

Revising Accounting and Branding of Italian Cultural Firms: Intangible Assets

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Abstract

What can be a strong *signal* in order to increase ticket revenues and attract private contributions in modern cultural firms? Intangible Assets.

Though ticket revenues have not declined, the Italian State has not lost his aptitude of *social father*, taking care of *merit goods* such as Performing and Visual Arts. Though they are encouraging grant-making initiatives and stakeholders such as Banking Foundations, private citizens and entrepreneurs, Italian Cultural Firms are getting on a *sweet privatization*. Not confident of the Italian private vocation for arts financing and always estimating cultural goods as *fundamentals* of the Italian tradition and history, they don't strongly invest in fundraising and advertising campaigns, in ultimate sense, intangibles and they *only* trust State and Local Administrations Funding.

Revising communication and accounting practices could be a *virtuous track* in order to get on a *tangible privatization*.

Here, it is given evidence of strategies and performance of Italian Cultural Foundations.

Keywords

Art, Culture, Accounting, Intangible Asset, Foundation.

Introduction¹

Italian cultural firms are profiting by a legislative evolution path that is determining **an impressive institutional transformation**: from public to private property, with not for profit management implications. The **Foundation** is the most adapting legal status, which implies reforming of accounting and financing methods. Since **mid 1990s'** museums, theatres, performing and visual arts have been changing from institutions – State or local administrations' institutions and agencies - into foundations.

This legal transformation has implied a complete revolution of accounting methods.

In opera houses, financial statements are especially recovering from prevailing credits to high valued intangible assets. If – before the institutional reform - the biggest quota of total assets was credits, if liquidity was rather scarce and debits were the prevailing in resources' accounting, now **high intangible assets are counterbalanced by diminishing debits and increasing own resources. This accounting revision could be a step to a *strategic revolution*, if thought as counting for the amount of advertising, communication, branding and reputation, goodwill investments and if thought as an efficient signalling system, in order to raise funds and other resources.** That is happening in performing but also visual arts, with a collateral strong debate as regards **Statements as signals for sponsorships enhancing.**

The main objective of this paper is to investigate communication costs (price, product and institution marketing) *and assets* of Italian performing and visual arts, concentrating on an analysis of their balance sheets, above all the accounting of intangibles.

The first paragraph is a review of the latest literature concerning accounting for intangible assets.

The second and the third paragraphs regard the incidence of intangible assets in performing and visual arts Statements, emphasizing the possible *relationship* with advertising-fundraising strategies and performance.

Intangible Assets: Theoretical and Normative Frameworks

Towards a Definition of Intangible Assets

Intangible assets have been viewed in different but complementary ways by economists, strategists, marketers, lawyers, organization theorists and accounting scholars. From one hand, such a plurality of views provides evidence of the increasing importance of intangible assets in the academic debate. From the other hand, it has led to a high level of heterogeneity in defining intangibles assets.

Intangible assets have mainly been defined in a negative way, as forms of property which, while having value (since people are prepared to pay substantial sums of money to acquire them), do not have any physical substance (Brockington, 1995, p.12; Stobart, 1991, p.25). Several studies have criticized the negative definitions of intangibles assets, arguing that there is neither practical wisdom nor theoretical soundness in classifying assets between tangibles and intangibles purely on the basis of their physical form (Lall, 1969, p. 322; Rullani, 1992, p. 9-10). A broadly accepted - and frequently cited in following studies on intangibles - positive definition of intangible assets considers them as assets based on or embedding information (Itami, 1987, p. 35). Following this definition, intangible assets include both information internally owned by companies – e.g. know-how on technology and marketing – and information developed by companies and crystallized among company's stakeholders – e.g. company's credibility, reputation and trademark. While having the undeniable advantage not to be based on assets' physical make-up, the definition seems to be very broad and to embrace highly different categories of assets, making their recognition and study very tough.

As a consequence of the extremely high number of definitions provided by literature on intangible assets, it is worth specifying the definition of intangibles accepted in this paper. When

speaking about intangible assets, we will refer to assets whose utility for companies extends beyond a fiscal year, which are a result of past events, which produce economic benefits for the enterprise that can be controlled by the enterprise itself, and whose value can be measured. This means, we will refer to those intangible assets that find place in company's annual reports (Pozza, 1999, p. 91), as described below.

Accounting for Intangible Assets

The acknowledgement of the role intangible assets play in the development of sustainable competitive advantages has put the adequacy of annual reports to satisfactorily represent these assets under question. Studies on accounting have specifically addressed this issue, investigating if and under which circumstances intangible assets could be included in annual reports.

Several studies (e.g. Barwise et al., 1989, p.10; Kato Communications, 1993, p.4) suggest annual reports should represent (some) intangible assets:

- a) to provide shareholders with a more realistic picture of the company;
- b) to defend companies against raiders, avoiding or reducing capital underestimation;
- c) to decrease the perceived risk associated to companies, thanks to a better Debt/Equity ratio;
- d) to facilitate the access to debt, thanks to a better Debt/Equity ratio.

While there is general agreement on the opportunity for annual reports to represent intangible assets, how to concretely represent them seems to be more controversial. Intangible assets are assets whose utility for companies extends beyond a fiscal year: hence, they should be represented in the balance sheet among total assets (Pozza, 1999, p. 85). But intangible assets may be listed among total assets only if:

- a) they are a result of past events;
- b) they will produce economic benefits for the enterprise and this benefits can be controlled by the enterprise itself;
- c) their value can be measured reliably (Pozza, 1999, p. 91).

