

- *governance* of networks of public interest
- leadership skills in the public sector
- *stakeholder* management
- decision-making processes in the public sector
- forms of management of cultural institutions
- public policies for art and culture

Discussion in Public Management Pre-Experience Graduate Programs should be grounded by some introductory classes in Public Management.

The case can be of some interest for MBA students as well and it might be a helpful introduction to Business-Government Relations courses or Corporate Social Responsibility courses. The case, in fact, might be used to encourage students' discussion about the differences between public and private interests and the ways in which private and public actors might find solutions to collaborate.

We recommend dividing the class into 5 small groups to discuss the case and subsequently debating the work of the individual groups by the entire class. The discussion of the case requires two 1½ hour (180 minutes) sessions.

4. Suggested questions and assignments

The main question that should be put to participants is

*Imagine you are Laurence Tournier and that you have to submit a solution to the Mayor for the problem created after the fire at the Petruzzelli. Given the positions of the various stakeholders involved, **would you advise the Mayor to fund the reconstruction of the Petruzzelli?** Justify your position, listing at least 3 reasons for - or against - City Council funding.*

What proposal would you submit on behalf of the Mayor to all the stakeholders involved?

When defining your proposal, try to focus on:

- *which stakeholders you would involve*
- *the contribution you would expect from each stakeholder*
- *the benefits/consideration you would offer to each stakeholder*
- *the governance mechanisms you would suggest to involve the selected stakeholders*

We recommend dividing the class into small groups to answer this question, which will be subsequently debated by the entire class.

5. Lesson plan

The total time for discussion of the case without the presentation of the work groups is ap-prox. **180 minutes**, organized according to the scheme drafted in the following page:

<i>Step</i>	<i>Goal</i>	<i>Questions to the class</i>	<i>Where to find the answer</i>	<i>Instructor's Support</i>	<i>Time</i>
Presentation of the case	To present the history of Teatro Petruzzelli in Bari and the need to find a way to fund the reconstruction of the theatre which might satisfy private and public actors	See Section 4 in TN	--	It is possible to introduce the case projecting extracts from news report <i>La Storia Siamo Noi</i> (in Italian). The news report might be retrieved at http://www.lastoriasiamonoi.rai.it/puntate/ultimo-atto/859/default.aspx	10' comment
Workgroup discussion	To enable students to share ideas and opinions about the rationale for funding the reconstructions and to think about how to make public and private actors collaborate	See Section 4 in TN	--	--	60' group discussion
Discussion in class	To discuss about what extent arts and culture (in this case performing arts) provide benefits to a community.	Why should the City Council fund the reconstruction of the Theatre?	Table 1 in the TN Throsby (2010) discuss deeply the economic externalities of arts and culture	Board. The instructor should collect insights from the class and systematize them as in Table 1 in the TN	10' discussion
	To discuss about what type of arrangements may support collaboration among stakeholders To discuss about the importance to balance contributions and benefits that each stakeholder can give and receive.	What are the proposals that the individual groups would make to the private owners on behalf of the City Council?	See TN, pp.3-4	Board. The instructor should collect insights from the class and systematize them as in Table 2 in the TN	25' discussion 10' comment
	On the basis of the discussion and of Table 2 to discuss how stakeholders might be selected in collaborative arrangements and how to involve them	What criteria were used to select the stakeholders who are to be involved in the matter?	See TN, Table 3 Gray (1989) discuss about what is stakeholder salience. Mattingly and Greening (2002) discuss about how to involve stakeholders	Board. The instructor should comment Table 2	10' discussion 15' comment
	To discuss about the skills of a public manager working in a network of public interests	If you were the Mayor of Bari, would you give Laurence Tournier the charge of managing the collaborative process? Why?	None	None	5' discussion

	To discuss about the skills of a public manager working in a network of public interests	Based also on your own experience, what skills are needed to coordinate the work of a network of public and private stakeholders	See Table 4. Turrini et al. (2012) discuss about what are the skills and competencies of network managers	Board. The instructor should collect insights from the class and systematize them as in Table 3 in the TN	20' discussion
Summary of the takeaways from the case	To fix the learning from the case	None	See TN	Board. Table 1, Table 2 Table 3	5' comment
Distribution of the sequel	To understand how difficult is to implement collaboration	In your opinion, what were the factors that led to the impasse in relation to this decision-making process	See TN p.7 Gray (1989) discuss about factors leading to stalemates	This question might be given as an assignment for the following class	15' discussion (optional)

6. Detailed case analysis

In part one, the case describes the history of the Petruzzelli Theatre in Bari, a privately owned building which has gained such cultural importance over the years that it has risen to become a theatre at regional and national level, protected by law as part of Italy's cultural heritage and benefiting from substantial State funding.

