

2. Theoretical Background

*These are my principles.
If you don't like them, I have others.*
Groucho Marx

This thesis is grounded upon several theories, researches and books I studied during my university career and in the preliminary literature review to this work. A general presentation of the most important of them for the understanding of this thesis is here briefly given, but a more extensive reading of these relevant sources is suggested.

2.1 S-Consistency and 7-S Model

*We do not encourage direct copying of their techniques,
or even their management and cultural philosophy...
We want to look at them as if they were a special kind of mirror,
one which might allow us to see ourselves in some new ways...
The task is not to imitate cosmetically, but to evolve organically.
And each company, like each individual, has to develop in its own way.*

Richard T.Pascale
Anthony G.Athos
*The art of Japanese Management*¹

According to Robert M. Grant², for a strategy to be successful, it must be consistent with (1) the firm's goals and values, (2) its resources and capabilities, (3) its organization and systems, and (4) its external environment.

INTERNAL CONSISTENCY

The first three aspects of strategic consistency refer to factors of the enterprise, in this case a Music School. They correspond to what R.T. Pascale and A.G. Athos³ have more widely explained as the 7S's of the managerial molecule, therefore I called their alignment *internal consistency of the School*. They are constituted by three "hard S's":

- **Strategy**: set of actions leading to the allocation of a firm's scarce resources, over time, to reach identified goals. It concerns the analysis of environment, competition, customer needs and one's own strengths and weaknesses leading the explicit plan for success.
- **Structure**: basic organization of the company (*i.e.* functional, decentralized, etc.), its departments, reporting lines, areas of expertise and how they inter-relate. It is the formal hierarchy of authority and accountability which describe how the separate entities of the organization are tied together to best align themselves with the strategy.
- **Systems**: formal and informal procedures that govern everyday activity and support strategy and structure. They include informative systems (*i.e.* meeting formats), management control systems, performance measurements and reward systems, planning and budgeting systems and the way people relate to them.

¹ R.T. Pascale, A.G. Athos, *The Art of Japanese Management*, 1981, p.204

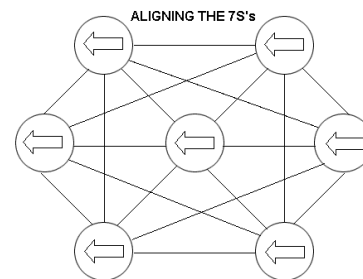
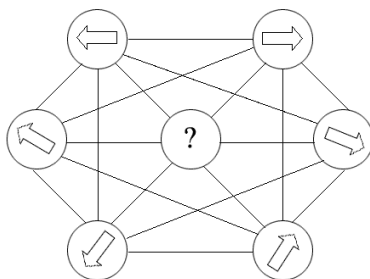
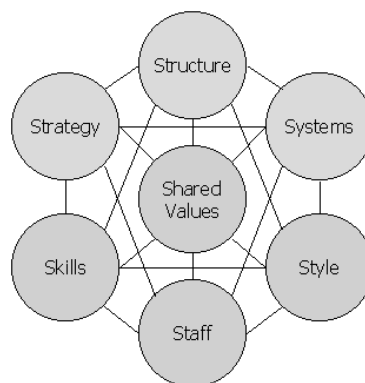
² Robert M. Grant, *Contemporary Strategy Analysis*, 1991, 2nd ed., p.31

³ *op.cit.*

And four “soft S’s”:

- Shared Values and Superordinate Goals: mission, goals, guiding concepts and basic ideas around which a business is built. They include organizational culture: the dominant values, beliefs, norms, significant meanings that an organization imbues in its members. They often dictate its orientation toward quality, financial objectives, people, role in the community, etc.
- Style of management: leadership approach of top management and the company's overall operating approach. A reflection of the norms and culture people act upon and how they work and interact to each other. How a company’s managers spend their time, symbolism, etc
- Staff: company's people resources and how they are recruited, developed, trained, and motivated, how they advance in the organization and how they socialize.
- Skills: distinctive capabilities of key personnel or of the firm as a whole.

For an organization to operate effectively, each of the seven factors within the framework must be aligned and connected, as in pictures below.