Looking at the requirements intangible assets have to fulfil to be represented in balance sheets and at the broad definition of intangibles provided in the first sub-paragraph, it is clear that the accounting model for intangible assets has some limits. The so-called invisible intangible assets (e.g. Barret, 1986, p.32; Liberatore, 1996, p. 45-46; Sica, 1983, p. 39-40), for instance, are not at all represented in balance sheets. Intangible assets represent in balance sheets – the so-called visible intangible assets – can be divided into three main logical categories, as restated in the recently issued IAS (International Accounting Standards):

- a) transferable intangible assets, such as concessions, trademarks, industrial patents and licences;
- b) not transferable intangible assets, such as research, development and advertising costs, incorporation and expansion costs, R&D and advertising costs;
- c) goodwill (IAS 38).

These logical categories are substantially recalled by Italian and European regulations over accounting for intangible assets, as described in the next paragraph.

The Italian Framework for Intangible Assets

The **article 2424** of the Italian Civil Code (“Balance Sheet Content”) states that intangible assets are to be divided into:

1. incorporation and expansion costs;
2. research, development and advertising costs;
3. industrial patents and intellectual property rights;
4. concessions, licences, trademarks and similar rights;
5. goodwill;
6. construction in progress and advance payments;
7. other intangible assets.

The first two categories (*incorporation and expansion costs* and *research, development and advertising costs*) are considered not transferable intangible assets. In particular, incorporation and expansion costs have to do with company’s foundation (incorporation costs) and with production capacity growth (expansion costs). Research and development costs can be registered in annual reports being related to applied research and development activities, rather than being due to basic research. To be registered, advertising costs must have long-term validity, be exceptional – in terms of allocated resources and time – and aim to obtain future economic benefits.

The third and the forth categories (*industrial patents and intellectual property rights* and *concessions, licences, trademarks and similar rights*) are considered transferable intangible assets. Companies are allowed to exploit patents and intellectual property rights for an agreed period of time under the limits imposed by law. Concessions consist on acts of the Public Administration to give private subjects the rights to use public goods or to provide public services; licences are rights, granted generally through a contract, to use goods or to provide services or to do arranged activities; trademarks represent one of the most important attributes of companies, together with logos.

The fifth category consists on *goodwill*. Goodwill can be registered in annual reports only when a company bought another company from a third party. Companies can not register the so-called original goodwill, created inside the company through effective daily operations. Goodwill can be conceived as the difference between the price a company paid to buy another company and the book value of the acquired company.

The sixth category (*construction in progress and advance payments*) encloses intangible assets under construction (construction in progress) and advance payments to buy transferable intangible assets from third parties (advance payments).

The seventh category (*other intangible assets*) encompasses intangible assets which do not belong to the other categories.

The **article 2426** of the Italian Civil Code (“Evaluation Criteria”) lists the evaluation criteria for intangible assets, in general, and for the different categories of intangible assets, in particular.

As far as general evaluation criteria are concerned, the article states that:

- a) intangible assets have to be registered at the historical cost, inclusive of the so-called additional burdens – i.e. a percentage of indirect costs and financial burdens (article 2426 c.c., point 1);
- b) amortisation has to be systematic, although not necessarily constant. Companies may change their amortisation plans by providing a rationale for their decision in annual reports (article 2426 c.c., point 2);
- c) intangible assets may be devalued, but not overvalued (article 2426 c.c., point 3).

Given these general criteria, it is worth adding some more information about the specific criteria for each category of intangible assets.

For not transferable intangible assets (*incorporation and expansion costs and research, development and advertising costs*), three are the most important specific criteria:

- a) to register not transferable intangible assets in annual reports, the approval of the Board of Auditors is needed;
- b) their amortisation period must be no longer than 5 years;
- c) until the amortisation period is over, it is forbidden to pay dividends if after the payment the available reserves are insufficient to cover the value of the not yet amortised not transferable intangible assets.

Regarding transferable intangible assets (*industrial patents and intellectual property rights and concessions, licences, trademarks and similar rights*), the Civil Code does not state any specific evaluation criteria; therefore, it is assumed that general criteria are to be applied.

Finally, as far as goodwill is concerned, the general framework is completed by three specific evaluation criteria:

- a) to register goodwill in annual reports, the approval of the Board of Auditors is needed;
- b) the registered value has to be lower than or equal to the sustained costs;
- c) the amortisation period must be no longer than 5 years. This period can be extended only under particular circumstances.

From fiscal year 2005, European listed companies have been obliged to adopt the **International Accounting Standards** (IAS) for their consolidated annual reports. Yet, not listed companies – like the ones studied in this paper – may use IAS as well. Therefore, it may prove useful to consider IAS 38 – *Intangible Assets*. The standard confirms that intangible assets can be registered in annual reports only if they are identifiable and controlled by the company and produce future economic benefits and costs that can be measured reliably. Nevertheless, it states that internally generate brands, publishing titles and similar items are not recognised as assets and that expenditures on research and development are generally recognised as expenses. Moreover, integrating the rules provided by the Italian Civil Code, IAS 38 states that intangible assets can be carried either at cost (as suggested by the Civil Code) or at revalued amount, i.e. the fair value at the date of revaluation determined by reference to an active market. As far as amortisation is concerned, IAS 38 divides into finite or indefinite useful life of intangible assets: the depreciable amount of intangible assets with a finite life is amortised on a systematic basis over its useful life; intangible assets with an indefinite useful life are not amortised, but they are tested for impairment at least annually (following IAS 36 – *Impairment of Assets*).

