MAKING CREATIVE CONNECTIONS: A STUDY ON THE RELATIONSHIP EVOLUTION AND DEVELOPING THE ARTS AND BUSINESS RELATIONSHIP MODEL IN A CHANGING CULTURAL POLICY

DISSETATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

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ABSTRACT

Private support for the arts is deeply ingrained in the United States. The horizon of arts and businesses relationships in the States has drastically changed since 1980s. From patronage to the most recent partnership, collaboration, and alliance, terms referring to arts and business relationships are proliferous. Yet, there is considerable confusion over the definition and use of different relationship models in both theories and practice. Moreover, a dearth of research documenting the scope and make-up of arts and business relationships represents a serious information gap in the present research-to-practice model in cultural policy. This dissertation examines arts-business relationship patterns that have been evolving along the relationship continuum in the field and develops a comprehensive a model presenting a systematic process for mapping, developing and implementing a variety of arts and business relationships.

This case study investigates the evolution of ABRs over time and proposes ABRs model through an analytical framework created by reviewing five interorganizational relationship theories. The proposed ABRs models have three common elements: Pre-conditions, relationship attributes, and conditions. The interpretive historical inquiry of external political, economic and sociocultural environments (pre-conditions) set the stage for the contemporary understanding of ABRs. Then, four ABRs models including traditional philanthropy, transactional collaborations, strategic alliance, and venture philanthropy were analyzed in terms of their relationship types, sectoral drivers,
operational elements (relationship attributes) and interorganizational factors (conditions). Further, profile research of arts and business partners was conducted to examine the relationship-specific conditions that facilitate different ABRs to occur and situate them within generalizable conditions. By doing so, the study attempts to balance between building a generalizable common structure of ABRs formation and its applicability to the specific contexts. Hence, with this connection, it is believed that the model would be considerably enhanced.

The application of the analytical framework to the field revealed that the rationale of ABRs progressed along with the changing notions of arts and cultural sector from seen as decorations to social and political capital. It indicates the changing paradigm of ABRs, that traditional corporate arts philanthropy characterized as arts patronage is declining, and strategic relationships based on reciprocity are present, and apparently on the rise. Finally, the ABRs portfolios were presented as a step to institutionalize ABRs as an integral part of strategic planning to each organization’s setting. Building a portfolio creates the options for managers on both sides as to the ideal mix of relationship types depending on the outcome they aspire from partnering with each other. Strategies and options for each portfolio segment were presented as recommendations for the application of portfolios. In conclusion, this study suggests that ABRs pertain to not only arts financing and business investment practice but also important cultural policy agenda as they serve as infrastructure development strategies for the creative community.
Dedicated to my father, YongTae Kim, and mother, NanHee Chung

with immense love and respect
ACKNOWLEDGMENTS

My sincerest gratitude must be given to my advisor and chairperson, Dr. Christine Ballengee Morris, for generous understanding and excellent communication throughout the dissertation process. I am also indebted to my former advisor, Dr. Margaret Wyszomirski, for intellectual support, challenging feedback, and stimulating creative thinking.

I wish to thank Dr. Michael Knemeyer, for providing valuable advice in developing the ABRs model. His ideas of partnership act as an inspiration and give me confidence that this work will resonate with those working in the field. I would also like to thank my present and past committee members, Drs. Wayne Lawson, Patricia Stuhr, and Sam Short, for their guidance, encouragement, and insights for my research.

Special thanks must be attributed to my parents and family who always believe in me and inspire me to build my dream. Finally, I thank for myself being perseverant throughout this long journey of doctoral study.
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CHAPTER 1

INTRODUCTION

Private support for the arts is deeply ingrained in the United States. However, “The association of arts and businesses, private companies’ supporting artistic work, is a relatively new phenomenon that originated, for the most part, in the 1960s. This was a time of unprecedented corporate growth worldwide. Similar to the patrons of the Renaissance, these modern princes – Corporate Medicis – gave monies to mount museum exhibits, commission sculpture, and host artists-in-residence at corporate headquarters. They began to collect treasures, and lent support to dance, theater, music, and opera companies as well” (Martorella, 1996, 3).

The rise of these new Medicis has been tied to the development of Western culture where those who have had the economic and political power to support and encourage an artistic milieu. In addition to this legitimization as a social elite, the parvenu of the rail, oil and steel cartels came to realize that cultural organizations influence the economy as well as corporate image and markets. Employing artists and ancillary personnel, providing indirect income and employment benefits, in turn, produce direct expenditures, which reverberate throughout the economy.

Likewise, today’s arts community cannot exist on earned income alone without the support of arts patrons. This standpoint reflects a sociological interpretation of art
patronage, viewing arts and culture in terms of the influence of its supporters. Within this context, “arts are seen as social products that are specific and responsive to their environment - an external environment made up of corporate executives, worldwide organizations, profit earning, product marketability, and the like” (Martorella, 1996). As Useem (1987) aptly indicates, the level of corporate giving is keyed to company profits and economic condition. With the onset of the lagging economy in 1989, economic pressures on the arts grew, and it became increasingly difficult for many arts organizations to remain solvent. At the same time of Reagan Administration’s major budget cutbacks and economic recession, government officials were looking particularly to the business community to offset budgetary restraints and assist in these problems. While this attitude helped foster support to the arts, it also increased competition for corporate funding of the arts. Thus, the efforts of arts community to secure business funding, and, to minimize shocks arising from fluctuating external factors has urged them to develop the new ways where arts can be more firmly embedded into corporate culture, making them an integral part of business process. Terms like ‘partnership,’ ‘collaboration,’ and ‘alliance’ have become much more proliferous nowadays, born out of necessity, but central elements of what makes up these new relationship models, how they differ from the old paradigm of arts-business interactions, and what might be learned from these changes that could lead to more sustainable engagement with each other have not been explored yet. Before going to that direction further, it is necessary to contextualize the most notable trend that signals the changing paradigm of arts-business associations.
1.1 Arts, creativity, business, and entrepreneurship

There have been studies of corporate philanthropy in roughly two different strands: 1) corporate philanthropy model in a traditional sense; and 2) strategic corporate philanthropy, which is considered becoming the state of the art in corporate contribution programs since 1980s. The problem is, in a traditional corporate philanthropy model, arts were often considered beneficiaries, or supplicants to the corporate support. Too often the relationship between the two sectors is seen only in terms of the one giving the other a hand-out, and this mentality automatically relegates the arts community to a subordinate position.

This mentality has changed as all sectors in society goes through the transition period from bureaucracy toward greater privatization and marketization, spurred by decentralization and devolution in political system during the mid 80s. Since the early 1990s, facing with the greater competition both on a domestic and an international level, businesses become deeply concerned about the need for creativity in workplace to be successful in the future. On the other hand, arts organizations have been increasingly aware of that adapting business entrepreneurship model to its operations is critical to its survival. A few scholars commented on creativity in linkage with the arts. Rentschler (2002) proposes that the notion of creativity has taken on a broader scope in a period of change, embracing aspects of ‘managerial creativity’ as well as works of art as objects. Drucker (1993) also sees creativity as including ‘the ability to manage the application of knowledge.’ He contends that, knowledge has become the key resource that creates new dynamics and new ways of meeting the challenges presented by a changing world. Wyszomirski (2003) took the issues of knowledge and creativity further, proposing that
creative sector as a whole is emerging as a leading edge sector that produces and capitalizes on knowledge/information content and intellectual property in the 21st century.

All these accounts have an implication in regard to the phenomenon of fusion of arts and business, creativity and entrepreneurship. The arts sector has been recognized more as repertoires of ‘knowledge’ for business to capitalize on and tempting business partners who can offer benefits and add values to the way they do business, than the mere recipient of cash contributions. For arts leaders, entrepreneurial activities, which include not only savvy managerial techniques but also creative programming and commitment to reshaping the funding sources, became crucial tasks for vitality and viability of arts organizations.

From this standpoint, it can be said that both arts and businesses have a growing sense of the need for the other, and this inter-dependence has the potential to make the distance of their relationships closer than ever in the past. To put it another way, nonprofit and for-profit institutions are becoming more and more alike each other in terms of governance of organizations. For example, nonprofit museums are turning to commercial marketing practice, to an increasing degree, to generate more earned income, with blockbuster exhibitions, larger restaurants and more elaborately equipped gift stores. On the other hand, many businesses realize the need to stimulate ‘non-linear’ thinking, the ability to think beyond ‘thinkable,’ the ‘arts factor in management’ for mentality that allows for experimentation and innovation. Some companies have been developing their corporate art collections or employed ‘artists in residence’ to revitalize their business environment. To boost the esteem and efficiency of their employees, others have set up
Arts Clubs for their staff, or ‘arts-based training’ in areas where the arts can be a channel of improvement.

The interdependence between arts and businesses can be not only found in internal management side of organizations, but also in the way each sector meets the demands and expectations from external environments. Both businesses and arts do not operate in a vacuum. Businesses rely on local infrastructure, good will of communities where they operate to be successful. Themes of civil society, community and social responsibility are moving very high up the public policy agenda. This has elicited a response from the business community, with the growth of the concept of ‘corporate social investing’ or ‘venture philanthropy.’ By engaging with the arts in various areas of community, businesses can enhance organizational legitimacy because the mission of arts and cultural sector is to serve community good and values such as creativity, excellence, pluralism, equality, freedom, and innovation. In this context, the arts and cultural sector is seen as ‘partners’ having both intrinsic and extrinsic values, not as passive objects of ‘patronage,’ which often fails to provide the results that an engaged partnership can deliver.

While there are suggestive examples of the nonprofit arts-businesses relationships based on ‘reciprocity’ or ‘mutuality’ as illustrated above than giveaway in practice, the extent and characteristics of interactions between them are not well known. Based on the principle underlying partnership research that it seeks to improve practice through research (Jacobs, 1999), a dearth of research documenting the scope and intensity of cross-sectoral relationships represents a serious information gap in the present research-to-practice model in cultural policy. This study aims to redress this knowledge gap and
lay the foundation to inform the future choices of how arts and businesses can be more equal ‘partners’ in their own business process and propose Arts and Business Relationships (ABRs) model that encompasses new, emerging patterns of relationship formation.

### 1.2 Statement of Problem

The primary assumption of this study is that ABRs exhibit multi-dimensions and continuously changing among them. More specifically, it is presumed that the patterns of ABRs have been dynamically expanded from simple grantor-grantee relationship to covering multifaceted and interactive relationships that can be called partnership or collaboration along with the changing cultural policy. Thus, the study was designed in an attempt to assess where along the cross-sector relationship continuum ABRs are, how this position is changing, and the role of proposed ABRs model in the development of cultural policy options.

First, it examines the historical aspect, in which the trend of ABRs is seen to change over the past 50 years. This interpretive historical inquiry constructs broader contextual factors, and provides an understanding of how the nonprofit arts and business sectors organized and behaved in the manner that they did. The historical perspective sets the stage for the contemporary understanding of ABRs. During the course of this investigation, the following questions are addressed:

- What were the forces that had impact on the evolution of program options of ABRs?
- How did the nonprofit arts and business sector respond to those environmental challenges?
- How did policy actions and instruments of government influence business support for the arts in the past?

Second, this study investigates ABRs patterns that have been evolving along the relationship continuum in the field. At this stage, the research is focused on the micro understanding of each relationship model, common traits that make certain relationship types categorized as ‘a’ relationship pattern. Analyses on each relationship model center on questions regarding its types, characteristics, and trade-offs:
  - What is the nature of each type of relationships?
  - Why do arts organizations and businesses enter into specific collaboration with each other? What does it mean for forming relationships to each sector?
  - What are the operational elements that characterize the way each relationship model is implemented? How does the range of activities of relationships differ from one another?

Finally, in an attempt to link the causes and ‘conditions’ of relationship formation across range of ABRs, this study seeks to examine interorganizational facilitating factors that can influence on institutionalizing the partnership process:
  - What type of industry and what kind of nonprofit arts organizations are involved in ABRs?
  - Are there patterns found in relationship formation between certain types of industry and arts organizations of certain disciplines?
1.3 Rationale and Significance of the study

This study was conducted in order to further the understanding and facilitate the discussion of arts-business associations in relation to the development of cultural policy. From classic corporate arts philanthropy model to the recent business arts incubators model, ABRs have established as an important strategy in the support system of creative sector. While new and complex forms of funding models for the nonprofit arts are currently emerging, no single study has been attempted specifically on developing a comprehensive ABRs model. Thus, little has been known on the magnitude and aspects of those changing relationships. Moreover, it is noted that the subject of the developments in the relationships between arts and business is rarely considered as an issue for cultural policy, due to that it has been mostly perceived as being in the realm of fundraising ‘technique,’ therefore, not policy or ideas. All these problems together represent a significant gap in not only the knowledge required for forging potential partnerships, but also ideas for institutionalizing them in both organizations to strengthen the support system of creative sector.

The rationales of researching ABRs can be explained on both theoretical and practical level. First, for the most part, past studies on arts funding have focused on the role of government subsidies, utilizing the careful and methodical guidelines of the granting process and actual dollar amounts of public arts agencies for analyses. Interestingly, according to the recent study of National and Local Profiles of Cultural
Support (2002), contributions from public sources (federal, state, and local government support) amount to 6.3% of nonprofit arts organizations’ revenue, while corporate sector contributions represent 6.4%. These figures undoubtedly underestimate the true corporate financial impact on the arts because they do not include estimates of contributions through corporate foundations. The figures also do not account for in-kind contributions of equipment, material, or space, or for seconded staff. Given these, analyses on the far-reaching roles of corporations in arts funding are long awaited for.

Yet, if we are to examine questions about the interrelations between the nonprofit arts and businesses, we confront the problems that existing information has been not only scarce, but too anecdotal and fragmented. This can be attributed to the fact that information from different sources exists for different purposes. The questions are recent, the integrated data on ‘both’ sectors are few. For instance, research on corporate philanthropy in general has been found mostly in business administration literatures. As a natural consequence, the purpose of those studies is to be relevant to the business process, with their findings reported from mainly the businesses management perspective, not from the arts administration side. To speak of the literatures of cross-sectoral relationships, the focus of those studies was laid on the aspects of businesses-the nonprofit sector as a whole, not specifically aimed to address the arts and businesses dealings.

In the absolute absence of prior efforts to integrate and adapt the interorganizational relationships literature into underlying determinants of ABRs, this research offers a set of predictive critical motivations and conditions that are potentially generalizable across a broad range of ABRs. This generalizability moves the field of
ABR research toward a general theory of relationship formation that is applicable across a variety of ABR types and settings. In addition, by identifying three common components – sectoral drivers, interorganizational factors, operational elements - making up any ABR, this study attempts to rectify the most serious weakness in the ABR literature: nonadditivity across past and current research and across a range of conceptual approaches such as patronage, sponsorship, and partnership. Analyses on sectoral motivations recapture past insights into the causes of ABRs, build on the complementarity among current theoretical paradigms found in literatures of public policy management and business administration, and provide a theoretical basis finally in cultural policy and arts administration field for cumulative additions to the understanding of ABRs.

On the practical side, the ABRs model exists as options for each organization. The four variances of ABR model and types within each relationship model create the options that the arts and business can choose from in order to achieve the outcome they aspire to attain depending on their own organizational setting and capacity. For example, it makes sense for some arts organization and some firms in some areas to create higher value transactional relationships or the more integrative and strategic relationships under certain circumstance. For some other arts organization with limited budgets and some companies with certain size, it could make more sense to have a few simple philanthropic relationships with relatively low maintenance engagements than having multiple relationships that require extensive investment of time and resources. Some relationships are strategic, and still others may be altruistic or public-spirited. Thus, the ‘variance’ of ABR model will certainly have practical implications in that each nonprofit arts
organization and business can assess the existing relationship and/or develop the new one, which is uniquely tailored to meet the needs of each organization. Moreover, analyses made on the motivations of the other sector across a range of different relationship types can help managers on both sides of the fund-raising and contributions market by having them identify the areas of principal management interest in that specific relationship.

The most recent pilot study by the Americans for the Arts (2007) also suggests the necessity of establishing strategies for the arts community to consider as they endeavor to better understand the impact of the changing corporate philanthropic landscape on the future of the arts. It is hoped that this research can serve as a platform of interpreting the changing nature of ABRs, and further, providing each sector with practical insights on their own coalition building strategies. In addition to that, I wish the findings are also directed back to cultural policy communities by suggesting strategies and program options. For example, various types of ABRs can be employed as production/supply strategies in cultural tourism initiatives, economic development and community revitalization projects. Strong bond between the arts and business can also contribute to developing the creative workforce and promoting artistic creation, both financial and hard infrastructure development for creative sector, and further, can be linked to broader public policy agenda to build creative community.

1.4 Overview of dissertation

The first chapter to the dissertation introduces the reader to the ideas driving the subsequent research including the shifting notion of supporting the arts from patronage to
partnership and the roles of the arts and businesses can play with partnering with each other. Furthermore, it articulates the rationale and possible contributions of the work to be considered from research findings.

Chapter 2 presents the conceptual framework that will be utilized within this study. The dissertation investigates changing arts-businesses relationships over time through the lenses of five theories. As is often the case in a fledgling academic field, there were relatively few or no models in the arts administration literatures, so looking to other fields and adapting their theories to the specific context of ABRs were figured as necessary steps. Each of these five theories allows for the consideration of interorganizational relationships from a different perspective. Resource dependence theory and a tri-sectoral perspective in organization theory from public policy and management literature allow for a macro understanding of the environments in which the arts and cultural sector and businesses sector exists. Supply-chain partnership model, cross-sector collaboration continuum model, and theory of alliance borrowed from business administration literature allow for comparison of different terminology used in the practice of ABRs, and provide an opportunity to examine each organization’s behavior ‘within’ relationships and influences of interorganizational factors ‘on’ the relationships on a micro level. These five theories altogether contributed to the creation of new analytical framework that is suited to the focus of this study, the arts-businesses relationships (ABRs).

Chapter 3 explains the research methodology utilized in the study. The dissertation was conducted as an embedded, multiple-case study, which employed the analytical framework developed in Chapter 2 as a vehicle to guide data collection and
analysis. While case studies are known for little generalizability, this methodology was chosen as it allows for the search for ‘how’ and ‘why’ questions in situations where the research has no control over the events. In addition, a multiple-case design was chosen over a single-case study design for the following reasons: 1) The evidence from multiple cases is often considered more compelling than a single case; and 2) given that each discrete pattern of the arts and business relationships can be considered a different ‘site,’ a multiple-case design serves to provide an understanding of the commonalities of relationship types within each pattern, and the differences that separate the four patterns from one another through a literal replication logic and a theoretical replication logic, respectively. Additionally, the case study used an embedded design in order to allow for multiple subunits of analysis, which are external environmental factors, relationships attributes, and profiles of partner organizations.

Chapter 4 begins with the investigation of external environmental factors that has shaped the way the arts and businesses interact with each other. This chapter is divided into four developmental time periods reflecting the evolving nature of ABRs. Each time period is also subdivided into units to understand each environment in which each organization must function: the political, economic, and social environment in the United States, in general, and the changing cultural policy, in specific.

Relationship attributes of the four discrete patterns of the arts and business relationships were examined in Chapter 5 through Chapter 8. Each chapter begins with the overview of each model, followed by the definition of each relationship type and analyses on the three relationship components. These subunits of analysis are motivations of each sector’s entering into the relationships, interorganizational factors
that boost or hinder the relationship formation and growth, and operational elements that actually build the relationship in place. It was assumed that, although every relationship within the arts and business relationships model share the same basic motivations to a certain degree, the priority that was given on the motivations varies by each relationship type.

Chapter 9 extends the investigation from organizational ‘behaviors’ of each sector to organizations themselves. If the focus was made on the characteristics of ABRs in previous four chapters, this chapter turns its direction to the partner characteristics, that is, the profiles of each partner organization including relative size, industry category, and discipline of organization. Although these inquiries appear two separate sets of research questions, they are actually in concert with each other. Analyses on the profiles of partnering organizations from successful cases can lead to an explanation of the conditions under which the arts organizations and businesses are likely to establish strong bond with each other. For example, if a certain industry category exhibits a tendency of partnering with arts organization in certain discipline, it can explain facilitating conditions such as complementarity or symmetry.

The final chapter of the dissertation recapitulates the key findings in regard to the research questions. The progression of the arts and businesses relationships with the changing notions of the arts and cultural sector is revisited to see if sufficient answers have been found. Finally, the dissertation concludes with new questions and recommendations for the arts and businesses sectors, proposing cultural policy options to build creative support system, and arts-business relationship portfolio, respectively.
CHAPTER 2

RESEARCH FRAMEWORK

This study investigates the development of the nonprofit arts-businesses relationships (ABRs) over the years and the ways the arts and businesses respond to environmental changes through various interorganizational theories: 1) supply-chain partnership model, 2) cross-sector collaboration continuum model, 3) theory of alliance, and 4) resource dependence theory and a tri-sectoral perspective in organization theory. As is often the case, there were relatively few or no models in the arts administration literatures, so looking to other fields and adapting their theories to the specific context of ABRs were figured as necessary steps.

In practice, as stated earlier, the area of corporate arts philanthropy is very fuzzy due to organizational differences in definition. For instance, what one corporation considers a grant, another considers a sponsorship. Further, there is considerable confusion over the definition and use of relationship models themselves in both theories and practice: some scholars or corporations label the relationships as partnerships, while others refer to them as collaborations or alliances or even put them under the umbrella of strategic philanthropy. Considering that these theories are not the same or synonymous, clarifying the definition of each model and distinguishing its key components with one another will help to prevent the future confusion in proceeding this research.
The following subsections review five discourses on which we draw for this discussion. First, supply chain partnership model was reviewed in B2B (business to business) settings. Collaboration continuum model and theory of alliance were found in explaining businesses and the nonprofit sector dealings. In an effort to find a right framework for analysis on ABRs, these three general models were chosen for discussion based largely on their status as a seminal framework within the business administration literature. Each model begins with the definition, followed by the review of major components and characteristics of the model. While three models were examined to get insights on the interorganizational behavior of ABRs, resource dependence theory and a tri-sectoral perspective will be considered to place them in broader ‘contexts.’ The final subsection outlines how three different interorganizational relationship models and contextual factors will be integrated for the conceptual framework of this study. Comparison of terminology, the utility of each model, and implication from sectoral differences in ABRs settings will be discussed. Finally, a new ABRs model will be developed, which will serve as a template for the ensuing presentation of this study.

2.1 Supply-chain partnership model in business to business relationships

Supply chain partnership occurs in the network of retailers, distributors, transporters, storage facilities and suppliers that participate in the sale, delivery and production of a particular product. It is also called ‘value chain partnerships,’ in which companies in different industries with different but complementary skills link their capabilities to create value.
**Definition**

First of all, it is important to define the terms and typologies in partnership. Lambert, Emmelhainz, and Gardner (1996) defined a *partnership* as “A tailored business relationship based on mutual trust, openness, shared risk and shared rewards that yields a competitive advantage, resulting in business performance greater than would be achieved by the firms individually” (10). They also provided an insight into the difference of the terms among arm’s-length relationship, partnership, and joint venture by putting it that, a ‘partnership’ is not the same as a *joint venture*, which normally entails some degree of *shared ownership* across the two parties. Nor is it the same as vertical integration of two organizations (10). To be called a partnership, there should be ‘joint commitment or joint operations between the two companies,’ which is lacking in arm’s length associations.

**Partnership Elements**

Lambert and Knemeyer (2004) established the supply chain partnership model in which most partnership share the following three common elements, which lead to outcomes (Harvard Business Review 2004).

