,5% to 75% of total costs. Artistic personnel works next to Managing Boards, Marketing Officers, Fundraisers, whose skills have been here developed for decades.

fundraiser; *Government contributions or grants*: payments from the Government to a non profit organization to further the organization's public programs. Direct public support, Government contributions and grants were summed so that we calculated the whole *Contributions, Gifts, Grants and similar*. The other revenue categories may be: *Program service revenues*: fees and other monies received by an organization for services rendered. These services must relate directly to the primary purpose for which the organization received its tax-exempt status; *Membership*, members' and affiliates' fees that are not contributions; *Interest on savings and temporary cash investments*: the amount of interest income from savings and temporary cash; *Dividends and interests from securities*: the income from equities and securities; the *Rental income* (net of costs) received from investment property and *Other investment income*; revenues of *fundraising (special) events* (net of costs); revenues from *Sales of assets*, items owned by the organization and *Sales of inventory*; *Other Revenues*: revenues not previously counted; *Gain or loss of the year* as the difference – positive or negative – between revenues and costs.

Table 3

**Government contributions, Contributions and Net Gain or Loss  
of 100 USA Opera Houses, 2008**

USA Opera houses	Government contributions/ Tot revenues	Contributions/Total revenues	Net Gain or Loss/Total revenues
CINCINNATI OPERA ASSOCIATION INC – CINCINNATI	0,003181434	0,637011257	-0,02857139
LYRIC OPERA OF CHICAGO – CHICAGO	0,003218159	0,405106227	0,298783369
SOUTHLAND OPERA – GLENDORA	0,003377237	0,082421479	0,148615333
SACRAMENTO OPERA ASSOCIATION – SACRAMENTO	0,004964624	0,490214944	-0,006784168
BOSTON LYRIC OPERA COMPANY – BOSTON	0,005616025	0,568192543	0,035731998
LOS ANGELES OPERA COMPANY – LOS ANGELES	0,008862402	0,692797437	0,054379861
WOODLAND OPERA HOUSE INC – WOODLAND	0,008955245	0,485259666	0,24460536
SAN FRANCISCO OPERA ASSOCIATION – SAN FRANCISCO	0,010114264	0,644119007	0,214325101
NEW ORLEANS OPERA ASSOCIATION – NEW ORLEANS	0,011337395	0,476475173	0,166808247
THE SANTA FE OPERA – SANTA FE	0,011369643	0,568812029	0,047601275
METROPOLITAN OPERA ASSOCIATION INC – NEW YORK	0,011524307	0,529971395	0,11282548
LYRIC OPERA OF KANSAS CITY – KANSAS CITY	0,013373625	0,871430025	0,066160624
OPERA IN THE HEIGHTS – HOUSTON	0,013482397	0,472474623	-0,168157418

USA Opera houses	Government contributions/ Tot revenues	Contributions/Total revenues	Net Gain or Loss/Total revenues
CHICAGO OPERA THEATRE – CHICAGO	0,013522479	0,616180182	0,000444696
PORTLAND OPERA ASSOCIATION – PORTLAND	0,014199076	0,557147868	0,249742436
OPERA NORTH – LEBANON	0,014910148	0,41530477	0,115968644
SEATTLE OPERA – SEATTLE	0,015529668	0,660228694	0,160358538
DAYTON OPERA ASSOCIATION – DAYTON	0,015556636	0,519703781	-0,034648138
HAWAII OPERA THEATRE – HONOLULU	0,016217918	0,459209665	0,033330563
THE DALLAS OPERA – DALLAS	0,016576156	0,613420771	0,066610247
WASHINGTON NATIONAL OPERA – WASHINGTON	0,016673819	0,645423363	0,07153608
SARASOTA OPERA ASSOCIATION INC – SARASOTA	0,017086216	0,635274325	0,304126368
TOLEDO OPERA ASSOCIATION – TOLEDO	0,017287402	0,700866332	0,450156326
THE ATLANTA OPERA INC – ATLANTA	0,018163285	0,551278966	-0,16378033
THE MINNESOTA OPERA – MINNEAPOLIS	0,019257184	0,552417826	0,222682635
CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION – CHATTANOOGA	0,01932838	0,479279782	0,016042165
SKYLIGHT OPERA THEATRE – MILWAUKEE	0,02289777	0,593625748	-0,090773519
MADISON OPERA – MADISON	0,022941763	0,611229313	0,025452034
PITTSBURGH OPERA THEATER – PITTSBURGH	0,023715156	0,783366096	0,070833836
FLORENTINE OPERA COMPANY INC – MILWAUKEE	0,025226357	0,624572207	-0,105610456
PENSACOLA OPERA INC – PENSACOLA	0,0262436	0,509615538	-0,139398216
OPERA THEATRE OF SAINT LOUIS – SAINT LOUIS	0,02631311	0,646168647	0,027611737
INDIANA OPERA SOCIETY INC – INDIANAPOLIS	0,02726675	0,743434858	0,238566783
OPERA CAROLINA – CHARLOTTE	0,028588327	0,692730751	-0,101333233
SPRINGER OPERA HOUSE ARTS ASSOCIATION INC – COLUMBUS	0,028736455	0,632136681	0,401285585
DES MOINES METRO OPERA INC – INDIANOLA	0,029551499	0,697470598	-0,078860948
OPERA COMPANY OF PHILADELPHIA – PHILADELPHIA	0,030607719	0,581273779	-0,136930261
WICHITA GRAND OPERA INC – WICHITA	0,031098443	0,62514358	0,253759678
NASHVILLE OPERA ASSOCIATION – NASHVILLE	0,036833176	0,896924862	0,657234618
EL PASO OPERA – EL PASO	0,037455343	0,412150943	-0,161110408
ORLANDO OPERA COMPANY – ORLANDO	0,038198207	0,632094513	-0,14554572
HOUSTON GRAND OPERA ASSOCIATION INC – HOUSTON	0,039566984	0,782733936	0,138086673
PALM BEACH OPERA INC – WEST PALM BEACH	0,040261865	0,430637297	-0,372202769