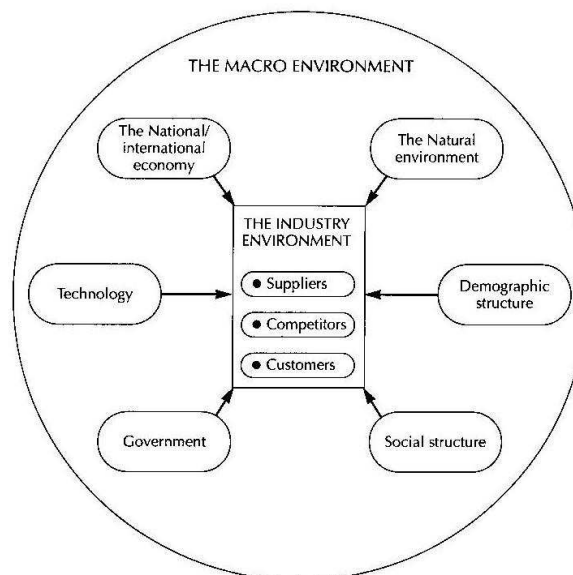
If one element changes then this will affect all others. For example, a change in the human resource system, like internal career plans and management training, will have an impact on organizational culture, on the management style, and thus will affect structures, processes, and finally characteristic competences of the organization.

The four “soft S’s” however, are hardly feasible. They are difficult to describe since capabilities, values and elements of corporate culture are continuously developing and changing. They are highly determined by the people at work in the organization. Therefore it

is much more difficult to plan or to influence the characteristics of the soft elements. As a consequence, many organizations focus their efforts on the hard S's, Strategy, Structure and Systems. Pascale and Athos showed instead, how most successful companies work hard at these soft S's. The soft factors can make or break a successful change process, "soft is hard"⁴, since new structures and strategies are difficult to build upon inappropriate cultures and values.

EXTERNAL CONSISTENCY

The 7-S Model does not include an in-depth assessment on the consistency of the organization towards the context in which the organization operates⁵, as instead R.M.Grant correctly does in its manual *Contemporary Strategy Analysis*⁶, from which the picture below is taken. This is what it has been called⁷ the *external consistency of the School*.



Therefore I define *overall s-consistency of the organization* the coordinated arrangement of all internal and external managerial variables: shared values and mission, strategy, style of management, staff, skills, systems and the external environment⁸ (state and surrounding area). Furthermore, it is fundamental that this alignment continues over time.⁹

⁴ Tom Peters, Robert H. Waterman, *In search of excellence*, 1982, p.11 (see also § 8.3)

⁵ Even if the strategy is interrelated with it.

⁶ *op.cit.* p.55

⁷ Giovanni Azzone, *Innovare il sistema di controllo di gestione*, 2000, p.288

⁸ "The reference to consistent solutions wants to emphasize the possibility of a bidirectional connection among the managerial variables, and between internal and external variables. In this sense, this approach is not based on a contingent model, that would make the internal variables follow from the external ones. On the contrary, we believe that the organization can actively influence the environment..." (Giovanni Azzone, *op.cit.*, pp.281-282)

⁹ For this reason, criticisms towards this model, based on the fact that some of the companies that were mentioned as "consistent" after some years worsened their results, do not seem to properly consider the importance of the time factor: a company that is "consistent" and successful today, may lose consistency and competitive edge tomorrow, and this does not necessarily mean that the analysis made today is wrong. (see also "Conclusions" in § 8.2)

It is the same concept also known as *consistency of the entrepreneurial formula*: successful firms are the ones that succeeded in shaping themselves in a consistent way market choices, product and structure, in other words, they offer products consistent with the successful factors expressed by the selected market and have a structure which is consistent for those products.¹⁰

Finally, it is important to stress that, as stated in the opening quote and implicit in the model, there is not only one successful management formula, each organization has to find its own, consistent with its nature, characteristics and surrounding environment.

¹⁰ Cinzia Parolini, *Come costruire un business plan*, Milano, Paravia Mondadori, 2000, p.66

2.2 Cultural Differences and Hofstede's 4 Dimensions

Everybody looks at the world from behind the windows of a cultural home and everybody prefers to act as if people from other countries have something special about them but home is normal. Unfortunately, there is no normal position in cultural matters.

