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Master Thesis

OPERA HOUSES FACING THE GLOBAL ECONOMIC CRISIS

Adaptable managerial strategies

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Table of Contents

1. INTRODUCTIONARY CHAPTERS	3
1.1. Introduction	3
1.2. The aim of the thesis.....	4
1.3. Methodology.....	4
2. THEORETICAL BACKGROUND	6
2.1. Opera as an art genre	6
2.2. Opera as an institution	11
2.2.1. Organizational structure of Opera Theatres.....	12
2.2.1.1. Strategic objectives in Opera House management	13
2.2.2. Producing principles and repertory policy.....	21
2.2.3. Sources of funding.....	24
3. ECONOMY OF CULTURE	26
Understanding relevance of economic issues in contemporary cultural management	26
3.1.1. Models of financing culture.....	28
3.1.2. The economic crisis.....	32
3.1.3. The impact of economic crisis on culture.....	34
4. OPERA CONTEXT IN SERBIA	38
Case study of Opera of the National Theatre in Belgrade	38
4.1. Introduction	38
4.2. Management models.....	40
4.2.1. Legal status and governance mechanisms	40
4.2.2. Organizational structure	41
4.2.3. Producing principle and repertory policy criteria.....	45
4.2.4. Sources of funding.....	47
4.2.5. Audience.....	52
4.3. Impact of the economic crisis on Opera of the National Theatre in Belgrade.....	55
4.4. Conclusions	58
5. RECOMMENDATIONS AND SOLUTIONS FOR THE OPERA OF THE NATIONAL THEATRE IN BELGRADE	61
5.1.1. How to redefine image and identity of the Opera of the NTB?.....	62
5.1.2. How to diversify financial and human resources in Belgrade Opera?	63
5.1.3. How to attract various audiences to the Opera of the NTB?	65
5.2. CONCLUSION	67
REFERENCES	69
ABOUT THE AUTHOR.....	75

"In the middle of difficulty lies opportunity"

Albert Einstein

1. INTRODUCTIONARY CHAPTERS

1.1. Introduction

Almost every day one can witness the cancellation of productions and the closure of opera houses and theatres worldwide. It seems like not many of them were actually prepared for the following period, although the economists anticipated negative financial impact to the cultural sector long before, in regard of its large dependency on the other social actors and segments of the society, it seems like not many subjects of the cultural, namely artistic sector, were prepared properly for the upcoming period. The consequences were inevitable in that case.

By reading newspaper or watching television lately, it has become common thing to hear that an opera house is facing financial collapse. Headlines as those like: *"Opera Atelier singing sad song"*, *"... Opera threatened by economic crisis"*, *"National Opera poised for deep staff, programming cuts"*... are filling opera-critics websites. Financial crises deepened and it overwhelms all segments of the global society.

But not only is the bad impact to be considered as crisis' outcome, the current economic crisis might be encouraging for operas and can push them to experiment with marketing and programming activities in some new directions. Opera managers must approach the crisis with forward-thinking attitudes. New visions and organizational approaches may evolve through a cooperative effort to ensure the growth of individual Opera theatres and the field as a whole.¹

¹ Anheier, Helmut, *How can the cultural sector survive the financial crisis?* LabForCulture, European Cultural Foundation, Amsterdam, 2005/06

1.2. The aim of the thesis

The aim of this paper is to question and identify the possibilities and potentials for Opera of the National Theatre in Belgrade to overcome the hard times of the Global Economic Crises, when far more consolidated Opera organizations lose ground facing serious funding cuts, or even closures. The main hypothesis elaborates if Opera house could ensure its sustainability and improve its artistic quality in turbulent and unstable times by considering crises as a challenge. What measures would be required to respond to that challenge responsibly and how to implement those measures? It seeks to identify problems and analyze current situation while researching the Belgrade National Opera as the main case study. By giving recommendations and proposing adequate strategic tools, the thesis intends to underline the need of Belgrade National Opera for change to become more visible in contemporary cultural environment in Serbia as well as in the region, by becoming more communicative, extroverted and responsive to the wider audience and by improving its artistic quality.

1.3. Methodology

This thesis belongs to the field of cultural management for non-profit art institutions, specifically related to opera. It deals with management of this particular art organizations in hostile environment - in time of one of the greatest financial crisis in recent history.

The methodological approach in the first part of the thesis is examining theoretical writings on opera in a broader sense, by giving the theoretical overview of the artistic form, through opera as a cultural experience, and at last opera as cultural institution. Study emphasizes three fundamental aims of opera houses and its mutual conflict: artistic, economic and social. In this part of the research numerous relevant literature has been consulted (Auvinen's PhD thesis *Unmanageable Opera*, Bereson's article *Exploring semantics of opera*, Towse's *Handbook of cultural economy*, Chong's *Arts management* etc.) in order to give the more illuminating picture of the problematic. The first part of the thesis ends in anticipating the upcoming chapter, by opening the financial issue.

Further in the study field of cultural economy has been processed through 'models of financing culture' and 'economic crisis' stressing the impact of the crisis on different

cultural groups by exploring theoretical writings as well as analyzing the existing data. Here we rely on Chartrand and McCaughey theoretical frameworks.

It is constructed on a conceptual framework based on relevant literature which is further built by the results of the mainly field research, but also by the analysis of the processed results (secondary research) evident in case study.

The case study represents an outline of contemporary state of Belgrade Opera, while giving the overview of opera repertory policy, current management and organizational structure, audience attendance, sources of funding.

The last chapter gives the recommendations and solutions for identified problems relying on theoretical classification from the book of Milena Dragičević Šešić and Sanjin Dragojević “*Arts management in turbulent times. Adaptable quality management*” published in 2005 by European Cultural Foundation.

2. THEORETICAL BACKGROUND

2.1. Opera as an art genre

“Opera” is derived from Latin word *opus*, which literally means ‘*work, labor*’.

There are many definitions of Opera, putting to the fore either its dramatic character or richness of the musical expression. Interpretation of Oxford English Dictionary says:

A dramatic musical work in which singing forms are an essential part, chiefly consisting of recitatives, arias and choruses, with orchestral accompaniment.

Similar to previous definition there is another one, coming from music theorists and it is also based on a structure of the musical form, it describes opera in these words:

*Opera is a scenic vocal-instrumental work, which, as every other drama form, consists of acts that later consist of scenes.*²

As a matter of fact neither of these definitions did not lead us to closer insight of the nature of this art-work, nor explained the strength of opposite feelings which the term induces. In order to finding the adequate definition which will give a greater context we are consulting another source and here is what *The New Grove Dictionary of Opera* asserts:

*Opera is here understood to mean, primarily, a work belonging to the genre that arose in Italy about 1600. Broadly, we have aimed to regard that genre as comprehending works designed for performance in theatre, embodying an element of continuing drama articulated through music, with words that are sung with instrumental support or punctuation.*³

² Skovran D., Peričić V. *Nauka o muzičkim oblicima*, Univerzitet umetnosti, Beograd, 1991, p.332, (Skovran D., Peričić V. *Science of musical forms*, University of Arts, Belgrade, 1991, p.332)

³ Sadie, Stanley *The New Grove Dictionary of Opera*, Oxford University Press, 2004, Foreword, p. IX

Tim Carter, Australian musicologist, claims that opera is the most difficult of all genres⁴. He also finds that it raised essential problems concerning the aims and effects of music, drama, and the arts in general that could not be neglected. Moreover, these problems remains as valid today as they were to the first composers, librettists, and patrons of opera; and the history of opera is a history of repeated attempts, diversely conditioned by time, place, and circumstance, to find their solutions.

It is obvious that most references to *an opera* focus on descriptions of the musical form itself, in brief it follows from the above: opera is performed work comprising music and drama. But can one define a broader meaning of this term, the phenomenon of the art-work, its nature and environment in which it operates? Even an attempt to do so generally provokes sincere discussions and heated debates whether from its supporters or detractors. Ruth Bereson did an extensive research on this issue and here is what she says:

*The moment one utters the word 'opera', one's interlocutor is not indifferent, immediately responding with highly charged statements in support of it or against it.*⁵

In order to give more illuminating picture of the term, we must look back to the history of the art-work from its inception to more recent times.

*Because of its conspicuous consumption, its lavish mixture of theatrical and musical resources, opera has almost always been surrounded by elaborate social and political display, by demonstrations of economic power and cultural elitism.*⁶

Long before opera occupied the stage, music was used in the theatre (the first through-composed music-dramas appeared on the stage in Florence in the mid-1590s⁷) and it had a crucial role to play within the politics of splendour that lay at the heart of courtly endeavour. Theatrical entertainments provided one means for the articulation and

⁴ Carter, Tim *The Oxford Illustrated history of opera*, Oxford University Press Inc., New York, 1994, Chapter 1

⁵ Bereson, Routh *Exploring the Semantics of Opera*, Article from Monitor ZSA vol. VIII/no.1-2: REFLECTIONS ON OPERA, publisher: Tropos, 2006, p.17

⁶ Parker, Roger *The Oxford Illustrated history of opera*, Oxford University Press Inc., New York, 1994, Foreword

⁷ Ibid 4

control of both celebration (i.e. birth of an heir) and crisis (i.e. death of a duke) as manifestations of the glory and permanence of a ducal state. Though such manifestations may seem most obvious during the first two centuries of operatic history, in particular during the phase of so-called ‘court’ opera, they have continued with remarkable resilience during more recent, more democratic times. This social power of the opera has reached its zenith during the nineteenth century when opera sometimes played appreciable role even in great bourgeois revolutions of the time. During the nineteenth century, opera became “a film of the time”, because it reflected social, economic, cultural and political fluctuations, and thus came into the focus of public interest – in particular by the press. Moreover Opera theatres turned into distinctive and authoritative meeting point, where various social actors exchanged their experiences concerning arts and culture, all over the major political and artistic centers of the time - Paris, Rome and St. Petersburg.⁸ Ever since, its influence has clearly diminished, but there are still many countries where this art-form arouses significant attention from the governing stakeholders even today.

For instance in one of Bereson’s articles she looks on symbolic meaning of an opera house that contributes to the legitimisation of modern states in much the same way as it did at its inception;

*The opera can be seen as the ultimate tool of cultural diplomacy, within the modern state, as well as in history. For four centuries opera has been a vital tool in shaping the iconography of state image making.*⁹

Recognition of this aspect might be of a great importance for opera house leaders, nowadays. Being aware of all those facts, including the sort of misuse of opera by the authorities, a wise leader may learn from previous findings and bring out of it the benefit for all. Certainly not by wheedling the state and fulfilling its requirements, but by recognizing prospective partners among potential sponsors and donors whether they belong to the state, city and local authorities or come from corporative, private and NGO sector. A leader of an Opera organization can encourage the giving of those who want to associate themselves with the sort of thing his organization is doing and the kinds of people who consume it who are willing to identify themselves with.

⁸ Vagner, Rihard *Opera i Drama*, MADLENIANUM, Beograd, 2003, p. XI-XII (Wagner, Richard *Opera and Drama*, Madlenianum, Belgrade, 2003, p.XI-XII)

⁹ Ibid. 5 p.15

Taking into account the social factor that can be a powerful tool in providing the economic factor, it must be recognized that finances, nowadays, are becoming crucial issue in shaping the management policy of an opera house. This will be discussed more in subsequent chapters.

Namely, as opera had a significant part in policy shaping through history, and according to some opinions it still has, so the opera singers have played an essential role in genre's history by influencing fundamentally the broad outlines and the final shape of those works. The main reason for this has been popularity of singers that has been directly related to public interest in opera. The success of their performance had a significant impact on the fate of individual work. However, nowadays in some academic circles it became modish to feel disdain for those who show special interest for singers, however, it cannot be denied that most opera lovers, whether professionals or not, have been attracted to this genre through a fascination with the human voice and to diminish the centrality of singers in the operatic event is to deny an essential element of the genre's extravagancy and charm.

Another aspect concerns the visual side of opera, especially problems surrounding staging. Moreover it has become extremely debatable issue in operatic life. In many state opera houses staging still remained unmodified over the centuries trying to keep the 'traditional' modes of operatic productions, often proclaiming 'respect' for the original creators' intentions. Nevertheless, lately the situation is increasingly changing. Modern producers have a completely different approach to this issue. They prefer to experiment with various segments of opera production, concerning set design, costumes, choreography, even the scenario, not considering that as distortion or 'desecration' of this so called 'high art'. The struggle between 'modern' and 'traditional' modes of operatic production seems bound to continue and that debate certainly does not yield easy answers. Roger Parker, in *Illustrated History of Opera*, asserts:

"...just as historical awareness of various staging practices may broaden the aesthetic premises on which the debate takes place; (...) Close historical study makes clear that today's traditional stagings of nineteenth-century operas are usually very far from those that would have been seen by contemporaneous audiences. A production of "Die Meistersinger" labeled 'traditional', for example, is more likely to take us back to the style of Germany in the 1930s than to that of the first performances. On the other hand, historical enquiry will also remind the most modern of modern producers that many of their creations will be

far less shocking to today's audience than would aspects of a faithfully recreated, 'authentic' staging.”¹⁰

It can be concluded from all the foregoing that opera is very far from being a cultural anachronism, contrary to some claims it continues to inspire modern artists from various domains, which consequently provokes huge disputes within cultural circles. Namely innovative approach towards this art genre is what disturbs the most traditionally oriented operatic supporters unwilling to recognize the necessity for change of the whole image of this (so called) 'high art'. Keeping opera in the manner that it used to be several centuries ago leads to slow but inevitable death of this stupendous art-form advocating snobbism and artistic elitism that favors minority.

¹⁰ Ibid. 6

2.2 Opera as an institution

Sometimes it is like capturing stardust to try to express the impact of opera.

Michael Volpe, general manager of Opera Holland Park

Opera is an international art form. This is especially true today when all the major houses present relatively similar programs, which are produced and performed by a core group of international conductors, directors and singers. This universality has inevitably led to a great similarity in the core product and in the standards of the opera houses. Therefore, the art form itself dictates to a great extent the resources and the organizational structures needed to produce opera.

Opera as a musical stage genre is regarded as the most complex and the most expensive of the performing arts, as it brings together professionals from many different backgrounds: primarily musicians (conductors, singers, instrumentalists, choristers, accompanists), then drama artists (directors, actors, choreographers), then applied artists (set designers, costume designers), stage management crew (light, sound, make-up, wardrobe...), theatrical producers and numerous other staff.

American economists Baumol and Bowen (1966)¹¹ pointed out the outstanding economic characteristic of opera resulting from the extreme complexity of its operations and the costliness of its performances. The magnitude of the operation is suggested by a big size of opera cast, whilst the seating capacity of most opera houses not exceeding four thousand persons, which provides a maximal audience of 20 persons per performer. This unique economic nature of an opera production together with different funding patterns, have a substantial influence on management systems adopted by the opera organizations. Nevertheless Opera houses' management differs from one to another, depending on a cultural policy of the state they belong to.