1. Drivers are compelling reasons for a partnership and set expectations of outcomes.

2. Facilitators are supportive corporate environmental factors which enhance partnership growth and development.

3. Components are joint activities and processes used to build and sustain the partnership.

(4) Outcomes reflect the performance of the partnership.
Each of these three major elements was broken down to several categories that help each business partner can determine a partnership type, develop, implement, and improve corporate relationships (See Table 2.1).
<table>
<thead>
<tr>
<th>Categories</th>
<th>Drivers</th>
<th>Facilitators</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Asset and cost efficiencies - reductions in product costs, distribution costs, packing costs, and information handling costs</td>
<td>Compatibility of corporate cultures - values and approaches used for strategic planning</td>
<td>Planning - style, level, content</td>
</tr>
<tr>
<td>2</td>
<td>Customer service enhancements - reduced inventory, shorter cycle times, and more timely and accurate information about deliveries</td>
<td>Compatibility of management philosophy and techniques - organizational structure, degree of top management support, attitudes toward employee empowerment</td>
<td>Joint operating control - measurement, ability to make changes</td>
</tr>
<tr>
<td>3</td>
<td>Marketing advantage - easy entry into new markets, enhancement of organization’s marketing four mix (product innovation, joint promotion), better access to technology</td>
<td>Mutuality - a willingness to develop joint goals, share sensitive information, and take a long term perspective</td>
<td>Communications - non routine - day to day organization, balance, electronic</td>
</tr>
<tr>
<td>4</td>
<td>Profit growth or stability - long-term volume commitments, reduced variability in sales, and market share stability.</td>
<td>Symmetry - importance of each firm to the other’s success, relative size, market share, financial strength, industry position, brand image, company reputation, and level of technological sophistication</td>
<td>Risk/Reward Sharing - loss tolerance, gain commitment</td>
</tr>
<tr>
<td>5</td>
<td>Exclusivity, shared competitors, physical proximity, and prior history of working with the partner, and a shared high value end user</td>
<td>Trust and commitment to each other’s success, contract style, scope, and financial investment</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.1: Categories of each partnership element in supply chain partnership model

When assessing the drivers, Lambert and Knemeyer recommended that managers in each firm ‘independently’ articulate the specific and selfish reasons of seeking partnership by using categories as a guideline. Noting that the drivers will not be the same for both parties, they claimed both parties’ agreement on strong and appropriate drivers as a starting point to partnering. Unlike drivers, facilitators should be assessed ‘jointly’ by managers in each firm because they consider that facilitators apply to the ‘combined’ corporate environment of the two potential partners. Since facilitators cannot be developed in the short run, the degree to which they exist often determines whether a partnership succeeds or fails (1996,7).

More importantly, Lambert et al (1996) observed that, the appropriateness of any one type of partnership is a function of the combined strength of the drivers and facilitators. In other words, the assessment of drivers and facilitators is used to determine whether a partnership should be created or adjusted. Yet, it is the management components and how they are implemented and managed that determined the type of relationship actually in place (10).
Types of partnerships

Figure 2.1: Types of Relationships


The results of their case studies indicated that each relationship has its own set of motivating factors as well as its own unique operating environment. Moreover, the amount of each managerial components and the way where each type of activity is performed will vary depending upon the types of the partnership (11). Generally speaking, Type 3 partnerships require the highest levels of components, Type 2 requires medium levels, and Type 1 relationships require low levels (2004, 8). By combining Partnership Component Levels with Lambert’s findings of three types of partnership, the action items and time frames of each type of partnership could be recapitulated as follows:

1. Partnership Type 1: The organizations involved coordinate activities and planning on ‘ad-hoc’ basis. The partnership usually has a ‘short-term’ focus and involves only ‘one’ division or functional area within organization. The level of risk/reward sharing is low. Trust and commitment to each other is limited.
2. Partnership Type 2: The organizations involved progress beyond coordination of activities to integration of activities. Although not expected to last forever, the relationship has a long-term horizon. Multiple divisions and functions within the firm are involved in the partnership. Each party shows some tolerance for loss and has a mindset to help the other gain.

3. Partnership Type 3: The organizations share a significant level of operational integration. Each party views the other as an extension of their own firm. The focus of measurement is on joint performance.

2.2 Cross-sector collaboration continuum model between business and nonprofit organizations

Notably, Austin, who developed cross-sector collaboration model does employ the terms of ‘collaboration,’ ‘alliance,’ and ‘partnership’ alternately when referring to nonprofit and business sector relationships without making any distinction among those terms. Even if scholars or organizations provide varying definitions, it is necessary to clarify what they mean by ‘collaboration’ in general to prevent a murky understanding of this term.

Definition

In 1994, ‘Inventing the Organizations of the 21st Century,’ a new research and education initiative at MIT Sloan School of Management provided the working definition of collaboration “as distinct from ‘alliance,’ which is a contractual agreement, this term refers to an ‘informal’ collaboration between a company and an outside entity such as a supplier, customer, even a competitor.” To borrow the definition from the public sector, the Federal Transit Administration sketched the scope of collaboration as ranging from very informal, ad hoc activities to more planned, organized and formalized ways of working together. One of the nonprofit entities, National Center for Children Exposed to Violence, distinguished collaboration from ‘cooperation’ stating that collaboration is the
process of various individuals, groups, or systems working together but at a significantly higher degree than through coordination or cooperation. Joint planning, shared resources, and joint resource management were reported as the traits of collaboration.

As commonly stated by the organizations that adopted collaboration as a way of working in practice, the objective of entering into collaboration is to work toward mutual benefits and common goals among two or more organizations.

Typology

Austin (2003) identified a distinctive pattern in the types and evolution of relationships between businesses and nonprofits. He conceptualized cross-sector collaboration continuum along which there are three stages of relationship. As one moves along the Continuum, the level of engagement deepens, mission relevance becomes more central, resource deployment expands, activities broaden, interaction intensifies, and managerial complexity magnifies, and so does the strategic value (2003, 24). He also viewed different marketing purposes as main ‘drivers’ for businesses and nonprofits to enter into those relationships throughout the whole collaboration continuum model. The following is a brief summary of marketing’s role in Austin’s cross sector collaboration model and the traits of each collaboration stage.

1. **Philanthropic stage collaboration**: This is the most common type of relationship between business and nonprofits. Institutional marketing purpose is argued to be a main factor in corporate philanthropy. The relationship is valuable as part of an effort to market the company as a caring, responsible institution and even to market the nonprofit as a credible organization meriting support. The level of engagement and resource is relatively low, infrequent, simple, and non-strategic. It largely consists of resource – money
and goods - transfer from business to nonprofits. From business point of view, it is typically ‘unequal’ exchange of resources.

2. **Transactional stage collaboration**: Cause related marketing is a form of transactional stage collaboration that has grown rapidly in businesses and nonprofits. From this stage, a significant two-way value exchange begins. It is no longer simply a transfer of funds. Businesses not only bring funds but publicity to nonprofits whereas nonprofits bring to companies the values of associating with a good cause. This stage would encompass such activities as cause related marketing programs, event sponsorships, special projects, and employee volunteer services.

3. **Integrative stage collaboration**: A smaller but growing number of collaborations evolve into strategic alliances that involve deep mission mesh, strategic fit, and values compatibility. People begin to interact more frequently, and the types and levels of institutional resources used multiply. Market development and internal organizational marketing play a role in getting them into relationships. Nonprofits provide businesses with a chance of access to nonprofit’s client base, which is businesses’ potential market. Business bring not only funds and goods but also their knowledge and information such as professional managerial skills, which can help nonprofits to broaden their client base. Each sector exchanges the skills of human resources and learns from each other. The degree of organizational integration begins to take on the appearance of a joint venture, and in some instances, the partners have actually created new, jointly governed entities to carry out their collaboration.

In essence, Austin attempted to establish a cross-sector collaboration continuum model by taking the broad perspective that those relationships are evolutionary and multifaceted as well. Wymer and Samu (2003), on the other hand, developed a typology by focusing on each of various business and nonprofit collaborative relationships. The definition of each typology will be first presented here. By doing so, we better understand what we mean by a cross-sectoral taxonomy, which will inform the analysis on patterns of ABRs.

1. **Corporate Philanthropy**: Roughly, there are two kinds in this category:
   a. Traditional philanthropy: In a grantor-grantee relationship,
corporation - either through a corporate giving program or through a company-established foundation – makes a philanthropic contribution in support of a nonprofit organization (Independent Sector). Social responsibility and ‘giving back’ constitutes the mindset of this relationship.

b. Strategic philanthropy: While traditional philanthropy is done by charity purpose, strategic philanthropy involves the marriage of business interests and the needs of communities through institutionalized programs (McClimon, 2003).

2. **Licensing Agreements**: An agreement in which the nonprofit allows its information or knowledge to be used for a flat fee and/or a royalty or an agreement in which a nonprofit’s name and logo is attached to company’s product (Independent Sector; The Alliance Analyst, 1996).

3. **Sponsorship**: In a reverse way to licensing agreements, a business pays a nonprofit for a sponsorship fee for using the business’s brand and logo in a nonprofit’s advertisements, packaging, and other external communications (Wymer and Samu, pg.11). Independent Sector sees sponsorship as a broad term that covers from financial to in-kind operational support.

4. **Cause related marketing**: A marketing strategy in which the company contributes a certain percentage of sales or amount per transaction to the nonprofit’s cause. It is also known as ‘transaction-based promotion’ (Austin, pg.31; Wymer and Samu, pg.12).

5. **Joint Issue Promotions**: In joint issue promotion, nonprofit organizations and businesses work together to support a social cause. The difference from cause related marketing is that, in this relationship, businesses engage in ‘activities’ such as joint promotional activities or involved in the nonprofit’s programmatic operations to further the cause, instead of a business giving ‘money’ to a nonprofit to support its activities.

6. **Joint Ventures**: A business-nonprofit joint venture is a new ‘nonprofit’ entity created by the partnering organizations to achieve mutually desirable objectives (Wymer and Samu, pg. 15).

The contribution by Wymer and Samu is not only the discussion of motivations of each business-nonprofit relationship from each sector’s side but also the findings of risk factors such as defaming corporate image or the nonprofit’s reputation, which might hinder both sectors from deepening the relationships with each other.
2.3 Theory of Alliance

The Independent Sector provided the working definition of alliance as follows: “Strategic alliance is a term to cover a broad range of collaborations in which partners combine their core competencies to accomplish social change and meet business objectives. Strategic alliances are unique in that they tend to be ‘long-term,’ highly dynamic, multi-faced, and key to the partner’s individual success. The partners often develop a ‘shared’ strategy and ‘rely heavily on each other’ to meet their business or mission goals.” MIT Sloan School of Management provided more technical definition of alliance as “Interesting contractual agreements with suppliers, distributors, customers, competitors, research organizations, joint ventures, government-industry partnerships, consortia.” They also distinguished the usage of alliance from collaboration by saying that if no contract is involved, the term ‘collaboration’ is used instead.

As to the wide range of usage of the term ‘alliance,’ Iyer (2003) once noted that alliances can be various of sorts and have been referred to by many other terms such as symbiotic marketing, horizontal integration, collaboration, or ‘strategic partnership.’ He figured commonly used synonyms as association, federation and union. By adapting from Anderson and Narus’ definition (1990), Iyer defined an alliance as “A working partnerships among businesses, nonprofits, and government in which all partners in the alliance realize that their capabilities can be combined to mutual advantage and that the success of the alliance depends on every one of the partners.” At the center of this account, there is an expectation that a partnership will produce an outcome greater than the simple addition of the two parts.
Giving attention to the ‘motives’ of individuals or institutions forming alliances, Iyer further contended that, to be called an alliance, there has to be much more than just mutual dependence or interaction. Iyer recapitulated that the pooled advantages can stem from each organization’s strengths compensating for the other’s weaknesses or from amplifying or enhancing their combined strengths (43). First, “Complementarity in an alliance refers to the idea that two partnering organizations having unique and non-overlapping capabilities wish to form an alliance that will overcome each other’s limitations” (54). Thus, the value of an alliance in this case stems from one organization complementing the other. Secondly, “Supplementation in an alliance refers to the idea that two partnering organizations having certain strengths that they wish to magnify form an alliance.” (ibid.). Therefore, the logic for this type of alliance speaks to the value of combining capabilities in order to magnify capability or credibility. The common principle of ‘strength in numbers’ best captures this perspective.

2.4 Resource Dependence theory

Resource dependence theory (RDT) had basic premises that organizations typically operate in a relational context of environmental interconnectedness and that an organization’s survival and performance often depends critically upon its linkages to other organizations. This view proposed by Pfeffer and Salancik (1978) shows a shift in discussing organizational control from an internal management perspective to an external resource one. Organizational ‘effectiveness’ is an external standard of how well an organization is meeting the demands of various groups and organizations that are concerned with its activities. On the other hand, organizational ‘efficiency’ is an internal
standard of performance, measured by the ratio of resources utilized to output produced. (11). They noted that prior organizational research tended to focus more on the problems of using resources, in other words, on processes ‘within’ a single organization. Yet, resources must be acquired from the organizational environment, which is composed of other organizations, before they can be used. Problem is that the environment is unstable and undependable. Consequently, this involves the organization’s exchange with, or control of the environment.

Pfeffer and Salancik provided the three elemental structural characteristics of environments as follows: 1) concentration: the extent to which power and authority in the environment is widely dispersed; 2) the availability or scarcity of critical resources; and 3) interconnectedness: the number and pattern of linkages, or connections, among organizations. They contended that these three characteristics, in turn, determine the relationship among social actors – specifically, the degree of conflict and interdependence present in the social system. Conflict and interdependence, in turn, determine the uncertainty the organization confronts (68). The interdependence “exists whenever one actor does not entirely control all of the conditions necessary for obtaining the outcome desired from the action” (40). As mechanisms to reduce uncertainty and manage interdependence, they described normative coordination, interorganizational cooperation, organized coordination, and law and policy.

Another assumption in RDT is that organizational success is defined as organizations maximizing their power (Pfeffer, 1981). It characterizes the links among organizations as a set of power relations based on exchange resources. Specifically, organizations attempt to alter their dependence relationships by minimizing their own
dependence or by increasing the dependence of other organizations on them. Attaining either objective is thought to affect the exchange between organizations, thereby affecting an organization’s power.

In sum, the central thesis of RDT is that, to understand the behavior of an organization, one must understand the context of that behavior, ‘the ecology of the organization.’ In this view, organizations are examined as coalitions of interests that face an environment of competing, frequently conflicting, demands. The authors proposed that more research attention is needed on resource interdependence, external social constraint, and the organization’s contingent ability to adapt to its surrounding social environment.

2.5 A tri-sectoral perspective in organization theory

The position in RDT was widely accepted in an open systems perspective. From a systems perspective, the difference between relationships occurring within the same sector and cross-sectoral relationships arises from the attributes of sectors. Waddell (2005), a sociologist, supported a position of Hardwell (2004) that partnership expresses the reality that all sectors are all sub-systems of the larger economic, natural and social environments. From a sectoral perspective, all organizations in the world can be classified as either belonging to the state(government), market(business), or civil society(NGO) sectors – or a hybrid of them. Through societal learning and change, Waddell argued that governments, business and civil society can create solutions to the huge and complex mutli-stakeholder problems such as globalization, sustainability and inequality. On the grounds that each sector has both strengths and weaknesses, he claimed that they are trying to counteract imbalances through interactions.
On the other hand, Wyszomirski (1990) found the new challenges of public administration in an ongoing redefinition of the field, causing the need to articulate the structural differences and similarities among organizations. Noting that the blurring of public-private boundaries is further compounded by the recognition of a third and nonprofit sector engaged in societal purposes and composed of a diversity of actuative organizations, she provided comparative review of organizational traits.

Since the focus of this study lies in nonprofit arts organizations, a particular sub-sector of nonprofit sector, the following classificatory scheme (Table 6) combined and modified the list of attributes that were proposed by Waddell and Wyszomirski. In a systems analysis of organizations, there are three different organizational logics. First, government’s primary sphere of activity is with a political system focusing upon the creation of rules that can be enforced through the coercive vehicles of the police and courts. Secondly, businesses’ primary playing field is with economic systems where owners are given power and the principle mechanism to induce people to do what an organization desires is through monetary rewards (Waddell, 2). In contrast, nonprofit arts organizations are seen to focus upon social systems and relationships around values and beliefs. These organizations derive their power from their ability to speak to heritage, community good and values such as creativity, excellence, pluralism, equality, freedom, and innovation, which constitute a normative power base.
<table>
<thead>
<tr>
<th>Sector</th>
<th>State</th>
<th>Business</th>
<th>Nonprofit arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary interest</td>
<td>Political</td>
<td>economic</td>
<td>Social</td>
</tr>
<tr>
<td>Primary goals</td>
<td>Societal order</td>
<td>Wealth creation</td>
<td>Expression of values</td>
</tr>
<tr>
<td>Goods produced</td>
<td>Public</td>
<td>private</td>
<td>quasi-public</td>
</tr>
<tr>
<td>Primary power form</td>
<td>Coercive</td>
<td>remunerative</td>
<td>normative</td>
</tr>
<tr>
<td>Internal direction</td>
<td>Authority</td>
<td>ownership</td>
<td>constituency</td>
</tr>
<tr>
<td>External direction</td>
<td>Law</td>
<td>market</td>
<td>legitimacy</td>
</tr>
<tr>
<td>Performance criteria</td>
<td>Conformity</td>
<td>Efficiency</td>
<td>effectiveness</td>
</tr>
<tr>
<td>Relationship basis</td>
<td>Rules</td>
<td>transactions</td>
<td>values</td>
</tr>
<tr>
<td>Temporal framework</td>
<td>Election cycles</td>
<td>Profit reporting/ Business cycles</td>
<td>Sustainability/ regeneration cycles</td>
</tr>
<tr>
<td>Operating ethic</td>
<td>Administrative</td>
<td>managerial</td>
<td>entrepreneurial</td>
</tr>
</tbody>
</table>

Table 2.2: Comparison on attributes of the three sectors.

‘Internal direction’ is a matter of an organization’s constituent parts – its supporters, members, and clientele (Wyszomirski, 57). In governmental organizations, rulers and voters constitute authority as a whole. In business organizations, owners are internal power source. Due to its unique feature of the constituent parts of nonprofit arts organizations, their internal direction can be said to derive from various combinations of supporters, members, and clientele.

‘External direction’ is driven by various principles. Legal principles guide governmental organizations while market forces impose external direction upon commercial organizations (Wyszomirski, 58). While Waddell views the primary power form of civil society organizations from virtue-based legitimacy such as community good and values, Wyszomirski added a new expertise-based organizational legitimacy and direction to it. Professionalization has been witnessed in nonprofit arts organizations since early nineties, both individually and collectively. It is evidenced by that expertise of
cultural workers has become to be recognized as specialized knowledge of professions. Moreover, arts organizations is regarded as a part of the creative sector, which is an overarching structure of the field, along with other cultural workforce, and a set of infrastructure. Expertise of cultural workforce and norms set by the creative sector as a whole have become the expanded legitimacy of arts organizations.

‘Performance criteria’ are assessment frame and standards for evaluating organizational operations and accomplishments. Conformity or legality criteria are imposed externally on public organizations. On the other hand, business organizations are expected to operate according to profitability or efficiency criteria. Efficiency is measured internally based on the amount of resources consumed to the cost of doing the business. In contrast, nonprofit arts organizations are subjective to effectiveness criteria, which base evaluation on how well the organization is meeting the demands of the various stakeholders such as supporter, member and authorizer. Such standard concerns not only the realization of their missions, but a realistic understanding of expectation from external environment.

The corporate logic is oriented towards a profit-cycle time frame and that of government towards electoral cycle, but NPAOs are much more concerned with longer-term sustainability. As presented in Baumol and Bowen’s market failure argument in managing performing arts, NPAOs are inherently subject to a degree of productive inefficiency. However, their products and services take into account long-term community impact and are maintained by building support from various constituencies and their ability to run organizations viable. This is far from the short-term investment and fast outcome time frame, which tend to be a business cycle.
‘Operating framework’ is codes of practice that organizations are accustomed to adhere to and relate to each other within the same sector. The administrative logics of government focus on application of rules and regulations, and the managerial logics of business set aggressive objectives and define success by reaching them (Waddell, 2002, 49). The entrepreneurial logics of NPAOs emphasize ‘the balance between the needs of the aesthetic mission and the needs of the marketplace’ (Rentscner, 2002, 51).

2.6 Conceptual framework

This investigation is interested in how business-nonprofit arts relationships have evolved over time, how the external environment influences changes in ABRs, and what kind of role that ABRs can play in strengthening infrastructure of the creative sector, respectively. To address the first research question, the evolution of ABRS, the three interorganizational relationship models have been presented and discussed in some detail. Yet, there has been no single study that developed an analytical framework particularly to investigate ABRs amongst the nonprofit sector and business dealings. Additionally, it is presumed that no single model provides the perfect lenz in analyzing the nature and characteristics of diverse patterns of ABRs. Rather, each of the models offers a different contribution to the application to and the analysis of ABRs. The bases of this reasoning are: 1) The types of ABRs have been dynamically expanded from simple and rudimentary grantor-grantee relationship to covering complex and interactive relationship that can be called either partnership, or strategic alliance, and 2) Thus, it is an assumption of this study that the nonprofit arts and businesses are motivated to move along the relationship continuum from traditional philanthropy, transactional collaboration, to
strategic alliance. For clarity’s sake, significant terms regarding the ABRs continuum and how they will be used for this study follow.

Discussion of terminology / The utility of three interorganizational relationship models

As yet, among theorists and scholars who studied business-nonprofit sector relationships, there seems no clear and unified definition on how the label ‘collaboration,’ ‘partnership,’ and ‘alliance’ differ from one another. Although the mingled usage of these terms is common in a field or in scholarly materials, in order to avoid a great deal of confusion in a future discussion of this study, it is necessary to review what separates and borders on them comparatively.
<table>
<thead>
<tr>
<th>Model</th>
<th>Strategic alliance</th>
<th>Partnership</th>
<th>Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>Limited in ‘specific’ project</td>
<td>Covers from specific project to activities representing a modest share of business for at least one partner</td>
<td>Most ‘broadly’ defined.</td>
</tr>
<tr>
<td>Time frame</td>
<td>Long-term</td>
<td>From short-term focus to long-term horizon</td>
<td>From ad hoc basis to no ‘end date’ relationships</td>
</tr>
<tr>
<td>Formality</td>
<td>Based on formal contractual agreements</td>
<td>Based on contracts or partnership agreement</td>
<td>From very informal (no contract involved) to more formalized ways of working together; in general usage, the term refers to an informal relationship.</td>
</tr>
<tr>
<td>Degree of Autonomy/Integration</td>
<td>Decision making power is shared or transferred while each entity remaining independent organizations</td>
<td>Joint operating control and joint commitment / each entity remaining independent organizations</td>
<td>Decision making power remains with the individual organizations (in philanthropic stage) /shared control over the project (in transactional/integrative stage)</td>
</tr>
<tr>
<td>Objective (motivation)</td>
<td>Complementarity or supplementation</td>
<td>Synergy effect</td>
<td>Mutual advantage and common goals</td>
</tr>
</tbody>
</table>

Table 2.3: Comparison of interorganizational relationship models

As can be seen in Table 2.3, the scope, time frame, and formality of relationships differ from one model to another. On the other hand, it becomes evident that all of these three models have common goal to achieve from the relationship bonds. No matter what the relationship is labeled, the core principle that makes relationships happen is that the energy of engagement is more than the energy of the parties working in isolation.

Another commonality is that, except for the philanthropic stage collaboration, all
participating parties exert ‘shared control’ over the relationships and engage in some type of ‘exchange’ in all three models. In other words, all three models place ‘two-way exchange’ at the center of relationships.

Turning back to the distinction of each term, the scope, time frame, and formality of relationship seem to be criteria that separate them. First, in a narrow sense, the term ‘collaboration’ has often been used as a synonym of an ‘informal’ relationship of working together cooperatively toward a common goal, while decision-making power still remaining with the individual organizations. Interestingly, the term ‘collaboration’ is found much more frequently in the literature regarding within the nonprofit sector relationships than in the literature of B2B relationships. Austin extended the concept of collaboration to the most inclusive term including the transactional stage, and even further, to the stage where organizational ‘integration’ between businesses and the nonprofit organizations occurs, by placing the type of joint venture at the farthest end of collaboration model. Yet, it has been found that, scholarly materials and practitioners are using the term ‘partnership’ or ‘strategic alliance’ more often rather than transactional stage collaborations or integrative stage collaborations when they refer to those levels of relationships.

Aside from the currency of terminology in the field, Austin’s definition of each collaboration stage seems useful in this study. His standpoint viewing relationships as progression along the continuum is helpful in mapping the type of relationships a business or a nonprofit art organization has in terms of the stages. In light of the relationship typology, although the most current type found in ABRs has not been reported in the collaboration model, for the most part, the types of nonprofit arts-
businesses relationship fall to the collaborative relationship categories discussed by Wymer and Samu.