The articles 2424 and 2426 of the Italian Civil Code together with the international accounting standards 36 and 38 constitute the regulation framework inside which companies can develop

and implement their accounting policies regarding intangible assets. Adopting different accounting policies may exert a twofold effect: from one hand, it influence company's profit before taxes and, consequently, total income taxes (through amortisation, revaluation and devaluation); from the other hand, it affected company's book value (through the value of intangible assets). While an extensive analysis of the first effect goes beyond the objectives of this paper, it could be worth studying how different accounting policies regarding intangible assets may help Italian cultural firms gather the consensus of fundamental resource holders, as described in details in the next two paragraphs.

Communication Investments and Intangible assets: Italian Cultural Firms' Sense and Sensibility

As it was previously written by Claudia Gabbioneta, intangible assets may include research, development and advertising costs, concessions, licences, trademarks (branding) and similar rights, goodwill, etc. and they will produce economic benefits for the enterprise.

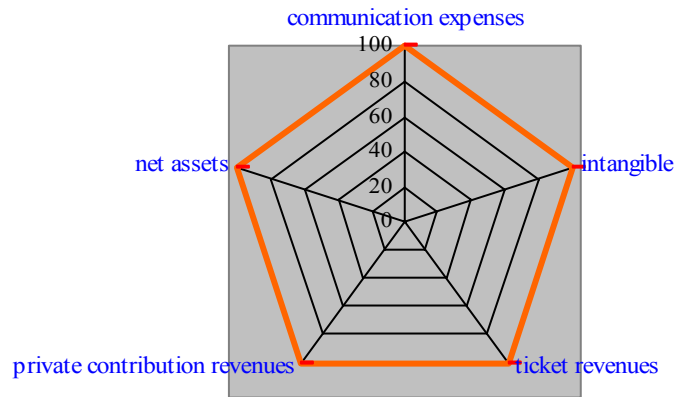
If intangible assets may count for communication investments, it could be that, in Balance Sheets of cultural firms, they increase along with revenues of ticketing, private contributions and net assets or fund balances at the end of the year.²

If a remarkable advertising expense could be written as intangible and the amortisation period could last no longer than 5 years, there should be a connection with advertising expenses (or costs) and revenues of ticketing.

High intangible assets could count for reputation, meaning goodwill and branding, so that sponsors would look for intangible assets high percentages as signals of *High-Quality Cultural Initiatives*, a *merit good* that is worth sponsorships.

Here it will be given evidence of three years' (2001-2002-2003) accounting and meaning of intangible assets in 9 Italian Cultural Firms³ that evolved from public institutions to **foundations** – private property – at the end of 1990s⁴, do symbolize famous **Italian Arts** (opera and collections in *house museums*⁵) and has invested in **e-visibility** – Information and Communication Technologies, ICT and Web Technologies – for a decade. It will be investigated either if there is a communication and advertising investment whose amount is summed up in intangible assets or if intangible assets count for reputation and branding of cultural foundations. Meanwhile, revenues of ticketing and private contributions, which increase Net Assets or Fund Balances, will be estimated in order to verify if there is a connection among intangibles, communication expenses and revenues, whose source is different from State and Local Administrations' contributions, which still represent high percentages of cultural firms' revenues. Red boundaries of **Virtuous Cultural Firms** that **strongly invest in communication and attract private resources** are shown in the following Fig.1 of *Intangible Sense and sensibility*.

Figure 1: Red Boundaries of *Intangible Sense and Sensibility*.



The *Pentagon* of Virtuous Cultural Firms includes high communication expenses, estimated in Statements of Revenues and Expenses but also (cumulated) in Intangible Assets. These investments should determine high ticket revenues, but also - as Institution Marketing – high private contributions, whose sum or amount can be cumulated in net assets.

Bagatti Valsecchi Museum, Poldi Pezzoli Museum, FAI – the Italian Foundation dedicated to the protection of the environment and historical villas -, La Triennale – exhibiting the well-known Italian design and architecture ingeniousness -, Alla Scala, Teatro Regio (in Torino), Arena (in Verona), Teatro Carlo Felice Opera Houses and Teatro Il Piccolo are very famous Italian Firms, that are the well-known expression of Italian Arts and changed in Foundations – forgetting the State property – at the end of 1990s,⁶ also implementing e-visibility, nevertheless not undertaking particular investments in communication. They usually delegate advertising campaigns to special agencies, outsourcing meant for specific skills, which are not developed inside.

In the following Fig. 2.-3.-4. communication expenses, ticket revenues and private contributions data involve opposite inclinations.

Fig.2.-3.-4. Communication Expenses, Ticket Revenues and Private Contributions in some Italian Cultural Foundations. (2001-2002-2003).