¹¹ Heilbrun, James *Baumol's cost disease, A handbook of cultural economics*, edited by R. Towse, , Edward Elgar Publishing Limited, 2003, p. 91

2.2.1. Organizational structure of Opera Theatres

*Organizational Structure is the manner in which an organization arranges (or rearranges) itself.*¹²

The organizational structure of Opera theatres is more or less flat. The role of General Director (or General Manager) is usually strong regardless of his/hers professional background, i.e. artistic or managerial. The second managerial layer of these organizations consists of departmental directors that are operating under the direct authority of the General Director. Number of directors is individual for each Opera house depending on number of departments and activities the organization is dealing with (i.e. Opera de Paris has altogether fifteen directors of various divisions under the General Director). The Opera houses vary considerably in size, from less than 500 to 1500 employees¹³ (Opera de Paris), which naturally influences the complexity of the organizational structures of the organizations. However, number of employees depends on several factors: system of producing (repertory vs. stagione system), the nature of the company's operations (i.e. Glyndebourne Festival Opera), a complexity of repertory etc.

The structure of the management team is frequently strongly influenced by the background of the General Director and also sometimes by the general expectations of the socio economic framework. Until recently, around Europe society has emphasized the artistic viability of the organization of Opera houses comparing to administrative. Therefore most General Directors were renowned artists, often conductors and singers. Nevertheless, where the General Director is artistic, the role of the Administrative Director or Managing Director is becoming remarkably important. However, the trend seems to be towards General Directors with backgrounds in arts administration, which in effect combines the two functions and two areas of expertise.

The main finding of Auvinen's extensive case study¹⁴ analysis that has been made upon five opera theatres in Europe is that dual organizational structure seems to exist in all considered opera houses: one official and economic and the other unofficial and artistic. The dual structure is, in his opinion, one of the main reasons for the

¹² Galbraith, J. *Designing Complex Organizations*, Reading, Massachusetts, Addison-Wesley, 1973.

¹³ Auvinen, Tuomas *Unmanageable Opera? – The artistic-economic dichotomy and its manifestations in the organisational structures of five opera organisations*", PhD Thesis, London City University 2000

¹⁴ Ibid. 13

organizational problems often experienced in opera organizations. He also believes that to understand the difficulties and tensions in managing an opera organization, the influence of the socio-economic context in which it exists needs to be taken into account.

2.2.1.1. Strategic objectives in Opera House management

Theorists of Arts Management mostly focus on three main groups of strategic issues regarding management of opera. Derrick Chong¹⁵ explains that three inter-related commitments of arts and cultural organizations have to be considered: a commitment to excellence and artistic integrity, commitment to accessibility and audience development and commitment to accountability and cost effectiveness. Auvinen, on the other hand, emphasizes dual analytical approach to understanding the functioning of opera organizations, this approach he calls *artistic-economic dichotomy*¹⁶

The difficult relationship of creative freedom and quality versus the expectations of commercial efficacy and accountability, increasingly face opera organizations.¹⁷

Following these thoughts, it can be concluded that three main concerns should be taken into consideration by an opera house management: the artistic side of opera production reflected mainly in artistic *innovation*, the economic side meaning first of all a balanced *budget* of an opera house and the market side related to *audience* development and diversification. By their very nature, the ‘innovation’, ‘budget’ and ‘audience’ concerns are in conflict with each other. Thus, prioritising one of them may lead to worse results in others.

In the framework of these three concerns, four main categories of strategic objectives can be identified: artistic goals concerning a core product decisions, economic goals dealing with different sources of funding and operational costs, marketing goals, which imply building of a relationship with current and future audiences and social goals enhancing the access and understanding the arts by different social groups.

¹⁵ Chong, Derrick *Arts Management*, Taylor and Francis e-Library, 2005, p. 13

¹⁶ The complete term is *artistic-socio-economic-organizational dichotomy*. - Source: Auvinen, Tuomas *Why Is It Difficult to Manage an Opera House? The Artistic-Economic Dichotomy and Its Manifestations in the Organizational Structures of Five Opera Organizations*. The Journal of Arts Management, Law, and Society Vol. 30 No. 4, Routledge, 2001, p. 268-282

¹⁷ Ibid. 16

Artistic objectives

Artistic objectives are related to the core product of an opera organization. Artistic excellence is the main goal of public professional opera houses.¹⁸ On the one hand, artistic quality is the most credible argument when applying for public funding; also artistic quality is more generally considered the most important success factor for performing arts organizations in general.

Nevertheless, it is very difficult to judge the artistic quality of an opera company, since a lot of factors – some of them highly subjective – are involved in the process of artistic creation.

The first step toward evaluating artistic performance is defining the artistic quality of an opera company. Sabine Boerner¹⁹ suggests a distinction to be made between two main aspects of opera houses productions: a profile quality and a performance quality. The profile quality describes a season program offered by an opera house, consisting of the works selected and the artists involved. According to Chiaravalloti²⁰ programs that offer to the audience a mix between experiment and convention, premières and repertoire staging, new discoveries, revivals and repertoire works seem to receive the best acceptance both from the public and professionals. The performance quality deals with the quality of the performed program, thus with the quality of the core product of opera houses, that is, the individual performance. Three main criteria can be derived for both profile and performance quality: “program/interpretation diversity versus specialization” within the individual organisation and “program/interpretation conformity versus originality” within the totality of organisations from the task of promoting the repertoire; “program/interpretation modernity versus traditionalism” from the task of developing the repertoire.²¹

¹⁸ Hoegl, Clemens *Zielkonflikte. In Praxis Musiktheater. Ein Handbuch*, A. Jacobshagen, ed. Laaber: Laaber-Verlag, 2002, p. 442

¹⁹ Boerner, Sabine *Artistic Quality in an Opera Company: Toward the Development of a Concept*, Nonprofit Management & Leadership Vol. 14 No. 4, summer 2004, p. 426

²⁰ Chiaravalloti, Francesco *Performance Management for Performing Arts – A Framework for the Evaluation of Artistic Quality in Public Professional Opera Houses*, Paper presented at the 8th International Conference of Arts and Cultural Management (A.I.M.A.C.), Montréal, Canada, 2005

²¹ Ibid. 18 p. 428

The emphasis on artistic goals is reflected in product orientation of the theatre, which implies mainly seeking out and producing innovative works. Pierce²² suggests viewing the opera companies' programming decisions in a strategic sense, however, the difficult objective must be to maximize quality whilst still supporting its budget. Similarly, other studies have underlined the difficulty in achieving the correct balance between artistic excellence and the need for audiences and wider accessibility²³. Ensuring quality of product through peer appraisal, may contradict customer wants, what can lead to possible conflicts between excellence and accessibility.

Pursuing artistic objectives by an opera house management can be in contradiction with some economic and marketing goals and according to Gilhespy may involve a reduction in attendance and revenue.²⁴

Economic objectives

Economic objectives of opera houses could be hardly analysed without mentioning a pioneer work by Baumol and Bowen (1966) *Performing Arts: The Economic Dilemma*. The study by Baumol and Bowen provided the analysis of raising costs of performing arts organizations with respect to their earned revenues leading to a long-term "income gap". This phenomenon named a "Cost-Disease" brought attention to the escalation of real costs that occur in labour-intensive industries as a result of an economic growth of the industrial society. Towse²⁵ explains that the labour costs in the arts tend to increase at the same rate as in other industries, but their scope for utilizing labour-saving technical progress is either small or non-existent. This is the main reason for economic problems of performing arts organizations in present. Since the opera is the most expensive of the performing arts, with the highest prices of admission, and the largest dependence on subsidies, some authors consider it a "privileged domain" of the tragic Baumol law.

Although in the 17th century running an opera company was a kind of business activity bringing a profit, nowadays, a majority of opera houses would not survive without

²² Pierce, Lamar *Programmatic Risk-Taking by American Opera Companies*. Journal of Cultural Economics, Vol. 24, No. 1, 2000, p. 45-62

²³ Chong, Derrick *Why Critical Writers on the Arts and Management Matter*. *Studies in Cultures, Organizations and Societies*. Vol. 6, 2001, pp. 225-241

²⁴ Gilhespy, Ian *Measuring the Performance of Cultural Organisations: A Model*, International Journal of Arts Management, Vol. 2 No.1, fall 1999, p. 38-51

²⁵ Towse, Ruth: *Baumol's Cost Disease: The Arts and Other Victims*, Cheltenham, UK and Lyme, US: Edward Elgar, 1997

an extra market funding. As a result, opera is now more or less universally subsidized, often to a very great degree, although, the European opera companies receive much higher levels of government funding comparing to American companies. In contrast, the American opera organizations receive indirect subsidization through tax incentives and donations from private sources.²⁶ Comparing figures from the end of 1980s and nowadays, little has changed in the importance of the state subsidy for the European opera organizations in the last decades. According to T. Hill and O'Sullivan²⁷ the ratio of state subsidies on the overall budget of opera houses varied from 46 % (Royal Opera House, London) to 81 % (Opera Berlin) in 1987/1988. Twelve years later, in 2000, Auvinen²⁸ found that the biggest source of income for all opera organizations in his study were the subsidies, reaching from 57 % (Opéra National de Paris) to 84.5 % (Deutsche Oper Berlin). In Serbia, the public subsidy represents a major part of annual budget of Opera of the National Theatre and reaches by average 92 % of their total revenue (in 2009 and 2010)²⁹.

The source of funding is likely to have a substantial influence on the balance between economic and artistic objectives of opera organizations. James Heilbrun³⁰ analysed changes in repertory in US opera houses describing a process of shifting their programming towards a more popular, less demanding repertory. He found that this process had been presumably done to throw off the financial pressure. Different kinds of relations between the sources of funding – state, municipal or corporate – and their influence on programming autonomy of US opera houses has been described by Pierce³¹.

²⁶ Ibid. 22

²⁷ Hill, Elizabeth, O'Sullivan, Catherine and O'Sullivan, Terry. *Creative Arts Marketing*. ButterworthHeinemann, 1997

²⁸ Auvinen, Tuomas. *Policy Equates Resources? Managerial and Financial Structures of Five European Opera Houses*. Paper presented at the 11th International Conference of the Association for Cultural Economics International (ACEI), Minneapolis, USA, 2000

²⁹ Source: Financial department of National Theatre in Belgrade

³⁰ Heilbrun, James *Empirical Evidence of a Decline in Repertory Diversity among American Opera Companies 1991/92 to 1997/98*, *Journal of Cultural Economics*, Vol. 25, No. 1, 2001, p. 63-72

³¹ Ibid. 22

³² Krebs, Susanne. and Pommerehne, W. Werner *Politico-Economic Interactions of German Public Performing Arts Institutions*. *Journal of Cultural Economics*. Vol. 19, No. 1, 1995 p. 17-32

Similarly, Krebs and Pommerehne³² analysed the role of state subsidy in Germany in encouraging the production of the less known and more risky repertoire.

Prioritising economic objectives implies an effort to increase a proportion of earned income from ticket sales. First, it may affect a diversity of repertoire towards performing mainly popular operas – that used to be called a “box office” repertory. Secondly, it can lead to an increase in admission prices. However, the economic goals may be closely linked to some marketing objectives, such as increasing the number of spectators or creating the augmented product of an opera house in the form of additional services provided for audiences.

Marketing objectives

Although still restricted by some sectors, a marketing orientation is generally seen as a positive direction for arts organizations, and marketing theory and market planning have become a crucial part of arts management. Work by Hirschman³³ and Colbert³⁴ has clearly defined the necessary differences in the marketing approach of the cultural institutions, allowing for varying degrees of commercialisation and for different strategies within the market/product orientation framework.

The essential marketing function in opera houses concerns audience development. The audience development strategies imply either encouraging current visitors to more frequent attendance and/or enhancing an audience diversification and increased access to the arts. In this sense, some of the marketing strategies may include also social objectives. For instance, educational activities may be regarded either as a marketing or social goal. A distinction could be made probably by a target group, which is being educated. Most authors consider the education as one of the key promotional objectives in culture and the arts, since the aim of education is to give consumers tools and codes they need to evaluate the specific features of an artistic product. The expansion of audiences for the arts requires the development of a level of understanding, appreciation, and enjoyment

³³ Hirschman, Elizabeth *Aesthetics, Ideologies and the Limits of the Marketing Concept. The Journal of Marketing*, No. 47/Summer, 1983, p. 45-55

³⁴ Colbert, François. *Marketing Culture and The Arts* (2nd Edition), Montreal: Gaëtan Morin, 2000

sufficient to arouse a desire to attend arts events³⁵. The education is particularly important for stimulating an interest in high arts like opera.

Predominance of marketing objectives may be reflected in customer orientation of an opera house, which may influence the programming towards performing those operas that are popular with audiences. Heilbrun states that arts managers are faced with a dichotomy between maximizing dissemination (marketing objective) and identifying the aesthetic parameters of a performance (artistic objective). Nevertheless, increasing audience access and enhanced genre credibility have frequently been considered to be mutually exclusive objectives for arts marketers³⁶.

However, Schulze and Ursprung³⁷ argue that the consumer behaviour typically is not a driving force in terms of demand, since an arts organization's program revenue rarely can cover operating costs. In addition, Voss and Voss³⁸ observe, that frequent theatre-goers are not interested in having their preferences reflected in product development; rather, they want the theatre to expose them to what is innovative. Despite the clear imperative to develop a wider audience, there is an equally pressing need to withstand external pressure to encourage modification of the core product in a way that would dilute its artistic integrity³⁹. Sorjonen and Uusitalo⁴⁰ identified that market/customer orientation seems to increase the performance measured by ticket sales, but is negatively related to the innovativeness of the organization (measured by the number of first performances).

Explosion of interest in opera is due to the way in which a small number of operatic singers have managed to disseminate their talents through the ever-expanding global mass media? The phenomenon of 'the three tenors' gives some indication of what can be achieved through energetic marketing, good timing and inspired showmanship. To the

³⁵ Kotler, Philip. and Scheff, Joanne. *Standing Room Only. Strategies for Marketing the Performing Arts*. Boston, MA: Harvard Business School Press, 1997

³⁶ Oakes, Steve *Demographic and Sponsorship Consideration for Jazz and Classical Music Festivals. The Service Industries Journal*, Vol. 23, No. 3 (May 2003), p. 165-178

³⁷ Schulze, Gunther and Ursprung, Heinrich *La Donna é Mobile – or is she? Voter Preferences and public Support for the Performing Arts. Public Choice*, Vol. 102, No. 1-2, 2000, p. 131-149

³⁸ Voss, Zannie Giraud and Voss, Glenn B. *Exploring the Impact of Organizational Values and Strategic Orientation in Performance in Not-for-Profit Professional Theatre. International Journal of Arts Management*, Vol. 3, No. 3, 2000, p. 62-76

³⁹ Ibid. 36

⁴⁰ Sorjonen, Hilppa. and Uusitalo, Liisa *Does Market Orientation Influence the Performance of Art Organizations?.* Paper presented at the *8th International Conference of Arts and Cultural Management (A.I.M.A.C.)*, Montréal, Canada, 2005

dismay of many, some aspects of opera have – for the first time in its 400-years history – become genuine mass entertainment.⁴¹

Social objectives

Social goals are the most intangible policy objectives that the management of a cultural organization may choose to pursue⁴². The aim of pro-social orientation of an opera house is to enable the access to opera culture for all social groups. Voss and Voss⁴³ argue that non-for-profit theatres have a responsibility to provide community access to their performances, remove economic and cultural barriers to attendance, and educate audiences in theatre arts. Changes in social policy in the end of 1990s emphasized the importance of culture as a tool for achieving wider social inclusion of those on the margins of society such as physically and mentally challenged, minority ethnic groups, the unemployed and teenagers⁴⁴.