Whilst collaboration spans broadly from ad hoc relationship to more formal long-term relationship, strategic alliance especially refers to ‘long term formal’ relationships in which businesses and the nonprofits develop a shared strategy and rely heavily on each other to meet their business or mission goals. In addition, the scope of strategic alliance is limited to ‘specific’ project. Originally, the term ‘strategic alliance’ is a business language, not from the nonprofit’s. The original definition of strategic alliance is “An arrangement between two ‘companies’ who have decided to ‘share resources’ in a ‘specific’ project.” The strategic alliance model will be applicable when discussing the phase in which ABRs develop to almost ‘business to business-like’ dealings. As to the motivations of forming alliance, Iyer provided insight – complementarity and supplementation.

Finally, the term ‘partnership’ is most popularly used words in both field of business and social sector. It has been applied in many different ways without a clear operational definition. Sagawa and Segal (2003) noted that, in fact, nonprofit organizations sometimes use partnership as a synonym for the traditional relationship between the organization and its corporate and foundation funder. For the purpose of clarity, this study would use the term ‘partnership’ to describe the relationship between two organizations that engage in one or more ‘equal resource exchange.’ This notion is guided from Lambert and Knemeyer’s idea seeing the ‘joint commitment and joint operations for the mutual benefits’ as the epitome of partnership. From this standpoint, traditional corporate arts philanthropy, which used to be basically a one-way relationship
without an equal resource exchange, is not a partnership at all. In comparison with the
term strategic alliance, the scope of partnership types seems broader, spanning from
specific short-term project to an integrative relationship where multiple divisions of each
party are involved on a long-term basis. Lambert and Knemeyer see this most advanced
type of partnership equivalent to strategic alliance.

In terms of the utility of the model, the supply chain partnership model provides
the valuable practical guidelines to relationship building and implementation. This model
certainly complements for lacuna in other models by offering the systematic processes in
which managers of each party can have a complete discussion of issues from the most
compelling reasons of building relationship, the presence or absence of supportive
factors, to managerial activities that actually build partnerships in place. These three
relationship elements are found common in any type of relationship. Based on this
commonality, drivers, facilitators, and components of relationships will be included as
three indicators of models of ABRs. Beyond the similar relationship building process
itself, varying motivations, facilitator, and component sprung from mostly inherent
sectoral differences.

Integration of IOR(interorganizational relationship) models

Based on the discussions of each relationship model so far, Figure 2.2 has been drawn for
the comparison and integration purpose.
Figure 2.2: Evolving patterns of business-the nonprofit sector relationships
From the above schema, it becomes clear that most typology falls to Austin’s collaboration continuum model. Strategic alliance and partnership model seem to overlap with transactional stage collaboration and integrative stage collaborations, to put it in Austin’s terminology. The plotting of typology in the matrix was grounded on the definition of each framework, although each scholar or research organization gives the definition somewhat differently.

The basic assumption of this investigation accords with Austin’s notion that relationships between businesses and nonprofits reveal a few distinctive patterns and exhibit evolutions among them. It will assess where along the cross-sector relationship continuum ABRs are and how this position is changing. It is important to note here that, while ABRs are assumed to move along the relationship continuum, it is not assumed that progression is automatic. Rather, it is the result of explicit decisions and conscious actions by each nonprofit arts and business. Thus, regression and exit are always possible. Generally, the nonprofit arts and business have multiple relationships, comprising ‘ABRs portfolios.’ For example, within their portfolios, both of them have several philanthropic relationships with relatively low maintenance engagements and create higher value transactional relationships or the more integrative and strategic relationships. This will certainly have the implication as to the model variance in which the nonprofit arts organizations and businesses assess the existing relationship and develop the new one, thus creating hybrids of different relationship stages.

Finally, this study will use Austin’s notions of philanthropic stage collaboration and transactional stage collaboration, but will replace integrative stage collaboration with strategic alliance and venture philanthropy model. This decision was based on the
observation that integrative stage collaboration might not clearly represent types of relationship on its own when compared with other collaboration stages to be considered in that regard. It was also perceived that there is some relationship elements such as timeframe and scope that separates strategic alliance from venture philanthropy despite that they share the characteristic of deeper and broader organizational integration, which is found within integrative stage collaboration. Therefore, the newly proposed IOR model variance will include: 1) traditional philanthropy, 2) transactional stage collaboration, 3) strategic alliance, and 4) venture philanthropy.

Another assumption of this study is that each ABR model is structured by three major relationship elements – drivers, facilitators, and component – as proposed in Lambert’s and Knemeyer’s partnership model. Besides those three elements, other contextual factors including broader political, cultural, and economic environments in which the nonprofits and businesses operate, relation-specific conditions, and constraints/risks will be supplemented as the external factors that exercised the direction over the ABRs.

**Sectoral attributes and implications**

The three interorganizational relationship theories will allow for the understanding of the concrete behaviors between nonprofit arts and business. Then, what does the macro-level theoretical analysis of sectors have to do with individual organizations and their relationships, particularly, ABRs, the focus of this study?

First, Waddell (1999) regarded these underlying sectoral qualities, usually unrecognized, as the ‘basic drivers’ behind many of the burgeoning number and new
forms of relationships between organizations in different sectors. Wyszomirski, on the other hand, noting the blurred boundaries between the public and private sectors from public administration perspective, argued that a better appreciation of the architecture of all organizations can improve the design and the effective management of the public’s affairs. This view is grounded on that publicness is a dimension of all organizations in the modern American welfare state (Boseman, 1987, 5). In essence, scholars in public administration take a position that different types of organizations in different sectors are engaged in the cooperative achievement of public purposes. Perry and Rainey (1988) provided two comprehensive rationales of doing comparative research on sectors: 1) imposing public purposes on private corporations, and 2) the transferability of management techniques between business and government (182).

Whether the operating principle of ABRs gears toward imposing public purposes of the arts or seeking business interests, at the heart of the relationship formation is the balancing of power among sectors. This line of thinking can be traced back to resource dependence theory. It allows for the study of the environment in which an organization exists. In this investigation, that may include the study of the overall social, economic, and political environment in the United States in which businesses and the nonprofit arts adjust to and manipulate to acquire resources that are essential for their survival. The diagram visually expresses that business and the nonprofit arts exist within the ecology and interact with the external environment.
Another basic premise in resource dependence theory is that each organization in the potential relationship lack key resources, which act as a driver in their seeking out forming relationships. In this theory, there is the implicit assumption that organizations will seek to compensate for their weakness or deficiency when seeking relationship partners. The distinctive sectoral attributes previously reviewed in organizational theory result in the distinct resources and weaknesses of the sectors, some of which are summarized in Table 2.4. The resources, in turn, give rise to capabilities and strengths as presented. It is noteworthy here that, these resources and capabilities are possessed to some degree by all the sectors, as evidenced in the increasing number of organizations trying to mix management techniques and serving public purposes in designing organizational decision. However, the chart proposes that certain capabilities or weaknesses tend to be more dominant in one sector. Hence, they are quite abstract and generic. The generalities of resources or capabilities need to be carefully considered in
analyzing drivers and conditional factors that are specific in each model and type of ABRs.
<table>
<thead>
<tr>
<th>Sector</th>
<th>State</th>
<th>Business</th>
<th>Nonprofit (arts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>- Regulatory and taxation powers</td>
<td>- capital and financial assets</td>
<td>- Inspirational and volunteer assets</td>
</tr>
<tr>
<td></td>
<td>- Enforcement apparatus</td>
<td>- production systems</td>
<td>- Community networks</td>
</tr>
<tr>
<td></td>
<td>- Specialized policy impact knowledge</td>
<td>- specialized industry knowledge</td>
<td>- Specialized community/issue knowledge</td>
</tr>
<tr>
<td></td>
<td>- Government reputation</td>
<td>- business reputation</td>
<td>- Community reputation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weaknesses</td>
<td>- Inflexibility in rule application</td>
<td>- Tendency to monopoly</td>
<td>- Restricted (interest) focus</td>
</tr>
<tr>
<td></td>
<td>- Slow pace of decision making</td>
<td>- Disregard for externalities</td>
<td>- Amateurism</td>
</tr>
<tr>
<td></td>
<td>- Complexity of jurisdictions/levels</td>
<td>- Integration of long term concerns</td>
<td>- Material scarcity</td>
</tr>
<tr>
<td></td>
<td>- Difficulty in internal coordination</td>
<td>- Inequality of outcomes</td>
<td>- Fragmentation (scale)</td>
</tr>
<tr>
<td></td>
<td>- Control desires</td>
<td>- Transactional parochialism</td>
<td>- Elitism</td>
</tr>
<tr>
<td>Capabilities</td>
<td>- Public policy development</td>
<td>- Production process management</td>
<td>- Issue development</td>
</tr>
<tr>
<td></td>
<td>- Enforcement skills</td>
<td>- Capital mobilization/management skills</td>
<td>- Community organizing skills</td>
</tr>
<tr>
<td></td>
<td>- Government agency networks</td>
<td>- Business networks</td>
<td>- Civil society networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengths</td>
<td>- Rule focused activity</td>
<td>- Efficiency-focused activity</td>
<td>- Human impact-focused activity</td>
</tr>
<tr>
<td></td>
<td>- Creation of level playing field</td>
<td>- Profit generation</td>
<td>- Trust generation</td>
</tr>
<tr>
<td></td>
<td>- Redistribution of benefits/select public priorities</td>
<td>- Delivery of goods and services to medium</td>
<td>- Support for the vulnerable and marginalized</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and upper income</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.4: Sector’s generic comparative primary resources, weaknesses, capabilities, and strengths

(Source: Adapted table from Waddell, 2004; 50-51)
Analytical Framework

Model variance, relationship attributes and contexts are three common aspects which constitute any interorganizational relationship between the nonprofits arts and businesses. ‘Model variance’ includes four distinctive patterns of interorganizational behavior of nonprofit arts and business that is guided by internal organizational needs and external environmental influences on each organization. ‘Relationship attributes’ are micro level indicators of each model, which show dynamics of the relationships within each organization. These indicators include the types of each model and governance aspects of relationships such as sectoral drivers and operational elements. As a whole, they will help further predict and explain each of the four relationship patterns. Therefore, they can be considered independent variables or predictor variables. ‘Contexts’ relate to the external environmental factors (pre-condition), and interorganizational factors (condition) including facilitators and constraints/risks that have influences on the relationship formation or disruption. Those are macro level measures of the ABRs model, which simply exist or do not. Hence, unlike sectoral drivers or operational elements, conditions cannot be controlled by a single business or a nonprofit art organization to achieve the desired outcome of relationship. Each of four different ABR patterns is determined by the combination of these two interrelated aspects. This combined approach is illustrated in Figure 2.4 the ABRs (Arts and Business Relationships) model.
As discussed in the process of integrating the IOR models, four distinctive patterns of ABRs provide a focus for interfacing with particular internal needs of each organization and external contexts. Those patterns are:

1. Traditional philanthropy: reflects the classic altruism motive with which charitable activities occur on ad hoc basis and are kept at arm’s length from business.
2. Transactional collaboration: tends to base their relationship off of short-term transactions between the nonprofit arts and business and shares more equal exchanges of resources.
3. Strategic alliance: involves deep mission mesh, strategy synchronization, and joint value creation between business and the nonprofit arts. The types and
levels of institutional resources used multiply, thus, the degree of organizational integration deepens, accordingly.

4. Venture philanthropy: combines the practices of long term investment and venture capital of business sector with the mission driven principles of the nonprofit sector. It is characterized by principles of entrepreneurial business and high engaging partner relationships between nonprofit arts and business.

For clarity’s sake, it is assumed that these four models serve as both ABRs continuum and ABRs portfolios. Within ABRs continuum, traditional philanthropy is one pole and venture philanthropy is the other. The ABRs are arranged along this continuum based on various attributes and may move either direction because of various processes and actions undertaken by each organization. As an ABR moves toward the venture philanthropy pole, the scope of activities gets broader, its strategic focus has more significance to each organization, thus creating higher value to each. The deeper interdependence level gets, the higher accountability of ABRs becomes.

**Relationship attributes** relate to the internal makeup of ABRs: types of collaborative relationships, sectoral drivers, and operational elements. A variety of collaborative relationship type is grouped into each relationship pattern on the basis of the major operating principle that directs the relationship formation, the scope and degree of organizational integration. The classification of types will be discussed in detail when analyzing each ABR pattern in Chapter 5. **Sectoral Drivers** refer to the underlying causes or contingencies that induce the formation of ABRs. It is significant that the analysis unit will be dyad for drivers element. Since the nonprofit arts and business have different
interest, goals, cultures, and operating styles, they bring different expectations to the relationship table. Hence, it can be said that drivers are interrelated to the sectoral attributes, or the combined environment of two organizations, which constitute the other aspect of ABRs model. The primary potential benefits which drive the nonprofit arts to build a relationship include: impact on mission, funding, increasing organizational legitimacy, acquiring other business resources such as operational support, volunteering and pro bono services. For businesses, the most frequently stated drivers are: public relation, target market relation, increasing power among business competitors, efficiency of using resources, sales increase, tax deduction, and supporting the nonprofit’s cause.

*Operational elements* are joint activities and processes that build and sustain the relationship, which encompass: formality, time frame, scope of activities, participation, communications, and the locus of control. ‘Formality’ is related to the type of contract which governs a relationship. A formal written agreement represents one end of the continuum and an informal unwritten agreement represents the other end. Formality, however, cannot be simply dichotomized because there are various degrees of formality measured by length, specificity or scope (Iyer, 47). ‘Time frame’ refers to the period for which the relationship will exist, ranging from short, medium, to long term. ‘Scope’ is related to the number and complexity of the value-added steps covered and the amount of business involved (Lambert and Knemeyer, 11). ‘Participation’ includes commitment, level and distance in the relationship between the nonprofit arts and business (Iyer, 48). Finally, ‘communication’ pertains to the formality, frequency, and level at which the information exchange occurs (Iyer, 48). The ‘locus of control’ can be located within each partnering organization, but it involves the proportion of power in the joint activities and

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processes. The proportion of power differs in each ABR patterns or types and is considered to be impacted by the overall controlling principle of relationship formation. As implied from analysis on tri-sectors, both the nonprofit arts and business have different primary interests and goals. Hence, when two parties are brought together in ABRs, the operating principles of relationship can gear toward either imposing public purposes of the arts or seeking business interests. It is implied that the variance of model is determined by a function of the operating principles and the locus of control. The intersection of these two-way classifications yields four patterns of the ABRs. A matrix (Figure 2.5) has been constructed to identify composite measures of operating principles and the locus of control.

![Figure 2.5: Model Variance of ABRs](image)

The two variables create four categories, as follows.
1. More control in NPAs, driven by business interest: transactional collaboration;
2. More control in business, driven by business interest: strategic alliance;
3. More control in business, driven by NPA’s mission: traditional philanthropy;

This approach enables ABR patterns to be categorized according to their emphasis on operating principles and the locus of control. For example, as the relationship progresses from traditional philanthropy into strategic relationships such as sponsorship, and licensing agreements, the locus of control is shared or becoming more balanced between the nonprofit arts and business. Although it cannot be said that NPAs have more powers than business in all types of transactional collaboration and venture philanthropy, it is fair to say that these two patterns grant NPAs relatively more power than traditional philanthropy and strategic alliance generally do. In traditional philanthropic stage, businesses have exercised definitely more power than in any other ABR pattern.

**Contexts** apply to the combined external environment of the nonprofit art organization and the business. While sectoral drivers are a set of predictive contingencies that cause ABRs to occur, it is the contexts in which relationships form or dissolve. As a whole, they refer to the environmental and interorganizational factors that increase the likelihood that different drivers will cause ABRs to occur. The *environmental factors* are concerned with universal contexts with the lapse of time in which a nonprofit arts organization and the business function. They include the overall political, economic, social, and cultural systems which may trigger the formation and/or dissolution of the ABRs. More specifically, they could be authorizing environments such as government officials, shareholders, members, media, and the general public. Also, they could exist in
the form of enforceable laws or mandates, external threats, or environmental uncertainty. Since they already exist prior to the formation of ABRs and affect the whole relation between contingencies and ABRs model, it can be called pre-condition.

The interorganizational factors impact a wide range of ABR types and enhance the integration of the two parties. If the environmental factors can be described as an outlier affecting the functioning of each organization, interorganizational factors constitute an inlier that can be found within the ABRs. Nevertheless, they are still external factors because those factors are shared environment and cannot be controlled solely by a single business or arts organization. They are categorized as either generalizable or relationship-specific. Generalizable conditions include: complementarity, compatibility, symmetry, mutuality, and domain consensus. ‘Complementarity’ results from the resource scarcity. When resources are scarce and organizations are unable to generate needed resources on their own, they will be more likely to establish ties with another organization to remedy that lacuna. The pooled advantages stem from each organization’s strengths compensating for the other’s weakness. ‘Compatibility’ relates to the mission, strategy, and values alignment between the nonprofit arts and business partner. This conditional factor is important due to the inherent differences in sectors and organizational culture. ‘Symmetry’ refers to the balanced state of the importance of each organization to the other’s success, relative size, industry category, and reputation. This concept pertains to ‘who’ forms a relationship with whom, the profile of each organization. ‘Mutuality’ concerns a willingness to develop joint goals, champion each other, share information, and take a long-term perspective. Finally, ‘domain consensus’ refers to the degree to which important
shareholders of both the nonprofit arts and business accept each organization’s rationales of partnering with the other. Relation-specific facilitators could be personal connections and chemistry at both the top and operational level.

Constraints/risks are sub-categorized under the interorganizational factors. It is noted that, most literatures of IORs theory tend to focus on facilitating factors that increase the success of relationships, but neglect the potential conditions that can harm the relationship growth and dissolve, in the end. For this reason, it was decided to include constraints/risk factors into the consideration. Those conditions are: asymmetry, reputation/image damage from incompatibility, institutional disapproval such as shareholder/employee resentment or withdrawal of support, reduced funding or reduced sales/market share, and polarizing mentality from sectoral differences. These risks/constraints are exactly the results of the absence of facilitating factors that were presented above.

ABRs are central questions of this study and the development of its model is grounded in important concepts which inform it throughout, both in terms of present issues in the field and historical changes in the context. In order to apply the analytical framework into the practice and develop an assessment tool, it is noteworthy to review a few assumptions underlying the proposed ABR model. First, nonprofit arts and businesses are assumed to make ‘conscious, intentional’ decisions to establish an IOR for specific reasons within the constraints of a variety of conditions that limit or influence their choices. Second, the internal make up of relationships and environmental factors will differ according to four ABRs patterns and their types. Third, the decision to initiate relations with each other is commonly based on multiple contingencies and will be
different for arts organizations and businesses due to the sectoral attributes. Thus, the analysis unit will be dyad for drivers element. Fourth, the ABRs model theorises that four IORs patterns exist as options for each organization. It is further assumed that variance of relationship models is a function of the controlling principle – nonprofit arts’ cause or business’s interest - and the locus of control – business or the nonprofit arts -, depending on the extent to which each organization emphasizes one or the other, or attempts to achieve a balance between these two predictive variables.

Central argument is that ABRs patterns have been evolving along the relationship continuum in the field, creating the options that the arts and business can choose from in order to achieve the outcome they aspire to attain. The next step will be to analyze the process and extent of the progression of ABRs by using the framework developed in this chapter. As its first step, Chapter 4 will review the broader environmental factors, the pre-conditions that have shaped the ABRs with the passing of the time. Data to be gathered include: facts of the trend in business support for the arts, changes in political, economic, and cultural systems in the States throughout time periods, how the nonprofit arts organizations and businesses adjust to and manipulate its environment to acquire resources for survival. This examination will allow for a macro understanding of the phenomenon of ABRs.
CHAPTER 3

METHODOLOGY

Having established the analytical framework from the end of previous chapter, it can now be applied to address the major question of this study: how the relationships between the nonprofit arts/cultural organizations and businesses developed over time? This big question cannot be answered shortly unless the following subsets of research questions are explored: 1) The way economic, political, technological, and sociological contexts shape the arts organizations and businesses’ response to these environmental change as they pursue organizational objectives; 2) How does the motivations, range of activities of relationships differ from one another?; and 3) What type of industry and what kind of nonprofit arts organizations are involved in relationships? This chapter outlines how the analytical framework developed in Chapter 2 will be applied in the subsequent chapters.

The topic of arts and business interorganizational relationships is a relatively contemporary phenomenon within its real-life context. Yin (2003) stated that a case study is most effective ‘about a contemporary phenomena over which the investigator has little or no control.’ By comparison, contextual conditions are typically controlled in experiment methodology while a history research methodology usually deals with ‘noncontemporary events.’ Yin goes on to say that surveys can try to deal with both phenomenon and context, but their ability to investigate the context is very limited as investigators constantly struggles to limit the number of questions that can be asked to
fall safely within the number of respondents that can be surveyed. Hence, none of experiment or history or survey research methodology suits this study. Due to the scope of its topic, this study is best suited for the case study research methodology because its primary purpose is to characterize and map a phenomenon – arts and business interorganizational relationships - in complex contexts that has not yet been explored or explained in grounded detail. In the following section, the type of case study that this study will employ as well as data collection methods will be examined.

3.1 Definitions of case study and its relevance to this study

Yin (2003) provides the technical definition of a case study in two ways. In terms of the scope of a case study, “A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident.” Other technical characteristics including data collection and data analysis strategies constitute the second part of the definition. “The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis” (p.14).

In contrast to Yin’s approach to a case study in light of the research ‘process,’ Stake (1995) has different lens for defining case studies. He considers case studies not to be a methodological choice but a choice of ‘object’ to be studied. In other words, he focuses on trying to pinpoint the unit of study – the ‘case.’ Further, he argued that the
object must be a functioning ‘specific,’ for example, a person or a program, but not a
generality such as an event, a policy or an inter-relationship. From his view, the purpose
of doing case study is learning about that particular case, not for reaching general
understandings guided by that case.

Finally, Merriam (2003) defined case study in terms of its ‘end product’ rather
than a strategy or methods employed for data collection or data analysis. Similar to
Stake’s approach, she viewed that the single most defining characteristic of case study
research lies in delimiting the ‘object’ of study, the case. According to her, the case is a
thing, a single phenomenon or entity, a unit around which there are intrinsic boundaries
so researchers know obviously what will be studied and what will not. Particularly, she
presented case studies as one type of qualitative research, because she figured, from this
research design, researchers have the advantage of gaining insight, discovery, and
interpretation in context rather than hypothesis testing. In sum, Merriam defined the
qualitative case study as an intensive, holistic description and analysis of a single entity,
phenomenon, or social unit.

While Yin’s approach is particularly useful in illustrating an extensive and cross-
sectional picture of a large sample of organizations, Stake and Merriam’s ‘case’-focused
approach is helpful in doing an in-depth ‘qualitative case study.’ With that said, these two
approaches complement each other. Merriam viewed the uniqueness of a case study lies
in uncovering the depth and detail of data by drawing more attention to a ‘single’ entity
or instance than the process of conducting a case study. In this regard, her approach fits
the rationale of conducting a big single case study.
Although no single definition from above is sufficient, the definition of case study that will guide this study is most closely aligned with Yin’s based on the following accounts. First, this research is an inquiry that investigates a contemporary phenomenon within its real life context which specifically asks ‘how’ and ‘why’ questions. Second, the topic of case studies in this research consists of three phases. As stated earlier, in order to examine the changes in arts-businesses interorganizational relationships, understanding the contextual environments within which these organizations function is the first step. Insights from the analysis of historical and archival data showing the pre-conditions of the ABRs will benefit identifying the trend changes presented by their four distinct patterns in the second phase. Finally, a few case studies illustrating the nature of each ABRs model will guide data collection and analysis to address the final question of the study – partner profile and characteristics. This process corresponds with Yin’s definition of case study focusing on data collection and data analysis strategies.

Clearly, there will be many more variables of interest than data points in the ABRs study, as the model variance (dependent variables) consists of pre-conditions (antecedent variables), relationship attributes (independent variables), interorganizational factors (moderating variables). Moreover, a result benefits from the prior development of theoretical propositions as they guide analysis strategies and kinds of data to gather. Finally, any of research questions in three phases cannot be easily defined in terms of the beginning or end points of the ‘case.’ In its broadest sense, a ‘case’ of this study is ‘arts and businesses interorganizational relationships.’ However, it is hard to figure out the ‘boundary’ of a case to be studied concerning this topic. More likely, it could be the study covering both the phenomena of interest and its varying contexts. This yields multiple
sets of relevant variables ranging from changing motivations, facilitating or hindering conditional factors, activities/processes that make the inter-organizational relationships happen, and the makeup of each partner organization rather than about a single entity or a program. Thus, as a whole, my research questions fit Yin’s definition of a case study far better than Stake’s or Merriam’s.

