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Management and Valuation of Heritage Assets

A Comparative Analysis Between Italy and USA

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A Comparative Analysis
Between Italy and USA

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Contents

1	Introduction	1
2	Research Method	5
	References	7
3	Institutional Context of Cultural Asset Heritage: Law, Literature and Accounting Practices	9
3.1	Juridical Context: The Italian Case	9
3.2	The Institutional Framework for the Management of Cultural Heritage in USA. A Critical Comparison with Italy	13
3.3	The Analysis of Economic and Management Literature	18
3.4	The Concept of Heritage Assets: Definition and Preliminary Features	30
3.5	The Accounting Treatment of Heritage Assets	41
3.5.1	Recognition	41
3.5.2	Control	41
3.5.3	Economic Benefit	42
	References	49
4	Management of Cultural Heritage System in Italy	55
4.1	The Actors	55
4.2	The Governance	68
4.3	Management System	75
4.4	Organisational Forms	83
4.5	Issues	90
	References	95
5	The Accounting Measurement of Cultural Asset Heritage	99
5.1	Approaches to Accounting	99
5.1.1	Mixed Capitalisation Approach	99
5.1.2	Full Capitalisation Approach	100
5.1.3	Non-Capitalisation Approach	100

5.2	Measurement.	101
5.2.1	Historical Cost	103
5.2.2	Market Value (Fair Value).	103
5.2.3	Value in Use	106
5.2.4	Contingent Valuation.	108
5.2.5	Expertise	109
5.2.6	Notional Value	109
5.3	Issues.	110
	References	111
6	The Empirical Analysis	113
6.1	The Case Analysis.	113
6.2	The Case of the Autonomous Soprintendenza of Pompei	113
6.2.1	The Management of the Activities	114
6.2.2	The Organisational Structure	116
6.2.3	The Financial Management	119
6.2.4	The Process of Reform in the Administration and Accounting of Autonomous Bureaus	122
6.2.5	The Main Issues	135
6.3	The Will of Getty and Its “Translation”	136
6.3.1	The Management of the Activities	137
6.3.2	The Organisational Structure	139
6.3.3	The Financial Management	142
6.3.4	The Reporting of Heritage Assets	142
6.3.5	Issues	145
	References	146
7	Conclusions and Limits	149

Chapter 1

Introduction

The aim of this chapter is to analyse the management and reporting of cultural assets, also thanks a comparative analysis between the models in force in USA and in Italy.

This investigation comes from a wider need to represent above all the issues related the particular configuration of governance systems that characterise the countries aforesaid, more than the peculiarities of quantitative determination and the financial reports of cultural heritage assets.

USA and Italy can be paradigmatic cases. The Italian model is a result of a very long training and protection activity of cultural heritage that has positioned its unique characteristics worldwide.

The enormous and diversified Italian cultural heritage, has required the development of an articulated and complex governance to protect them, where the leading role is played by the government at the central level and the local soprintendenze.

This system of governance is very hierarchical and too oriented to the protection than the promotion, so that in the recent years, the crisis of this model, has highlighted the need to integrate resources and skills to develop new solutions of cultural assets use among the Local Governments (LGs).

This new approach, has carried to conflicts among the players of cultural assets “industry” and also the government has intensified the regulation considering that there are several others who are holders of cultural assets, including, the Church.

According to aforesaid statements, the main limit of Italian cultural assets governance is that there is no a managerial approach and the focus on the modalities of accounting reports is low but indeed there is very difficult to find cases where exists a shared and transparent management that allow an adequate external reporting.

Loris landriani is the author of the Chapters 1, 4 and Paragraphs 3.1-3.4 and 6.2. Matteo Pozzoli is the author of the Chapters 2, 5 and Paragraphs 3.5, 6.3. Paragraph 6.1 and Chapter 7 were jointly contributed by Loris landriani and Matteo Pozzoli.

This Italian debate is part of wider framework on international public accounting, based on economic asset rather than the financial asset. Even on this issue the delay is significant.

Coherently, this chapter will explain the most authoritative accounting standards governing the cultural heritage assets, offering a comparative analysis, with important food for thought for Italy.

As aforesaid, the analysis will not be only accounting or technical, indeed it will try to identify the influences of the systems of governance and corporate control of cultural heritage assets on the legal and accounting standards, as well as the performance of the same companies, in order to identify two ideal types limit.

In that case, the USA model seems certainly opposed to Italy both the legal system both the cultural heritage.

It would appear, the cultural heritage of a country, settled as the physical characteristics of its assets, there is certainly related to the specific legal rules, policy and institutional measures to ensure its protection, management and enhancement.

According to previous statements, in USA, only recently the formation of an artistic heritage is based on a wider concept of culture, tending to limit the preservation of historical monuments in place of other forms of human expression as visual arts and figurative, entertainment, theater, dance, etc.

At the same time, a cultural approach that looks suspiciously public institutions and opens to a private market, free from constraints.

So, the main players in the artistic and cultural sector are private companies and not-for-profit organisations (NPOs), such as foundations and associations.

If, then, the legislation is smaller and flexible, fits coherently with a country of civil law, not missing a state intervention, with almost exclusive purpose of providing financial support to the so-called minor arts.

However, this last approach do not concern the accounting method, but more directly governance as a whole.

If so, it may be interesting to offer a critical comparison between a model of state intervention pervasive as Italy, where the assets follow the accounting rules of public organisations and an American liberal approach where key stakeholders are private, with their respective rules and accounting practices.

The end of this chapter is even more interesting because it proposes an adequate accounting solution, allowing to observe the common points of these models, rather than those of difference, approaching, surprisingly, the two nations.

This framework could facilitate a process of mutual learning and enhancement of strength of respectively one and weaknesses of the other.

The chapter has the following lay-out: first, there is a preliminary Section concerning the description of the applied research method; second, it is examined the literature review on cultural heritage in its different perspectives: legal, economic, management and accounting; third, there is a comparative analysis between two cases study: the Jean Paul Getty Museum of Los Angeles, a museum managed under a Trust umbrella and the Soprintendenza autonoma di Pompei, a public

agency. Lastly, the findings of the empirical research between are discussed considering as well the limits and the future opportunities to improve the debate on the study.

Pompei represents an interesting case study, because—for the first time- the Italian law allowed in 2001 full autonomy to a Soprintendenza, identified, for this reason, as “special”. The territorial peculiarities and characteristics of the local cultural assets, therefore, have driven the legislation to re-think the centralist model to introduce scientific, organisational, managerial and financial autonomy to these organisations. So, it is interesting, to analyse the findings of this choice, extended, later to other areas of significant cultural value, as Rome, Florence and Venice.

In this first part of the chapter, it is possible to anticipate that emerges a split situation because coexists a direct management of revenue and income with a separate budget, and the lack of financial funds and human resources management.

On the other hand, the Getty Museum, as a private NPO, is one of the most well-known experiences of management of cultural heritage in America, for the relevant quantity and quality of the heritage (collection of paintings, drawings, sculptures, illuminated manuscripts, European, Asian and American decorative arts, ranging from Etruscan until Van Gogh), the high endowment, and, even with the recent issues related to the financial management and the proprietorship of possessed antiquities, the significant performance achieved over the past years.

Despite the two cases being quite uneven to conduct a comparative analysis, it is believed they are also representative of the reality described in this chapter.

Chapter 2

Research Method

This chapter adopts the comparative method as similar studies conducted on HAs representation (Adam et al. 2011).

The selection of countries cases was guided by theoretical considerations and personal knowledge. As underlined above, the Italian and the USA contexts provides extreme different circumstances from a cultural, economic, organisational and juridical approach.

The comparative method is designed as a case study format (Yin 2009) to facilitate our aim of comparing accounting practices.

This research is a qualitative analysis which is oriented to identify similarities and differences between different cases. The applied method is born and currently often utilised in social science research (Caperchione and Lapsley 2011). It is generally accepted that the comparative method applied by case studies can discover new information on a specific issue, irrespective from the discipline it is referred. According to Yin (2009) the methodology of case study is used to describe the cause and the development of contemporary events and to analyse its behavioural dimension.

This chapter is distinctive in using documentary analysis in case study settings. The case studies are represented by “art organisations”, meant as entities oriented to heritage exposure, maintenance and conservation. Art organisations have been chosen as a proxy for the examination of entities’ accounting practices.

From a legalistic view, it is appropriate to recall that the Italian accounting requirements are essentially based upon a civil law tradition: this means that the Italian accounting legislation defines the norms, which should be, whereas necessary, integrated and interpreted by technical pronouncements. Today, LGs and central agencies adopt the commitment basis of accounting, which is accompanied, essentially for managerial purposes, by accrual basis of accounting data. Even in

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the current process of accounting harmonisation, the accrual basis of accounting rests as a supplementary basis of recognition, while the proposed modified cash basis of accounting represents the authorisation model (Pozzoli and Ranucci 2013). The Italian NPOs have no mandatory financial reporting requirements, a part from some legal requirements destined to specific NPOs.

The USA entities operate under a common law regime, which means that entities attribute to GAAPs a formal or informal mandatory application: this regards central and federal agencies, which apply the SSFAS enacted by FASAB, LGs, which usually adopt GASB's pronouncements, and NPOs, which apply FASB's special requirements.

Moving from what explained above, the case studies cannot be properly addressed as a country-by-country analysis, because Italian and USA art organisations could opt for different solutions in relation to the management and accounting for HAs and their reporting attitude. The unit of analysis should be identified in the art organisations belonging to different contexts and not in the analysis of effective local requirements. The examination of the management and financial reporting behaviour represents an essential theoretical basis for the case analysis. According to this, the research analyses one case by country, judged as meaningful in the local context. In relation to the different peculiarities and HAs maintenance, the cases are represented by a public sector administration for the Italian context (Soprintendenza di Pompei) and by a private foundation for the American context (Getty Museum). The fact that the Italian case is based upon a public sector agency (soprintendenza museale) and the American case upon a private foundation relates to the local policy on the best identified actor for the HAs maintenance and conservation.

This contextualisation help comprehend whether significant art organisations basing their management and financial reporting upon different approaches fell the perception to converge towards similar practices to reach a high level of accountability or decide to apply by a non-critical perspective the effective rules.

The research contributes to the development of the related literature, analysing the trend towards generally accepted accounting practices in a debate, which is far from being concluded.

Given the above, the first research question wonders whether art organisations feel the need to adopt management and governance best practices and generally accepted accounting practices for the representation of heritage assets in financial reporting.

If the response to the previous question comes to the conclusion that the practices are basically different, it is important to comprehend the reasons for which art organisations "arrived" at different solutions. In substance, it is crucial to understand whether the behaviour of art organisations dealing with significant HAs consisting in "global public goods" diverge as they do not apply similar requirements or do not have consolidated managerial and reporting views, even pursuing the same goal (accountability, managerial approach), or whether they adopt different financial reporting instruments with a different perception of their aims (Paisey and Paisey 2010).

In relation to this, the second conditional research question tries to comprehend whether the analysed local art organisations' management and financial reporting is different because they follow different technical rules or practices, or because they use these requirements for different purposes?

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Chapter 3

Institutional Context of Cultural Asset Heritage: Law, Literature and Accounting Practices

3.1 Juridical Context: The Italian Case

The relationship between cultural heritage and right comes from the essential need of preservation and enhancement of those. The measures adopted by government are numerous and complex, and often go into contradiction. The multidisciplinary nature of this field brought to an overproduction of norms, some of those regarding the whole sector and other only specific categories; so that nowadays a complete analysis of the legal framework requires a great effort of synthesis, with all the limitations related. This phenomenon of excessive legislation seems to be common to many other sectors in Italy, but it is particularly critical for cultural heritage.

Therefore in the following pages there is a short overview of the legal framework, focusing particularly on those are consistent with the aims of our study. Some of the laws regarding historical, artistic and natural resources protection date back to ante-Constitution period (before 1948) and were aimed especially to avoid the assets dispersion through a variety of instruments. The whole Italian legal framework on this issue is characterised by *ex-lege* acquisition procedure of those resources by State, by limits on private ownership of the remaining ones, by the strict prohibition to export them without a proper license, even for elements that have still not been identified, and by the imposition of a progressive tax on the value of exports to non-EU countries (Law No. 288 of 1972): all these aspects make our system the most rigid and protective in this field. The essential principle of national legislation is contained in the Article 9 of Italian Constitution, who states that the Republic “protects the landscape and historical and artistic heritage of the nation”. This article has a fundamental role because it states that the cultural heritage is property of the Italian State, as community, so that their preservation is

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a responsibility to be shared among all LGs. This disposition enforced the principles previously expressed by the law of the Kingdom of Italy no. 1089/1939 about the public nature of protection. What is important to evidence is not so much the notion of heritage, as the adjective “national”, meaning that the obligation to protect it does not weigh on single organ or agency of the State but on all citizens, as final users of the Italian cultural heritage. In 70 years a series of innovations have been brought to cultural industry, with the institution of Regions, that asked for legislative and administrative powers in cultural heritage protection. So that legislator gradually realized a decentralisation process of competences regarding also cultural industry. After the Decrees no. 805/1975 and no. 616/1977 designed to encourage this process, decentralisation process in cultural heritage field undergoes a sharp slowdown, so that against the large regional legislation and the sub-delegation process ongoing (to the mountain communities, provinces, municipalities, other local authorities), a progressively re-centralisation of some competences takes place.

In the 1980s legislation assumes the character of the extraordinary nature and focus on financial resources distribution (Bobbio 1992; Brosio and Santagata 1992). A set of rules that financed cultural initiatives, new institutions and interventions were issued to sustain economy and employment. In this decade cultural heritage elements start to be considered as “public goods” with economic value. The real turning point happens during the 1990s, the decade from which the cultural heritage sector is rapidly transformed by new sectorial requirements and new rules for public administration.

With the reform of local authorities (Law 142/1990), governments tend to leave away the direct management of public services for create new external providers, whose organisation is based on quality, efficiency and cost effectiveness criteria. This opens the way for the outsourced management of public services through the creation of autonomous special agencies, including also the possibility to involve private firms. A real radical innovation, however, comes with the so-called “Ronchey’s law” (Law no. 4/93), that states the possibility for state museums to outsource additional services like the management of cafes, bookshops and the sell of catalogs and souvenirs, to private providers. The reform of public administration (Law no. 59/1997) clearly separates the functions and competences among State, Regions and local authorities and excludes the preservation function, that remains completely “centralised”.

In addition, to harmonize competences between State and Regions, the decree 112/1998 introduces for the first time the definition of activities related to cultural heritage, classifying them in: preservation, restoration, management, enhancement and promotion; in this way the functions of protection and conservation are separated from management. In accordance with this act, the preservation is reserved to State, while management can be delegated to Regions.

The artificial rigid separation of functions and their assignment to different institutional entities, however, raises many doubts and criticisms. This approach substantially ignores the utility of a systemic vision of the cultural heritage, and the advantages coming from functions integration and activities correlation. This work

shows how the business management vision values this systemic perspective. The mentioned law, as well as other ones, evidence the greater attention on preservation function, against the others. This focus is typical of the art historians approach, that influenced this sector with several effects.

Another important measure is the decree 368/1998 that create the new “Ministry of Cultural Heritage and Activities”, which extends its competences to recreation and sport activities and also its responsibilities to providing, in addition to traditional protection and conservation functions. Despite these principles statement, the new Ministry increases the already excessive bureaucracy, which does not favour the autonomy desired by Regions, nor that relied upon by Territorial and Museums Soprintendenza. At the same time, however, it is recognised the utility to connect, even institutionally, cultural heritage and tourism or leisure management in a systemic view to be promoted by territories. The promulgation of a Consolidated Act of Cultural Heritage (Law Decree 490/1999) completes a cycle of reforms, but the new law that replaces the laws nos. 1089/39 and 1497/39, introduces only formal coordination arrangements, that are ineffective to support the relationship between the Ministry and local authorities (Cammelli 2000). The creation of regional Soprintendenza (dpr. 441/00) in order to carry out a territorial coordination among the several “specialised” Soprintendenza, but also with other administrations and the establishment of special Soprintendenza, completely autonomous (d.lgs.11/01) to administer particularly relevant artistic and cultural assets reflects the adoption a systemic approach to the problem.

The introduction of these new institution, without a clear definition of their role and functions, led to the rising of numerous conflicts of competences . In contradiction with the Law Decree 490/1999, that States the centralisation of protection function, the following reform of the Title V of the Constitution (Constitutional law. 3/2001) modifies significantly the whole public administration and cultural heritage industry too, affirming the strong role of Regions for assets valorisation whose related functions have to be shared between State and Regions.

This new rule was not followed by an effective regulation, creating more confusion and obstructions than positive effects. Other important innovations to the legislation on cultural heritage are introduced by the national financial law for 2002 year (act 448/2001), that gave to State (art. 33) and local authorities (art. 35) the possibility of outsourcing to private company not only accessory services but also proper cultural heritage services. The number and the slowness of legislative actions that involved cultural sector, revealed the need of a harmonizing system code in accordance with the new Title V of the Constitution, the EU legislation and other international agreements. In order to replace several and partially obsolete laws and regulations with few clear and consistent rules, the Code of cultural heritage and landscape was promulgated by the legislative decree no. 42/2004. The new Code is a sort of constitution, with which legislation tried to rationalise the issue with very few innovations, among which a better description on types of relationships to establish with private companies.

The Code also seems to confirm the autonomy of State, giving more importance to preservation activities, whose task are cultural heritage protection and

conservation, than enhancement activities, whose tasks are promotion and guarantee of the best conditions for public use and enjoyment.

Innovations can be found since the first articles reading, where some basic definitions are provided. Here the landscape is considered part of the national cultural heritage, as expression of the historical, cultural, natural and morphological features of the territory. Also the notions of “preservation” (ensuring protection and conservation of cultural heritage for public use purposes) and “exploitation” (promoting cultural heritage knowledge and ensuring the best conditions for public use) have been better defined, giving them a clear and rigorous content and stating the necessary subordinate relationship that links enhancement to preservation, so as to make them compatible.

Individuals are obliged to preserve cultural heritage they have in their own possession. Individuals are responsible for their protection, also receiving government grants and tax benefits. There is also the possibility to loan the assets to state museums that will hedge and restore them for that limited time. An important measure is the possibility of outsourcing cultural activities and services, in order to achieve better efficiency, as well as the establishment of foundations and the use of contractual tools, such as sponsorship, in order to enhance appropriately cultural heritage (Ferretti 2004). The analysis of the regulatory process occurred during time evidences a change of perspective, from cultural heritage considered exclusively for their cultural, historical, artistic and symbolic value, that requires protection and conservation, to the concept of resource to be exploited and enhanced, as a real economic resource.

As Table 3.1 shows, cultural heritage sector, even though with some peculiarities, falls within public services, whose laws and innovations have to be considered in this analysis. However, the principles and processes of the implementation of private sector instruments and tools based on efficiency, effectiveness, customer satisfaction, quality, equity and economic equilibrium, introduced in other public sectors, have been introduced in the cultural sector with difficulty. The reasons are hard to be summarized and seem to be related to “cultural” issues, or rather to the perpetuation of an elitist or isolationist view that is away from the real dynamics of cultural heritage management, but also due to the lack of autonomy of companies operating in this sector.

The Art. 113 of the Legislative Decree 267/00 separates economically relevant services from not economically relevant ones, assuming that first have to adopt typically private organisation like as joint stock corporation or ltd and reserving for the latter the traditional models of special companies or institutions, whose autonomy is limited.

According to this provision, within not economically relevant service fall also cultural services, sport and tourism. However, in a country like Italy this can be explained as an wrong revision of the previous law (Article 35 of the Law 448/01) that distinguished industrially relevant and not industrially relevant services. This misconception seems to have penalised the sector, preventing it from the possibility to achieve cost effectiveness by limiting the autonomy to choose an appropriate organisation.

Table 3.1 The most recent regulatory measures

Law no. 142 of 1990	Reform of local self-government, the possibility of setting up joint enterprises for the management of public services
Law no. 4 of 1993	Possibility for individuals to manage ancillary services in museums
Law 86 of 1995	Possibility of giving cultural foundations or banks, companies and consortia management, either partially or in full, of all the services that may be provided as activated by a museum
Ministerial Decree no. 139 of 1997	New regulation implementing Law Ronchey
Law no. 59 of 1997	Public administration reform in a “federalist”
Law 352 of 1997	Provisions on Cultural Heritage (Autonomy of Pompei)
D. L. 112/98	Identification of activities relating to cultural heritage: conservation and restoration (entrusted to Ministry, through Soprintendenza), management, enhancement, promotion (assigned to Region and local authorities)
D. L. 368/98	Establishment of the new Ministry for Heritage and Cultural Activities
D. L. 490/99	T.U. of cultural heritage
D. pr. 441/00	Establishment of Regional Soprintendenza
D. Decree 11/01	Establishment of Poly Museum managed by the Soprintendenza special
Financial Law 448/01	Rules on local public services concession to private museums
Art. 113 in change T.U. Local Government, Legislative Decree no. 267/00	Plan of reform of public services not economically relevant that can be directly outsourced to completely public owned companies
Legislative Decree no. 42/04	Code of Cultural Heritage and Landscape (revised in 2008)
Law 42/09 (art. 19)	Federal state property
G.U. 17/7/09	Establishment of the Directorate-General for the promotion of cultural heritage

3.2 The Institutional Framework for the Management of Cultural Heritage in USA. A Critical Comparison with Italy

The cultural heritage of a country, intended as the physical characteristics of its assets, is related to legislative, policy and institutional modalities to ensure their protection, management and enhancement.

This statement can be easily extended to the USA, the subject of our brief study, for a critical comparison with Italy.

It will be brief because, as noted, the formation of a cultural heritage, this time intended in a larger sense, including not only the resources but, for example, the policies implemented to ensure protection, conservation and enhancement, it is the result of sedimentation of such activities for centuries and it combines

continuously with the real essence of the country, in the way the cultural goods were born as well as the value attributed to them by the local community.

Although in the USA this processes necessarily have a time duration significantly lower than Italy proving a slimmer heritage, not mentioning the big differences (in variables, as mentioned above), the complexity of a nation so extended and different in its landscape, its culture, its values, sometimes also contradictory in itself, it is not to be underestimated and it follows an approach does not necessarily exhaustive.

At this conclusion we have to add others that justify a cautious approach:

- the scarcity of literature, economical and juridical, on this subject, but also in themes traditionally closer to the subject such as art history;
- the fragmentation of regulatory measures that, although relatively recent, do not seem to have created a single model or a specific plan of cultural heritage management, as historically intended in Italy.

The main difference between Italy and USA stays in the features of the cultural heritage, from this element comes several differences for the legal framework and for the entities that are involved in the management of those assets. This has outlined a very different governance model and different final aims of the system.

We will proceed with order, highlighting the common points and differences between the two models, according to a chronological method. However, some final considerations about the actors of the system seem necessary.

As we have seen, in Italy the State with its units (Ministry and Soprintendenza), is the principal actor both for protection, conservation and enhancement, whose activities are partly delegated to local authorities. The role of private sector appears to be marginal and always mediated, if not contrasted sometimes by public bureaucracy. If this model carries many limitations to the system, it is due not only to the fact that the referring legislation is more focused on the first phases of the cultural chain (protection and conservation) than on the following ones (management, enhancement, enjoyment), but also to the nature of the goods themselves, which are widespread throughout the national territory and most of them are historical monuments.

In the USA, cultural heritage is characterised by other peculiarities that have designed a radically different model, in which the state intervention in this field is limited and fragmented, leaving large margins of operation to private initiative, strongly stimulated by financial tax deductions.

If, on the one hand, the scarcity of resources makes it necessary for private investors to collaborate, it is not to underestimate the fact that the government finances other smaller cultural events which otherwise would not survive due to the difficulty in finding sponsors and market availability. Tax exempted NPOs represent around the 40 % of the segment and the philanthropic foundations are approximately 19,000 (Cofrancesco 2012).

The same cultural heritage appears to be of scarce importance in its artistic and historical dimension and is replaced by a greater art concept which includes figurative arts, performances, cinema, dance, theatre etc. From this perspective, the

legislation is more oriented towards the valorisation rather than the preservation of cultural goods.

An accurate reader could not notice how this diversity falls in the broader comparison between civil law and common law, and, referring to this field, between a preventive bureaucracy control with little power into sanctions imposition and a liberal model with few but certain, rigid and inflexible rules and punishments.

However, it should not be forgotten that the immense cultural heritage of our country, that it is unique in the world, was born in the patronage age and so individuals gave a fundamental propulsion on which the State introduced itself to ensure the transmission of cultural heritage to future generations.

On this last matter, the USA model seems to successfully combine public and private (investments), which guarantee management efficiency and secure funding.

In this sense, then, the two models do not seem that far away, but only temporally distant. Not surprisingly, as much as recently in Italy privates introduction in the market is developing, even though slowly, thus the need for protection in the USA begins to be perceived. It is enough to think about, among the other regulations that will be analysed later, the signing of the UNIDROIT Convention with other foreign countries to control the origin of the cultural heritage that circulate relatively freely in the country and that until then had been underestimated, encouraging a black market.

Monumental heritage in the United States is primarily managed by privately owned museums, foundations or universities, conversely the “open air” wide-spread of Italian heritage is considered to be the main reason of State intervention.

In the United States there is not a cultural heritage ministry, neither federal nor state. At the federal level, there is a “cultural heritage” section that has the primary task of finding a diplomatic solution to the many legal disputes that arise in the matter.

In some way, the situation described reflects the non-invasive policy of the central government and it is particularly appreciated by American citizens especially concerning matters like culture, information, individual freedom, to which the combination of politics and political parties.

At a State level in some States there are some units dedicated to protection of history and cultural traditions within the individual governments. On a federal level there are 11 departments and 38 commissions which support the arts on various levels as they are considered to be positive investments in terms of their wider benefits. The most important one is the National Endowment for the Arts (NEA) which was founded in 1965 and its purpose is to fund wide-ranging initiatives. The NEA is composed of persons with specific competencies and is funded by: program funds, which cover around the 50 % of the organisational and personnel expenses; Treasury funds, which comprises private funds as well; Challenge grants, which usually invest in the medium-long run (Cofrancesco 2012, 254).

There is not a special legislation concerning cultural heritage (in some States there are norms regulating specific aspects) and the United States have ratified almost none of the UNESCO conventions on the subject.

So, it is impossible to conduct a systematic analysis on this legislation and on institutional arrangements in the sector, not only because, as in Italy, competences are shared among federal, state and local levels although with different skills and autonomy, but also for the strong leadership role of private actors.

Then we will proceed with the historical presentation of the main measures adopted, especially at federal level, with the aim of outlining, even in summary, the framework of the USA system (Raffo 2012).

The first “cultural heritage elements” in USA, as some regulations on protection consider, were battlefields, national cemeteries, military parks and the historic sites related, that the Congress in 1862 delegated to the supervision of the Ministry of War.

So it was that the origin of cultural policy in the United States, on the other hand very limited and culminated in the establishment, with many difficulties, of the Yellowstone National Park (1872).

This measure is still considered revolutionary because for the first time the Congress took away almost one million hectares of land from private exploitation.¹

In 1906 it was approved the Antiquities Act, which for the first time authorised the President to declare the cultural interest of a resource and then to reserve its protection and management, although at that stage study and excavation were the main activities, subordinating also public exposition and preservation of finds at a specific ministerial approval.²

A relevant measure in that age, with still current reflexes, especially for the first attempt of systematization of the cultural heritage protection measures, was the establishment in 1916 of the National Park Service. To this entity, that became the main actor for the management of parks, reserves and monumental areas, were assigned in 1930 also different skills, before performed by the ministries, as well as substantial funding for the historical monuments located, as the birthplace of George Washington.

The institution mentioned, due to subsequent regulations, became the primary interlocutor in the sector, with broad competences, regarding management, purchase function and creation of other entities for protection and enhancement of heritage. It is enough to consider, for example, that within its competences there were also the roads projection of area where the resources were located, in order to prevent damage.

This organisation appears quite similar to the Italian, equipped with an advisory council of experts (as the Italian Superior Council for Cultural Heritage, an advisory body of the Minister).

¹ See Ise (1961). In fact, already in 1864 the California assumed ownership of the Yosemite Valley provided that any were maintained use, meeting and recreation for the public. See Wirth (1962).

² The measure in fact born as a result of vandalism perpetrated on Indian reservations. See Everhart (1972).

In 1949 another public/private partnership organisation was founded, with the aim to strengthen the sector, through a collaboration with the previous one: the National Trust for Historic Preservation (Finley 1965).

Among the main activities it is important the creation of a financial fund to support private initiatives aimed at protecting historic sites to make them accessible to the public again; this is a sign of a greater awareness of community on the importance of cultural heritage transmission.

So it begins, also in the USA, in the second half of the twentieth century, a legislation on policy of conservation of cultural heritage, including urban development, transport, natural environment.

In 1966 other measures were introduced to support local communities who were not able to protect land and buildings independently (*Demonstratio cities and metropolitan development Act*).

Subsequently (1969), the Law on national environmental policy became the referring normative on this field, raising awareness of citizens and every government agency in order to ensure a harmonious and sustainable development, highlighting the key role played by cultural heritage.

The standard, that is still in force, for the preservation of cultural heritage is the National Historic Preservation Act of October 1966, that identifies the leading role of Government in the promotion of initiatives and private funding for the preservation of property; the single states are instead responsible through their officials to implement the National Program of Historic Conservation (Raffo 2012, 206).

To that end, a new entity was created with specific and unique skills on cultural heritage: the Advisor Council on Historic Preservation, responsible for coordination of all stakeholders related to cultural heritage. Council members are not only all the ministries that had previously competences on cultural heritage (transport, domestic, agriculture, environment, urban development, trade, treasure), but also the directors of the National Trust and the National Park. The famous section “106” combines the delicate balance between protection and enhancement, involving the direct participation of single citizens.³

This body has the power to deny initiatives of federal administrations, if their projects are in contrast with the basic goals outlined by protection laws. It has also been established a National Register of Historic Places, a sort of maxi inventory that is necessary for any activity of protection and management. In this register there are not, for example, except as residual category, the shipwrecks that are estimated to have approximately 50,000 throughout the USA, some of which are of historical importance absolute. This has in fact made without protection such goods (McLaughlin 1995).

In this sense, the Advisor Council looks similar to the Italian Soprintendenza and in fact the power of veto (although only advisory and never formally constraining) was also strengthened in the “110” section, renovated in 1980 and in

³ See Hines (1979). It should be noted, however, that only in 1992 were involved minorities and their Indian and Hawaiian goods included in the National Register.

1992 with the introduction of the “Memorandum of Agreement”, a sort of framework agreement where federal government and Advisor Council detailed their obligations to ensure cultural heritage safeguard.

More recently (1996), the “106” introduced a greater involvement of local and state authorities in order to promote bottom-up projects.

Historical districts were introduced at municipal level, with tax benefits, strict urban regulations and advisory committees to ensure assets safeguarding.

At the conclusion of this brief comparative review, what emerges is, in writer’s opinion, a certain similarity between the two systems, despite a legal, economic, social and cultural history so different.

In American legislation can be found some elements that are very similar to Italian one, including the establishment of ad hoc bodies for the protection and management of cultural heritage, even sometimes numerous, redundant, almost overlapping or contradictory.

Another common problem is the delicate balance between institutional levels: central and local.

Even in the USA, as in Italy, the federal or ministerial level seems prevailing, while the local level appears to be still not really involved and very diversified in his work.

The problem is that, while in the USA, even for the features of cultural heritage, enhancement is controlled by privates, in Italy they are still a small minority, and this damages the valorisation of activities managed by local authorities, that have no resources and specific skills.

This is inevitably linked to the characteristics of the resources subjected to protection and enhancement. In the United States where parks, nature reserves and historic buildings prevail, cultural heritage is poorly monumental and highly concentrated; so the structure of federal intervention is “light”, as well as privates have operational freedom, being active in modern art, organizing exhibitions, in loans, in fund-raising, etc..

In Italy, the vastness, capillarity and diversification of an open air cultural heritage, have over time settled a model (too) hard and intricate to protect and conserve, becoming a unique example at international level but at same time a constraint to development.

3.3 The Analysis of Economic and Management Literature

The combination of art and management is at same time controversial but historical. Even though early works of classical economists and theorists already referred to it, theoretical approaches are not yet fully shared (Candela and Castellani 2000). Economic theory is not the focus of this paper but is used to evidence its differences from business management view. The issues that traditionally interested economic theory concern the nature of cultural heritage resources and the need of public intervention for financing and regulating sector (Marrelli 2004).

These are the classic arguments already known and used for all public services. According to business management perspective, the notion of public service is related to the nature of needs to satisfy, considering as public all the activities designed to meet community needs.⁴ Lawyers usually use the term “public” to indicate needs that can be satisfied by State, so that services are public if entity that provide it is public, not considering their nature.

According to a part of the literature (Grossi and Mussari 2004), however, a service is public if its activities consist in the production of goods and services for citizens, regardless of whether the service is provided by private companies or public entities, but they have to be mainly oriented to the protection of general interests. So public nature would not be depended on the legal status (public or private) of the provider, but on the fact that satisfy community needs (Anselmi 1995; Mele 2003; Grossi and Mussari 2004).

In order to protect these social needs, public intervention is necessary. On this argument, it is popular the general economic approach that identifies the category of public goods, that include also cultural heritage. However it is not only ownership in its strict sense that qualifies a good as worthy of public protection. In fact, as recently proposed by the Commission “Rodotà” on Public Goods, the focus should be moved “by the regimes to goods” or to their utility, regardless their ownership (Reviglio 2010, 73).

In this approach the categories of public goods are innovated, according to the following scheme:

- common goods, inspired by intergenerational solidarity such as natural resources and cultural heritage;
- goods belonging necessarily to public, whose essential utilities can only be benefit by State or local authorities, including infrastructure networks that may be outsourced to private companies;
- social public goods, that satisfy fundamental rights such as health, housing, local public services;
- profitable public goods, that is residual category, referring to the private goods that are property of public entities.

The proposed reform of the Civil Code seems to include cultural heritage resources within common goods. This brought to make some considerations about

⁴ Many authors give a definition of public service, see for all the one proposed by Mele (2003, 5): “Historically the definition of public services is that it includes all the assets—tangible and intangible—that have public interest so as to ensure that all citizens and interested users can be use it in a free way and without any restrictions or economic, spatial and temporal discrimination. This definition of public services describe it as an open category intended to cover goods and services considered essential according to the guidelines of the national government political and social (and as deserving of protection and control activities to protect the collective interests and general) and therefore subject to change numbers and typological”.

the role of State in the economy and the management models of companies providing local public service and cultural heritage services.⁵

The most popular economic theory in cultural sector is due to Baumol and Bowen, who in 1966 pointed out the problems that institutions operating in some particular sectors, as cultural one, face off. In order to explain the financial crisis that cultural institutions experienced, they drew up the famous “law of unbalanced growth”, known also as the “paradox or Baumol’s disease”, according to which economic activity would be divided into two sectors, a progressive one and the other stagnant, according to different approach they use to get opportunities from technological progress.

The cultural sector, of course, is characterised, unlike the traditional productive or progressive sectors, by an higher increase in average production costs than the average rate of inflation, as they do not exploit technological innovations (Trimarchi 1993).

According to this vision, the operators that produce cultural goods and services are fully part of the stagnant sector, which lacks a standardized production and is reluctant to technological changes.

The reason for that is quite simple and lies in the labour intensity of this industry and in the static nature of the capital-labour ratio. In fact, productivity can be increased in standardized production, replacing labour by capital, but this cannot happen in cultural industry, because here human factor cannot be replaced, as well as its creativity or originality.

The outlook is the classical Fordist vision, in which the increase in productivity generated in progressive industry (standardized goods and capital-labour ratio decreasing) would generate a demand for higher wages for workers. Following the cause-effect logic, typical of these approaches, also wages of stagnant sectors would tend to grow, even without productivity increases, producing increases of inflation and demand reductions.

⁵ In this regard we note the contribution of Ostrom (2009), the first woman Nobel Prize for Economics, which in common assets category sees a new way of management, different from the market and from the presence of the State. The category is linked more to the empowerment of local communities in which insist those assets. This way could be profitable for the cultural heritage sector. About it, Lucarelli (2010, 91) says: “The basic idea is to assume that the commons could be used, enjoyed, but not exclusively owned by an individual, even if it is the public, the idea was to not give never, and in no one case, the exclusivity to a subject, even though the public. The public institutions would be required to serve the common assets, as assets of its citizens; since government officials of the commons, in proportion to their power, according to a logic of permanent construction of the welfare state. The split of membership of the asset (universal membership) from the title of ownership (public/private) would avoid this phenomenon, apparently legal, but basically it is a clear political prevarication, economic and financial, defined as abuse of rights. The conversion of the subjective right (right of property) in a socio-economic asset could open the way to the control of the exercise of the right and about the possible abuse, understood as a denial of the bands utility. The abuse of property rights, in particular of the commons, in fact, constitute an attack on those organisational principles through public international law, the Constitutions, a weak point in the protection of fundamental rights”.

In conclusion, the “stagnant” sector would tend to disappear favouring the most productive sector.

Baumols’ view attracted many critics, that concentrated mainly on two aspects: the first raises doubts about the continued growth of progressive sector and the second highlights the possible introduction of technological innovations in cultural industry.⁶

Despite this, we have to recognise that this theory has effectively enforced economic motivations to public intervention in cultural industry.⁷ The authors of this theory however have not specified how this public support can become concrete. Indeed, in this industry, as in other public administration areas, that need of public intervention, the debate between the proponents of public financing and who believe that costs have to be paid by users is still ongoing. Considering the differences that the choice can lead, the form does not appear neutral at all, but rather substantial.