There is a strong linkage between the social goals and a community context as well. Gray⁴⁵ explains that culture is part of a larger system including community goals. As communities develop, the arts find themselves connected to issues related to economics, urban development and redevelopment, and policy. According to Carter et al.⁴⁶ a new management model emerges, calling for a change in the role that arts and cultural organizations play within the larger economic, primarily urban, context. The model describes a transformation of these organizations from “advocates” that are seeking to maximize (mostly governmental) funding to one broadly described as “agents” that are specializing in the management of infrastructure and resources necessary for the arts and culture to flourish.

The social objectives of an opera house concern first of all an audience diversification using a price discrimination policy as a main tool. There is a possible

⁴¹ Ibid. 6

⁴² Ibid. 24

⁴³ Ibid. 38

⁴⁴ Hayes, Debi and Slater, Alix: *Rethinking the missionary position – the quest for sustainable audience development strategies*. *Managing Leisure*, No. 7, 2002, p. 1-17

⁴⁵ Gray, Clive: *Local Government and the Arts*, *Local Government Studies*, Vol. 28, No 1, 2002, p. 77-90

⁴⁶ Carter, Catherine. et al. *Advocacy to Agency: The Broward Center for the Performing Arts: Emerging Model for Systems Management*. Paper presented at the *8th International Conference of Arts and Cultural Management (A.I.M.A.C.)*, Montréal, Canada, 2005

overlapping between the social goals and marketing objectives, especially in educational actions. Eventually, the audience development is often used to achieve tangential social objectives such as reducing social exclusion, combating crime levels, and improving health targets related to smoking and dietary habits⁴⁷. Pursuing social goals may lead on one hand to the increased and diversified attendance, however, on the other hand to the decreased revenue from the box office.

⁴⁷ Ibid. 44

2.2.2 Producing principles and repertory policy

Producing principle is a performing trend in which Opera Theatre operates and schedule productions. It can be recognized two main organizational models: “stagione” and “repertory”.

For some time the prevailing model of production has been *stagione* (Italian *season*). This applies primarily to Italy, but also within the larger national companies in other countries, particularly in the United States but also throughout Europe. With the *stagione* system singers are recruited on short contracts for each production; this makes things very flexible and contrasts with the repertory system. It seems that the *stagione* model is being increasingly adopted worldwide despite the fact that in Italy the *stagione* model of production has been responsible for chronic financial deficits as high-status singers have demanded enormous fees and superintendents have agreed to pay them.⁴⁸ Often artistic ensembles (orchestra, choir and sometimes ballet) are made up of in-house artists. However, this principle of production was meant to reduce expenses and to facilitate staging of performances by setting the one production to play almost every night during the short period (i.e. two weeks) whereupon complete stage decor (sets, props, costumes) changes and the new production is placed. It also opens the possibility of cooperation between opera companies through the form of co-productions that may have an international, national or local character. The advantages to the companies are obvious. Casts are easier to rehearse and keep together, stagehand and storage costs are reduced, and marketing and promotion can be more focused.

On the other hand there is a *repertory* system of opera production and performance scheduling, which is still very present in leading Austrian (Wiener Staatsoper and Volksoper) and German (Deutsche Oper Berlin) Opera houses as well as in many Eastern European Opera companies. By contrast to *stagione* principle, opera companies that run a *repertory* model of production maintain resident artistic ensembles (orchestra and chorus) and singers, usually in alternation or rotation, even though there are cases of *semi-repertory* (or *semi-stagione*) with invited guest singers, and with resident orchestra and chorus. Repertory model is more prevalent in State Operas, which are usually privileged artistic institutions largely supported by their Governments. These types of

⁴⁸ Ibid. 13

opera companies are generally far more expensive because they require larger number of permanent employees in many sectors of the organization, even though the productions are sometimes less expensive. However, repertory system allows artistic directors to experiment more with the selection of art-works they choose to stage, even though it may prove economically unsustainable, but such institutions are less dependent on audience assessment and their attendance. As a matter of fact, *repertory* model is capable to offer larger number of various operas during one season, much more than it is possible with *stagione* model, but there are many lacks of this principle as well: insufficient number of rehearsals (especially in revivals), setting of new stage over and over again, overloaded orchestra and choir constantly rehearsing different repertory and uneven artistic quality, depending on permanent performing cast, especially singers, with limited performing capabilities for some specific roles.

Though thousands of operas have been written during the genre's long history, many of which are even in performing editions, only a very small fraction of them is performed.⁴⁹ Shaping the repertory policy of an Opera house is a subject affected by the number of different factors. Producing principle of an opera theatre has a direct effect on a repertory policy, which further determines the target audience and many other parameters.⁵⁰ Donors, funds and audiences may be attracted either by a reputation of an arts institution or by the specific content or program the institution is offering. Programming decisions usually turn around the dichotomy of innovation vs. conformity, as the repertoire across the opera houses is not very wide in range. The repertory of an Opera theatre should reflect artistic aspirations and established principles of the organization.

However, what is common to most opera theatres⁵¹ is the misbalance between the traditional operatic repertory that includes highlights of Italian 19th century by Verdi, Puccini, Rossini, Donizetti etc., and more innovative contemporary works of 20th and 21st century. If we take a look at the repertoires of Opera theatres in the last decade we will clearly notice a great similarity. It is difficult to imagine an opera season of any Opera

⁴⁹ Towse, Ruth: *Opera, A handbook of cultural economics*, Edward Elgar Publishing Limited, 2003, p. 344

⁵⁰ Dragutinovic, Branko; Miletic, Gojko; Jovanovic, Rasko *Bela knjiga o Operi*, Narodno pozoriste, Beograd, 1970, p.34. (Dragutinovic, Branko; Miletic, Gojko; Jovanovic, Rasko *The White Book of Opera*, National Theatre, Belgrade, Serbia, 1970, p.34)

⁵¹ Here author takes into account repertoires of the most prominent European Opera Houses such as **Opera de Paris, Wiener Statsoper** and **Volksoper, Berliner Statsoper, Royal Opera House** in London as well as the American **Metropolitan Opera** in the last decade.

house from Stockholm to Sydney without Verdi's *Traviata*, Puccini's *Tosca*, Rossini's *Barber of Seville* or one of inevitable Mozart's masterpieces, which is permanent opera repertory for more than a hundred years. In addition to this, current repertory is complemented by introducing composers of Slavic (Dvořák, Smetana, Janacek, Tchaikovsky, Mussorgsky, Rimsky-Korsakov...), French (Massenet, Gounod, Delibes, Bizet...) and German Romanticism (Wagner, Strauss, Humperdinck...). Much less are implicated works of 20th century, occasionally French Impressionism (Debussy and Ravel), Neo-classicism (Stravinsky, Prokofiev) and Expressionism (Hindemith, Schoenberg, Berg...). Nevertheless, there is a slight progress in the sphere of repertory diversification and modernization in leading Opera houses referring to world premieres of some new or commissioned operas, but this is more applicable the exception than the rule.

Operatic repertory today might be seen as an expected consequence of a long term pandering to the audience as well as the singers, who were often unwilling to change their repertories which brought them reputation and splendor. Absence of contemporary operatic works on repertories and conservative approach to the production of popular operas lead to the monotony of Opera theatres and made this art form distant to contemporary audience and kept it in narrow social circles. These tendencies were found even forty years ago. In *The White Book of Opera* (1970)⁵² authors underline close relation of the repertory policy with the style of performance, although it doesn't necessary determine one another, it is observed that participants in opera productions perform tasks routinely, instead of creative efforts and seeking for innovation and authentic solutions. This kind of behavior relates to both performers and audience, moreover each innovative initiative in operatic world encountered double resistance. Considering those facts it is natural that innovations, regardless which domain they belong to either to the artwork or to the performance, were poorly accepted which resulted in relatively small number of successful premieres and in slowly fading of the operatic repertory that remained to present day.

⁵² Ibid. 50

2.2.3. Sources of funding

Putting on opera in its current form is a costly business. This seems to be a generally accepted fact. However, there are different solutions for acquiring the necessary resources in different socio-economic surroundings. Those solutions range from almost complete funding by state and municipal authorities (e.g., the German model) to almost total reliance on private funding (e.g., the American model)⁵³. There have been, however, financial and managerial problems both in the heavily subsidized organizations and in the less subsidized ones. Different funding patterns subsequently influence all other aspects of this, in many ways specific artistic organizations.

In the comprehensive analysis of the income for the nonprofit cultural industry in New York City, done by the Alliance for the Arts⁵⁴ just before the recession, it can be seen that performing arts were the least governmentally dependent artistic domain in New York. Even though the Government funding was the smallest source of income for all organizations participating in the survey⁵⁵, it significantly faded in importance in the case of performing arts by participating only with 2,2% of the total income of this organizations (25,5% was provided by private contributions and 72,3% was classified as the earned income). All those facts might be the reason why the crisis has considerably hit the non-profit opera organizations in the United States, comparing to European operas that are strongly governmentally subsidized.

In Europe situation is quite opposite. Performing arts, above all opera is least relied on sponsorships and donations. Towse⁵⁶ claims that opera often absorbs the lion's share of government subsidy. She gives an example of opera in UK which received five times the amount of subsidy per attendance compared to other Arts Council supported performing arts organizations, even though it was attended by 7 percent of the population. Krebs and Pommerehne⁵⁷ have argued that, in Germany, opera managers have little initiative to manage their budgets carefully because, as with all publicly controlled bodies, revenues in excess of costs are not retained by the opera house, and they have every

⁵³ Ibid. 28

⁵⁴ Catherine Lanier - Study Director, Elena H. Matsui and Robert F. Wagner - Fellow © 2009 Alliance for the Arts: *Who Pays for the Arts? Income for the Nonprofit Cultural Industry in New York City*

⁵⁵ Examination data from 861 cultural organizations in New York City in 2007

⁵⁶ Ibid. 49

⁵⁷ Krebs, Susanne and Werner Pommerehne, "Politico-Economic Interactions of German Public Performing Arts Institutions", *Journal of Cultural Economics*, 19 (1), 1995, p. 17–32

motive to squeeze as much as possible out of authorities for ‘their’ company. That has also been the case in Italy; now, however, opera houses are being ‘privatized’, meaning turned into non-profit organizations in receipt of subsidy, the typical model in the USA and the UK, instead of being state-owned and managed. This topic is going to be discussed more in subsequent chapters when models of financing culture will be elaborated.

3. ECONOMY OF CULTURE

Understanding relevance of economic issues in contemporary cultural management

When attempting to survey a field of cultural economy it is useful to decompose it into broader set of relations. So the main question is how the cultural economy interacts with the rest of the economy? Possible answers to these questions are⁵⁸:

- Negatively - the welfare model
- Competitively - the competitive model
- Positively - the growth model
- In an emergent manner - the innovation model

The **welfare model** (or the **subsidy model**) is the argument that claims that culture is economically successful to the extent that it can extract rents from the rest of the economy. Good example for this are ‘public’ or ‘merit’ goods which extract resources on the basis of *market failure* argument. According to the welfare model cultural activities have a net negative impact on the economy, i.e. they consume more than they produce. To the extent that they exist, their value must lie fundamentally beyond market value. The economic policy is than calibrated to estimates of these non-market values. The welfare model most accurately describes relations between (subsidized) arts and economy. The cultural economy has been largely developed to address issues arising from these assumptions.

The **competitive model** presumes that culture is not economic laggard, nor provider of goods with higher significance, but is a part of industry. The term ‘cultural industries’ is used to describe this part of cultural spectrum. This model fits best the mainstream music, commercial film, publishing, print, broadcasting and other sectors of media industry etc. These sectors are mature, experiencing static growth or in relative decline. Their distinctive features are high levels of demand uncertainty, power-law revenue models, tendencies toward monopoly, complex labor markets and property rights, information asymmetries, highly strategic factor markets and so on (Caves 2000; De Vany

⁵⁸ Canningham, Stuart; Banks, John; Potts, Jason “*Cultural economy: The shape of the field*” from the book *The Cultural Economy* by Anheier, Helmut and Isar, Yudhishtir Raj, SAGE Publications 2007, p. 15-17

2004). So economic policy responses are about consistent industrial treatment or for regulation and control of excess market power.

The **growth model** proposes a positive economic relation between growth in the creative industries and growth in the aggregate economy. In this model the creative industries are a growth driver by their new creation of value, which is consistent with the rise of a global market economy. As economies evolve, culture becomes increasingly important because a larger fraction of income is devoted to it. This model suggests that economic policy should treat the creative industries as a ‘special sector’ because it influences the growth of other sectors. This may, like in the welfare model, lead to intervention but now the purpose is to *invest* in economic growth. This model fits best the design, industrial digital content and applications like games, and also mobile and Internet media. For example video games can have an input impact because they can be used for simulation and virtual reality training or can be used like models for next generation education.

The **innovation model** (or **creative economy model**) views creative industries as an element of the *innovation system* of the economy rather than a sector *per se*. The contribution of the creative industries to the economic value is in the coordination of new ideas and technologies i.e. to the process of economic and cultural change. This model asserts that creative industries are not to be viewed as an industry but as a complex system that derives its ‘economic value’ through economic evolution:

“...a system that manufactures attention, complexity, identity and adaptation through the primary resource of creativity.”⁵⁹

This makes innovation policy a superior instrument to competition or industry policy and justifies ‘elitist’ status of creative industries just like the traditional cultural policy justified the development of the culture as a public good. But unlike the traditional views of cultural values creative industries value is in the development and adoption of new knowledge, concepts and ideas and hence focused on experimentation and research.

⁵⁹ Ibid. 58

3.1.1. Models of financing culture

In the cultural policy sphere financing of culture can be achieved by different measures and in a different ways, so in the broad sense, we could speak about different public policy principles, which are generally, applied to support of the cultural production⁶⁰.

Chartrand⁶¹ points out that government in publicly funding the fine arts targets one or more of three objectives:

- to promote the process of creativity and/or excellence (as defined by the arts community itself);
- to foster production of works of a specific style, theme or purpose, e.g. socialist realism or ‘commercial’ success; or,
- to support specific producers, e.g., a budgetary ‘line item’ appropriation for ‘flagship’ arts institutions.

Chartrand and McCaughey⁶² differentiate 4 models for supporting arts depending on policy objectives, funding, policy dynamic, artistic standards and status of artists.

These models are:

- the Facilitator;
- the Patron;
- the Architect;
- the Engineer

The Facilitator

In the Facilitator model the fine art are funded through ‘tax expenditures’, i.e. taxes foregone or forgiven. Government chooses not to tax income and/or expenditures related to activities that are considered merit goods.

⁶⁰ Mikić, Hristina *The models of financing culture*, lecture on Master studies of Cultural Management and Policy, University of Arts in Belgrade, January 2007

⁶¹ Chartrand, Harry Hillman *Funding the Fine Arts: An International Political Economic Assessment Cultural Politics - Global, Local and National Nordic Theatre Studies* Vol. 14, 2002, ISSN 0904-6380 Association of Nordic Theatre Scholars

⁶² Chartrand, Harry Hillman & C. McCaughey *The Arm's Length Principle & The Arts: An International Perspective - Past, Present & Future* in *Who's to Pay? for the Arts: The International Search for Models of Support*, M.C. Cummings Jr & J. Mark Davidson Schuster (eds.), American Council for the Arts, NYC, 1989

This model supports diversity in art. It doesn't support specific types or styles of art because it relies on the preferences and tastes of corporate, foundation and individual donors.