3.2 Designs for case study
Yin (2003) identifies four types of case study designs: holistic single-case designs, embedded single case designs, holistic multiple case designs, and embedded multiple case designs. Yin provides the five different rationales for conducting a single case study. The following situations are considered relevant for using a single case design: 1) when it represents the critical case in testing a well-formulated theory; 2) when the case represents an extreme case or a unique case; 3) the representative or typical case; 4) the revelatory case; and 5) the longitudinal case.

Some studies may contain more than one case. These studies would be called multiple-case study designs. Often times, multiple-case study designs are considered more compelling, therefore, robust – even presenting the possibility of generalizability – than the single case study. At the same time, the critical, unique or revelatory cases, which are the rationale for single case study designs, cannot be satisfied by multiple case study designs. Additionally, it has a disadvantage of taking considerably more time and extensive resources than a single-case design. Nevertheless, Yin noted the growing frequency of using comparative (or multiple-case) studies. He described the replication logic underlying the use of multiple case studies as follows. When each case chosen is
predicted to be similar results, it is called a ‘literal replication.’ On the other hand, each case chosen is expected to produce contrasting results but for predictable reasons, it is called a ‘theoretical replication.’

Yin further distinguished a holistic case design with an embedded case study design. The difference between them lies in the ‘number’ of the unit of analysis in any type of case studies. If the case study examined only the single unit of analysis, that is, the global nature of an organization or of a program, it would be called a ‘holistic case study design.’ In contrast, if the case study included the multiple units of analysis, it would be called an ‘embedded case study design.’ These subunits can allow for more extensive focused analysis on specific areas within the study.

Yin described six sources from which evidence can be collected for any of the four types of case studies: documents, archival records, interview, direct observations, participant-observation, and physical artifacts. Each source has strengths and weakness and these will be discussed when deciding the type of data source in the next section.

3.3 Methodology Summation

3.3.1 Type of the case study

Considering Yin’s definitions of case study as well as approaches to design for case studies, this study is a multiple-case study with embedded design (See Table 3.1).
<table>
<thead>
<tr>
<th>Embedded case study</th>
<th>Units being analyzed</th>
<th>Pre-conditions (external environmental factors)</th>
<th>Relationship Attributes of each ABR pattern</th>
<th>Partner organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subunits of analysis</td>
<td>Political; economic; cultural; and social context</td>
<td>Relationship types; Sectoral drivers; Operational elements</td>
<td>Symmetry a) Business partners (size/industry category) b) arts partners (size/disciplines); Compatibility (Complementarity/supplementarity)</td>
<td></td>
</tr>
<tr>
<td>Data collection methods</td>
<td>Documentation (formal studies, on-line data from relevant websites); Archival records (survey data)</td>
<td>Documentation (agendas, formal studies and field studies, newspaper clippings, online data)</td>
<td>Documentation (field studies by the BCA/on-line data sources); Archival records (organizational records at NCCS, NVCA, Hoovers)</td>
<td></td>
</tr>
<tr>
<td>Replication logic</td>
<td>n/a</td>
<td>Literal replication (within each pattern); Theoretical replication (across patterns)</td>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>

(n/a = not applicable)

Table 3.1: Methodology Summation
For rationales of using multiple-case designs, this study rests on both a literal replication and a theoretical replication logic that Yin provided. The theoretical framework developed in Chapter 2 becomes the vehicle for selecting cases so that they either 1) predict similar results (a literal replication) or 2) produce contrasting results but for predictable reasons (a theoretical replication). Given the broad spectrum of the types of the ABRs over time, I seek at least four sets of case, exhibiting the patterns that were identified in Chapter 2. The four sets of case are: 1) traditional philanthropy, 2) transactional collaboration, 3) strategic alliance, and 4) venture philanthropy. Each of these four sets of cases was predicted to exhibit discrete arts-businesses relationship characteristics, so that illustrates theoretical replication across the four groups of case studies. Within each of the four groups of case studies, a minimum of two or three cases was selected to show commonalities of each set of four groups, illustrating the principle of literal replication. In these replication procedures, Yin gave researchers an important note to state the conditions under which a particular phenomenon is likely to be found as well as the conditions when it is not likely to be found. In this study, these conditions were identified as sectoral drivers, operational elements and they were labeled as ‘indicators’ or ‘independent variables,’ comprising subunits of analysis.

Furthermore, these multiple case studies have an embedded design as there are clear subunits available for analysis. In sum, there are at least three sets of subunits. The case study is first divided into four developmental periods. The periods are defined as:

1) Legalization period: 1870s - early 1950s;
2) Foundation period: Mid-1950s – 1960s;
3) Growth, Expansion, and Professionalization: 1970s- Mid-1980s; and
4) Diversification, Globalization, and Entrepreneurialism: Late 1980s – Present.

The first set of subunit is pre-conditions, which are necessary to understand the contextual environment where the nonprofit arts organizations and businesses operate. For example, as the concepts of cultural policy evolve from a preliminary stage to the entrepreneurial era, how do they affect the ABRs?

The relationship attributes of the four ABRs model comprise the second set of subunit. The subunits structured within each of the four ABRs models are: 1) relationship types, 2) sectoral drivers, and 3) operational elements. Finally, the last set of subunit was also guided by the prior development of the analytical framework in Chapter 2. They were labeled as ‘moderating variables,’ affecting the direction and/or strength of the relation between dependent variables (the ABRs model variance) and independent variables (relationship attributes). In this study of the ABRs, moderating variables can be interorganizational factors. For instance, what kind of conditions will strengthen the probability of success of the ABRs? Their absence or the opposite conditions will decrease the chance of success? These questions turn research focus from the nature of relationships to relationship partners’ characteristics, shedding light on the identities of two different types of organizations. The subunits of analysis could vary from complementarity, compatibility, symmetry, and mutuality to domain consensus as identified in the Arts and Business Relationship Model in Chapter 2. However, this study limited its analysis to symmetry and complementarity considering that absolutely no prior formal studies or empirical results to link the causes and conditions of relationship formation across a range of ABRs.
3.3.2 Data collection methods

Yin advises researchers to use multiple sources of evidence, that is, “evidence from two or more sources, but converging on the same set of facts or findings” (Yin 2003, 78). With this triangulation, he argued that the potential problems of constructing validity can be addressed on the account that the multiple sources of evidence essentially provide multiple measures of the same phenomenon. This study triangulates the data through documentation and archival records. When using documentation, Yin suggests using a variety of documents including letters, memoranda, agendas, meeting minutes, administrative documents, formal studies or evaluations of the same ‘site’ under study, newspaper clippings and other articles appearing in the mass media (81). In addition to these types of documents, Merriam (1998) adds on-line data sources as a key source of documents. On-line data sources may include e-mails, listservs, websites, and chat rooms.

Examples of the documents that this study will utilize are:

1) Agendas and minutes of cultural policy community including federal arts agency, local arts councils, think tank groups/forums such as American Assembly and Independent Sector;

2) Formal studies or evaluations including Arts Funding conducted by Grantmakers in the arts, and Corporate Contributions by the Conference Board; field studies published by the Business Committee for the Arts, the National Endowment for the Arts, and the Americans for the Arts;

3) Newspaper clippings from the New York Times, or other articles appearing in the mass media; and

4) On-line data from relevant websites including corporate arts organizations.
Yin separates archival records from documents as a type of evidence that can be used in conjunction with other sources of information in producing a case study. He sees archival records can be sometimes highly quantitative, listing their types as: service records, organizational records, maps/charts, lists, survey data about a ‘site,’ and personal records.

The type of archival data and its source from which the data will be gathered in this study are:

1) Organizational records including annual sales of businesses from the Hoovers and the annual budget of nonprofit arts organizations from the National Center for Charitable Statistics and Guidestar;
2) Survey data pertaining to business support for the arts by the BCA; and
3) Charts including venture capital investment for the entertainment industries from the National Venture Capital Association, and businesses’ giving for the arts and cultural sector from Giving USA.

The specific information that was collected and referenced from the aforementioned documents and archival data records was guided by the analytical framework, the Arts and Business Relationships Model, developed in Chapter 2.

3.4 Limitations of the study

With regards to the limitations of case study methodology, Yin contends that often the boundaries between a phenomenon and its context are not clear. Moreover, the conduct of a multiple-case study requires extensive resources and time beyond the means of a single student or independent research investigator. Thus, a multiple-case study is time
consuming and can result in large documents rendering them unreadable. In order to address such concerns, this study emphasizes the data that specifically pertains to the analytical framework developed in Chapter 2, that is, external contexts, relationship attributes, and interorganizational factors of the four distinct patterns of the ABRs. Additionally, case studies are noted for providing little basis for generalizability. In order to minimize this weakness, the study first employs a multiple-case design for both literal and theoretical replication and then triangulates the data through documentation and archival records. Nevertheless, inferences made from archival data in regard to the partnering organizations’ characteristics in Chapter 9 should be treated only as clues worthy of further investigation rather than as definitive findings because case study data are not assumed to ‘represent’ the entire universe unlike the samples in a survey methodology. Finally, the primary pitfall of an embedded case study design is failing to return to the larger unit of analysis. Thus, this study concludes by returning to the broader unit of analysis, the arts and businesses relationships model as a total system, in the final chapter.
The purpose of this chapter is first, to assemble data to present a composite picture of business giving patterns to the nonprofit arts and cultural organizations. To examine its trends over times, it was necessary to look through data from various sources. Works in this area include annual Research report on Corporate Contributions by the Conference Board, triennial BCA (the Business Committee of the Arts) report on National Survey of Business Support to the Arts, and annual Giving U.S.A.: The Annual report on Philanthropy by AAFRC (American Association of Fund Raising Counsel). Cobb (1996) once noted that, the findings in these diverse publications have not been brought together in a single study, partly because each source compiled data from somewhat different universes. For instance, the two principal sources on corporate giving to the arts – the Conference Board and the BCA – use different means of acquiring their data. The Conference Board sends its survey to Fortune 500 companies and corporate foundations, which are large-cap and tend to be its members. Hence, its totals are partly an artifact of the number of members who respond, a number that can vary from year to year. The BCA surveys a different group of corporations- most of which are too small to be members of the Conference Board – and projects the results of its survey onto the entire universe of companies. Moreover, even the kinds of data output from single data source vary from year to year sometimes. In Giving USA estimates, corporate giving
information is not available for the arts and cultural field individually. But they provide data of the total corporate charities across all fields based on corporate itemized deductions for contributions from IRS, and data from the Foundation Center. Given that, for interpretation purpose, re-processing scattered data results into a new form of descriptive data from researcher’s part was appropriate.

The next purpose of this chapter is to place the ABRs in a broader context. To understand how ABRs have changed, what they will eventually become, one must view it within the context of external forces and events that have influenced its growth. The external environments such as political, economic, social, and cultural systems are first subunit of analysis of a case study, as they have come to form the condition to which both arts and businesses adjust in order to acquire resources for survival.

4.1 Trends in corporate giving to all fields of the nonprofits

Overview: 2007

According to Giving USA 2008, corporate giving is estimated to be $15.7 billion, which accounts for 5.1 percent of $306 billion, an estimated total private sector giving for 2007. The portions of corporate giving in total private giving is a distant third, following the giving by individual donor (74.8 percent) and foundation giving (12.6 percent). It is important to note that, among contributors of private sector, corporate giving declined slowly after 1985, going from 6.6 percent of total giving to 5.1 percent in 2007. The reason for this gradual decrease can be attributed to the recent trend since mid 80s that businesses prefer doing sponsorship than straight charities. From figures of corporate giving by Giving USA, the value of other forms of corporate support, including
expenditures from a marketing budget for activities such as advertising or sponsorship, memberships, cause related marketing that benefit a charity, time volunteered by company employees, or services provided at a discount were excluded. IEG, a consulting firm, does monitor sponsorships of all types, including for-profit and nonprofit. For 2007, IEG reports that total corporate sponsorships reached $14.8 billion total, close to the total amount of corporate philanthropic contributions. Therefore, it could be misleading to simply make assumption that the overall corporate support to charities is declining without placing it in a bigger context.

*Aggregate trends*

In 1960s, U.S. corporate giving to all causes was marked as gradual increase with the highest increase of 15.5 percent in 1965, giving 4.3 billion. It continued to increase slightly every year until the drastic decrease in 1970 by 16.6 percent. From 1976 to 1987, though, it rebounded back to dramatic increase, peaking in 1986 and 1987 with 9.3 billion giving. Since then, it declined steadily through early nineties until 1993. Whereas corporate giving as a ‘percentage’ of corporate pretax income decreased from 2 percent in 1986 to 1 percent in 1996, the total giving amount consistently increased from 1994 through 2001, recording its highest point of 14.2 billion in 2005 (Table 4.1, adapted data from Giving USA). Historically, this amount is the highest, but looks to be the consequence of the strong growth rate in corporate pretax profits exceeding 20 percent (after inflation-adjustment) during 2004 and 2005. Viewed in the context of corporate giving as a percentage of corporate pretax profits, though, total corporate giving in 2005 dropped to less than 1 percent for the first time since 1981.
Table 4.1 Corporate Giving to all nonprofit fields, as a percentage of pretax profits and GDP, 1963-2006 (In billions of inflation-adjusted dollars)  
(n.a.= figures not available)  

(Source: adapted data from Giving U.S.A., 1964 to 2007)
4.2 Trends in corporate support for the arts

The 70s and 80s marked the tremendous growth in corporate arts contribution

The rate of corporate giving to the arts was at most 3 to 4 percent of corporate giving or 16 to 21 million in 1963 survey by the Rockfeller Brothers Fund. The seventies and eighties were decades of the great growth for support of the arts by the business community. By 1977, corporate contributions to the arts had increased fivefold to $100 million with 6.5 percent of total corporate giving. From the Corporate Contributions data by the Conference Board in 1986, it had reached nearly 12 percent of the total corporate giving (See Table 4.2). The fivefold increase in corporate giving in the eighties was primarily the result of the economic boom that increased the rate of corporate giving from 1 percent to 2 percent of pretax net income as well as the percentage of the total that went to the arts.

The first half of 2000s has been challenging due to slagging economy

Similar to the aggregate trends in overall corporate giving, the amount of corporate giving to the arts remained on a high level from 1986 to 1992 with the average 11.5 percent of total corporate giving. It kept modestly high level until the late 1990s, due to the strong economy but started to slip since 2001 because of the stock market tumble. From 2001 to 2006, although the amount of giving to the arts went up slowly from 310 million to 396 million, the percentage of art giving dropped from 8 to 5 percent. In terms of straight corporate charity, arts sector does not seem to be a big beneficiary from corporate community during the first half decade of 2000s, unlike the explosive growth during seventies and eighties. According to the most recent survey by the Conference
Board, arts and culture received about 392 million, about 5 percent of total corporate contributions in 2006. Health and human services received the largest share (56%), followed by education (15%), and civic and community organizations (11%). More specifically, the decrease of arts giving from 2002 to 2003 was greatly affected by 911 terror in 2001, which turned the priority of giving even more to human services in the name of ‘disaster relief fund.’

<table>
<thead>
<tr>
<th>Year</th>
<th>Arts grants</th>
<th>% change</th>
<th>of total cor. grants</th>
<th>Total corporate grants</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>198,754</td>
<td>n.a.</td>
<td>11.9</td>
<td>1,673,985</td>
<td>n.a.</td>
</tr>
<tr>
<td>1987</td>
<td>178,605</td>
<td>(10.14)</td>
<td>10.8</td>
<td>1,658,382</td>
<td>(0.93)</td>
</tr>
<tr>
<td>1988</td>
<td>183,592</td>
<td>2.79</td>
<td>11.2</td>
<td>1,645,689</td>
<td>(0.77)</td>
</tr>
<tr>
<td>1989</td>
<td>201,213</td>
<td>9.60</td>
<td>11.1</td>
<td>1,822,077</td>
<td>10.72</td>
</tr>
<tr>
<td>1990</td>
<td>243,605</td>
<td>21.07</td>
<td>11.9</td>
<td>2,051,469</td>
<td>12.59</td>
</tr>
<tr>
<td>1991</td>
<td>265,421</td>
<td>8.96</td>
<td>11.8</td>
<td>2,245,527</td>
<td>9.46</td>
</tr>
<tr>
<td>1992</td>
<td>243,647</td>
<td>(8.20)</td>
<td>11.8</td>
<td>2,061,410</td>
<td>(8.20)</td>
</tr>
<tr>
<td>1993</td>
<td>214,267</td>
<td>(12.06)</td>
<td>9.5</td>
<td>1,975,417</td>
<td>(4.17)</td>
</tr>
<tr>
<td>1994</td>
<td>189,313</td>
<td>(11.65)</td>
<td>9.3</td>
<td>1,953,150</td>
<td>(1.13)</td>
</tr>
<tr>
<td>1995</td>
<td>188,956</td>
<td>(0.19)</td>
<td>8.9</td>
<td>2,033,531</td>
<td>4.12</td>
</tr>
<tr>
<td>1996</td>
<td>218,161</td>
<td>15.46</td>
<td>8.9</td>
<td>2,445,501</td>
<td>20.26</td>
</tr>
<tr>
<td>1997</td>
<td>245,492</td>
<td>12.53</td>
<td>9.8</td>
<td>2,510,426</td>
<td>2.65</td>
</tr>
<tr>
<td>1998</td>
<td>237,310</td>
<td>(3.33)</td>
<td>10.3</td>
<td>2,216,947</td>
<td>(11.69)</td>
</tr>
<tr>
<td>1999</td>
<td>302,825</td>
<td>27.61</td>
<td>8.4</td>
<td>3,612,640</td>
<td>62.96</td>
</tr>
<tr>
<td>2000</td>
<td>346,527</td>
<td>14.43</td>
<td>8.9</td>
<td>3,913,240</td>
<td>8.32</td>
</tr>
<tr>
<td>2001</td>
<td>310,415</td>
<td>(10.42)</td>
<td>8.0</td>
<td>3,871,394</td>
<td>(1.07)</td>
</tr>
<tr>
<td>2002</td>
<td>372,394</td>
<td>19.97</td>
<td>8.3</td>
<td>4,473,362</td>
<td>15.55</td>
</tr>
<tr>
<td>2003</td>
<td>313,465</td>
<td>(15.82)</td>
<td>5.5</td>
<td>5,726,989</td>
<td>28.02</td>
</tr>
<tr>
<td>2004</td>
<td>298,647</td>
<td>(4.73)</td>
<td>4.7</td>
<td>6,392,008</td>
<td>11.61</td>
</tr>
<tr>
<td>2005</td>
<td>352,841</td>
<td>18.15</td>
<td>4.5</td>
<td>7,782,704</td>
<td>21.76</td>
</tr>
<tr>
<td>2006</td>
<td>391,911</td>
<td>11.07</td>
<td>4.9</td>
<td>7,911,731</td>
<td>1.66</td>
</tr>
</tbody>
</table>

(n.a.=figures not available)

Table 4.2: Change in corporate arts contributions vs. total corporate contributions, 1986 to 2006 (In thousands of current dollars)
(Source: adapted from Corporate contributions 1987-2007, the Conference Board)
Corporate arts sponsorship grows faster than corporate arts contribution since the late 1980s.

Another factor that contributed to the decrease of corporate arts funding in terms of the percentage of the total is related to the new trend since the late 80s. Sponsorship has been increasing as a form of corporate support for the arts. Between 2000 and 2006, at least, the track record suggests that outright gifts from corporations and corporate foundations are holding steady at 5 to 8% level of total corporate giving. Meanwhile, data from IEG, a consulting group that monitors sponsorships, shows a dramatic increase in sponsorship support for the arts events. In 2006, arts received 820 million sponsorship dollars, and this amount is 34.4 percent increase from 2004. IEG reports that the figure reflects sponsorship amount of both nonprofit and for-profit, so this makes it hard to directly compare figures of corporate arts sponsorship and corporate arts giving. Nevertheless, given that IEG classify entertainment category as a separate sponsorship recipient, it is more likely that sponsorship of for profit arts businesses can be attributed to entertainment category. With that said, both in monetary terms and in the percentage change, arts sponsorship grows way faster than arts giving.

Small to midsize companies’ cut back on arts support caused the decline of arts support in 2006.

On the other hand, the Business Committee for the Arts (BCA) released the triennial national survey result that business support to the arts totaled $3.16 billion in 2006. The survey revealed a 5% decline in support in comparison to the $3.32 billion business allocated to the arts in 2003. This slight decline of support amount contradicts the
Conference Board’s annual survey data for 2006, where giving to the arts has shown an all time high in monetary terms with 25% increase from 2003. However, the BCA also reported that the median contribution of large companies - $50 million and more in annual revenue - increased from $15,800 in 2003 to $25,000 in 2006. Also, the percentage of large companies’ contribution to the arts in 2006 (57%) was nearly unchanged compared to 2003 (58%). Therefore, despite the vast difference in survey results between the BCA and the Conference Board, it can be said that the result corresponds in both reports at least for the contributions made by large companies. This assumption can be also supported by the fact that the percentage of small companies with revenues of under $1 million contribution to the arts declined from 34% in 2003 to 29% in 2006, and are responsible for about half of all arts giving (52%), in the BCA’s report. Similarly, the percentage of midsize companies with $1 million to $49.9 million in annual revenue contribution to the arts went from 46% in 2003 to 42% in 2006. Thus, the overall decline in business arts support in 2006 shown in the BCA’s survey can be attributed to the cut back on arts contributions from small to midsize companies.

As briefly mentioned in this section, the changes reflected in the figures of corporate arts funding over the years cannot be interpreted without analysis of various contextual factors affecting the operations of arts and business community. This will be further investigated in the following sub-chapters.
4.3 Legalization period: 1870s - early 1950s

4.3.1. Internal Revenue’s Act in 1935

The whole history of corporate philanthropy reveals that not only how private businesses grew more conscious of direct support but had acquired an aesthetic tradition in their efforts to construct architecturally pleasing headquarters and interior design spaces. Before the federal government’s passage of the Internal Revenue Act of 1935, which was a landmark event that allowed companies to deduct up to 5 percent of their pretax earnings for charitable contributions, the paramount motives of corporate support for the arts were either aesthetic purpose or individual and arbitrary motives of corporate founders.

Corporate contributions slowly emerged in the mid 1880s as individual wealth was transferred to corporations. At that time, railroad companies began direct support to nonprofit organizations, but mostly, they were charities such as YMCA and American national Red Cross, not arts organizations. The motives for support of railroad companies were usually utilitarian purposes, for example, they supported the operating cost for the YMCA building where railroad workers who were not able to go home each evening can utilize its accommodations. The support to the American Red Cross, which was considered the first professional fundraiser campaign in the U.S., was brought about since the America entered into the First World War in 1917 as one of various wartime drives.

The principal motivation for nascent corporate art collecting before the First World War in the U.S. was closely related to corporate owners’ desires to demonstrate their potency acquired after the Industrial Revolution in the mid nineteenth century. The parvenu of the rail, oil and steel cartels developed an appetite for ‘art’ and ‘culture’ on a
scale that was meant to emulate the monarchies of Europe where dynastic largess of princes, the popes, and the priests patronized masterworks of the world. These American entrepreneurs embraced art collecting and sometimes fledgling art patronage as one of the many validators of their newly found nobility (Jacobson, 1993).

Jacobson (1993) observed some converts from ostentatious desire of the new plutocracy to more practical reason for arts support as many American businesses federated into organizational entities at the end of the nineteenth century. During the early westward expansion, the Great Depression, the Second World War, most companies hired artists only to design advertising for their packages and their artworks were reproduced in calendars, posters, company bulletins and reports and in newspaper advertisements. The original works were usually exhibited as a group in art museums rather than on corporate premises. Clearly, corporate use of arts served aesthetic and less conscious objectives during these periods. For example, in 1896, the Atchinson, Topeka and Santa Fe Railway commissioned artworks depicting the land and peoples of the American West to replace the violence-ridden and dangerous frontier image of the West. Martorella (1990) acknowledged that, prior to 1940, few corporations had collections. By the late nineteenth century, corporations were sophisticated enough to realize that fine images could be made and marketed for their purposes. Applying art and design to modern marketing also helped legitimize corporate philanthropy to the arts.