As a result, the need to fund its reconstruction after the fire is not just to satisfy the private interests of the family that owns it but also the public interest, especially Local Authorities (Bari City Council), the Regional Government of Apulia and National Government. There are other *stakeholders* involved in the issue: the Arts community demands the immediate reopening of a building for the staging of theatrical productions (and misses no opportunity to state the importance of art and culture), the residents of the city of Bari (who think the fire destroyed one of the symbols of the city as well as jobs and entertainment opportunities), the tradesmen who rent the ground floor business units at the Theatre (who are unable to work and thus press for its immediate reconstruction to avoid any additional loss of earnings), the director and the employees of the Theatre, the cultural associations of the city, and the media.

Discussion of the case (100')

The discussion usually starts with an initial question, namely **Why should the City Council fund the reconstruction of the Theatre? (10' discussion)**. The response is usually affirmative, presenting the opinions of the various stakeholders as regards the importance that the Theatre holds for the city:

Table 1 Potential benefits for the City Council obtained by funding the Theatre

Reasons for funding
The Theatre helps boosting the identity of the local area
The Theatre helps increasing the city's appeal for tourists and thus provides financial benefits for all its residents
The Theatre offers the resident population entertainment opportunities
The Theatre can promote the construction of social wealth
The Theatre can be an opportunity for the upgrading of the city
The Theatre can increase consensus for the Mayor

The brief discussion of this point enables attention to be focused on **the benefits that a Theatre (and any other cultural entity) can bring to the local area** (See Throsby (2010) for a complete discussion about benefits and costs of performing arts).

The lecturer could stimulate discussion on the **instrumental value of cultural investments**, not considering art and culture merely as resources that deserve funding in themselves. In other words, the lecturer could raise the question of how necessary it is to understand from the beginning if participating in the reconstruction of the Theatre could be a cost-effective choice compared to other alternatives. The decision on the amount of City Council funding needed to gain certain benefits in the local area could also be assessed at the same time as the assessment of the different options open to the Mayor to

obtain the same benefits that justify the reconstruction. For example: a redevelopment programme for the Port could result in a higher increase in tourist appeal and so this may not be a strong argument in favour of the immediate reconstruction of the Theatre (see Throsby (2010)).

After gathering the various opinions for- or against funding, the lecturer raises the second question in the case, asking the groups to submit **the proposals that each group would make to the private owners on behalf of the City Council (25' discussion, 5' per group)**. The different proposals should be noted on the blackboard based on the following example table.

Table 2. The proposals of participants

Proposal	Governance mechanism	Stakeholders	Contribution	Benefit
Group 1	Creation of a Foundation (Fondazione Teatri del Comune di Bari)	Family	Use of the theatre granted to the Foundation	Monetary consideration
		State	Financial (40%)	Power to appoint the President of the Foundation
		Region	Financial (10%)	Power to appoint three representatives
		City Council	Financial (20%)	Brand of the Foundation
		Businesses	Financial (10%)	Equivalent value in use of Theatre boxes
Group 2	Founding of a pro Petruzzelli Committee
		Workforce	Public subscription	Holding onto one's job
		Public	Public subscription	Entertainment opportunity Boosting identity Free tickets
	
	

The various proposals are discussed by the lecturer who proposes a transversal reading with respect to the following points of learning: **(10' comment):**

- the need to look at the **destination of the funding**. Funding for reconstruction is a type of funding that is usually the responsibility of the owner of a property. Given this type of funding, the City Council should negotiate the surrendering of the family's ownership benefits. The proposal submitted by a Member of Parliament - whereby the family would rent their Theatre to the Public Foundation created to run the Theatre after its reconstruction and that the rent paid includes any expenses anticipated by public agencies for the reconstruction - goes in this direction.

Furthermore, the proposal submitted by the lawyer also goes in this direction (but benefitting the private stakeholders) with the idea of selling theatre boxes for a long period of time to fund the reconstruction.