The policy dynamic of this model is *random*. It reflects the changing taste of private donors and organizations.

The economic status of the artist and fine arts enterprise depends on a combination of box office appeal and the changing tastes and financial health of private patrons.

The main strength of the model is in the diversity of funding sources. Individuals, corporations and foundations choose which art, artists and arts organizations to support. It also has several weaknesses. First, standards of excellence may not be supported, and the State has no ability to target activities of national importance. Second, the valuation of private donations in kind, for example, a painting donated to a museum or art gallery, can be problematic. Third, the model cannot keep the benefits in the domestic arts community. Fourth, the calculation of tax credits and expenditures to the government can be very difficult.

The Patron

In the Patron model the fine arts are funded through arm's length arts councils. The government only determines how much of subsidies to provide, but doesn't determine which artist or artistic enterprise will be supported. The government appoints a board of trustees who make grant-giving decisions. Their work is independent of the day-to-day interests of the party in power.

The arts councils promote standards of professional artistic excellence and support the creativity with that objective.

The policy dynamic of the Patron model is *evolutionary*. It responds to changes in forms and styles of art as expressed by the artistic community.

The economic status of the artist and the artistic enterprise depends on grants received from arm's length arts councils as well as of a combination of box office appeal and the taste and preferences of private .

The strength of the model is in fostering artistic excellence through independent arm's length arts councils. But this is often perceived, however, as its principal weakness. Promoting excellence is often seen as promoting elitism, with respect to both type of artwork produced and audience served. Artistic excellence is not always understandable

or appreciated by the general public or by the politicians that represent it. In most states with Patron model there are recurring controversies in which politicians, reflecting popular opinion, express anger and outrage at support for activities that are, for example, perceived as politically unacceptable, pornographic or appealing only to a wealthy minority.

The Architect

In the Architect model the fine arts are funded through a Ministry or Department of Culture. The grant-giving decisions are made by bureaucrats.

The Architect model tends to support the fine arts as part of its general social welfare objectives.

This model tends to support the art that is considered 'established' rather than 'professional' standards of artistic excellence.

The policy dynamic of the Architect is *revolutionary*.

The economic status of artists in the Architect model is determined by membership in official artists' unions. The artist who gains the membership in an artists' union has some financial security. The economic status of artistic enterprise is determined almost exclusively by direct government funding. The box office and private donations do not play a significant role in their economic status.

The strength of the Architect model is the fact that artists and arts organizations do not depend on financial success of their work or on the good will of private donors. Moreover artist has a socially recognized status which is reflected in social assistance policies. The weakness of the Architect model is that guaranteed financial security can lead to inertia and stagnation in creativity and result in the entrenchment of established standards developed at a particular point.

The Engineer

In the Engineer model state owns all means of artistic production. This model supports only art that meets political standards of excellence. Grant-giving decisions are made by political commissars. The main criteria are possible political benefits, not artistic excellence. The policy dynamic of the Engineer model is *revisionary*. Funding decisions are constantly revised to reflect an ever-changing party line.

The economic status of the artist is, like in the Architect model, determined by membership in official artists' unions, but these unions are founded and controlled by the state. Every member of the union is considered an artist and vice versa people outside the union are not. All artistic enterprises are owned and operated by the state.

The Engineer model exists in totalitarian regimes. This model enables control and focus of the art in the purpose of supporting the regime. There are several weaknesses of the Engineer model. First, art is a servant to political objectives. Second, the creative energy of artists cannot be completely channeled. Repressed artistic energy often results in a "counterculture" which confronts the official artistic values.

3.1.2. The economic crisis

There is no exact definition for “economic crisis”, in contrast to the rule of thumb for recession (e.g. “negative real economic growth for at least two quarter-years”).⁶³

The term financial crisis is applied broadly to a variety of situations in which some financial institutions or assets suddenly lose a large part of their value. These situations may be banking panics, stock market crashes (or bursting of other financial bubbles⁶⁴), currency crises, etc. Financial crisis always leads to the lost of paper wealth. This may be followed by economic recession or depression.

The present day economic crisis is the worst since the Great Depression of the 1930s. It has begun with the burst of the United States housing bubble which peaked in 2006. The root of crisis dates back in the early eighties, when steadily decreasing of interest rates (backed by the U.S Federal Reserve) from 1982 onward and large inflows of foreign funds created easy credit conditions for a number of years prior to the crisis, fueling a housing construction boom and encouraging debt-financed consumption. Loans of various types (e.g., mortgage, credit card, and auto) were easy to obtain and consumers assumed an unprecedented debt load. The banks and other lending organizations also encouraged this credit activity by sub-prime lending and incorrect pricing of risk. New types of securities and obligations, which derived their value from mortgage payments and housing prices, enabled institutions and investors around the world to invest in the U.S. housing market.

All of this resulted in continuous growth of housing prices⁶⁵. The bubble was growing until the interest rates began to rise in 2007. Then for the first time in two decades housing prices started to decline. The drop was significant⁶⁶ and has continued through 2008 and 2009.

⁶³ Inkei, Péter “*The effects of the economic crisis on culture*”, by The Budapest Observatory for Culture, paper presented on CultureWatchEurope conference 2010 “Culture and the Policies of Change”, EESC Headquarters, Brussels, September 2010

⁶⁴ A **financial bubble** (sometimes referred to as a speculative bubble, a market bubble, a price bubble, an economic bubble, a speculative mania or a balloon) is trade in high volumes at prices that are considerably at variance with intrinsic values. It could also be described as a trade in products or assets with inflated values.

⁶⁵ Between 1997 and 2006, the price of the typical American house increased by 124% (“CSI: credit crunch”. *The Economist*. October 18, 2007)

⁶⁶ By September 2008, average U.S. housing prices had declined by over 20% from their mid-2006 peak. (“Economist-A Helping Hand to Homeowners”, *The Economist*, October 23, 2008)

The bursting of housing bubble started the financial crisis. The crisis is rapidly developed and spread into a global economic shock, resulting in a number of bank failures, declines in various stock indexes, and large reductions in the market value of equities and commodities. Recession occurred in large number of countries. Unemployment rates increased worldwide. Sharp drop in international trade also occurred. During the crisis the very rich lost relatively less than the remainder of the population, widening the divide between the economic classes.

Péter Inkei, from The Budapest Observatory, in his paper for the CultureWatchEurope conference 2010, claims:

Symptoms in the past couple of years have been similar in most European countries – with exceptions and extremes. To the latter belong those places where the crisis occurred like a natural disaster, producing double digit falls in the GDP and related indicators: Iceland, the Baltic republics, Ukraine, Armenia and to a smaller extent Ireland, Russia and a few others – and lately Greece, Portugal and Spain. The club of exceptions was hardly bigger than Poland, the only country in the European Union showing economic growth in 2009.⁶⁷

⁶⁷ Ibid. 63

3.1.3. The impact of economic crisis on culture

*Places (e.g. America) and fields of culture that depend more closely on businesses were affected more by the sudden halt of the economy in 2008. By 2010 public deficits became the main concern of governments in Europe, which has touched subsidized culture en masse – in fact, the major part of European culture.*⁶⁸

At the end of 2008, only few months after the Global financial crisis has officially started, several researches have been already conducted on ‘The impact of the crisis on cultural and artistic sector’ particularly in the United States. Since the crisis has spread to the rest of the world very quickly, soon the number of surveys increased. Initially researchers analyzed prospective consequences and effects of the financial downturn on arts and cultural sector in general with an accent to the prevention of potential impacts, trying to provoke and stimulate proactive reaction from the cultural actors by emphasizing the responsibilities of each in their own environments and by asking them to anticipate impacts in next three years. Helicon Collaborative gave several reports on this topic during year 2009 in the United States in which the significant decrease was noticed in several fields (effects on revenue, programming, personnel, audiences, venues...).⁶⁹ By conducting the interviews with representatives of 28 cultural organizations in Puget Sound, it was clear that impacts on endowments and contributions declined from 10% to 50 % and in several cases completely dropped off. Majority of organizations experienced downturn in earned income which ranged from 5% to 30%. As well most organizations were planning to reduce their programming budget; some were cancelling or curtailing summer programming etc. The kinds of artistic programs are also being adjusted. Most of the organizations interviewed were expecting to make some changes in the kinds of work they would present next year-shifting toward more “popular,” less experimental material in at least some of their programs. The majority of organizations have instituted hiring freezes or re-organized or consolidated responsibilities in new job configurations. What was interesting cognition in this survey is that majority of organizations knew very little about the effect of the economy on their audiences and no one mentioned an effort to

⁶⁸ Ibid. 63

⁶⁹ *The Economic Recession’s Impact On Cultural Organizations In The Puget Sound*, report commissioned, by Helicon Collaborative, February, 2009

canvass their audiences in the wake of the downturn, or do fresh market research on evolving audience preferences.

At the same time Alliance for the Arts made a research on the related topic⁷⁰ in the New York City and came to very similar findings. This survey makes clear that 80 percent organizations throughout New York were reducing their budgets and more than half were reducing staff and postponing or cancelling programs at the beginning of 2009. Alliance made another research in early 2010 which provided a comparison with previous sample. This report documents the continuing effect of the recession on New York City's cultural organizations and predicts clearly that the impact of the recession will continue at least through 2010.

On another continent simultaneously the survey has been conducted by International Federation of Arts Councils and Culture Agencies (IFACCA).⁷¹ Sarah Gardner, Executive Director of IFACCA, quotes that arts councils and ministries of culture have a key role in working to minimize the negative impacts of the downturn on the arts and in helping artists and arts organizations navigate such uncertain times.

Council of Europe in cooperation with Steering Committee for Culture (CDCULT)⁷² conducted two surveys on effects of the crisis on culture which were meant to be presented on *CultureWatchEurope* conferences in 2010 and 2011. Surveys were carried out by The Budapest Observatory for Culture and the researcher Péter Inkei who underlines that concept of *culture* they were trying to detect the effects of the economic (and civilisational) crisis on is used more in the sense of *cultural life*.⁷³

Results of a second survey drawn up in spring 2011, two and a half years after the bank crunch, follow developments in cultural financing in Europe with an eye to what has changed through the effects of the financial crisis.⁷⁴ The report says that some of the main factors take longer to be fully manifested and that is still too early to tell how a new economic order has affected the scale and the pattern of people's expenditure of time and

⁷⁰ *The Impact of the Economic Downturn on Nonprofit Cultural Groups in New York City*, report commissioned by the City of New York Department of Cultural Affairs, conducted by The Alliance for the Arts, January 2009

⁷¹ Madden, Christopher, "Global financial crisis and recession: Impact on the arts", IFACCA D'ART report no. 37, International Federation of Arts Councils and Culture Agencies, Sydney, June 2009

⁷² Inkei, Péter: "Results of a 2011 Survey with Governments on Culture Budgets and the Financial Crisis and Culture", The Budapest Observatory for Culture and Steering Committee for Culture CDCULT, paper prepared for 10th Plenary Session in Strasbourg (held in May 2011), April 2011

⁷³ Ibid. 63

⁷⁴ Ibid. 72

money on cultural occupations. The same applies to the behavior of businesses and donors vis-à-vis giving to culture, whether this involves philanthropy or marketing sponsorship. Authors claim that it is still an open question whether there is, or will be, a substantially different economic and social order in Europe.

The scope of the crisis is more varied across Europe than one normally perceives. While analyzing the change of cultural budget in the central governments of the 25 countries from 2009 to 2011 a great differentiation between the entities has been noticed. Cultural statistics are far from harmonized or consolidated. Input into the culture chapter of the budget differs from country to country. From the ones who reported increases in their central cultural budgets in both years, to the others who reported a slump over the span. Finland, for instance, shows the best record with an almost 21% total increase, with little harm from inflation – closely followed by Malta and Estonia. However, the survey shows that countries that struggle with high debts apply stricter regimes in cultural finances (Iceland, Greece, Croatia or the Czech Republic). Bosnia represents a very special situation, where the two entities of the country show diagonally different tendencies.

A general pattern has been shown; times seem to be tougher for culture at the regional than the national level. While in many countries regions have little or no significance in cultural governance and financing, the importance of cities is on the increase. Owing to their huge number and enormous diversity, collecting data and arriving at general judgments is an even greater challenge than at state or regional levels. On the municipal level, as well as on both previous mentioned there are significant differences in impact of finances between evaluated countries. In Baltic countries, Latvia and Estonia in 2009 the combined spending on local culture fell by 35% and 32% respectively against 2008. In Serbia the decreases range from 10 to 30%. In Hungary a large number of local governments lost considerably on their bonds and loans in foreign currencies, which obliged them to make severe cuts in culture as well etc.⁷⁵

So far, it is obvious that crisis has affected more or less all cultural sectors (performing arts, festivals, museums, libraries and publishing, and audiovisuals). To a large extent it depends on a country where it belongs to and on its cultural economy model. “European model” (*Architect*) turned out to be preferable in this circumstances, particularly in the early phase of the crisis, owing to its less dependence on sponsorship

⁷⁵ Ibid. 72

and donations (sponsors and donors cover around 1% of expenditure of European theatres, while 80% comes from public sources⁷⁶). Nevertheless, in countries where public budgets already suffered reductions in 2008-2009, cultural organizations were strongly affected.

⁷⁶ Ibid. 63

4. OPERA CONTEXT IN SERBIA

Case study of Opera of the National Theatre in Belgrade

4.1. Introduction

Cultural institutions in Serbia, as the whole country, have been experiencing the sensitive times of their history, going through transitional period of adjustment of the legal frameworks with European standards. Since the main instruments for reformation of the legislation in every domain are laws, after seventeen years, in August 2009, Serbian Government finally adopted Law on Culture which brought many changes and innovations, in particular regarding cultural institutions of national interest. These changes are reflecting, inter alia, the following⁷⁷: definition of the conditions for acquiring or losing the status of "the cultural institution of national importance"; election of directors in cultural institutions through an open contest announced by the Managing Board; the new mode of hiring artists, by introducing three-year contracts of artistic engagement (instead of permanent employment which was case so far), etc. Although adopted nearly two years ago, the law has still not been implemented.

There are currently three professional opera companies in Serbia: Opera of The National Theatre in Belgrade (1920), Opera of Serbian National Theatre in Novi Sad (1947) and Madlenianum Opera and Theatre (1997) in Zemun. The first two are public cultural institutions, both *repertory* theatres with resident artists (singers, directors, conductors...) and ensembles (orchestra, chorus, ballet ensemble), which operate during ten months from September to June. Madlenianum Opera and Theatre (initially named The Chamber Opera Madlenianum) is a private opera company which operates in *semi-stagione* principle, without resident orchestra and chorus and with guest singers, conductors, directors etc. engaged on part-time contracts for each production (project).

In Serbia, similarly to Germany and most of Central and Eastern European countries, a tradition of three-ensemble theatres under the same roof (opera, ballet and drama) has been adopted. Hence, the opera companies operate in the framework of a larger theatre,

⁷⁷ *Law on culture*, Ministry of Culture of the Republic of Serbia, „Official Gazette of RS“ No. 72/2009

sharing the stage and other facilities with ballet ensemble and drama cast. This is an institutional model that cannot fulfill the needs of contemporary artists of any of the three units. The same practice exists in Belgrade National Theatre.