Harris (1995) observed that private initiative in creating today’s prestigious arts institutions as the most dramatic developments of the 1870s and 1880s, after the Civil War. For example, the collections and professional activities of the Metropolitan Museum of Art, the Boston Museum of Fine Arts, the Art Institute of Chicago, and the
Boston Symphony Orchestra were launched and shaped by close association with financial and social elites such as Carnegie, Frick, Morgan, Rockefeller, Guggenheim, and Mellon. Those private initiatives were considered as signs of change in the pattern of funding American cultural institutions. Harris stressed that, right through the 1920s, venues for culture remained largely private. According to him, Carnegie Hall, the Auditorium in Chicago, the Metropolitan Opera House, Madison Square Garden, were as privately owned as a vaudeville theater, department store, or traction company, even if their stockholders and directors sought no profits and claimed civic motives as the basis for their investment (Harris, 7).

Kirchberg (2004) described the years following the First World War as formative years for an emerging institutionalized American corporate culture of generosity. He went on to say that, prior this time, powerful elite patrons decided on personal grounds whether they would support charitable causes, but beginning after the First World War, these individual rationales for arts supports became under scrutiny in publicly traded companies that were accountable to varied stockholders. As a result, a formalized bureaucratic system of corporate arts support was established after the First World War.

However, in the case study of Du Pont company, Kirchberg traced corporate founder’s pre-institutional method of arts support by analyzing the correspondence of Pierre Samuel Du Pont concerning his philanthropic activities. Still, even during the New Deal of the 1930s, corporate presidents or chairmen of the board held considerable authority to make autonomous decisions about arts patronage based on their personal objectives. Interestingly, the case of Du Pont’s arts supports showed the mixture of
rational, bureaucratic components and sentiment-driven, personal motives of owners or chief executives.

For instance, Du Pont pursued some strategic, non-personal goals by supporting geographically limited arts organizations in his hometown, Delaware, Pennsylvania, to make his company appear as a ‘good citizen’ to communities. Moreover, at times, his support went only to the less fortunate arts organizations and poor artists. Underlying this motive was a paternalistic attribute that exerting social responsibility is exerting power. However, most of other times, his decision to arts support stemmed from personal and arbitrary objectives. He believed that he could help raise the community spirit by supporting the establishment of art museums and local concert band during the First World War and the Depression. Similarly, his dislike of certain arts disciplines such as classic opera and orchestra was a personal barrier to offering support. Even further, he shunned ostentatious corporate publicity. From this observation, it can be implied that the reason for ‘anonymous’ giving was first, the fear for stockholders’ objections to philanthropic activities resulting from president’s own decision, and second, it was illegal to make contributions unless they directly benefited the company.

Besides Du Pont, corporate founders such as Henry Ford of the Ford Motor Company, Alexander Graham Bell of the Belle telephone company, which later became AT & T, and John Pierpont Morgan of JP Morgan Chase were active arts patrons in earlier days of corporate philanthropies. Their beliefs on ‘giving back’ to societies formed the foundation of many companies’ mission and vision statement today. Overall, in the 1920s and 1930s, “Earlier form of corporate arts support, primarily by large manufacturing companies did not maintain formal policies on corporate contributions”
Instead, corporate founders’ beliefs to culture as well as their decision on who would and who would not be supported were key factors of the initial period of corporate arts philanthropy. Besides their substantial human interests, it is fair to say that, peer group pressures from fellow businessmen or opinions of family members and friends certainly played a role in keeping the amount of support to match with other companies’ level of support. Motives of modern corporate philanthropies, which are to say, product advertisement and corporate image promotion were almost unknown at those times.

In enhancing earlier corporate arts supporters’ belief in ‘corporate responsibility,’ some political factors played a role. Prior to the twentieth century, American law and public opinion were in agreement with the established English attitude that charity had no place on the corporate board of directors. Business was considered a system of ‘free enterprise,’ and its own was an entrepreneur whose profits reflected God’s providence. In the early twentieth century, as business became bigger, and more monopolistic and abusive of works and consumers, government regulation sought to install a sense of responsibility. By the 1930s antitrust laws began to be enforced, and antibusiness sentiment grew. This phenomenon not only contributed to the development of public relations of corporations, it also encouraged the rise of a corporate ideology of ‘voluntary responsibility’ (Martorella, 25).

A contrast to the tendency of corporate owner’s private art collection and a sign of a shift toward the era of ‘conscious’ corporate involvement in the visual arts were attributed to IBM and the Chase Manhattan Bank’s efforts. In 1939, IBM began to purchase contemporary American art and to sponsor art exhibitions. Jacobson commented the transformation of the accepted mode of art collecting established by
nineteenth century moguls into major company policy as the invention of Thomas J. Watson, Sr., IBM’s founder. When the Federal Works Projects Administration (WPA), initiated during the presidency of Franklin D. Roosevelt, was dismantled in 1943, Watson had been one of Roosevelt’s most active arts propaganda emissaries at home and abroad. Partially as a result of its ties to the government, IBM was considered the first American corporation to practice ‘enlightened self-interest.’ IBM set up IBM Gallery of Science and Art and notably, the budget for the gallery’s program and promotion fell within Corporate Communications, under the Director of Cultural Programs. In 1959, for another example, Chase Manhattan Bank set up unprecedented art committee including top New York curators and designers to assist David Rockefeller to buy contemporary American art. The entrance of intermediaries both from outside and inside businesses such as curators, art committee members and business manager specializing in corporate cultural affairs have a significance telling the beginning of institutionalization of corporate involvement in the arts and culture.

*Business and the Arts* (1984) published by the National Endowment for the Arts viewed 1926 when Chevron made a contribution to the San Francisco Symphony as the earliest corporate contributions to an arts organization. Nevertheless, most documents regarded federal government’s enactment in 1935 to validate corporate contributions as the real beginning of the timeline tracking landmarks in corporate arts support.

The Conference Board illustrated the two enactments that have shaped corporate contributions as an accepted business practice of the 20th century American corporation. First, the process of legitimizing corporate contributions began with the federal government’s passage of the Internal Revenue Act of 1935, which allowed companies to
deduct up to 5 percent of their pretax earnings for charitable donations. However, this federal law did not decide the issue of the legality of corporate contributions since corporations are organized under state, not federal law (1999,13).

Second, corporations did not have legal rights to make contributions until the New Jersey Supreme Court set a precedent in 1953 that it was legal for a company to make a gift for purposes ‘not directly’ related to its business. Before this decision, any noncharitable donation of corporate property was challenged by shareholders on the account that it was tantamount to giving away stockholder assets without consent. Further, it was considered beyond the powers of the corporation. This view was based on a strict interpretation of ‘charter’ powers, which was granted to corporations. Therefore, corporations contributed to charitable and welfare organizations for the benefit of their employees. Following the precedent by New Jersey Supreme Court, other state courts ruled that corporations were free to give to charities whether or not they were related to the business of the company. These rulings opened the door for corporate support of local and national charities, and corporate funding in support of the arts and education increased dramatically (14).

4.4 Foundation period: Mid-1950s – 1960s

4.4.1 Foundation of the NEA and invention of matching gift

After the New Jersey Supreme Court allowed corporations to make charitable contributions to a broader range of nonprofit organizations in 1953, business involvement with the arts began to increase dramatically during the sixties.
The National Endowment for the Arts (NEA), a national agency to encourage artistic activities throughout the country, was established in 1965. The foundation of the NEA signaled the raised political awareness of the importance of the arts support. This also paralleled increased American arts participation. Population growth, increased leisure time, urbanization, arts emphasis in elementary and secondary education, more college graduates, and more amateur involvement in the arts – all combined at the end of the sixties to create a potential for arts expansion that was to be realized in the next decade.

The significance of this agency far exceeded the initial value of their direct arts support through appropriations, which are a Congressional mandate, for its legitimacy opened the way for local, state, individual, and corporate support for the arts. One of the intents of the NEA legislation was to channel arts funds through the state governments, specifically through state arts concil. At the urging of the NEA, all of the states had established arts councils by the end of 1967 (NEA Annual Report, 1967, 21). The New York State Council of the Arts, established by Nelson Rockefeller in 1960, dispensed more financial support to New York State arts organizations than the National Endowment dispensed to the entire nation (Langley, 1980, 296). Arts agencies were also created on the local level as early as the 1940s; they are known under various names – arts councils, mayor’s office of cultural affairs, arts committees, arts commission or art assembly, and cultural alliances. In the process of setting up these agencies, arts advocates became more adept at supporting their cause in the political arena (Copp, 1988, 34).
A year or so after the NEA was established, two landmark reports about the state of the arts in America were published. The first was *The Performing Arts: problems and Prospects*, produced by a special Rockefeller Panel. The other was *Performing Arts – The Economic Dilemma* by Baumol and Bowen, published by The Twentieth Century Fund. The reports suggested that, as activities and operating costs increased, individuals and foundations might not be in a position to increase funding. They advised arts organizations to seek new support from government agencies and business, rather than increase admission and ticket prices and risk a decrease in attendance. Matching grant program was first administered by the NEA in 1965. Under the matching gift plan, the corporation matches, usually one to one, gifts by others to arts organizations. The other source could be anything from a government or foundation to an employee. By implementing these matching grants, the NEA aimed to persuade contributors who would otherwise not give. Specifically, endowment support can offer a financial leverage of up to three to four times the amount of a federal grant award and matching grant can act as a spur to corporate support.

4.4.2 United Arts Fund (UAF): A Community system of support for the arts

United arts funds (UAF) are nonprofit organizations that manage combined or federated appeal for arts funding conducted annually to raise money on behalf of separate organizations in the community. The united arts fund movement began in 1949 when civic leaders in Cincinnati and Louisville determined that community-wide campaigns, loosely based on the United Way model, could raise substantially more money to provide ongoing operating support to their major arts institutions. However, unlike United Way,
no two UAFs are exactly alike. They are adapted to address the particular needs and resources of the community they serve (Monograph: United Arts Fund 2003). Nevertheless, each UAF share the common goals of 1) broadening the base of support for the arts, 2) promoting excellence in the arts, and 3) ensuring that arts organizations are financially stable.

The majority of UAFs are also the local arts agency (LAA) for their community. Local elite business leaders often initiate UAFs and UAFs tend to invite them to serve as board of directors or fundraising volunteers because they are considered to be able to engage in one-on-one fundraising to another CEO. There were merits of UAFs which make corporations prefer contributions to arts organizations through UAFs during its earlier days: 1) this method obviates the necessity of evaluating the recipient arts groups, 2) the lower cost of raising funds, and 3) corporations are accustomed to united appeals. UAFs have been found the best method of obtaining corporate fiscal support of the local arts groups.

4.4.3 Economic environment: Oligopoly

One of the most prominent economic features of industry in the sixties was the degree to which a very few firms ruled most segments of manufacturing, whether it was American Telephone and Telegraph, General Motors, Proctor and Gamble, U.S. Steel, or Mobil Oil. The power in each industry was shared by a handful of large companies, a phenomenon known as oligopoly. Government attempts to pass anti-trust legislation were half-hearted, and the growth of monopolies and oligopolies continued unabated – approximately 16,570 mergers occurred in the manufacturing sector alone between 1953 and 1969.
(Munkirs, 1985). Their gigantic size, commanding market position and social stature were considered to be matched by a few major nations (Barber, 1970). These corporate giants were restrained, not so much by government, as by what John Kenneth Galbraith called ‘countervailing powers’ - pressure from giant unions, concentrated retail chains, and emerging consumer pressure (Galbraith, 1952).

The growth of oligopolies, however, did not curtail the proliferation of small companies. Not only were large corporations getting bigger, but smaller ones were emerging in great abundance. Business opportunities, with new markets and new products, began a rapid expansion in the sixties with a ‘net increase of over five hundred thousand corporations, and three hundred thousand proprietorships’ (Bryant and Dethloff, 1983). The increase of the number of both large and small companies was fortunate because both have contributed significantly to the arts. Although large businesses have given more money, small companies have frequently given a larger percentage of their pretax profits, coming closer to the 5 percent legally allowed in the 1935 revision of the Tax Law (Copp, 38).

4.4.4 Establishment of corporate arts organizations

The Arts and Business Council (ABC) was founded in New York City in 1965 by a group of business leaders as a program of the New York Board of Trade. Its purpose was to create closer ties between business and the arts. In 1966, the first nationwide conference on business and the arts was held at Lincoln Center under the auspices of the ABC. In 1970, the Council expanded to include arts members and, five years later, it launched the Business Volunteers for the Arts (BVA) Program in New York City designed to bring
volunteer management consulting services to New York City arts groups, using specially recruited and trained business executives. For successful matching the personalities in arts organizations with potential business volunteers, the ABC developed a training curriculum for business volunteers in conjunction with New York University, and taught them the basics of arts administration. After completing ten hour training program, business volunteers were required to spend at least three hours a week in professional services required by arts organizations such as marketing, communications, financial analysis, public relations, fund raising, and proposal preparation.

In 1967, the establishment of the Business Committee for the Arts (BCA), a New York based nonprofit organization, signaled a more formal, although initially very small, corporate commitment to establish long term guidelines for corporate arts support. Its membership included presidents and board chairmen of some of the country’s largest corporations. With the leadership of David Rockevedeller, President of the Chase Manhattan Bank at the time, the BCA counseled companies considering arts support, gave financial advice to arts groups, conducted the national survey to measure and track trends in business support to the arts, and collected information about supporting opportunities. C. Douglas Dillon, former Secretary of the U.S. Treasury, was elected as Chairman of the BCA, challenged business to allocate 10% of its annual philanthropic budget to the arts. By 1969, more than 100 business leaders had joined the BCA. Among them were executives from Texaco Inc., which had been underwriting broadcasts of Metropolitan Opera performances since 1940, and AT&T, which had been supporting The Telephone Hour since 1940. Their early work in this area established the BCA as a model for many other groups that would emerge in the seventies and eighties.

The groundwork prepared in the sixties began to pay off in the seventies with increasing yearly gains in arts support from federal, state, and local governments, individuals and corporations. There was a heightened public awareness of the arts and a growing sophistication of arts organizations as they became more adept at budgeting, audience development, marketing, fund raising, and management. Business and government demanded accountability of the arts to assure that organizations could make the best possible use of the funding dollar, and the majority of arts groups were highly skilled in giving them that information.

4.5.1 70s: Strong NEA appropriation, decentralization, and the Challenge Grant

At the same time that the arts-businesses bond was growing stronger, the federal government was making even greater strides in arts support. President Nixon was very supportive of federal arts subsidy. Dramatic increase of NEA appropriations came during his administration. In 1973, he requested NEA budget increases to 80 milion for 1974. Since 1970, the NEA funding had increased 900 percent (Taylor, 1984). During Nixon – Carter administration, decentralization began to emerge, which was significant for the arts. The concept was believed because it would lead to more effective management and funding would more accurately reflect community values (Reichley, 1981).

Decentralization also led to the debate about where these funds were to go, say, the elitist-populist contest in the area of public arts funding. Issues of arts policies have always generated a controversy, and such was the case in 1977. The elitist position supported public funding of established cultural institutions, advocated the funding of
quality rather than quantity, and focused on the professional rather than the amateur (Copp, 48). The elitists believed that amateurism degrades a recognition of standards. Dick Netzer (1978), author of *The Subsidized Muse*, suppported the elitist position, for a different reason. He posited that amateur involvement in the arts in on the rise probably due to an increase in leisure time, so to fund a phenomenon that is expanding by itself is a waste of resources. The populist arts positions was an outgrowth of the broader, more political populist movement, such as civil rights, rights of ethnic groups and women, of gays and the elderly during sixties. The movement supported the widest possible availability of the arts, and participation and experience with the arts. In addition, this position looked at art as a marketable commodity that creates financial growth in the business community. The economic impact argument, an outgrowth of the Baumol-Bowen report, had become a popular rationale for public arts subsidy. As the appropriations for the Endowment steadily increased, the Congress faced the justification of expenditures to its constituencies. The easiest justification was to have Endowment money benefit the broadest constituency possible (Copp, 50).

An indirect incentive to growth of corporate arts funding occurred in 1976 when Congress and the NEA worked together to establish the Challenge Grant Program. Similar to Matching Grant Funds, Challenge Grant Funds require the nonprofit arts organization to raise funds from other sources following a stated matching factor, often three to four times of the NEA grant. In 1978, 930 thousand in NEA funds generated an additional 2,790 million in nonfederal funding, for a total of 3,720 million that went to seven major nonprofit theatres (Vignola, 1979).
4.5.2 Arts boom of the 1970s and pressures for businesses

The cultural explosion of the sixties led to the arts boom of the seventies, with more than 1,000 orchestras, 6,000 museums, hundreds of opera and dance companies, several thousand theatres, and more than 1,800 community arts organizations (Kreisbert, 1979). The arts, once considered ‘frills,’ were being looked at by many municipalities as economic necessities. The economic impact of the arts is judged by the ‘ripple effect’ such as real estate value, their effect on upgrading taxes on adjoining properties, the number of people they employ, the number of tourists they attract. The amount of money spent by arts participants on support services including restaurants, parking, and transportations, and by arts organizations on such services as publishing, advertising, food services, security, office supplies, construction, and many others are all added values.

Many factors converged in the seventies that influenced an expanding interest in the arts. There was the combination of the political and economic interest in the arts from the sixties, strengthened by the continued business and government support in this decade; Carter’s push for arts decentralization, the increased leisure time of the American public; arts outreach program; increased aid to arts-in-education; and the growing number of articulate arts advocates who knew how to work within the political and corporate systems. The arts were reaching an unprecedented number of people (Copp, 53).

As shown in the aggregate corporate giving trends, corporate contributions to the arts and culture increased from 42.2 million to 70 million from 1976 to 1978, a significant increase not only in money, but also in the percentage for corporate funding for this category – from 8.2 percent to 10.1 percent of total philanthropy. This increase
represents a fairly substantial rise in corporate interest in cultural institutions and agencies. During the seventies, arts organizations of all kinds were recipients of corporate philanthropy. In addition to traditional beneficiaries such as the symphony, museums, theater, and opera during 60s, less conventional recipients such as dance, craft centers, performing arts facilities, literary arts, and public radio and TV found support from businesses.

Moreover, corporation giving passed foundation giving for the first time ever. By the late seventies, however, businesses faced with an inflation rate of 13.3 percent, increasing OPEC oil prices, and rising interest rates (Giving USA 1980, 37). As a result of stagflation and weak economy, businesses had experienced downsizing during 1970s. Unfortunately, the permanent income gap in arts organizations predicted by Baumol and Bowen continued to expand, and the pressure placed on the corporation to fill that gap intensified.

4.5.3 Activities of corporate arts organizations and new prominence for the company foundation support

Volunteers Lawyers for the Arts (VLA) was founded in 1969 to offer free legal assistance to artists and arts groups and to serve as a resource for attorneys interested in providing legal advice to the arts community. In the seventies, VLA established affiliate groups across the country, and its library, part of the Arts Resource Consortium and Library at Equitable Center in New York, is one of the largest legal arts libraries in the country (The Arts Resource Consortium and Library at Equitable Center, 3).
The National Corporate Theatre Fund was a consortium founded in 1977 by corporate and theatre executives to locate corporate funding for ten of this country’s prominent nonprofit theatres. The Fund has been responsible for locating almost 2 million for nonprofit theatre from over 110 corporations, with an annual 33 percent increase in contributions (National Corporate Theatre Fund, 3). This consortium approach is one of the cases of the UAF, continues to be popular with arts groups and corporations. It not only gives development staffs more time to pursue other funding sources, but allows corporations the opportunity to support several nonprofit arts groups with only one contribution.

Corporate giving clubs, started in seventies, created another channel for subsidy, not only for the arts, but for the entire nonprofit sector. The clubs use peer contacts to induce their companies to make tax deductible charitable contributions at or above a designated level. As of 1983, fourteen cities had clubs with 950 corporations participating, most of them smaller companies. Clubs have different designations, depending on the level of giving that they are trying to achieve (Foundation News, March April 1983). There are two percent clubs, five percent clubs, and with the passage of the Economic Recovery Tax Act of 1981 raising the limit of allowable federal deductions for charitable contributions to 10 percent of pre-tax income, ten percent clubs. The first 5% club was established by the Minneapolis Chamber of Commerce in 1976 and in 1978, the country’s first 2% club was established in Minneapolis, too.

Business arts groups such as the BCA, corporate clubs, and VLA continued their work begun in the sixties. In 1971, the BCA and the Advertising Council created the first national arts advertising campaign. New groups emerged in the eighties. The Young
President Organization, a group with membership of over four thousand corporate
presidents, started a national program called Partnership of Presidents. The organization,
formed with the help from the President’s Committee on the Arts and Humanities
established by President Ronald Reagan in 1982, has over ninety chapters and is
developing local arts and education programs with corporate funding (Reiss, 1984). The
increasingly active BVA is planning to expand from thirteen chapters to sixty-one cities
by the 1990s. The expansion was started by a grant of three hundred thousand from the
Rockefeller Foundation, to be matched by 4.5 million from earned income and corporate
funding members (Reiss, 1985). Also the establishment of the National Arts Stabilization
Fund (NASF) was founded in 1983, not by business interests, but by the Ford, Andrew
W. Mellon, and Rockefeller Foundations. Its purpose is to help arts organizations achieve
financial stability, and the funds represent new arts money from these foundations (NYT,
July 1983).

Muirhead (1999) noted that maintaining a constant contributions level was a key
objective of companies during the recessionary 1970s. Into this role stepped company
foundations. Corporate efforts to stabilize contributions were in direct contrast to the
early stages of corporate philanthropy, where many corporations tied their giving to their
profits. More specifically, when corporations tie contributions to earnings, larger grants
are made in periods of prosperity when the need would be less, and smaller grants during
recessions, when the need would be greater. In contrast, carrying over unspent funds from
year to year enables company foundations to maintain a relatively stable level of support.
According to Conference Board’s 1975 contribution report, corporate foundations
distributed more funds than they received from their corporate sponsors. They performed
major functions for which they were designed—maintaining the flow of money to beneficiaries despite profit swings. Another advantage of establishing corporate foundations is to provide tax benefits, which reduce the cost of company contributions. The fact that many corporations placed a portion of their 1978 profits in reserve in their company foundations helped cushion beneficiaries as corporate profits declined in two recessions in the early 1980s (1978 Contributions Report).

During the late 70s, corporations started to implement employees matching gift plans. The matching ratio used to be 3:1 or 4:1 basis.

4.5.4 Government cutback on the NEA in early 80s

Reagan administration gave a new emphasis on strengthening relationships between the arts and business. The NEA was criticized by a Heritage Foundation Report prepared for President Reagan for spending millions of dollars yearly to fund programs which are not concerned with enduring artistic accomplishments. This report had some effect on Reagan. He proposed a 1982 NEA budget of $88 million, a cut of almost fifty percent from a 1981 budget. In appropriation hearings, Stockman argued for cuts on the grounds that the Endowments had hindered business from contributing to arts organizations (Mulcahy, 1982). The NEA was further criticized by the Task Force on the Arts and Humanities. They found the NEA’s Expansion Arts Program that funded the newer, more innovative arts especially disturbing. Arts advocates stressed that if government did not fund those arts, corporations certainly would not take the chance (Bertsch, 1982). NEA supporters argued to restore the proposed cuts, citing almost 700% increase in the number of professional arts organizations since 1965. Most importantly, they refuted the Reagan
argument that federal support stifles business participation in the arts, citing that in the decade prior to the Endowment’s establishment, corporate giving grew at the fastest rate— a 20-fold increase (NEA, The Culture Post, 1981).

The Task Force on Private Sector Initiatives was also created in 1981 to further the relationship between business and nonprofit organizations. One of the recommendations, aimed specifically at corporations, was to increase their philanthropy to at least two percent and double their efforts at community service. The outcome did not meet the President’s grand expectations, but it did generate forty-two state task forces to continue searching for ways for the private sector to become more involved in nonprofit causes (Margolis, Foundation News, 10). From 1982 to 1985, the Reagan administration intended to slash $33 billion from federal grants to charities, with the expectation that business would pick up that difference. As a consequence of increased pressure for corporate funding from a wide spectrum of organizations, there was a 64% increase in grant requests during the first six months of 1981 (Foundation News, 1982).

In 1986 and 1987, the total corporate giving to all causes peaked with about 9.3 billion giving, almost doubled up from 5.5 billion in 1980. This figure definitely seemed to be the effect of Reaganomics, yet, replenishing the $33 billion gap, the whole loss from federal budget cut, was too large for corporate contributions to realistically close. In fact, some corporations resented the transfer of the social burden and responsibility to the private sector. Fortunately, despite the growing concern of corporate arts philanthropy from the federal cutback in early eighties, corporate arts support did not decline as originally anticipated. The percentage given to arts and culture in 1989 was 11.9 percent, remained the same from 1981. However, the most profound effect of decreasing public
support to the arts was not shown in the figures of corporate arts giving immediately thereafter. It brought significant changes to the way arts administrators approach to the funders and programs, the artistic products of arts organizations.