USA Opera houses	Government contributions/ Tot revenues	Contributions/ Total revenues	Net Gain or Loss/ Total revenues
SALT MARSH OPERA COMPANY – STON- INGTON	0,040491082	0,737744917	0,023752518
NEW JERSEY STATE OPERA – NEWARK	0,040802726	0,887289271	0,299879632
CONNECTICUT OPERA ASSOCIATION – HARTFORD	0,042935611	0,582449002	-0,016707994
NEW YORK CITY OPERA INC – NEW YORK	0,043691092	0,478321678	-0,354089389
OPERA OMAHA – OMAHA	0,045492107	0,930243619	-0,191255376
TULSA OPERA INC – TULSA	0,048767184	0,629022229	-0,10237426
NEVADA OPERA ASSOCIATION – RENO	0,04910631	0,518240226	-0,053691186
MCPHERSON OPERA HOUSE COMPANY – MCPHERSON	0,049364092	0,840789944	0,699639247
SAN DIEGO OPERA ASSOCIATION – SAN DIEGO	0,051681222	0,562493187	0,001719085
PITTSBURGH OPERA INC – PITTSBURGH	0,051722944	0,693243562	0,429749463
OPERA NEW JERSEY – PRINCETON	0,053862963	0,544233225	-0,208177959
KENTUCKY OPERA ASSOCIATION – LOUISVILLE	0,054211504	0,655532955	0,090603437
OPERA SAN JOSE INCORPORATED – SAN JOSE	0,055067043	0,40468721	0,090981746
AUGUSTA OPERA ASSOCIATION INC – AUGUSTA	0,055551845	0,635642984	-0,291645903
MISSISSIPPI OPERA ASSOCIATION – JACKSON	0,055889765	0,705765791	0,025326532
GREATER MIAMI OPERA – MIAMI	0,05640737	0,416122611	-0,214734447
OPERA BIRMINGHAM – BIRMINGHAM	0,057493979	0,714684123	0,091780399
OPERA NORTH INC – FORT WASHING- TON	0,061040434	0,958111002	-0,187272052
ARIZONA OPERA COMPANY – PHOENIX	0,062431137	0,423240706	-0,030718045
COMMONWEALTH OPERA INC – FLOR- ENCE	0,06352701	0,168000691	-0,089267857
LONG BEACH OPERA – LONG BEACH	0,065688443	0,749728201	0,086918936
OPERA SOUTHWEST – ALBUQUERQUE	0,06722354	0,487918938	-0,001647751
OPERA COLORADO – DENVER	0,068340817	0,609429679	-0,031838687
CONNECTICUT GRAND OPERA AND ORCHESTRA INC – STAMFORD	0,078319453	0,622421743	-0,029306646
TACOMA OPERA ASSOCIATION - TACOMA	0,084187757	0,564584885	0,091273394
OPERA FOR THE YOUNG INC – MADISON	0,087256736	0,538389136	-0,089369613
HARRISBURG OPERA ASSOCIATION – HARRISBURG	0,087873462	0,112114417	-0,09567602
KNOXVILLE OPERA COMPANY – KNOX- VILLE	0,088530351	0,582668829	0,023768593
SHREVEPORT OPERA – SHREVEPORT	0,091942734	0,716530295	-0,075601605
CITY GRAND OPERA SOCIETY INC – NEW YORK	0,093412947	0,796972927	0,086026328
THE GOTHAM CHAMBER OPERA INC – NEW YORK	0,104358817	1,000458735	-0,306494777