It is commonly accepted that the National Theatre was founded in 1868. From its inception the musical performances were included as part of theatrical practice. In 1882 the so called 'Musical section' has been established in Theatre⁷⁸ and their focus was on operetta which, regardless to different opinions, provided necessary conditions for later formation of the Opera, as an independent unit. Even though the Opera was officially founded in 1919, the first national opera was performed almost 20 years before. In 1903, opera *Na uranku* composed by Stanislav Binički with libretto by Branislav Nušić was performed in National Theatre. Ten years later, just before the war, in 1913, first great opera was staged, and it was Verdi's *Troubadour*. Some consider this event as the founding moment of the Opera, but this important step in development of the Theater has been postponed by the World War I. At the end of 1919 Opera of the National Theatre was finally founded, but we must not overlook the fact that increasing number of Soviet artists, who escaped after the war, significantly contributed to this. Couple of years later owing to the same phenomenon the Ballet was founded (1923). Since then three units (Drama, Opera and Ballet) are operating under the same roof. That very fact has been repeatedly seen as the main factor disabling the better functioning of the National Theatre as a whole and Opera as its part. The idea of opera building aroused in the seventies of the last century and since then it was questioned and debated on various issues, starting from the location to the economical sustainability, however, still with no significant results. Leaving aside question of the new building, we will focus on state of Belgrade Opera in more recent times.

⁷⁸ Source: The Archives of the National Theatre in Belgrade

4.2. Management models

4.2.1. Legal status and governance mechanisms

Opera of the National Theatre in Belgrade (hereafter NTB) as one of six organizational units (departments) is defined by Statute of the National Theatre and therefore must be perceived only as a part of the NTB.

NTB is cultural institution of national interest for the Republic⁷⁹. This privileged status provides various kinds of benefits in particular related to the state budget, but also obliges cultural institution (theatre) to undertake responsibility to the society, audience, consumers as well as to the artistic ensemble. It is founded by the Republic of Serbia which performs and provides founding laws and rights through the Government and later on through the Ministry of Culture. The governing bodies of the National Theatre are: Management Board, Supervisory Board and General Manager (General Director).

Management Board has seven members appointed by the Government on the proposal of the Ministry of Culture. Three members of the Board are elected among the employees of the National Theatre and chairman is appointed among members of the Board. Current Management Board was appointed in September 2009 and for the chairman was named Mr. Slavko Carić, CEO⁸⁰ of Erste Bank Serbia.

Supervisory Board monitors management of the NTB, performs general supervision over the property and performs an internal control of the business legality. The Supervisory Board has three members appointed by the Government on the recommendation of the Ministry of Culture. One member of the Board is elected from the employees of National Theatre for whom NTB submits proposal to the Ministry of Culture. Other two are external members named by the Government.

The General Director of the NTB is appointed by the Founder in the manner and procedure prescribed by the law and he reports to the Founder.

Governance in NTB is rather centralized and put much tasks and responsibilities to the General Manager. The profile of the General Manager is not clearly defined in 'job classification' since it doesn't specify whether the person on this function should have the

⁷⁹ *Statute of the National Theatre in Belgrade*, No. 1870, April 7, 2003

⁸⁰ A **chief executive officer** (*CEO*, American English), *managing director* (*MD*, British English), or *chief executive* is the highest-ranking corporate officer (executive) or administrator in charge of total management of an organization. (Source: Professional English in Use – Finance, Ian MacKenzie, Cambridge University Press, 2006, p.16)

artistic background or should come from art administration. So far it can be seen that head of the NTB was usually an artist ‘*with high national and international reputation*’⁸¹.

Collegium of the NTB, Board of Directors in practice, represents the advisory-consultative body of the Director of the NTB, which considers issues of common interest for the functioning and business activities of the Theatre. Members of the Collegium are generally sector directors and other employees designated by the head of the NTB. General Director convokes meetings and determines the scope of the Collegium.⁸²

4.2.2. Organizational structure

The organizational structure of the National Theatre is rather flat (see Figure 1), similar to majority of performing arts institutions in Central and Eastern Europe. It consists of the following basic organizational units:

- DRAMA
- OPERA
- BALLET
- MUSEUM OF THE NATIONAL THEATRE
- TECHNICAL DEPARTMENT
- DEPARTMENT OF PROFESSIONAL AND GENERAL AFFAIRS

The main organizational units are defined as sectors in the internal organizational structure of the NTB. There are two additional units:

- Opera Studio
- Ballet Studio

These units operate independently under the direct authority of the General Manager, even though they are naturally linked to its basic departments (Opera and Ballet). On the head of each department is Artistic Director appointed by the General Manager.

⁸¹ *Rule book on organization and systematization at the National Theatre in Belgrade*

⁸² *Ibid.* 79

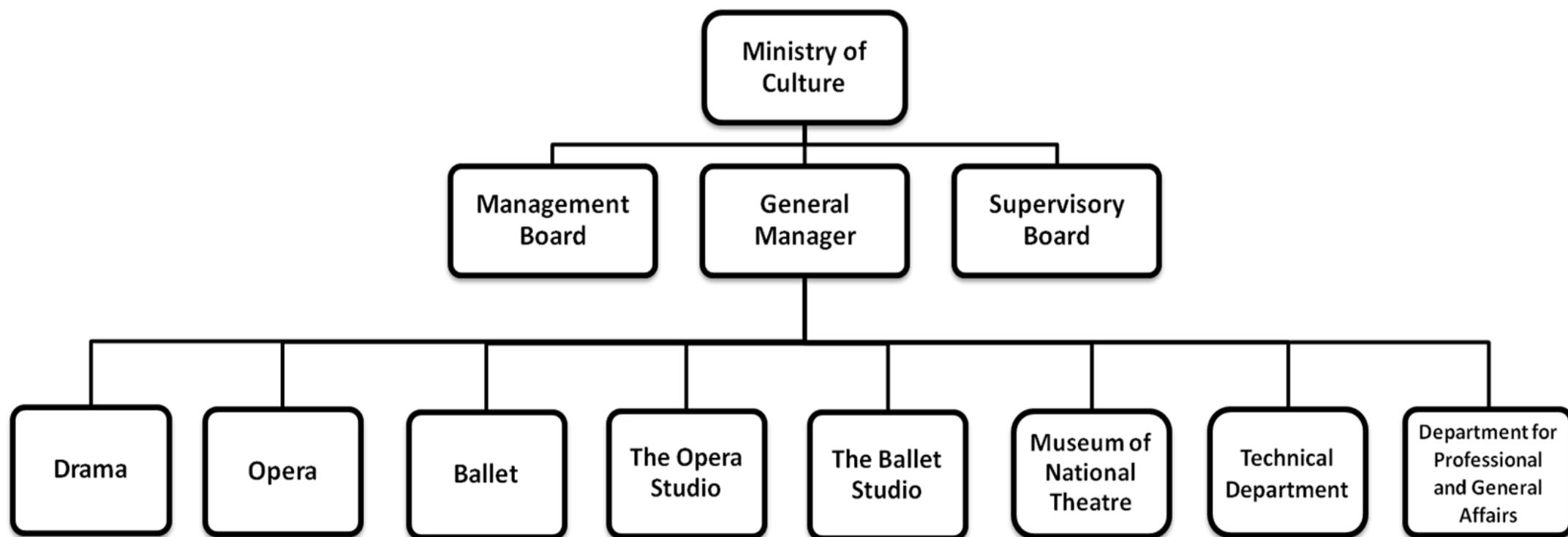


Figure 1. Organizational structure of the National Theatre in Belgrade

Organizational structure of the Opera

Director of the Opera (Directress) manages work in the whole sector: suggests a repertoire and ensures its implementation; proposes a repertoire policy and suggests tours; engages artists; proclaims candidates for the awards; she is responsible for the quality of the work and for the situation in entire sector; manages employees etc. Opera Director undertakes to cooperate with the directors of other two artistic sectors and reports directly to the General Manager. The Directorate of the Opera consists of Directress, Assistant Director, Office Manager and Independent Organizers. Major decisions and guidelines are given by the Directress, however Assistant Director is also very much engaged and large part of the organization is going over him.

Opera of the NTB has 220 permanent employees, although it shares orchestra with Ballet Department. There are 39 singers, 72 choir members and 82 orchestral musicians, 3 conductors, several accompanists, dramatist, director and a number of additional staff (inspicients, prompters...). Even though the opera has a large number of singers, forasmuch the average number of performances doesn't exceed seven per month, there is a lack of artistic staff, in particular regarding singers. In spite of 39 soloists, Opera of NTB doesn't have a coloratura soprano neither it has a counter tenor. Besides, capability of some singers and the artistic quality of the performance is not appropriate for the roles they are interpreting, but this appear to happen in repertory opera theatres, where the cast is engaged for an indefinite period (resident opera cast), so in time ensemble becomes older, and the main roles are interpreting younger singers who actually hold the repertory.

Opera Studio is an organizational unit under the authority of the General Director who sets the Head of the Studio with whom he makes a part-time contract. Head of the Studio, a vocal teacher, independently chooses his associates, a pianist (accompanist) and an organizer. Even though the Opera Studio is a separate unit, it is naturally linked to the Opera because of the young artists, Studio participants, who co-operate with the Opera and whose program is compliant with the repertory of the Opera. Opera Studio usually leads a former opera-star, currently it is former prima donna of the Belgrade Opera, Radmila Bakočević.

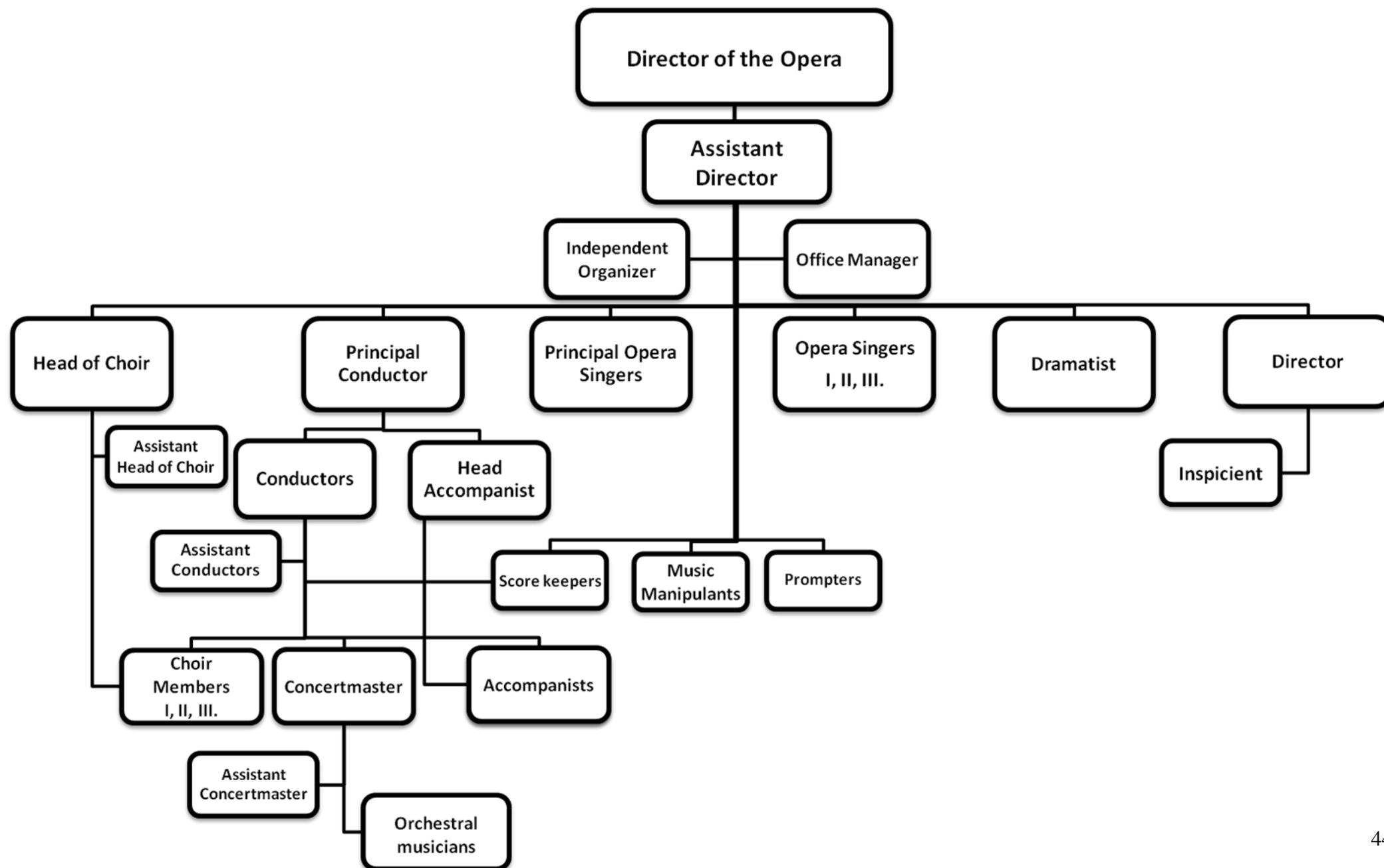


Figure 2. Organizational structure of the Opera

4.2.3. Producing principle and repertory policy criteria

Opera of the NTB is a repertory theatre. Officially there are 41 opera productions on the repertoire but not all of them are performed. Being a State Opera, the repertory policy of the NTB is traditionally oriented. Beside repertory policy, staging (direction, costume design, set design) is also traditional. It must be said that the arrival of new Opera manager brought attempts of modern style of performance in some productions but the majority of them are still performed in conventional manner. An innovation that has been introduced by the new Directress is practice of concert performance of operas that require huge and expensive set design (*Aida* and *Carmen*).

Opera is sharing stage with ballet and drama so usually there are five to seven performances per month. This number is not sufficient for maintaining the artistic quality of many different productions at the same time. As mentioned before permanent cast determines the quality of the performance as well. There are a lot of singers in the ensemble which are not performing up to high artistic standards therefore much of the work is carried out by the younger and more capable singers.

Traditionalism of the Opera of the NTB is manifested when it comes to promoting new works as well. There are neither commissions of new opera works nor premiers of newly composed pieces. These can be found only on 'alternative' opera stages (festivals or private opera houses) but it is very rare practice.

Although NTB is a national theatre, domestic works are totally omitted and neglected. For example opera *Hasanaginica* is the only domestic opera that was performed in NTB in the last two decades. It should be noted that domestic artistic corpus doesn't lack relevant opera composers (e.g. Isidora Žebeljan) who are staging their world premiers abroad.

In Table 1 the number of premiers, revivals, reprises and total performances on different stages of the NTB as well as on tours, in last five years is shown.⁸³ We can see that there is no significant difference between years that preceded the economic crisis and the period of crisis. We conclude that that the impact of the economic crisis in this sector is negligible.

⁸³ Ibid. 78

The similar conclusion can be drawn by observing the Figure 3. It shows the total number of spectators per season and the total number of performances per season.⁸⁴ We see that total number of spectators doesn't vary significantly over the past five seasons.