4.5.5 Accountability movement and professionalization

The 1970s were a decade of diminishing productivity levels, high oil prices, and stagflation for businesses. With the economic downturn in the late 1970s, many executives reassessed priorities and responsibilities, questioned how resources might best be allocated, and scrutinized investments (Muirhead, 1999, 33). On the other hand, the Reagan administration’s reduction in federal spending and the return of many social programs to state jurisdictions under a program of block grants foreshadowed a major reform in the social service delivery system. Demands for accountability were present in both private and social sector. For business funders, they had to face shareholders’ growing doubt of disbursement of money when corporate profits decreased from recession, let alone the pressure for them to fill the gaps in social spending. At the same time, as the size of contributions grew throughout the 70s and 80s, especially at the multi-million dollar level, detailed planning, stated and agreed upon priorities, and sound budgeting were required. Many companies started to reassess the assistance they provided and act more like government funders, increasingly earmarking their dollars for specific programs and purposes and asking that organizations be able to document their results.

For arts organizations, accountability to funders involved greater efficiency and effectiveness of the usage of grants, with arts administrators’ exceptional financial,
management, and leadership skills. They were under pressure to keep salaries and overhead low in order to keep the share of dollars dedicated to program high. The reason for the percentage of corporate arts funding remaining steady over the 80s can be attributed to aggressive arts advocates who have become increasingly sophisticated in applying for corporate philanthropy. The sophistication in cultivating organizational resources and capacities went hand-in-hand with the rise of the institutionalization of arts and cultural organizations as a field and professionalization of artistic workforce as a profession. Several indicators of field structuration and professionalization were found.

First, considerable scholarly activities signaled viewing artistic activities and cultural phenomena as a separate disciplinary interest. In 1969, the launch of the Journal of Arts Management, Law and Society, the first refereed journal on the issues in cultural policy, arts management, law, governance, and cultural production, can be considered as the root of the field. In 1973, several economists founded the Journal of Cultural Economics and organized the first international conference on cultural economics in 1979. They also started an Association for Cultural Economics that held conferences. Beginning in 1974, a group of sociologists and political scientists interested in cultural phenomenon formed the conference group on Social Theory, Politics, and the Arts and continue to hold annual meetings. Second, the formation of the Association of Arts Administration Educators in 1975 indicated that recognition of arts administration as a collective field. It serves as a professional development network to train leaders in arts and cultural management, policy, and research. In fact, formal education of arts administration and/or cultural policy has not even begun until the mid-1960's. Since then, several professional schools and university programs were created to transmit specialized
knowledge such as issues of cultural policy and technical skills combining the tools of business and community building. They include arts advocacy, management, marketing, financial accounting, operations, fundraising, development, education, outreach, and volunteerism. As DiMaggio (1991) once cited, the production of university-trained experts in particular indicates that an occupation is achieving professional status. The existence of formal institutions of training can further indicate that standards for the profession are being established. With this groundwork, there is new managerial elite emerging in arts organizations, more focused on creativity in both programming and development.

4.6 Diversification, Globalization, and Entrepreneurialism: Late 1980s - Present

The federal cutbacks in early eighties have resulted in a re-evaluation of corporate philanthropy priorities and social responsibilities. The eighties are extremely important to the relationship between business and the arts. It is obvious that the Reagan cutbacks have caused increased competition for the corporate funding dollar, and the high visibility advantage found in arts funding may begin to be offset by the plight of underfunded social programs. Also volatility was the key word for the future outlook on corporate contributions. During the late 80s and 90s, corporations had gone through rapid and unpredictable changes such as restructuring, downsizing, mergers and acquisitions, technology revolution, and turnover in senior management.
4.6.1 The effects of the 1986 Tax Reform Act: from heart vs. from the bottom line?

Copp (1988) examined the ways in which the Tax Reform Act might influence changes in arts support, and what impact these might have on corporate arts philanthropy. The budget-cutting by the Reagan administration has resulted in the section of the Tax Reform Act of 1986 which would lower the tax rate for individuals and disallow charitable deductions for non-itemizers. While the elimination of nonitemizer charitable deductions does not directly affect corporate arts philanthropy, if the tax reform reduces one sector of the philanthropic formula, pressure will undoubtedly increase in the other sectors – corporations and foundations – to replace the loss. There are also ways in which the corporate arts relationship is affected by the revised act – specifically in the way that corporations and employees handle business and entertainment deductions. The deductible amount on unreimbursed business entertainment expense goes into a miscellaneous category that is deductible only to the extent that amount in this category exceeds two percent of the employees’ annual gross income. The employer’s portion is also affected, limited to eighty percent of the entertainment expense (Grossman, 1987).

The former tax law allowed for a one hundred percent deduction for entertainment expenses, without the stringent rules that now apply to business related expenses. Critics cited this part of the revised act as having a potentially eroding effect on performing arts ticket sales because of the reduction in deductible incentives, assuming a direct relationship between tax incentives and ticket sales (Molotsky, 37).

In addition to the revised allowable for entertainment expenses, corporations are directly affected by changes in their tax rates. Business as a whole could suffer, as it is expected to make up much of the loss incurred from lowering individual tax rates.
Industries facing substantial tax increases are those that are capital-intensive. In the past, heavy industry traditionally benefited the most from tax breaks on plant and equipment. Other industries will have reduced taxes, especially those that are labor intensive, such as apparel, insurance and securities brokers, business services, and newspaper publishing. Those industries that will suffer the most are railroads, automobile manufacturers, airlines, oil companies, and telecommunications (including the film industry) – all heavy users of investment tax credit and depreciation (Copp, 206). Copp noted that, while this realignning of the corporate tax burden may not seem related to the arts, it actually has a direct bearing on which types of businesses may be more open to funding approaches from fundraisers.

The passage of the new tax law brought the debate that whether a motive for philanthropy is from altruism versus tax incentives. Tax reform supporters said the effects of the tax changes are more psychological than financial. Harvard University economist Lindsey predicted that the effects of the tax revisions would reduce philanthropy. Others argued that the long-held assumption between tax incentives and giving cannot count the intangibles benefits such as recognition or visibility that have historically motivated arts support.

4.6.2 Economic environment: The effects of mergers and acquisitions

It is only since the late 1970s that an awareness of the effect of corporate mergers and acquisitions on corporate philanthropy has begun to emerge. They are the ones primarily responsible for corporate restructuring in the eighties. Copp (1988) examined the influence of corporate mergers upon funding of the arts. From her literature review on the
evolution of corporate restructuring in the 20th century, the current trend of corporate mergers marked the fourth stage in its history. Beginning in the mid seventies, the present period of corporate mergers is characterized by the merging of conglomerates. Mergers of related businesses in the middle of the 1920s developed into mega-mergers of colossal, highly diversified conglomerates in the eighties. In 1986 alone, there were 4,022 takeovers in the U.S.(NYT, 1987).

A few downsides of corporate mergers on their funding of the arts were noted: 1) realigned priorities of business, 2) contribution budget-cut, 3) moving out of local corporate headquarters, and 4) changes of players making philanthropic decision. First, as a result of uncertainty about policy revisions from the takeover company, top business as usual comes to a halt until corporate culture clash eases and policy issues resulting from mergers and acquisitions are resolved. As integration can take months to achieve, philanthropic issues do not usually have a high priority. Or, some firms change philanthropic priorities, so they choose other sectors except the arts.

Second, the merging of two companies does not necessarily mean that the resulting philanthropy is equal to the sum of the two parts. Rather, “They always give less than the sum of the companies’ independent programs” (Wall Street Journal, November 1985, cited in Copp, 186). For example, Petrogiant Gulf Oil, had strong cultural ties to its headquarters city of Pittsburgh through substantial contribution to Carnegie Institute, University of Pittsburgh, a few local performing arts organizations. After its takeover by Chevron, which was based in San Francisco with no ties to Pittsburgh, Gulf Oil headquarters was dismantled, and although Chevron agreed to pay off Gulf’s existing philanthropy, no further funding commitment were forthcoming.
Third, the relocation of corporate headquarters due to the mergers leads to the withdrawal of funds to local arts groups. Finally, mergers succeed in constantly changing the players, making pledges very difficult on the part of arts organizations. Mergers might erode top management confidence in philanthropy, and, therefore, the ability of the company to take a strong stand with regard to the arts.

While mergers have caused a decline in much corporate arts funding, some arts organizations profited from some larger, one time gifts which they attributed to mergers and flat gifts from several major businesses. As for the effect of M&A on corporate arts philanthropy, Copp noted that local arts groups are more likely to suffer from withdrawal of funds than national arts organizations. High profile of national arts organizations can be more appealing to businesses for funding due to its visibility, no matter where the corporate headquarters are located. Most importantly, the restructuring of corporate culture implies that the development focus of arts organizations should be redirected to ‘diversify’ its base of support so that the financial vulnerability is reduced when a big corporate support withdraws its commitment.

Concern about corporate arts support is indicative of a general consensus of opinion that the tremendous growth in corporate philanthropy during 1980s is gradually slowing through 1990s and mid-2000s. The Conference Board reported that, in late 1986, many large corporations were cutting charitable programs and contributions staffs (cited in Copp, 192).
4.6.3 Globalization

From the late 1980s through present, the corporate world witnessed a period of rapid and unpredictable change. M&A is only one contributing factor. Corporations are also pressured by fierce foreign and domestic competition and declining profits. Unlike the first generation of corporate philanthropy, the 1990s generation of CEOs has less time or interest for social concerns. Decades ago, American corporations began to extend their market place beyond their national boundaries. Ford Motor company, once thought of as the epitome of American industry, is today an example of a giant multinational corporation. As such, American business has become global business. Only 22 countries in 1977 had GNP larger than the total annual sales of Exxon and General Motors. However, international investing was not a one-way street. In the mid-70s, a significant amount of foreign investment in the U.S. was Arabian, in the early 80s, it was British, in the mid-80s, it was Japanese, and nowadays, it is Chinese.

The multinational thrust of business carries with it several implications for corporate philanthropy and arts support. First, “foreign takeovers of American corporations played a role in dwindling corporate arts support because the take-over company does not have a clear understanding of philanthropy in the U.S.”(Judith Jedlicka, Chairman of the BCA, quoted by Breyer, 1987). In other words, the effect of internationalization of corporate arts support can be only a magnification of the same problem encountered in domestic takeovers, with one additional factor – the introduction of another culture. The new culture may or may not have a tradition of corporate support of nonprofit organizations (Copp, 200). Honda of Marysville, Ohio, for example, is usually not interested in support of nonprofit organizations. They did give a one
thousand dollar grant to Ballet Met in Columbus because of the presence of one of their managers on the Ballet’s board of directors.

On the other hand, “arts organizations had to face the new reality that they are part of a growing global market that is service-centered and audience-based” (Rentschler, 2002, p.73). Globalization allowed them to operate globally, whether through touring, collaborative international exhibition/performance projects, or franchising sets, scenery with international partners. It created similarities in arts organizations across the world for them to share projects and rationalize costs used to create new projects. That is to say, arts and cultural organizations are being called on to serve more people, with better results, than they have in the past with uncertain resource base. However, globalization also challenged the leaders of local arts organizations that are usually smaller, located outside the large cities, and opted for a regional focus. Since they are unable to compete on a global level, their strategies for survival would be different from larger, high profile arts organizations. Even if strategic focus of arts organizations may differ depending on the size and location, globalization made all kinds of arts organizations moved closer to industry, their ethos shifted from isolated organizations with a subsidy mentality to more externally focused organization where partial income was dependent on market sources.

4.6.4  Marriage of entrepreneurship to the arts

Along with the shift that has occurred in globalization, there is a new corporatism in the arts. Corporatism is defined as a set of practices drawn from business combined with a market ideology and often called ‘managerialism.’ Influenced by the change in the Reagan Administration’s cultural policy in the early 1980s under the slogan of ‘small
government,’ and its consequent product of accountability in all social sectors including the arts, corporatism infused arts leaders with a market ideology and accompanying need to be ‘business savvy.’ In the arts, corporatism means a rethinking of organizational purpose, developing skills and breaking tradition, so that arts organizations remain viable (Rentschler, 84). However, to some arts leaders, the shift from the aesthetic aims of the organization for excellence in the artistic product to a reorientation toward the market, people and outreach programs was not fully appreciated.

From managerialism to entrepreneurialism

The change was first visible in cultural policy research seeing arts and cultural activities and production as cultural industry or even bigger ‘creative sector.’ It heralds a newly emerging approach to the arts and culture in an era of knowledge economy. The key to the ‘creative sector’ approach is far more inclusive than an industrial approach, seeing all sorts of creative workforce, organizations, and infrastructure system involved in the full range of artistic and cultural activities from primary creation, production, distribution and consumption as an ecological system. As a whole, the creative sector is considered to be not only the largest sector of the U. S. economy but also the leading edge sector on the account that it is an infinite source of knowledge/information content.

Another evidence of managerialism was found in the leadership change in arts organizations. In adapting managerialism or corporatism into nonprofit professional arts organizations, arts leaders were challenged with the task of juggling their artistic mission and applying managerial techniques. Thereafter, the word of ‘entrepreneurship’ had become prevalent in most recent cultural policy/arts administration literature. Although
this word was originated from a theory of economy, its implications in arts organizations are beyond the four areas identified by Lumpkin and Dess (1996) in for-profit organizations as innovativeness, risk taking, proactiveness, and competitiveness.

**Contributing factors to the emergence of social enterpreneurialism**

1. Changing program strategy of cultural policy

New generation of arts managers, frequently the products of business schools themselves, is far more imaginative in devising attractive opportunities for business cooperation and willing to allow corporations to share in the positive effect generated by arts events. Although it is difficult to establish the cause and effect relationship strictly between social phenomena, several factors appeared to influence the emergence of social entrepreneurship. First, the fundamental change in attitude on the part of arts leaders was concerned with the program strategy by the public agency. As previously reviewed in the 70s’ environment, the late Arts Endowment Chairman Nancy Hanks launched the Challenge Grant Program to encourage public-private partnership in 1976. The program was expanded by Hank’s successor, Livingston Biddle, to include smaller arts organizations, under the special stipulation that the federal funding be matched at least three times over with ‘new and increased' contributions from the private sector (Business and the Arts xii). To meet that matching challenge, arts groups came to develop more sophisticated fundraising, audience development, and public relations techniques. At the same time, they began to develop far-reaching relationships with their local business community. For example, corporate executives were invited to serve on fund-raising
committee in arts organizations and arts groups approached corporate employees in the workplace seeking contributions.

2. Corporate restructuring

Impacted by corporate restructuring, the nonprofit arts have to work harder for the funding dollar. Thus, the restructuring of corporate culture ultimately redirects more arts management focus from artistic product to financial survival, which in itself could portend a fundamental philosophical shift in cultural policy (Copp, 192). As corporations had to justify their social program funding to shareholders and employees, they began to develop its policies and seek transparency and visibility in contributions rather than an anonymous giving pattern from the past. Among several grant-awarding criteria of corporations, Useem (1989) noticed the ‘managerial capability’ in arts organizations as one of the most important factors in deciding the grantees. Corporations’ emphasis on managerial capability of grantees is reflected in increasing sophistication of development efforts by arts organizations. Besides the managerial capability factor, a profession of arts administrator, complete with the creation of credentialed degree training programs in higher education since 1970s, can be seen largely as a symptom of professionalization of arts administration as a field.

Multiple dimensions of entrepreneurship: managerialism and innovation

Notably, complex meanings lie in ‘entrepreneurship’ in terms of arts and cultural organizations administration. As previously described, the first definition is almost the equivalent of ‘management’ which can be originated from business administration theory. Traditionally, businesses are considered focusing on profits and cost effectiveness
on the basis of reflective and systematic process. To be effective and solve problems, business managers use the process of planning, organizing, staffing, leading, and controlling (Boone and Kurtz 2002). For arts and cultural organizations, these classic notion of core management functions were implanted in areas of arts organizations such as strategic planning, finance management, fund-raising, marketing, and facility management to enhance nongovernmental revenue, especially induce corporate funding.

Chong (2002) viewed that, since the 1960s, these managerial imperatives have been dominant practice of managing arts and cultural organizations. However, he was concerned about the downside of blurred boundaries between managerial objectives and aesthetic ones. He pointed out that, when the five traditional managerial functions are applied to arts management, people tend to refer primarily to the purely administrative functions of arts organizations without considering the practices involved in facilitating the production and presentation of the artistic work. Rentshler (2002) investigated these concerns more in depth by differentiating entrepreneur from managerialist. According to her, there are at least two types of administrative leadership in cultural institutions. While the managerialist put more emphasis on fundraising and marketing to ensure the financial stability than aesthetic innovation or advocacy of the arts, the entrepreneur sees fundraising as a means to further the mission of the organization as well as to forge coalition building among stakeholders to promote values of the arts and culture. Admitting that the term ‘entrepreneur’ connotes, first of all, risk-taking business owner aiming profit maximization, she sought to broaden this familiar understanding to include leadership activities of cultural management. Based on her argument, it can be said that the adopted notion of ‘entrepreneur’ as an arts administrator is a person who serves as an
intermediary between different stakeholders, for example, government, the private sector, and the public.

On top of the beginning notion of ‘entrepreneur’ that is a risk-taking business owner to make a profit, ‘cultural entrepreneur’ has a broader connotation as it is linked to innovation and creativity. In sum, three distinguished behavioral characteristics that might be called ‘entrepreneurship’ are found in arts organizations. In clarifying these characteristics, the guiding principle of Peter Drucker’s view of entrepreneurship will be helpful. Drucker (1985) viewed entrepreneurship as a practice that has a knowledge base and that seeks to enable organizations to innovate while remaining true to their missions. Then, for arts organizations, innovation is the specific tool of entrepreneurs, and creativity is the specific mission of the arts. Simply importing business like behaviors to arts organizations is not sufficient for what it truly means by innovation in arts and cultural organization. Rentschler (2002) seconded this view by stating that, between 1975 and 2000, arts leaders have changed a great deal and now, are more attuned to audiences, diverse funding sources, and entrepreneurial programs. At the center of her proposed ‘cultural entrepreneurship theory,’ there is an argument that arts leaders have a range of available options, which enable them to orient the arts organizations to ‘balance’ the needs of the aesthetic mission and the needs of the marketplace (Rentschler, 51).

First, the emerging conceptual framework in the arts and culture sees entrepreneurship as a process of creating ‘value’ for the community that brings together a unique combination of public and private resources to enhance social and cultural opportunities in an environment of change while remaining true to the creative mission of the organization. The entrepreneurships led to the innovation of cultural programming in
arts and cultural organizations. To corporate philanthropists who want to support the arts, innovative cultural programming became important criteria in awarding grants in addition to the criteria of proved organizational capacity in arts organizations. As to the implementation of creative cultural programmings, Young (1988) discussed around four different directions that can be taken in nonprofit organizations: 1) the development of new functional subdivision; 2) the undertaking of commercial ventures to generate financial support; 3) the creation of popular new exhibits; and 4) turning around allying organizations.

Second, entrepreneurship changed the approach of arts organizations to funding sources including business funders. Rentschler supported this view by contending that entrepreneurial behavior is shaped by practical concerns such as the amount, sources, and types of funds. Funding diversity was seen to impact on creativity in arts organizations, because acquiring funding enables a creative venture which allows the artistic vision to be realized. Hence, arts organizations need imaginative campaigns ‘with open policies which have open doors and make them less daunting to those not won over to the arts’ (Rentschler, 53). This approach reflects a changed role model of arts leaders who tended to make efforts to enhance artistic creativity only in their productions such as performances and exhibits rather than to boost creativity in managing their organizations. To some arts leaders, marketing was recognized as the equivalent of ‘selling,’ and this misconception prevented analysis of issues, which would benefit arts organizations and their audiences. To recapitulate, marketing is linked with creativity in management, and opens opportunities for new products or services, for example, allows ‘cash cows’ to support the core mission.
Third, with the definition of entrepreneur as a contractual intermediary, Mulcahy (2003) stressed the function of cultural entrepreneur as communicators between arts and society, artists and the public, arts organizations and funding resources. He named the role of cultural entrepreneur as an advocate of culture, delivering values of the arts and culture that can be transmitted through the generations.

4.6.5 Corporate awareness of the value of the arts within the community

It was not until the mid 1980s that corporations became more active about community/economic development by forming partnerships with communities, government, and nonprofit organizations (Muirhead 2000, 43). On one hand, corporations supporting the arts are concerned that their philanthropic dollar be as cost effective as possible as contribution managers have to explain why companies should give away money while laying off workers in the midst of M&A and increased competition. Copp (1988) observed that, their major concern is evident in a way they generally support only arts organizations with established fiscal and administrative management.

Values of the arts inside corporate community

The early 1980s heralded company-initiated programs to address employee problems. Companies began view their employees as assets, rather than costs (Muirhead, 37) and acknowledged that skillful employees are valuable resources in whom the company has substantial investment. Although there were many other employee problems that companies must address in the workplace such as child care and health care, businesses
tended to assume two possible benefits derived from involving with the arts ‘inside’ the business community:

1) It is more difficult to recruit high-level professional and administrative employees in the absence of cultural facilities, which indicate the kind of community in which they desire to live. Investing in work environment enhances employee pride and results in lower turnover, reduced absenteeism, and more loyal workforce. For example, corporate art collection has become a well-suggested tool to create a better and more productive work environment for business employees.

2) Business might be able to tap into the hidden creativity of their employees through involvement with the arts. Two approaches were found to achieve this goal. Through arts-based learning programs, they aim to build employee leadership, better communication skills, creative thinking, and high-performance teamwork. By opening the minds of managerial staffs to new ways of learning, thinking, and doing, this approach is expected to unleash the creative potential of employees and power corporate performance in innovation and execution. Businesses such as the McGraw-Hill Companies, American Express, Siemens, Procter & Gamble, MasterCard, and many others implemented this program.

The other approach is to encourage employees to actually ‘create’ the visual, literary and performing art when not working. For example, ‘art at work’ programs enables companies to organize initiatives that encourage employees to bring them into the workplace where it can be shared with colleagues, as well as customers and clients. By doing so, it is anticipated to foster communication and networking, and build team spirit. It could also serve to demonstrate the value of integrating work and personal lives.
Forbes, General Mills, H&R Block, Pﬁzers, Estee Lauder Companies, American Century
Investment have participated in this program.

Values of the arts within broader communities

In addition to these beneﬁts that can reside in the business community, they also realize
long-term beneﬁts that can nurture not only business community but reach out to broader
communities. It is often justiﬁed by economic development rationale. What has been
promoted in this rationale is that supporting the visual and performing arts can build
vibrant communities by attracting capable employees and sustaining lively markets that
are intrinsic to the prosperity of communities where they do business. More speciﬁcally,
business investment in the arts yield returns for the community by generate
approximately $4 more in restaurant, hotel and retail sales, as well as ancillary expenses
such as baby-sitting and parking fees for every $1 spent on the arts (BCA, 1995). It also
attracts tourists, as well as conferences and conventions, increase the value of commercial
and residential real estate, and attract business to relocate in new areas.

The other broadly disseminated beneﬁt can be said public values. Corporate
focus on the communities has extended the reach of their contributions from their
headquarters to large urban communities. This is partly because changing government
funding patterns which called for more community action, and local needs demanding for
more corporate attention. In the early 1980s, corporations began to assess community
needs to impact deﬁned key areas. Through supporting diverse community arts projects,
businesses can contribute to building tolerance among diverse ethnic groups, addressing
educational problems, unemployment of job loss, youth at-risk, and leading to a safer and revitalized community.