A further argument, frequently used to support public intervention, is the consideration of culture as a merit goods.

Musgrave (1959) defines them as goods or services to which community gives a special value as they are functional to moral and social development of the community itself. These are, for example, education, health and culture. Public intervention here is necessary even though economic equilibrium and cost-benefit assessment are absent. The subjectivity of this vision could evolve over time, leaving some industries without protection because the conditions are changed, as it happened with some public services that over the years passed from public to private management, because they have not been yet considered significant in social terms.

Theories on merit goods, however, do not underestimate economic problems or “market failure” that characterise cultural heritage industry. Among these:

- the lack of an optimal equilibrium, that is connected to externalities;
- the lack of an optimal allocation of resources;
- the failure of an inappropriate demand to meet a too low or centralised offer.

⁶ In this regard should not be underestimated the important processes launched recently in the “digitalization” of cultural heritage, namely the transfer of real or reconstructed images of historical and artistic heritage and landscape in multimedia version. Today these innovations are used by private operators in order to enhance, even with remotely, that part of the heritage inaccessible or still to be recovered in terms of restoration, and by the institutions (museums, ministries) to stimulate new experiences of enjoyment of heritage, also through direct interaction. Recent empirical studies demonstrate the ability of these instruments to promote the interest in the actual knowledge of the different sites to increase of tourist flows in those areas.

⁷ In truth, the law does not provide a theoretical justification for public funding of culture, and it don’t explain if it is correct in efficiency or equity of the distribution; simply it suggests that if the sum of the social benefits resulting from the existence of cultural goods is higher the sum of the costs incurred, the funding would be appropriate.

The externalities⁸ related to cultural heritage come from their characteristic of being public goods,⁹ or non-rivals, for which the consumption by an individual does not prevent or decrease the use by other entities, and not-excludable, that brings to the impossibility to prohibit the consumption to someone, unless very high costs.¹⁰

In addition, they often omit to consider the strong interdependencies existing among cultural markets, so their funding could be justified by the need to support other markets related to it, that are not directly observable.

Additional arguments in favour of public intervention in cultural industry regard the redistributive logic. This guarantees the access to the whole community, and especially for the most vulnerable social groups who might be excluded by the application of a strict logic of market or private.

Similarly can be said about the public support to employment or to cultural heritage preservation for future generations.

Even in these cases, however, the theoretical arguments do not find evidence in reality, mainly because of the characteristics of public intervention are not defined, leading to large wastage of scarce collective resources.

On the contrary is interesting to analyse the implementation of logical frameworks, principles and tools of business economics process that affected the public administration in Italy, profoundly changing management procedures and organisational structures. Although legislative and regulatory processes of innovation started in cultural industry with a certain delay if compared to other sectors, management and organisational models characterised by decision-making autonomy, market orientation and procedure aimed to achieve higher levels of efficiency and effectiveness took place.

⁸ Varian (1993, 556) says: “The public asset must be provided in the same amount to all consumers involved (...) Public assets are an example of a particular type of externality of consumption: each person must consume the same quantity of the assets”.

⁹ A first definition of a public good is derived from the work of Samuelson (1954, 1955), who says that they are: “Assets that everyone can enjoy in common in the sense that the consumption of each individual involves no subtraction of the consumption of the same goods from part of another individual. You can see that this definition shows on only a characteristic of public goods: non-rivalry”. Olson (1965) and Buchanan (1965 and 1974) define another characteristic source of externalities of public assets, the non-excludability, that make the impossibility for the producer of a good to exclude other individuals from the benefits of this production.

¹⁰ The main question in public assets is to determine the optimal level of their provision, it imply the determination of the costs and the benefits; the cost determination is simpler than the benefits. This analysis, the cost-benefit analysis, although necessary, however, does not always lead to correct results, so that the public goods can be provided, often, too high or too low. If the assets are not excludable (e.g, a sewer system of private property), the service provider cannot provide it only for the paying people, with the exclusion of the others. So that individuals will have more than a few qualms to undertake an economic initiative when dealing with non-exclusive goods: that is, these goods are produced to an inefficiently low level. For goods excludable but non-rival in consumption (i.e, goods artificially limited) there are low levels of consumption. The reason is that the rivalry in consumption is linked at the marginal cost of production (i.e, in the production cost of an additional unit) of these goods.

This scenario lead to consider the relationship between regulations and managerial innovation, in terms of autonomy, cost and systematic organisations that manage cultural heritage, regardless their public or private nature, in order to evaluate their influence on the management models adopted.

This approach, in our opinion, can lead to significant results useful both as contribution to the scientific debate, and as recommendations for a development policy of cultural heritage institutions.

The goal is therefore to determine the managerial peculiarities of cultural heritage industry and to check at the same time the importance they assumed after new laws introduction and, above all, the influence that these have on management policies and organisational models (Amaduzzi 1953; Azzini 1964; Bertini 1990; Bruni 1999; Caramiello 1965; Ceccherelli 1964; Farneti 1999; Ferraris Franceschi 2000; Ferrero 1968; Giannessi 1969; Masini 1970; Onida 1971; Zappa 1956). This work, focusing on legislation introduced in the field of cultural heritage, reflects the conditions of autonomy, orderliness and economy, on which converges large part of the doctrine, this are the aspects that affected the ongoing reforms.

The thread that connects culture and business economics goes through the role of the human being. He is the agent and the end of any business, as well as culture is the set of his knowledge, beliefs, conventions, values that formed in a certain environment (Take 1994).

This perspective leads to correlate the evolution of anthropological culture and particularly of its economic dimension, with scenarios and behaviours of individuals, that are the operational set of companies.

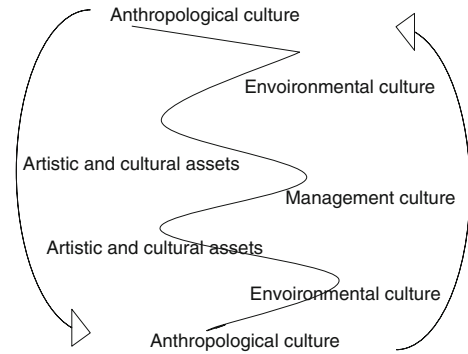
Analyzing only one aspect of anthropological culture is certainly misleading and not entirely effective for achieving full and complete knowledge of the phenomenon we are analysing, but since it is impossible to conduct a study on a such great extended issue, it could be useful the research and identification of the most significant business economics variables.¹¹

In fact, it is not possible thinking about a religious or political culture disconnected by economic or scientific culture, because all these aspects are part of the human being as a central pole, which, is at same time religious or party faithful, economic agent and scientific researcher, so that the tracks he defines and runs in all these areas are all oriented in achieving the common life goals.

The relationship between culture and company can be easily summarized in the Fig. 3.1: if man is at the center of the different ways of being and if, among his most relevant needs, there is also the aesthetic sense and above all the will to exist, then cultural heritage can perform all these functions.

¹¹ The theme is complex. Therefore, a comprehensive or exhaustive treatment of this work is difficult. We will then trying to highlight the points of view and the typical problems of the science department with reference to cultural heritage system, trying to offer a picture that will be clear only with the reading of several chapters. The reader will forgive the fragmented and synthetic discussion, we would develop only those elements which are preparatory to subsequent development of the work.

Fig. 3.1 The relationship between “firm” and culture
Source: our elaboration from Catturi (1994)



In this sense, the anthropological culture starts a helical path that determines the essence of cultural asset as a product of environment interaction.

For this reason, the business economics culture and its components (organisation, control, management, etc.) fill the gap between cultural and human needs, realizing their usability, through a “value” contribution. In a first phase the value is aggregated, added or proposed (depending on the view): and after, it becomes value created, and this explains the top position that cultural heritage occupy in the figure. The path is not circular because interaction causes a higher state of awareness, that determines new environmental and anthropological cultures, but at a higher level.

“Economy and culture” represent an inseparable combination of two resources, wealth and human intelligence, which mutually and with synergy increase their value (Brown 1999).

The culture permeates the whole company, addressing the action and representing a distinctive character.

Therefore the “business economics vision” is characterised by the identification of cultural heritage as a “resource” that can create value, if managed following managerial policies, and not as an unproductive expenditure (Alvino and Petrillo 1999).

This perspective has prompted the proliferation of several studies aimed at qualifying the systematic view, autonomy and cost-effectiveness as “the living conditions and manifestations of existence” of all economic entities, even public (Anselmi 2003; Borgonovi 2002; Farneti 1995).

Economic entities consume cultural resources and generate new combinations of cultural values at the same time. So that issues regarding cultural and artistic assets fall in the area of interest of economics and social scholars. However, the approaches to enhancement and management, based on the application of logic and tools typical of business economics, are recent, but they should become more and more frequent.

The perspective, in this case, is certainly different from other disciplines, whose analysis focuses on the consideration of the general interest related to the

enjoyment of cultural heritage by community. In macro-economic disciplines is also usual the connection between public interest and preservation function ensured by legislative and operational intervention of public sector. From this comes a monolithic conception of cultural service as a public service, publicly funded and managed by public operators (Ecchia 1998).

However, the problems that recently descended from compliance with more stringent public expenditure constraints, brought in several countries to a greater involvement of private capital in project management for protection and enhancement. In addition, the state of emergency or abandonment in which the industry currently finds itself¹² actually determines the need to carry out a deep review of the institutional arrangements in order to ensure at least the preservation of existing assets and its transfer to future generations.

The idea of cultural asset here used is based precisely on the possibility that it gives to posterity to understand the realization of human action, the result of history, culture, values and intelligence created in a specific territory.

In this new perspective what it worths to be observed, rather than cultural heritage as such, are the entities that have the institutional management responsibilities, in order to examine: the conditions of legitimacy of private intervention in areas governed by public, the conditions under which this can to determine an improvement of public interest, and finally how it can public action can evolve.

On one hand, in fact, there is an increase of cultural demand generated by the increased availability of free time, the higher levels of education, the average higher wages, the support of new technologies and ease of travel, but, on the other hand, the public debt let clearly understand that the traditional sources of financing may not generate sufficient cash flows to preserve the value of our cultural heritage.

Therefore, in this as in other fields of public administration, there is a need to review the public management model, keeping its relevant principles,¹³ as the accountability of public officials for the use of cultural heritage (Mussari 1999), in all the function it consists (protection, conservation and promotion) (Table 3.2).

According to the new vision, public management has an important challenge to afford that consist of:

- economic utilisation of cultural heritage, seen as factors of production that can be coordinated with other entities (private or public) to create opportunities for

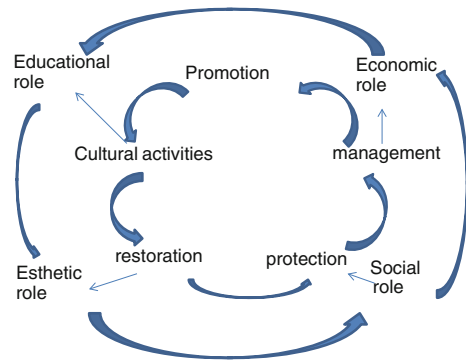
¹² From ministerial sources, it is estimated that currently 50 % of the Italian cultural heritage is in the non-usability, that is closed under restoration or abandonment. In this regard, it should be clear that there is now a complete cataloging of the assets themselves, so any data is always to be considered with caution.

¹³ Ferraris Franceschi (2000) says: when we speak about the corporatization of public administration in many cases it is to exorcise the ghosts of the waste of resources, the lack of effective controls on economic activity undertaken, the upheavals in the collective vision of the problems, a management of criteria that maximize system to the particular interests of individuals or distortions of disorganized organisations inspired by the bureaucratic model.

Table 3.2 Generating activities of the cultural heritage

Protection	Any activity designed to recognise, preserve and protect the cultural and environmental heritage
Management	Each activity directly, through the organisation of human and material resources, to ensure the enjoyment of the cultural and environmental heritage, contributing to the purpose of protection and enhancement
Development	Any activity designed to improve the knowledge and conservation of cultural and environmental heritage and to increase the use
Cultural Activities	Activities aimed at forming and publicize expressions of culture and art
Promotion	Any activity designed to encourage and support cultural activities
Restoration	Activities aimed at improving the physical conservation of properties and their security, integrity and value

Fig. 3.2 Cultural heritage value generating activities and functions



growth, employment, wealth and fame to geographical area in which they are located;

- protection and preservation of all assets for the benefit of future generations, in a inter-generation equity view (Mussari 1994).

In this sense, the new managerial approach is characterised precisely by the goal of joining, in a systemic view, these two visions.

The underlying assumption is circular (Fig. 3.2): the resources used for protection allow the assets enhancement and its fruition by public, and the resources that come from public access may be reinvested for further protection activities, or for the restoration of other assets, fueling other circuits.¹⁴

¹⁴ We have to point out that the circularity can also be seen negatively, when it is determined that a downward spiral of failure influx of financial resources generated by the lack of recognition of certain categories of cultural goods or the closure of the same. These cases, very common, cause further lack of resources in the system.

In our opinion this perspective is useful at least for two reasons, in addition to the aforementioned responsibilities. Firstly, because the attribution of preservation function to referring community, through enjoyment is a “democratic” method. The idea is that the maximum protection can come only from their enhancement and visitors enjoyment, and successive dissemination and sharing of positive experience to the widest possible audience; a kind of collective protection, that better legitimizes the use of public resources.

Secondly, because this vision is able to ensure a protection system, that is not directed only to the most well-known cultural heritage, but also to the smaller and less known ones, that characterise our country, often defined as a vast open-air museum. One of the most important problems that has characterised public policies in this field, in fact, was to have often focused the attention only on the big events, on contingent manifestations of great acclaim, that are often the result of a seasonal planning and devoid of any real planning of long period.

A systematic approach that would allowed the enhancement of all assets is needed, in a solidarity process, that should start from the active involvement of territories where the assets are located, because those represent their main value.

From this approach come problems that are not easy to solve: if the concept of value enhancement is what links together cultural heritage assets and business management, it is impossible the quantitative definition of their value through market because, as mentioned by law, they are “constituent elements of the cultural identity of a nation and their regime of circulation is not similar to that of other goods” and this is true also for private cultural assets.

If we consider that the state often has not played well its role and therefore most of the assets are in a state of neglect (closed or otherwise not accessible), devoid of cataloging and unsuccessful in a international competitive scenario,¹⁵ it is not clear what might be their economic value of these assets without market value. Nor it is possible to accept the theory of the intrinsic value of such goods, because this would not consider the utility function associated with, denying the existence of an economic value.¹⁶

In fact, one of the main limitations of the Italian system is precisely the attitude to the client or to the market in general, which is always placed in sub-order with respect to protection and conservation needs (Mattiacci 1998).

¹⁵ This policy is limited not only because it concentrates the enhancement in a few museum sites at the expense of the many “minor” monuments spread throughout the country, but mainly because the size of the tourism flux is not highly competitive in a broader context. In fact, in Italy, in reference to the museums, for example, the most visited site in 2007, it made only 21th place in the world, as well as, the first exhibition is only in 89th place and only 4 are among the top 160. In Italy the top 20 exhibitions for the number of visitors, no one is located south of Rome (source: Ministry of Culture, 2009). This is opposite with the distribution of the cultural heritage of nations, it shows that the limits are the management policies and that the assets, by themselves, are not sufficient to generate a positive performance.

¹⁶ The utility, even if is a necessary condition, is not however a sufficient condition to have value and the value for money is not proportionate.

But the objectives assigned to cultural policy today appear broader: they concern the traditional issue of heritage and history assets conservation, the issue concerning the conditions of access and use of assets to increasingly large crowds of consumers, and the search for management models based on a more direct responsibility of cultural institutions and their openness to private participation.

As in other sectors has already happened, even the world of artistic and cultural heritage is evolving towards competition. A competition on financial resources, quality of services, and the asset themselves. This competition often has local basis and it does not depend from a single cultural institution, but increasingly from the synergies that it is able to create with its stakeholders.

One example is the creation of museum systems (the Guggenheim in Bilbao, the museum of Basel Bayer, the Beaubourg in Paris, the museum network in Berlin, the Louvre in some ways, etc.), that are organized to compete internationally offering high value proposals for specific customer segments.

With this in mind, in order to create an integrated system (Fig. 3.3) between institutions, tourism and leisure industry, transport system, cultural goods companies, associations, etc. local public governments are moving; so that they arise as new protagonists in the natural and cultural heritage system that is going toward to a devolution process.

This leading role in value creation, promoted by business management literature also in other sectors, is not only useful for improving assets management

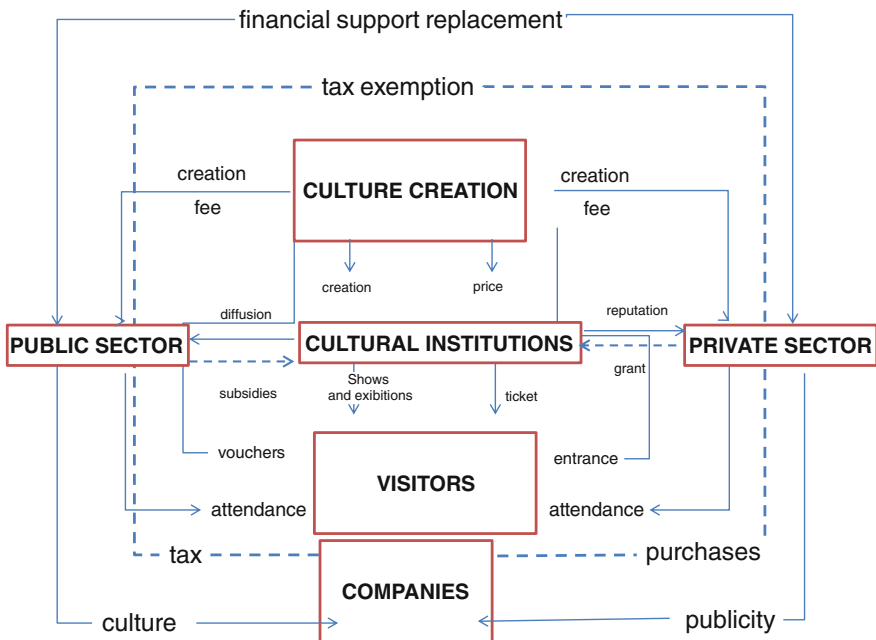


Fig. 3.3 The integrated companies-culture system. Source Trimarchi (1993)

themselves, but it seems to open the way to a new conception of value that fits better cultural heritage, and that, without neglecting the other dimensions, considers also their social value. The conception of the social value of such assets, is more congenial and enhances the expression of qualitative rather than quantitative (Deidda and Gagliardo 2002).

At the same time this appears to justify its approach to stakeholder theory, that consider “firms” as the tool for the simultaneous and balanced satisfaction of stakeholders needs (Coda 1988). These needs have, even in this specific field, greatly evolved and varied, so they require a systematic reconciliation among multiple instances.

The survey on institutional arrangements (Airoldi et al. 1994) of companies operating in cultural heritage industry, appears to be significant, because of the combination of economic and non-economic goals.

Compared to different purposes, in addition to traditional cultural and social background, the search for a broadest equilibrium to be worth over time, claims the main concepts of efficiency and effectiveness (Dubini and De Carlo 2003).

In the systemic view, considering the presence of numerous and articulated actors, together with the managerial peculiarities of companies that manage cultural heritage, the lack of autonomy make the institutional arrangements design difficult. In particular, the main points, that will be defined more precisely after, concern: the need to ensure a steady flow of resources to coverage financial needs of activities that generate income with difficulty; the need to identify control bodies able to ensure the representation and protection of public interests and management bodies able to meet the needs of customers and to take advantage of any market opportunities; and finally the need to take care of internal and external communication processes.

In companies that operate in cultural sector, autonomy is conditioned and at same time it consists of many different elements, including:

- the use and dissemination of cultural languages that are the identity of communities in which these companies are located;
- the provision of high quality services, useful for the social development of the community;
- -the fixing of prices able to generate economic resources, but that does not have an effect of social discrimination;
- the involvement of inputs that cannot be remunerated at market price.

In this regard, the critical variable is the conciliation of these expectations with the chronic difficulty of achieving a financial equilibrium.

Since the high dependence on external source, predominantly public (e.g credits against the Ministry of the Soprintendenza, etc..) the financial situation seems to be problematic and complex particularly in the management of revenue cycle, compared to normal revenue cycles.

The above considerations make it possible to identify some guidelines for a reflection on the economy of companies operating in the field of cultural heritage

and the role that local public governments can play in order to guide the growth (Piras 2002):

- the mission seems too vague;
- the focus of institutional arrangements is often the identification of expected rewards from different classes of actors, rather than the balance between contributions and rewards;
- the calculation of financial requirements often neglects management costs, considering only structure costs;
- “internal” revenues do not cover operating costs, forcing companies to develop also other businesses;
- fixed costs have a significant impact on economic structure, creating constant liquidity shortages, operational risk increasing and lower margins of maneuver;
- there are no appropriate skills, nor criteria of managers accountability based on the results achieved.

These critical junctions require multidisciplinary approaches aimed at a broad reflection on the guidelines.

At same time the combination between economy and cultural heritage, using the value chain approach, requires, in our opinion, the review of the overall system of governance, whose elements outlined here will be resumed later.

This model is characterised, in fact, by multiple actors and management methods and the diversification of objectives, if on one hand seems to suggest a network approach, on the other hand, represents one of the main issues to be analysed in terms of autonomy/accountability.

3.4 The Concept of Heritage Assets: Definition and Preliminary Features

Business literature and, more recently, the accounting profession recognise the value of historical, artistic, cultural, or natural goods (Mautz 1988).

These elements, in the author’s opinion, present specific problems in relation to financial representation and measurement. This creates the assumption that the property, plant and equipment requirements cannot be applied without any consideration for heritage asset (HAs) (Pallott 1990; Stanton and Stanton 1997). Some public agencies (e.g. museums, local governments, central agencies, etc.) or NPOs (e.g. foundations, private museums, etc.) have to consider HAs as a crucial resource for their operations. Their maintenance and conservation can be an essential element in their operations and activity. In these circumstances, cultural and artistic goods are the entity’s essence and, for this, their careful identification and measurement represent a delicate and necessary operation (ASB 2006a, b; CNDC 2006).

This research starts from the premise that reporting entities are applying the accrual basis of accounting or providing financial reporting users with economic valuations (Carnegie and West 2003; PSC 1996, 2000; INTOSAI 1995; Lapsley et al. 2009; Noaman et al. 2013). Cash-basis, fund basis or commitment basis of accounting are not intended to express economic valuations (Jones and Pendelbury 2000; Lüder and Jones 2003). In this context, many scholars have linked the accounting for HAs to the movement of New Public Management (NPM), whose model has led many public sector reforms during the last few decades (Guthrie et al. 1999; Hood 1991).

In general terms, NPM aimed to “make the public sector more business like” (Ferlie et al 1996, 10). From this perspective, the reporting of HAs can be comprehended as an element that faithfully represents the “health” condition of the entity (Lapsley 1999).

It is to be observed that the literature has not always considered public sector entities and NPOs’ accountable for adoption of accrual basis accounting and has highlighted important criticalities in its application and representation (Barton 2000; Carlin 2005; Lapsley et al. 2009; Mautz 1988; Robinson 2003).

A part from the accounting issues, the lack of HA conservation and maintenance can be in itself an element of bad administration and can denote a deficient optimisation of the available resources, creating problems of intergenerational equity (Barton 2005; Mussari 1998).

The meaning embodied in the concept of HA can vary in respect to the use and the entity’s purpose (ICCROM Working Group ‘Heritage and Society’ 2005). Specifically, accounting analysis should preliminary begin from a comprehension of what should be meant with the term of “HA”. This Section aims at listing some of the most recent definitions issued by literature and international and local standard setters, so as to comprehend whether there is a chance to identify some common characteristics and a generally accepted perception of HAs at a reporting and accounting level (Appendix 1).

Before analysing the “business” definition, it is appropriate to illustrate a couple of preliminary approaches: the concept of “public goods” and UNESCO’s perspective. It is clear that these two orientations, even if they are not accounting oriented, represent an obligatory benchmark for all standard setters that intend to deal with this issue.

As far as the “public goods” theory, it is worthwhile recalling that economists describe public goods as being goods “non rival” in consumption and having “non-excludable” benefits (Barton 1999; Stiglitz 1986). In general terms, a good is:

- non rivalrous, if several people can consume it, without diminishing its value and formally at no additional cost;
- non excludable, if each individual can benefit from a good and cannot be prevented from consuming it.

On the contrary, a good is defined as “private” if it is rivalrous and excludable. The identification of public goods implies that these goods can be provided only by

public agencies, as a for-profit entity would be disposed to provide a service, that consumers can use for free without having to pay for it.

The description of HA provided by United Nations Educational, Scientific and Cultural Organisation (UNESCO) can be inferred by the “Convention Concerning the Protection of the World Cultural and Natural Heritage” (1972). UNESCO’s orientation abstracts from a “general” definition, providing a list of what should be meant as “cultural heritage” and, separately, “natural heritage” (Blake 2000).

As far as Cultural Heritage, UNESCO states that, “three groups of assets are recognised:

- (a) monuments: architectural works, works of monumental sculpture and painting, elements or structures of an archaeological nature, inscriptions, cave dwellings and combinations of features, which are of outstanding universal value from the point of view of history, art or science;
- (b) groups of buildings: groups of separate or connected buildings which, because of their architecture, their homogeneity or their place in the landscape, are of outstanding universal value from the point of view of history, art or science;
- (c) sites: works of man or the combined works of nature and man, and areas including archaeological sites which are of outstanding universal value from the historical, aesthetic, ethnological or anthropological point of view”. (UNESCO 1972, Art. 1).

UNESCO adds, then, that “Cultural Property is a property inscribed in the World Heritage List after having met at least one of the cultural heritage criteria and test of authenticity.” (UNESCO 1972, Art. 2).

Many international and local standard setters have recently tried to propose a definition in order to define the accounting scope of their requirements.

The International Public Sector Accounting Standards Board (IPSASB), the international organisation enacting the International Public Sector Accounting Standards (IPSAS), defines HAs as elements characterised by their cultural, environmental, or historical significance, such as historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art (IPSASB 2012). Starting from this angle, HAs are usually identified by the following features:

- their value in cultural, environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;
- legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;
- they are often irreplaceable and their value may increase over time, even if their physical condition deteriorates; and
- it may be difficult to estimate their useful lives, which in some cases could be several hundred years.

From IPSASB’s perspective, HAs are rarely held to generate cash-inflows or they can have obstacles to generate them. Some HAs can be used as a “usual”

tangible asset (e.g., an historic building held as an headquarter), while some others can be limited to their heritage characteristics (e.g., monuments and ruins).

The International Valuation Standards Board has dealt with (and in different situations) this issue. The Annex of the IVS 230, Real Property Interests (IVSB 2011) specifically examines the valuation of historic properties. Historic properties are defined by the IVSB as a “[...] real property that is publicly recognised or officially designated by a government body as having cultural or historic importance because of its association with a historic event or period, with an architectural style or with a nation’s heritage.” (IVSB 2011, A2.).

In substance, the Board, aware of the fact that many perceptions of historic properties can co-exist, refers to the definitions provided by local legislations. In fact, there is an internal procedure requiring recognition in an *ad hoc* register once predetermined criteria has been satisfied. However, the IVSB’s requirements are considered relevant for all artistic goods. Not only goods enrolled in local registers are addressed as embodying an artistic value. It is up to the valuer to address if the property—even if not enrolled—can be considered an *historic property* (IVSB 2011a).

The IVSB affirms that the characteristics common to historic properties include the following:

- its historic, architectural and/or cultural importance,
- the statutory or legal protection to which it may be subject,
- restraints and limitations placed upon its use, alteration and disposal,
- a frequent obligation in some jurisdictions that it be accessible to the public.

The IVSB (2012b) has, then, included HAs into the broader concept of “Specialised Public Service Assets” (SPSAs), meant as assets providing a service for the benefit of the community. Specifically, the IVSB defines HAs as assets having some cultural, environmental or historic significance and historic properties as real properties recognised or officially designated by a government-chartered body as having cultural or historic importance thanks to its association with an historic event or period, with an architectural style, or with the nation’s heritage.

The Board clarifies in a subsequent period that many “heritage assets” are held in the public sector. This consideration leads to the consequential re-proposition of the IPSASB’s definition of HA. This reference appears quite ambiguous, as the project has a broader scope being referred to the valuation of HAs independently from the owner’s legal form (CNOCP 2013).

American accounting requirements distinguish between: (i) technical norms for central public administrations; and (ii) accounting rules adopted by NPOs and LGs.

USA public administrations apply accounting standards enacted by the Federal Accounting Standards Advisory Board (FASAB) and, in this specific circumstance, adopt the SFFAS 29, Heritage Assets and Stewardship Land (FASAB 2005). The mentioned Standard defines HAs as property, plant and equipment which are expected to be preserved indefinitely and unique for one or more of the following reasons:

- historical or natural significance,
- cultural, educational, or artistic (e.g., aesthetic) importance; or
- significant architectural characteristics.

HAs are, then, divided into:

- “collection type heritage assets” such as objects gathered and maintained for exhibition, for example: museum collections, art collections, and library collections; and
- “non-collection-type heritage assets” such as parks, monuments, and buildings.

The Financial Accounting Standards Board (FASB), the authoritative American accounting standards setter, dedicates part of the enacted Accounting Standards to local NPOs. In this context, the SFAS 116, Accounting for Contributions Received and Contributions Made, focuses also upon the accounting for “collections”; these are defined as “works of art, historical treasures, and similar assets if the donated items are added to collections that meet all of the following conditions:

- are held for public exhibition, education, or research in furtherance of public service rather than financial gain;
- are protected, kept unencumbered, cared for, and preserved;
- are subject to an organisational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.” (FASB 1993).

An identical definition has been proposed by the Governmental Accounting Standards Board (GASB), which aims to cover the role of the USA LGs’ accounting standard setter, even if their standards are not mandatory (GASB 1999).

Among local standard setters having worked on accounting for HAs, there is the British Accounting Standards Board, which has been intensively working on this subject over the last decade. Firstly, it published the Discussion Paper “Heritage Assets: Can Accounting Do Better?” (ASB 2006a) and consequently the Financial Reporting Exposure Draft “FRED 40, Accounting for Heritage Assets” in 2006 (ASB 2006b); lastly, it issued the Financial Reporting Standard 30 “FRS 30, Heritage Assets” in 2009 (ASB 2009). Furthermore, the ASB’s initiative was the starting point for IPSASB to feed the debate and receive comments on this issue (IPSASB 2006).

This Standard defines HAs as “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.” (ASB 2009). It is noted that the ASB requires, therefore, that an asset that fall within the category of heritage assets should not only have an artistic value and/or historical value, but also when it is used as a benefit for cultural growth for those who are concerned.

It must be pointed out that the British Board, as opposed to about 80 % of the commentators (Biondi 2008), eliminated from the final version of the standard the concept of “collection” as it is considered the bearer of the elements of complexity and is up to discretion (ASB 2009). This concept appears to be important also in the context of measurement issues. It could be difficult for administrators to

determine reliably (and for auditors to express a judgment) on the valuation of a single collection, as their value can be extremely discretionary since markets can be non-existent and cash inflows cannot be singularly determined. In this last perspective it cannot be feasible to quantify the cash inflows regarding a single collection, while it can be determined the cash inflows belonging to a museum.

Furthermore, it has to be observed that the Charity Commission, the UK Third Sector regulator, has proposed an additional definition of HAs as “those assets of historical, artistic or scientific importance that are held to advance preservation, conservation and educational objectives of charities and through public access contribute to the nation’s culture and education at a national or local level.” (Charity Commission 2005).

As far as local standards setters are concerned, it should be evidenced that Australian accounting standards boards have given an important stimulus for the development of the issue (Carnegie and West 2005), as they continued the debate on HAs, thanks to the IFRSs adoption by Australian and New Zealand local and central governments.

After a long and interesting debate, which has stimulated theoretical and professional views worldwide (Wild 2013), the Act Accounting Policy, issued by the Australian Department of Treasury distinguishes between “heritage assets” and “community assets” (Australian Central Territory Government 2008). HAs are goods such as art, museum and library collections, historical buildings, monuments, land to be preserved to maintain the historic value of the Territory, and other similar resources- which have the following characteristics:

- “[...] unique cultural, historical, geographical, scientific, and/or environmental attributes that the Government intends to preserve indefinitely because of those attributes.”;
- are not usually available for sale or alternative use. There is typically an Agency responsible for this service.

The “service potential” of a HA primary refers to its “aesthetic utility”, that is, it is of historical significance or fulfils a social need that is either cultural or environmental.

The Australian Government defines “community assets” as property, plant and equipment provided essentially for general community use or service. They can include: nature reserves; national parks; land under roads.

Due to the fact that this manuscript examines in a comparative perspective the recognition of HAs in the Italian accounting system, it seems appropriate to consider the functional definition of artistic value of goods supplied by the legal framework and the Technical Board (Tavolo tecnico) instituted by Agenzia per il Terzo Settore, CNDCEC and OIC, a working group that was destined to enact the Italian accounting standards for NPOs.

As the statutory definition reveals, Legislative Decree 42/2004 defines cultural patrimony as a set of cultural heritage and landscape, where, more specifically, cultural heritage is understood as movable and immovable property that are artistic, historical, archaeological and ethno-anthropological. They are also

recalled and further defined goods which have an importance in terms of landscape (Legislative Decree 42/2004, article 3).

National Accounting Standard No. 1 for NPOs uses a larger form, according to which “works of art are goods that, meeting the conditions laid down for registration of an activity, have a historical, artistic, scientific, technological or geo-physical value. These assets are primarily held for the contribution they can make to knowledge and culture, and whose use is critical to the achievement of the objectives of the institution” (Agenzia per il Terzo Settore 2012).

From the analysis of the above mentioned definitions it is possible to identify some basic considerations relating to the scope and characteristics of qualifying HAs.

With reference to the defining elements, although the definitions can be articulated in seemingly different way, we can conclude that, as also mentioned above, HAs are goods that (Aversano and Ferrone 2012; Barton 2000; Gomez and Casal 2008; Pallot 1990; Rowles 1992):

- are held for social reasons not personal ones.
- have an artistic or cultural value. For this reason, these elements are usually unique. In this respect, it should be noted that often, for accounting purposes, within the concept of “HA” is also the concept of natural heritage assets, such as parks, forests, biological formations and other similar goods.
- meet the needs not of the entities that own them, but of the whole community that can benefit from them. In this context, the goods are conceived as “community assets”.
- have an indefinite life.
- often (although it is not a mandatory condition) are restricted by legal or statutory restrictions limiting or prohibiting their disposal.

From what can be detected from a subjective application, the definitions are largely similar, regardless of whether the definition addressed the recognition of HAs by the public sector (IPSASB, FASAB, FASB), NPOs (Charity Commission, Tavolo tecnico, FASB), or businesses (ASB). In substance, the perception of an HA is identical, irregardless of the ownership. This does not imply that the accounting treatment, as it will be debated in the following paragraphs, has to be the same despite the legal form of the holding entity, since an entity’s purpose can be different and stakeholders’ information needs can be various (Dainelli and Sibilio Parri 2012).