USA Opera houses	Government contributions/ Tot revenues	Contributions/Total revenues	Net Gain or Loss/Total revenues
VIRGINIA OPERA ASSOCIATION – NORFOLK	0,111183415	0,504345651	-0,072037077
BALTIMORE OPERA COMPANY INC – BALTIMORE	0,113608976	0,531856686	-0,030339333
POCKET OPERA INC – SAN FRANCISCO	0,114119278	0,536972504	-0,132311053
AMERICA OPERA PROJECTS INC – BROOKLYN	0,126369278	0,969099386	-0,044399957
MOBILE OPERA INC – MOBILE	0,1334714	0,543323597	-0,107051536
THE OPERA ASSOCIATION OF CENTRAL OHIO – COLUMBUS	0,137003843	0,604725927	0,08766953
SAN ANTONIO OPERA – SANT ANTONIO	0,137732225	0,60001288	-0,013665301
OPERA THEATRE OF NORTHERN VIRGINIA – ARLINGTON	0,149993012	0,782348324	-0,038113771
OPERA CLEVELAND – CLEVELAND	0,152956243	0,629121942	0,002703555
PIEDMONT OPERA INC – WINSTON SALEM	0,154214665	0,727313131	0,284885713
THE OPERA COMPANY OF NORTH CAROLINA – RALEIGH	0,154352198	0,447502816	-0,149305383
BERKELEY OPERA – BERKELEY	0,15839291	0,519642071	-0,019263887
OPERA FORT COLLINS – FORT COLLINS	0,164535273	0,478604741	-0,490235683
UTAH FESTIVAL OPERA COMPANY – LOGAN	0,179535334	0,571199846	0,022716922
OPERA AMERICA INC – NEW YORK	0,19022087	0,445079625	0,255748766
ROGUE VALLEY OPERA ASSOCIATION – MEDFORD	0,19495813	0,801107816	0,121218597
NEWBERRY OPERA HOUSE FOUNDATION – NEWBERRY	0,206445382	0,420393884	0,027919778
BOHEME OPERA COMPANY – TRENTON	0,214090999	0,560761789	-0,010654669
LYRIC OPERA SAN DIEGO – SAN DIEGO	0,231413815	0,467655563	-0,182766448
UTAH SYMPHONY & OPERA – SALT LAKE CITY	0,246774051	0,619213734	-0,158788063
SANTA CECILIA OPERA AND ORCHESTRA ASSOCIATION – LOS ANGELES	0,24797346	0,924351223	-0,208110527
OPERA PICCOLA – OAKLAND	0,260277907	0,319664799	-0,204821739
TREASURECOAST OPERA SOCIETY INC – FORT PIERCE	0,277121136	0,544796164	-0,06179439
SYRACUSE OPERA COMPANY INC – SYRACUSE	0,290636461	0,562092727	0,060434058
QI SHU FANG'S PEKING OPERA ASSOCIATION – WOODHAVEN	0,311113045	0,493980797	0,101477968
OPERA EAST TEXAS – LONGVIEW	0,325930576	0,954502254	0,262436022

Source: own elaboration of 2008's 990 Forms

Costs categories include: Program service expenses, Management and general ones and Fundraising expenses, all divided by total expenditures.

The aim of the analysis is to verify separation in clusters with a different composition of revenues and a different composition of costs: Opera houses that are «fundraisers» aiming at a «donors» target with prevailing contributions as revenues; Opera houses that are «price-makers» looking at a «paying» target with prevailing program service revenues; opera houses that are «hybrid», mixing features of previous clusters.

Cluster analysis is the process of dividing a set of observations into a number of groups. Hierarchical clustering groups observations into clusters based on some measure of distance. There are several measures of the proximity of observations, but the essential point is that observations that are «close» to each other are joined together in groups. Each of them has the objective of minimizing within-cluster variation and maximizing between-cluster variation. Particularly, the Ward method uses an analysis of variance approach to evaluate the distances between clusters. In short, this method attempts to minimize the Sum of Squares of any two (hypothetical) clusters that can be formed at each step. This method is most appropriate for quantitative variables, it is accurate and shows the highest median accuracy.