Figure 2

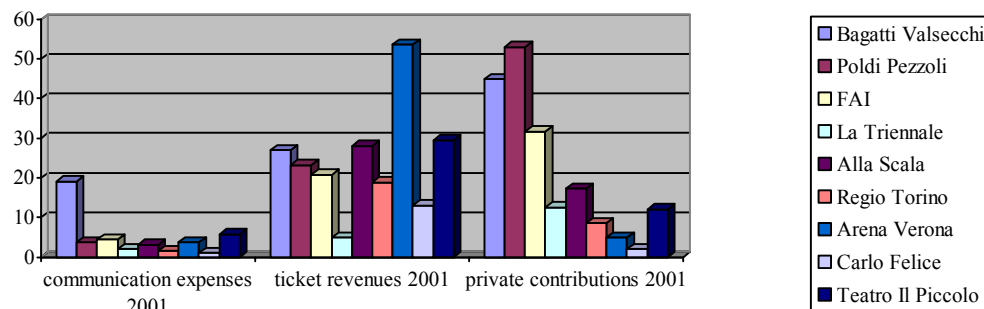


Figure 3

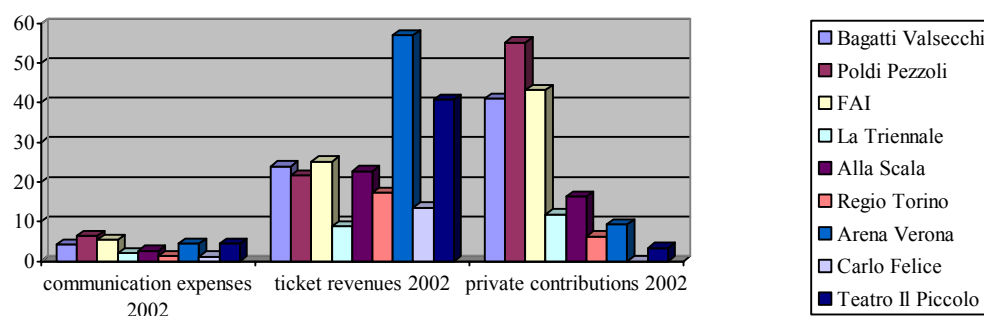
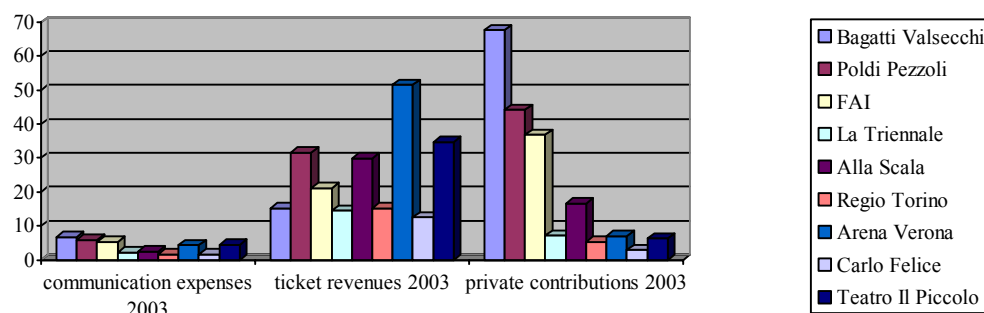


Figure 4



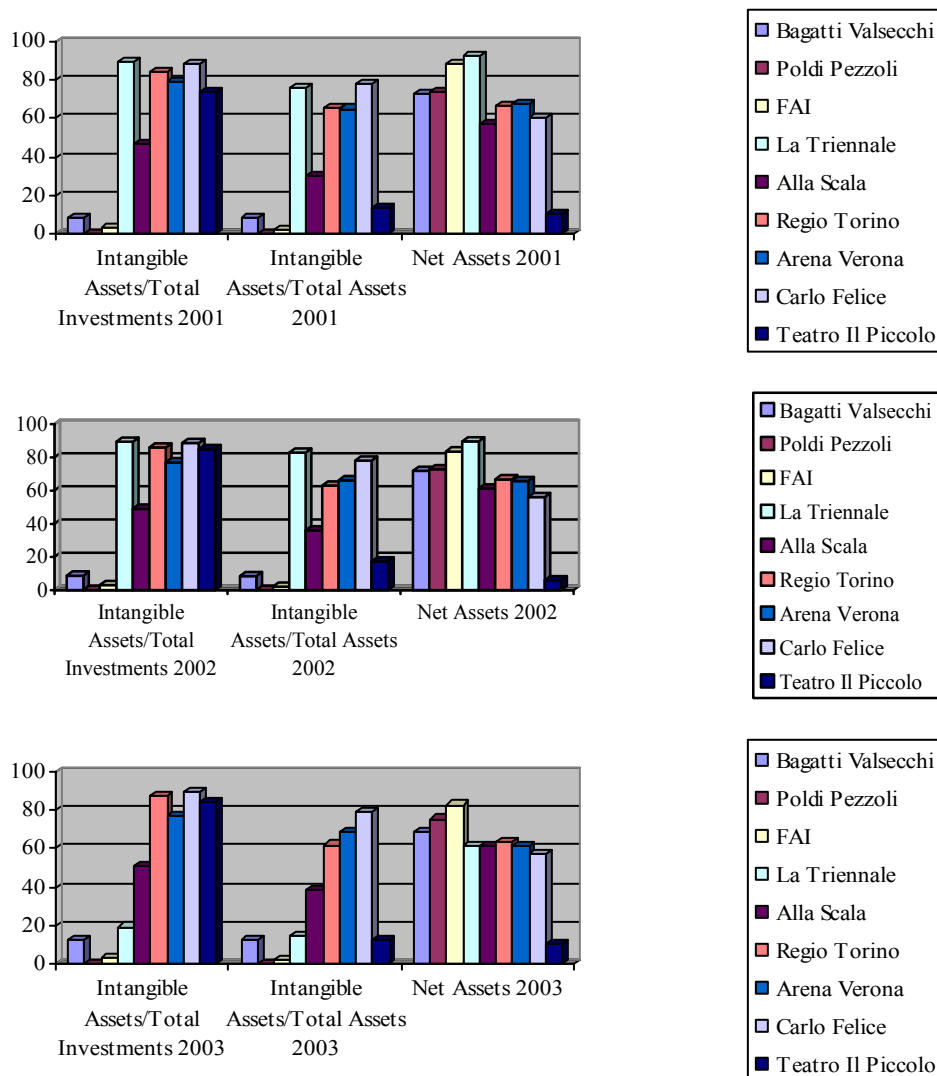
Communication expenses include a clear accounting of promotion and advertising costs, but also postage and shipping, printing and publications, telephone and mailing, software and ICT costs, conferences, conventions and meetings, professional advertising and fundraising fees as these skills are rarely in-sourced.