<p>Appendix 1</p> <p>UNESCO (1972), Convention Concerning the Protection of the World Cultural and Natural Heritage</p>	<p>IPASAB (2001), IPSAS 17, Property, Plant, and Equipment</p> <p>IVSC/IVSB (2011), IVS 230 Real Property Interests</p> <p>FASAB (2005), SFAS 29, Heritage Assets and Stewardship Land</p> <p>FASB (1993), SFAS 116, Accounting for Contributions Received and Contributions Made</p> <p>ASB, FR 30 (2009), Heritage Assets (2005), Accounting And Reporting By Charities: Statement Of Recommended Practice</p> <p>Australian Government/ Department of Treasury, ACT Accounting Policy – Heritage and Community Assets (2012)</p> <p>Digs 22/2004 Agenzia per il Terzo Settore, CNDC/EC, OIC/avolo tecnico per l'elaborazione dei Principi contabili per gli enti non profit (2012)</p>	<p>10. Some assets are described as heritage assets because of their cultural, environmental, or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, structures of an archaeological nature, inscriptions, cave dwellings and combinations of features, which are of outstanding universal value from the point of view of history, art or science; groups of buildings; separate or</p>	<p>A.2 A historic property is real property that is publicly recognised or officially designated by a government body as having cultural or historic importance because of its association with a historic event or period, with an architectural style or with a nation's heritage. The characteristics common to historic property include the following:</p> <ul style="list-style-type: none"> • its historic, architectural and/ or cultural importance, • the statutory or legal protection to which it may be subject, 	<p>15. Heritage assets are property, plant and equipment (PP&E) that are unique for one or more of the following reasons:</p> <ul style="list-style-type: none"> • historical or natural significance, • cultural, educational, or artistic (e.g., aesthetic importance; or significant architectural characteristics. <p>Heritage assets consist of (1) collection type heritage assets, such as objects gathered and maintained for exhibition, for example, museum collections, and</p>	<p>11 [...] contributions of works of art, historical treasures, and similar assets if the donated items are added to collections that meet all of the following conditions:</p> <ul style="list-style-type: none"> a. A re held for public exhibition, education, or research in furtherance of public service rather than financial gain b. A re protected, kept unencumbered, cared for, and preserved c. A re subject to an organisational policy that requires the proceeds from 	<p>HERITAGE ASSET</p> <p>A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.</p> <p>Those assets of historical, artistic or scientific importance that are held to advance preservation, conservation and educational objectives of charities and through public access contribute to the nation's culture and education at a</p>	<p>2.1.1 Heritage Assets</p> <p>The terms heritage asset or cultural asset refer to assets that have unique cultural, historical, geographical, scientific, and/or environmental attributes that the Government intends to preserve indefinitely because of those attributes.</p> <p>They are not usually available for sale or alternative use. The agency responsible under statute or Administrative Arrangements for the provision of a particular service would normally control the heritage assets linked to</p>	<p>Article 2 – Cultural Heritage</p> <p>1. Heritage is composed of cultural and natural assets.</p> <p>2. Cultural resources are fixed and non-fixed elements, that, according to Articles 10 and 11, have a, historical, artistic, archaeological and ethnological, archival, or bibliographic value and other assets identified by law or according to the law as being of value for civilization.</p> <p>3. Natural heritage buildings and areas are referred to in Article 134,</p>
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<p>connected buildings which, because of their architecture, their homogeneity or their place in the landscape, are of outstanding universal value from the point of view of history, art or science; sites: works of man or the combined works of nature and man, and areas including archaeological sites which are of outstanding universal value from the historical, aesthetic, ethnological or anthropological point of view.</p> <p>Article 2 For the purposes of this Convention, the following shall be considered as "natural heritage": natural features consisting of physical and biological</p>	<p>environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price; (b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale; (c) They are often irreplaceable and their value may increase over time, even if their physical condition deteriorates; and (d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years. Public sector entities may have large holdings of heritage assets that have been acquired over many years and by various</p>	<p>• restraints and limitations placed upon its use, alteration and disposal; • a frequent obligation in some jurisdictions that it be accessible to the public. An asset having some cultural, environmental or historic significance. A1.5 Many "heritage assets" are held in the public sector. A heritage asset is an asset having some cultural, environmental or historic significance. A1.5 Many "heritage assets" are held in the public sector. A heritage asset is an asset having some cultural, environmental or historic significance. Heritage assets may include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art. Heritage assets often display the</p>	<p>library collections; and (2) non-collection-type heritage assets, such as parks, memorials, monuments, and buildings. 16. Heritage assets are generally expected to be preserved indefinitely. One example of particular asset is heritage in nature is that it is listed on the National Register of Historic Places. 18. Heritage assets may in some cases be used to serve two purposes—a heritage function and general government operations. In cases where a heritage asset serves two purposes, the heritage asset should be considered a multi-use</p>	<p>sales of collection items to be used to acquire other items for collections. national or local level.</p>	<p>that service. Heritage assets may include: • art, museum and library collections; • historical buildings; monuments; • certain land which will be preserved in its existing state to maintain the 4. Public cultural goods are intended for the enjoyment of the community, in line with the needs of institutional use and unless it is prevented by reasons of protection. [...] Article 10 – Cultural Assets 1. Cultural assets are fixed and non-fixed elements belonging to the State, the regions, other local governments, as well as any other public sector agency and institution, and private not-for-</p>	<p>constituting an expression of historical, cultural, natural, morphological and aesthetic characteristics of the area, and others identified by law or according to the law. 4. Public cultural goods are intended for the enjoyment of the community, in line with the needs of institutional use and unless it is prevented by reasons of protection. [...] Article 10 – Cultural Assets 1. Cultural assets are fixed and non-fixed elements belonging to the State, the regions, other local governments, as well as any other public sector agency and institution, and private not-for-</p>
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(continued)

<p>formations or groups of such formations, which are of outstanding universal value from the aesthetic or scientific point of view;</p> <p>geological and physiographical formations and precisely delineated areas which constitute the habitat of threatened species of animals and plants of outstanding universal value from the point of view of science or conservation;</p> <p>natural sites or precisely delineated natural areas of outstanding universal value from the point of view of science, conservation or natural beauty.</p>	<p>means, including purchase, donation, bequest, and sequestration. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.</p> <p>11. Some heritage assets have future benefits or service potential other than their heritage value, for example, an historic building being used for office accommodation. In these cases, they may be recognised and measured on the same basis as other items of property, plant, and equipment. For other heritage condition</p>	<p>following characteristics, although these characteristics are not necessarily limited to heritage assets:</p> <ul style="list-style-type: none"> • their economic benefit in cultural, environmental, educational and historic terms is unlikely to be fully reflected in a financial value based purely on market price, • legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale, they are often irreplaceable and their economic benefit may increase over time even if their physical condition 	<p>heritage asset if the predominant use of the asset is in general government operations (e.g., Treasury building used as an office building). Heritage assets having an incidental use in government operations are not multi-use heritage assets; they are simply heritage assets.</p>	<p>returns).</p> <p>2.1.2 Community assets</p> <p>Community assets are those assets that are provided essentially for general community use or service. Such assets would include:</p> <ul style="list-style-type: none"> • rural recreational reserves and picnic/camping areas; • nature reserves; • national parks; • urban parks and sportsgrounds; and land under roads. <p>Definitions - Works of art are goods that meet the conditions laid down for registration of an activity, have a historical, artistic, scientific, technological or geophysical value. These assets are held primarily for the contribution they can make to knowledge and culture, and whose use is critical to the achievement of the objectives of the institution</p>
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(continued)

assets, their future economic benefit or service potential is limited to their heritage characteristics, for example, monuments and ruins. The existence of both future economic benefits and service potential can affect the choice of measurement base.”

- it may be difficult to estimate their useful lives, which in some cases could be hundreds of years.

deteriorates,

3.5 The Accounting Treatment of Heritage Assets

HAs have multiple accounting issues that are unlikely to, regardless of the solutions proposed by the accounting standard setter, find a solution in accounting doctrine and practices.

The following paragraphs start from the framework declared in [Chap.1](#), that is:

- the entities accounting HAs are public sector or not-for-profit organisations;
- the involved entities adopt accrual basis accounting to prepare their financial statements.

Provided what has been above declared, the financial reporting analysis is illustrated as follows: recognition; approaches to accounting, initial measurement, subsequent measurement, and disclosures.

3.5.1 Recognition

The issue of recognition is strictly related, on the one hand, to the definition of HA and, on the other hand, to the concept of “asset” as referred to in the specific field of HAs. Many scholars ([Gomez and Casal 2008](#)) and standards setters ([ASB 2009](#)) have been debating on the conceptualisation of “assets” in the public and not-for-profit sector.

The International Accounting Standards Board, the most authoritative business accounting standard setter, defines an asset as “[...] a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.” ([IASB 2010](#), par. 4.4).

The IASB provides a concept of asset strongly connected with the potential of the involved resource to “contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity”, by satisfying customers’ needs ([IASB 2010](#), par. 4.4).

The IASB’s definition of asset appears inappropriate if contextualised in the non-profit sector without any specific interpretation or application.

3.5.2 Control

The concept of control could be not applicable to many HAs; often their use is limited or denied by law, statute or practice. For this reason, the definition of HAs referred to public sector or not-for-profit entities could appear exceedingly ambiguous ([Barton 2000](#)). Sometimes, entities do not have a “control” on the asset, as the stewardship function would deny the original (meant as commercial) concept of control ([Wild 2013](#)).

Some authors (Christiaens et al. 2012, Pallot 1992) recognise the proprietorship of HAs only as a custody right, as the holding entities can only decide on their management and use; other economic rights such as usufruct, alienation and destruction, are not attributed to the holder.

Due to this, some public sector entities and NPOs usually include in the definition of asset further elements with respect to those ones usually addressed for for-profit entities, such as “the access to or, conversely, the ability to deny or restrict access to the resource” or “the means to ensure that the resources are used to achieve its objectives” (IPSASB 2012).

3.5.3 Economic Benefit

In addition, the IASB identifies the realisation of economic benefits with the generation of cash inflows in favour of entities’ stockholders. The Framework states that “the future economic benefits embodied in an asset is the potential contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity.” (IASB 2010, par. 4.8). Economics benefits are substantially associated with estimated net cash flows (Carnegie and West 2005) This relation does not belong to non-profit entities, which aim to satisfy different needs (Capalbo 2011).

Due to this, the non-profit accounting standards setters usually include in the definition of asset the concept of “service potential”, meant as the capacity to provide a benefit—or better a facility—to the community and contextually to pursue adequately the entities mission (AASB et al. 2006; ASB 2009; IPSASB 2012; PSASB 2007). The service potential conceptualisation, which accompanies and does not substitute that one of “economic benefits”, allowed the recognition of some unprofitable resources held to pursue the entities’ mission as assets.

Specifically, the IPSASB has proposed a revised definition of asset, for which “[a]n asset is a resource, with the ability to provide an inflow of service potential or economic benefits that an entity presently controls, and which arises from a past event.” (IPSASB 2012, par. 2.1). From this perspective, it is clarified that “service potential is the capacity of an asset to be used by the entity to provide goods and services that contribute to achieving the entity’s objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows.” (IPSASB 2012, par. 2.3) and then that “public sector assets that embody service potential may include recreational, heritage, community, defense and other assets which are held by governments and other public sector entities and provide goods and services to third parties. Such goods and services may be for collective or individual consumption. Many goods and services may be provided in areas where there is no market competition or limited market competition. (IPSASB 2012, par. 2.4). Indeed, this reason—only recently proposed by IPSASB—was already explored by the Australian Board almost 20 years ago (AASB 1995) and subsequently by others, such as the ASB (2006a, b). The British accounting standards setter publishes interpretations aiming to address those financial

reporting aspects that need re-expression or a change of emphasis to make them more relevant to public benefit entities (ASB 2007). In this context, the mentioned Statement proposes a revised interpretation of the definition of asset, usually meant as “rights or other access to future economic benefits controlled by an entity as a result of past transactions or events.”

In many cases the entities which own HAs have to maintain and conserve the involved resources, being in this case holders of an obligation rather than a right (Barton 2000). Furthermore, it is observed that many HAs do not provide “economic benefits” to the holder entity. It is true that, on the other hand, HAs could contribute to the wealth of an entity, for example, a LG owing a statue can benefit of the induced tourism, enhancing the residents’ wealth and, indirectly, the LG in its quality of policy and tax makers. However, it is not feasible, even in the provided example, to create a direct link between the possession of the statue and the residents’ capacity to pay higher taxes, there is no reciprocal relationship (Porter 2004).

The ASB (2009) came to the conclusion that HAs are assets as “they are central to the purpose of an entity such as a museum or gallery: without them the entity could not function. An artifact held by a museum might be realisable for cash, it might generate income indirectly through admission charges or the exploitation of reproduction rights. However, and in most cases much more importantly, the museum needs the artefact to function as a museum. The artefact has utility: it can be displayed to provide an educational or cultural experience to the public or it can be preserved for future display or for academic or scientific research. The future economic benefits associated with the artefact are primarily in the form of its service potential rather than cash flows. In the Board’s view, by virtue of the service potential they provide, heritage assets meet the definition of an asset [...]” (ASB 2009, par. 11).

The Italian accounting profession does not provide any definition of “assets” (Agenzia per il Terzo Settore 2012). The Consiglio Nazionale dei Commercialisti (CNDC), one of the two previous Italian professional bodies, provided (2006) that the recognition of the cultural goods may not be carried out, if the valuation of these goods is “technically complex”. This presumes that HAs can be recognised in the case that it is feasible to find a reliable measurement.

In this case, therefore, the CNDC considered it reasonable to expect not to include such assets on the balance sheet (CNDC 2006). Where the NPO opted for this solution, the NPO should disclose the reason for which the assessment was technically complex as well as adequate information on the resource concerned.

Recommendation no. 6 believes, then, that it might not make sense to present assets subject to lock-up restrictions amongst other assets, since even in this case there appears to be no value which can be determined reliably. Even in this circumstance, the notes should adequately justify this choice (CNDC 2006).

The Consiglio Nazionale dei Ragionieri, the other Italian professional body, believed that collections of goods with relevant historical and artistic interest are to be recorded as an asset because they produce economic benefits (CNR 2002).

The Draft of the Italian Accounting Standards for NPOs no. 2 (2012) declares that the restricted donations representing fixed assets destined to increase the entity's capital, such as historical, artistic and prestigious real properties, are carried out, wherein appropriate, in financial statements.

Accounting practices seem to have a consolidated view in recognising HAs in the balance sheet, once determined criteria are satisfied or the entity decides to value these elements. In this context, it is appropriate to highlight the different opinion expressed by the USA public sector standards setters. GASB provides a differentiated accounting for governmental capital goods: they are recognised as assets if they belong to a proprietary fund and are used in a businesslike manner (proprietary fund), or, on the contrary, capital goods custoded on behalf of the community are not carried out on the balance sheet and the pertaining expenditures are allocated to the income statement, when they occur (governmental fund) (GASB 1999).

The SFFAS 29 distinguishes capital goods in relation to their role. Capital goods which are functional to governmental operations are capitalised and depreciated similarly as property, plant and equipment owned by enterprises; on the other hand, capital goods acquired for their societal role (e.g, HAs) are allocated to the operating costs as a discrete element of the cost and are not depreciated (FASAB 2005).

In addition, CICA (2006) argues that artworks and artistic treasures should not be recognised in the public sector entities' financial statements.

The literature has been long debating upon the suitability to recognise HAs in financial statements.

A part of the literature distinguishes the case of "ordinary assets", which shares the characteristics of private sector entities, from other assets which belong to the public and not-for-profit sector. This body of literature often starts from the economists' view that "public goods" cannot be recognised as assets in financial statements, as they do not completely satisfy the purpose of "commercial assets".

Mautz (1988) can be addressed as the "founder" of this approach. He argued that the Washington Monument, as many public buildings, national and state parks, highways, public schools, tax supported universities and colleges, local police and fire stations, jails and prisons and, in substance "any facility requiring some tax and/or donation support for the reporting entity in order that the facility may continue performing its purpose" are not in financial terms assets, but liabilities, as their ownership is of negative value in financial terms, in the consideration that their maintenance requires more expenses than revenue." At the same time, these assets are crucial for pursuing communities' social needs and have to be preserved. In substance, Mautz considers these "facilities" as entities' commitments towards the community. Only in the case that the destination of the HA changes and the holding entity opts to sell them, these goods can be addressed as assets, as they will generate cash inflows.

Pallot (1990) accepted Mautz's invitation to develop an accepted practice in the accounting of HAs. The authors' idea moves from a modification of the usual definition of "asset" rather than from an exclusion of HAs from the accounting

concept of asset, as proposed by Mautz. The brave consideration proposes to present separately “community assets”, such as HAs and infrastructures, as these goods, even if owned by a specific entity, belong to the community. This correction should be functional for an asset definition in a public sector and NPO context.

Carnegie and Wolnizer (1995) share substantially Mautz’s view. They affirm that HAs, natural resources and other values of collections risk being misunderstood if represented in financial terms and represent only an “accounting fiction” (Carnegie and West 2005). From this angle, it is questioned that the “monetary translation” of resources is not able to appropriately express cultural and artistic concepts. More broadly, HAs reporting has been seen as a failed challenge to make public sector entities and NPOs more accountable by accrual basis accounting (Carnegie and West 2005). The authors conclude that HAs cannot be recognised as assets, as they are not commercial goods. They can be considered as liabilities or separately recognised. Lastly, the holding entities usually have a non-profit mission; according to this, their “business” is to hold these assets rather than maximise a profit through their management.

A similar position is provided by Barton (1999, 2000, 2005), who claims that the public nature of HAs deny their recognition, as the needs these resources are going to satisfy are not for sale and, consequently, not for the entity’s wealth. Financial terms are believed not appropriate to represent the future benefits for the holder. Starting from Mautz’s considerations, the author claims that HAs are “public goods” and, due to this, even if the entity is the owner of these goods, they represent “facilities,” as their use is intended to pursue public purposes. According to this, they should be separately accounted, being their value measurable only in social terms (Barton 2000). From this view, the author concludes that these assets are not assets in terms of accountancy. “Rather, it is proposed that these assets used for the provision of non-commercial services to the public should be treated in a separate category as public goods assets which are held in trust by the government on behalf of the nation, for the benefit of current and future generations and for the preservation of the natural ecology of the nation. Commercial valuations are not relevant for these assets and they need not be valued in financial terms for their good management.” (Barton 1999).

HAs are substantially “trust assets”, as holder entities are called upon to manage and control these goods on behalf of the community (Barton 2000).

Barton (2005), then, completes his thoughts affirming that the separate reporting of HAs is due also to the lack of a commercial market for these goods and, according to this, to the capacity to reliably determine their “fair market prices”. The author asserts that HAs “are more appropriately reported in non-financial terms in a separate statement of assets held in trust.” (Barton 2005, 438).

There are other authors, who have recently found some further ways of value measurement. In their view, it is misleading to present HAs by monetary terms, as these goods are thought to be valued for a scope not identifiable with a cash flow return.

In this context, Christiaens et al. (2012) provide further considerations concerning the distinctive characteristics of HAs and the need to address these resources as special assets. They argue that governmental capital goods that are given a societal status leading to social benefits rather than economic benefits should not be carried out on the balance sheet. However, given the significance of these goods for the community, entities should separately inform the community about “the ownership of the goods, its performance (not measured as revenues, but measured as satisfaction by the users) or its maintenance costs (expressed as expenses and hence included as costs in the profit and loss account of the current period)” (Christiaens et al. 2012, 440).

Wild (2013), after an analysis of the “traditional” metrics, has come to the conclusion that the financial value is not the right approach to express the value of community assets; saying that, she denies the contribution of GAAPs and supports other ways of reporting able to inform about the social and artistic value.

Another part of the literature feels unuseful to present HAs value.

Potter and Rentschler (1996) are of the opinion that non-profit museums and arts organisations can only partially improve entities’ accountability by attributing financial values to artistic elements, as efficiency and effectiveness should be developed in different terms.

Stanton and Stanton (1997) argue that the theory of value is not correctly applied as these goods present in most of the cases deficiencies in measuring the value in use and the value in exchange (see also Marques 2012) and conclude that “an asset register listing all assets is less distorting than a financial statement which includes only some of these assets, especially if the monetary values indicate little about the service potential of those assets recognised and nothing about those that fail accounting’s definition or recognition tests.” (Stanton and Stanton 1997, 1004).

On the other side of the debate, there are authors sharing the view that HAs have to be carried, once determined criteria are satisfied, in financial statements. This corpus shares the accounting standards setters’ perspective that the recognition of HAs contribute to the entities’ accountability, supporting management decisions and enhancing users’ needs.

Rowles (1992) proposes to recognise HAs as this accounting representation supports entities in making their decisions, allocating available resources in a proper way. In addition, this information can help comprehend whether management and, in the case of public sector administrations, governments have operated efficiently.

Micallef and Peirson (1997) argue that the valuation of HAs are important for museums, art galleries and libraries controlled by public sector entities to inform about the allocation of public resources and evaluate administrators’ performance.

Porter (2004) supports the accounting standards setters’ orientation to recognise HAs on the balance sheet, as this pursues the need for a higher entities’ accountability.

Some other authors justify the recognition and measurement of HAs as a consequence of the adoption of the accrual basis of accounting, starting from the

NPM's orientation that this activity helps entities and contribute to the development of a managerial approach. The literature has demonstrated that the interest in the transition from cash bases of accounting to accrual bases of accounting has not expired and that this decision can provide significant benefits to users and policy-makers (Noaman et al. 2013).

Specifically, there are Authors who argue, with specific and differential considerations, that "commercial" GAAPs can be applied without any critical modifications for accounting public goods. This reasoning assumes that the accounting for and, in particular, the measurement of HAs is independent of the entity which owns it. The orientation of accounting practices seems, in fact, to accept the choice of the "sector neutral approach" (Self 1993) and to report the accounting provisions to the object rather than the subject. It is no coincidence that some standard setters (ASB, IPSASB) pointed out that HAs which are used for operating activities (for example, a historic property used as a registered office) or commercially (for example, the paintings in an auction house) are outside the scope of the technical specifications provided for accounting for HAs and, conceptually, while coming under this category are accounted for as "normal" goods used primarily for the production of cash-flow (in the previous cases, the historic property as a property and the paintings as inventory).

The debate concerning the recognition (or non-recognition) of HAs seems to be still open. The clear orientation of the accounting profession to provide an "accounting" value to anything is a consequence related to the growing perception that financial measures and, more specifically, the accrual basis of accounting can solve managerial problems. The European Union proposal to converge to IPSASs, or other European Public Sector Accounting Standards (EPSAS), appears to move towards this direction (EC 2013a, b). Is this correct? The management culture and attitude are obviously crucial and primary; the accounting representation can provide a useful instrument, but it cannot solve on its own efficiency and efficacy problems. The cash basis can be transparent and legitimate entities' activity as well.

Given the above, the neutral sector approach seems to be appropriate (Cheng and Harris 2000), at least in this case.

They have to optimise their resources, as they are managing public resources and goods.

Starting from this consideration, the current questions to which we should give a response are the following:

- i. Do we need HA representation?
- ii. What kind of representation do we need?

As far as the first question, it is sufficient to highlight that the illustration of cultural and artistic heritage is for art organisations too significant to be "hidden". In many circumstances these goods "are" the entity. Let's take the example of the initial donation for cultural foundations: they exist thanks, and in relation to, this donation; it would be unfeasible to think about their disposal and at the same time,

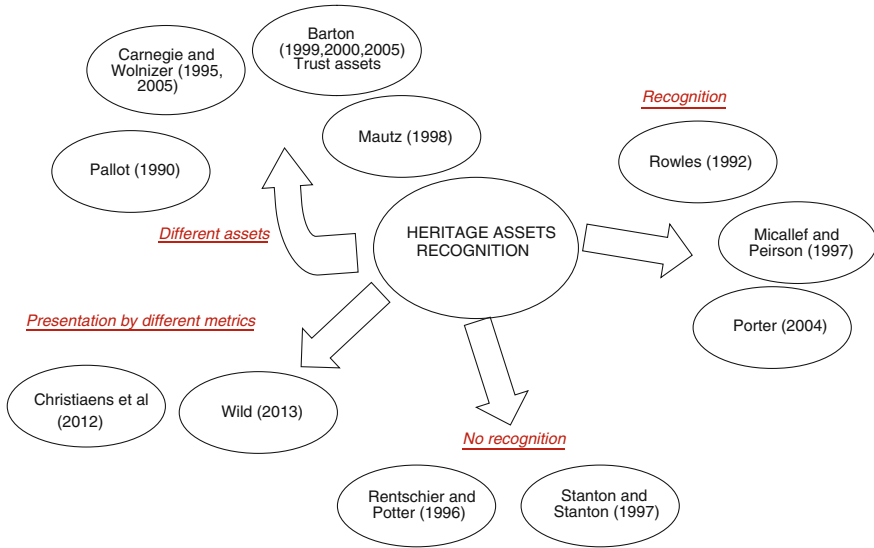


Fig. 3.4 The galaxy of opinions concerning the recognition of heritage assets

it would be inadequate not to provide stakeholders with a presentation of the founding goods. The resources are the essence of the entity. The entity without the HAs cannot exist. Mautz argues that “when a not-for-profit organisation commences a new activity it makes a commitment, a declaration of intent. That declaration or commitment may be so strong that the organisation has no real choice but to meet the commitment as long as the organisation itself exists.” (Mautz 1988, 125). (Fig. 3.4).

Moving from this consideration to the second question, it is to be underlined that Mautz’s intuition, even if thought 25 years ago, seems to be brilliant and current. HAs are specialised assets or better “facilities”, which need an *ad hoc* classification and presentation. The author explains that: “What we need is a new classification, a new concept, if you will, that applies only to certain properties of a not-for-profit organisation. The term “facilities” seems to serve. Facilities are properties essential to the purposes of a not for-profit organisation that are acquired to facilitate the transfer of resources outward. [...] . Like assets, facilities may be highly specialized or designed for a variety of common purposes. That has little to do with their classification as facilities. Like assets, facilities may be sold on the market. But that is not why they were acquired. If the organisation’s intent is to use them for its basic purpose, they are appropriately classified as facilities. If the organisation subsequently decides to offer them for sale, and there is a market for them, at that point they cease to be facilities and become assets.” (Mautz 1988, 125).

The balance sheet does not seem the right place to carry out these “essential” goods, as they are not comprehended as a source of revenue. If we assume that financial statements should provide a faithful representation of the entities’

financial position and performance, these HAs should not be carried out as “usual” assets, if they cannot contribute to the financial management.

Someone could say that, for example, a collection –such as a library, a church, ruins- can be visited by paying for a ticket and that, according to this, it is a cash generating unit. The author could determine its present value, as will be debated more in depth in [Chap. 5](#), but in this case—differently than for-profit-entities—the value in use is a discount of future revenue, and cannot represent a HA valuation in itself. This information is important and can be partially used in budgeting, while its determination in financial reporting can be not useful for financial statements’ users.

However, if it is possible that these goods are sold, they should be carried out as they satisfy the generally accepted definition of asset for which it is probable that these goods will generate economic benefits. A museum purchasing and selling HAs should recognise these assets among the other assets.

However, even in the case that the entity decides not to carry out HAs on the balance sheet, the other accounting issues related to measurement and disclosures features can be significant. An entity holding HAs could, for instance, decide to describe the available financial value of a collection in the disclosures or it could decide to otherwise provide stakeholders with this information off-balance sheet. The measurement Section analyses the alternative hypothesised valuation criteria.

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Chapter 4

Management of Cultural Heritage System in Italy

4.1 The Actors

In order to proceed with the analysis of the cultural heritage system and to understand its aforementioned business problems, it is pertinent to first of all investigate the institutional actors that form it, along a vertical axis:

- the Ministry;
- the system of Soprintendenze;
- the museums.

However, the hierarchical direction implicit to this distinction does not always carry through to reality, causing a number of problems, related both to the duplication of tasks, and to the lack of management of certain duties. It will become clear that not only is there a top down vertical direction, but that the guidelines are multiple (horizontal, diagonal) and stratified on several levels. In fact, as will be discussed later, the institutional actors also interact further down the line, with the APLs and the entities they appoint to the management of the various assets.

Finally, the high fragmentation of ownership of the goods themselves, typical of the Italian scenario, should be taken into consideration as it entails coordination mechanisms between the many actors in the governance system, given the significant interdependencies that exist.

These however refer to a typical feature of the public system that should be interpreted on wider grounds than the logic of an individual company within an institution, and rather towards a value based approach of the public system or of Public Governance.

The Ministry for Cultural Heritage and Environment was established by the Legislative Decree no. 657 on 14 December 1974, with the task of managing all of

Loris Landriani is the author of the Chapters 1, 4 and Paragraphs 3.1-3.4 and 6.2. Matteo Pozzoli is the author of the Chapters 2, 5 and Paragraphs 3.5, 6.3. Paragraph 6.1 and Chapter 7 were jointly contributed by Loris Landriani and Matteo Pozzoli.

Italian cultural and environmental heritage, in order to ensure its systematic protection.

Instead, the organisation of the ministry is outlined in Presidential Decree 805 from 1975, which according to a strongly hierarchical and centralised logic, attributes all the most important measures¹ to the Ministry, while Soprintendenza are left in charge only of the management of assets under their jurisdiction. The idea of this measure was to implement, as already occurs in other countries, a profound reform that would create a single administration capable of systematically managing the protection, conservation and Promotion of cultural heritage. The vastness of the responsibilities of the Ministry led to an internal articulation that, to some extent, retraces the characteristics of the assets to be protected, organized in the current form of General Bureaus. There are currently nine of them, each in turn organized into services. There are also advisory bodies, such as the Higher Council for Cultural and Landscape Heritage, internally composed by the chairmen of the technical and scientific committees that are also organized by sector, as well as eight personalities from the world of culture appointed by the ministry, and three representatives of the staff.

Another innovation introduced by the 1998 decree was the establishment of the post of secretary-general, who reports to the Minister with responsibility for: preservation of the unity of the administrative management; research for the development of broad three-year plans, co-ordination and supervision of the offices of the Ministry on their performance; care of general services. In essence this figure is a link between the Minister and the technical and administrative organs of the ministry, and is given the task of coordinating the activities they carry out for the maintenance of the administrative unit (see Fig. 2.1). The need for a reorganisation of the administrative apparatus, in the direction of greater autonomy, led to the establishment in 1998 by Legislative Decree 368 of the “new” Ministry of Heritage and Cultural Activities to which more jurisdictions were entrusted than in the previous case. For example those relating to show business and sport, as well as recreational activities, were included with the traditional protection and conservation authorities.

The new Ministry of Heritage and Culture, was therefore set up to give an answer to the need felt by many for a reorganisation of the structure and the functions, powers and responsibilities of central and local bodies of the Ministry.

It is therefore characterised, at least in theory, and in the intention of the legislator, by a greater devolution of powers to the peripheral organs, by a strong articulation of the functions in the territory and by the assignment of greater autonomy to the Soprintendenza and museums (Fig. 4.1).

¹ Under current legislation, the Ministry for Cultural and Environmental Heritage provides for the protection and promotion of cultural and environmental, archaeological, historical, artistic, archival heritage and libraries. It safeguards any property of the national cultural heritage which is not the responsibility of other state agencies or that has been attributed to it by subsequent laws. (Article 1 of Presidential Decree 805 of 1975).

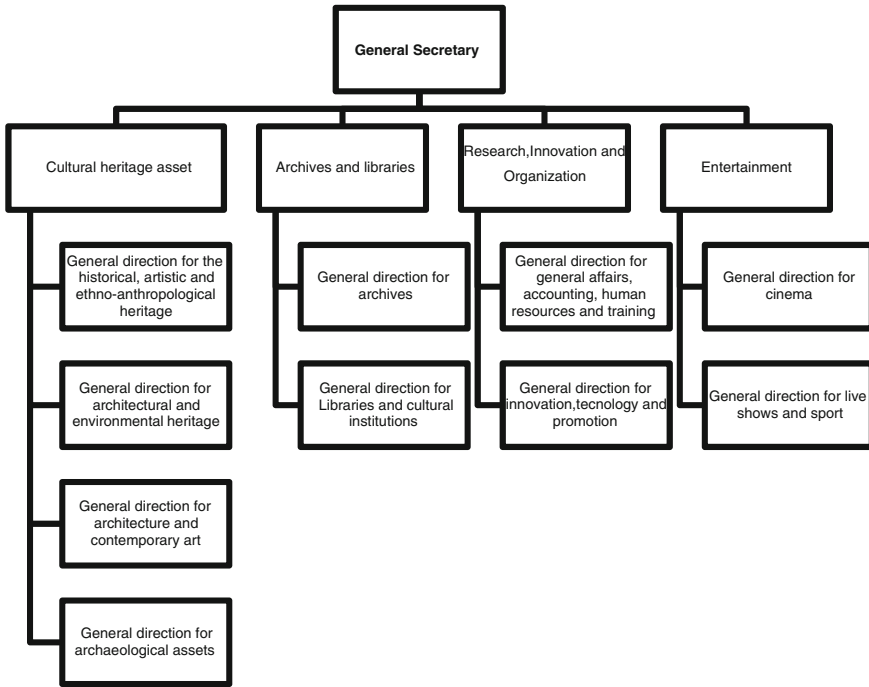


Fig. 4.1 Organisation of the General Bureau. *Source* our adaptation of www.beniculturali.it

Such a division of responsibilities has received constitutional recognition, following the federalist changes to the Constitution. Article 117 in fact, entrusts cultural assets exclusively to state protection, while including the “Promotion of cultural heritage and the organisation and promotion of cultural activities” in a list of concurrent topics. There remains, finally, the residual legislative power of the regions over all that is not protection or Promotion. On the administrative level, however, by virtue of the new art. 118, functions relating to the management belong in the first instance to the municipalities, except if for reasons of subsidiarity, differentiation and adequacy, these should be attributed to a higher level (Sibilio Parri 2004a, b, c, d, p. 21). Partly as a result of the new Municipal Code, there are also regional Bureaus for cultural heritage and landscape as territorial outposts of general management level, of the department for cultural heritage and landscape and these are located in the capital of their respective region.

But a further reform in the internal structures of the Ministry seems to be even more perplexing. In July 2009 a new General Bureau was created, called the General Bureau for the Promotion of Cultural Heritage, which again redrew the organisation of the Ministry, as shown in Fig. 4.2, with the loss, however, of the Bureau for Contemporary Art.

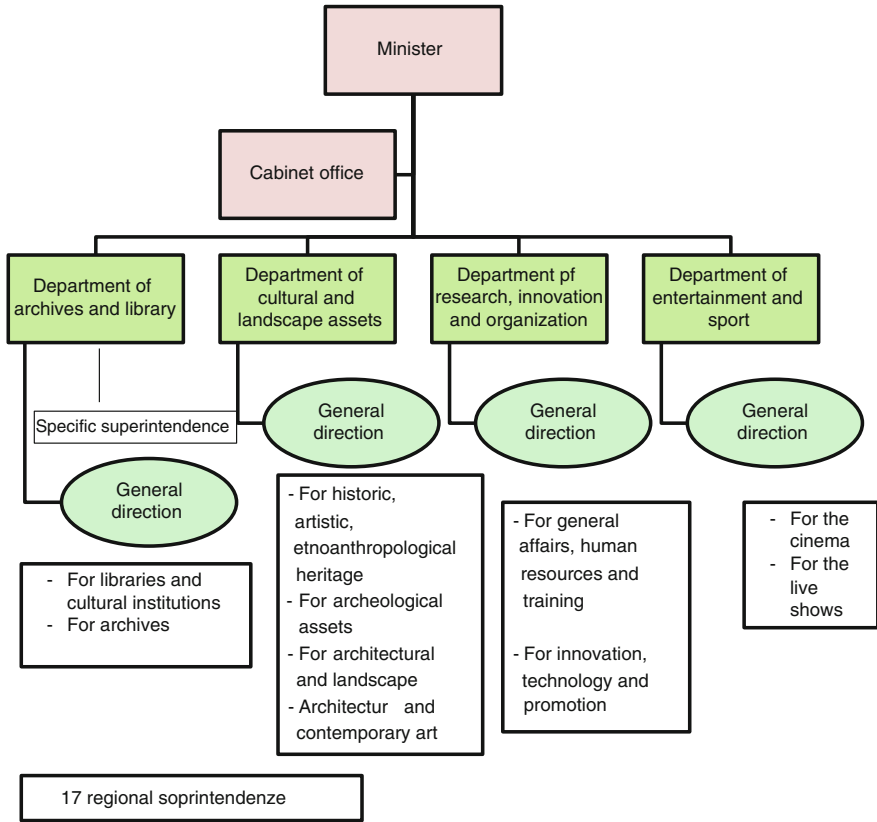


Fig. 4.2 Hold structure of the Ministry of Cultural Heritage

The tasks of this Bureau, which is also divided into two services: Enrichment (ancient, medieval, modern and contemporary) Internationalization, and Promotion Advertising and Marketing, as specified in the Regulation, will address:

- the role of the visitor in improving access to heritage and reception quality;
- communication;
- provision of additional services (bookshop, café, easy tickets, no queues, etc.).
With the goal of improving quality;
- public–private partnerships, intended as tax relief and promotion of patronage;
- motivation and qualification of the museum staff;
- increasing the administrative responsibility of the directors of museums;
- Innovation, research and technology, to increase younger audiences;
- internationalization;
- the intensification of relations between the Ministry and local authorities;
- the creation of foundations to develop territorial connections with the museums.

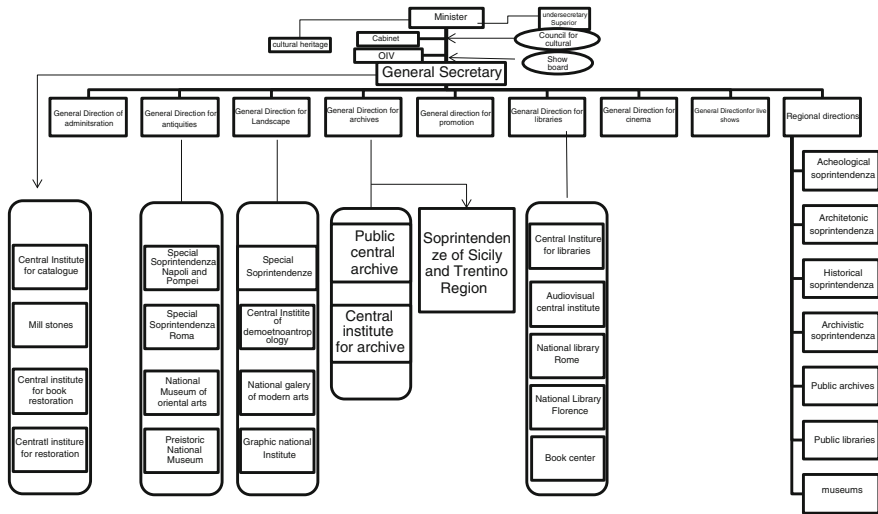


Fig. 4.3 New structure of the Ministry of Cultural Heritage (June 2010)

It is easy to imagine how such a decision, that is also in sharp contrast with the opinion of the High Council (but includes inputs from influential industry members and trade unions), has aroused further controversy, confirming the paradoxical characteristics of this industry that continuously encounters “cures that are worse than the illness”.

In fact, although the Constitution seems to be pushing evermore towards administrative decentralisation, in the field of cultural heritage Promotion functions are in competition with each other, and somehow there is overlap between central offices and local authorities, thereby highlighting one of the unsolved problems of the system, which is whether or not to decentralise.