Clustering opera houses performances with *JMP IN The Statistical Discovery Software*, we have obtained six main groups, whose features are shown in the Table 4, the Table 5 and in the Figure 2<sup>10</sup>.

The personnel may be relevant in opera houses where own production is regularly on the stage. Apart of the  $\square$ , 3 firms (in Figure 2, from Dayton Opera Association to Utah Symphony and Opera in Salt Lake City), where the Metropolitan Opera House of New York is included, the weight of the average personnel cost is not comparable to the weight in Italian Opera Houses. On average, Government grants are here ridiculous.

The highest Net Gain (6% of total revenues) is for the *Fundraiser Type*, the  $\bullet$ , 10 firms cluster (in Figure 2, from the America Opera Projects Inc to the City Grand Opera Society) whose members show the highest weight of Contributions and no other revenue source apart of 10% of Program Service Revenues. This performance is similar to that one of Massimo in Palermo, whose 4% weight of the Gain is related to 88% of public contributions.

From the first to the last row of the Table 4, contributions are decreasing when program service revenues are increasing, but with increasing program service revenues Opera Houses suffer of increasing losses too (Table 5, in the last column).

<sup>10</sup> In Figure 2, the Dendrogram shows some isolated cases like Opera Omaha (with a very negative result as regards the Sale of assets) or New Orleans Opera Association (with a very modest fundraising cost), who are not *clusterable* to other groups as for specific features, that are extraordinary to the sample trends.

Table 4–5

**Main Features of the six clusters of USA opera houses  
as for 2008 revenues and costs, on average (%)<sup>11</sup>**

Clusters	Gov. contr.	Contributions	Program Service Reven.	Dividends & Interests	Net rental income	Other invest. income	Sale of Assets	Special events	Inventory Sales	Other rev.
•, 10 firms	12	<b>89</b>	10	0	0	0	0	0	0	0
×, 21 firms	5	62	34	0	0	0	0	2	0	2
□, 3 firms	8	57	36	0	0	6	0	0	0	1
+, 48 firms	8	56	41	1	0	0	0	2	0	0
□, 5 firms	6	49	<b>44</b>	1	4	0	0	2	0	0
◇, 5 firms	4	44	<b>44</b>	0	0	0	6	3	2	1

Program Service Costs	Management and general Costs	Fundraising Costs	Personnel Costs	Net Gain or Loss	Clusters
73	20	7	31	<b>+6</b>	•, 10 firms
65	24	11	40	+2	×, 21 firms
83	9	8	51	-3	□, 3 firms
81	12	7	38	-0,5	+, 48 firms
85	11	4	39	<b>0</b>	□, 5 firms
80	16	4	50	<b>-5</b>	◇, 5 firms

Source: own elaboration

*Hibryd Profiles*, combining contributions – the fundraising target – and program service revenues – the marketing target – are listed in the second, third and the fourth rows of the Table 4. Revenue diversification may be present though for modest weights. Not-for-profit organizations are not, anyway, used to invest in stock markets or inventory sales.