Geert Hofstede
*Cultures and Organizations*¹¹

The influence of national culture and its implications in management are here investigated using Geert Hofstede's findings as landmark. In its important book *Culture's Consequences*¹² he describes the four dimensions that, as he has demonstrated, explain a great part¹³ of cultural differences, both between nations and between organizations, empirically found in researches across more than 50 countries. The four dimensions are:

- Power Distance: PDI scores inform us about *dependence* relationships in a country. In small power distance countries there is a limited dependence of subordinates on bosses, and preference for consultation, that is, *interdependence* between boss and subordinate. The emotional distance between them is relatively small: subordinates will quite readily approach and contradict their bosses. In large power distance countries there is considerable dependence of subordinates on bosses. Subordinates respond by either preferring such dependence or rejecting it entirely (*counterdependence*).
- Individualism: IDV pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism, as its opposite, pertains to societies in which people from birth onwards are integrated into strong, cohesive ingroups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty. It is statistically related to a country's degree of economic development: all Western European Countries score high IDV results.
- Masculinity: MAS pertains to societies in which social gender roles are clearly distinct. Femininity pertains to societies in which social gender roles overlap. In feminine countries both boys and girls learn to be nonambitious and modest. In the workplace, in feminine cultures, there is a preference for resolving conflicts by compromise and negotiation. Masculine and feminine cultures create different management hero types. The masculine manager tends to be assertive, decisive, a lonely decision-maker looking for facts rather than a group discussion leader.

¹¹ Geert Hofstede, *Cultures and Organizations: Software of the Mind*, London, 1991, p.235

¹² Geert Hofstede, *Culture's Consequences*, 2nd ed., 2001

¹³ 57% of the variance among results of 50 countries.

- **Uncertainty avoidance:** UAI can be defined as the extent to which the members of cultures feel threatened by uncertain or unknown situations. In uncertainty avoiding societies there are many formal laws and/or informal rules controlling the rights and duties of employers and employees. The paradox is that although rules in countries with weak UAI are less sacred, they are generally more respected. In high UAI countries Planning, Budgeting&Controlling systems are more defined and detailed.

Hofstede's 4 Dimensions for the countries of origin of the 4 Schools analysed are shown below¹⁴.

| Country | Power Distance | Uncert.Avoidance | Individualism | Masculinity |
|-----------------------|--------------------|------------------|--------------------|-------------------|
| Italy | <i>medium/high</i> | <i>high</i> | <i>high</i> | <i>high</i> |
| Spain | <i>medium/high</i> | <i>high</i> | <i>medium/high</i> | <i>medium/low</i> |
| Germany | <i>low</i> | <i>high</i> | <i>medium/high</i> | <i>high</i> |
| United Kingdom | <i>low</i> | <i>low</i> | <i>high</i> | <i>high</i> |
| Sweden | <i>low</i> | <i>low</i> | <i>medium/high</i> | <i>low</i> |

And here are some of Hofstede's findings and predictions about how culture influences management¹⁵.

| Country | Structure (from PDI+UAI) | Style (from PDI+IDV) | Staff (Human Motivations) (from UAI+MAS) | Systems (Plan + B&C) (from PDI+UAI) |
|--|---|-------------------------|---|--|
| Italy, Spain (and Latin countries) | <i>hierarchical / pyramid</i> | <i>paternalistic</i> | <i>personal security (I)</i> — <i>security + relationships (ES)</i> | <i>detailed control&plan.</i> <i>short term</i> <i>by experts</i> <i>political thinking</i> |
| Germany (and Germanic countries) | <i>well-oiled machine</i> (participation by law) | <i>participated</i> | <i>personal security</i> | <i>detailed & short term</i> <i>seek trust</i> |
| United Kingdom (and Anglo-Saxon countries) | <i>village market</i> (negotiation & adhocracy + flat / matrix + informal participation) | <i>open</i> | <i>individual</i> <i>achievements</i> | <i>less details</i> <i>seek trust</i> <i>strategic thinking</i> |
| Sweden (and Scandinavian countries) | <i>village market</i> (negotiation & adhocracy + flat / matrix + informal participation) | <i>participated</i> | <i>human relations</i> | <i>less details</i> <i>seek trust</i> <i>strategic thinking</i> |

More explanations and details are reported in each School specific paragraph and compared with the empirical results. A general and comparative view is given in the Conclusions chapter.

¹⁴ See "Appendix C" for more detailed results.

¹⁵ Taken from Geert Hofstede, *Culture's Consequences*, 2nd ed., 2001 and Geert Hofstede, Daniel Bollinger, *Les differences culturelles dans le management*, 1987

2.3 Music Districts

We can, at this stage, recompose the overall picture of the economy of this region... there is here an harmonic mix of factors, but it is so complex that it can hardly be assumed as model...

Sebastiano Brusco¹⁶

*The Emilia Model*¹⁷

The analysis of Music Schools cannot leave out of consideration a more general analysis of the cultural contest, national and local, in which they develop their activities. It is particularly interesting to see how the structure and the evolution of economic actors, in our case Schools of Music, are strictly embedded¹⁸ in the specific and unique characteristics of the environment in which they grew up¹⁹.