In other words, while the legal framework is already controversial and various actors, as we shall see later, vie for the heritage without being able to add any real value, and not considering that the ongoing reforms have not had the time or to be implemented nor to produce results, the Ministry is suggesting the institution of a further party that speaks from the top down, coordinating more than 400 facilities (museums, galleries, archaeological sites, historic mansions) of state assets (Fig. 4.3).

More precisely (Article 8, paragraph 1) this figure would work alongside the regional Soprintendenza, in view of skills not attributed to the regional Bureaus and supervisors, relating to the protection and Promotion of the collections.

It is a post for a kind of super-manager required to definitively push for the Promotion of museums, in particular on certain points that the Ministry clarifies, namely:

- the “rent-art” formula, already successfully tested by major European museums, which provides for the lease of major works, and the brand to other countries;

- the payment of taxes through the sale of objects, including contemporary art;
- loaning State owned works.

The main criticisms, once again, mainly regarded three themes: the first is about the possible conflicts of competence between the various actors, and, given their abundance, at least the risk of a slowdown in decision-making in a context that is already widely bureaucratized and scarcely open to innovation.

The second concerns the poorly concealed attempt to favour the promotion of cultural heritage starting with its most prized pieces, shifting the focus away from the so-called minor assets that, not being well known on the market despite being numerically dominant, risk being excluded from the virtuous cycles. Finally according to critics, it is a strategy that “detaches” the cultural heritage from the territories that produced them, similar to the American model, but born in a completely different context, without the “vital link, effective for centuries, between the city and its palaces, churches, and museums, which from the identical fabric of commissions, patronage and collections took their origin and sustenance” (Settis 2002).

In conclusion, at the central or ministerial level a picture of shadows rather than light seems to emerge. According to the author, even in this consideration there should be, in the name of clarity, a distinction between some fundamental issues of both objective and subjective nature.

The first are linked to the number and the variety of skills run by the Ministry that are not always easily reconcilable or manageable, especially in a context of cuts to financial resources. Some aspects of sport and tourism or later on of entertainment and art, seem too distant for a single line of action, which in any case has struggled in planning or strategic capabilities, because of constant changes at the top and connected new legislation. Such dissimilarities might have required ad-hoc tools or new institutional designs, such as, for example, the merging the Ministry of University and Scientific Research (proposed by Ronchey, re-proposed by Settis).

The second, which may have weighed more, relates more generally to the ever decreasing or secondary role assigned by politicians to the Ministry of Culture, not surprisingly often occupied by figures of lower “caliber” (except for rare cases) or engaged in other and more important political offices or Government.

The Soprintendenze for historical, artistic, architectural and environmental heritage depend hierarchically and directly on the Ministry, acting as peripheral bodies, although they are in fact central to the management and protection of cultural heritage.

Acting as interface elements between local interests and state organisation, they are institutions in which the unitary mandate for the protection of the immense wealth of our country is manifested concretely.

Their origin dates back to the late nineteenth century and over the years they have been a real bulwark in defending the territory against speculative interests.

The importance of the Soprintendenze consists in the authority and powers of intervention conferred to them by law and in the fact that, being called to carry out

their activities on a local basis, they ensure the protection not only of individual works, museums, excavations, monuments, but also of the entirety of cultural heritage and landscape in their local area (Chiarante 2004). The Bottai law (n.1089/39) attributes the functions of protection, conservation, restoration and adding value to the cultural and environmental heritage on the national territory to the Superintendent. Each Superintendent is responsible, therefore, for a given territory which may correspond to an entire region, multiple provinces, or cities or even to individual cultural institutions.

Over time this system has however reached elephantine proportions to say the least. In the organisational structure of the Ministry, as is clearly visible from the site, there are in fact:

- 10 institutes, of which 7 central and 3 national that safeguard specific categories of assets, direct employees of the General Bureaus;
- 11 institutions with special autonomy, so not limited to the museum centres which will be discussed later;
- 17 regional Bureaus;
- 73 Soprintendenza;
- Soprintendenze Archivistiche in each region;
- State archives in any joint capital of the province;
- 48 state libraries.

The assets to be protected define the related institute. These are the Archaeological Bureau, the Bureau for Environmental and Architectural Heritage, the Bureau for Artistic, Historical and Demo-ethno-anthropological Bureau, the Archival and some types of mixed Bureau. Museums and galleries rely on each of these for supervision, depending on the kind of objects making up the specific collection.

For some time, the main functions of these bodies have been identified in the protection and study, research, documentation and cataloguing of cultural and environmental heritage, as representatives of the Ministry in the area and therefore as regulators of the context in which the other actors in the system operate, especially the museums (Moretti 1999, p. 135).

More recently, the role and the functional and organisational articulation have been subject to redefinition, widening or narrowing some fields of application, and by some subsequent regulatory action.²

Even after these measures, the protective function³ of the artistic and cultural heritage continues to be the main activity carried out by the Superintendent, in fact, it constitutes an even greater part of their budget, both because of the

² See the “Schema di decreto legislativo in materia di riordino dell’organizzazione amministrativa statale nel settore dei beni e delle attività culturali” (Art. 11 Law 15 March 1997 n. 59).

³ The activity consists in the analysis of heritage to be protected, which is realized in the cataloguing, in its study and in the inspection of the territory in order to verify the existence, the state of preservation and custody of the assets subject to the law, or in promoting the action necessary to the preservation of the same and to invigilate their implementation.

increasing number of assets considered to be heritage to protect and because of the decrease in resources devoted to it.

To the end of ensuring a uniform intervention, anyone who holds an asset subject to protection by the law and wishes to take any action aimed at its Promotion, must obtain approval for the project from the Superintendent, based on specialist and territorial competence. In addition, the Superintendent is responsible for formulating the request for resources necessary for the planned intervention activities and then to manage the funds allocated by the Ministry.

The Italian experience of the Superintendent if, on the one hand, very important, to the extent that it has been imitated by countries with a different administrative tradition, has however also been very problematic in light of the State-Regions contrast.

We have witnessed quite a few contrasts: on the one hand the advocates of the need to keep a unified State protection scheme, on the other proponents of decentralisation, with the introduction of the single Soprintendenza, which would thus include all technical skills, in order to facilitate State-Regions relations.

More generally, it is evident that in the process of decentralisation, the functionality of the Soprintendenza is increasingly reduced. Combining this consideration with the aforementioned problems related to the interruption of public competitions, the high average age of employees, their poor mobility and professional qualifications, the many cases of compulsory administration or interim management.

In this case too there seems to be an apparent dichotomy between the need to protect assets that requires significant financial resources and the desire to streamline the cumbersome, slow and bureaucratic State machine.⁴ However, though these arguments appear to be attractive, history has taught us that behind the noble intentions they often hide attempts of huge public goods sell-offs or the simple reduction of expenditure erroneously considered unproductive.

The new Code for Cultural Heritage appears to have further reduced the role of the Superintendent and not just because of the later eliminated law of tacit consent. Another change in this direction is the limitation of the power of the restriction or veto on landscape competence, submitted first to the Regional Director and reversible with simple administrative appeal, to a mere advisory opinion.

In fact what has affected the decision-making power of the Soprintendenza is above all the new organisation of the Ministry. Considering that until a few years ago, the organisation chart of the Ministry was rather simple: four General Bureaus depended on the Minister and from this the network of regional Soprintendenza. Between the Supervisors and the Minister there was, therefore, only one intermediate level consisting of the Director General, and this contributed in conferring unquestioned authority and prestige to the Soprintendenza.

⁴ Think back to the issue of silent consent with regards to the DIA, a Declaration of Initiation of Activity that the Superintendent had to authorize or not (Article 27, Law 269/03).

Now however, following a complete reorganisation that has once again revolutionized the industry, a regional superintendent has to relate to a first level consisting of 17 regional directors, whose powers have been greatly strengthened, centralising many of the prerogatives of local Soprintendenza, such as contracts. At a second level, he must relate to a more or less equal number of central General Directors, and finally on a decisive third level that is one of the four department heads.

This structure of departments, therefore, while seeming to introduce greater clarity in relations with the periphery on the one hand, on the other, it complicates and bureaucratizes internal governance making it ever more top-down, hierarchical, and further distancing territorial Soprintendenza from the decision-making process (Chiarante 2004).

So while the number of local Soprintendenza is decreasing in the last two reforms, the top positions at the Ministry increased from 4 to 9 (Melandri reform) up to 15 (Urbani reform), not counting the 17 regional supervisors (now managers). If we add to this that the Regional Directors may also come from an administrative career rather than a scientific one, that the number of technical officials is steadily decreasing due to the interruption of competitions, that year by year public funding is continuing to decrease, it is easy to understand what the fate that awaits the bureau will be.

The accentuation of other functions may therefore be envisaged, especially those related to research, giving the bureaus responsibility and re-motivating officials using management techniques or by taking on qualified new staff.

In conclusion, it seems to us that the question related to the models is secondary to granting autonomy and defining a new role for the Soprintendenza. Items such as legal identity and autonomy of scientific, administrative, financial and accounting matters related to management responsibilities, may give new life to the work of such an important institution that preserves the memory of the formation and development of our country.

As seen in the decree establishing the new Ministry (Legislative Decree No. 112/1998), one of the most important innovations but also the most controversial was the establishment of Regional Soprintendenza.

In fact, in Sicily during the early '80s, bureaus for cultural and environmental heritage, inclusive of all specialties, had already been established. These were divided into districts, but "mixed" in the composition of skills. The operation also separated historic museums such as those of Palermo and Siracusa from the local context, making them regional museums. This resulted in a high discontent among industry operators, because it was reminiscent of the malfunction of the "mixed" Soprintendenza in force at the time on a national level.

Despite this, a project which involved the transformation of all Italian Soprintendenza was implemented, drawing them into a single regional structure, on the Sicilian model. Their management was entrusted to a single officer, the Regional Superintendent, even though the decision as to the precise mandate of a role proved quite critical, given the traditional conflicts, not just of scientific, but also of financial nature, among the various types of assets involved.

The position of regional director for cultural and landscape heritage is conferred upon notification of the president of the region, after consulting the head of the department for cultural heritage and landscape. The Regional Director coordinates and directs the activities of the offices, performing the functions that Article 16 of Legislative Decree 30 March 2001, n. 165, attributes to the general managers of executive offices, including the formulation of proposals and the expression of opinions to the Minister on matters within its competence. Care of the implementation of plans, programs and general directives laid down by the Minister and attribution to managers of duties and responsibilities for specific projects and management. Defining the objectives that managers must pursue and giving them the necessary human, financial and material resources. The regional directors may also be simultaneously holders of autonomous Soprintendenza within the same region.

In the 17 regions under the control of the Ministry, in fact, dozens of Soprintendenza operate and the relationships between these entities are not always easy. In fact, each superintendent has specific expertise on specific categories of assets, which however, often have to coexist with other categories, in turn protected by other institutions. In each of these situations, rather sector specific methods, tools, scientific knowledge coexist and these are very distant from each other, without a clear hierarchical orientation.

In an attempt to overcome this fragmentation, the legislator decided to nominate a sort of “super-superintendent” at the regional level over the various peripheral units, which would act as a coordinator of the Soprintendenza, as a go between with the Regions and would play a role of assessment and synthesis for the enforcement of the main protective actions. It is a solution which at least has the advantage of being economical since it avoids a complete reorganisation of the bureaus, and the Ministry can now interface with only 17 units, instead of more than 70 (Bobbio 1999a, b).

The main tasks of the regional superintendent are:

- set priorities for expenditure, development of three-year plans;
- monitor the implementation of the Minister’s directives and of planned interventions;
- analyse the needs of the work of the Soprintendenze and organize the human resources accordingly.

The regional superintendent is charged with a unifying function with regards to proposals for the protection of the historical and artistic heritage and landscape (Moretti 1999).

The reorganisation aims to boost the effectiveness of the activities of the decentralised bodies of the Ministry and co-ordinating them with other administrations in the area, but hereby reducing, implicitly downplaying the role of local specialist Soprintendenza. In fact, it seems to repeat the decision to introduce yet another institutional interlocutor in an arena already crowded with actors. In effect, one should at least wonder whether in the name of coordination, that is certainly useful, the solution should be to insert another specific figure. Or whether, instead, this solution increases the difficulties already known not only in the dialogue

between Soprintendenza, but especially between them and the many other stakeholders, i.e. the Regions, the further decentralised Local Authorities, and finally the companies they created to increase value.

In this regard, the establishment of the Regional Superintendent is likely to be limiting, if it is accompanied by a significant shift of resources (funds, expertise, personnel) from the bureau to the Regions (Bobbio 1999a, b).

The birth of the Regional Soprintendenza has therefore provided a message that seems contradictory. While, in fact, it can facilitate and simplify relations between Region and Bureaus, as well as between Bureaus, on the other hand, can weigh down even more centralist presence on the territory, thus affecting the push for decentralisation.

It has been repeated on many occasions that the whole system seems to suffer from the desire not to resolve this issue, which is the link between a difficult future that seeks to establish itself on a historic and prestigious past. In this sense, beginning with the establishment of regional Soprintendenza, the possibility of granting autonomy to operational realities in the territories is starting to be felt even in Italy. From this attempt, as well as by the initial results of the management experiment carried out in Pompei, it can be said that Special Soprintendenza were born in Museum centres.

At the moment Soprintendenza perform three main functions (Bobbio 1999b):

- exercise the powers of protection and conservation;
- use the funds they have for Promotion measures of state assets or any third party;
- manage numerous museums, monuments and archaeological sites.

The first function is performed on an exclusive basis. The second is shared with the regions and local authorities. The third is residual since the management of state-owned museums has been transferred according to the principle of subsidiarity, municipalities and regions.

However, the expansion of autonomy in particular, allows Soprintendenza of particular importance, to create operational conditions essential for management, the involvement of private entities, and for a more effective acquisition of resources (Moretti 1999).

Finally, it should not be underestimated that, historically, the autonomy of Soprintendenza has been invoked to guarantee the separation of the professional body of Supervisors from the pressures of local interests.

Although only a minority of cultural assets are kept in museums in Italy, they represent the typical organisation through which the fruition of cultural heritage takes place.

The ICOM (International Council of Museums) declaration dates back to 2004, in which it produced the following definition: “Museums are permanent non-profit organisations at the service of society and its development. They are open to the public and conduct research concerning the tangible and intangible evidence of people and their environment. They acquire conserve, communicate and, more importantly, exhibit them, for the benefit of study, education and enjoyment.

Although not the specific object of our analysis and not even the only definition available, at the same time we understand how the proposed definition is so broad as to make necessary the identification of some classification criteria of the varied universe included therein (Moretti 1999, pp. 156–182).

It is therefore downstream of the cultural heritage system, in direct contact with the public. This characteristic of course requires managerial measures, organisational and strategic aspects which over the years have formed a leading role in business studies.

In fact, though dating basically to the last twenty years, there are now scientific contributions in this regard (Bagdadli 1997, 2001; Chirieleison 2002; Sibilio Parri 2004a, b, c, d, 2007).

The identification of business like characteristics or rather the degree museums are businesses, beyond the aforementioned criticisms of ideological slant, are widespread in the scientific community, and not only in business circles.

Over time, the use by law (under Article on museum standards. 150, paragraph 6, of Legislative Decree no. 112/1998), of instruments such as the budget and the balance has also helped to spread a corporate culture in such institutions. And these have benefited in terms of efficiency, effectiveness, quality, innovation and customer focus.

Of course, there are still some structural limitations that seem to affect museums, in view of their front-line role, rather than the rest of the cultural heritage system.

The studies have therefore dealt with the problems in organisation, management and strategy, as well as accounting and control.

Even more recent insights have been on financial trends and innovation.

The issue of autonomy is, however, once again, the real key variable for the formulation of business hypotheses in the area of cultural heritage.

In this regard, a number of legislative measures have contributed, not always harmoniously, to the granting of areas of freedom and the related empowerment.

A first result was the Ronchey's law (4/93), whose innovative features can be summarized by the introduction, for national museums managers, of remotely controlling works using audio-visual technology; the temporary transfer of staff from overstaffed Ministry institutions to understaffed ones; the admission of voluntary organisations to support prolonged museum opening hours; the decentralisation of some activities from the central to the peripheral organs resulting in procedural simplification; placing greater autonomy and discretionary powers on supervisors; the possibility for national museums to offer users additional services for better usability.

The limits to the autonomy of museums have already been mentioned: the absence of pricing leverage; the substantial lack of revenue for their own programming; the inflexibility of the human factor.

The museum is therefore the institution in which both protection and development take place, as if to represent the evolutionary path (Chirieleison 2002) that seems to have changed their mission over the centuries, which in any case was never completely defined for these institutions.

At the same time new scenarios and challenges for museums have emerged, starting with some critical reflections that speak of the function of “musealisation” with a negative connotation.

In this sense, to simplify the issue, the horizons appear twofold: on the one hand excessive protection which effectively removes some assets from fruition, breaking the nexus between territory and cultural heritage that has characterised Italy in the world.

On the other, there is the exporting of museum brands, on the model of the network, as if they were high fashion brands.⁵

Furthermore, it should not be underestimated that an exclusive tourist orientation is in fact likely to diminish the value of cultural heritage.

It might therefore be useful to consider and possibly revise the approach to development, which aims to ensure fruition, but as a means to increase culture and creativity or the aesthetic sense of identity and not merely for the tourist ritual.⁶

The conflict between an elitist view and a more commercial art seems to recur, which has its harshest confrontation in the role of the museum.

In fact there seems to be a middle ground between the need for financial resources and compliance with the institutional aims of museums, as is already the case in many situations.⁷ This could pass as innovation of places and services, not just on technological grounds, for the diversification of coherent activities, for maximizing openness and bottom up diffusion, which almost stimulates the idea of a large scale property, worthy of protection as an individual asset.

The analysis of the different forms of management in the sector of cultural heritage will be developed later. Here, instead, the intention is to focus on the number and variety of institutional actors who gravitate around the industry with the most diverse tasks.

Having briefly described the main operators, however, some entities that manage important “slices” of the scarce resource base attributed to the system as a whole should not be overlooked.

As is known, in fact, the use of special purpose companies established by the aforementioned actors with special tasks relating to one or more elements of the cultural sector is quite widespread in Italy.

The reason is simple: both the form of enterprise and the productive specialisation permits the fulfilment of specific functions in a more efficient and effective way than the rigid bureaucracy of the ministerial hierarchy allows. That is how, over the years, a number of companies were formed to improve the management of cultural heritage, established both at the central level, and by individual local authorities which, though operating in a decentralised manner, reported the same problems related to lack of flexibility. At a basic level at least, every Region has done this, so have many

⁵ The reference is to the contract signed in 2008 by the Louvre for the renting out of the brand and some of his works to the government of Abu Dhabi to the tune of EUR 700 ml, or the “reproduction” of the Guggenheim museum in the world.

⁶ Settis repeatedly discusses this (*La Repubblica*, 30/6/06).

⁷ See, among others, the experience of the MoMa in New York (*La Repubblica*, 03/17/06), the IBM projects (*La Repubblica*, 03/10/05) and the theories of Spranzi (2001).

municipalities, and because of this the incredible density of operators present on the market can be easily understood, despite their almost inverse proportion to the overall resources and the impoverishment of the asset base. The vast majority of these companies is run entirely on public capital, while a few have private capital involved, reduced, in practice, to mere operational arms of the public sphere, with the advantage of being apparently excluded from operational constraints. The different legal forms implemented will be discussed in more detail later, though the limits of such choices, even in the presence of successful cases can well be imagined. For its part, the Ministry set up the first joint stock company, Sibec Ltd. (1997), with the task of raising capital through debt, in order to support the restoration and Promotion of cultural heritage, though it never in fact became operational due to the transfer of certain powers to the regions.

Subsequently, in 1998, it formed Ales (Art Work and services ltd.) to provide services in parks, museums, archaeological sites, historic buildings in the Lazio and Campania regions, using socially useful workers.

This company, most recently entered the business of additional services, in open conflict with the Ronchey's law by which private companies were granted, by public competition, the chance to manage bars, bookshops, cafes, refreshment, merchandising, etc.

Finally, Arcus (Company for the development of art ltd.) formed in 2004 in consultation with the Ministries of Economy and Infrastructure, and which has a Managing Board of 7 members for 10 employees (of which 4 on secondment and 6 temporary), has recently been the centre of controversy over the concession of certain loans.

The company has the advantage of being immediately operational in support of major investments for the restoration of certain works, though the choices made in view of the high budget available, have in fact determined it being placed under "compulsory administration" by the Superior Council.

Although not directly established by the Ministry for Cultural Heritage, the Heritage ltd. should not be forgotten, which should manage, develop and dispose of the assets of the State. Its birth, in 2002, caused many conflicts due to the weight of artistic heritage that was donated to local authorities, in some cases, also as a result of the most recent decrees on federal state property.

4.2 The Governance

The concept of governance is wide and diversified in the business literature, so as to require an in-depth, although not exhaustive, analysis of the features considered essential for the rest of the argument.⁸

⁸ For an interesting overview of the different meanings implied by the concept of governance in the international debate, with specific reference to the public sector, please refer to Longo (2005).

An early and successful interpretation regards the relationship with the concept of “institutional framework” (Airoldi 1995, p. 23). According to this approach, the elements of a governance system are:

- the parties, that is, individuals and groups of people—directly or indirectly—involved in the enterprise;
- the contributions that these actors bring to it;
- the rewards that people gain—directly or indirectly—in relation to their participation in the enterprise;
- the institutional instruments, i.e. the structures and mechanisms that keep individuals, contributions and rewards linked in dynamic equilibrium.

Despite being focused on the business world, from which they inevitably arose, these studies, suitably adapted, can also contribute to a detailed analysis of the world of public companies and therefore of cultural heritage.

In this sense, the above items should be defined (Ruffini and Valotti 1994, p. 48): individuals are to be interpreted as classes (and therefore the different composition) of stakeholders determined to be significant.

At the same time, significance derives from the specific interests of each class of individuals based on their contributions and the rewards they expect. On the other hand, instruments regard the operating conditions, characterised by relationships which, through laws, qualify the implementation of the different stakeholder prerogatives, mutual relations, as well as inter-company relations, which are particularly pertinent in this case, because of the insertion of a single business unit in a system or public sector companies.⁹

Other contributions analyse one or more components of the outlined framework, focusing on specific elements such as the identification of the various categories of individuals or relevant interests, or the regulatory apparatus, and finally the two-tier corporate governance system. In fact, the notion that governance can be observed on several levels should not be overlooked, both with regard to private companies and to public companies. Both can characterise their action as individual (as in the case of corporate governance), as a group (group governance) or as a system (system governance). In fact this last possibility seems most peculiar, at least in terms of real influence on the actions of the public or private company of cultural heritage.¹⁰

In this case, the basic idea is that the system of local authority governance, and hence the publicly funded companies, expresses the specific composition model of multiple interests, some significant others even contradictory, that have become consolidated within a historical context. In this context, because of its peculiarities the work of any individual company is not of itself relevant to the creation of

⁹ Even Airoldi (1995) described the structure of government in relation to the different capitalist systems.

¹⁰ Fici (2004) in fact refers to the internal governance, external and inter-institutional. Pozzoli (2005, p. 34) instead speaks of “extension” of governance.

value, which instead lies in the interaction between the public as well as private companies and the citizens.

In particular, in the world of cultural heritage, the concept of governance is precisely the set of actors in it, as well as the relations between them based on their mutual expectations and, finally, the operating rules of these relationships. To this end, in the preceding pages, the main elements of its governance model have been described, albeit in summary, and so now we will try to give a conclusive overview. The aim of deciding to proceed in this direction is to suppose, in some way, a positive relationship between institutional arrangements as they develop, and the implementation of performance management on the part of the companies engaged at various levels.

To avoid being generic, the performance evaluation will be detailed with reference to a specific actor, the special Soprintendenza. In general, it can be asserted that the term performance is not only intended in economic-financial terms, typical of the business world, but is also meant as the connection to the context in which it is evaluated, that is, in relation to the institutional mission and conduct of the entity analysed.

Firstly, in a country as rich in cultural heritage as ours, the widespread ownership of the assets themselves is not surprising, and thus the plurality of actors involved in their protection, management, and promotion.

In fact, the Italian artistic heritage is allocated as follows:

- 13.4 % to the State;
- 2.1 % to the Regions;
- 1.9 % to the Provinces;
- 42.1 % to the Municipalities;
- 13 % to the Ecclesiastical entities;
- 6 % to the Universities;
- 17.2 % to private entities
- 4.3 % to other public bodies.

Within this scenario, characterised by the number of entities present and the lack of defined coordination mechanisms, both in an institutional and relational sense, the government of cultural heritage institutions today appears very fragmented. First of all, as we have seen, the law has taken steps to separate the protection work from Promotion initiatives, assigning the first to the State and its peripheral organs (the Superintendent) and the latter to the local authorities. The question is not so simple however, as it is not just a question of coordinating between two actors. It must also be considered that both local authorities and Bureaus have in turn independently provided for their own organisation.

It should be noted, in fact, that the Soprintendenza have been arranged both horizontally by functional specialisation, and vertically by territorial specialisation. The first case includes bureaus for archival, library, environmental, cultural and landscape heritage, etc., each of which has the task of protecting a specific asset type.

In the second case, the Ministry has instituted regional Soprintendenza with the task of coordinating all the specialist bureaus that operate on a given territory.

Therefore, they should relate hierarchically to the regional level, in spite of the recent Ministerial reform that established head offices within itself that follow the same specialisations as the individual regional bureaus.

There are also special Bureaus, which have general and territorial jurisdiction, but only on some specific assets assigned to them. These institutions, which will be discussed in the next chapter, are headed by the newly established General Promotion Bureau and not by the Regional Bureau, and not even by the Ministerial Sector Directorate, even though, like the other specific Bureaus, it operates on a specific territory. Basically following an ascending vertical line, in the Ministry for Cultural Heritage there are the archival, library, environmental, cultural, landscape heritage, etc. bureaus, on which the various specialised Soprintendenza depend. Further down there are Soprintendenza that depend on the Regions, corresponding to the same table specialisations: archival, library, environmental, cultural, and landscape heritage etc.

However, in addition to the Ministry's companies, set up to finance the cultural heritage already protected by the Superintendent, there are also autonomous institutes that depend on specific general directors as well as the Museum Centre.

Despite being described here in a simplified manner, the framework (Fig. 4.4) appears confused and intricate. Tasks are vague and duplicated and the immediate consequence is operational paralysis, typical of public bureaucracies, as well as conflicts of competence.

For example, an archaeological asset falls under the protection of the local Superintendent, which is headed, in turn, by the Regional Superintendent. However, there is a General Bureau of Antiquities, or with specialized skills on certain categories of assets, which the Region may not have, even though it may formally be on the same hierarchical level. At the same time, local administrations may have outsourced the management of assets to private, mixed or special purpose companies, either through competitive bidding, or by direct grant.

On this topic, it should be specified that the law, in a recent interpretation, assigns no economic importance to cultural services, in essence, allowing the avoidance of public procedures for granting service contracts pushing, in fact, for in-house solutions.

It seems pointless at this stage, to further reiterate the opportunity of considering cultural services in their economic importance. Rather it should be pointed out that this choice has implicitly further limited their autonomy, forcing them into restrictive forms of management while still raising the problem of control (sharing the objectives and purposes of the public entity) and financing (paid for by the same entity).

Therefore, though these problems impact on the safeguarding front, the same issues play on the Promotion process, in which other actors, such as foundations, special companies, associations, cooperatives, etc., work on the same assets controlled by Regions, Municipalities, banks, businesses, other private entities or other owners of the assets in question, including pre-eminently, for example, the Church.

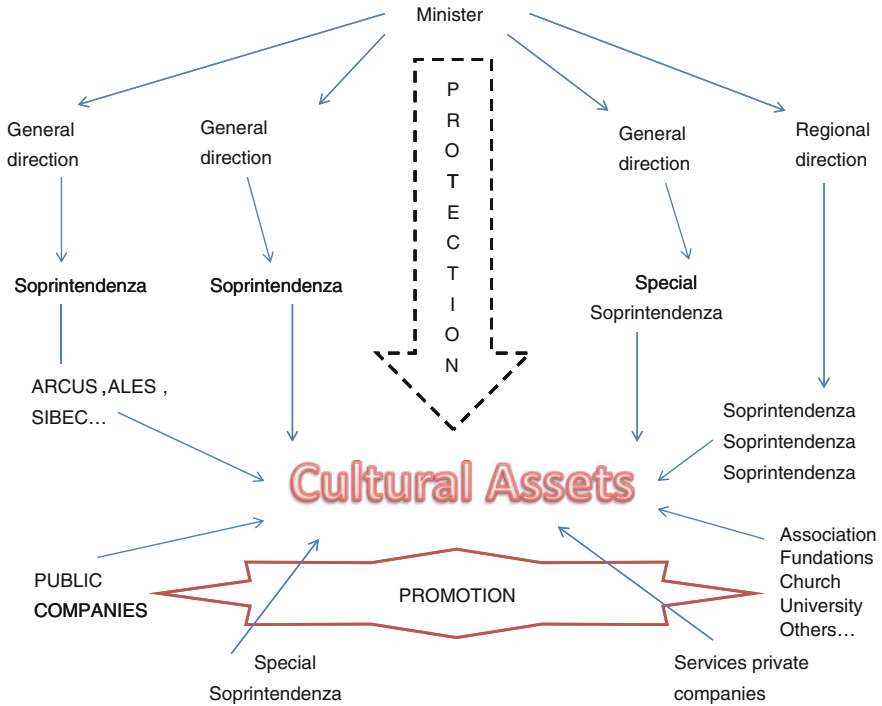


Fig. 4.4 The Governance of the cultural heritage sector (simplified)

Finally, we should not forget the companies that manage the additional museum services, i.e. those that deal with the visitor experience in the museums (bookshops, cafes, ticket offices, etc.) but which are, increasingly active and often decisive in adding value.

In this regard, forms of oligopoly have developed in this sector, partly encouraged by low profit margins, causing it to be run by a handful of companies that specialize in each service based on economies of scale. However, by means of art 8 of the new DL on Lyrical Foundations (approved by the CDM on 16/4/2010, repealing the 222/2007 Law), the new Promotion Bureau has introduced the possibility of assigning individual services within the museums by competitive bidding, and no longer through one integrated contract.

The already precarious situation of these companies is therefore threatened, though the willingness to open the market to more competition is denied by the involvement of Ales ltd. (an operating company of the Ministry) with the business in question, seemingly representing a pre-Ronchey step backwards.

Then there are Special Bureaus that are jointly engaged in protection and promotion at a local level, under the guidance of the General Promotion Bureau.

It has already been said of this institution, but the important peculiarity is that for the first time it is a direct link to the Ministry, which doesn't deal with

protection, and thus, in theory at least, it should be equipped with different mandates then has traditionally been the case, but also with a similar “language” to that of other General Bureaus.

The set of actors (public and private) in the system, as well as relationships between them (some bureaucratic others network based) and their expectations (summarized for convenience in the protection and promotion areas), in a nutshell the sector’s governance model, is characterised by ineffectiveness and inefficiency according to the above approach.

Regarding the first point, according to the theories of business efficiency, the most effective property system is the one that ensures the lowest costs, generated by its operation both on the market and its governance mechanisms. In essence, the most suitable owners for a company are those for which the cost of market imperfections are the most severe, or damage them the most, therefore encouraging them to reduce them constantly (Hansmann 1988).

According to this vision, consumers would be the most fitting owners of common assets, since they enjoy the quality of life possible thanks to public goods and having, through widespread ownership, a powerful incentive to monitor the management of production and supply. For this reason, the Public company or cooperative, are the most rational forms of allocation of property and the least imperfect for the management of cultural heritage.

In addition, there would be multiplier effects, such as greater access to financial and equity markets which would also benefit companies, the rise of a “popular capitalism” that would also involve the spread of business culture, etc.

A reflection on ownership structure, designed in line with this approach, is therefore at least on the same level as analyses of the mechanisms that the law currently identifies for improving promotion activities.

In essence, the progressive overlapping or gradual replacement of the public economic entity (as currently configured) in favour of a widening of the controlling capital, could reduce the filters and inefficiencies, and ensure accountability, viability and social orientation, in the common collective interest.¹¹

According to control mechanisms, there seems to descend a model that appears to push for managerial control, having left behind the bureaucratic vision, but this time intended as social (Farneti 1995, p. 209) and/or relational management.

In other words, it is a participatory bottom up¹² control model, starting from a clear definition, communication and sharing of policy priorities in the planning

¹¹ Elefanti (2004, p. 32) states: “in the face of real and effective liberalization processes, the role of the property of companies that manage the services does not represent the fundamental way of protecting and safeguarding local interests (consistency and timeliness in the development investments on infrastructure) and customers/users of these services (containing prices and therefore of tariff dynamics). Sector and specialist authorities should be involved and preside to protect them”.

¹² On the “potential” demand for orientation of the political and management sphere in the public sector, see Ferrara (1994).

stage,¹³ passing through appropriate checks, to be followed up with rewards or sanctions. It should be an ongoing monitoring effort, preferably with intermediate or neutral bodies, especially in cases where it is difficult to measure output¹⁴ with certainty.

The issue of governance in our opinion, however, does not require new analysis from the legal viewpoint, which the majority of approaches seem to engage with.

It is also useful to start with the company, i.e. to focus on real cases in which the conditions of economic equilibrium can be found, starting with those institutes which stand out at least for the characteristics of autonomy, systematicity and economic viability.

In this regard, a form of management that appeared to be particularly interesting, though positioned somewhere between the organisation of the Ministry and the local government, is the Museum Centre Bureau, established by law in 2001.

It is believed to be an interesting experiment, though started several years ago, because, by granting maximum autonomy (organisational, scientific, management and financial) by law and because of the need to coordinate different museums that are particularly important to the local cultural heritage, it theoretically contains the characteristics of a company.

Furthermore they stand at an intermediate level between the organisation of the Ministry and that of local government, thus reconciling the need of protection emanating from above, and local requests for promotion. In fact, they recompose the managerial unity of cultural heritage, overseeing the balance between the various activities and functions, according to an ideal unitary business model.

Beginning with a necessarily brief enumeration of different management models in the sector, the analysis will try to define the innovative institution of the Special Bureaus, directed towards a higher level that has the institutional task of coordination. In so doing it will take the place of traditional institution, till recently object of sector business studies, that is the museum.

¹³ On the limits of this approach, see Borgonovi (2000, pp. 39–40), Mariniello (2000, p. 532).

¹⁴ On this Padovani (2004, p. 305), develops a governance model for the “Government in progress” of the outsourcing processes, based on other conceptually similar variables: output monitoring; connection with P & C; communication/cooperation. In a later work, based on the Australian context (where there are different forms of government relations between local government and company management services, based on both on regulation, and on the market or on networks), he also highlights the role: of risk assessment, as resulting from citizen sensitivity, of the supplier market and the possible cost switching; of the system of indicators (performance measurement) divided between process indicators (carried out by the company), results indicators (carried out by the shareholders) and social (outcome); relationship structure, based on the time and the stability of links present in the market; evaluation.

4.3 Management System

As discussed earlier, the management problems of cultural organisations, not only in relation to the institutional component, but rather to the conservation aspects of predominantly local interest, are at least normatively intertwined with the wider issues that affect local public services. In some ways, the issues appear very similar, and this allows us to extend the extensive literature available on the subject of public utility and outsourcing (Dezi et al. 2005; Garlatti 2005; Mele 2003; Pozzoli and Mulazzani 2005) to cultural heritage companies.

For example, in the sectors of water, electricity, gas, telephone, etc., the infrastructure network belongs to the state, which has the task of protecting it and modernizing it, through strong investments in maintenance and development. However the management, production and distribution are carried out by other entities, including private ones that by competitive bidding, temporarily win the option of using the network to provide a service to customers, upon payment of a fee, which in turn will be used to finance the infrastructure investment.

Given that it seems quite inappropriate to address the issue of local public services by equating the various sectors, and though management peculiarities may exist, it can basically be stated that the picture described is representative of current dynamics.

In the field of cultural heritage, as we have seen, the state is again responsible for the protection of the infrastructure, or the assets themselves and other parties are charged with adding value, i.e. increasing the enjoyment for the public.

While the general picture of the fund is similar, some regulations have definitely separated the tracks of cultural and local public services, classifying the first as being without economic significance.

The immediate consequence, remaining in the regulatory field, have impacted on the management and assignment of services, their outsourcing (or not) initiated by the various local authorities.

In fact, it is well known that for services of economic importance a near totality of limited companies were created, which used tenders or in-house custody agreements.

In cultural heritage there is no obligation to proceed by tender and the contracts have been entrusted, mainly to non-corporate forms, such as special companies, institutions, consortia, foundations, etc.

It can be stated, with the exception of a few successful cases, that there has been no real outsourcing, because of a persisting kind of direct management typical of LGs, although, like in the previous case (assignments by tender), there is no real competition, competitive market or any real autonomy from the public or political sphere.

Apart from the failed objectives and the varying regulatory profiles, the tangible differentiation brought about in cultural heritage company management seems to have limited a number of features or opportunities, deemed urgent for the sector, at least in terms of promotion, but also to some extent in conservation, including:

- autonomy, understood as a pre-condition of economic viability, in its various categories of decision-making, financial, organisational and strategic autonomy;
- accountability, or the transparency and control that allow the combination of autonomy and responsibility in management;
- partnership with the private sector which, in an already complex picture, could hardly contribute managerial skills or financial resources.