In Performing Arts, ticket revenues are brought about by a diversified price discrimination of success. Fellowships and Grant Programs are particularly developed by Visual Arts, though through the proficiency of Professional Fundraisers who are not employees.

On average, inside (or in-sourced) communication investments are not high percentages of budget. As regards the **Italian Performing Arts, communication investments do target theatre and opera consumers and reveal good performance in ticket revenues (advertising purpose)**. As concerns **Visual Arts, Italian Museums' communication investments do improve private sponsorship opportunities, increasing private contributions (fundraising purpose)**.

They remain **spot advertising or fundraising investments, not amounted in Intangible Assets, whose contents are opposite for performing or visual arts**: scarce ICT investments for Museums (software and web technologies); high valued licence or concession of State and Local Administrations' buildings – *comodato* is the contract, allowing the free use of State land, buildings and equipment basis - for Theatres and Opera Houses (Fig. 5.-6.-7.).

Fig. 5.-6.-7. Intangible Assets/Total Investments, Intangible Assets/Total Assets, Net Assets or Fund Balance in some Italian Cultural Foundations. (2001-2002-2003).



On the whole, **Performing Arts' Financial Statements are evidence of high estimates of Intangible Assets, but Net Assets are prevailing in Visual Arts', though Intangibles are here modest.** In both entertainment industries, **intangible assets do not represent large promotion investments, capturing *new and fresh* private support or contributions**, which could increase Net Assets. **Net Assets of both industries are still State or Local Founders' quota or endowments.**

As previously mentioned, in Opera Houses Intangibles include trademarks and State building licences or concessions dating back to the 800/1967 Act, granting Lyric Institutions the free use of State buildings. As it is a never-ending right, there is not amortisation and the estimate dates back to the Opera Houses 367/1996 Reform managing criteria.

These binding criteria for music firms are not affecting Visual Arts.

La Triennale is a symptom of a new *managing inclination*: as the high intangible of 2002's and 2003's Balance Sheets was an estimate of the concession or licence of the State building, La Triennale decided to devalue it in 2003, as it does not represent an investment that can be sold or deaccessioned.⁷

As verified, opposite is the managing practice of opera houses, whose balance sheets are still *portraying* remarkable intangible assets – like the concession of Pier Marini building of Theatre Alla Scala –, though they could not sell such buildings as they are not the owners.

For not music performers, it is interesting to analyze Il Piccolo Theatre.

Il Piccolo Theatre Balance Sheet shows a remarkable Intangible Asset – particularly regarding the Il Piccolo website with multiple collections of playwrights, reviews, videos, etc. – but is also suffering pressing liabilities. Another piece of evidence that intangible is not proving fundraising campaigns, carrying *new and fresh* support to Net Assets.

If time series are verified – as in the following Tab.1. –, performance is contradicting the Red Boundaries of *Intangible Sense and Sensibility* of the Virtuous Cultural Firm.

Table 1: 2001-2003 % Change of Communication Expenses, Revenues, Intangibles and Net Assets in Italian Cultural Foundations