Corporate involvement in communities generally requires business partnerships with communities through either intermediary organizations, or direct corporate involvement in the community. The United Arts Fund (UAF) illustrates the classical model of brokering local business leaders and local artists and arts organizations. Until the 1980s, UAFs nearly had a monopoly in their communities with businesses. Back then, the UAFs were solely responsible for fundraising among businesses and for the allocation of those funds to the arts organizations. From the 1990s, however, local corporate investment objectives in most American communities today changes as ‘market-driven.’ Businesses do what they choose and the trend is towards businesses contributing as much directly to the arts as they give to the UAFs (Shanahan, 1993, 73). Consequently, the proportion of total business contributions to the arts that the UAF receives is expected to get smaller. Although corporate giving is still the largest single source of support for the UAFs nationally, UAF statistics on sources of funds suggest that business is playing a diminishing role in joint fundraising, as indicated by declining percentage of all funds provided by business. While corporations accounted for 49% of UAF funding in 1997, 2002 data shows that it decreased to 42.4% of revenue (Americans for the Arts, Monograph 1997, 2003). Another reason of the changing trend toward direct support can be attributed to the usage of funds that most of them were raised for unrestricted operating support of recipient arts organizations. Instead of supporting general operational support, today’s businesses prefer supporting targeted projects that they can be assured that specific issues within the community can be addressed.
On the other hand, the UAF system was criticized that locally based national firms use the UAF to shield themselves from pressure to increase their support greatly to the arts (Americans Council for the Arts, 1993). Additionally, the UAFs are sometimes seen as an unnecessary barrier between arts organizations and the contributors. It also exposed some drawbacks of dissatisfaction by the recipient organizations with the allocation of funds and possible negligence of making efforts to raise funds by themselves. Notwithstanding the downside and changing trend, for CEOs of companies of all sizes, spending much more time out of the community and traveling around the world if they are to be successful, the UAFs are considered credible, alternative means to support local arts organizations to meet standards of quality and financial stability.

Before this generational turnover, early in the 1920s, CEOs and senior executives of businesses became directly involved with community affairs, formed business leadership councils for discussing community concerns, and placed key people from their staffs in positions where they could help local government and civic organizations be successful in their efforts.

Another way for businesses to involve with the arts in communities through intermediary is working with corporate arts organizations such as the BCA, the BVA, and the ABC. Their brokerage activities will be presented in the next subchapter.

4.6.6 Mergers of corporate arts organizations and diversified activities

During the past two decades, business arts groups such as the BCA and the ABC have enhanced their membership services by diversifying their program areas. Although both organizations offer a similar range of programs and services, the big difference lied in
their membership representation. Whereas the BCA represented only business members and is not a grant-making organization, the ABC offered two membership levels, business and arts organization members. In addition, the ABC runs grants program by partnering with the New York State Council on the Arts (NYSCA) and awards grants of up to $25,000 each year to partnership-based cultural tourism projects. In 2005, the Americans for the Arts (AFA) and the ABC merged their operations, with the ABC being one division of the AFA. Following the merger with the ABC in 2005, Americans for the Arts announced in November, 2008 that it will merge operations with the Business Committee for the Arts (BCA), too. By uniting the constituencies, resources, and programming initiatives of two corporate arts organizations, the AFA becomes the largest-ever arts advocacy group in the private sector.

As in the case of the ABC, the BCA became a programmatic division of the AFA and continues to provide the same services and events aimed at developing and increasing business support for the arts. In the background statement of the announcement, the AFA attributed the mergers to the dramatic shift in the private sector's relationship with the arts in recent years. According to them, despite recent modest gains in overall giving, the market share of private funding for the arts is nearly one-third less than it was in the early 1990s. Combining interests and strengths of corporate arts organizations were believed to effectively address the challenges ahead.

Being divisions of the AFA, the ABC and the BCA offer the following four major program areas in service to the field:

1. Building arts leadership through professional development
   a. National arts marketing project
Since 1998, with a grant from American Express Company, the ABC designed national arts marketing projects to train and strengthen nationwide nonprofit arts organizations’ marketing skills. The basic marketing workshops are targeted to small to mid-sized arts organizations that may not have a dedicated marketing staff position and would benefit from such training. They also convene annual National Arts Marketing Project Conference for arts marketers from across North America and the globe. They gather to discuss the latest issues in earned income and audience development.

b. MetLife Foundation National Arts Forum Series

Since 2002, through the support of MetLife Foundation, the ABC hosted National Arts Forum Series that brought nonprofit and private-sector professionals together to examine pressing issues facing arts organizations around the country. Forums take place in 20 cities nationwide and investigate themes related to the arts and workforce development, a topic that allows for an exploration of the central role the arts can play in creating a workforce capable of achieving corporate and citizenship objectives.

c. Arts Leadership Institute

Sponsored by JPMorgan Chase, the ABC of New York collaborates with the Research Center for Arts & Culture in Columbia University, offering a broad range of leadership building courses. The program provides a link between arts managers who are relatively new to the field with 3 to 10 years’ experience and those with a wealth of experience to share such as executive directors, heads of departments, board members of arts organizations. It aims to make participants distinguish among various leadership roles and functions needed to operate a strategically managed organization. Another objective is to
make them recognize that arts leaders can become community leaders beyond the field itself.

2. Information services

a. Arts-to-Business Databank

In 1997, the ABC launched the web-based initiative called Arts-to-Business Databank to market arts’ services to businesses. Underlying the creation of this program was the motive to address the challenge of increasing cash flow and earned revenue faced by arts organizations in the 90s. In their press release in October 1997, the ABC explained the background that influenced the creation of new arts marketing program.

As more companies choose to tie their giving programs to business objectives, and are less driven by philanthropic motives, arts organizations need to be far more resourceful and market-oriented. Without abandoning their core artistic mission, arts groups need to find creative ways to secure more earned income. This need is innovatively met in the creation of the Arts-to-Business Databank. 


Arts-to-Business Databank aims to help New York City nonprofit arts organizations market their assets to businesses by providing information. This include museum/performance space rental opportunities for business meetings and conferences, performances to be used for entertainment of clients and for special employee events, volunteering opportunities at arts organizations, sponsorship opportunities, and access to art education programs for children of employees.

b. Consulting to business members

BCA offers professional advice and assistance to help businesses develop collaborations with the arts. Their consulting areas include: 1) identify local, national and international opportunities to collaborate with the arts, 2) develop tailor-made initiatives with the arts to further business goals, 3) address workplace issues such as diversity and team-building.
by partnering with the arts, 4) develop a strategy to establish an art collection and use it as a business asset, and 5) establish and evaluate employee matching gift and payroll deduction programs for the arts, as well as employee volunteer programs with the arts.

3. Building business leadership of arts support through awards

‘The BCA Ten: Best Companies Supporting the Arts in America’ has been presented annually over 30 years to honor businesses and business executives for their leadership, commitment and vision in developing exemplary alliances with the arts. The BCA names 10 businesses among businesses of all sizes for their exceptional involvement with the arts that enrich the workplace, education and the community. By recognizing these companies, their cases are expected to set the standard of excellence and serve as role models for others to follow. Businesses named to the BCA Ten receive national and local media coverage including Forbes magazine and USA Today.

4. Direct support to the arts through coalition with state art agency and higher education

The Cultural Tourism Initiative was created by the ABC of NY with public funds from the New York State Council on the Arts, a state arts agency. The ABC re-grants to arts organizations in New York city to support their partnerships with local tourism agencies and other arts organization partners to attract and retain visitors to New York state. Arts organizations were asked to create projects that can stimulate local economies and recognize the value of the New York state’s rich cultural heritage assets. When it comes to the selection of grantees, the ABC also partners with higher education by inviting program director at the Center for Hospitality, Tourism and Travel Administration at New York University and has him oversee the initiative.
CHAPTER 5

TRADITIONAL PHILANTHROPY

In Chapter 2, the ABRs Model was created as an analytical framework. Each collaborative relationship type was grouped into the four relationship patterns based on distinctive characteristics of sectoral drivers and operational elements: 1) traditional philanthropy, 2) transactional collaborations, 3) strategic alliances, and 4) venture philanthropy. This chapter will examine the first pattern of ABRs in detail through documented analysis and case examples.

The description of each relationship pattern begins with an overview of common traits that make certain relationship types categorized as ‘a’ relationship pattern. Analysis on each relationship type in light of differing motivations of each sector, contextual factors, and managerial activities will be followed. Finally, the evolutionary nature of relationship histories between businesses and the nonprofit arts organizations will be examined along with the changing definition of the arts and culture. It clearly shows that old philanthropic pattern has been gradually diminished and more diverse and complex relationship patterns are apparently on the rise.

Overview

This stage presents the most common and old type of relationship between businesses and the nonprofit arts organizations. The approximate timeline of corporate arts
philanthropy begins with the earliest known corporate donation to an arts organization – the 1926 contribution by Chevron, U.S.A. to the San Francisco Symphony – and with the ruling by the IRS in 1935 that allowed corporations to deduct up to 5 percent of pre-tax income as gifts to qualified charities. Business support did not become a significant factor in the arts until the second half of the twentieth century.

Traditional corporate philanthropy consists of ‘ad hoc’ corporate contribution of money or goods made in response to requests from nonprofit arts organizations. Baumol and Bowen’s report in 1966, ‘Performing Arts-The Economic dilemma’ best describes the ‘patronage’ rationale for arts support. According to them, due to the economic structure of live performance within a high technology society that reduces cost through mass production, the arts will never be able to be self-sustaining, thereby creating an inherent income gap in all of the arts. Therefore, in order to survive, the arts would have to depend on contributed income from government agencies and businesses rather than increasing admission and ticket prices while risking a decrease in attendance. From this theorization, business and government leaders finally had an acceptable economic rationale for public and private arts subsidy. Arts professionals used it as justification for increased emphasis on funding development.

The shift of corporate arts philanthropy have occurred during the late 1970s and continued through the 1990s. Strategic philanthropy has emerged and predominated as an alternative to traditional corporate philanthropy, which has been criticized by the businesses stakeholders on the account that it had not contributed to business bottom-line during down cycles of business. In response to the changing context, arts advocates developed the ‘investment’ rationale of business support for the arts, persuading business
leaders of the utility of arts support in doing business. The following phrases have been commonly found in arts development personnel’s agenda during the 1980s and 1990s. “Investment in the arts yield returns for business by enhancing their reputations, advancing strategic goals, reaching new markets, and enriching the personal lives of their employees and customers, while improving the quality of life in the communities in which they operate” (BCA, 1995).

The detailed distinctive characteristics that separate strategic philanthropy from traditional arts philanthropy will be discussed after the review of traditional corporate philanthropy.

5.1 Traditional corporate philanthropy

Corporate philanthropy is defined as the giving of money by businesses to nonprofit, charitable organizations, often with no direct connection between the contribution and any activity of the company (O’Hagan and Harvey, 2000). Motives of modern corporate philanthropies, which are to say, product advertisement and corporate image promotion were almost unknown at earlier days of corporate arts philanthropy. Typically unequal exchange of resources, low level of interaction, a simple charity and gratefulness mindset have been the characteristics of classic notion of philanthropy, except for corporate art collecting. Through corporate art collecting, business mogul aimed to earn prestige associated with the value of excellence in the arts.
<table>
<thead>
<tr>
<th>Corresponding Types of relationship</th>
<th>Business resources</th>
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<th>Nonprofit arts resources and skills</th>
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<tr>
<td>1,2</td>
<td>Money</td>
<td>Arts commissions (direct subsidy)</td>
<td>People (Artistry of artists)</td>
</tr>
<tr>
<td>1,2</td>
<td>Money</td>
<td>Grants for operating support / capital campaign / building cultural infrastructure</td>
<td>Mission of the nonprofit arts institutions</td>
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<tr>
<td>2, 3</td>
<td>Asset (Company products, property, equipment, Facilities)</td>
<td>Non-cash contribution (in-kind donation and loans other than fiscal)</td>
<td>Asset (arts presentation spaces such as theater, museum, and auditorium)</td>
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<tr>
<td>2</td>
<td>People (knowledge)</td>
<td>Volunteering for the governance, operations of the nonprofit arts (indirect support)</td>
<td>Mission</td>
</tr>
<tr>
<td>3, 4</td>
<td>Money</td>
<td>Sponsorship fees for ‘specific’ arts presentations or arts programs (direct support); Mission, cause; Asset (brand value of the nonprofit arts/ external communication materials; client base of the nonprofit arts)</td>
<td></td>
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<tr>
<td>3, 4</td>
<td>Money</td>
<td>Purchase of tickets to arts events (direct subsidy)</td>
<td>Asset (arts events, programs)</td>
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<tr>
<td>5</td>
<td>People</td>
<td>Operational support (Indirect support)</td>
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<td>money</td>
<td>Venture capital investment</td>
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<td>7</td>
<td>Money, People Asset</td>
<td>Incubation support (Comprehensive business assistance)</td>
<td>Asset (Tech-based arts business; values of the arts in the community)</td>
</tr>
<tr>
<td>8</td>
<td>Asset, People (knowledge)</td>
<td>Artists residence in R&amp;D facilities; institutional support (technical assistance, workshops, internship, think tank)</td>
<td>People (artistic expertise, knowledge in new technology etc.)</td>
</tr>
<tr>
<td>9</td>
<td>Money</td>
<td>Licensing fees</td>
<td>Asset (values of the nonprofit arts’ brand name, logo)</td>
</tr>
<tr>
<td>10</td>
<td>Money, People (knowledge)</td>
<td>Expenses of production</td>
<td>Asset (arts and cultural products), people</td>
</tr>
</tbody>
</table>

Table 5.1: Resource exchanges of the ABRs
Types of ABRs:
1. Traditional corporate philanthropy
2. Strategic corporate philanthropy
3. Corporate Arts Sponsorship
4. Cause related marketing
5. Joint Issue Promotion
6. Venture capital Investment in for profit subsidiary of the nonprofit organizations
7. Business incubator for the arts
8. Joint R&D
9. Licensing Agreement
10. Co-production

5.1.1 Sectoral Drivers

5.1.1.1 Business side

1. Aesthetic purpose

Martorella (1990) commented that the whole history of corporate philanthropy reveals that not only how private businesses grew more conscious of direct support but had acquired an aesthetic tradition in their efforts to construct architecturally pleasing headquarters and interior design spaces. Before the federal government’s passage of the Internal Revenue Act of 1935, which was a landmark event that allowed companies to deduct up to five percent of their pretax earnings for charitable contributions, the paramount motives of corporate support for the arts were either aesthetic purpose or individual and arbitrary motives of corporate founders. Art commission was found the typical pattern of business support from this motive. During the Great Depression, the Second World War, most companies hired artists only to design advertising for their packages and their artworks were reproduced in calendars, posters, company bulletins and reports and in newspaper advertisements (Martorella, p.21). Clearly, corporate use of arts served aesthetic and less conscious objectives during these periods and before 1940s.
For example, the Rockefeller Center real estate development group commissioned Diego Rivera, the Mexican Muralist, to paint a mural for their building lobby.

2. Arbitrary motives of corporate founders

Jacobson (1993) observed that the principal motivation for nascent corporate art collecting before the First World War in the U.S. was closely related to corporate owners’ desires to demonstrate their potency acquired after the Industrial Revolution in the mid nineteenth century. The parvenu of the rail, oil and steel cartels developed an appetite for ‘art’ and ‘culture’ on a scale that was meant to emulate the monarchies of Europe where dynastic largess of princes, the popes, and the priests patronized masterworks of the world. These American entrepreneurs embraced art collecting and sometimes fledgling art patronage as one of the many validators of their newly found nobility. The collections and professional activities of the Metropolitan Museum of Art, the Boston Museum of Fine Arts, the Art Institute of Chicago, and the Boston Symphony Orchestra were launched and shaped by close association with financial and social elites such as Carnegie, Frick, Morgan, Rockefeller, Guggenheim, and Mellon.

3. Charity/Altruism motive

This is based on a concept and culture of social responsibility and ethical behavior that comes with the power over resources granted to corporations in American society (Young and Burlingame, 1996). From this ethical motive, nonprofit arts and cultural organizations had not been a large beneficiary from private sector’s charities. Among the subsectors of the whole nonprofit sector, arts and culture (3.0%) had ranked the fifth of total private giving in 1963, following religion (35.1%), human services and welfare (11.9%), education (10.1%), and health (8.1%) (Giving USA 1964). As to the company
giving alone in 1962, arts and culture were included in civic and cultural category, and ranked the last (5.3%), trailing education (41.9%) and health and welfare (40.9%) (National Industrial Conference Board 1963). These findings imply that education is the most preferred area for corporate philanthropy. Further, it suggests that nonprofit arts and cultural organizations need to consider collaboration rather than competing with educational institutions or develop projects including educational purpose to deem corporate grants.

5.1.1.2 Arts organizations side

1. Additional Funding / Publicity
A primary motivation for nonprofit arts organizations to enter traditional philanthropy is acquiring the additional funding. In some instances, announcing large funding from major corporations is prestigious, publicly demonstrating the worthiness of one’s cause, and may improve the ability of the nonprofit arts to raise funds from other sources in the future.

5.1.2 Interorganizational factors

1. Domain Consensus - Philosophies of corporate founders and peer group pressures
In the 1920s and 1930s, earlier form of corporate arts support, primarily by large manufacturing companies, did not maintain formal policies on corporate contributions. Instead, corporate founders’ beliefs to culture as well as their decision on who would and who would not be supported were key facilitators of the initial period of corporate arts
philanthropy. Besides their substantial human interests, it is fair to say that, peer group pressures from fellow businessmen or opinions of family members and friends certainly played a role in keeping the amount of support to match with other companies’ level of support. Corporate founders such as Henry Ford of the Ford Motor Company, Alexander Graham Bell of the Belle telephone company, which later became AT&T, Pierre Samuel Du Pont of the Du Pont company, and John Pierpont Morgan of JP Morgan Chase were active arts patrons in earlier days of corporate philanthropies. Their beliefs on ‘giving back’ to societies formed the foundation of many companies’ mission and vision statement today.

2. Complementarity - Tax Incentive

Most document regarded federal government’s enactment in 1935 to validate corporate contributions as the real beginning of the timeline tracking landmarks in corporate arts support. *Corporate Contributions: The view from 50 years* (1999) published by The Conference Board illustrated the two enactments that have shaped corporate contributions as an accepted business practice of the 20th century American corporation. First, the process of legitimizing corporate contributions began with the federal government’s passage of the Internal Revenue Act of 1935, which allowed companies to deduct up to 5 percent of their pretax earnings for charitable donations. However, this federal law did not decide the issue of the legality of corporate contributions since corporations are organized under state, not federal law (13).

Second, corporations did not have legal rights to make contributions until the New Jersey Supreme Court set a precedent in 1953 that it was legal for a company to make a gift for purposes ‘not directly’ related to its business. Before this decision, any
non-charitable donation of corporate property was challenged by shareholders on the account that it was tantamount to giving away stockholder assets without consent. Further, it was considered beyond the powers of the corporation. This view was based on a strict interpretation of ‘charter’ powers, which was granted to corporations. Therefore, corporations contributed to charitable and welfare organizations for the benefit of their employees. Following the precedent by New Jersey Supreme Court, other state courts ruled that corporations were free to give to charities whether or not they were related to the business of the company. These rulings opened the door for corporate support of local and national charities, and corporate funding in support of the arts and education increased dramatically (14).

On the other hand, for nonprofit arts organizations, grants or in-kind donation from corporations are considered related income, meaning income derived from activities that contribute importantly to the accomplishment of the organization’s tax-exempt mission. Therefore, it can be said that tax incentives for both parties can be one of the facilitating factors that has advantage from forming a relationship with each other.

5.1.3 Operational Elements

The characteristics consisting of the classic notion of corporate arts philanthropy can be summarized as follows:

1. The Locus of control: Since business is disbursing funds where it wishes, it maintains a good measure of power over nonprofit arts organizations.

2. Trust and Commitment: Project requires the least commitment in terms of business resources and managerial involvement (Wymer and Samu 2003)
3. Formality: Project progress typically communicated via paper status report (Austin 2000). Giving tends to be episodic, informal basis (Wymer and Samu) and anonymous (Muirhead, 1999).

4. Participation levels: corporate contact usually in community affairs or foundation; nonprofit contact usually in development

5. Time frame: ad hoc

6. Distance: Giving is kept at arms length from business enterprise, and generally only in response to nonprofit arts organization’s requests.

7. Symmetry: no symmetry between businesses and the nonprofit arts organizations required, beyond a shared interest in arts and culture.

5.2 A Shift to strategic philanthropy

5.2.1 Relationship Overview

From the entire spectrum of business-arts relationships, strategic corporate philanthropy seems to belong to the middle stage between traditional corporate philanthropy and more restricted transactional collaborations such as corporate sponsorship and cause related marketing, which appeared to be prevalent since the late 1980s. In light of supports for the arts, the notion of strategic philanthropy began to take hold in companies during the 1970s and the 1980s. While traditional philanthropy is characterized as unrestricted charitable donation, strategic philanthropy is called ‘high impact grants’ or ‘conditional grants’ in business administration literature in a sense that it is expected to bring returns to business, if not always precisely measurable, or at least have a positive impact on the way they do business over the long run.
The traditional disinterested patron of grand cultural events still existed, with the great foundations - Carnegie, Mellon, Ford, Rockefeller, Getty - continuing to dominate the arts funding scene. Yet, they were joined by hundreds of other corporate patrons, many of them operating at a local level, who helped expand the 'cultural economy' dramatically. The findings of annual survey of U.S. corporate contributions by the Conference Board in 1982 shows that corporate donations to the arts broke the $1 billion a year mark in 1981. In recent years, the more savvy players such as IBM and Mobil have re-packaged their philanthropy as social policy, creating quite detailed criteria for the distribution of funds to not just to nonprofit arts and cultural organizations but also to community groups, educational bodies and health area.

‘Enlightened self-interest,’ in other words, the shift of business mindset for philanthropy from the ‘right thing to do’ to ‘need to do’ as part of their business strategy best captures the underlying motive of strategic philanthropy. While there is no single definition of the term, a ‘strategic’ approach entails the following executional steps on the business side.

5.2.2 Implementation Steps

1. Developing a formal policy on corporate contributions and the areas of support:

This includes setting clear goals or objectives of philanthropic act rather than personal and charity-driven philanthropy; clearly defining exit options by specifying when and under what conditions an initiative would end.
2. Determining whether to establish a foundation as a tool of their contribution program or to maintain or set up a business function within a company for managing contribution programs

3. Conducting research into contributions problems; Considering the costs, risks, and benefits of contribution to judge its effectiveness compared with other ways of achieving the goals; and assessing, whether in light of the opportunity costs, implementing the plan is a good use of the organizational resources

4. Setting up systems of financial controls and follow-ups

5. Appointing personnel to administer the contribution policy and letting them to monitor whether company is on track toward achieving the goals of contribution and making reasonable efforts to know if the contribution has succeeded

6. Communicating philanthropic activities to public and stakeholder groups rather than anonymous giving by utilizing public relations campaigns as well as publishing white paper highlighting their activities.

(See Brest 2005, Bruch and Walter 2005, Muirhead 1999).

5.2.3 Principles and characteristics

The implementation of ‘strategically’ designed contribution is controlled by two principles below.

1. To make philanthropy have lasting impacts, businesses require philanthropy to contribute to the business performance like any other business activities.

2. Businesses seriously consider community needs and /or concerns in a society where they do business and their employees live.
These seemingly contrasting interests raised ethical questions of implementing strategically planned philanthropy. Bruch and Walter (2005) brought up the issue that to what ‘extent’ corporate philanthropy should be related to a company’s core business. The priority issue that whose interest has to be first served was also brought to the table by Brest (2005) and McClimon (2003). The question of balancing business interests with community needs by philanthropic act still remain unsolved and being practiced today.

In business practice, strategic philanthropy assumes the following three different patterns compared to traditional philanthropy.

1. Companies choose to clearly focus their support on ‘one’ type of organization or in ‘specific’ social issue area rather than arbitrarily engaging in a multitude of small projects in differing areas without overarching guidelines.

2. In choosing areas of support or grantees, businesses actively seek a ‘strategic fit,’ rather than disbursing money in response to requests. For example, companies place a priority on the nonprofit organization whose client base overlaps with businesses’ target markets.

3. Companies form partnerships with diverse community groups, local government, other companies, and/or other stakeholders who share a common interest in particular project or concern represented by the nonprofit’s mission.

5.2.4 Program options

Another distinctive trait that characterizes strategic philanthropy is diversifying away from cash in the mode of support. Options for strategic corporate philanthropy in arts and
culture sector have been enormously expanded beyond the simple cash disbursement pattern found in traditional corporate philanthropy. On top of the cash contribution, options include:

1. Cash contributions: Direct gifts, matching gifts, United Arts Fund, and employee matching gifts
2. In-kind donation: donation of products, securities, equipments, and other property such as land and buildings
3. Direct subsidy: purchase of artworks and tickets of various arts presentations, and membership subscriptions to nonprofit arts organizations
4. Indirect subsidy: Renting art’s spaces for company events; artists residence in workplace
5. Indirect support: employees’ volunteering at nonprofit arts organizations
6. Loans other than fiscal: Lending corporate facilities and equipment, and the loan of personnel such as executive talent to the nonprofit arts.