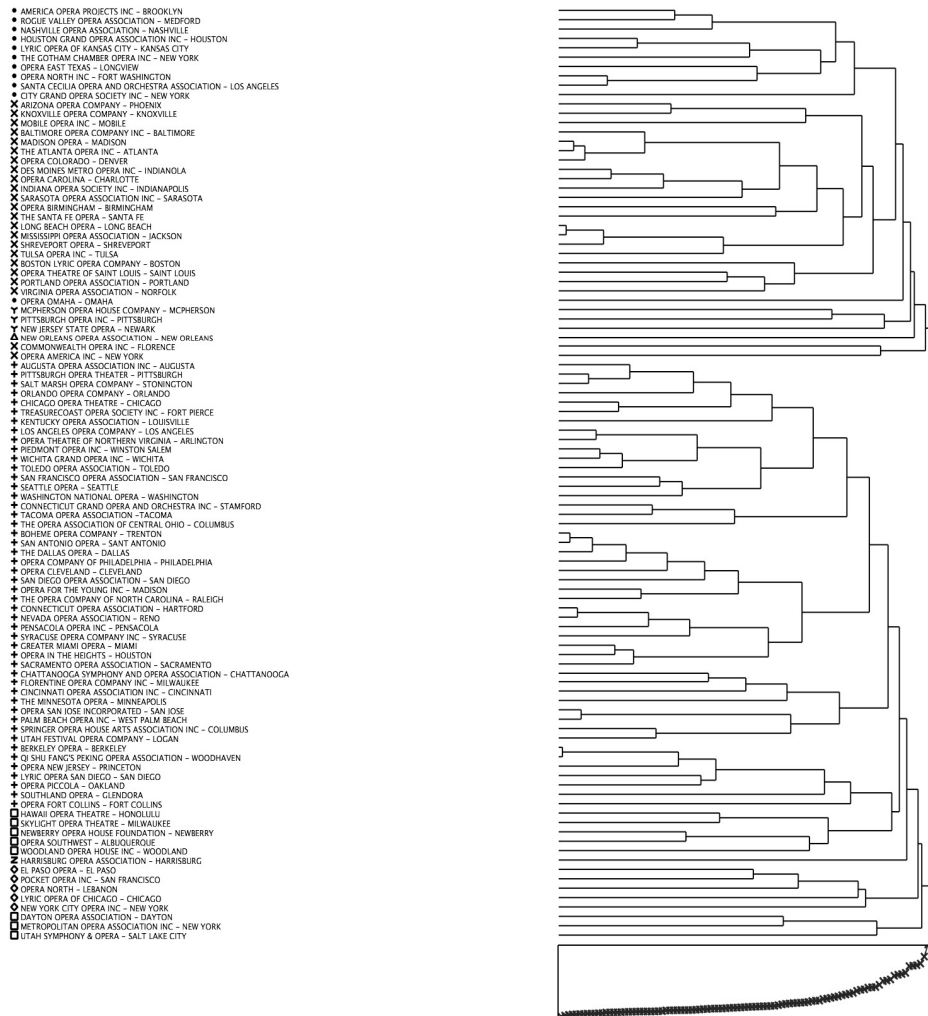
The Price-Maker Profile is in the last two rows of Table 4. The highest weight of Program Service Revenues is 44% and, definitely, this datum is never more than the one of contributions. Both the □, 5 firms (in Figure 2, from Hawaii Opera Theatre to Woodland Opera House Inc in Harrisburg) and the ◇, 5 firms

<sup>11</sup> Cost categories are indexes to total costs, revenues to total revenues and the net gain or loss to total costs.

(in Figure 2, from El Paso Opera to New York City Opera Inc) clusters count important program service costs – in order to satisfy paying customers entering their Houses – but they also reveal zero profits or a Loss, that is, on average, -5% of total revenues. The 0, 5 firms cluster gives evidence of a revenues diversification in Sales of assets, Special Events, Inventory sales and other revenues. Revenue diversification is not positively affecting the comprehensive performance. The Loss is, on average, the highest one.

Figure 2

Cluster analysis of 100 USA Opera Houses as for 2008 revenues and costs



Source: own elaboration



In the following Figure 2. the dendogram refers to the nominative sample.

The Hybrid Profile of the  $\times$ , 21 firms cluster includes from Arizona Opera Company to Virginia Opera Association.

The Hybrid Profile of the  $+$ , 48 firms cluster includes from Augusta Opera Association Inc to Opera Fort Collins.

It should be stressed that when a loss is estimated, it must be considered the implication of a negative result in the *Fundraising of Special Events*. Organizing Events in order to attract Donors or make them loyal is very expensive and *Special Events Net Results* accounting lines are often negative.

### Concluding remarks

The competition *at hard times* – with an ongoing international economic crisis – together with slower growth rates of available monetary resources makes revenue and expense management a crucial focus for the modern *Opera Entrepreneur*.

Italian performing arts organizations have almost always required contributed support, especially State grants, but in the past ten years there have been evidence that these traditional sources of income often fail to achieve overall financial balance. The precarious economic health of Italian performing arts reflects the relentless increase in costs in an industry with limited opportunities for productivity growth.

In USA Opera houses the revenue diversification is not always meaningful and the very modest dependence on a stable and unique Supporter means that fundraising is well-developed and it is always testing new targets.

Today, the competition for resources induces a change in management and marketing strategies.

In the end, the private philanthropy should play an increasing role in opera finance. However, the role of philanthropy in securing the overall financial health of performing arts will remain only complementary, if cultural and fiscal policies don't nourish this kind of relations through fiscal incentives, the implementation of proper managerial standards and the promotion of connections with multiple and value-ful stakeholders.

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