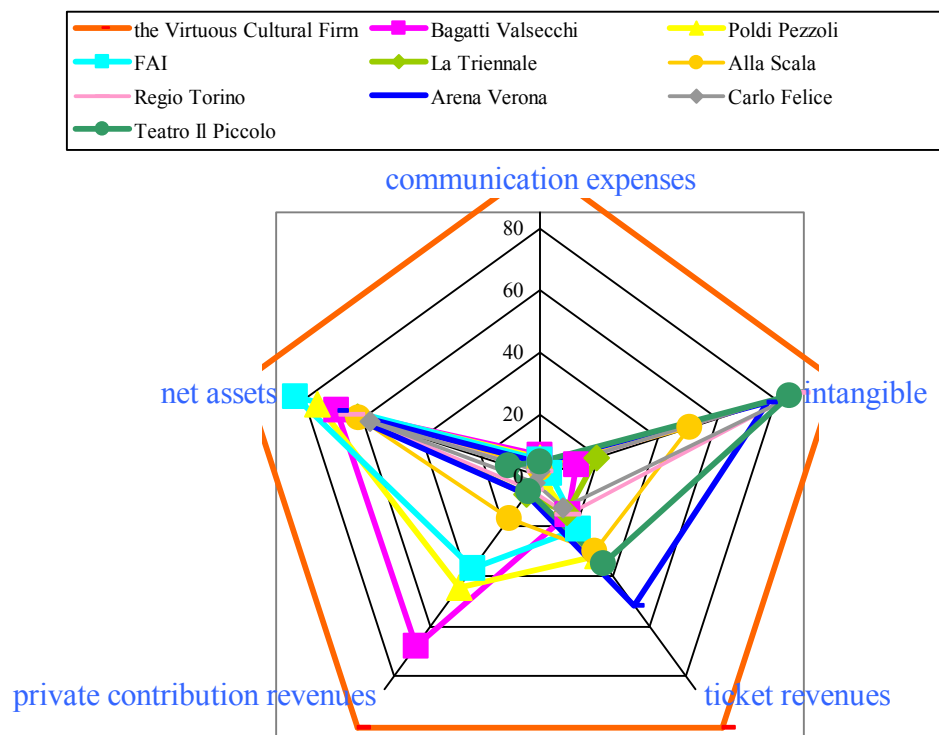
BAGATTI VALSECCHI	
Communication Expenses	+19,99
Ticket Revenues	-27,83
Private Contributions	+95,95
Intangibles	+50,69
Net Assets	-65,7
POLDI PEZZOLI	
Communication Expenses	+64,01
Ticket Revenues	+19,80
Private Contributions	-33,89
Intangibles	-25,00
Net Assets	-15,27
FAI	
Communication Expenses	+36,65
Ticket Revenues	+15,45
Private Contributions	+32,04
Intangibles	+29,51
Net Assets	+19,59
LA TRIENNALE	
Communication Expenses	+11,79
Ticket Revenues	+165,08
Private Contributions	+9,11
Intangibles	-97,00
Net Assets	-89,61
ALLA SCALA	
Communication Expenses	-17,74
Ticket Revenues	-1,58
Private Contributions	-11,49
Intangibles	+23,26
Net Assets	+1,86
REGIO TORINO	
Communication Expenses	+34,37
Ticket Revenues	-13,57
Private Contributions	-23,49
Intangibles	+108,18
Net Assets	+109,65
ARENA VERONA	
Communication Expenses	+17,46
Ticket Revenues	-0,88
Private Contributions	+45,28
Intangibles	+0,10
Net Assets	-13,71
CARLO FELICE	
Communication Expenses	+61,22
Ticket Revenues	+2,94
Private Contributions	+4,13
Intangibles	-0,33
Net Assets	-3,46
TEATRO IL PICCOLO	
Communication Expenses	-16,90
Ticket Revenues	+18,91
Private Contributions	-47,32
Intangibles	-3,78
Net Assets	+4,99

High *sense and sensibility* would mean positive changes for all the five variables. This is only the case of FAI.

Nevertheless, **if all five variables change were positive, the accounting meaning of intangibles would seem, anyway, misunderstanding.**

They do not evoke communication expenses and they are not evidence of impressive advertising and fundraising campaigns. As it can be clearly understood in the following Fig. 8., the *sense and sensibility* of Italian Cultural Foundations is quite far from the red boundaries of Virtuous Firms.

Figure 8: The *sense and sensibility* of some Italian Cultural Foundations (2003)



The *Italian Butterfly* – more than a pentagon, Fig. 8 shows a few high private contributions and ticket revenues combined with very modest communication costs - flies far from the boundaries of high communication investments and intangibles do not reflect any amortisation choice. Above all, any high Net Assets are largely determined by State and Local Administrations Grants.

There are many different *highlighted* Italian cultural firms looking for skilled managers and staffs in order to maximize contributions and revenues and create profits, – with the legal commitment to re-invest profits in the core business -, still a substantial quota of visual arts organizations remaining not for profit status. In organizations with inadequate staffing, one person may try to manage and implement annual giving, develop major gifts or a special endowment campaign, cultivate foundation contacts and engage in grant evoking to local, state agencies and banking foundations. It is unrealistic to expect one person to keep up with this impossible workload. **The institutional marketing and fundraising campaign planning and development involve**

formulating written material, creating the graphics and brochures to communicate the project or program of special events, in a single word, **they need a proper marketing and fundraising team, getting on with offline and online communication techniques.**

A proper Personnel Expense, high promotion investments, meaning-full intangibles could move the Italian Butterfly to the Red Boundaries of the Virtuous Pentagon. That should be the case.

The Role of Intangibles in Italian Visual Arts Firms: Some Illustrative Cases

The last part of the research aims at identifying institutional communication investments and logo's (intangible assets) characteristics, and at verifying the main fundraising and merchandising – as affecting memories of art consumers - strategies developed by some museums⁸.

Three ancient and modern art museums – or by Angela Besana previously named house museums or collections - in Milan have been here considered: Poldi Pezzoli, Bagatti Valsecchi and Museo Diocesano⁹.

Existence and way of accomplishment of institutional communication, logo, fundraising activity and merchandising are here discussed.

With regard to **institutional communication**, or rather the ability of diffusing the general image of the museum apart from the enterprises realized, the three museums into consideration assert to invest very limited or even no resources in this kind of communication. Poldi Pezzoli's direction considers attaining a specific selection of the users as its communicational aim. As a matter of fact, the museum wants to continue to keep the “niche” positioning it has been holding for 120 years¹⁰ in the cultural environment of Milan, by proposing his visitors a product “taylor made” and of excellent cultural quality. For this reason the communication wants to be “courteous” and intends to express and to strengthen the real identity of the museum.