An important aspect of cultural goods is that they are among the most peculiar and idiosyncratic of those produced by man. Culture has two deep anthropological roots: time and space. Cultural production is fundamentally linked to a place, in social sense, to a community and its history, and is historically a specific and original product of a generation.²⁰

In connection with these relations, it is possible to introduce the concept of “cultural districts”²¹. Analogously to Marshall in the 1919th for industrial districts²², cultural districts may be defined as territorially delimited and organized systems of cultural institutions that integrate the process of creating value with infrastructures and other productive sectors²³.

As proved by several studies and cases²⁴, governments and cultural policies can play a great role in developing clusters of cultural activities and using musical creativity as a cultural but also economic resource. It was not a goal of this thesis to investigate more this possibility,

¹⁶ Sebastiano Brusco was one of the founders of the Faculty of Economics at Modena. The university library is dedicated to him. His main research interests have been small firms and industrial districts, industrial economics and policy, regional development, environmental economics and economics of labour. You can find more about him and the “Clusters, industrial districts and firms: the challenge of globalization” conference in the university website (see “References”)

¹⁷ Sebastiano Brusco, *Piccole imprese e distretti industriali*, 1989, p.289

¹⁸ Mark Granovetter, “Economic Action and Social Structure: the problem of embeddedness”, 1985, pp.481-510

¹⁹ Anna Grandori, *L'organizzazione delle attività economiche*, 1995, p.46

²⁰ Walter Santagata, “I distretti culturali nei paesi avanzati e nelle economie emergenti”, 2005, p.142

²¹ Allen J. Scott, *The cultural economy of cities*, 2000, p.6

²² Alfred Marshall, *Industry and Trade*, 1919

²³ Federico Ferriani, *Struttura e processi di sviluppo di un distretto musicale. I casi di Seattle, Manchester e Verona*, 2004, p.5

²⁴ As examples: Alberto Cottica, Tommaso Fabbri, *La creatività giovanile come risorsa. Relazioni, strategie, governance: i casi di Modena e Manchester*, 2002

Matteo Parrinello, *La cultura della musica dal vivo in Inghilterra ed in Italia. Il distretto di Manchester e la provincia di Ravenna. Aspetti e confronti*, 2000

Federico Ferriani, *op.cit.*

but its importance can be found also through these case studies: when public institutions support Music Schools, as in the cases of ACM and Kulturskolan with public funding and of Datenklang with particularly favourable legislation, they can return to the society in which they operate a richer cultural, vocational and entertaining offer, at more affordable prices, as well as more opportunities and better working conditions to their employees.

In further chapters music districts are also called *Surrounding area of the School*, because they are considered the 8th element (S) of the 7-S Model, with which the School, as every economic actor, is and has to be consistent to.

2.4 Music School Management

To run a profit business like a non-profit organization would be as disastrous as to run a non-profit organization like a profit business.

D.E.Mason , V.Melandri

*Il management delle organizzazioni nonprofit*²⁵

“Non-profit institutions tend not to give priority to performance and results. Yet performance and results are far more important and far more difficult to measure and control in the non-profit institution than in a business.”

Peter F.Drucker

*Managing the Non-profit Organization*²⁶

It is not possible to mention and explain here all management theories that are implicit in my researches and that a good manager of Music Schools and cultural organizations must know. But the risk in this field is often to forget about them, and follow instinct and own experiences, mostly artistic, which are fundamental, but not enough and sometimes lead to wrong or partial perceptions. Of course, this is a general consideration about cultural activities, not directly referred to the following analysed Schools, which are, for many aspects, cases of excellence. Here are only some considerations about aspects of the management I had more in mind while I was working for a Music School and simultaneously doing this research.