- the need to look at the **duration of the effects of funding** is linked to the previous point. City Council funding of the reconstruction has effects lasting several years. The family who owns the theatre is justified in demanding the Family name be used for the Foundation that would run the Theatre indirectly and a majority interest in recognition of its participation in the reconstruction. The City Council could do the same when it grants funding.
- The funding for the reconstruction could be linked to the **granting of benefits relating to the future running of the Theatre**. On the one hand, this could mean benefits in terms of the number of members on the Board of the Foundation – theatre manager, privileges in terms of appointing the General Director, etc. At this point, the lecturer should emphasize how the proposal submitted by a descendant of the family - that City Council funding should be bartered with public stakeholders joining the Foundation in charge of running the theatre - could have a *boomerang* effect for the City Council: the City Council could have more control over the events staged at the Theatre (preventing the Theatre from becoming a second-rate cinema, as has happened in the past) or the cost effectiveness of the Theatre (as it would have its own representatives on the Board). Nevertheless, this choice could merely imply the payment of the annual maintenance expenses or paying back the losses traditionally incurred in the running of an opera theatre (see the statement by the Director).
- Linked to the previous point, for solutions linking **the granting of funding for reconstruction with the creation of a foundation for the running of the theatre**, we should underline the difference between the prerogatives of the owners and the prerogative of the contractor. In this sense, the idea submitted by the representative of a left-wing party - whereby City Council funding would be rewarded by obliging the theatre to guarantee free tickets for local residents (decision relating to the purchase of services) - could have serious repercussions on the owner who would suffer an operating deficit due to the loss of earnings.
- The lecturer could then focus on **institutional and organisation solutions** supporting integration, underlining how the possible integration between different *stakeholders* could be formulated based on different legal formulas (e.g. conference of services, reconstruction committee, creation of a cultural foundation) but that in any case joint decisions (voting mechanisms) must be made as regards the methods of decision making, deadlines and terms for decisions, rules of representation and the powers of the representatives *vis-à-vis* those represented, processing of information collected by the various stakeholders, keeping of reports and definition of roles, definition of committees with specific duties and any use of third parties for the collection of information.

- Further reflection may also be focused on the **levels of involvement for stakeholders** who are unable to contribute to the funding but may draw consensus for the proposed solution. In this sense, attention should be paid to the demands of artists and journalists who could represent a significant obstacle hindering the implementation of the decisions taken jointly. The **participation** of these stakeholders in the *governance* should be safeguarded by founding committees of consultants or councils such as the General Assemblies for culture.

With respect to Table 1, an issue that deserves further *ad hoc* debate concerns the strategies used for the selection and involvement of stakeholders. The lecturer could ask all the groups **what criteria were used to select the stakeholders who are to be involved in the matter? (10' discussion, 15' comment)**

As the various opinions are expressed, the lecturer should emphasize that the selection of the main stakeholders is one of the most important stages in a collaborative process. Gray (1989) suggests particular involvement of those with sufficient resources (financial or information) or capacities to justify their participation in the decision-making process. In the case of the Petruzzelli, involving a high number of stakeholders could help towards a shared and effective solution. However, in order to get the most of the collaboration, it is essential that the agency representative is entitled to represent the interests of a given organization or several organizations and that the latter do not turn up at the negotiating table with a different agenda. In our case, the family is one example of this, as it submits different solutions instead of agreeing on a single proposal.

Generally speaking, the lecturer could propose the model by Mattingly and Greening (2002) to support reflection on how to involve the different stakeholders.

This model is built on different modes of action of stakeholders towards an organization: exercising direct or indirect influence (in the latter case, the group of stakeholders pursues mediation via a third party), an integrative (trying to pursue gains for both parties simultaneously) or distributive orientation (implying a situation where the gains of one party are obtained at the expense of the other). When the two dimensions are combined, they generate a model of four "styles" of stakeholder response, as described in Table 3: collaboration, mediation, coercion, subversion.

Tab.3 Styles of stakeholder actions

		<i>Low</i> Saliency of the City Council <i>High</i>	
		For the Stakeholder	
		Outcome orientation	
	Pathway of influ- ence	<i>Distributive</i>	<i>Integrative</i>
Saliency of the Stakeholder for the City Council	<i>High</i>	Mediation	Collaboration
	<i>Low</i>	Subversion	Coercion

Source: Mattingly and Groening (2002)

In particular, the response of the stakeholder can be explained as being dependant on the relative importance (or *saliency*) of both the stakeholders for the organization and of the organization for the stakeholders. Saliency is conceived as being dependent on the amount of power, legitimacy and urgency that both parties assign to the claims of the other.

If we put ourselves in the shoes of the City Council, we can consider the possible action strategies that can be implemented with respect to different stakeholders (see Mattingly and Greening (2002))

- high saliency of the stakeholder (for the City Council) and high saliency of the City Council (for the stakeholder) encourages a **collaborative** type of direct and integrative response from the stakeholder. In this situation, the City Council and the stakeholder negotiate to find a solution to the social question that they have to tackle, maximising the common interests of both parties. This is a strategy that could be pursued with the family that owns the theatre, for example;
- low saliency of the City Council (for the stakeholder) and high saliency of the stakeholder (for the City Council) encourages the City Council to respond by pursuing an indirect and integrative response, such as **mediation**. In this circumstance, the City Council will pursue an alliance with a third party that is capable of helping it get the attention of the stakeholder. This is a strategy that could be pursued with the State or local businesses, for example;
- high saliency of the City Council (for the stakeholder) and low saliency of the stakeholder (for the City Council) stimulates the City Council towards coercive, direct and distributive action. In this circumstance, the City Council is aware of