The role played by the “Association Amici del Museo Poldi Pezzoli” (supporters' association) which, in accordance with the museum staff, has been contributing for more than forty years to the diffusion of a specific image of the foundation, is determinant to the image and to the institutional communication goals. Besides that we have to consider the so-called *rumours effect* or *wagon effect* (“passaparola”) which represents an enormous vehicle for the quality of the cultural product offered and for the reliability of the museum offering it.

From an accounting point of view, although the museum administration does not display namely costs of institutional communication, it should be pointed out that it is carried out by an internal structure partially dedicated to it (“press and institutional relations office”). Nevertheless, in addition to the normal promotional and public relations activity with institutions and universities, on account of strictly economic reasons no other specific investment is realized in institutional communication that is therefore realized through ordinary tools: press, newsletter, e-mail, website. On the other hand, no folders or placards with the specific purpose of promoting and advertising the museum are realized.

Bagatti Valsecchi museum shows a situation similar to the one of Poldi Pezzoli. The press office makes use of the traditional on line and offline instruments of communication: newsletter, e-mail, press. A person is charged with the updating of the website and with the relations with foreign countries which have had a great increase during the last years and which have

increased the number of foreign visitors. The institutional communication budget is very exiguous and it has to be marked that this activity is carried on by the work, often voluntary, of the persons in charge of the “Press and Institutional Relations Office”.

Besides, in the last few years the museum seems to tend still more to renew its program and the realization of projects studied for the diffusion of a more dynamic and lively image of the institution. Among these, conferences, theatrical performances for a focused audience, concerts and other activities intended to attract local and foreign visitors can be mentioned.

Both museums would rather invest more in institutional communication, but assert not to be in possession of the financial resources needed.

Nevertheless, in comparison with performing arts, visual arts – Angela Besana’s analysis regards Bagatti Valsecchi and Poldi Pezzoli too - seem to profit by bettering fundraising campaigns and private contributions.

A different policy is expressed by Museo Diocesano’s Direction which underlines the importance of relating institutional communication with the accomplishment of new cultural projects. The museum has unceasingly to update, to transform and to create new meeting opportunities. For this reason, it should be fundamental to invest more in the communication of each novelty, such as a new itinerary in the museum or the opening of a new expositive section, than in traditional institutional communication. In any case, life in museums is strictly linked to the investment in communication which, according to the Direction, should represent 1/3 of the total costs. On this subject it must be observed that in the case of Museo Diocesano the communication investment has preceded even the opening of the collections to the public¹¹.

Regardin external relations, Museo Diocesano’s choice is significantly different from the two cases previously analysed, as this function is outsourced to a consultant. This approach is supported by the firm belief that such a figure has a much wider and more truthful perception of the cultural environment and marketplace. In addition to traditional communication channels, the museum releases a semestral brochure showing programmed initiatives, expositions, courses and cultural meetings, with the purpose of imparting the value of the works of art collected there and of strengthening its fresh relation with the town.

Communication investment is strictly connected with the second topic of this analysis: genesis, history and employment of the **museum’s logo**.

Poldi Pezzoli’s logo has been realized by Italo Lupi at the beginning of the nineties and is a very effective lever for museum’s communication. Donated by the architect to the Foundation, it represents a capital “M” followed by the profile of the painted bust of the Dama del Pollaiolo, kept in the museum. This outline is reproduced twice in order to symbolize “P” and “P”, the collector’s initials.

At the end of the ninth century Giuseppe Bertini, first Director of the museum, identified exactly in that painting the more representative and loved image of the entire Gian Giacomo Poldi Pezzoli’s collection. Italo Lupi and the museum team’s cleverness resided in a campaign with placards stimulating to visit the museum.

Poldi Pezzoli’s is a logo of high quality and impact which was immediately successful and which is still one of the most famous in the among Milan museums.

Its employment is currently limited to the insertion in printing and publications, leaflets and in the realization of some objects on sale in the bookshop. Despite being aware of the renown of the logo representing them, neither the Direction nor the Administrative Board have proceeded to its valuation or to its insertion in Foundation's intangible assets.

Bagatti Valsecchi's logo, conceived by Studio Acerbi-Astori before the opening of the museum, dates back to July 1994¹². The visual nexus with the collection is in this case represented by the pattern of the hall tapestry of the museum against which the initials of Fausto and Giuseppe's surname "BA" and "VA" are silhouetted.

As in the case of Poldi Pezzoli, its exploitation is limited to all the publications and to the objects on sale in the bookshop, and no monetary estimation has been effected.

Museo Diocesano logo has been created in 2001, before the establishment of the museum, thanks to the work of both the Director and a Designer. It should have mirrored and compressed the identity and the "mission" of the museum whose image was based on three elements: the anchorage to the diocese and to the archbishop in particular, the idea of a museum both referring to the past and projected into the future, and finally the deep perception of the museum as an institution. The graphic working-out of such a conception gave birth to a circular logo with a big "M" inserted whose central loop recalls archiepiscopal pendentives, while the two specular smaller "D" suggest the double tension to past and future. The choice of the name was determinant too as, although being very distinctive, it was expected to be indicative of the museum as collecting diocese's works of art. The Director is willing to insert the logo among the intangible assets, but considers the museum as too recent and that a period of "startup" is needed for an appropriate value estimation.