Management Control²⁷

The first time I studied the 7-S Model was during my Planning and Controlling course. The model was used to understand and define the management control system of an organization and how the change in one “S” would affect its optimal configuration.²⁸ At that time I had already started working at CEPAM, a non-profit organization in the cultural field, and I became interested in finding “the right ways” of applying management control practices in cultural activities²⁹. The need for it was clear, as it was clear that it cannot be the same kind applied to industrial firms. In other words, the first 6S’s are different and so should be the last one that concerns systems. Moreover, during this thesis, I learned that the importance and

²⁵ David E. Mason, Valerio Melandri, *Il management delle organizzazioni nonprofit*, 1999

²⁶ Peter F. Drucker, *Managing the Non-profit Organization*, 1990, p.107

²⁷ As example: Robert N. Anthony, David W. Young, *Management Control in Nonprofit Organizations*, 2003

²⁸ Giovanni Azzone, *op.cit.*, pp.281-296

²⁹ The task was made even more difficult by the fact that Music Schools are service organizations, and services are particularly difficult to measure and evaluate.

depth of the B&C system vary from one country to another³⁰, in relation with the uncertainty avoidance score, speaking with Hofstede's terms. Therefore I moved my focus to a more general analysis of schools' management and cultural differences.

Public, Profit and Non-profit Management³¹

It is essential to understand how and why non-profit management is different from the profit one, and, among not-for-profit activities, the specific characteristics of the public sector, associations and foundations. This is sometimes hard because "official" subjects in schools and universities do not leave great space and emphasis to these ever-increasing activities and people working in those fields have always tended to rely more on instinct than on managerial techniques.

Saying that profit business need different management approach from non-profit and public organizations does not mean that one kind of activity is easier to manage than the other, like some people think, they are just different and therefore require different styles, competences and alignment of the 7S's.

Soft S's play a great role in not-for-profit organizations. In particular, it is crucial how managers deal and motivate the staff, which is often composed also of voluntary workers who require a specific approach. Traditionally, wages are lower than in the profit sector and there is no use of economic incentives. Very important is also to be able to keep good relations with stakeholders: public institutions, politicians, donors, members, customers, etc.

In not-for-profit organizations a relevant part of economic resources usually does not come from the offer of services, as for the profit businesses, but from donors, public administration, members, etc. Therefore the strategy and the other 7S's must be oriented to coordinate the fund-raising system with the offer of services, and for each of them a marketing plan should be prepared.

While the marketplace rewards productivity and eliminates businesses when products and services do not effectively meet the needs of a sufficient number of customers, government and non-profit organizations do not have such cues. There is no automatic measure to assess successful outcomes nor to determine if they have effectively addressed community needs. Nevertheless in today's world there is an increasing pressure to demonstrate the quality of the provided services, beyond just supplying numbers of clients.³² The importance of doing so has increased as the non-profit sector has grown in size and influence³³, with greater visibility and public scrutiny by different stakeholders including donors, clients, media and government agencies³⁴. To address this problem, they have begun (or should) to use performance measurement and performance based budgeting and controlling systems with quantifiable

³⁰ As, of course, from one organization to another.

³¹ David E. Mason, Valerio Melandri, *op.cit.*, *passim*

³² Suzanne M. Leland, Julie Sulc, "Non-Profit Organizations and Performance-Based Grant-making: A close Cousin of Performance Based Budgeting?", 2001, pp.1-3

³³ It comprises about 7,5% of U.S. GDP. (Suzanne M.Leland, Julie Sulc, *op.cit.*)

³⁴ Kevin P. Kearns, *The Strategic Management of Accountability in Nonprofit Organizations*, 1994, pp.185-192

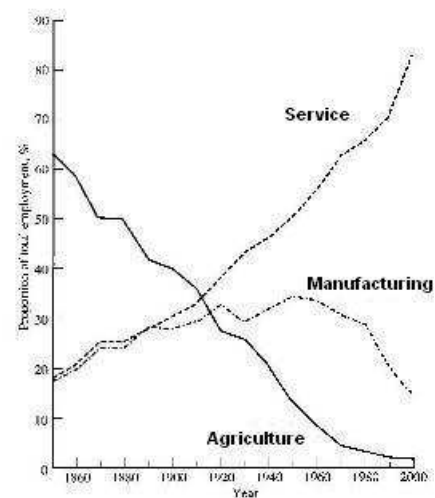
objectives, not only for economic figures but also and most of all for the non-economic ones. They have to set clearly their goals, define quality, efficacy and efficiency, plan a strategy and monitor their activities towards those goals through the use of “ad hoc” performance indicators.

In this direction goes the diffusion in the last years of the social audit among the non-profit world, but also among companies that want to improve their image or give a sign of responsibility and social commitment.

Service Management³⁵

Music Schools are service organizations. More than half of the Gross National Products of the European countries comes from the service sector, and, when we refer to U.S. this percentage grows to 70%. Moreover, services are provided and increasingly crucial also in manufacturing industries. The figure³⁶ on the right, more than many words, explains the importance of the service sector in the contemporary world and, therefore, the importance of knowing its specific management techniques. Again, here are only some aspects of it, the most significant for the understanding of the following chapters.