Table 1. Opera productions in last five years

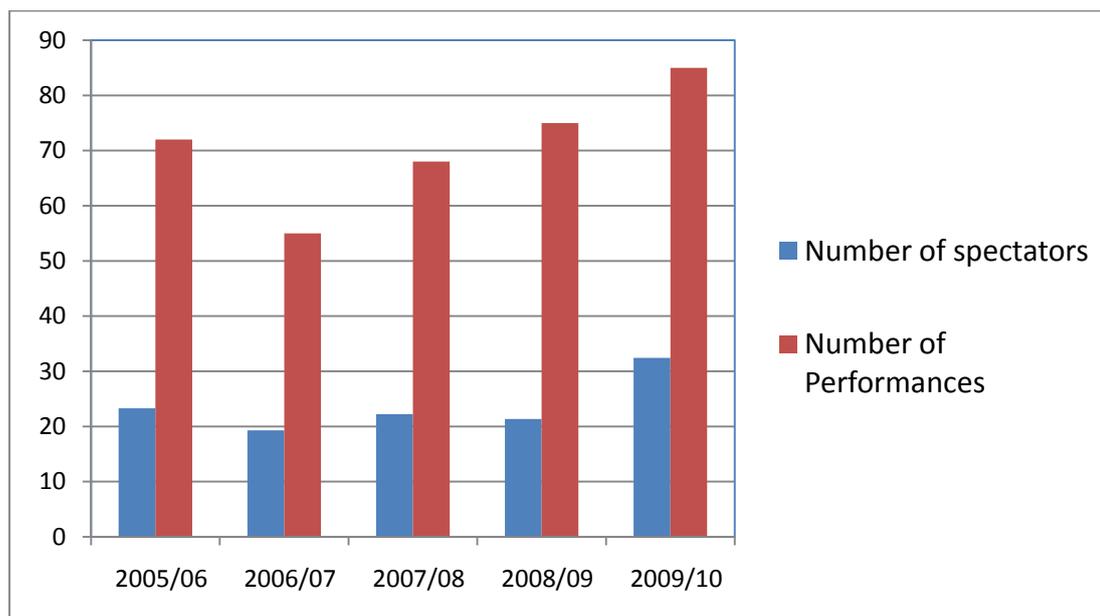
Season	2005/06	2006/07	2007/08	2008/09	2009/10*
Premiers	7**	4**	3	2	2
Premier Revivals	2	0	0	0	1
Reprises	12	15	13	16	-
Main Stage	58	45	52	53	76
Stage Raša Plaović	12	4	0	4	2
Tours	2	3	7	8	7
Tours abroad	0	2	7	6	0
Performances Total	72	55	66	71	81

*For season 2009/10 the final report hasn't been published yet. The data in the table is collected from the report made for the annual press conference

**There is one co-production in 2005/06 and two in 2006/07

⁸⁴ Ibid. 78

Figure 3.



*The number of spectators is given in hundreds

4.2.4. Sources of funding

The model of financing the arts in the Republic of Serbia is *Architect*. Since NTB is ‘*cultural institution of national importance*’ it is directly funded by the Government through the Ministry of Culture. The city of Belgrade and Municipality Stari Grad (NTB is situated in the municipality of Stari Grad) are not involved in the financing of the NTB. Only occasionally there are some donations from these institutions (Municipality of Stari Grad donated video surveillance to the NTB in 2010⁸⁵).

Management Board of the NTB gives a proposal of financial plan for the next fiscal year and a financial draft for the next three years to the Ministry of Culture in July or August every year. Ministry of Culture considers proposed plan and approves it in January the next year. Ministry of Culture can approve additional grants during the year for projects and investments. The purpose of funding is strictly defined and any re-allocation requires permission from the Ministry.

⁸⁵ Source: Department of Financial Services of the NTB

It should be pointed out that the information about the finances of the NTB was not possible to obtain, even though NTB is ‘state-owned’ cultural institution and in a way it is financed by taxpayers i.e. Serbian citizens, in this regard NTB should have a moral obligation to provide insight into its budget. Due to general lack of transparency on this issue, insight in the annual report wasn’t made possible to get neither through the Ministry of Culture nor through the Financial Department of the NTB. This question will be addressed in more detailed manner in the subsequent chapters. In the analysis there were used reports from the NTB Financial Department which contain only percentage figures for years 2009 and 2010, not the budget information. This document is shown in Appendix 1 of this study. Since the information about finances of the Opera Department wasn’t available separately, we will analyze finances of the theatre as a whole.

We can see that earned revenues make very small part of the total income of the theatre (Figure 3 and Figure 4) which makes NTB heavily dependent on the Government funding. Box office makes about a half of earned income (Figure 5 and Figure 6) and donations make just around five percent of earned income which is less than half percent of total income. Possible explanation of this small percent of donations lies in insufficient number of tax reliefs for possible donors. About three quarters of the total income is allocated to salaries of the employees (Figure 7 and Figure 8). We can also see less than ten percents is allocated to productions.

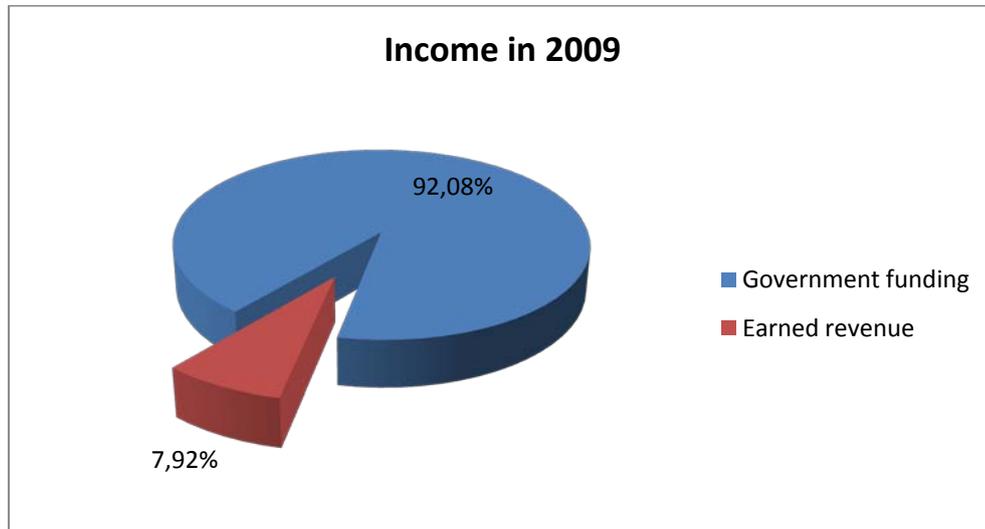


Figure 4.

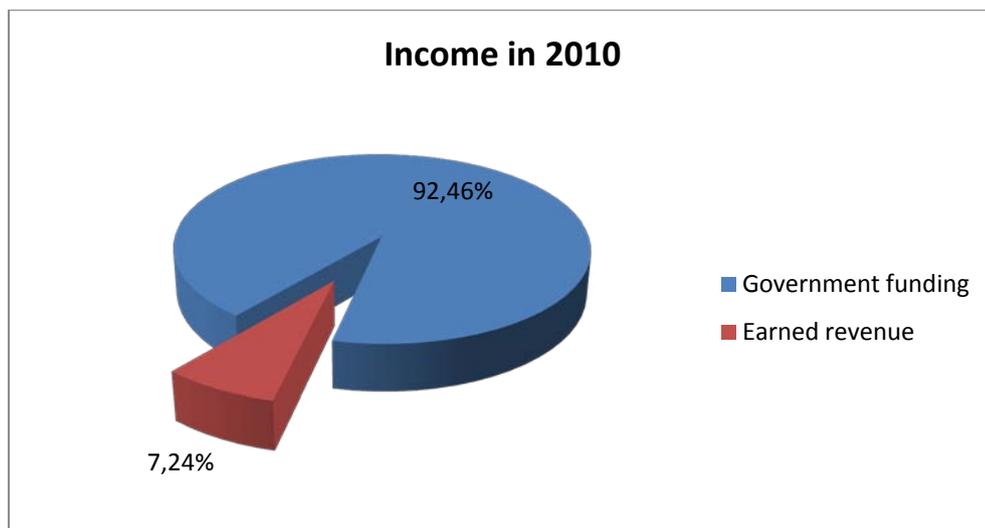


Figure 5.

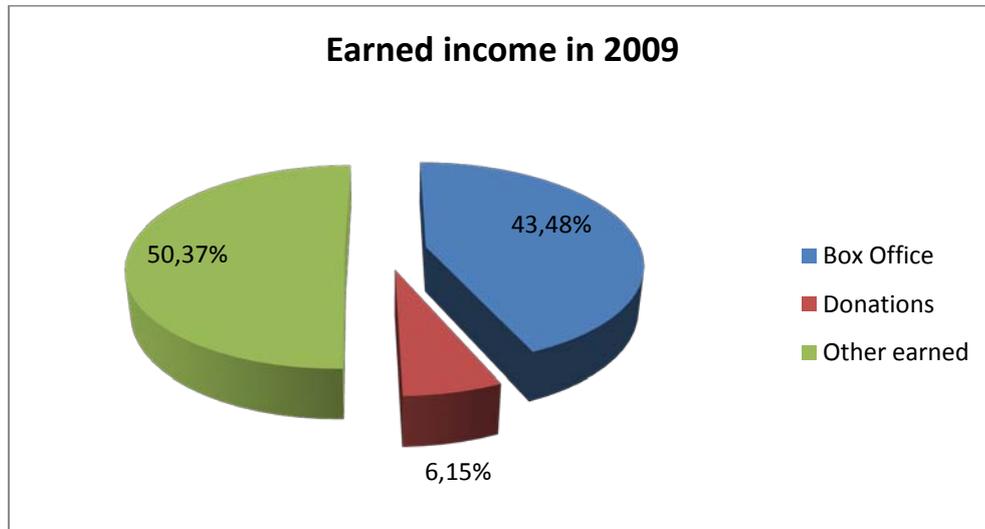


Figure 6.

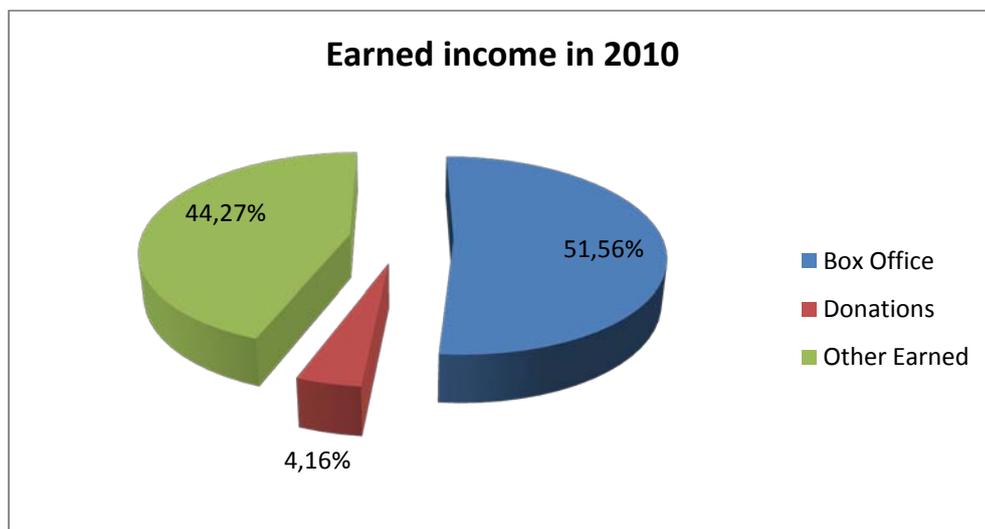


Figure 7.

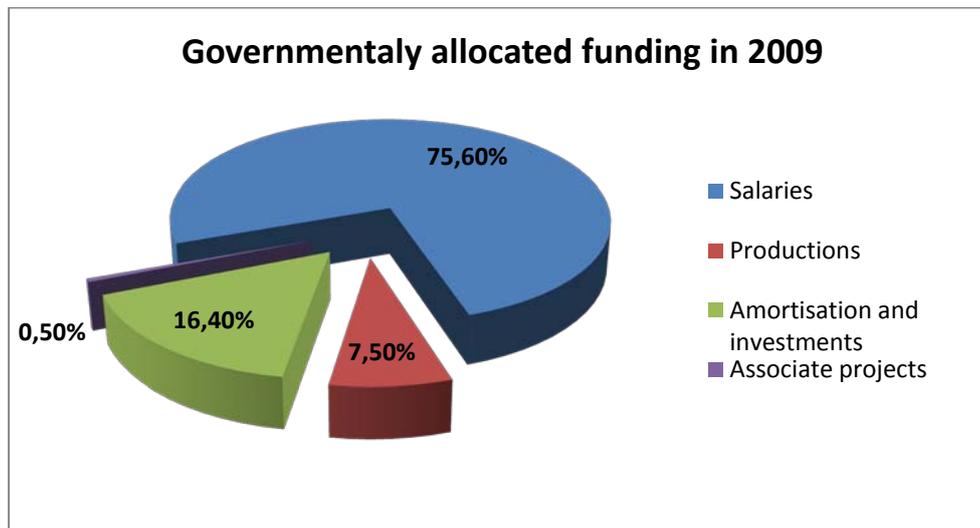


Figure 8.

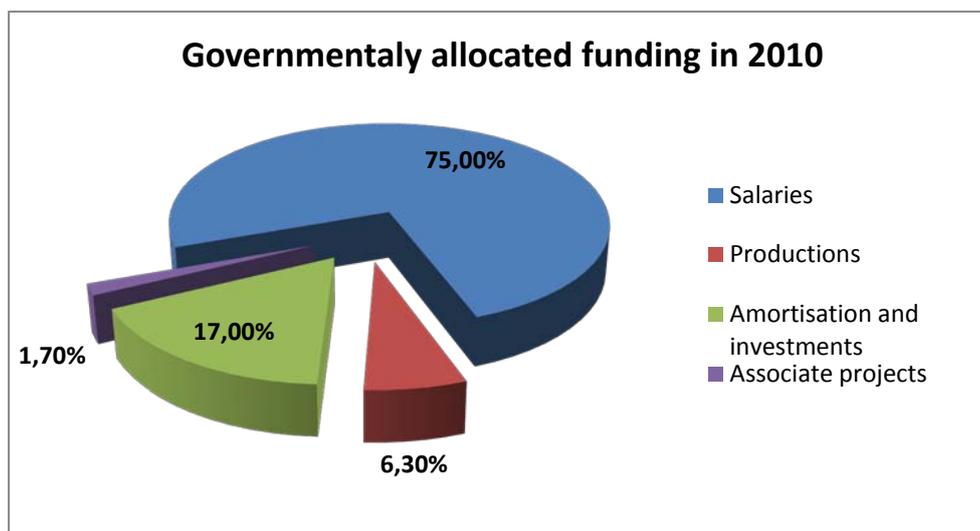


Figure 9.

4.2.5. Audience

Table 2 shows the number of spectators on different stages of the NTB and on tours in last five seasons. As we can see the total number of spectators may vary substantially from season to season. But we do not see constant decline in number of spectators during the most recent seasons suggesting that this variability isn't due to economic crisis. In season 2007/08 there was by far most spectators on tours (even more than in-house) but in-house visit was average. On the other side we see that in season 2009/10 in-house visit is substantially bigger than in the other seasons but the number of spectators on tours is below average. These two seasons may indicate that potentials of Opera of the NTB are not fully exploited in terms of maximally attracting the audience in-house and on tour and that it mostly depend on opera management engagement.