Nevertheless, it should be noted that the sector has reacted in a dynamic way, creating a plurality of solutions. In fact, from the recent standpoint of reviving cultural heritage through promotion aimed at civil, economic development and employment, numerous networks were formed, both formal and informal, mainly supported by the local government (provincial and municipal).

In parallel, informal networks were also created by other parties, typically non-profit organisations. They established networks based on public-private partnerships, thus making the cultural sector one of the privileged fields of cooperation between public administration and business, like the health and social welfare sectors.

In fact, the central configuration of the public system of cultural heritage, namely the Ministry and the Bureaus, does not of itself have the financial and management capabilities to implement effective policies that allow the re-launch of heritage, and similarly the additional forces provided by LGs have in fact proved quite limited.

In this respect, together with the social role played by cultural assets, the contribution of another set of variously classified operators should not be underestimated, as their energies or rather synergy, have turned out to be very useful for the purpose.

The regions, local authorities, businesses, foundations, voluntary associations, and finally the users of cultural heritage thus become the new partners in the culture value chain, resulting in a new method of assessment that might be defined as mainly local, connected to a series of changes in management that are consistent with the current devolution process. Local governments are now engaged not only in local coordination but also in the politics of intra-regional asset transfer, according to the guiding principle of subsidiarity. In his dual vertical and horizontal¹⁵ role, they therefore become the second pillar of the administration of cultural assets (Lanzinger et al. 2004).

However this route is not easy to follow, for both objective and subjective reasons.

From the first point of view, the number of actors causes overlap and role conflicts, from the second each institution has its own goals and skills, with obvious limitations. In fact, although the configuration of the organisational

¹⁵ Vertically, it is the relationship between the center and local authorities, the latter considered to be more effective in terms of decision-making. Horizontally, however, it is the relationship with the private sector. This includes the tourist sector, in which important partners in terms of new sources, investment and management models can be found.

network lends itself well to the development of industry-specific interdependencies, these are mainly the peripheral level.

In fact the Ministry together with the Bureaus represent a formal network, so until now there has been little interest in promoting the development of other networks, mainly due to the lack of tools for inter-institutional cooperation, which is dominated by very “bureaucratic” models and not aimed at encouraging relational decentralisation. The development of networks will, however, characterise the cultural sector of our country.¹⁶ Many regions have placed the creation and diffusion of public or public–private partnership networks among their priorities for action in the cultural sector (Bagdadli and Meneguzzo 2002).

The types of networks that can be developed in this area are numerous and appear to be the product of three major factors (Bagdadli and Meneguzzo 2002):

- the intensity of collaboration, which can generate formal networks where it is more intense, with actors that refer to a single overarching organisation. Or informal networks, the most common in our country, characterised by cooperation and collaboration between the participating organisations that are free to enter and leave the network at any time;
- the openness of the network, or rather the creation or participation to networks promoted by the public sector, with their pre-established managerial strategy, or participation to networks based on public–private, for-profit or non-profit organisations;
- its management, according to the traditional division that takes into account the operational level of the actors: horizontal, i.e. networks of cultural organisations and administrations that are uniform in terms of services offered and positioning; vertical, and therefore integrated with the production or supply processes.

From these variables it is possible to develop a series of models that combine different shades of one or another aspect. There are therefore:

- inter-institutional networks, arising for example from planning agreements, or understandings between the public authorities operating in the cultural sector;
- cooperative networks, open to partnerships with other cultural organisations;
- proprietary networks, structured as real holding companies, public or even mixed capital that centralise certain functions (strategy and finance) and are shareholders of individual companies of the network;
- informal networks, in which collaboration and cooperation do not require contracts or institutional arrangements between the participating administrations, but are decided each time, and are often created for individual projects;
- informal networks based on resources, including professional networks, involving cultural operators or networks based on ICT (Rullani et al. 2000).

¹⁶ See Vaccà (1986), Di Bernardo (1989), Lorenzoni (1992), Grandori (1995), Mancini (1999), Antonelli (2000).

The choice between the different types of networks cannot be separated from an assessment of the objectives and benefits that each can provide.

Among these there are economies of scale, the coordinated policies of promotion and communication that facilitate the fruition of the service and increase the visibility of cultural actors in the system, fund raising, both among private and public institutions through lobbying policies.

It seems therefore that in the promotion of cultural assets, the operational unity that characterises individual companies has to confront and integrate, through collaboration mechanisms, with a plurality of companies, resulting in a network (Bergamin Barbato 1998) and this consideration is consistent with the establishment of special and regional Bureaus. In this sense, the process of adding value requires at least an intimate bond between the parties involved, the Soprintendenza and the Regions, the first being in charge of protection, while the latter of promotion. This bond might be found in terms of the control of the value created, so that the performance of Regions is functional to that developed by those in charge of protection and restoration, and is therefore measurable only when placed in relation to them. And vice versa for performance of the Bureau, resulting in a de facto link between autonomy and responsibility, understood as the evaluation and monitoring of the performance generated (Anselmi 1995a; Zan 1999a).

This complexity increases in an exponential way because of the increase in players at both the institutional and the local level, and therefore refers to the strategic guidelines of governance. These are defined here as the necessary transition from an institutional relational perspective, linked to relationships and responsibilities established by law among parties charged with the management of cultural heritage, to a relational perspective of a collaboration between companies organized in a network, set up by the above actors, as a system of local management of cultural heritage. This management model (the “Network”) may at least be an attempt to redress the conditions of those “minor” assets, given the peculiarities of the way cultural heritage is managed in Italy, with the overcrowded cities and some museums on the one hand, and the abandonment in which many destinations are left, completely unknown to the general public and therefore generating high costs. In this sense, the search over time for economic equilibrium in companies that manage cultural heritage goes beyond cost cutting, according to the peculiarities of public companies, which have to deal with the shortage of state transfers, setting “political” prices (tariffs) and the rigidity of costs (primarily labour). Cultural activity creates value not only through the ability of revenues to cover the costs, however structurally insufficient, but through the utility generated for the community consensus and social legitimacy. Viability must be sought as the comparison between the resources used and the proper purpose of these companies, i.e. the ability to meet human needs related to the use of cultural heritage.¹⁷

¹⁷ See Amaduzzi (1965), Zappa and Marcantonio (1954), Amodeo (1970), Onida (1971), Giannessi (1979), Ferrero (1987), Anselmi (1995), Borgonovi (2001), Chirieleison (2002).

This balance is far from easy to determine not only because it derives from constant comparison between different units of measure (the costs have quantitative matrix of monetary investments, the returns on the other hand have mostly qualitative nature and are measured by social consensus obtained by the circulation of the assets, etc.), but mainly because it is a function of cooperative relationships established between different actors that are becoming more numerous.

The prevalence of one of these stakeholders on the others *de facto* determines a different organisational managerial legal model and because of this a different model of economic equilibrium. The creation of value, understood in this context as the ability to achieve economic equilibrium over time, fits in a circuit that determines value not only through market pricing, but also as a function of the correlation between the internal (governance of institutional) and external stakeholders (the actors of the “network”). In this sense, the control of value, which might be the logical link with the extent of the business like attributes, though appearing closely connected to autonomy, systematicity and viability, also assumes a relational perspective,¹⁸ setting the goal of guiding the distribution and exchange of the value created, in view of the balance of public and private interests, which converge in the common character of companies that manage cultural heritage.¹⁹

The risks of both legal and managerial action, that does not take into account the necessary balance (institutional and relational) that determines the value perspective and the business structure, as we have tried to summarize, unfolds as follows:

- the controlling tools and the ability of these to make information relevant to decision-making. From this side, it should be noted that the business-economics doctrine recognises the trade-off between increasing size, competitive complexity and adequacy of information reporting (Bruni 1999);
- the ability to learn, control, predict and address the demand for cultural goods;
- the degree of diversification and availability of the necessary skills;
- the organisation and coordination mechanisms between functions or divisions.

The choice of the “network” seems preferable because it is capable of integrating the previous limitations, removing them.²⁰ The relational perspective has the potential to systematize all the actors through the processes of development of the company that manages cultural assets.

¹⁸ Relational control is understood here as “a fourth level of control that integrates and works in parallel with the other well known. (...) Relational control is a mechanism that ideally lies on the edge of the company. (...) It is designed as an activity of government aimed at monitoring the current and future relational and cooperative set up. (...) The relational control involves a broadening of the spatial dimension, thus managing to capture the nature of external growth that the phenomenon of networks implies”, cf. Mancini (1999, p. 170).

¹⁹ See Amaduzzi (1949), Cavalieri (2010).

²⁰ See Bagdadli (2001), Chirieleison (2002), Golinelli (2008).

These processes, determined by the intersection matrix of the development direction undertaken and the resources on which it is based, correlate the institutional dimension, which is predominantly vertical and based on internal resources (skills) with strong ties (or asset base), with the relational dimension, which instead predominantly horizontal and based on shared resources and weak bonds.²¹ In this sense, for example, while private companies may reap significant benefits from positions related indirectly to the value chain in cultural heritage (focusing, both downstream and upstream, on economic flows arising from tourist demand), public companies may instead focus on the protection of these assets, while preserving the institutional aims and gaining effective control over the management and promotion processes.

In particular, the aforementioned risk/skills scenario is positively amplified from the standpoint of the value generated and distributed.

In that case there would simultaneously be the diversification of risk, by minimizing it for each node of the network, and the common use of a large number of intangible (knowledge) and material (financial) resources in order to cope with environmental complexity.²²

The knowledge of demand and relational control would increase the extent of the value process, on the one hand through the ability of the actors, already present in the area of destination of the “products”, to direct the demand for cultural goods, and on the other through the establishment of coordination-based cooperative models for the distribution of greater value thus created (see Table 4.1).

In this case, the actors already in the network, even and especially through the use of advanced information technology tools at various levels, may share resources (Ferraris Franceschi 1996) and information to help reduce the risk of variability in demand for cultural goods, determining a more efficient and effective control and stimulating the development of an intangible reticular heritage (Antonelli 2000).

Therefore, resource sharing and value generation based on conditions of reciprocity and equality, could generate an advantage from the outlook of relational control, reducing opportunism and greatly simplifying the control system (Mancini 1999, p. 155). Such a system, in companies that manage cultural heritage, however, is not only influenced by the complexity of establishing objective cause/effect links able to evaluate performance, but above all it is devoid, even today, of the traditional tools that prevail in enterprises. To this end it might be more profitable, from the value viewpoint, which amplifies the amplitude of the measurement process, making one-dimensional instruments devoid of significance, to implement multivariate models, such as the balanced scorecard. In addition, the network may also recover some of the typical advantages of large size, such as economies of scale, in view of a

²¹ See Alvino (2003). In the text the author, albeit in another context, identifies a third diagonal direction, which also seems to fit the cultural sector, insofar as it refers to services laterally integrated with the core business, such as those related to finance or technology.

²² These resources can be defined as “border”. See Garzella (2000).

Table 4.1 The variables of the generation of value

Organisations Variables	Institutional framework	Network framework
Necessary skills	Numerous	Widespread
Rate of risk	High	Diversified
Control of demand	Low	High
Control system	Centralised	Relational
Value	Potentially low	Potentially high

Comparison between relational and institutional perspective

Source our own elaboration

breakdown of costs on a larger user base (costs of common training for staff, policy co-marketing, acquisition of financial resources, etc.).

The management of the public network then passes from a deterministic authoritarian view (government), to the identification of a network based strategic approach (Cristofoli and Zerbinì 2002) or negotiation approach²³ that is also consistent with recent doctrine of public governance. We must therefore ask what the lines of action of this strategy will be, because at this stage the governance mechanisms of the system are outlined (contributions/rewards), as mentioned above.

In the literature we find a variety of approaches, based on the variables considered, as well as multiple operating options.

Osborne and Gaebler (1992) speak of bureaucratic strategy (particularly suitable, according to the authors, to new needs the public sector should be directed at), of competition strategies (use of market instruments, able to reduce costs, increase quality, etc.) and governance strategy (mobilization of public and private resources), based on the possible mix of public–private tools to be used, and the degree of involvement of internal-external resources. Joyce (2007, p. 110), for example, considers budget constraints and the characteristics of demand, identifying four possible approaches:

- defensive strategies, based on the search for political consensus through a “low profile” designed to avoid budget cuts, to deal with external threats;
- evolutionary strategies, based on the search for political consensus through changes in the structure and capacity, to improve efficiency and dynamism;
- political strategies, characterised by changes in civil society, followed by changes of services and the allocation of new resources to deal with new situations;
- transformational strategies, or radical changes in response to external pressures.

²³ How Beretta (2004, p. 28) recalls with reference to Freeman (1984): “the ideal tension towards a balanced satisfaction of the interests of the various stakeholders, which should help to define what is called the strategic orientation of the company, clashes however, with the heterogeneity and potential conflicts of interests of different groups of stakeholders”. So it seems that no remains no other way except the negotiation of individual interests.

Among the institutional formulas that define the action of the LG (Rebora 1990, p. 111) we find five models²⁴:

- entrepreneurial;
- redistributive;
- civil libertarian;
- contract based;
- volunteer based.

Again, among the strategic planning systems, based on the number of actors involved and the nature of the system (integrated or pluralistic), Bryson (1995, p. 40) identifies a stratified model. This includes the presence of a top down structure and a bottom up strategic formulation, a management model of strategic problems, where “pluralist” programming solves various problems of different structures, without necessarily integrating the various strategies deployed. There is also a contract model and a purpose model, both applicable to networks or buyer–supplier partnerships, in which the actors individually or jointly plan their own choices.

Garlatti (2005, p. 48), depending on market confidence, as well as on corporate or traditional approach, outlined four evolutionary models that can characterise the role of local government as: main operator, contractor, deputy and guarantor. Each of these has different degrees of autonomy, is characterised by different forms of management, is used for different situations and for various public service functions.

The same author later proposes (2005 and 2009, p. 62) a wide and articulated model for the evaluation of the different forms of management adoptable.

The variables examined are: efficiency, reversibility of choices, the attraction of financial resources, and the attraction of skills.

According to these, assessing the political governmental, as well as contractual relationships, it is possible to identify three general models: an interventionist model, a partnership model, and a market model (Fig. 4.5). The CVF Talbot (1999) model is also well known. In it the problem of control is arranged in a matrix, with two-dimensional variables: internal or external, stable or flexible.

Four possible behaviours follow²⁵: create, collaborate, compete and check, depending on the management culture of the entity, the degree of openness, the internal goals and the role of human resources.

This concise analysis has substantially identified two variables that can describe the governance models of relations between APL and cultural heritage companies: autonomy and control.

²⁴ Garlatti (2009, p. 56) links the strategies of the Rebora et al. model with organisational and legal forms that characterize the management of public services. According to this view, the redistributive formula characterizes institutions, special companies, associations and foundations. The business formula would best fit joint stock or special companies, the volunteer based formula foundations and associations, and the contractual formula joint stock and special companies.

²⁵ Ruffini (2010), for example, uses this instrument in an organisational perspective to assess the performance of public companies.

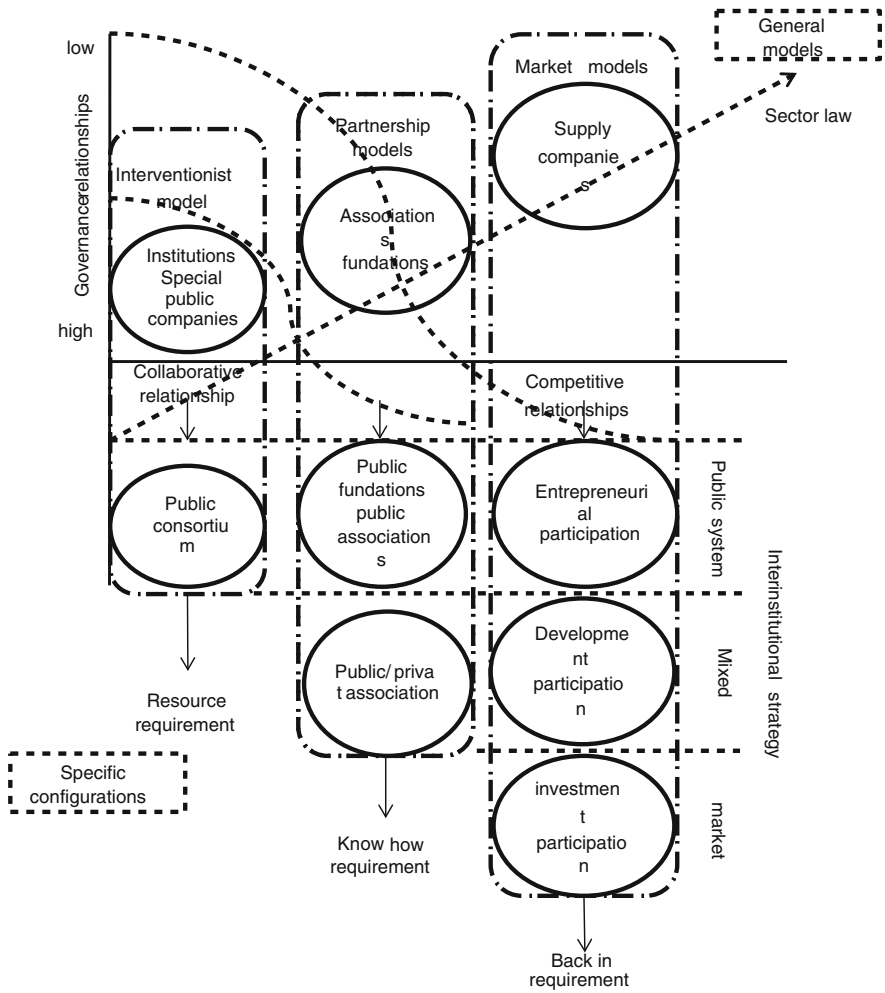


Fig. 4.5 General organisation plan. Source Garlatti (2009, p. 56)

A different composition between them is at the same time, the result of the company’s strategy and of how value is created.

4.4 Organisational Forms

The identification of management models for cultural heritage, as any attempt to define relationships between variables, has limits of significance and completeness (Alvino et al. 1999).

The goal therefore is not to identify ideal models or to determine which of the solutions that are found in practice seem preferable, but to imagine how different management methods based on the grading of some already identified variables, may contribute to the creation of greater value from the viewpoint of the various stakeholders and economic equilibrium.

The experimental management solutions and also some paradigmatic cases, which we mentioned in the previous paragraph, appear difficult to export and replicate as they are, because of some highly contextualized and consolidated variables, that are related to the formation over the years of that particular artistic heritage and the reference social system (political, economic and cultural).

This substantially impacts on the value judgment, on the options chosen for the business management of cultural heritage, which can not be separated from the situation in which these models are developed and so refer to the information from the study of individual cases, the chance of identifying solutions for economic equilibrium, for the company and its stakeholders.

As we have tried to outline above the variables used in the proposed model (Fig. 4.6) regard the closely interconnected extent of the value, analysed in terms of skills, risk and control.

In this example, skills refer to often diverse but complementary resources owned by the companies operating in the cultural heritage field: they must be understood here, in addition to the traditional managerial aspects, as the ability to predict and direct the demand of such assets.²⁶

Risk, however, can be seen as multi-dimensional²⁷: as economic risk, tied to the company's competitive profile, as control risk, linked instead to the relevance of the information or finally as operational risk, linked to the tools used and the costs of running the system. In this sense, therefore, risk appears directly connected to control, here understood in a relational perspective, which explains the association of these two variables.

The model shows, in the forms of direct (or institutional) management, how the traditional management mode has in fact been made more complex than the problems of cultural heritage.

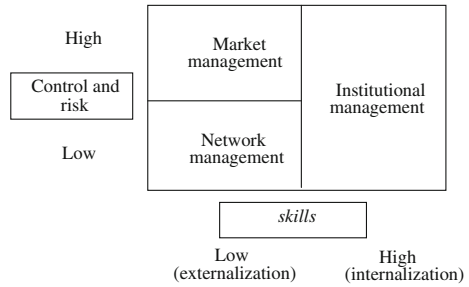
This profile manifests a high rate of risk, as it is based on the governance of completely internalized but highly rigid (inflexible), set of specialised skills (complexity management), which triggers the need for an integrated control system (which is therefore large with all connected limits), in order to avoid the loss of information relevance.

In this case, however, the risk may be reduced by the degree of internal control, being essentially a company that is undivided, potentially devoid of opportunism, functional autonomy, etc.

²⁶ This line of thought, known in the literature as a resource based view, refers to the work of Penrose (1959). According to this approach the company, while developing a competitive advantage, should build on its current and potential resources. See Ferrara (1995), Bruni et al. (1993), Galeotti (2001).

²⁷ See Bertini (1969), Bruni (2003).

Fig. 4.6 The models of cultural heritage management. *Source* our elaboration



At the same time the control system, in the various areas in which it is divided, may be less complex because it is all internalized, from which the intermediate position between risk/control.

The model of delegated management amplifies the risk and control profiles and evidently develops in case of skill scarcity.²⁸

Cultural goods in fact have a social function to fulfil, referring to the satisfaction of human needs related to the use of the assets and benefits in terms of cultural, social, political and economic consequences.

This includes the need to control the use and purpose of the goods in cases of third party of custody, with all the additional costs that arise (transaction costs, coordination, etc.) and the attached risks.

In fact a company that were to renounce acquisition or endogenous formation of certain skills, externalizing them, would increase its risk profile both where these skills prove strategic,²⁹ and when a distortion of the purpose of the assets might arise.³⁰

This model seems therefore more feasible in cases where it is entrusted to an entity with similar priorities to the owner, who shares, for example, the non-profit nature of its activities.³¹

The co-management model, or rather, the co-management framework (as the boundaries appear very vague), in which it is possible to include the analysed models of cultural services outsourcing, seems able to find acceptable organisation solutions, but does not eliminate the complex issue of coordinating between public

²⁸ It should be noted that management powers over one or more functions/services concerning the cultural asset in question, or of the asset in its entirety, could be assigned by tender, in accordance with the law.

²⁹ With reference to the “hollow corporation” see Mancini (1999, p. 156).

³⁰ An example is the case of ecclesiastical property which must reconcile the religious and the secular, without distorting the original purpose of spirituality. See Alvino et al. 1999.

³¹ The same conclusions, while referring to a different operating environment, nurseries, which also is among the services without economic significance, D’Amore (2009) reached the same conclusions.

and private actors,³² as far as can be referenced in empirical data. This model reduces economic risks borne by the actors and is based on sharing expertise (“the resources of the border”) and controlling relationships. In effect the network organisation analysed above in its various forms can be found in the co-management model. While such a solution is now increasingly necessary, the variables that determine it (risk, skills, control, etc.) are increasing in complexity due to the increase in the number of actors involved.³³

If we add this to legislative uncertainties especially in the determination of coordination procedures, the framework of turbulence that currently affects the cultural heritage sector is apparent.

There are however some positive elements that would seem to push in the direction of systemic networks:

- some empirical evidence;
- the need to gather and share the ever more complex but necessary skills for the management of cultural heritage in a network;
- the ownership regime, which imposes some form of coordination based on a territorial basis.

In addition, the involvement of businesses and other stakeholders with evidently different aims could actually happen through weak and flexible ties, or at least in the form of the foundation, which seems to have a lot of success in practice. The organisational forms used for the integrated management of cultural heritage are numerous, and the law leaves wide autonomy in the outsourcing choice of local authorities (Grossi 1998). The classic models³⁴ are (Garlatti 2005):

- the establishment, considered by many the specific form for cultural services and in general for all services without economic significance, enjoys operational autonomy but has no legal standing or staff management;
- mixed ventures, limited or joint stock companies that are either majority or minority owned by the public sector, falling under the area of private law that carries the advantage of autonomy from the standpoint highlighted earlier.³⁵ The classic example is the Val di Cornia Ltd³⁶;

³² See Costa (1998). The author for example proposes, in cases of co-management with ecclesiastical institutions, to limit the engagement of the clergy in the functions of direct management of services, but keeping that of quality control.

³³ For an analysis of the variables that determine the birth of a network and to the risks and limitations of this organisational solution, see, among others Grandori (1995, p. 511).

³⁴ See Grossi and Meneguzzo (2002), Migale (2004).

³⁵ Bilancia (2005) highlights the following limits and opportunities for joint ventures, respectively: the difficulty of reconciling differing interests, difficulty in encouraging private partnerships, applicability of corporate income tax, resistance to the corporate model for the management of cultural heritage; slenderness and efficiency, synergies and control.

³⁶ Some measures of economic and financial *performance* are included in the IV° Rapporto Federculture (2007, 203).

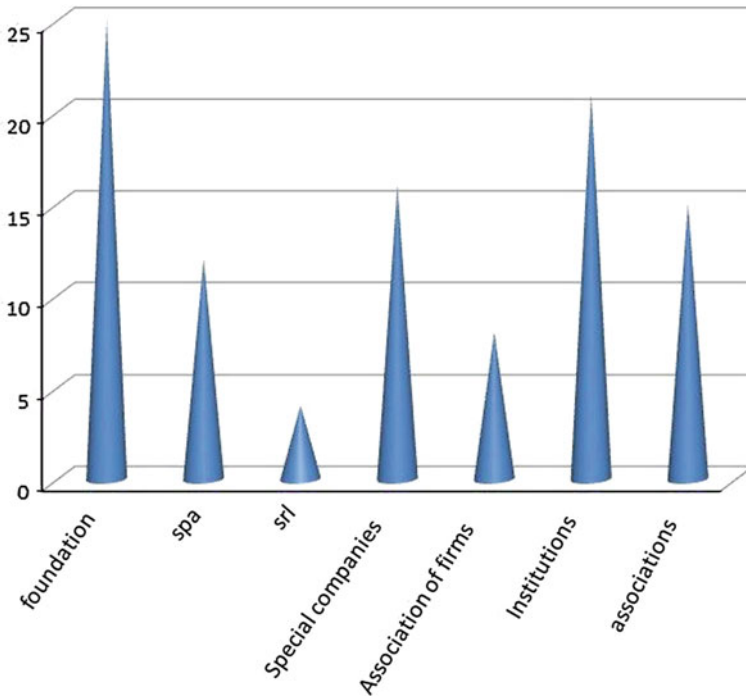


Fig. 4.7 The organisational forms used for the management of cultural services (%). *Source* our elaboration from the V Federculture Report (2008, p. 206)

- the special company, recently developed, is exclusively public to preserve the benefits of autonomy, flexibility and accountability;
- consortia, which promote the aggregation;
- the foundation, which is the prevailing organisation in the sector (Fig. 4.7), recently established in the institutional context (in the Egyptian Museum of Turin) and widespread internationally in the opera, for example, but also in museums, to the extent of becoming a “fashion” (Zan and Paciello 2003, p. 2). It has the advantage of the possible confluence of private capital, often banks, aimed exclusively at a non-profit mission, in a system of governance that seems to move away from that state, ensuring at the same time, the unavailability of assets³⁷;
- the association, a very widespread institution in the industry, which allows, within the private sphere, maximum operational flexibility and openness to the outside. Traditionally non-profit, it also enjoys tax advantages.

³⁷ Bassani (2008, p. 149), shows the following limits and opportunities for foundations, respectively: legal rigidity of the structure, lack of profits distribution, the prevalence of public constraints; ductility and flexibility of private law, openness to external contributions, managerial involvement of the private.

So beyond the provisions of the law (Legislative Decree no. 156/2006), which identified only two forms for the management of cultural heritage, both direct and indirect (Bassani et al. 2008, p. 134), the reality is more complex, both in the actual methods of implementation, and in the search for an underlying strategic plan. These variables have played out here, leading to the consideration that another option was possible, the network or rather the collaboration between actors.

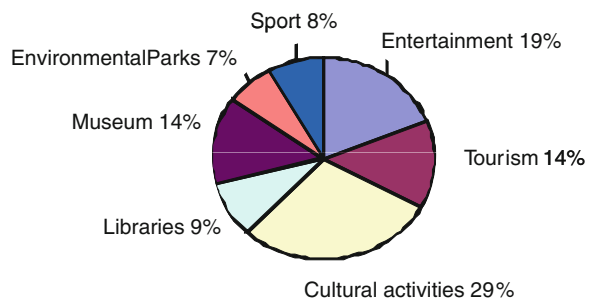
So we have (Piperata 2002):

- the “network”, which implies the involvement of management and financial resources from the private sector, aimed to integrate with the plan and control of the public sector. In this sense, the use of the instruments of private law could favour autonomy on the one hand and responsibility on the other;
- outsourcing, or the expectations of the management to a third party, with the advantage of improving the performance and reducing the investment and the risk of not being able to control all of the actions and objectives of the contractor;
- direct intervention, management or economic, which presupposes maximum control over the skills and resources and minimal autonomy.

The sectors most affected by the phenomenon of outsourcing are those related to cultural activities and shows. It is a rule with regard to cultural activities that general services, oriented to the organisation and management of events, exhibitions and other initiatives are outsourced (Fig. 4.8). In the context of joint management, the privileged sectors are those of tourism, which represents 36 % public–private management and entertainment, with 28 %. Therefore private individuals, when involved in the management of leisure services, choose to participate in activities that prove most profitable, potentially, or based on historical data. In cases in which it is impossible to distribute profit (profit subjective) there is a guarantee of high returns in terms of image.

More generally, research confirms that mixed management reaches a self-financing share of 32 %, significantly higher not only than self-management in a general sense, but also higher than those run exclusively on public capital: the inclusion of private individuals should therefore be understood as achieving

Fig. 4.8 Autonomous Management: Areas of activity. *Source* our elaboration from Federculture (2007)



greater efficiency. This data is confirmed by the steadily growing trend in the number of visitors, particularly in cases of mixed management.

In conclusion, the increase in autonomous management (from 46 in 96 to 400 in 2007, source: Federculture 2007, p. 206) is strongly supported in the data reported: it is easier to resort to external sources of financing and operate autonomously in order to achieve management efficiency.

The separation makes it possible for the local authority to operate with those degrees of flexibility unknown under in house management, while ensuring public control over the management of services. Employment increases, due to the establishment of new bodies that following the activation of new services, also increase the user base, thanks to a new way of thinking about citizens, by directing the production of the service to criteria quality and extension. Responsibility towards results also allows monitoring achievements in terms of efficiency, effectiveness and economy, and finally the organisation by objectives involves the structure, motivates employees and encourages the achievement of results. As a source of these considerations, an empirical study conducted by Rapporto CODRES (2005), shows that in the management of the supply of cultural services organisational forms that provide for direct public management are clearly prevalent.

In fact, as can be seen in the Table 4.2, about 80 % of the entities analysed manage cultural services in house or through assignment to institutions, showing, once again (Table 4.3) a disinclination of the public sector for private sector involvement and the tendency to centralise the management of its assets, especially in more localised contexts.

This occurs even if the inclusion of private organisations would allow the recovery of wide margins of efficiency, as well as the inflow of financial resources and more advanced technical skills. Therefore it can be inferred that the alleged dangers of “privatization” in cultural heritage are merely the result of a superficial

Table 4.2 Management modes for cultural services by geographical area

Management mode of cultural services by geographical distribution of municipalities (val. %)					
	North West	North East	Centre	South and Islands	Total
Direct assignment to institutions	55.3	56.6	14.3	33.3	39.7
Direct assignment to special companies		1.4	1.8	5.8	3.0
Direct award to public capital companies	1.4	5.8			1.5
Direct assignment to private companies	1.4	2.9	1.8	1.4	1.8
Reliance to mixed capital companies (public/private)	9.5	2.8		2.9	4.5
In house management	24.2	24.6	69.6	38.5	37.6
Consortium management with other local authorities	1.4	2.9	3.6	3.6	3.0
Cooperatives	6.8		1.8	5.1	3.9
Not known/non existent			7.1	9.4	5.0

Source Survey Rapporto CODRES (2005)

Table 4.3 Methods for managing cultural services ordered by municipality size

	10–30	30–50	50–100	100–250	Over 250	Total
Direct entrustment to institutions	40.0	32.7	45.1	36.3	66.7	39.7
Direct entrustment to special companies	3.3	3.6	2.4			3.0
Direct entrustment to publicly companies	1.4	1.8	2.4			1.5
Entrustment to private companies	1.9		4.8			1.8
Entrustment to mixed capital	3.8	1.8		27.3		4.5
In house	37.3	47.4	28.6	36.4	33.3	37.6
Management in consortium with other local authorities	3.8	3.6				3.0
Cooperatives	3.3	7.3	4.8			3.9

Source Codres-CSSU survey 2005

reading of the innovations taking place, which often involve a risk of underestimating the complexity of the situation.

More than anything else, in the case of collective goods of variously configured high value, the improvement of their conditions of protection and accessibility should draw the joint action of public and private entities (Causi 1998).

4.5 Issues

Although the business mindset has by now entered at least the debate concerning cultural heritage and its management, it can be assumed that the difficulties mentioned, the full and equal affirmation of these disciplines in this field on a par with other scientific contributions, is also determined by some basic misunderstandings related to the implementation of the aforementioned reforms that seemed to have encouraged managerial models. First of all it should not be forgotten that the sector of cultural heritage belongs to the broader category of local public services that for the past 20 years have been going through a troubled path of forward surges and persistent U turns. Our country, in fact, has not only delayed the themes of PA innovation compared to other European countries, for example, but a contingent logic, rather than an underlying strategic view has prevailed. The structural delays accumulated, the continuous wearing each other out with pseudo-ideological attitudes that hide nothing but crony interests, the lack of direct participation in the most important choices, have determined, together with other phenomena not mentioned here for reasons of space, a phase of perpetual transition, an ongoing standoff between avant-garde forces in favour of a market that does not exist, or rearguard pressure anchored to the State that can't take it anymore.

In addition, any change passes and is passed only through regulatory measures, that is, according to a coercive vision which has marked and oriented, restricting it,

the process of privatization in our country³⁸ in a decisive manner. Therefore the serious situation of cultural heritage should be read, it is believed, in this context, but without underestimating some specific issues or sectors.

Among them, the main that we wish to point out here are:

- the excessive fragmentation of the actors;
- unresolved conflicts of jurisdiction;
- the management of human resources;
- the relationship with the private sector;
- the scarcity of resources;
- the lack of real autonomy;
- the exclusive focus on tourism.

Moreover, there are important connections and overlaps between the problems set, which make the sector very complex. It should also be considered that it is still a basic and incomplete list functional only to the purposes of the argument that is being developed here, and without wanting to offer any order of priority among them, considering that many are structural and others are derived from the policies implemented in recent years. One of the basic problems is definitely the high number of actors involved in the management, and in the ownership of Cultural Property.

Of course it is a historical legacy, linked to the widespread formation of the artistic heritage in our country which, while under the tutelage of a single actor, the state, directly involved all the other local authorities (municipalities as the owners and regions charged with adding value).

There are plenty of private individuals or other groups (universities, for example) that are, as we shall see later, owners or managers of large parts of the same heritage. Like the special legal figures established by local authorities and the State itself to achieve the protection and Promotion of the goods in question.

In Italy, in fact, there are more than 70 ordinary Soprintendenza, plus dozens of other independent or special institutions that oversee, by discipline and territory, the individual components of our diverse heritage, to which must be added to the numerous private companies (including publicly-owned companies) established by the Ministry and local authorities, with Promotion functions. Clearly, such a large number of actors make the whole system very slow in decision-making, as well as determining exponential conflicts of jurisdiction. In fact, one of the critical factors is precisely the unresolved centralisation/decentralisation dichotomy (Zan 2007).

The Italian system, because of the prevalence of traditional protection functions, is definitely a very centralised system. Suffice it to say that human resources, which will be discussed later, although detached or engaged in different locations or roles, are all direct employees of the Ministry from which they receive

³⁸ In this regard Bonini Baraldi (2007a) speaks of “legalization”, while Zan (2007), pointing out the misunderstandings, the fiction and the limits of innovation processes, speaks of “the rhetoric of management”.

remuneration. Centralisation is expressed in the system of Soprintendenza, the operational arm of the Ministry, in charge of territorial protection of the individual categories of goods (art, library, landscape, archaeological, etc.) in different contexts municipal and provincial, as well as, more recently, at the level of regional coordination. There are also the individual divisions of the Ministry that follow the pattern of the different categories of goods protected by the Superintendent. Decentralisation seems the latest trend of the PA in general, even understood constitutionally in the wide process variously called federalism or devolution.

It certainly is not possible to explore these issues in any strict sense, however, the issue relates directly and very closely to cultural heritage, when you consider that the only measure actually taken, beyond the frequent political debate observed in this regard, has been the so-called federal state property, the transfer of a number of state assets to local authorities, in order to allow their development. Thus, an apparent contradiction, which has already generated controversy and conflict,³⁹ emerges between a State that has a bloated bureaucratic network to ensure protection, but whose resources are scarce and is therefore in perpetual insecurity, and local governments that have been assigned part of the same heritage, to help its promotion, even by attracting other resources, in particular from individuals and businesses.

There seems to be an evident contradiction, which is only apparent, between protection and Promotion.

But the situation is far more complex than this almost Manichean reduction. For example there is the hybrid role played by the Special Soprintendenza, which combines the regional authorities, joint companies of the Ministry, Municipalities and Regions, as well as, most recently, the General Bureau of the Ministry for the promotion of Cultural Heritage.

In short, there is a clearly visible contrast between the proliferation of weakly self-sufficient containers and the lack of human and financial resources, the reduction in the demand for cultural consumption, degradation and the non-use of many assets.