Employment by Sector, 1850-2000



Service management requires *customer relationship management* approach, where there is a cooperation between clients and the organization to create value for them. This approach expects every unit and function to have a customer oriented behaviour and each of the 7S's to be service and marketing oriented. In this approach it is fundamental to seek and measure customer satisfaction and performances³⁷, and to do this, financial measurements are not enough. This is especially true in the case of Music Schools where, in all cases studied, more than 70% of new students came to the School by word of mouth and where, usually, there are not many resources to invest in advertising.

In services, production and consumption coincide, there is no way to “store the service”. For this reason, to face fluctuation on demand, special attention is given to correctly “size the production capacity” and have it as flexible as possible. This implies, for Schools with low

³⁵ Christian Grönroos, *Service Management and Marketing. A Customer Relationship Management Approach*, 2nd ed. , 2000, *passim*

³⁶ Taken from: James A. Fitzsimmons, Mona Fitzsimmons, *Service Management*, 2004

³⁷ Even though professionals are usually sceptical and against the measurement of their activities. This process require time of acceptance for them.

economic margins, that they tend and can only employ teachers as collaborators, with “flexible” contracts, which often means “precarious” for them.

Finally, the output measurement is more complex for services than for industrial goods, therefore it is more difficult to plan and design an informative system appropriate to support the management towards effectiveness and efficiency.³⁸

Legislation³⁹

It is important, even if not described and studied in depth here, to consider the legislation and taxation of each specific kind of organization in each specific country. The role of the state, as already mentioned, is huge: a favourable legislation means growth for the School, better courses and facilities for its pupils and more rewarding conditions for its teachers.

Complex Foresight Horizon⁴⁰

Nowadays every element of the context in which we live is changeable. In this situation it is really hard to make predictions and strategies for the long term, therefore managers have to adapt themselves everyday to the variable reality and be able to change really fast if the situation would require that. In a complex foresight horizon, an high consideration is to be given to the monitoring and research of new elements to update “the map of the world”. This new horizon requires managers to have a clear idea of the direction to follow, but finding always innovative and creative ways to adapt and adjust to the rapid changes, something like surfing: it is a matter of riding the wave to make it bring us more or less where we want to go.⁴¹

A Snapshot

An other consequence of the mutability of the reality is that the alignment of the 7S's is an *ongoing process*, never definitive. Adjustments due to changing in the internal or external context are and have to be continuous, following the principle of incrementalism⁴², through trials and errors, or, to say it with Karl Popper's words, through continual conjectures and refutations⁴³. The following analysis is, for this reason, to consider a picture, as sharp as possible, of a moment in the life of those institutions.

³⁸ Emilia Gazzoni, *Programmazione e controllo nel non profit*, 2004, pp.47-48

³⁹ As example: Francesco Caporossi Guarna, *Enti non profit*, 2002

⁴⁰ David Lane, Robert Maxfield, “Foresight, Complexity and Strategy”, 1997

⁴¹ Alberto Cottica, Tommaso Fabbri, *La creatività giovanile come risorsa. Relazioni, strategie, governance: i casi di Modena e Manchester*, 2002

⁴² Fremont J. Lyden, Ernest G. Miller, *Planning Programming Budgeting*, Rand McNally Publishing Company, Chicago, 1972, pp.403-407

⁴³ Karl R. Popper, *Die Logik der Forschung*, Wien, Tübingen, 1935 (trad.it., *Logica della scoperta scientifica*, Torino, Einaudi, 1970)

Music Schools as a particular type of organization

At the end of this chapter, it is important to underline and alert the reader that Music Schools are a peculiar kind of organization, not completely comparable to other companies⁴⁴: the “soft S’s” have a great importance (see also § 8.3), teachers and managers are often musicians, passionate about their job, the working atmosphere is informal and the power distance rather small in all countries⁴⁵, organizations are usually rather small and managers have often a background as musicians, not as administrative employees⁴⁶, profit is usually not the first driving force, economic incentives are rarely used and accepted, etc.

Even so the findings of this in-depth multi-case research are, I believe, interesting and stimulating, and show a lot about the cultural differences and the local environment in which each School has developed.

⁴⁴ As it is also underlined in the “Conclusions” chapter.

⁴⁵ Even if with significant perceivable differences.

⁴⁶ Which, of course, has an influence on their beliefs and ways to administrate the business.