Table 2. Audience attendance in five years

Season	2005/06	2006/07	2007/08	2008/09	2009/10*
Main Stage	23297	19303	22208	21346	32428
Stage Raša Plaović	1621	284	-	497	373
Tours	828	1054	15998	5452	2150
Tours abroad	0	1009	7286	5600	0
Spectators Total	25746	21650	45492	32895	34951

*For the season 2009/10 final report hasn't been published yet. The data in the table is collected from the report made for the annual press conference.

A research made by the Institute for Cultural Development gives us valuable insight to the profile of the NTB audience⁸⁶. These results are of high importance because we can use them to identify which social, age, educational or other groups are not present in the audience. Based on this knowledge it can be developed adequate marketing and PR strategies with the aim of attracting these groups. Some results of this research are

⁸⁶ Mrđa, Slobodan, *PUBLIKA NARODNOG POZORIŠTA U BEOGRADU Izveštaj o istraživanju*, Zavod za proučavanje kulturnog razvitka, Beograd, 2010

presented in Figures 10-13. In Figure 10 in the first place we notice that women make about two third of the opera audience. Next, in Figure 11, we see that age structure of the audience is very uniform contrary to the prejudice that the opera spectators are mostly elder people. Educational profile isn't as uniform as the age structure. Figure 12 shows that two thirds of opera audience are highly educated spectators. We must bear in mind that students make more than half of the group with high school education.⁸⁷

Opera's audience profile by several parameters

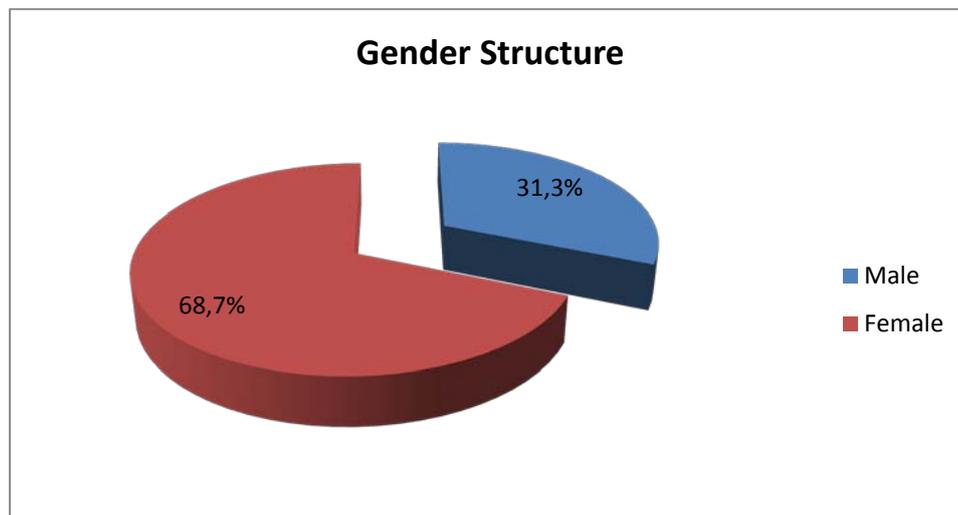


Figure 10.

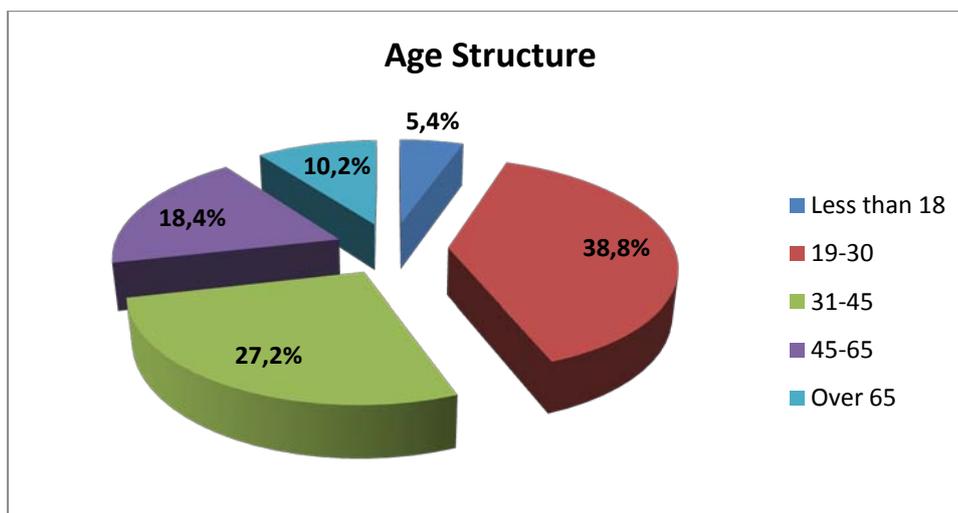


Figure 11.

⁸⁷ Ibid. 86

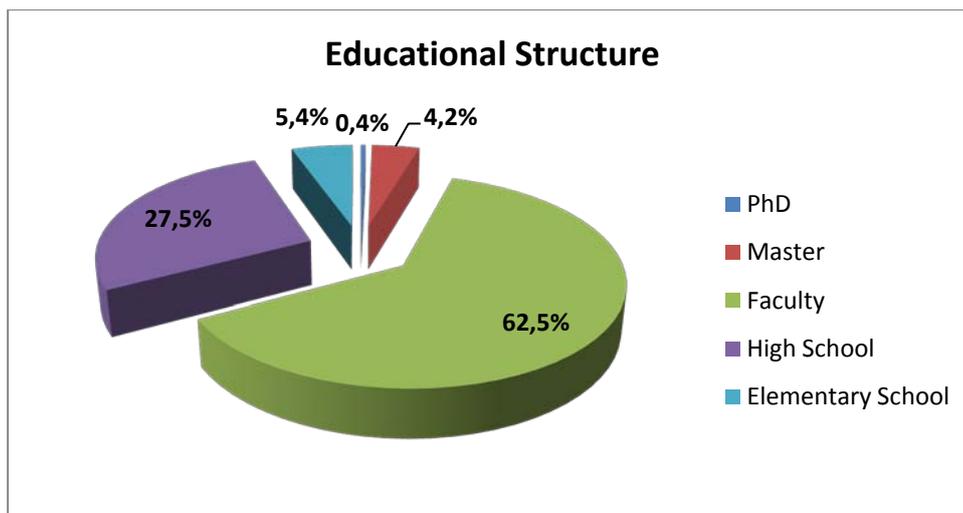


Figure 12

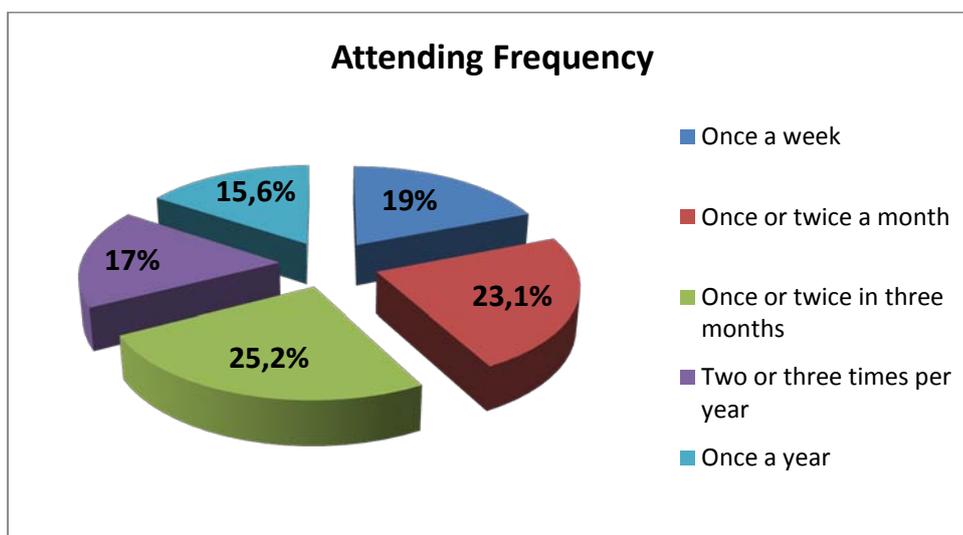


Figure 13

4.3. Impact of the economic crisis on Opera of the National Theatre in Belgrade

Before the recession officially gripped Serbia, the National Theatre struggled in debts caused by the previous administrations. Bad habits seemed to burden the budget by exceeding the number of employees provided by the Ministry of Culture. This consequently resulted by constantly breaking the budget and increasingly falling into debt which amounted 32 million dinars (around 320000 euro) at the beginning of 2009.

Nevertheless, two years later at the ceremony held for the Day of the Theatre (in November 2010), the Chairman of the Managing Board, Slavko Carić, asserted the following:

National Theatre has financially justified its existence. We have increased our revenues and decreased our expenses. All transfers have been done in time and the period has been closed with modest, but still favourable amount on our accounts.

However, the crisis has affected the Theatre in some areas which will be discussed further.

From the appointment of the current General Director in march 2009 and throughout the year 2010 National Theatre reduced number of employees for about 8%, from 788 employees, which was the case at the time of the take-over, to the number of 728 by the end of 2010. This consequently happened after the decree by Serbian Government that prohibited new employments for an indefinite period in all public institutions. The Serbian Government on the other hand, was obliged to issue such a decree due to financial arrangement with the International Monetary Fund. The Regulation did not prohibit hiring on part-time contracts, but it was determined that contract period could not exceed one year. There were several legal frameworks for the engagement of free lance artists so far; a contract for artistic engagement, a contract for occasional and temporary engagements etc. According to the Labor Law of the Republic of Serbia, each contract which duration exceeds one year automatically turns into a full time employment. Such a legal clause has consequently led the General Manager to terminate most of part-time contracts. Currently National Theatre has 742 employees, of which 712 full time employed and 30 on new part-time contracts.

Another restrictive measure implemented in last two years, at the time when the economic crisis has progressed in Serbia, was cutting of funding to independent Trade

Unions operating in the National Theatre (there were 11 trade unions in NT). Current General Manager claims that he has acted according to the legal framework by which the Theatre is under no obligation to fund the unions which has been the case so far⁸⁸. Such decision resulted with strike of two unions (seven employees were still on strike at the time of completion of this paper), whose demands were, inter alia, dismissal of General Director and raising criminal charges against the Chairman of the Board, General Manager and Assistant Manager. After considering this case, a public prosecutor's office made a decision that there are no grounds for criminal prosecution because there was no evidence of the crime. This turn of events harmed the image of NTB to some extent, although all charges were denied. However, by this measure the budget of this Theatre was enlarged for 3 million dinars annually (approx. 30,000), how much the financing of trade unions amounted.

At the end of 2010, General Manager of the NTB went to public with flowing statement:

Necessary infrastructure investments, encountered debt repayment and Economic crisis haven't affected the performance of the repertoire and the number of premieres, on the contrary, all the planned repertoire was performed, and the number of tours of our Theater has never been higher owing to the project 'Serbia within Serbia'⁸⁹, but also thanks to our desire to participate in process of true decentralization of culture. Significant progress has been made in the opera in which the last two productions⁹⁰ have shown the great potential of the soloists, orchestra and choir.

⁸⁸ Source: Interview with General Director of the National Theatre in March 2011

⁸⁹ *The aim of the project "Serbia within Serbia" is decentralization of Serbian cultural space. Analyzing the current situation it is observed that local communities in our country have far bigger cultural needs, comparing to the offer, both in the field of contemporary art and regarding the preservation of cultural heritage. Excellent programs of national cultural institutions became available to the wider audience in all parts of Serbia owing to this project. Great accomplishment has been achieved in spreading of significant artistic values and cultural education of the audience, especially the youth. Involving the local authorities and local cultural institutions, as well as giving the possibility of a free choice regarding the programs, made a kind of a "joint project" which is the purpose of decentralization itself. From Two Years of Culture, the bulletin-report on activities of Ministry of Culture for the period from July 7th 2008 to July 7th 2010, Publisher: Ministry of Culture of Serbia, 2010*

⁹⁰ Mozart's *The Marriage of Figaro* (performed on BEMUS festival) and Donizetti's *Lucia of Lammermoor*

Regarding Opera Department, arrival of new Directress, soprano Katarina Jovanović, has undoubtedly refreshed management of the National Opera, but this event left no one indifferent. Either by her supporters or opponents, from the very beginning of her mandate on the head of the Opera to this day, the heated discussions did not end. Her work was debated in many segments, however there were many improvements in terms of artistic quality of the performances and modernization of production style. Even though the Assistant Director of the Opera claimed that the crisis did not affect their organization, since the budget hasn't changed (in fact they do not have enough insight to the finances of the Theatre generally owing to the lack of transparency of the finances), there was observed one restrictive measure and that was setting of two operas in concert performance, as mentioned in previous chapters, *Aida* and *Carmen*. Since *Aida* is considered the most expensive opera, not accidentally it was put *in concert*. On the other hand, production of *Carmen* was rather out dated and while expecting the revival it has been put in concert because of its popularity, however the economical aspect is not inappreciable.

Another restriction has been introduced by General Manager of NTB lately. He temporarily abolished additional wages awarded for artistic excellence mainly to the Artistic Directors of Departments. He also refused the deputies' salary, which he was awarded by the Management Board for outstanding results achieved in past year as the head of the theater.⁹¹

Perhaps the biggest surprise to which appeared during the research was the opening of the Museum of the National Theatre at the moment when financial crisis has deepened the most. That investment amounted about 21 million dinars. Half of that amount was saved from the annual budget, so the re-allocation of funds was approved by the Ministry of Culture, the rest of money was collected partly from donors and partly from their own funds, but it must be noticed that accomplishment of this goal was achieved through great help of many friends of the NTB who either worked voluntary (like Museum architect Milan Pališaški) or donated invaluable things to the Museum.

⁹¹ Source: Interview with General Manager of the NTB in March 2011

4.4. Conclusions

As we can see from the above mentioned, Opera of the NTB structurally represents typical repertory theatre with complete resident ensemble. Since it shares the building along with required resources and facilities with other two organizational units it has quite a lot of employees. Despite the fact that there is a high number of employees at the same time there is a lack of artistic staff, because there are just a few singers capable for the high artistic performances, and there are some voice types that are not represented at all in Opera cast (coloratura soprano, counter tenor, contralto...). Consequently the quality of performance is not on a high level as it should be in an opera company that tends to be visible and competitive in its environment. On the other hand, profile quality⁹² of the Opera of the NTB that should be determined by the choice of repertory they are running, is average. It shows strong attempts of improvement particularly with the last season (which has not been included in the survey, since the data has not been processed yet). During the season 2010/11 Opera has shown two excellent new productions (premiere of Prokofiev's *In love with three oranges* and Mozart's *The Marriage of Figaro*) with modern inventive directing, set design, costumes, exceptional conducting and excellently prepared music ensemble. After listening Prokofiev's opera Isidora Žebeljan, superb Serbian composer, wrote in Politika newspapers the following:

*These days in Belgrade revolution took place. The National Theatre premiere of the opera "Love for Three Oranges" by Sergei Prokofiev was played... ..All performers together have reached a special, mysterious and blissful feeling of beauty and love of creation, which was teeming on the audience... ..Because the revolution consisted of the fact that none of the top participants did not complain about low wages, the bad instruments and bad conditions, that musicians found again that they are skilled, that they possess the power of an alchemists, and that they are able to turn a hundred minutes that audience spent in a hall into a golden time.*⁹³

⁹² Concept for defining artistic quality in an opera company by Sabine Boerner; *Artistic Quality in an Opera Company: Toward the Development of a Concept*, Nonprofit Management & Leadership 14 4, 2004, p. 425 - 436

⁹³ From the article: *Most beautiful gifts from Prokofiev* by Isidora Žebeljan, Politika, April 23, 2011

Such evaluation by the great composer as Žebeljan encourages opera lovers in Serbia to expect more similar ventures from the local Opera house than used to be the case in time behind.