The topic of autonomy, in light of these very critical arguments it is central in the rest of the work, as well as being a salient feature and the main condition for operating like a company.

According to a less orthodox doctrinal approach, the focus of business management research is the analysis of the degree of autonomy as a business requirement, rather than the presence of autonomy in absolute terms.⁴⁰

³⁹ See *La Repubblica* 15 August 2010 regarding the conflict between the City of Florence and the Ministry on the property of the statue of David, as well as the intervention of Prof. Settis of 24 August 2010, in which he identifies the function of protection, as a further guarantee of unification of Italy.

⁴⁰ The approach is the same as Masini (1970), who identifies the company strictly in its economic function.

In cultural heritage companies it is therefore possible to try to examine real cases of autonomy, through some typical features such as, for example, the management of human resources, finance and pricing policies. With regards to the first point, its dependence on the Ministry has already been discussed, and this seems to be a serious limitation, especially when it is considered that they are service companies, of mainly intangible services, making the human component is even more critical.

In addition, as reported by Settis (La Repubblica, 11/3/2010) the average age of employees (with reference to Bureaus) is over 55 and the workforce is heavily imbalanced in favour of the custodial staff, rather than scientific personnel (art historians, archaeologists), whose selection has been blocked for over 10 years. Also, there are more Soprintendenze for the head offices of the Ministry, than are distributed locally (*source* www.beniculturali.it). The sources of financing are essentially centralised. With the exception of autonomous institutions for which this rule applies only in part, all revenues from museums, exhibitions, events are transferred directly to the Ministry which then provides for an equalizing allocation of funds. While this method can effectively balance the needs of smaller and less well known firms, on the other hand it discourages economic and financial performance, and does not allow efficient planning (and therefore control, or any sense of responsibility), because of the uncertainty of financial. The cultural heritage companies linked to the public sphere do not, as a rule, have a price lever.

As in other public contexts, instead of a remunerative income (Cavalieri and Ferraris Franceschi 2000), they apply political and social tariffs that do not cover operating or capital costs, but which are contained in order to encourage, at least theoretically, access to the fruition and the spread of cultural heritage. These rates are determined by the CIPE and inserted in the ISTAT inflation basket, and hence particularly low.

In fact, as shown by a number of studies in similar fields (Ponti 2003; Ramella 2004) the evident conflict between viability and social impacts is reversed, causing twice the damage, when it includes the definition of a controlled price.

Companies fail to achieve a balance of income and are forced to depend on public finance causing citizens to experience an increase in taxes without recognising the value for such low priced assets, thus preventing their conscious appreciation.

Moreover, this mechanism penalizes the community, including that prevalent part that does not use the service and therefore does not benefit from it, which is subjected to the costs of financing cultural heritage.

In addition, the performance of these companies also suffers, since managers do not feel responsible for their administration and results, because the output is difficult to quantify, and hard to immediately monetized on the market.

Nor should we forget, on this latter issue, the concern that cultural heritage companies compete in the broadest market of leisure time and that, indeed, they are frequently significant drivers of consumption for private sector tourism (hotels, tour operators, restaurants, etc.) that however do not offer some of their services at a political price, with the obvious result that public investment becomes private profit.

Finally, even the positive and noble intent of public accessibility proves somewhat mislead if built only on the price lever, both because it does not directly increase the fruition by the weaker sectors of society, and because the cost of the system is offloaded onto them equally.

A sort of cross subsidisation occurs between social classes that regularly finance public spending (taxpayers) often without benefiting from it because of economic difficulties and those who enjoy the benefits of such services, without bearing the cost, if not in the slightest part.

The paradox is that, if anything, the role of the public service, at least for what remains, should be there precisely to guarantee the weaker sectors of society allowing them to somehow bridge the social gap.

In fact, carefully considering more equitable mechanisms for transferring heritage operating costs to the final users or their actual recipients, even private ones, could not only improve the accountability and performance of managers, but also promote greater transparency, control and participation and finally make more system resources available to support competition and make companies more autonomous, from the economic and financial point of view.

At the same time, the single-minded focus on the tourist market as the only outlet for cultural products seems not entirely consistent with how that heritage was originally shaped.

Although the tourist phenomenon represents an important driver for economic growth, it should not be underestimated that cultural assets belong in a territory, where they were formed and identify an area, a tradition and its roots. They represent, in this perspective, a good of the community on which it rests.

Therefore tourism, which in any case requires a policy and ad hoc tools at a systemic level, seems more closely tied to large events, episodic events and somehow contrasts ideally with the daily Promotion of cultural and artistic heritage that is inextricably linked to the direct beneficiaries the environment in which it is located, who share its origin.

It is, essentially, linked to the Promotion of a shared sense of belonging in a community, able to preserve their heritage from excessive and counterproductive "musealization". Furthermore, in terms of revenues, recent research (*La Repubblica*, 26/7/10) has confirmed that about half of the visitors to our museums, already very few in number, do not pay for tickets, being beneficiaries, for various reasons, of total exemptions.

In truth, some prestigious foreign museums do not charge an entrance fee, but at most might collect a voluntary offer. Pricing policies are therefore diversified in such cases even though a far more important role is played by additional services that are privately operated, such as bars or bookshops. Even in this, Italy is late, both because over the last 10 years there has been an effective liberalization of those services that however ended up becoming some sort of managerial oligopoly, and because of delays and often uncertain rules for public competitions, discouraging participation. But probably the largest factor have been inappropriate

profit margins due to lack of innovation in the services themselves, something which does not happen abroad for example.⁴¹

The relationship with the private sector is, in fact, another critical juncture. If the Italian artistic heritage is largely the result of the enlightened patronage of the lords of the past, today there is some distrust for businesses and opening to the market, even for simple sponsorship.

The forthcoming opening of McDonald's in the Louvre or the management of the Autogrill refreshment point of Pompei have created some controversy (*La Repubblica*, 22/09/10).

Cutting them, however, seems more ideological than anything else, because of the current reassessment of the role of the modern museum, which should increasingly lean towards virtual reproduction technology, export its brand like fashion designers, be pleasant, and have enhanced public accessibility to services.

Even in this case, a detailed discussion is beyond the scope of this paper and a different knowledge base would be needed to address it in full.

After all, since its inception, the doctrine of business-economics has placed the condition of economic equilibrium, over time, in order to meet its own institutional purposes and cultural ones in this case.

In this sense, it is believed that the public-private or the more specific Protection/Promotion debate, shift the focus from the real problems of the sector (briefly outlined here) and more particularly from the real ways for cultural heritage companies to search for economic equilibrium.

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⁴¹ Suffice it to say that the turnover of the Louvre bookshop is greater than that of the sum of all Italian museums.

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Chapter 5

The Accounting Measurement of Cultural Asset Heritage

5.1 Approaches to Accounting

The ASB is the standard setter having analysed in a more theoretical perspective the approaches applied to the accounting for HAs (ASB 2006). Moving from a local (but extendable) perspective, the British Board theoretically distinguishes the following three orientations:

- mixed capitalisation approach;
- full capitalisation approach; and
- non-capitalisation approach.

5.1.1 Mixed Capitalisation Approach

The mixed capitalisation approach was the existing approach adopted by the UK entities at the time of the enactment of the Discussion Paper (ASB 2006). It followed the FRS 15, Tangible Fixed Assets; according to this Standard, entities had to capitalise HAs from the effective date of the FRS 15 in 2001. The HAs acquired before that time were not capitalised. In addition, the Standard permitted (not required) entities to retrospectively capitalise previous purchases; in the case that the information benefits of the Standard were lower than the related costs, such as for purchases made before the effective date or for the determination of HAs acquired by donations, the capitalisation could be not made. The approach is extendable and generalised, as it could be abstractly supposed the determination of a date as the starting moment from which entities can reliably determine HAs

Loris landriani is the author of the Chapters 1, 4 and Paragraphs 3.1-3.4 and 6.2. Matteo Pozzoli is the author of the Chapters 2, 5 and Paragraphs 3.5, 6.3. Paragraph 6.1 and Chapter 7 were jointly contributed by Loris landriani and Matteo Pozzoli.

acquisitions. The SFAS 116 permitted art organisations to capitalise only those items acquired after the adoption of the Standard.

The practical advantages were essentially identifiable in having reliable cost information for recent purchases and a flexible approach. On the contrary, there were clear information disadvantages, such as: the inconsistent accounting treatment of similar assets and subsequent expenditures; an incomplete information; and a misleading representation of the reserves (ASB 2009, Sect. 3).

The mixed capitalisation approach was implemented in the public sector by the UK Treasury (Treasury and Board 2008); in this case, the deadline from which the capitalisation obligation starts was determined at 1st April 2001.

5.1.2 Full Capitalisation Approach

The full capitalisation approach requires entities controlling HAs to recognise and carry out them in the balance sheet; this assumes that HAs are reliably determinable. The disadvantages, a part from the criticalities already evidenced in the previous section, are found in the costs required to determine the heritage of entities. The representation advantages have been already addressed; from a financial reporting perspective the main advantage, at a macro-level, can be found in an exhaustive representation of the entities' heritage and in the achievement of a uniform representation of the controlled assets.

5.1.3 Non-Capitalisation Approach

The non-capitalisation approach does not permit to carry out HAs in financial statements. This approach includes the advantage to require a uniform and comparative HAs presentation, and to be straightforward to implement, as it does not need any measurement operation. This orientation is in line with the FASAB's decision for which "the cost of acquisition, improvement, reconstruction, or renovation of heritage assets should be recognised on the statement of net cost for the period in which the cost is incurred." (FASAB 2005, par. 19). The FASAB's ratio is resuming in the fact that these goods are subject to a stewardship mission meaning that governments keep them without being full proprietor.

The main disadvantage concerns essentially the accounting effects on the performance; if HAs do not "exist" in the entities' accounts, the operations concerning their purchases/disposals could risk distorting the representation of the entities' management, if they are totally accrued to the Statement of performance of the period in which the operation occurred; in order to avoid this condition, the ASB proposes to present the acquisitions and disposals of HAs separately, so to distinguish clearly these operations from other activities of the entity. This

orientation is also required by the SFAS 116 (FASB 1993) when entities opt not to capitalise items of collections.

It could occur that entities opt, whereas possible, for a combined approach; for instance, an entity could decide not to carry out HAs acquired by donations, because values are not reliable, but could capitalise costs incurred in their maintenance. In this case, the capitalised costs do not represent the HAs value, but the evidence of costs incurred in a period and referred to a pluri-annual period. This could be the case of a donation of a castle, which has to be restructured. After the intervention the castle can be visited paying a ticket. In this case, the entity could decide not to recognise the value of the castle, but to capitalise the costs related to the restructuration, as they will generate cash inflows, and amortise them for the period of its use.

5.2 Measurement

The measurement issue are obviously analysed only from that part of accounting practice and literature, which admits the recognition of HAs on the financial statements or which admits that a valuation of HAs is essential to provide stakeholders with useful information. It is worthwhile recalling that an authoritative part of the literature believes that HAs cannot be recognised in financial terms, as their only economic value does not satisfy the required information needs (Potter and Rentschier 1996; Stanton and Stanton 1997).

The measurement process is oriented to find a “value”. It is useful to remind that a value is not a fact, but the quantification of the benefits which can inflow to the entity. In the case of financial statements of business-like entities these “benefits” are usually associated with the “economic benefits” and are recognised, in accounting terms, as assets. The issue could be different if referred to mission driven organisations. Even more specifically, the main issue concerning the measurement of HAs is identified in the concept itself of asset. If it is accepted the approach, defining an asset as a generator of service potential, it is crucial to determine the criteria, which are able to provide a monetary determination of this feature (Capalbo 2011).

Accounting Standards setters are aware that HAs measurements can be extremely complex; due to this and to the fact that HAs can be extremely vary (e.g., fossils, paintings, castles, park, etc.), it is not likely that standard setters require the adoption of a unique measurement criterion. From this starting point, the ASB (2009) requires the HAs valuation and provides that “[v]aluations may be made by any method that is appropriate and relevant.” (ASB 2009, par. 21). Then, the FRS 30 provides that when an HA is reported at valuation, the carrying amount should be revised with sufficient frequency to guarantee that the valuation is current (ASB 2009, par. 22).

The IPSASB states that entities can—but are not required to- measure HAs. An entity, if decides to carry out HAs, should apply the generally adopted criteria; this means that an HA should be initially valued at its cost, represented, if the asset is

acquired through a non-exchange transaction (donation, sequestration, acquisition at no or nominal acquisition), by its fair value as at the date of acquisition.

After the initial recognition, IPSAS 17 permits entities to apply the cost or revaluation models; this last approach requires entities to determine periodically the assets' fair value. IPSASB recognises that the existence of alternative service potential can affect the choice of measurement basis and, in doing so, permit entities to apply the IPSAS 17 criteria.

The FASB claims that cultural assets cannot be carried out applying a determined valuation criterion, but following the requirements usually adopted to carry out donations (FASB 1993).

The British ASB provides that HAs could be measured at any measurement criterion which is able to determine a useful information to the financial statements users; in this context, the UK standards setter essentially aims to achieve reliable information, irrespectively to the applied criterion. The only requirement is to revise periodically the goods value.

Similarly, the Australian ACT Accounting Policy—in line with the commercial practice (AASB 2010a)—provides that entities can opt to measure the entire class of HAs by the cost model or by revaluation model.

The Italian professional Committee “Aziende non-profit” did not provide specific measurement criteria for measuring historic, cultural and natural goods; these items should be carried out according to the donations' requirements (CNDC 2004), that is at their original cost or, in the case they were donated to the entity, at their fair value (*valore normale*).

The ED enacted by the Italian working group—which was intended to replace the mentioned document issued by the Committee “Aziende non-profit”—provides that HAs are reported among the fixed assets; however, in the case that their measurement is not reliable or the costs to obtain the information exceeds the information benefits, these goods are illustrated in the disclosures (*Agenzia per il Terzo Settore 2012, par. 7*).

It is important to reiterate that all the analysed standards setters' requirements affirm that it is possible that HAs could not be reliably measurable and, for this, not carried out in financial statements. In all the cases, the related Standards require ad hoc disclosures.

In any circumstance, it is to be distinguished the initial measurement from the subsequent measurement criterion. It could, in substance, happen that a valuation criterion applied for the first measurement is abandoned in the subsequent measurements; that could be the case of an adoption of the historical cost for the initial measurement, which is removed or substituted in the following periods by the fair value measurement (or other criteria).

Starting from the literature and the accounting/valuation standards, it is possible to identify the following different options for HAs' measurement:

- historical cost;
- market value (fair value);
- value in use;

- contingent valuation;
- expertise; and
- notional value.

The bases of value can be reached by applying vary valuation approaches. The traditional valuation practice usually identifies the market approach, which provides an indication of value by comparing the subject assets with identical or similar assets, the income approach, which provides a value by converting future cash flows to a single current capital value, and the cost approach which identifies a value using the principle for which a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction (IASB 2011; IVSB 2011b, par. 56–64).

The challenge of HAs valuation, a part from the applied criterion, is to catch and quantify the service potential, which should be a determination difficulty determinable in monetary terms.

5.2.1 Historical Cost

This is recoverable only in the case that the entity acquired an HA by a commercial transaction. This information is obviously straightforward to ascertain for recent operations and readily comprehensible. In the case of arm's length recent transactions, the cost is usually a reliable value. As far as subsequent measurements are concerned, the UK Board observes that there are practical problems to maintain the historical cost, because HAs tend to have indeterminate lives and consequently no further adjustment (depreciation or impairment) can be made to the carrying value (ASB 2006). In fact, the cost could not be able to reflect the change in artistic or natural changes. In addition, past transactions made much time before could make evidence of values which are any more able to provide a faithful representation of the real value of the good. In many circumstances, the cost could not exist, as collections can be achieved by a donation or the cost could not represent the “real” value of the good, as it could be distorted by social purposes (Porter 2004).

5.2.2 Market Value (Fair Value)

It is determined by reference to the best available market evidence. In general terms, market value represents a market evidence and not a specific entity value. It is defined by the IVSB as “the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.” (IVSB 2011b, par. 30).

It is appropriate to note that the following considerations address the market value with a meaning, which very similar to the concept of fair value usually adopted by international and local accounting standards (IASB 2011). The IVSB clearly explains the difference in valuation terms between “market value” and “fair value”, saying that “[f]or purposes other than use in financial statements, fair value can be distinguished from market value. Fair value requires the assessment of the price that is fair between two identified parties taking into account the respective advantages or disadvantages that each will gain from the transaction. It is commonly applied in judicial contexts. In contrast, market value requires any advantages that would not be available to market participants generally to be disregarded.” (IVSB 2011b, par. 41).

In valuation terms, fair value is a broader concept than market value, as it takes into account—differently than market value—special considerations evidenced and taken into account during the transaction by the counterparts.

The IASB enacted the *ad hoc* Standard IFRS 13, Fair Value Measurement, to determine the general guidelines for the fair value determination (IASB 2011).

The IFRS 13 (2011) provides other information for the measurement process:

- the unit of account, which identifies the element subject to the measurement process, is determined in accordance with the IFRS;
- it is assumed that the operation occurs in the principal market, meant as the market presenting the greatest volume and level of activity or, in its absence, in the most advantageous market;
- the good is utilised in its “highest and best use”;
- it is assumed that “market participants” act in their economic best interest.

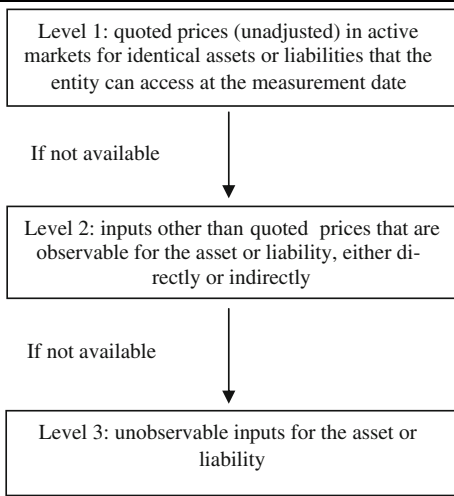
The assumptions listed above could have to be revised in the non-profit context. The principal market or the most advantageous mark could not exist or could be not the market that the entity opts for, as HAs could be used, taking into account not only commercial features; for similar reasons, the entity holding the HA could act not in its own best “profitable” interest. At the same time, it should be noted that, for socio-political restrictions, the “highest and best use” could not coincide with the destined use of the good; in these cases it should be adopted the “existing value” (Capalbo 2011; NSW Government 2012).

The IFRS 13 provides—following a previous requirement dedicated to the financial instruments disclosures (IASB 2007)—a fair value hierarchy, based upon the existence of observable inputs (Table 5.1).

As far as the HAs’ fair value, a quoted price could be evidenced by prices of recent auction markets for that specific good. Other level 1 information could be represented by prices that can be found on the primary market dealers, traders and private collectors.

The inputs coming from the above mentioned evidences referred not to the subject good but to a HA presenting similar features (e.g. nature, period, author) could be the basis for a level 2 information.

Table 5.1 The Fair value hierarchy



The level 3 information is based upon unobservable inputs and it could be achieved by applying measurement techniques generally accepted as capable to substitute the observable inputs information. An expertise could be a basis to determine a market value; from this view the appraisals provided for insurance purposes could represent a reasonable measurement (O’Hare 2006).

The market value (fair value) is permitted or required by many standards setters for the valuation of HAs. Specifically, it is necessary for the initial recognition, whereas cost does not exist or is not meaningful.

The subsequent measurements often recalls its periodical determination under the revaluation model (ASB 2009; Australian Government 2008; IPSASB 2006).

The fact that HAs could not have a market has led standard setters to find different approaches or surrogates able to approximate the fair value, as meant in its definition, in order to arrive at a “level 3” information.

ASB states that many HAs are extremely valuable and it is important, especially from a stewardship perspective, that financial statements can reflect this feature. The subsequent periods should express changes in value so to update the current value. However, it is possible that current values are not available especially as that good does not have a market; it is not possible to have a “comparable” and the valuation cannot be based on observable inputs. In this case, standards often recall the chance to refer, first of all, to the value evidence of similar assets and then to generally accepted valuation techniques.

The explanation of the Australian ACT Accounting Policy seems to be quite clear in this sense: “Fair value is determined by reference to the best available market evidence. Where available, this should be based on the current market selling price for the same or a similar type of asset. However, many types of heritage and community assets are of a unique nature for which no market selling

price can be observed or for which no relevant market exists. In these circumstances, AASB 116.33 provides that the asset's fair value can be estimated using an income or depreciated replacement cost approach.

An asset may be valued at the cost of replacing it with a similar asset, which is not identical but provides a similar benefit/function and state of wear and tear. Unique items are not necessarily incapable of valuation. The service potential or cultural significance may be compared to other items which, whilst different, have a similar level of service potential or cultural significance. For example, a unique asset which demonstrates clothes from a particular period may be replaced by a different piece of clothing from that same period. However, if the clothing was held because a particular person had worn it, the replacement item must relate to that specific person." (Australian Government 2008).

The identification of the fair value by the depreciated replacement cost is a technique applied in the commercial sector (AASB 2010a) especially for specialised assets (AASB 2010b; IVSB 2012b); this orientation is followed in the public sector as well, as the criterion is supposed to evidence a market buying price, able to inform stakeholders about the economic effort the entity should produce to achieve a good with a similar function. However, it is clear that it is likely that, due to the unique nature of HAs, the depreciated replacement cost is not reliably determinable.

5.2.3 *Value in Use*

In commercial terms value in use is usually meant as "the present value of the future cash flows expected to be derived from an asset or cash generating unit (IASB 2004, par. 6). From an art organisation's perspective, it could be determined as the present value of the estimated ticket price. According to this orientation, the first element to determine is "an estimate of the future cash flows the entity expects to derive from the asset" (IASB 2004, par. 30). As far as properties' determination, technicians distinguish between direct capitalisation and yield capitalisation.

In general terms, "direct capitalisation" applies an overall rate, or an all risks yield, to produce a value indication. The formula usually applied is:

$$V = I/R$$

whereas:

V = Present value

I = Annual income

R = Annual interest rate

It is adopted when market evidence is well known.

Yield capitalisation takes into account the time value and the single annual operating income arising from the subject property. The discounted cash flow method (DCF) is the most relevant example of yield capitalisation techniques. The related formula is as follows:

$$V = \sum_{t=0}^n I/(1+r)^t$$

The requirement of the cash flows poses many issues in relation to the adoption of this methodology with HAs. There are some HAs which could determine cash inflows; for instance, an entity could require the purchase of a ticket to visit a collection of paintings. The present value of the revenue arising from selling the tickets could represent the collection's value in use. It could be questionable if this determination comes to the real value of the collection or if it represents only the monetary determination of the value of event. In the example of a travelling collection, the same event in different cities could lead to different measurements. This is the basis of a value in use technique which is a specific entity value, even if it is possible that the same collection of paintings might have a significant difference in value in relation to the place in which is located.

Lastly, it should be observed that the value in use is difficult to be determined for a single HA. In the previous example, a visitor usually pays a ticket to see an entire museum (or collection) and it would be extremely difficult to allocate this value to a single good (Manetti and Valeri 2012).

On the other hand, there are many assets which do not generate cash inflows; in these cases, some authors believe that this criterion cannot be adopted (Porter 2004). However, IPSASB has created a specific determination criterion for the non-cash-generating assets (IPSASB 2008, par. 44), wherein the value in use is defined as “the present value of the asset's remaining service potential.” (IPSASB 2008, par. 14). The value in use, as defined in this context, can be determined by the three following approaches:

- depreciated replacement cost approach: reflects the cost to replace the asset's gross service potential. An asset could be replaced through the lowest cost option between reproduction or replacement. This value takes into account the accumulated depreciation due to the consumed or expired service potential. The asset is determined on its optimised basis;
- restoration cost: is the cost of restoring the service potential of an asset to its pre-impaired level. It is obtained by deducting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before the impairment, and is determined as the lower expense between the depreciated reproduction or replacement cost;
- service units approach: the present value of the remaining service potential of the asset. This is determined through the reduction of the current cost of the remaining service potential of the asset before impairment to conform with the reduced number of service units expected from the asset in its impaired state,

determined as the lower expense between the depreciated reproduction or replacement cost (IPSASB 2008, parr. 45–49).

The Cash Flow Statement, prepared in accordance with the same articulation of the budget shows the results achieved by the body during exercise.

Apart from the determination of surrogates, it is useful to remember that the uncertainties related to the future service potential and/or economic benefits could determine that they cannot be recognised (AICPA 2013).

5.2.4 Contingent Valuation

The limitations represented by financial valuations have led economists to propose and apply new valuation criteria in order to determine the monetary quantification of goods which do not have a market. One methodology which seems to be quite used is the contingent valuation, that aims to cover the gap of valuations in non-market commodities (Mourato and Mazzanti 2002). Its adoption, which can be extended to any provided services as well (e.g. water or energy supply), requires specific investigations with selected effective and potential users, by whom it is possible to recover the interviewees' "willingness to pay" ("WTP") or the "willingness to accept" ("WTA") for a specified good or collection.

The contingent valuation, which belongs to the family of "conjoint analyses", aims at measuring the estimation of use (or non-use) benefits.

This technique, even if discretionary and subject to bias (Choi et al. 2010; Moreschini 2003), provides—thanks to a 'blue-ribbon' panel of experts co-chaired by Kenneth Arrow and Robert Solow (NOAA 1993), that enacted a set of recommended good practices—a good level of credibility. Some of the evident "hypothetical biases" are represented by the different level of knowledge and preferences shown by the respondents, the lack of premiums or interest to respond, the questionnaire design and the level of information provided to the respondents (Bedate et al. 2009; Mazzanti 2003).

Porter (2004) identifies the procedures for implementing the contingent valuation in the following steps:

- description of the subject item;
- determination of the payment vehicle;
- elicitation of the value with a set of questions regarding the WTP or the WTA;
- collection of the demographic details to help interpret and analyse the data.

Contingent valuation does not aim to be a "carrying amount" presented on financial statements. It is specifically identified by economists to determine cultural policy strategies and management (Mazzanti 2003), and consequently the proper level of preservation and restoration on cultural goods. This implies the effective determination of expenditures and, ultimately, tax imposition.

5.2.5 *Expertise*

A traditional measurement approach, which could be adopted as a tool to determine the fair value of a cultural good as well, is the use of experts' professional judgments.

An evident issue arising from the adoption of this approach consists in limiting the excessive discretionality of personal opinions. It is quite obvious that an expert could be moved from a personal passion for a painting or could attribute a high value to a specific feature, in relation to previous studies or attitudes. The American Internal Revenue Service requires a "qualified appraisal" for significant art donations and a review affected by a selected group of experts named "Art Advisory Panel".

In order to limit this potential bias, the literature has experimented with the "Delphi method", whose purpose is to obtain a reliable consensus from a group of experts. The selected group should arrive to a final value, moving from personal opinions, usually expressed in questionnaires, through a communication process, direct confrontation and exchange of information.

One analysed issue concerns the definition of rigorous procedures and considerations, which can produce reliable values (Okoli and Pawlowsky 2004). Experts should be given the chance to debate the questions and, subsequently, justify the answers, to explore the reasons at the basis of the perceived differences (Garrod and Fyall 2000; Hill and Fowles 1975).

Today, the Delphi method—addressed as a main example of the application of experts' judgment in the HAs' valuation—is not considered as an accounting measurement method for HAs; it is applied as an internal instrument for managerial decision-making processes (Okoli and Pawlowsky 2004).

5.2.6 *Notional Value*

The expression of a notional value arises from the consideration that, for stewardship purposes, "[...]it is preferable that the balance sheet should report a value however unreliable rather than no value[...]". Honestly, it is questionable that they provide useful information. Some legislation prohibits the adoption of the notional value approach (Australian Government 2008).

In some other cases, the notional value can be addressed as a memorandum account to be explicated and illustrated in the disclosures. The Agenzia per le Onlus, the former Italian Authority for the Third sector, stated that: "organisations often carry out those goods to symbolic value (€ 1), even if this value does not represent the asset value in the eyes of others. What matters, however, is that in the budget and/or in the notes are spelled out the characteristics of the real estate and adopted measurement methods, so that the financial statements users may, with the

knowledge of the facts, interpret the composition of the heritage and to judge the extent of the capital” (Agenzia per le Onlus 2010, par. 3.3.).

5.3 Issues

It is generally argued that the value of many HAs are highly discretionary and/or complex.

As far as the discretionality issue, there is evidence that measurement can change in relation to a number of features and considerations.

First of all, it should be clarified if the value of the subject cultural good is a “market value” or an “investment value”. An intrinsic value is a value determined on its “fundamentals”, without taking into considerations the specific counterparts’ interests and the added value, which could be attributed to a resource in a specific context. For example, the Municipality A could have a high return from a specific collection, as many visitors could decide to visit that place in connection to a combination of other artistic interests. On the other hand, visitors could not be available to visit that specific collection if located in Municipality B. In this circumstance, the investment value, that is the value of that collection for the LG, is higher for Municipality A than for Municipality B. Is there a basis of value abstractly considerable for the best basis? Not at all. A castle cannot be moved. It is appreciable only in the context it is located. A collection of fossils can be moved, so that the market value might be the best basis, even if this is not always true, because the acquirer could be motivated to obtain the possess of the collection, for instance, in order to complete a set of collections. In substance, the best basis of value is determined by the HA itself, even if a variety of methods and assumptions contribute to create a high level of measurement discretion.

In relation to the complexity of measurements, it is worthwhile to keep in mind that the IVSB, mentioned as likely the most authoritative valuation standard setter, affirms that dealing with properties, “In some cases historic property may be incapable of reliable valuation because there is no relevant market evidence, no potential for generating income and no demand to warrant replacement. An example would be partially ruined building with no income generating potential; although it may well have historic significance, this could not be replicated or replaced.” (IVSB 2011a). It is worthwhile mentioning that the most contrary “lobby” for the proposal of capitalising work of arts in the USA standards was represented by museums’ (Glazer 1992).

Accounting standards setters, as already mentioned, generally share the same view. From this point, it should be asked whether it is useful for an art organisation to present in its financial statements only a part of the HAs owned. Is this the heritage value of the entity? Probably not. The condition for which a company does not recognise an element in its financial statements is only rarely met; today accounting requirements are so sophisticated that it is unlikely that as asset or a

liability is not carried out as its value is not reliable. HAs are sometimes unique and are appreciated, because they are unique.

Lastly, it is evidenced that the value of an art organisation cannot be judged on its financial values. Even if the economic valuations can support the decision making process, the HAs' recognition is not a managerial tool in itself. Financial statements should present the entity's financial "health"; this means that they should recognise assets and liabilities which can be converted into cash and cash equivalents. Only, in this perspective a HA helps the managerial behaviour. If a collection increases its value, but the art organisation cannot sell it, the increase does not support managerial decisions; it could help users to express a judgment on the administrators "investment", but it does not help the organisations management. Does this mean that HAs should not be valued? No. Economic valuations are essential for art organisations. They are founded on these elements, and this information gap would be detrimental for the organisations accountability. The best solution could be to address HAs as off-balance-sheet items. They exist but they are not recognised in the financial statements.

They should be measured and described, taking into account the relevance of the information, as separate assets. Users would like to comprehend the composition of the organisation's heritage more than its economic value. This leads us to the last issue: is financial value useful to express an opinion on HA? It is probably not the only value which should be addressed, but it helps users to express a personal opinion. A financial value can support decision makers as well. Obviously, there are other metrics of value which can better represent the substance of an artistic or cultural resource (Wild 2013), but a financial measurement can provide different information. Aesthetic measurements are destined to satisfy other information needs and could coexist with other bases of value.

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Chapter 6

The Empirical Analysis

6.1 The Case Analysis

The theoretical hypotheses are tested and corroborated also by a documental investigation of two case studies separately analysed and addressed in a comparative analysis. The cases are represented by the Soprintendenza di Pompei and by the J. Paul Getty Museum.

This exam consists in the examination of the entities' financial reporting, meant as an instrument of accountability, together with the governance and managerial system.

The perspective is the that one of external users, adopting publicly available documents for the majority of the expressed considerations.

6.2 The Case of the Autonomous Soprintendenza of Pompei

In 1997, the legislator created a special management body to manage the protection and enhancement of the archaeological site of Pompei. The importance of heritage (see article 9 of Law 352/1997), was such as to justify the granting of wide margins of autonomy, in terms of organisation, management and financing, for which it was established the Soprintendenza Autonoma di Pompei (SAP).

The granted autonomy primarily looks at the anticipation of their own revenues which, unlike the other Soprintendenza, do not flow into the State budget but remain at the disposal of the Superintendent to cope with the conduct of its business. In addition, the preparation of a budget and final accounts should allow a more suitable programming of the activities and of the resources required, and to

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measure the results of the Administration, since beyond financial values would be highlighted data costs and income (Bonini Baraldi 2007a, 110). At least formally, the opportunity to become somehow “free” from government transfers, unlike traditional Soprintendenza, represents a first slow step, merely regulatory, as we shall see, in some way to overcome the financial constraints pressing and the real “cuts” imposed by the almost exclusive dependence on ministerial budget.

In the past, in fact, the absolute subordination of the Soprintendenza by state transfers had not given rise to the need of reporting the activities of the individual entities through balance sheet data. This represents a significant step forward in the process of corporatization of public administration, which sees the reporting, and thus empowerment, better known as “accountability” which is other face of autonomy.¹

The lack of autonomy that exists in the Soprintendenza and then in the museums which depend on them, is expressed not only in the transfer of ministerial funds, but also, and often, especially in charges relating to the organisation and management of human resources, as the staff managed directly from the central level which establishes the pay, the career and skills.² This implies the impossibility for the supervision of transferring employees from one museum to another on the basis of the emerging needs. Generally it is difficult adequate planning of activities due to the inability to govern the two key variables for a service: financial resources, the amount of which is subjected to elements of uncertainty, and the staff, including tasks, skills, shifts, etc. (Bonini Baraldi 2007a, 111).

To complete the reform, the Autonomous Soprintendenza of Pompei gives the Board of Directors, the function of deliberating the budget, the variations and the balance sheet (under the control of the auditors), as well as any other function delegated by the Superintendent. Also, were introduced the figure of the Administrative Director, liable in the management mode of the reference area and the Advisory Committee (political appointees), which expresses mainly advisory opinions concerning the optimisation.

6.2.1 The Management of the Activities

The Autonomous Soprintendenza of Pompei manages the performance of a set of very different activities on different archaeological sites, this makes more complex the management of the institution.

The main activities of the management are in the protection, research, restoration and use of the various sites of Pompei, Herculaneum, Oplontis, Boscoreale

¹ This paradigm of New Public Management and the cultural movement that oriented reforms to the so-called “corporatization” of public administration in our country, is also discussed by Bonini Baraldi (2007a, 133).

² Guzzo (2003, 13) states: “the limits of autonomy are identified in the institutional activity, the provided by the laws of the field, and in the exclusion of the human resources management from the responsibilities of the Superintendent self”.

and Stabiae, which differ in the composition of assets and numbers of finds (Zan and Paciello 1998, 96).

The preservation, as other studies describes, mainly consists in avoiding theft of goods and finds, already present or possibly brought to light, and the granting of building permits in the area (Zan and Paciello 1998).

In fact, due of the size of the area under protection and the prevalence of resources have not yet been retrieved, this activity is more sensible, for example, if we consider that some findings are due to authorized excavations in close areas for commercial purposes.³

This function also requires the presence of specialized skills that the SAP doesn't have due of the limits in the organic structure. It makes the delays in the excavation.

Also the research is of vital importance for the Pompeian site, because of the connections that this phase has towards the enhancement.

At the SAP takes place several scientific activity of a lot of researchers from all over the world and with different specialisations, not only archaeological skills. The research activity is about the cataloging of the finds and the production and dissemination of publications, in the form of catalogs, monographs, magazines and the organisation of scientific conferences: all that contributed to increase the overall number of visitors.

The maintenance, preservation and restoration is the core of SAP. The number⁴ and the difficulties related to the restoration of the heritage, make this activity hard to manage.

Furthermore, although a significant percentage of heritage should continue to be buried,⁵ the Superintendent has determined the priority of restoration activities of the parties emerged, postponing the excavation.⁶

This choice is probably related to start a development of all the area that, although incomplete, brings financial resources to continue, throughout the production chain, the remaining activities.

The difficulties in the continuation of the excavations and in the management of the restoration does not pertain only to the quantitative-dimensional logistic (this area includes no less than 23 towns in the Circumvesuviana zone), but also the variety of finds gradually discovered.

³ Reference is made to Villa Regina Boscoreale and the Necropolis of Our Lady of Grace found just to the supervisory activities carried out by the SAP as a result of excavation permissions granted to individuals in neighboring areas, which was attended by skilled operators of the same SAP. For further discussion, see. Zan and Paciello (1998).

⁴ In the site of i is more than 1,400 homes, 20,000 m² of frescos and 3,000 m² of mosaics. See Zan and Paciello (1999).

⁵ Some scholars, including Guzzo (2003), that about a third of the city.

⁶ This choice is that in the presence of low resources, it is necessary to define the order of priority for each of the activities. If it was decided to give priority to the excavation activities, you would run the risk of finding themselves in a heritage prevalence compromise and therefore not usable. In support of this logic fits the design of the Superintendent of i, Guzzo (2003).