- being able **to beat the stakeholders with direct action (coercion)**, since the stakeholders depend on the resources owned by the City. This is a strategy that could be pursued with the shop owners working inside the Theatre, for example;
- low salience of the City Council (for the stakeholder) and low salience of the stakeholder (for the City Council) could produce a **subversive, indirect and distributive response** by the stakeholder. In this circumstance, neither the City Council nor the stakeholder have sufficient resources to create dependency of the other party; however, the stakeholder will try to promote his own interests through indirect channels, regardless of the consequences for the City Council. Sabotage is a type of conduct that could be implemented by a subversive stakeholder. This is strategy may be adopted by stakeholders such as some national or international artists or other Agencies, with a different political manifesto than the City Council, in order to pursue their interests, regardless of the consequences of their actions on the City Council.

At this point, once the issue of the process of constructing the collaboration has been debated, the lecturer could shift the focus of the discussion by asking the following question: **if you were the Mayor of Bari, would you give Laurence Tournier the charge of managing the collaborative process? Why? (5' discussion)**

The discussion will typically focus on the consultant's age and inexperience; the debate then focuses on the fact that she is foreign and, as a result, is not familiar with the local context.

As the lecturer gets the feedback from participants, it is important to emphasize that a mediator should safeguard impartiality in such contexts: the unilateral appointment of Laurence by the Mayor and the absence of any concerted action with other stakeholders would not appear to be ideal. The network manager must have *convening power* and only a shared decision about who is the director of the process can increase the authority of the mediator.

The discussion can then go forward by asking participants to outline what skills a manager needs to support decision-making processes by *multi-stakeholders*. In this case, it is useful if the lecturer invites participants to talk about any work experience as a network manager. The answers to the question "**Based also on your own experience, what skills are needed to coordinate the work of a network of public and private stakeholders?**" may be noted on the blackboard in this way (**20' discussion**) (see Turrini et al. (2012) for a long discussion about skills of network managers)

Table 3

Network managers should be able to...	
<i>Buffering instability/nurturing stability</i>	<i>Steering network processes</i>
<ul style="list-style-type: none"> - ability to solve tensions among partners in order to strengthen “bridges” among the participating organizations - seeking formal adjustments by the parties through bargaining and negotiations as well as by rearranging network structural processes if not performing well - building governance mechanisms that align interests of partner organizations facing turf and territoriality issues - engendering participation by promoting information exchange, maintaining harmony, and developing ways to cope with strategic and operational complexity - institutional building involving activities like changing network operating rules, its prevailing values and norms, and the perceptions and language of the network participants - building trust and enforcing reciprocity norms - ability of the manager to build up commitment (especially from key stakeholders) to the common purpose (the ‘mission’) of the network 	<ul style="list-style-type: none"> - establishing clear missions and developing focused strategies and interventions for the network and for the organization in which they work - action planning - paying attention to ethics, trying to be impartial and concealing behaviors that might be seen as collusive - selecting the appropriate actors and resources for the network - tapping the skills, knowledge and resources of others - gaining trust and building consensus - repositioning the network objectives according to the different changes in the external environment

The closure of the case should reiterate the different takeaways of the case (**5' minutes**) retracing the solutions noted on the blackboard.

Distribution and explanation of the sequel (15')

At the end of the discussion, the lecturer can distribute the Case Sequel describing the actual chronology of events. The lecturer may assign individual interpretations at the end of lesson by assigning the following question "**In your opinion, what were the factors that led to the *impasse* in relation to this decision-making process?**" This *assignment* can be useful for resuming several learning points covered during the case in the next session, such as:

- the lack of a director / mediator for the collaborative process legitimized by all parties
- a clear explanation of the relationship between the costs/benefits attributable to each stakeholder involved in the process
- the lack of organizational structure for the governance process with clear rules for participation

Moreover, the story of Teatro Petruzzelli highlights other factors that lead to an *impasse* in decision-making processes. These include (see Gray (1989) for a discussion about it):

- the overlapping of different public issues (i.e. the legal question, changing Governments, impending local elections ...) which hindered the problem-setting phase and made it difficult to follow a set agenda for the reconstruction;
- too much conflict between the stakeholders and lack of confidence (also justified by the different political ideals of the institutions represented)
- too much attention and recourse to standards and laws and a lack of attention to the rules of organizational behaviour needed to reconstruct a process of governance.
- the lack of propensity for governance on the part of the public stakeholders (the question of ousting the family from the theatre is proof of this)

Should the lecturer decide not to assign the interpretation of the case and so postpone the discussion to the next session, he can note the points to focus on for the interpretation on the blackboard (see above), inviting participants to undertake a reading and individual reflection later.

7. Suggested Bibliography

- Ansell, C. and Gash A. (2007) “Collaborative Governance in Theory and Practice” *JPART*, 18:543–571
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