Another problem concerning artistic quality is a lack of defined repertory policy which is just a consequence of undefined mission and vision of the organization and long-term plan. Without clear definition of those issues Opera of the NTB will change its identity along with each change of management team and that is unacceptable for the institution of such rank.

In terms of finances there is a lack of transparency. This issue applies to the entire institution, not Opera only. This is especially sensitive and serious matter having in mind the relevance and significance of the NTB for the State. However, without transparent financial situation possible sponsors and donors could withdraw from cooperation, not to mention the citizens to whom NTB has obligation reflected in terms of its existence. Simply put it is largely supported (approx. 92%) by the Republic budget, which is, inter alia, filling by tax payers.⁹⁴ What can be concluded from the budget information provided in the survey is low level of funding resources. Fundraising improvement and diversification of resources is a priority for obtaining indispensable autonomy from the State and better self-sustainability.

There is another problem regarding internal communication between Organizational units (departments). Through several interviews conducted with employees of the NTB it was seen that inter-sectoral communication is on a very low level, or in some cases doesn't exist at all. Organizational units of the NTB are introverted and communication with other departments takes place too slowly and sometimes indirectly. It has very bad effect on the Marketing Department. Marketing Department serves all three artistic sectors at the same time. Work is done by some well established rules and frameworks from the past without a clear marketing strategy.

It can be concluded that Opera of the NTB hasn't experienced rigorous financial cuts owing to the economic crisis, on the contrary their budget remained almost unchanged, actually the budget was frozen along with salaries. The only restriction was caused by the devaluation of the local currency causing consequently inflation. Although

⁹⁴ Although author tried to refer to 'Law on Access to Information of Public Importance', she was not allowed to collect concrete information on the budget of the NTB, just percentage ratio.

the crisis has seriously affected Serbia, Opera still went through this period without major problems in this regard. Since it belongs to heavily state subsidized cultural institutions and it relies almost to one funding source (92% by state), we can say that Opera of NTB is a bit unaware of the fact that it has been in very privileged position in these difficult circumstances, when much more developed and self-sustaining opera houses collapsed. There were no budget cuts, program cancellation or postponing, unplanned layoffs etc. The fact is that relying on one financial source might be very dangerous in unstable times and shows a high level of passivity of management. It is an ordinary model of functioning of cultural institution in previous (socialist) regime. However, there are many issues that await an appropriate time to begin substantial changes inside the Belgrade Opera. In this regard crisis can be perceived even in a positive manner, it can be motive to reconsider some habituated patterns of functioning, get out of cliché and enter a new chapter of organization's history.

5. RECOMMENDATIONS AND SOLUTIONS FOR THE OPERA OF THE NATIONAL THEATRE IN BELGRADE

Although the administration of the Opera of the NTB claims that the crisis did not hit their institution listing the number of past few seasons premieres and renewals, thanks to the great support of the State of which significance it seems they are not fully aware, also finding that the state is mostly responsible for creating cultural policy through which should be defined even their mission and vision, which was a reflection of ‘lulled’ and passive attitude from which it is necessary to bring out the institution from. After many years of crisis of culture and cultural institutions in Serbia, caused by the collapse of values that appeared as a consequence of both moral and financial crisis, the global economic crisis came like just another in sequence.

Opera of the NTB doesn’t recognize its mission, rather Opera Direction finds their mission contained in the mission of the NTB, where we can clearly see how Opera is marginalizing its individual existence. In fact, that is a minor problem, comparing to their problem with recognition of organization’s vision which they partly misunderstood. Even during the interviews, the attempt of definition of vision of the Opera in times to come resulted with the same answer; the vision cannot be clearly defined, knowing the fact that Opera directors are changing every 4 years and each brings his/hers own vision along with repertory policy.

Another ‘legacy’ of the previous regime influences artistic quality and capability of the engaged cast; it is sort of *nepotism*.⁹⁵ The problem mirrors in artistic contracts for an indefinite period, which regularly were signed out of control. That is why it seems that local problem became global.

From all the above it is clear that financial crisis is far from worst thing that can befalls Belgrade Opera. There are substantial changes required, which of course could not be derived at once, but in stages, but below, so I shall recommend below three most urgent strategies for overcoming the crisis, in a broader sense.

⁹⁵ *Nepotism* is favoritism granted to relatives or friends regardless of merit.

Modern Language Association (MLA): "nepotism." *The American Heritage New Dictionary of Cultural Literacy*, Third Edition. Houghton Mifflin Company, 2005

1. Strategy of development of visibility and image
(Redefining image and identity of Opera of the NTB)
2. Strategy of diversification of financial and human resources
3. Audience development strategy
(Marketing development)

Program focusing or ‘right sizing’ strategy will not be considered, for NTB expects the new job classification in accordance with the new Law on Culture which means downsizing the number of employees on the optimal degree.

5.1.1. How to redefine image and identity of the Opera of the NTB?

Introverted, conservative and self-centred profile of Belgrade Opera is not only evident in regards of opera repertory and management. Opera can also be perceived as introverted by its architecture, closed within the building walls, without looking outwards and inviting the public to enter. Its quasi elitist and unattractive appearance in public surely drives off the audience and it is public opinion what forms the image of an Opera house. This is why there is an urgent need for redefinition of Belgrade Opera’s image in the society.

In Serbian society perception of opera music is generally very unfavourable and a taboo for the majority, partly by responsibility of the Opera of the NTB itself. National Opera is basically obliged to seek to change this kind of attitude by assuming the role of mediator as one of its main missions. It must not be self-sufficient, and in fact on the margin of cultural life of the city and state, because it is society that provides its subsistence, so it needs to involve the society to become an active part of institution’s life.

The identity of an opera also mirrors itself in a modern and innovative productions, defined repertory policy and style of its performance close to contemporary audiences. Theatre building in pre-war architecture (although it is was actually rebuilt thirty years ago on the model of the building from the time when it was established) does not have to oblige or limit, in particular not to determine the identity of an institution working inside. National Opera must not be slave to tradition, but should look to the future and see itself as educator who sets standards in the field of operatic art.

Redefining the image of the Opera of the NTB should improve visibility of the art institution on the local cultural scene as well as expand audience and also help in finding potential long-term partners (sponsors) who want to identify their company's image with the image of Opera of the NTB.

5.1.2. How to diversify financial and human resources in Belgrade Opera?

Although the Opera is not financially independent unit, no one forbids Opera to raise funds. Nevertheless, we must start from the funding policy of the Theatre as a whole.

The most main thing Theatre must change is the transparency of financial operations. It is inconceivable that such a cultural institution feels no obligation to make available finance for inspection. This attitude sends a bad message to the public. But not only is the public impression what induces bad consequences. Lack of transparency is negative for departments, because they are not aware of their individual financial effect. This affects discouraging on organizational units of the NTB.

What is clearly problematic is the single source funding. It is particularly risky especially in an unstable period, because the theater is financially dependent, and there is a real danger of losing creative autonomy, which is unacceptable. That is why one of the most important tasks is diversification of possible financial resources, in order to acquire the satisfying degree of self-sustainability, especially considering the tendency of public authorities to further decrease their support to cultural institutions.⁹⁶ That is why the strategy of diversification of resources is absolutely needed in Opera of the NTB, as a first step towards creating the firm financial ground. It will enable the development of a Marketing strategy, with the primary aim to increase the own income. As seen before, share of State funds in finances of the NTB is more than 90% annually.⁹⁷ In order to surpass these conditions, a strong partnerships and cooperation could be established on

⁹⁶ *Public authorities in many European countries have developed policies and mechanisms that are aimed to force public institutions to diversify their financial resources, while in transitional countries this strategy is inflicted by the overall financial exhaustion of the country and insufficient financial resources (in both public and private sector) for the cultural field.*

Dragičević Šešić, Milena, Dragojević, Sanjin, *Arts management in turbulent times: Adaptable Quality Management*, Amsterdam. European Cultural Foundation, Boekmanstudies 2005, p. 90-91

⁹⁷ *Financial assets that National Theatre achieves based on regular activities, outside financing from the Founder, cannot reduce government financing of the institution.*

Article No. 40 from the Statute of The National Theatre in Belgrade, March 2003

the national, regional and international level, which would enable more cost-effective policy. The financial resources are available in a civil and private sector – sponsors, individual donors, foundations, subsidies, grants – and with the proper fundraising and sponsorship policy this could be significant revenue for the Theatre.

So far, some fundraising activities exist in National Theatre⁹⁸, but are underdeveloped and not strategically defined. Fundraising should be aimed at fulfilling the obvious technical and material needs, in order to increase the financial independence of the Theatre. That can be achieved through the following activities that are common practice in some European opera houses:

- opening of the theater for the visitors as a tourist destination during the whole day until the beginning of the performance; special tour programs
- emerging activities in halls of Theatre, on balconies and in front of the building by exhibitions, lectures and presentations, opening shops offering souvenirs, promotional material, exceptional recordings of legendary performances (CD, DVD...) etc.
- renting of: costumes, sets design and props from the holdings of the NTB
- improving catering services in the part of the Theatre where audience needs it
- Belgrade National Theatre should improve its relationship with the City, cooperate more with the city and ensure some extra funding from the city if possible

Diversification and increase of financial resources might directly affect human resources. There is a lack of personnel in both artistic and administrative sector.

The lack of personnel in marketing and PR management, is also one of the major problems of the NTB and even more important for us, of the Opera, since any development of serious and profitable strategy (and campaigns) demands high expertise and a team of experts.⁹⁹ On the other hand, the complicated and time-consuming employment and dismissal procedure of the National Theatre's personnel represents another obstacle, as in many other state-owned cultural institutions.

⁹⁸ Publishing sector products (concert-programs, monographs, books and expert literature), Museum of the NTB with bookshop, two leased restaurants and leased printing office.

⁹⁹ It is important to mention that Institute for the Study of Cultural Development conducted a survey on *Audience of the NTB* in 2010 for each artistic department, which is a starting point for defining marketing strategies, but there is no adequate team for such an undertaking in the Marketing service of the NTB.

In Opera of the NTB there is also serious problem with personnel. Organization is performed by 'long time ago' established patterns. Current Directress is still active principal singer, while at the same time both artistic and administrative director (manager), so there is an urgent need for new distribution of duties in the management of the Opera. On the other hand, there is a lack of performing staff, but at the same time there is staff (thinking mainly of opera singers) that is almost superfluous on the pay list. Improvement in this respect may be achieved through engagement of new Chief Conductor¹⁰⁰ in the first place. Engagement of some new singers (lack of some voice-types as coloratura soprano, contralto...etc.) would be very important too.

5.1.3. How to attract various audiences to the Opera of the NTB?

Audience development strategy is often neglected in turbulent times due to engagement of organization in seeking self-sustainability. This strategy requires systematic effort on a long run, and large marketing investments way beyond the reach of institutions operating in unstable environments with the high risk of a return of investment.¹⁰¹

There can be a number of cultural, social, financial, psychological or maybe practical (physical) barriers to assessing opera and all this obstacles are real and must not be neglected if we tend to understand the needs of a spectator. Its formal, elitist and conservative perception in public is its worst enemy on relation with audience. Another problem is its absence from the electronic media (e.g. radio and TV).

Audience development strategy is perceived as a very important for the Opera of the NTB. Methods for audience development strategy involve constant survey of the spectator's opinion and their structure and profiles, through: statistical data research; observing; Opera website; questionnaires; interviewing; surveys; analysis of the media; internal self analysis; and comparative analysis. Questions should be asked to find out who the opera's visitors are and discover how they behave. These include what has motivated them to visit (e.g. advertising, press articles, web site), what newspapers they

¹⁰⁰ There is a good example of Belgrade Philharmonic Orchestra where new management immediately brought new chief conductor in the first place, as a basic measure for the improvement of the artistic quality and profile of the orchestra.

¹⁰¹ Ibid. 94 p. 91

read and what other venues they go to, how much they enjoyed their visit and whether they would recommend an Opera performance to others. This data enables the Marketing Department to deliver highly targeted, strategic campaigns that will attract visitors in the most cost effective way (subscription, discount tickets for various social groups...).

Since the extensive research has been already done by an organization outside the NTB (Institute for Study of Cultural Development), it is left to make a long-term plan of strategic marketing in Marketing Department. All efforts should be focused upon a central purpose; the increased attendance of Belgrade Opera performances and increased interest in this art form in general.

5.2. CONCLUSION

This paper, through theory and practice, sought to identify possibilities for overcoming financially unstable times of opera house in Serbia by carefully selected strategic models and their implementation. The aim of this research, belonging to the field of cultural management and partly touching the field of cultural economy, was to determine the present image and status of Belgrade Opera, to question and discuss its potentials and deficiencies related to ensuring its financial sustainability, audience development, artistic quality achievement and to propose some ideas as applicable solutions for identified problems. This survey was based on premises where despite the fact that financial crisis jeopardized and induced collapse among relevant opera companies all over the world, there can also be a scenario in which opera can preserve its resources until ‘the storm’ passes and even use the situation on its favor, by dealing with some old struggles within the institution, that were long crying out for change.

Examining the etiology of phenomenon of opera, and understanding the urge that term induces through history, is important for cultural managers, so they could be able to deal with specific genre like opera. Bearing in mind costliness of its production and excellence that requires its performance it is indispensable for an opera house to have good leadership, both artistic and administrative. Although dual leadership is seen as a stumbling stone in functioning of an opera house¹⁰², the time has shown, it is far better than lack of any of these positions.

Research on cultural economic issues and insight in financing patterns of different polities has shown that there is no consensus on which economic model is favorable, which of those elaborated is recommended and ensures stability. There are only slight advantages in terms of operating in financially unstable times between those patterns. Survey conducted by Peter Inkei has shown a little advantage in favor of ‘Architect’¹⁰³ model of financing culture, respectively welfare (or a subsidy) model.

Infield research conducted in winter 2011 in National Theatre in Belgrade has shown results that were partly expected. What was a little bit unexpected was the attitude of the new Director of the NTB who has managed to do a lot regarding finances, by

¹⁰² Ibid. 13

¹⁰³ Ibid. 62

repaying debts and by implementing four-year investment plan, while at the same time crisis continued its progress. Beyond that, the state of Opera of the NTB was perceived ascending, however there is so much more to be done, and these are not relatively small things, but substantial. The most important task in this point becomes (re)definition of the image of the Opera of the NTB in public and that goal can be achieved only together with reevaluation of the mission and defining the vision, what is its social commitment and responsibility. Opera must justify its existence even in welfare, but much more in the time of crisis, when its liability should be far more serious and self-critical.

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