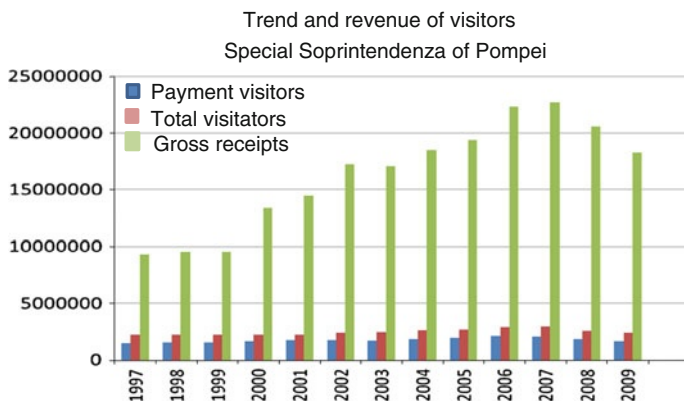


Fig. 6.1 Performance visitor flows and revenues Pompei 1996–2009. *Source* our elaboration from MiBAC data

For the small number of professionals with these skills, it was necessary to apply the outsourcing, resulting in losses in terms of capitalization of knowledge. In fact, the outsourcing of restoration, brings to a loss of critical knowledge especially in the processes of maintenance and restoration, they are not known the details of excavation work conducted by third parties (Zan and Paciello 1998, 99).

The last activity among those listed is the enjoyment. For this, it is appropriate to highlight the differences between the various archaeological sites that the Autonomous Soprintendenza of Pompei has to manage.

The site of Pompei results for years among the most visited in Italy, although in the last years this flow is greatly reduced. In Fig. 6.1 emerges, in fact, a nearly constant stream of visitors at the different sites of the Superintendent (Pompei, Herculaneum, Stabiae, Oplonti) from 1996 to 2007, while in the last years the growth process has suffered a setback.

The reduction in the flow of visitors is probably due to the problems in the city of Naples that they have a negative effect on tourism flows, especially foreign, producing an impact also on the revenues of Soprintendenza.

Another affect for the low revenues from ticket sales also contributes to the increase in visitors with free admission or facilitated (e.g. schools, but it is a common practice in Italy, as described above), the percentage of which is varied over the years from 26 to 33 % (1997–2009).

6.2.2 The Organisational Structure

The organisational structure of the Soprintendenza of Pompei was defined by decree of the President of the Govern of 8 January 1997, together with the Ministry of Cultural and Environmental Heritage.

From a business management view it is a “semi-divisional”⁷ organisation, because the excavation site is divided into three divisions, corresponding to different geographical areas: Pompei Scavi (including the excavations at Boscoreale and Oplontis), Herculaneum and excavations of Stabiae. They are accompanied by the office of the Superintendent (Zan and Paciello 1999).

Within each of these excavations are carried out secretarial services, maintenance, custody and supervision, in addition, in the three largest sites there is also a restoration workshop.

In all archaeological sites are performed, depending on the size and importance of them, typical activities such as protection of cultural heritage, the research, the maintenance and use; for this reason is required the presence of different professionals: the archaeologist, the site manager and construction manager, assistants, which assist archaeologists and architects, the staff worker, employed for routine maintenance or emergency; custodial staff, sometimes also involved in the service ticket.

The Office of the Superintendent is divided in three main areas: administrative, scientific and technical, and is assisted by an Office “constraints and legislative protection” with staff functions.⁸

Basically, some functional activities are replicated at divisional level based on the geographical location of the excavations, the sites have dimensions greatly diversified, with a prevalence of Pompei on the remaining sites. At the central level, are managed cross and directional activities, this make the structure more split, bureaucratic, inefficient, especially compared with the number and skills of human resources.

Despite the divisional model is theoretically well suited to managing complex organisations such as the Soprintendenza, the structure has some limitations (Fig. 6.2).

⁷ “the “divisional” way is to try to divide the company in combinations of product/market as independent as possible, so you can make individual units responsible for this combinations—the divisions—with the autonomy of the independent companies. The divisional form is a set of specialized units for product/market, which aggregates the major management functions characteristic of the product/market combination. They are then evaluated in terms of income results as if they were stand-alone companies and be organized inside them according to the functional system”. Cfr. Grandori (1995).

⁸ The administrative area is interested in human resource and accounting, as part of the functions of the Ministry, and other functions of an administrative-legal. The scientific area is divided in four areas: the first is interested in library, archive, catalog and documentation, a second is interested in the promotion and dissemination, and a third is interested in the research laboratory, a fourth that deals of many different activities, including research, coordination of the programming of the Superintendent, relationships with other agencies, including the Ministry, Regions, etc. The technical area deals with the restoration, management and control of construction and testing the work of external architects, surveyors and designers who help archaeologists. *Source* Zan and Paciello (1999, 53).

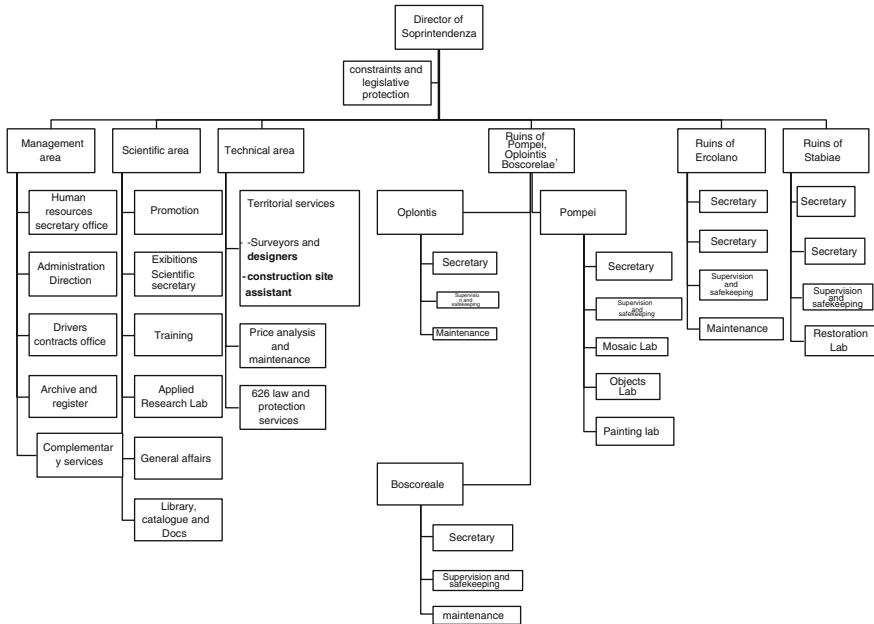


Fig. 6.2 The organisational structure of the Soprintendenza of Pompei. *Source* Zan and Paciello (1999)

From this division of duties, a complex and confusing picture emerges, it defines a map of functions and tasks where it is not clear the link between people, tasks and responsibilities.

The organisation chart of the Superintendent is similar to the central organisation of the Ministry, with an excessive division of the work. It is the result from an excessive size and also by not balanced staff skills.⁹

Even within the Office of the Superintendent there is a prevalence of professionals with low skills in the administrative area more than in the technical or scientific areas, and there are a few people also in the administrative staff with managerial skills necessary for an effective implementation of the principles laid down by the reform.

The study of Zan and Paciello also shows that there is another source of inefficiency in management and organisation due to the dislocation of the staff in the different sites, it is the same between the sites of Herculaneum, Oplontis and

⁹ From the study conducted by Zan and Paciello (1999). It emerges that the 711 units working at the Superintendent, 423 are in the supervision and custody, 288 people are for the remaining roles, of which 124 employees in administrative and auxiliary staff, which include secretaries, assistants, clerks and drivers. There are also 87 workers used in works of small maintenance and management of emergencies and only 16 between archaeologists and architects and 11 librarians (including 2 managers).

Stabiae, despite the size of the first, in terms of number of visitors (Table 6.1) and relevance of assets under management is higher than the other two. So the employees in management, in maintenance, protection and custody, are the same in number with obvious diseconomies of scale.

These sites attract a low number of visitor and a great part of them are non-paying schools without any return of an economic nature (Table 6.2).

To try to fill up this imbalance of resources, it is impossible to transfer employees from site to site and with the aim of enhancing most areas also so-called “minor”, the Superintendent tried to move the flow of visitors from Pompei to other sites promoting guided tours, by the activation of thematic routes, but without good results. This is probably due to the different interests in archaeological, touristic and religious fields of Pompei.

6.2.3 The Financial Management

Although managerial praxis present the organisational and autonomy limits that are already described in the Chap. 4, the administrative and accounting issues need of an in-depth analysis.

In this sense, the SAP has, differently from the other museums, the management of total revenues that come from the tickets, from royalties and additional services. The SAP depends, however, still in a decisive and financial way, by the Ministry and it imply the inability to make a real programming.

This consideration is the result of several factors (Zan and Paciello 1999, 60):

- the SAP makes in mid-year a three-year budget of expenses and the Ministry, only at year end and after verification of its availability, after the demands of

Table 6.1 Monthly distribution of visitor flows in the different sites of the Archaeological Soprintendenza of Pompei—2008

	Pompei	Ercolano	Oplonti	Boscoreale	Stabiae
January	53.286	5.208	797	401	1.879
February	58.741	8.379	1.747	707	1.490
March	160.307	24.611	3.924	1.864	2.432
April	244.223	41.942		2.720	6.723
May	287.835	40.380	4.734	1.534	6.418
June	248.667	21.955	1.720	237	2.447
July	273.272	23.489	1.683	296	2.781
August	269.651	24.102	1.300	244	2.006
September	271.694	26.515	2.362	321	220
October	237.038	30.999	3.852	757	3.097
November	94.291	9.287	1.040	368	1.283
December	54.628	7.169	732	156	1.483
Total	2.253.633	264.036	30.422	9.605	32.259

Source Archaeological Soprintendenza of Pompei

Table 6.2 Number of visitors and receipts for Pompei, Herculaneum, Stabiae and Oplontis—Year 2009

Name of institution	Paying visitors	Total visitors	Gross receipts
Ruins of Pompei	1.519.100	2.070.745	16.369.855
Ruins e theatre of Ercolano	119.278	274.814	1.222.462
Ruins of Stabia ^a	0	28.418	0
Ruins of Oplonti ^b	1.650	29.536	2.872
Circuito Archeologico di Pompei e Ercolano ^c	35.278	35.278	683.190
Total	1.675.306	2.438.791	18.278.379

^a The entrance to the ruins of Stabiae is free

^b Visits with the payment of the cumulative ticket. Every Institute reports the free tickets and *artecard* pay ticket

^c The circuit consists of the ruins of, Herculaneum, the ruins of Oplonti Museum of Boscoreale, since March 2000

Source Our elaboration MiBAC data

other Soprintendenza, allocates resources, often insufficient with respect to the requests;

- the management of these resources is extraordinary, hardly reportable by the Ministry and therefore cannot be used as a tool for monitoring the performance of the Superintendent;
- the budget chapters of the SAP follow the logic of the financial accounting and are non-modifiable or manageable in the final statement¹⁰;
- in those resources are not included the costs of the personnel that are about ten times higher than ordinary funds transferred. It shows the absence of a true control on the main source of expenditure (Zan and Paciello 2003, 84);
- programming is also useless without control, either by the Ministry (SAP is not a stand-alone cost center) that towards the Soprintendenza.

We must recognise that the autonomy granted to the Soprintendenza of Pompei, laid the groundwork for the construction of a budget, which is configured as a tool for the programming of the interventions on the territory and as a tool that give more responsibilities at the institution.

Another innovation was the establishment of an administrative director, its activity is the direct collaboration with the supervisor, it involves the actual implementation of the plans devised.

However, the budget, given the general limits of financial accounting, takes the ticket revenues and royalties from the additional services (the data for 2009 are shown in Table 6.3) and from ministerial or external funds, see the revenues voice. In the budget is not included the costs of the staff, it will continue to burden the budget of the Ministry. This contradiction is not only a limit in accounting and informative, but it is also a lack of incentives for the management.

¹⁰ In addition, the assets in the balance sheet that do not appear under the Ministry. See Guzzo (2003, 18).

Table 6.3 Operating and financial data relating to additional services offered on the sites of the Archaeological Soprintendenza of Pompei—Year 2009

Museum	Data	Audio guides	Bookshop/Gadget	Guide visit	Total
Ruines di Pompei ^a	Customer	89.799	41.901	14.031	145.731
	Revenues	456.799	482.789	11.874	951.461
	Percentage	228.400	166.021	2.849	397.270

^a The restaurant service/self service set up in 2004 has been disabled on 02.06.2008 and was reactivated on 18.09.2009

Source MiBAC data

Since the first steps of the financial planning procedure is clear the predominance of bureaucratic or centralistic logics coherently with the exclusive financial nature of public balance sheet and the absence of any decisional power at local level, given the impossibility to shift resources from their destinations, as defined in the three-year plan without a ministerial authorization.

In the facts, these praxis bring to a reallocation of the resources obtained, that are anyway scarce, to internal subunits, generating a slowing down of the several activities of SAP, among which the excavation is the most damaged.¹¹

About the semi-annual reporting, the Superintendent sends a summary of the expenditure items at the Accounting Department of Central Government and the regional delegation of the Court of Auditors specifying the different orders of payment, attaching the documents, distinguishing the semi-annual appropriations from the residues.

The limits of this system have been highlighted by several authors.¹² Insufficient reporting forms at the suburban level (e.g., responsibility centers) and are evaluated only expenditure within chapters ministerial (Fig. 6.3).

In fact it's hard to quantify the only resources that the institution has to manage, as well as the total investment supported over the years by the Ministry, given the prevalence of the use of extra resources that are not reported in the financial statements, in addition to those already notes related to personnel.¹³

Lacking an overall reporting, that takes into consideration the amount of resources absorbed, also at central level, any planning and control activity is useless; in this way you give up the idea of a progressive accountability, and it witness to a consistent grow of management costs with relevant resources wastes.

¹¹ Zan and Paciello (1999: 63), about the excessive fragmentation of the different activities and the delays caused by these policies, report the example of the House of the Chaste Lovers, where excavations have been ongoing for over 10 years, just for the mechanism of internal allocation of budget resources allocated in proportion to the chapter by the Ministry.

¹² See: Zan and Paciello (1998, 1999), Bonini Baraldi (2007a), Guzzo (2003).

¹³ For a reconstructions see: Zan and Paciello (1999).

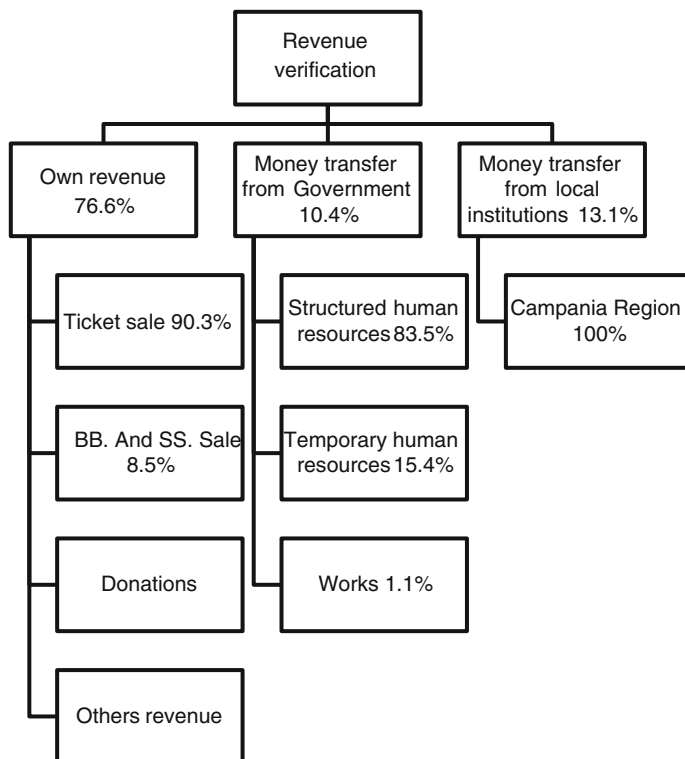


Fig. 6.3 The composition of the sources of financing of the Soprintendenza of Pompei *Source* our elaboration from MiBAC data

6.2.4 The Process of Reform in the Administration and Accounting of Autonomous Bureaus

The legislator has launched some initiatives to support public companies in the process of reviewing their organisational and accounting models, under pressure from doctrine and industry, in view of concerns raised by entities in adopting changes.

As part of this process, with specific reference to special and autonomous Bureaus, the “Regulation on the administrative and accounting and discipline of service flows of Bureaus with managerial autonomy” was issued by Presidential Decree on the 29 May 2003 no. 240. These regulations directly include some of the important innovations planned for public bodies by the more general Presidential Decree, 27 February 2003, no. 97.

The latter, suggesting—albeit implicitly—a unified system of economic financial and patrimonial accounting for monitoring the efficiency, effectiveness and viability of entity management is, in hindsight, one of the most important

attempts at harmonization between public and private accounting systems made by the legislator in the last decade.

The main changes introduced by the accounting regulations of the Special Bureau can be summarized as follows:

- the separation of the Special Bureau' budget from that of the Ministry;
- the introduction of the single treasury instead of special accounts;
- the possibility of including entity revenues, in addition to the payments made by the State, Regions and Provinces in the budget;
- the organisation of financial statements into Joint Responsibility Centers (JRC) and Provisional Budget Units (PBU);
- the express reference to the principle of economic competence and provisions set out in art. 2425 of the Civil Code for the preparation of the balance statement;
- the introduction of cost centres and responsibility centres in analytical accounting;
- the express reference to the principles of public body auditing and accounting policies.

These are, obviously, important innovations. For the first time an accounting system that integrates the analysis of financial management with an analysis of the economic aspect is introduced into the field of cultural heritage, and this is a real revolution for the PA, which has remained “stranded” for years on financial accounting systems that, objectively, cannot allow any real economic evaluation of business performance and results achieved through the management of significant assets.

What we are discussing, therefore, is not an irrelevant evolution for companies that operate in the field of cultural heritage because it allows, at least in the intentions of the legislator, to contain some of the most important limitations of traditional accounting systems and financial statements of public companies, like the aforementioned poor information generated to support internal decision making processes and to accurately communicate performance to the various categories of stakeholders.

In other words, it has strengthened the information content for users of financial statements, while enhancing the quality of the information.

The following figure proposes a stakeholder map including other recipients of the financial statements of the Special Bureau. It is a broad list of stakeholders which includes both people who gravitate within the boundaries of the enterprise, such as employees, internal control bodies, the Ministry of Heritage and Culture (Ministry of Culture), contract holders for ancillary services, private financiers, and individuals that are outside corporate boundaries, such as users, suppliers, tour operators, etc.

For a conscious participation to corporate life all these stakeholders have the right and duty to know about the conditions for carrying out the activities and everyday events of the company. In particular, stakeholders show interest based on

results and prospects in terms of cost and economic viability as the ability to meet the demands that they uphold. These knowledge requirements are shared by all those who provide contributions and expect rewards.

6.2.4.1 Financial Autonomy and Budget

One of the most important changes that have characterised the process of modernization of the cultural heritage sector is the introduction of a unified treasury system, in replacement of Special Accounting, in the Special Bureaus (art. 12 DPR 240/03), as happened years before in other public companies.

The introduction of this system, induced by the need to simplify financial transactions between individuals and the peripheral state, involves the Bureau opening a bank account at the provincial treasury of the Bank of Italy and the identification through a public procedure of a private credit institution entrusted with the management of the same bank account.

In this way, the private lending institution plays the role of CEO for all matters related to the collection of revenue and the payment of expenses recognised in the accounts. The relationship between the Bureau and the private bank is regulated by a specific agreement approved by the Board of Directors (art. 12 DPR 240/03).

The account opened at the provincial headquarters of the Bank of Italy is made up of an interest bearing account and a non-interest bearing account: the first is used for the entity's own revenue. The second is used for the financial resources transferred by the State and other public bodies.

Under the unified treasury system, payments of expenses of the Independent Bureau must be made by the bank using primarily, and subject to availability, the funds deposited in the interest-bearing account and only in exceptional circumstances funds from the non-interest bearing account (Article 1 of Law 720/84).

What has been introduced in art. 12 of Presidential Decree no. 240, represents a major breakthrough for two reasons, firstly it increases—at least potentially—the financial and managerial autonomy of the entity that will be able to plan its activities by relying not only on the payments made by superior levels of government, but also on its own revenues.

The latter in fact remain in the availability of the Special Bureau for the payment of the costs and are no longer channelled to the state budget to be later re-distributed by the Treasury.

On the other hand, it creates a bond of direct proportionality between the company's ability to create value and the financial resources available to the organisation, providing an important incentive to develop income-generating activities.

Although from a first reading of this provision, a picture of greater financial autonomy for the Special Bureau emerges than that which characterised the situation prior to the reform, a more careful examination of the entire regulatory plan, as observed by Bonini Baraldi (2007b, 86–88), reveals that the scope of the autonomy granted is actually lower than that it could potentially be:

- first, the State retains the ability to operate extraordinary levies from the Bureau's non-interest bearing account, in the case of budget cuts, even after having transferred the funds.
- secondly, by express provision of Art. 4 of Presidential Decree 240, in order to help rebalance the finances of the special and autonomous Bureaus, the Ministry of Culture may decree that a sum of up to 30 % of revenues (deposited in interest-bearing account) be channelled into the state budget account and reassigned by decree of the Ministry of Finance to refinance the expenditure of the Ministry of Culture.

These amounts are then divided among the Bureaus concerned, by decree of the same Ministry of Culture, in relation to their financial needs.

From these considerations, therefore, an essentially weak framework of financial autonomy emerges if we consider the real possibilities of deposited fund utilisation in interest-bearing and non-interest bearing accounts.

What is more, the substantial limits to financial autonomy are perceived considering that the provisions of art. 4 mean that deficit reduction is the responsibility of the ministry, so limiting the stimulus to contain expenditure, which would naturally have derived from a provision that, contrary to what happened, attributes the burden of restoring financial balance of the management to the Bureau itself.

The attribution to the Bureau of Museum Centres of areas of financial autonomy, albeit with the limitations outlined above, has produced important consequences also in terms of the budget and financial communications.

The provision of the possibility of independently managing not only funds transferred from higher levels of government, but also its own revenues that previously were channelled into the primary budget of the ministry in charge, has highlighted the need for a specific budget entrusted with authorizing function.

On the basis of these considerations, Presidential Decree no. 240, which defines the structure of the budget system of the Special Bureaus, states that the financial management of such institutions is carried out according to an annual budget approved by the administrative body and prepared based on skills and funding.

The budget, as outlined in the preceding pages, it is an accounting document that summarizes in financial and monetary terms, the overall management of the institution for the year to which it relates.

It is the technical instrument through which it expresses the authorization of financial accounting (Anessi Pessina 2000; Farneti 2001, 2004; Puddu 1984; Pozzoli 2001; Mulazzani 2001).

Through this tool, in fact, the decision-making body, namely the board and the Superintendent, direct the management activities of the executive bodies of the Special Bureau through the allocation of resources.

In order to ensure that all the sources and commitments of institution resources can be identified in the financial statements, the law regulates the content of the same through a precise classification of items of income and expenditure. There is provision for a predetermined coding of each item that allows to identify the economic and functional nature of the resources and their uses.

All income and expenses represented in the above document in accordance with the principles of integrity and universality of the budget must be shown in their full amount, without any reduction generated as a result of correlative expense or income.

The financial year to which the budget relates begins on January 1 and ends on December 31 of the same year. The administrative budget and the final balance refer to the same time frame.

The budget consists of:

- decision-making financial estimate;
- financial management estimate;
- economic budget;
- general summary of financial management.

The annual budget instead includes:

- the multi-annual budget;
- the program report;
- a table showing the alleged administration results;
- the board of auditors' report.

As is evident from the list above, the provisional budget consists of a financial quote with authorization function and a viability quote. The financial budget is then divided into decision-making (or political) and management quotes.

In the following pages we will operate a description of the financial statements of the Bureau illustrating their content and structure.

6.2.4.2 The Decision-Making and Management Financial Estimate

The prior financial or political decision-making must be articulated, both the revenue and expenditure side, in basic budget units (UPB) which represent the total financial resources entrusted to the management of a single centre of administrative responsibility. Such a centre should be headed by an officer or a director capable of assuming responsibility. The management budget, on the contrary, has a more analytical structure and is divided into chapters.

The greater articulation needed in this document is justified by the fact that it is the programming tool of the operating entity, the tool through which the manner and timing of the use of public resources independent of the Bureau is established in detail, consequently explaining the overall aim of the activity that becomes the object of assessment within the report.

The "Regulations concerning the administration and accounting of the public bodies referred to in Law no. 70 of 1975" requires that the revenue of the budget be classified into broad categories represented by the following titles:

- Title I—“current revenue”;
- Title II—“Capital revenue”;
- Title III—“Special management”;
- Title IV—“Clearing entry”.

Within each title, revenue and expenses are divided into categories (according to their economic nature) and chapters (according to the respective object).

The chapter can be defined as the basic unit of the budget, i.e., the most analytical datum that detects individual expenses and revenues that take place in the Special Bureau. The format prescribed by the legislator for the budget is to be considered binding for the division into categories, and has an indicative value for the specification into chapters, the latter fact may be reduced or integrated in relation to the specific needs of Bureaus. The object of the chapters should still be uniform and clearly defined.

Title I represents current revenues; these are the resources that flow into the institution systematically and on which it may rely on each occasion.

The revenues of Title II, however, are known as extraordinary. In other words they are capital gains arising from actions that are external from the ordinary management, such as a loan, sale of assets or, in the end, a capital transfer made by the higher-level of government.

The conceptual separation of the two categories of revenue is essential for the proper management of the institution and for the maintenance of the financial statement equilibrium. This is insured as long as, on the one hand, the funds deriving from current revenues are used to meet expenditure arising from permanent and systemic causes and, secondly, the resources arising from extraordinary sources are used for investment costs that are not ordinary.

Revenue in Title I, or current revenues, are in part independent of the choices of the institution. As shown in the figure below, in fact, it is not only its own revenues that fall into this category, those generated from the ticket sales, the alienation of assets, services (concessions, rents, rights of use and reproduction, royalties, etc.), income and capital gains, but also the current transfers from the State (including those of the Ministry of Culture), the Regions, the provinces, the municipalities and other public sector entities.

The first entry registered in the budget, or the expenditure, is the alleged revenue or deficit of directors at the beginning of the year to which the budget relates.

Among the revenues to be collected there is also the alleged amount of the cash fund at the beginning of the year to which the budget relates.

Title II includes the capital revenue, or the revenue from the sale of such assets as tangible, intangible and financial assets, as well as collection of credits.

It also includes revenue from loans, donations, sponsorships and finally the capital transfers arising from the State, Regions, Provinces, by municipalities and other public sector entities. Clearly, the forecast total capital revenue is zero since there are no transfers financed by the date of preparation of the budget, either by ministerial funds, because of a lack of guidance by the Ministry, or with autonomous funds, since based on the information provided by the Ministry for

Economics and Finance it is no longer possible to provide capital funding with coverage resulting from the proceeds of ticket sales.

Title III, as shown below, can be considered as a residual category in which the revenues that cannot be classified in the first two titles are inserted, in fact, it includes the income derived from segregated funds, i.e. management for third parties, exhibitions, as well as other revenues. The budget must be prepared by the Superintendent at least 15 days prior to the decision of the collegial body, and is then submitted to the Board of Auditors, which, at the end of their analysis, draw up a report through which proposes or rejects approval.

Within the month of October of the year preceding the reference year, the Board of Directors of the Bureau decide the budget to be sent, within 15 days, to the Ministry of Cultural Heritage and the Ministry of Economy and Finance for their respective approval.

The statement should be accompanied not only by the report of internal control, which contains, among other things, assessments of the reliability of revenue and the sustainability of costs, in a special report by the president of the institution.

The budgeted outputs are divided into four main categories represented by the following titles:

- Title I—“Current costs”;
- Title II—“Capital costs”;
- Title III—“Special administration”;
- Title IV—“Clearing entry”

All financial items relating to the current costs are placed in Title I.

It includes all the ordinary expenditures for the operation of the Special Bureau, such as those relating to the salaries of the institutional organs (board of directors, board of auditors);

Staff costs (social security and welfare, training, food stamps, healthcare expenses).

The cost of consumer goods and services (telephone, water, electricity, services, studies and research, cataloguing costs, property maintenance, consulting, insurance premiums, postal costs, etc.).

Financial charges and taxes, provisions for risks and charges, corrective compensatory costs on current revenue (reimbursement of tickets and other reimbursements), costs that do not fall into any other category.

Title II should contain all expenses related to investments in securities and real estate, therefore not “consumer” expenses, but transactions that result in a change in the assets of the institution. In this macro-category all capital expenditure should be represented, like investment expenditure to acquire assets and works of lasting use.

These are both the costs incurred for the purchase of securities and fixed assets (buildings, land, installations and machinery, furniture and equipment, vehicles and other assets) and the costs incurred for the construction of excavations,

restoration and extraordinary maintenance of artistic heritage (conservation, recovery and promotion interventions).

In Title II provisions for future releases and all transactions relating to the settlement of loans, advances, bonds and other debts are allocated, both those related to loans contracted by the Bureau to finance investments, and those intended to repay cash advances necessary to finance temporary liquidity needs.

This section of the budget includes only the capital repayment, not the interest expenses, which are instead placed in Title I among the current expenses.

Title III includes the expenditures arising from special management. It is, as in the case of revenue, a residual category in which the transactions that cannot be classified in the first two titles are inserted (outputs generated by management on behalf of third parties, exhibitions and other revenue).

Finally, Title IV houses clearance accounts. An example of a clearance account is represented by the amount of money allocated to the expenses Bursar necessary for the daily running of the independent Bureau, or what is withheld on income paid to third parties, which, to the extent they are held, will be subsequently repaid to the Treasury.

As anticipated above, in order to ensure the separation between political and management functions, the financial decision-making estimate works alongside the management quote.

The financial management budget is the main tool for the management of the annual programs, projects and activities of the Museum Centres.

The format prescribed by the legislator for this document has a more analytical than the budget of political configuration, precisely because of its function as an instrument through which the operational planning of the Special Bureau takes shape.

It is basically a different presentation of the decision-making budget that shows resource allocations on individual chapters.

Having completed a vertical analysis of the budget, useful to highlight the different categories of income and expenditure of independent Bureaus, it can be just as useful to view horizontal reading, in order to identify the information specified in budget for each category of income and expenditure. For each chapter of the budget indicates:

- the presumed amount of the active and passive residues from the previous year to which the financial statements relate;
- the amount of expected revenue and expenditure, which are likely to be used in the year to which the budget relates;
- the amount of revenue that is expected to be received and expenses expected to be paid in the same year with no distinction between competence account transactions and residual accounts.

Funding entered in the budget is subject to verification of its reliability, while expenditure is granted on the basis of the annual program that the Bureau intends to achieve and its concrete and operational capabilities over the same period.

The system's budget also includes a general summary of the financial management which shows a summary of the values of income and expenditure reported for the year to which it relates and the budget for the previous year, as well as a series of differential results that allow you to appreciate the financial balance of the current and the extraordinary accounts. An example of the summary table is represented below.

The rules governing the administration and accounting of the Special Bureaus also provides special tools for flexibility in budgetary planning, these are reserve funds, funding for budget changes and provisional budgets.

The reserve funds are designed to meet budgetary needs that are extraordinary, non-recurring and, therefore, cannot be planned for.

The use of these reserves is subject to the resolution of the board of directors. The funds which we refer are:

- the reserve fund for unforeseen expenses;
- the reserve fund for new and additional charges that may occur during the year.

As for changes to the budget, the Board of Directors after consultation with the board of auditors may decide the appropriate changes to the initial budget estimates if in the course of operations funding proves insufficient for the actual needs of the Bureau.

Any and all proposed changes to the budget must be approved by the Board no later than 31 October of the financial year to which the budget relates and forwarded for approval to the Ministry of Culture Heritage and the Ministry of Economics and Finance. In any case, the total expenditure involved may not exceed the total revenue established.

With regard, finally, to a provisional basis, the legislation provides that if approval of the budget does not intervene before the start of the year to which it refers, the Ministry of Culture Heritage may authorize, for not more than four months, the provisional budget based on the data of the budget of the previous financial year, setting limits on the amount.

6.2.4.3 The Economic Budget

One of the most important innovations introduced by the legislation on the Bureau budget regards the provision of a quote and a final statement prepared in accordance not only with financial, but also economic logic.

The provision of an Economic statement, by the Presidential Decree no. 240, represents an important development for the institution Superintendent of Museum Centres and, more generally, in the world of public companies in our country even though it has a secondary function as the authorization function is entrusted to the financial budget.

The importance of this provision lies in the fact that this document fills an especially remarkable information gap in the Bureau communications, which until

the adoption of the current legislation were required only to the present financial statements and elementary budget forms.

The budget statement recognises revenues and expenses that are expect in the various areas of management by the diverse responsibility centres of the Bureau.

The same document, in accordance with the principle of economic competence, contains not only comparisons of income and expenses that will occur in the financial year, but also the economic stakes that will not come about in the same financial year, as well as those from the utility of assets to be used in the management to which the quote refers.

Regarding amortization in cultural heritage it is spontaneous to wonder, what good tests are for the student of business administration approaching the study of companies in the sector. What are the criteria to be used for depreciation? What values should be used?

How to define the rates? What is the impact on the income statement of the different criteria to be used, especially in the presence of immeasurable value from assets such as those run by some Soprintendenza? What is the logic that leads to depreciation?

If the concept of depreciation is connected to the utility repeatedly sold to the manufacturing process and the provision of the sums necessary to replace assets when these exceed their useful life, then, given that these goods do not undergo technical obsolescence, making replacement unnecessary, and do not lose value over time, but rather acquire it, then there is a question of whether these goods should be subjected to depreciation or be excluded from it, at least if one intends to use the traditional criteria and approaches.

These are a series of questions that the doctrine of business management, and industry players will not be able to avoid when the concrete implementation of logical frameworks, principles and tools of business economics will become a reality for cultural heritage businesses.

Another important consideration, in this writer's opinion, is that the income statement budget, but this consideration also applies to the corresponding final document, does not consider the cost of staff.

The cost of human resources, in fact, is a direct burden on the finances of the Ministry of Culture, without being recognised by any of the financial statements of the Bureau, if not for what concerns the sum of compensations disclosed as current expenditure. It is therefore a hidden cost.

The decision of the legislator to exclude this component of cost/expenditure from economic reports and financial statements of the Superintendent of Financial Statements special, though justified by the fact that institutional employees are actually employees of the Ministry, produces a distortion in communication that cannot not be underestimated in the economic financial communication, especially when you consider the weight of these costs in the overall structure of the negative components of income.

In most cases these costs, in fact, exceed 50–60 % of the total costs, generating a considerable rigidity in the composition of expenditure.

Add to this that it is impossible to decide hiring and firing for themselves, or any other motivational or sanctionary tools makes staff policy very inflexible and inefficacious, with unimaginable consequences on the ability to plan, manage and control the business.

Another important limitation in the patterns of the income statement concerns the compensation cost, or the cost of those resources used by museums without any payment of any compensation to the owner.

These are for example concessions on loan of properties that sometimes house collections, the buildings in which the offices are located, as well as the services provided by non-profit organisations.

The quote is accompanied by economic framework reclassification of expected financial results, a sort of reclassification of the financial quotation that highlights the different partial results including production value, value added, gross operating profit, operating profit, surplus/balance/deficit budget.

6.2.4.4 The Final Budget

The final budget is the document that summarizes and demonstrates, with reference to a year, the results of operations of the Special Bureau through the following documents:

- Cash flow statement;
- Income statement.

The cash flow statement, prepared in accordance with the same articulation of the budget shows the results achieved by the body during exercise for revenues and expenses, separately for stocks, by category and by chapters, braking it down by competence and for residues. This is the document that allows you to appreciate the management from a purely financial point of view which is, as pointed out in the preceding pages, the preferred viewing angle within the accounting systems of most if not all, our country's public administration.

The income statement, on the other hand, must give proof of financial results achieved during the exercise. In this case too, in order to facilitate the comparison between the planning phase and what was achieved in the final balance, there is the conformity between the structure of the forecast document (quote or loss) and the articulation of the final document (income statement).

To ensure the informative function of the document compensations between positive and negative components of the income statement are prohibited, the same fact, if carried out, these would result in the "disappearance" of useful information to reconstruct and evaluate the management of the institution.

The provision of this document, drawn up in accordance with the principle of economic competence, expands the information content of the budget system of the Bureau. However, the lack of an explicit provision of an accounting system and balance sheet, in favour of one based financial centre makes, complex processing

notwithstanding, the real appreciation of the economic performance of the company very hard to determine.

The administrative situation is annexed to the final account, which must highlight the consistency of the treasury accounts and/or cash at the beginning of year, receipts and total payments made during the year, for charges and residual accounts, and the end of the year balance.

It must also highlight the combined total of the amounts remaining to be collected (active credits) and pay (overdue sums) at the end of the year, and the administration surplus or deficit.

The final accounts must be prepared by the Superintendent, together with an explanatory report at least 15 days before the meeting set by the Board of Directors for the deliberation of competence, it is then submitted to the college of auditors who prepare a special report.

The latter contains, among other things, a statement on the correspondence of the results of the financial statements with the accounting records, as well as assessments of management regularity and cost effectiveness.