With regard to **fundraising** activity, the three foundations have pointed out a common funds researching methodology: first of all "preliminary contacts", zeal and public relations activity carried on by Museums Management and administrators are fundamental for any museum. Secondly, contacts are formalized by people responsible for fundraising. In the case of Poldi Pezzoli and Museo Diocesano this activity is outsourced, while an internal consultant attends to it for Bagatti Valsecchi.

The role of the "Associazioni Amici del Museo" is essential to fundraising activity; in the particular case of Poldi Pezzoli and Bagatti Valsecchi, as they can carry out "profit" activities such as concerts, renting of museum's areas and courses whose proceeds are then devolved to the museum: the non profit status does not allow cultural institutions to directly attend to profit activity.

Finally, merchandising is one of the fields the museums under question have not yet taken up a definite position about. The most interesting attempt is Bagatti Valsecchi's creation of reproductions of some collection's manufactures with the help of renowned stylists. However, the extremely high price of some of these objects causes difficult and occasional sales.

Poldi Pezzoli and Museo Diocesano's merchandising proposal is limited to a few objects and to publications related to the works exposed. This activity as a matter of fact is considered to require an investment that the two museums are not able to support yet. Besides, it seems extremely difficult to create "intelligent" merchandising and to propose new objects not available elsewhere, but strictly connected with the identity of the museum.

Such a short analysis shows how communicational policy promoted by these cultural foundations can differ for economic reasons and as a result of the specific history of the single institution: Museo Poldi Pezzoli tends to the maintenance of a consolidated reputation and to a “niche” target; Museo Bagatti Valsecchi aims at introducing in its program some new activities devoted to the rejuvenation of the institution as a “house museum”; on the other hand, the recent Museo Diocesano mainly invests in communication in order to create a dynamic and lively image for an institution intending to impose itself in the urban cultural environment.

Conclusions

Private sponsors ask for a clear accounting of cultural events, as a key requirement for grant-giving purposes. A perfect and complete managing and accounting system would be a binding commitment for the cultural firm and a *silver signal* for grant-makers.¹³

Intangible accounting of modern Italian Cultural Foundations does not seem to include relevant advertising and fundraising expenses – in case, subject to amortisation -. Cultural Intangibles mean anything else. Cultural Communication Investments still remain modest and spot. They do not imply increasing ticket revenues and private contributions. The Italian State and Local Administrations have not been dismissing their role of *social father*, taking care of *merit goods* such as Performing and Visual Arts.

Intangible accounting is evidence of outsourcing of key competences, which might be implemented inside. Advertising and Fundraising Teams would monitor and *persevere* in promotion of Cultural Core-Businesses. There is not much *Intangible Sense and Sensibility* in this beginning analysis.

Notes

- ¹ Introduction (1.) and Conclusions (5.) were together written by Angela Besana, Chiara de Capoa and Claudia Gabbioneta.
Claudia Gabbioneta wrote the second paragraph. Angela Besana wrote the third paragraph and Chiara de Capoa wrote the fourth paragraph.
- ² Founders' quotas of modern Italian Cultural Foundations are namely written in Net Assets or Fund Balances at the end of the year.
- ³ This is a beginning analysis of a sample that will be reconsidered, including other Italian performing and visual Arts.
- ⁴ Foundation status is evoked as the most *attractive* one for private contributions and sponsorships.
- ⁵ *House Museums* are visual art collections, property of (and sponsored by) famous noble Italian families.
- ⁶ In the mid 1990s' Opera Houses Reform was approved by the Italian Parliament, changing the legal status – from State to private – of 13 lyric institutions. At the same time, Onlus Reform – not for profit Reform – resulted as an incentive for museums and theatres looking for the *entry* of new sponsors – next to the State and Local Administrations – and fiscal savings.
- ⁷ Deaccessioning is the sale of cultural heritage or collections. Rather condemned in the literature of Art Economics – and not only in the literature -, it can be thought as the *last resort* in order to raise funds.
- ⁸ See paragraph 3 of the research for the analysis of the balance sheets.
- ⁹ The research has been developed through qualitative interviews to the members of the museum staff. We thank for their support: Director**Annalisa Zanni, Curator Lavinia Galli and the Administration and Human resources Manager Maurizio Delsale for Museo Poldi Pezzoli; Curator Lucia Pini, Fundraising Manager Ilaria Nasisi and the Administration Manager Simona Fugazza for Museo Bagatti Valsecchi; The General Manager Paolo Biscottini, Curator Nadia Righi and secretary Giancarla Ischio for Museo Diocesano.
- ¹⁰ In 1879 the museum became an artistic Foundation at public's own disposal further to a legacy from Gian Giacomo Poldi Pezzoli. In 1881 the museum opened to the public with no charge for admission.
- ¹¹ Museo Diocesano, which collects works of art from the whole diocese, has been created in 1994, but the collection has opened to the public only in 2001.
- ¹² The opening to the public of Museo Bagatti Valsecchi dates back to 1994, that is twenty years after the donation of brothers Fausto and Giuseppe Bagatti Valsecchi's collection and the creation of the Foundation.
- ¹³ About signalling and *silver* signals, J. G. Riley, *Silver Signals: Twenty-Five Years of Screening and Signalling*, Paper of the Department of Economics, UCLA, Los Angeles, March 2000.

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