The final figure, in the end, must be approved by the Board within the month of April following the end of the financial year and is sent within 15 days from the date of the resolution to the vigilant Ministry and to the Treasury, together with the administrative report, and the internal control organ report, with a copy of the account statement of the bank treasurer and the resolution of the board of directors.

The description made in the preceding pages regarding the structure of the balance sheets of the Special Bureau immediately highlights the limited scope of documents disclosure which are entrusted to an a posteriori explanation of the operating results.

The documents that make up the budget, although it is also provided for the preparation of the income statement, are in fact ill-suited both to the purposes of external communication, i.e. those directed to communicate the performance to stakeholders, and to inner communication, directed to support decision making of the management.

These are the documents that typically comprise the assessments of financial accountability entities and therefore all the criticisms and observations conducted by the doctrine which dealt with the theme and of which it has been said in the preceding pages are valid.

From the preceding considerations, it is therefore clear that the communication produced through the budget system of the Superintendent of Museum Centres is “unbalanced” on the financial perspective.

It is limited, in other words, to the communication of an economic nature, whereas patrimonial considerations are completely absent. In this regard it is worth noting that the legislature has chosen to avoid a patrimonial status report thereby avoiding an evaluation of the assets.

Although Presidential Decree no. 97, provides for a Balance Sheet among the constituent documents of the report, DPR n. 240, which also takes its cue from the

first, does not provide for the preparation of the same document for Special Bureaus.

While this prediction, on the one hand avoids the Superintendent having to address the non-trivial problem of measuring the value of the artistic and cultural heritage for which traditional methods at least create application problems, on the other hand, it greatly limits the communicative ability of the budget system.

The arrangement probably originates from the fact that the assets belong to State and are granted to the Superintendent "in use" for the realization of its mission. It is a provision which, although justified at first glance, on closer inspection raises issues that make it unattractive, at least on the part of business studies scholars.

To understand this, think, for example, of the inability to link the performance (economic and financial, but not only) of the Special Bureau to size of the assets it manages.

At a time like the present, where public debate does not only regard conservation of cultural heritage, but also how to making use of it, it is essential to appreciate the effect of management of the Independent Bureau on the heritage it has in trust.

The absence of a balance sheet, therefore, and the lack of an overall and detailed assessment of its assets, makes it difficult, if not impossible, to compare two entities operating in different parts of the country, by suppressing the natural and necessary stimulus to the improvement of performance.

The need, which is claimed in these pages, to prepare a specific balance sheet for the Special Bureau institution, perhaps following a civil plan with the usual purpose of harmonization of the accounting documents of the public sector with those for the private sector, can be justified by referring to other arguments.

The principle of substance over form, it is stated that with increasing intensity in the private sector, not least thanks to the efforts of the standards-setters who operate internationally, lead to the inclusion of the assets in the balance sheet regardless of whether they are themselves are owned by the company.

This is the case for example of leased assets. So, by giving precedence to the substantive elements over the formal ones would lead to an agreement on the necessity of a Balance Sheet for the Special Bureau, in spite of the fact that the assets are leased and therefore remain state-owned. There is need, however, for financial statements to provide such information.

An appropriate solution would seem to be to indicate these assets and their values in a specific section of the Balance Sheet allocated to activities inalienable properties or property of third parties, like the memorandum accounts, leaving the burden of describing the characteristics, the evaluation criteria and any other necessary information to the Integrative Notes.

6.2.5 *The Main Issues*

Quickly the experiment of Pompei showed the limits and contradictions, despite the changes required and despite the law would propose innovative objectives. First of all, the exclusion of the human resource administration that burden on ordinary income allocated by the central government.¹⁴

Although regulatory actions opened the way for a transformation of the institution in a managerial way and towards greater accountability, there were many constraints that have limited the effectiveness of those measures. Among these in particular was detected (Bonini Baraldi 2007b, 72): the adoption of the seniority criterion for the selection of members of the board of directors, an accounting regulations in accordance with the ministerial staff and management at the state level. Maintaining a setting “centralist”, which contrasts deeply with the innovative spirit of reform, has produced a number of important consequences on the management of the Superintendent.

The inability to recruit staff with appropriate skills to the needs of the Superintendent, such as technicians, conservators, architects etc. and the almost exclusive presence of vigilantes in the staff, together with the scarcity of financial resources has in fact caused the abandon of the conservation activities and restoration of archeological sites. This has resulted in a high decay of the site of Pompei, repeatedly denounced by local and international press, to the point of being subjected to the commissioner (unusually by the Civil Protection) in July 2008.

Some of the serious problems that led the Ministry to consider urgent measures were: the danger of collapsing in some areas, which make 65 % of the archaeological site closed to the public, stray dogs widespread, illegal building, few restorations performed badly.

While, as noted by the former Superintendent Guzzo (2003, 26) the total usable area after the granting of autonomy is increased by 30 % and also the financing has increased,¹⁵ the number of buildings visited was reduced from 64 in 1956 to the current sixteen (Zan and Paciello 1998, 101), with serious damage caused primarily by human action (Zan and Paciello 1999, 70).

Despite several interventions, Pompei still continue to have problems of supervision, coordination and management and, above all, there is not a strategy

¹⁴ Please note that the Autonomous Superintendence of is liable for the payment of expenses for staff only in the presence of any overtime.

¹⁵ Emblematic is the declaration of Guzzo (2003, 27): “It is not enough to have a larger amount of financial resources to ensure protection of cultural heritage. Just because those goods are qualified and distinguishable only in the grace of the adjective, it is only with a cultural approach that you can try to reverse the trend. And the culture passes through men, not through the money”.

for development, despite the huge historical, archaeological and cultural value of a unique site in the world.¹⁶

This has led some people to brush up an old project of creating a cultural foundation for greater autonomy and managerial flexibility. However, this solution is not without risk, because close to the benefits that could be derived by the operational simplification, there are dangers due by private interests, by clientelism and from the use of public funds for non-institutional causes, limiting the controls and transparency.¹⁷

6.3 The Will of Getty and Its “Translation”

The Getty museum was formally born in 1954 at Pacific Palisades in Malibu, and opened to the public in 1974, thanks to the philanthropy J. Paul Getty, a rich oilman who decided to create his own museum, after having contributed to the development of the Los Angeles County Museum of Art. During his lifetime and thereafter, Mr. Getty’s philanthropy enabled the construction of the Villa in Pacific Palisades and the Getty Center in Brentwood.

After Getty’s death in 1976, most of Mr. Getty’s personal estate passed -after the oil man revised his will 21 times- to the J. Paul Getty Museum Trust (here in after the “Trust”): the only stipulation was to use the bequest “for the diffusion of artistic and general knowledge”.

The Trust had to initially face tax and legal issues, so that it could manage Getty’s full bequest only in 1982, when the J. Paul Getty Museum became the most richly endowed museum, receiving a \$1.2 billion. The Trustees, once, then, had the availability of Getty’s bequest, had to decide what the institution would do with the income produced by its new endowment. They had to contribute to the visual arts by expanding the Museum and its collections, and creating a range of new programs to serve the world of art. The use of Getty’s fortune was narrowed by the law governing the trust regime, which indicates that trusts have to spend 4.25 % of their endowment three out of every 4 years in order to retain a tax-exempt status.

One of the most important operations consisted in the restructuring of the Getty Museum in Malibu and the creation of a second imposing Center on the Los Angeles’ hills.

The branch of the Getty Museum located in Malibu was renamed the Getty Villa in 2006, when it re-opened after a period of important reconstruction. Today, the building reproduces a Roman villa uncovered at Herculaneum, known as

¹⁶ In this regard, Zan and Paciello (1999) speak of a conflict between logic political, trade union and management.

¹⁷ Zan and Paciello on several occasions (1998, 95 and 1999, 74.), warn that the ideological simplifications, with managerial approach, they seem to reach some analysis of the relevant issues and more generally of the cultural heritage assets in our country.

“Villa dei Papi”. The Getty Villa—which conserves approximately 44,000 works of art from the Museum’s extensive collection of antiquities, of which over 1,200 are on view- is a museum and educational center focused on the study of the arts and cultures of ancient Greece, Rome, and Etruria. The Getty Villa reaches out to the public through a varied audience through exhibitions, conservation, scholarship, research, and public programs.

The Getty Center, designed by the architect Richard Meier, is located on a hilltop in the Brentwood section of Los Angeles. The land was purchased in 1983 and the Center opened in 1997 (Meier 1999). It includes the museum, a research institute, an art conservation institute, a digital information institute, an arts education institute, a museum management school, a grant program center, and the Getty Trust administrative offices.

On the other hand, the J. Paul Getty Museum at the Getty Center houses European paintings, drawings, sculpture, illuminated manuscripts, decorative arts, and European and American photographs.

The Trust –which changed its name to J. Paul Getty Trust in 1983- was originally organised in six programs: the Getty Museum, the Getty Conservation Institute, the Getty Research Institute, and the Getty Foundation, Getty Information Institute, and, Getty Education Institute.

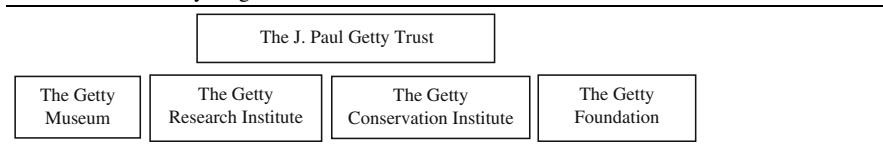
The Getty organisation currently has four programs, after having closed two original programs: the Getty Information Institute and Getty Education Institute.

The declared Mission Statement of the Trust argues that: “The J. Paul Getty Trust is a cultural and philanthropic institution dedicated to critical thinking in the presentation, conservation, and interpretation of the world’s artistic legacy. Through the collective and individual work of its constituent Programs—Getty Conservation Institute, Getty Foundation, J. Paul Getty Museum, and Getty Research Institute—it pursues its mission in Los Angeles and throughout the world, serving both the general interested public and a wide range of professional communities with the conviction that a greater and more profound sensitivity to and knowledge of the visual arts and their many histories are crucial to the promotion of a vital and civil society.”

The “need” to spend part of its endowment three out of every 4 years places Getty Museum in the particular condition to find prestigious art and culture goods to buy, without being accused of detracting masterpieces from other locations and organisations. In addition, Getty has been recently accused of having purchased antiquities looted from other countries (Felch 2005). The LA Times reported, even if this information does not seem to be confirmed, that Getty is trying to verify the histories of 45,000 antiquities in its collection (Felch 2013).

6.3.1 The Management of the Activities

As already pointed out, the purpose of Getty’s bequest is to disseminate the “artistic and general knowledge”. This intention has been interpreted (and it was

Table 6.4 The Getty' organisational chart

difficult to do differently) in an elastic manner. The general idea of the patron is pursued in different ways, thanks to the “need” for the Getty trust to spend, as required by the USA not-for-profit law, a predetermined percentage of the endowment income, which is in the case of the Trust a huge amount of dollars.

The Trust is organised in four programs (Table 6.4) to which specific funds are destined and which have different purposes, even if oriented to pursue the original mission of the Getty's will.

The focus of our analysis regards the Getty museum, which is today intensively visited and internationally recognised as one of the most important collections of ancient and contemporary works of art (see Table 6.5).

The J. Paul Getty Museum's mission consist in seeking “[...] to inspire curiosity about, and enjoyment and understanding of, the visual arts by collecting, conserving, exhibiting and interpreting works of art of outstanding quality and historical importance. To fulfill this mission, the Museum continues to build its collections through purchase and gifts, and develops programs of exhibitions, publications, scholarly research, public education, and the performing arts that engage our diverse local and international audiences.” (Getty Trust 2013a).

The number of attendees at the Getty Museum during the last triennial period (2010–2012) presents a decrease in the 2011 (5.8 %), while the number of visitors in 2012 has substantially reached the level of the 2010 visitors, as it can be inferred from the following Table 6.6.

Through scholarship, conservation, and professional development, the Getty Foundation seeks to advance a greater understanding and preservation of visual arts and, in order to pursue this objective, gives, among the other things, grants:

- to strengthen the practice of art history for innovative research;
- to further conservation;
- to advance professional development, providing leadership training opportunities.

The Foundation collaborates with the other Getty Programs in order to ensure that they individually and collectively achieve a maximum effect.

The Getty Research Institute is focused on “[...] furthering knowledge and advancing understanding of the visual arts and their various histories through its expertise, active collecting program, public programs, institutional collaborations, exhibitions, publications, digital services, and residential scholars programs. Its Research Library and Special Collections of rare materials and digital resources serve an international community of scholars and the interested public. The

Table 6.5 The most visited American museums in 2012

1	Metropolitan Museum of Art New York	6,115,881
2	National Gallery of Art Washington, DC	4,200,000
3	Museum of Modern Art New York	2,805,659
4	Getty Los Angeles	1,590,608
5	Art Institute of Chicago Chicago	1,438,158
6	SAAM/Renwick Washington, DC	1,231,983
7	Guggenheim Museum New York	1,188,839
8	LACMA Los Angeles	1,172,841
9	National Portrait Gallery Washington, DC	1,078,774
10	Museum of Fine Arts Boston	998,214
11	Freer and Sackler Galleries Washington, DC	869,743
12	Philadelphia Museum of Art Philadelphia	835,209
13	Hirshhorn Museum Washington	753,258
14	Museum of Fine Arts Houston	737,480

Source The Art Newspaper (2013), no. 245, Sect. 2, April

Table 6.6 Number of Getty Museum’s visitors during the period 2010–2012

	Visitors combined	Visitors Getty Center	Visitors Getty Villa
2012 ^a	1,590,608	1,207,203	383,405
2011	1,517,849	1,167,795	350,054
2010	1,611,395	1,205,685	405,710

^a Source The Art Newspaper (2013), no. 245, Sect. 2, April

^b Source The Art Newspaper (2012), no. 234, April

^c Source The Art Newspaper (2011), no. 223, April

Institute’s activities and scholarly resources guide and sustain each other and together provide a unique environment for research, critical inquiry, and scholarly exchange.” (Getty Trust 2013b).

The Getty Conservation Institute works to advance conservation practices for objects, such as collections, architecture, and sites. As with the other programs, the Conservation Institute seeks to disseminate information in the scientific community. From this perspective, the Conservation Institute focuses on the creation of knowledge in favour of the professionals and organisations responsible for the conservation of the world’s cultural heritage.

6.3.2 The Organisational Structure

As a non-profit private foundation, The Trust is an exempt organisation under section 501 (c)(3) of the Internal Revenue Code. It must file a Form 990-PF with the Internal Revenue Code each year. This annual reporting return provides information on The Trust’s mission, programs, and finances, including the fair

market value (FMV) of all assets, an analysis of revenue and expenses, and a complete listing of grants made.

The USA Internal Revenue Code provides that “The exempt purposes set forth in section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.”

Museums and art organisations fulfill “educational” requirements, and for this, can receive an indirect subsidy due to their tax-exempt status. American law takes into particular attention the NPOs’ management and governance. The community subsidises those entities to pursue social, educational and cultural purposes and it requires an adequate management of the available resources.

Part of the literature attributes significant emphasis on the selection and responsibility of the Board of arts organisations (Cray and Inglis 2011).

On the other hand, a body of the literature believes that an excessive attention on financial accountability and controls could distract from the entities’ real purpose (Sugin 2007).

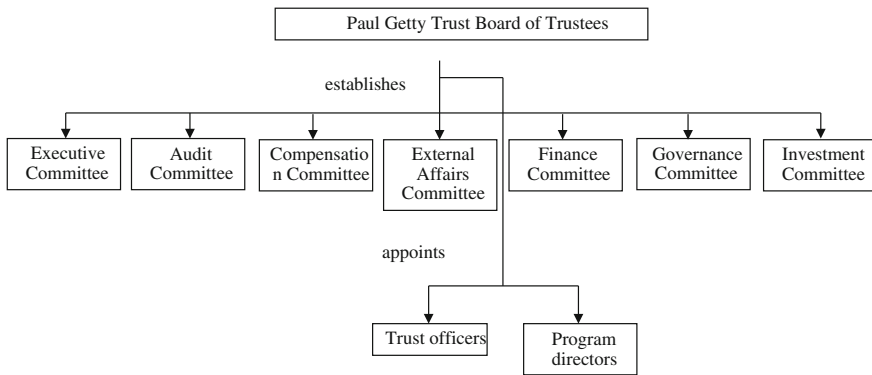
The Board of Trustees is the governing body of the Trust. The Trustees, as a board or through Board committees, set policies relating to spending, management, governance, professional standards, investment, and grant making. Trustees are elected for four-year terms, and may serve no more than three terms (Getty Trust 2012a).

The J. Paul Getty Trust Board of Trustees establishes standing and special committees to assist it in fulfilling its responsibilities as the governing body of the Trust (Table 6.7). Committees consist of three or more Trustees and meet prior to the full meetings of the board, with additional meetings scheduled throughout the year as needed. Under the bylaws, the chair, vice chairs, and president serve on all committees *ex officio*, except that neither the President nor the Chairs of the Finance and Investment Committees shall serve on the Audit Committee, and the Chair of the Audit Committee shall not serve on the Finance or Investment Committees.

The executive committee plays a significant role as it can substitute the full Board in taking any provided action, but only when it is not feasible for the full Board to meet, and will report any such action to the Board of Trustees no later than the next meeting of the Board. However, the executive committee cannot have any specific power exceeding the full Board and “shall not have the power or authority to:

- amend or repeal the Bylaws of the Trust or any resolution of the Board which by its terms is not so amendable or repealable;

Table 6.7 The governance of the Paul Getty Trust Board of Trustees



- establish any committee of the Board, or revise the charter of any committee, or appoint members to any committee;
- delegate its authorities or power; remove Trustees from office; fix the compensation of officers of the Trust; change the number of authorized Trustees or fill vacancies on the Board; and
- exercise any authority or power that must be exercised by the full Board in order to be valid and proper.” (The J. Paul Getty Trust 2006a).

The Audit Committee assists the Board in issues relating to management and governance practices, internal control, accounting policies, relations with external auditors and financial and other forms of reporting practices.

The Compensation Committee assists the board in fulfilling its responsibilities for establishing and overseeing the overall compensation and benefit policies of The Trust. The Committee has acquired specific relevance after the California Attorney General’s office concluded its investigation of governance and oversight issues of the Trust in 2006, as a consequence to a series of articles in the Los Angeles Times. The investigation concluded that the Trust did not break the law and that the compensation of the former President of the Trust was reasonable (State of California 2006). Notwithstanding, the investigation evidenced the existence of management deficiencies and lacking internal controls. This evidence led to a review of the governance.

The External Affairs Committee is responsible for helping the Board to communicate the Getty’s vision and mission, as reflected in the four programs to general and targeted audiences in a way that builds, enhances and sustains a positive reputation. The Committee specifically assesses and approves the strategic communication plans, reviews the internal communication programs and encourages, as appropriate, an open communication with local, state and federal government officials.

The Finance Committee assists the board in fulfilling its oversight responsibilities with respect to budgetary and finance matters, financial management and policy, capital expenditures, and use of the endowment of The Trust.

The Governance Committee supports the Board with respect to matters of operational strategies and structures, policy of the Trust governance, identification and recommendation to the Board of Trustees about candidates to serve as Trustees.

The Investment Committee takes into account the monitoring and overseeing of the performance of The Trust's investment programs regarding, among others, the Trust's endowment, pension plans, donor accounts, the determination of appropriate levels of staff, risk analysis, etc.

In order to achieve its mission, the Board appoints some officers with specific skills and experiences and four directors, one for each program of the Trust.

6.3.3 The Financial Management

The Trust decided not to have tickets paid, so to pursue its mission in the best possible way. This implies that the museum does not generate revenue from its visitors. The funding source is essentially constituted of grants, donations and, first of all, returns from financial instruments. This model produces varied performance from one period to another. For instance, the 2011 net investment income was of \$992K, while the 2012 period presents a result of approximately \$28K.

Revenue from sales and contributions are approximately of \$47K in 2012 (\$31K in 2011).

The Trust can manage relevant resources. However, it experienced financial difficulties in 2008 and 2009, of 1,487 budgeted staff positions 205 were cut in order to reduce costs. The Getty Trust endowment reached \$6.4 billion in 2007, but it dropped to \$4.5 billion in 2009. The 2012 budget is \$5.3 billion, coming approximately back to the level pre 2007 (Table 6.7).

The Trust decides, then, how to allocate the endowment, always taking into consideration the whole mission and the coordination among the four programs.

6.3.4 The Reporting of Heritage Assets

The Trust owns an enviable collection of art. As already highlighted, the Trust possesses more or less 44,000 works of art.

The most recent financial information concerning the heritage assets (HAs) possessed by the Trusts is recoverable by the 2012 financial statements, prepared in conformity with the USA GAAPs, and by the Form 990-PF, prepared in compliance with the relating fiscal requirements enacted by the IRS.

Financial statements separately present the HAS’ value (FASB 1993). The relating notes argue that “Collection items are recorded at cost if purchased or, if contributed, at appraised value at the date of contribution”. In substance, the appraisals should determine the cultural goods’ fair value as well (Table 6.8).

The financial statements –which are audited by external professionals- present an heritage value of around \$2 billion dollars.

The integral disclosures included in the notes to the financial statements expose an illustration of the accounting policies applied to the heritage valuation. The description is produced in the following box.

The notes highlight that the HAS’ management implies other financial reporting consequences. Due to the potential claims made by individuals (institutions and countries), the entity decided to feed a reserve and to impair the collection’s value. The reserve is, then, potentially used to balance the return of antiquities to the original proprietorship. The Notes to the 2008 Financial Statements clearly explains the reserve’s mechanism: “The Trust established an antiquities reserve of \$45,685,000 during the year ended June 30, 2005, increasing it to \$50,265,000 as of June 30, 2006 as a result of additional information provided to the Trust. The reserve decreased slightly as of June 30, 2007 due to the return of two items to the government of Greece. During the year ended June 30, 2008 thirty-nine items were returned to the government of Italy. One additional item remains on loan to the Trust until 2010. This reduced the reserve to \$6,037,000 as of June 30, 2008.” (The Getty Trust 2008).

Box 6.1 Disclosures of the collection included in the notes to financial statements of the “The J. Paul Getty Trust”

(e) Collections and Other Assets

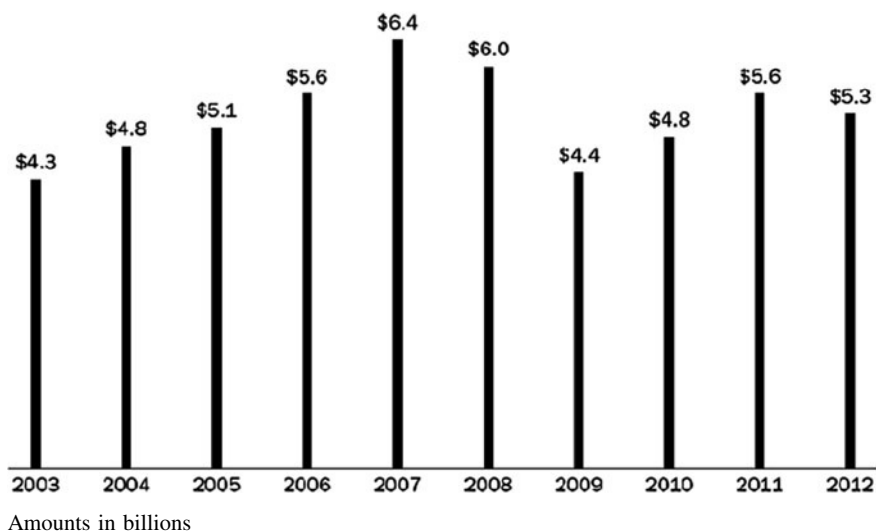
Included in collections and other assets are the Trust’s collections, which comprise art objects, artifacts of historical significance, and the research and photographic libraries that are held for exhibition and educational, research and curatorial purposes. Collection items are recorded at cost if purchased or, if contributed, at appraised value at the date of contribution. As of June 30, 2012 and 2011, the Trust’s collection totaled \$2,058,956,000 and \$1,990,029,000, respectively.

The publication inventory, also carried as a component of collections and other assets, is carried at the lower of cost or estimated net realizable value, totaling \$5,143,000 and \$5,076,000 at June 30, 2012 and 2011 respectively.

Objects in the Trust’s collection may be subject to decreases in value due to changes in attribution. In addition, objects in the Trust’s collection may be subject to forfeiture or other claims made by individuals, for example objects appropriated during the Nazi era, or by countries related to the return of cultural property. The Trust closely monitors these risks, and when it is determined that the value of an item may be impaired and the loss can be estimated, the Trust adjusts the value of the assets by establishing a reserve. As of June 30, 2012 and 2011, the Trust’s reserve totaled \$3,976,000.

Source The J. Paul Getty Trust (2012b), Financial Statements. June 30, 2012 and 2011 (With Independent Auditors’ Report Thereon)

Stakeholders can know something more about Getty’s heritage consulting the entity’s Form 990PF. HAS which are acquired by a donation have to be evaluated at their fair market value (FMV). The requirement to apply the FMV basis of value

Table 6.8 Endowment value

Footnote Endowment Value is from Financial Statements and includes investments net of payables and receivables, investments loaned under a securities lending agreement, and it excludes investments whose use is limited

Source The Getty Trust (2013c), Calendar Year Endowment Value

regards, more specifically, donations made to charitable NPOs, in order to determine the donated items' value and the correlated benefits for the donor, in the case that the donated work of art is maintained and exhibited by the charitable organisation.

It is appropriate to recall that the fiscal FMV is defined by the Publication 561 enacted by the IRS (2007) as “[...] the price that property would sell for on the open market, it is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant fact.” The definition is substantially identical to the one provided by the FASB with the SFAS 157 (2006).

The IRS provides both general guidelines to measure the FMV and a specific procedure in order to finalise the operation at a fiscal level. In relation to the procedure, it is worthwhile to briefly address that artwork donations having a value of \$5,000 or more requires an appraisal made by a qualified appraiser; if the artwork donations is of \$20,000 or more, the IRS requires additional information; lastly, if the contribution is of a value of \$50,000 or more, an internal “Art Advisory Panel” has to consider the appraisal (and, whereas necessary, to modify it) and to produce a Statement of value (Breus 2010).

As far as HAs' representation, the Form-990PF comprises a more articulated classification concerning the distinction between fine art collection and research library amounts.

In addition, the Form-990PF separately provides (Box 6.2) the collection’s ending book value and ending FMV.

As it can be inferred from Attachment 14, there is a quantitative difference between the fine art collection and research library ending book values and FMVs. The reason has to be found in the previously mentioned provision related to cultural properties’ claims

The Trust’s performance cannot obviously be judged only on a financial basis. This is the clear reason for which significant art organisations publish non-financial reports. The Trust issues a yearly report illustrating the initiatives taken during that period. In this context, the Trust describes the operated acquisitions. By the report, for instance, users can obtain information about the acquisition of the Édouard Manet’s Portrait of Madame Brunet, the Jean-Antoine Watteau’s The Italian Comedians, and 69 works by the Los Angeles photographer Herb Ritts.

Box 6.2 2012 Form 990PF, Part II—Other assets, attachment 14

	Attachment 14	
Form 990PF, Part II—Other Assets		
Description	Ending book value	Ending FMV
Interest and dividends receiv.	53,297,623	53,297,623
Receivable on investment sales	121,726,299	121,726,299
Trade receivables	769,837	769,837
Employee receivables	44,019	44,019
Deposits on fixed assets	209,348	209,348
Pre-publication costs		
Fine art collection	1,836,705,422	3,361,348,952
Research library	222,250,894	415,212,233
Miscellaneous receivables		
Total	2,235,003,442	3,952,608,311

6.3.5 Issues

The investigation operated on the Getty Museum management and reporting gives the chance to propose some considerations.

First of all, the governance has been quite often revised during the past years, also in relation to the Attorney’s investigation, which highlighted deficiencies in the utilisation of the available resources. Due to this, the Trust seems to have created adequate internal control policies and procedures, maintaining, at the same time, a flexible structure.

Furthermore, the USA law permits the external introduction of some additional control elements –e.g. the provision of independent Trustees- in order for Getty to adhere to the appropriate standards for non-profit governance. This intervention is necessary, not only because, in general terms, NPOs are supported by all tax-payers, but also because, in specific terms, Getty manages heritage which belongs

to the community; due to this it should demonstrate that resources are managed in an efficient way, so as to ensure HAs' appropriate conservation.

As far as collection reporting, it should be asked if the adoption of the accrual basis of accounting in the HAs measurement contributes to the determination of a reasonable level of accountability. The collections' book value is not representing the goods' total fair value. As highlighted above, the Trust, according to the USA GAAPs, impaired the collection's value, in order to reflect the potential risks of claims in the financial statements. In this case, users can obtain information concerning the collection's "accounting value", which does not coincide with the collection's fair value.

Is this disclosure useful? What is the information benefit for a stakeholder? Is Getty oriented to sell those goods? The perception is that presenting the total collection value as an off-balance sheet items would have contributed, for the reasons expressed in the previous parts of the Manuscript, to an exhaustive entity's heritage description, leaving at the balance sheet the duty to represent the available resources, which can be used to guarantee an adequate management (and development) of the voluminous collection and diffusion of knowledge.

In this context, the qualitative disclosures concerning HAs accompanying the quantitative measurement could have been more exhaustive, providing information related, for instance, to the description of the most important operations made during the represented period and to the appraisal procedures.

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Chapter 7

Conclusions and Limits

This study intends to create an opportunity for discussion on the world of cultural heritage. In order to achieve this aim, the issue has been analysed from different perspectives (law, economics, business economics and financial reporting), producing different and varied considerations.

The Italian situation presents some criticalities, as the slowness of innovation, compared to other public administration fields, and the difficulty to introduce, whereas appropriate, business principles and, in particular, cost effectiveness.

Our attempt, starting from these points, was to identify the reasons for these criticalities, taking into consideration other practices, such as the USA.

The attention to cultural heritage as a resource in Italy was founded quite recently, unlike the normative approach to preservation that has ancient roots. Substantially, both regulation and general economic approaches were oriented to a static approach to the sector, highlighting the need for public intervention and the absolute priority to safeguard the enormous cultural heritage.

This system, however, is undermined by the basic principles of these approaches: the lack of public resources, the absence of sector planning, due to the low weight of the Ministry, the limits of preservation activities, related to the ineffectiveness of coordination and conflicts of jurisdiction between the actors.

The need of a systemic approach arises, to overpass the orientation to protection, as unique activity related to cultural heritage and to state as unique financier.

This delay is caused, apparently, by the difficulty of accepting the new vision, both for art historians, that are the most numerous actors of the system, and for legislation, that takes several years to develop the implementing regulations, contributing to confusion.

The aversion of conservationists to any issue dealing with economy, companies, markets and private sector, due not only to a misconception and retrograde vision, but also to a presumed superiority and purity of cultural assets or even to a merely

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aesthetic vision and elitist culture. This approach, that is widely spread in this industry, ignores its systemic usefulness, since it considers the asset isolated from territory and institutions.

In addition to ideological considerations, often underlying those guidelines, following this way it seems that the role of cultural heritage loses its meaning as real manifestation of human work and of his culture, values, intelligence, that have been accumulated over history in a certain territory.

In this context, the USA approach could present some positive ideas, even if only partially applicable, in the consideration that the environment, the cultural heritage and the model appear quite distant.

Consistently, the management approach recognises the value of an asset only as a function of the relationship between a subject and an object, and, with reference to cultural heritage, it considers them not an unproductive expenditure or a generator of costs, but an economic resource that can generate value through their use.

From this perspective, the USA model, in relation to the original lack of antiquities, is more oriented to emphasise aspects related to the valorisation of cultural goods rather than the preservation of the existing heritage.

Many museums host temporary exhibitions and special events very frequently, in order to combine these attractions with the “usual” visits to the collections.

The underlying assumption is circular: the resources used in preservation allow the enhancement of assets and their enjoyment by public, while the resources that come from this may be reinvested for further preservation initiatives, and so on, or use for the restoration of other goods, thereby fueling further circuits.

The value creation in cultural heritage is to be understood as the capacity to allow, given structural constraints and environmental conditions, the maximum circulation of assets, and for this reason the “company” can be useful.

In this sense, a systematization has been attempted, according to variables such as autonomy.

The issue should be placed exclusively in financial terms, because this is the system of accounting used, although law has defined accrual matrix or at least mixed balance sheets, but these are not yet used in any case. Also in this case it is useless to reiterate the limitations of this approach and the problems related to the lack of control tools or other managerial tools.

Finally, and it seems the most critic point, financial statements do not show personnel expenses, as it is entirely in charge of the Ministry.

The arguments presented, even with insufficient empirical evidence, at least represent an attempt to further expand the business management view from which to observe cultural heritage assets.

The managerial path followed is the relational approach, in the perspective of having benefit from the open confrontation with other disciplines. In the first instance, the commitment should work with those operators who study cultural heritage, not in a business management key.

In addition, the expansion of systemic vision requires to extend the collaboration with the actors involved in cultural heritage enhancement, making an effort, even creative, to assume new frontiers in the field.

In this direction, that is the search for a balance between value and cost-effectiveness purposes, could go further studies. This theme assumes, in the perspective of public companies and public services, a broad scope, because on one hand it leads us to reflect on the degree of implementation of private sector instruments and tools of these institutions and on the other hand to consider outcome tools and innovative control methodologies that are useful for a broad category of stakeholders, whose interest have to be balanced in order to achieve an economic equilibrium over time.

On the contrary, the delegation of many cultural activities to NPOs allows the American museums and art organisations to be flexible in their governance. This permits institutes' governing bodies to build (and eventually revise) the entity's governance and organisation, so as to pursue the predetermined mission in the best possible way. The Getty Trust, for instance, has revised its bylaws six times in the last decade.

Regarding control mechanisms, it is arising a model that, after passing the bureaucratic vision, is oriented to managerial control, intended as social and/or relational.

A control that is participated, from the bottom, starting from the clear definition, communication and sharing of policy priorities in planning stage, to a reporting using appropriate means, to be followed by rewards or sanctions. A mid-term control, with intermediate or neutral bodies, especially in cases in which, as for cultural heritage, it is difficult to measure with certainty the output.

There is no doubt, however, that this perspective would increase exponentially the complexity of the network, requiring new nodes, new skills, new resources, etc. and amplifying the risks of precarious equilibrium already present, especially in the case in which there are networks based on participatory and equal coordination, without recognised leadership.

With the risk increase however, could come potential enhancements of value created and a wider dissemination of assets knowledge.

On this objective could converge the interests of individuals and businesses, in order to reconstruct the model that over the centuries has determined the creation of our cultural heritage.

From this perspective, the Soprintendenza and the Getty's financial reporting models come to different solutions.

The Soprintendenza applies the local rules concerning the preparation of budget and financial statements essentially in order to comply with the related norms, oriented to determine the allocation of the ministerial financial resources. The revenue from attendees is not sufficient to cover the total expense. This is substantially in line with the theory of "public goods" and the need to delegate, among others, heritage maintenance to the public sector. Budgeting and financial reporting have an internal function and are not oriented to legitimise the institutional activity to the community; from this angle, it should be noted, for instance, that financial data is not available on the web site.

The USA model and the Getty museum's case start from a different approach. The USA cultural system relies upon a capillary and disseminated number of

NPOs, operating in the field of culture and art. The tax-exemption for NPOs satisfying specific criteria assumes that these entities operate by substituting the public sector agencies and that they demonstrate a high level of transparency and accountability. In the specific case of museums, NPOs have to operate as “trustees”, as they conserve goods which belong to the community rather than to the entity itself.

The entities’ management starts from, and relies upon, financial data. This is quite normal, in the consideration that the biggest organisations base their funding not only on tickets and non-reciprocal transfers, but—in some cases—also on investments. The Getty Trust is subject to a credit rating process, as Chrysler or Pirelli. In this context, the heritage accounting has to be addressed.

The Soprintendenza applies a commitment/cash basis of accounting, which automatically excludes the HAs’ measurement. The possessed HAs are not acquired and are not destined to be sold, so the accounting essentially reflects the cash inflows and outflows respectively related to the conservation and maintenance, and visitation of the ruins.

The HAs’ measurement of the Getty museum’s collection is measured and presented in the financial statements, basing the carried out value on experts’ judgements.

The doubt which has been proposed in the corpus of the work concerns the usefulness, for stakeholders, of measuring and reporting the Getty museum’s collection or Pompei’s ruins. Are stakeholders willing to know the financial value of these work of arts? Entities usually do not intend to use their heritage to satisfy their obligations and they manage these elements on behalf of the community. Is it correct—for art organisations applying the accrual basis of accounting—to expose the HAs’ values with financial instruments, receivables and other assets?

The solution, already delineated in the body of this work, could be to present—taking into considerations the principle of relevance—the HAs’ valuation off-balance sheet, in the notes or, otherwise, as a qualitative description. This would help stakeholders comprehend not the financial value but the value “attributed” by holding entities to cultural goods, even in relation to their destination and, consequently, could allow citizens to understand the entities’ management of these public goods. This valuation is not necessarily related to the basis of recognition applied by entities and ignores the fact that an art organisation adopt a cash basis or an accrual basis of accounting. In this context, entities could use the measurement criterion, which is believed to be appropriate, irrespective of the GAAPs’ requirements.

Ultimately, it should be remembered that financial values are only a part of the information, that stakeholders would like to obtain in relation to HAs. This is the reason for which the preparation of other forms of reporting by significant art organisations appears in many cases crucial to express an exhaustive judgment upon the entity’s operations.