5.2.5 Sectoral Drivers

5.2.5.1 Business side

1. Serving business interest: Public Relations

Since the cultural boom in the mid-60s, nonprofit arts and cultural sector has been growing as corporate supporter’s favored grantees. Arts organizations were considered having an inherent competitive edge in generating ‘high visibility’ for corporate contributors. Plus, growing numbers of businesses found it safe to support nonprofit arts.
sector because they were recognized as relatively non-controversial, which is important to business operations. The International Business Machines (IBM) was very well known for their contemporary corporate art collection program and donation of part of their collections to nonprofit institutions or loan them to museums. IBM’s Gallery of Science and Art organized touring exhibitions in regions of New York and university museums, where IBM’s headquarter is located, as well as across the country. This cultural contribution built the favorable corporate image to larger general public, who may rarely visit a museum.

2. Addressing the community needs: supporting the values of the arts in the community and society in general

Arts impact studies prevailed in 1980s played a role in attracting more business support in community arts outreach program. Arts administration research that come out during this period tended to emphasize that the arts can positively enhance the quality of life in communities and provide enormous economic development to a company’s operating community. Business supporters bought this rationale because it coincided with their community relations strategy as a good corporate citizen. Moreover, this rationale seemed convincing in that investment in the arts yield returns for the community also by generating more revenues, attracting tourists and business, revitalizing neighborhoods, and fostering communication and understanding among different ethnic groups in the community.

H&R Block, Inc. supported numerous arts programs in Kansas City area, including Accessible Arts, Inc., where it provides supports to purchase equipment and arts supplies, and for renovation of a flexible gallery space for children with special needs.
and development disabilities; Arts Partners in Kansas City/Kansas City Young Audience where it funded visual and performing artists to provide performances and artist-in-residence opportunities at area schools, and ArtsTech where it helped renovate a facility to house arts education programs and entrepreneurial training for high risk youth with special emphasis on young leaving the juvenile correction system.

3. Corporate art collection as an investment

Jacobson (1993) figured that in the U.S., the 1980s was a time of government deregulation of banking and telecommunications and speculative maneuvers in securities markets and real estate, and art as commodity. Although companies are unwilling to discuss art as a monetary asset, they had to justify it in those terms to stockholders as well as to employees who would rather see a raise in pay or other benefits. For example, Chase Manhattan Bank began to list its collection in annual reports at the request of a stockholder. Martorella pointed out that, although art administrators refuse to verbalize openly that art is a good investment, one of the motivations for art collecting is considered as just one more ‘commodity’ in which to invest. It can contribute to a firm’s profitability, with the added potential of tax sheltering.

4. Employee benefits

Art in the workplace provides an aesthetic experience for workers and clients. For instance, corporate art collection, exhibits, and related education programs in IBM’s workplace nurtured corporate culture and provided an opportunity of appreciating art to IBM staffs, who would otherwise have little time to spend in museums. In addition, enhanced work environment plays a role in not only retaining current staffs but in recruiting new talents. Other than benefits from bringing in arts to workplace, companies
also recognized the value of getting their employees involved in volunteer work with nonprofit arts. This is a form of job enrichment.

5.2.5.2 Arts organizations side

1. Funding / credibility

As similar to the motivations of traditional philanthropy, the key motivations for recipient nonprofit arts organizations have not changed. The additional funding can help them to achieve financial stability, which is necessary to meeting standards of quality in arts products and further their mission. Also acquiring large funding from major companies can enhance recipient arts organizations’ credibility as accountable for performance. A case of the Limited Brands, Inc., and the Wexner Center for the Arts exemplifies these motives clearly. With the support of Limited Brands Chairman and Founder, Leslie H. Wexner, the Wexner Center for the Arts was established at the Ohio State University in 1989. Conceived as a research laboratory for all the arts, it emphasizes commission for new work and artist residencies. With the Limited Brands’ initial $25 million capital gift to the center, devoted leadership and volunteer time, an annual multimillion dollar fundraising campaign for the Wexner Center for the Arts raised over $2.5 million contributions from more than 275 local, national, and international donors in the business community. The company’s leadership helped broaden an annual multimillion dollar fundraising campaign for the Wexner Center for the Arts by providing access to supporters in the business community.
5.2.6 Contextual Factors

5.2.6.1 Pre-conditions

1. Accountability to shareholders

The shift in direction of corporate philanthropy has its roots in the 1950s where corporate executives faced the need to legitimate charities to varied stockholders as financial strains of two World Wars and the Great Depression put individual rationales for arts supports under scrutiny. This prompted companies to develop a systemic policy approach to corporate contributions and form company foundations as a tool of their contribution program.

2. Response to mergers & acquisitions as well as downsizing

The seventies and eighties were decades of great growth for support of the arts by the business community. By 1977, corporate contributions to the arts had increased fivefold to $100 million, though the giving to the arts was only 6.5 percent of total corporate giving. In 1987, it had reached 10 percent (Giving USA 1994). Notwithstanding the unparalleled growth in corporate contributions for the arts especially during the late 1980s, it began to decline since 1993, marking 9.3 percent of total corporate contributions, which was 12 percent decrease from 1992 (The Conference Board 2003 survey). The decline of corporate grants to the arts can be attributed to the influence of unpredicted changes in corporate climate of the late 1980s and 1990s, where corporate restructuring and downsizing abounded.

During the 1990s, managers of contributions and community relations programs have been under increasing pressure to prove their department’s value to their business. The climate of mergers and acquisitions posed a challenge to contribution managers who
must deal with the uncertainty that accompanies corporate restructurings (Muirhead, 41). In other words, contribution managers can neither take their programs for granted, nor can they rely upon automatic program acceptance when a change in management occurs. Downsizing has transformed the management of corporate contributions in the U.S. Prior to the cuts in contributions budgets in the 1990s, grants were made to numerous organizations involved in a wide array of activities (and largely untracked in terms of how they were spent). Forced to explain why businesses should give away money while laying off workers, contributions managers at hundreds of companies have come up with an approach that ties corporate contributions directly to ‘strategy.’

3. New leadership of CEO

Unlike their 19th century predecessors, who often used the arts to celebrate their worldly success, business CEOs in the mid-20th century incorporate the arts in the day-to-day function of their companies to provide uplifting cultural experiences for employees and the community (Martorella). Corporate executives began to recognize that as a corporation they have to act on the basis of the interconnectedness between people and profit, which is beyond the simple social responsibility. Corporate CEO’s changed philosophy on the philanthropy reflects that their interests in business success, employees and communities are becoming increasingly the same. Within companies that achieved sustainable results with regard to fulfilling both arts sector’s needs and businesses’ own advantages, CEOs’ leadership that aligned philanthropic activities for the arts with the overall company mission and vision played a part.
5.2.6.2 *Interorganizational Factors*

1. Compatibility: the close alignment of organizations’ target constituencies

The deep strategic fit between the organizations serves various purposes for both organizations. The close alignment of organizations’ target constituencies – namely, the college-age group that is Limited Brands’ prime employee base and the pool of volunteers and interns working at the Wexner Center for the Arts at the OSU was a main facilitator of the union between these two organizations. In addition to Limited Brands’ monetary support to the center, company’s employees are members and advocates for the center. They serve on boards and committees and use the center in recruiting prospective employees and entertaining corporate guests, vendors, and other associates. Leslie H. Wexner, Chairman and CEO of this company, clearly communicated the purpose of supporting the center. “A vibrant art community is essential for young and creative associate population at Limited Brands and it has had a significant impact on attracting and retaining creative talent at all levels of the organization.”
CHAPTER 6

TRANSACTIONAL COLLABORATIONS

From this stage, one can see that a few characteristics that can be called ‘partnership’ finally manifested. When we call a certain relationship ‘partnership,’ it means that there is one or more ‘resource exchange’ in the relationship and each party engage in managerial activities together and commit to the project. However, as discussed in the partnership model, types of partnership vary from specific transactions or projects covering a short-term time frame to strategic alliances involving multiple functions and levels in both organizations. In other words, the usage of term ‘partnership’ is rather inclusive and broad, so it does not fit well for the purpose of sorting out different types of relationships. Thus, in order to avoid confusion, this study will employ more exclusive terminology where there exists a relatively less possibility of the term referring to another type of relationship other than what it actually refers to. Yet, when referring to each participant, this study will use the term ‘partner’ for that from now on. By doing so, we can recognize that those relationships are still one type of ‘partnerships’ as well, even though the relationship itself is labeled differently, for example, like ‘transactional collaborations,’ for a distinction purpose.

The term ‘transactional collaborations’ was inspired by Austin, and it clearly denotes the transaction-based relationship types such as sponsorship, cause related
marketing program, and special project such as joint issue promotion. In this stage, the interaction focuses on specific projects having limited scope, and there is a significant ‘two-way resource exchange,’ rather than the simple transfer of funds. Businesses tend to support the nonprofit arts organizations whose client base overlaps in business target markets. The nonprofit arts bring the value of their mission, arts programs and events, and promotional opportunities for business partners to the exchange table. Business partners not only bring money but also human resources who can offer operational support and expertise in the nonprofit’s programmatic operations.

Economic rationale, which is in fact on the extension of investment rationale from strategic philanthropy, motivates businesses to support the nonprofit arts organizations with expectations for the economic impact on their business, such as marketing, sales increase, and PR.

6.1 Corporate Arts Sponsorship

O’Hagan and Harvey (2000) defined sponsorship as a two way commercial exchange between a company and an organization whereby the company gives resources – primarily money but also donations in kind – to the sponsored event. In return, the company receives promotional or other benefits of having its name or logo associated with the event.

The emergence of corporate arts sponsorship in the early 1980s can be traced back to strategic philanthropy. Although strategic philanthropy does not require the nonprofit arts to return benefits to companies directly, the idea of linking a corporation’s support activities with its business interest certainly paved the way for corporate
sponsorship. Compared to strategic philanthropy, corporate sponsorship generates very ‘concrete’ and visible returns to the corporation such as putting business’s name and logo in the nonprofit arts’ advertisements or other promotional materials or employee benefits from participating in arts event. Second, while strategic philanthropy to the most part qualifies as charitable deductions, the corporation carries the charge of sponsorship fee as part of a business's general promotional expenditure, not as a charitable deduction.

Since 1982, The Conference Board included business’s disbursements to 501©(3) organizations from departments other than contributions in measuring total corporate contributions. However, they did not separate it when reporting the survey findings. Thus, there is no track record to estimate the scale of corporate arts sponsorship alone. Nevertheless, nowadays, corporate arts sponsorship is considered the most popular and preferred form of business relationships with the arts because of its instant and visible benefits to both partners.

6.1.1 Sectoral Drivers

6.1.1.1 Business side

1. Marketing

Some research findings give an insight to business’s motivations and expectations from sponsoring arts events. Though the triennial BCA survey findings show the reasons of arts support from a holistic perspective, the categories of arts support were not classified, including all kinds of support from altruistic philanthropy to transactional relationships. Thus, the result is not an accurate picture when it comes to the reasons for arts sponsorship. On the other hand, O’Hagan and Harvey’s survey results of 69 companies
that had sponsored 129 arts events in Ireland particularly focused on the motivations for corporate arts sponsorship. According to the findings, ‘media coverage’ turned out as the main opportunity offered by sponsorship of an arts event, followed by in the order of corporate hospitality, employee motivation, increased sales, and sampling products.

From these results, it is clear that media coverage links directly to the image-promotion objective targeting general public. While the opportunity for the provision of corporate hospitality may also link to image promotion, in fact, it provides evidence of target market relations. Corporate hospitality can be targeted at one or all of suppliers, employees, existing or potential customers and legislators inside the community. Increasing sales is not the main and direct motive for sponsorship. Instead, it points to that corporate sales are expected to increase as a result of broad media coverage and providing opportunities of sampling products. In sum, business people recognize arts sponsorship as a useful marketing tool of advertising and PR because it is about establishing the link between a sponsor business and the audience an arts organization can deliver. As outcomes of sponsorship, they look to fulfill specific commercial objectives as noted above as part of an overall marketing strategy.

Unlike other subcategories in nonprofit sector such as health and environment, business prefers arts sponsorship for the purpose of directly promoting the firm because arts can be relatively non-controversial, broadly enjoyed or even participated in by employees and the public. Hence, it can be said that, compared to high visibility of corporate and brand identity and exposure of company products to target market and/or the general public, sponsoring the arts is a cost effective and powerful marketing tool. Aside from benefits as an external marketing tool, arts sponsorship is also considered an
effective internal marketing tool. Because, nowadays, many businesses employ arts sponsorship as an opportunity to motivate staff, promote teamwork, and nurture creativity in the workplace - the key to competitive advantage in the 21st century.

Texaco (now as a brand name under Chevron corporation) had a long tradition of sponsoring national live radio broadcasts of productions by the Metropolitan Opera since ‘The Marriage of Figaro’ opened in December of 1940. Texaco’s sponsorship of the Met’s Saturday matinee broadcasts was the longest national sponsorship in broadcast history at a cost of more than $50 million. The company expanded its involvement with the Met during the 1960s by creating the Texaco-Metropolitan Opera Radio Network, which broadcasts live performances to more than 300 classical music stations in the U.S. and Canada. In 1977, Texaco began sponsoring PBS telecast of ‘Live from the Met,’ enabling the organization to reach an even broader audience. And in 1980, the company made a $5 million leadership grant to the Metropolitan Opera’s $100 million centennial endowment campaign. In 1990, Texaco celebrated the 50th anniversary of the Texaco-Metropolitan Opera Radio Broadcasts with the expansion of live broadcast transmissions to Europe over the Texaco-Metropolitan Opera International Radio Network. Over the five decades following the December 1940 broadcast, Texaco's sponsorship of The Met amounted to more than $115 million.

From these long-term sponsorship histories, there is no doubt that Texaco could gain maximum media coverage. As seen in the titles of sponsored programs, Texaco’s brand name was always associated with the radio or broadcast network created from the bonds with the Met Opera. Moreover, as they contributed to developing opera audiences in America, and overseas, one can assume that Texaco could build broader consumer
base from national level to international level. Developing an image as a culturally conscious company could also help them build higher customer loyalty. An independent research results suggested that one-half (48%) of Americans with an interest in arts and cultural events indicated that they hold a ‘higher’ trust in companies that sponsor these events compared to those who do not, while only 16% of Olympic Games enthusiasts claim a ‘higher’ trust in their sports sponsors.

6.1.1.2 Nonprofit arts organizations side

1. Financing and Credibility

In general, sponsorship provides nonprofit arts organizations with much needed finance to help get new projects off the ground, sustain established enterprises or to help them develop new programs. Sponsorship is usually done by the payment of money but it can include sponsorship in-kind, which is the provision of discounted or free goods or services. Like in strategic philanthropy, collaborations with businesses can often be seen as enhancing the arts organization’s credibility with other funders because they have passed the corporation’s acceptability screen.

2. Audience development

In previous case example of Texaco-Met Opera collaborations, through sponsorship arrangement with Texaco, Met Opera could reach 96 percent of the population in the U.S., Canada, and Puerto Rico. The weekly-aired program can be credited with popularizing and creating a broader audience for opera – including three to six million weekly listeners.
6.2 Cause related marketing

Cause related marketing (CRM) is an established part of the marketing and philanthropic ‘mix’ in companies. Varadarajan and Menon (1988) defined it as “the process of formulating and implementing marketing activities characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives.”

In practice, it is overlapped with the sponsorship function because the company is promotionally associated with the nonprofit organization’s activities. Yet, the differences between the two can be explained as follows: 1) While the major objective of corporate sponsorship is much more inclined toward marketing corporate name, brand, and products directly, cause related marketing also aims to benefit the designated cause or mission of nonprofit organizations. In this sense, it is often called by ‘social sponsorship’; and 2) A business’s contribution to the nonprofit in cause related marketing is linked and ‘proportional’ to sales. On the other hand, a sponsorship fee that business pay to the nonprofits is a ‘fixed’ amount for the right to associate itself with the activity sponsored.

6.2.1 Sectoral Drivers

6.2.1.1 Business side

1. Business-related motive: Marketing/ PR, sales increase

As the term ‘cause-related marketing’ suggests, its foremost objective is marketing purpose to promote the image and products of the business sponsor. The following case example is considered a classic model of cause related marketing. During 1983,
American Express Company launched a cause related marketing program in support of the restoration of the Statue of Liberty. American Express promised to donate a penny to the renovation for each use of its charge card and a collar for each new card issued in the U.S. during the fourth quarter of 1983. American Express had a 28% increase in card usage over the same time period in 1982 and a sizable increase in the number of new cards issued. This $6 million national promotion campaign resulted in a $1.7 million contribution by American Express to the Statue of Liberty – Ellis Island Foundation. As a result, not only did the usage of product and sales increase, but overall consumer’s attitudes toward the American Express were enhanced as they consider it a ‘public-minded’ business. Presumably, this added benefit has a long-term impact on business performance than direct short-term outcome from cause related marketing program.

2. Cause-related motive: generating funds for the arts cause/ promoting direct contribution from individuals to the arts

Generating funds for the cause by stimulating revenue-producing transactions between the firm and its customers is the second objective of cause related marketing programs. In this sense, business can be regarded as a partner of joint fundraising with the nonprofit arts. Aside from business’s direct contribution to the nonprofit arts, the program may promote direct contributions by the general public to the cause because corporate often times spent much more money to advertisement and publicity of the cause-campaign than actual contributions. This certainly leads to generating greater awareness of the cause, mission, and activities of the nonprofits arts. American Express Company’s cause related marketing program has produced an estimated $20 million for the arts, which exceeded their $1.7 million of direct contribution.
6.2.1.2 Nonprofit arts organizations side

1. Additional Funding/greater recognition of the mission of nonprofit arts

Among nonprofit arts organizations, cause related marketing has started a debate. Many nonprofit arts are worried that cause-related marketing threatens to commercialize their mission. Still nonprofits caution that this type of activity may redirect funding to only the large, conventional, visible, and appealing causes (Barnes, 1991). As a matter of fact, business funders tend to move from one cause to another cause as they see a new cause with high visibility arise. As case histories of successful cause related marketing program show, businesses typically favored education, civic and health causes than arts, for example, combating cancer, heart diseases, child abuse, drug abuse, and drunk driving. It is presumed that those causes have broader appeals than the arts, and business funders think that arts do not appeal as an urgent social issue to be addressed as much as other social causes. From this perspective, prospect to cause related marketing seems to be unstable in arts organizations.

Nevertheless, it is undeniable that cause related marketing provides a chance to expand the total flow of funds from the corporate to the arts and to acquire greater publicity and recognition than a stand-alone nonprofit arts organization could achieve. Nowadays, arts fundraising became so strategic as to tie in with other nonprofit causes in the community to be included as a cause portfolio of the business.
6.2.2 Interorganizational Factors

1. Compatibility: Strategic alignment of target market demographics

American Express has joined with San Jose Symphony in San Francisco to promote fine arts and the use of the American Express card in ticket purchases. American Express noted that the demographics of a large percentage of its cardholders mirror those of arts supporters. As shown in this example, among several factors influencing business’s choice of causes, the factor affecting the arts is mostly a demographic one. Generally, companies choose nonprofit cause that is consistent with their image or characteristics of the product promoted. In addition to this product fit with the nonprofit’s cause, in incorporating the arts into its cause related marketing program, consistency of target market demographics served by the firm with demographics of consumers largely supportive of the arts plays a role.

For those brands marketing to a more refined audience, there is ample opportunity from arts sponsorship or cause related marketing program. According to the nationwide study, a new breed of art and culture consumers sketch themselves as ‘family oriented,’ ‘active,’ ‘mature,’ ‘fun loving,’ ‘traditional,’ and ‘socially liberal.’ They can best be described as married (58%), middle income ($30-$60K), baby boomers (average age 47) with a penchant for traveling. These consumers with an interest in the arts are brand loyal purchasers that appreciate corporate involvement and are not yet inundated by the advertising and sponsorship clutter so apparent in other pastimes (Performance Research's independent case study).
6.3 Joint Issue Promotion

Often times, joint issue promotion is considered a branch of cause related marketing because both types of relationship share an objective of supporting the nonprofit’s cause. The difference is, however, instead of a business giving ‘money’ to a nonprofit to support its cause, businesses engage principally in ‘activities’ to further the nonprofit’s cause in joint issue promotion. They are typically educational or awareness-building activities such as the design, distribution and advertisement of educational materials that disseminate the nonprofit’s cause.

There is an example of joint issue promotion between the nonprofit and commercial arts service organizations. Commercial entities such as VH1, an American music video cable TV network based in New York, and the National Academy of Recording Arts and Sciences, Inc. (NARAS) have jointly advocated for K-12 music education (See Pankratz, 2002). In this case, the issue is an ‘advocacy for K-12 music education.’ In 2009, LG Electronics MobileComm U.S.A, Inc. joined forces with the VH1 Save The Music Foundation for a one-year partnership to promote the importance of music education. In this case, a national year-long advertising campaign - 'Come Together' - is part of a multi-faceted partnership including LG Mobile phone’s check presentations to the VH1 Foundation for $150,000 at public schools around the county. This joint issue promotion is designed to raise awareness about music education and the positive impact it has on children’s lives.
6.3.1 Sectoral Drivers

6.3.1.1 Business side

1. Supporting the nonprofit arts’ cause / human resource enhancement / PR

Unlike the cause related marketing, the main drivers on the business side to enter joint issue promotion are more inclined toward furthering the nonprofit’s cause and enhancing human resources development by encouraging employees to serve on boards or design the nonprofit’s campaign as volunteers. ‘Generating favorable publicity directed toward a desirable market segment’ comes after as an added benefit (Sagawa and Segal 2000). Strictly speaking, although cause related marketing is associated with the nonprofit’s cause, businesses’ primary motivation to get into CRM is to boost sales directly for a campaign period by taking advantage of associating with a favorable nonprofit’s image and cause. Compared to that, in joint issue promotion relationship, businesses pursue the same social goals as the nonprofit organizations with whom they are associated without expecting any direct pay-back.

The publicity is more strategically directed than other types of ABRs. By participating in joint issue promotions, businesses are hoping to be perceived as champions of a cause, which is important to their customers. In K-12 music education example above, LG Mobile Phone’s target consumers are the youth who are mostly influenced by contemporary popular music, while the mission of the VH1 Save The Music Foundation is to restore instrumental music education programs in America’s public schools, and raise awareness about the importance of music as part of each child’s complete education. On top of advocating the worthy cause, LG Mobile Phone can not
only reach a desirable market segment through the arts partner’s nationwide network but also position themselves favorably to the current and/or potential customers.

6.3.1.2 Arts organizations side

1. Gaining operational support and other business resources

Unlike other types of transactional collaboration, the main driver of the nonprofit arts organizations to get into joint issue promotion is not acquiring fund. They enter this relationship to gain operational support and other business resources such as marketing and distribution channels to further their cause. In joint issue promotion relationship, there is an advantage to the nonprofit arts organizations in terms of relationship control. In addition, “by tapping into the resources and capabilities of companies, the nonprofits arts are able to bring much greater awareness to their mission and cause than would otherwise be possible (Wymer and Samu, 14).”

6.3.2 Interorganizational Factor

1. Symmetry

Joint issue promotions can be prominent when the partnering organizations are well known, the business’s mission and its nonprofit partner’s cause have some linkage, and the publicity is performed over mass media (Wymer and Samu, 14). K-12 music education case is a perfect example of meeting these conditional factors: 1) Both of them are well known nationwide organizations, 2) Their target market segments agree with each other, and 3) LG Mobile Communications Company will debut their TV spot showcasing real life students who have benefited from the VH1 Music Foundation,
increasing the impact of the joint issue promotion. It is also noteworthy that most mobile companies these days provide news and information through mobile contents, meaning it has a distinctive edge of promoting the cause on top of the traditional mass media.

6.3.3 Operational Elements

The characteristics consisting of transactional collaborations can be summarized as follows.

1. The locus of control

Depending on the types of transactional collaborations, degrees of control by each partner vary. Among all three types, nonprofit arts partners exercise the maximum control in sponsorship agreement about how the business sponsors advertise their association with them. From the planning stage, they offer the most prominent benefits to business partners in exchange for cash or in-kind contributions. Those are: a. Business name and logo will be positioned on all sorts of promotional materials; b. Acknowledgement for business partners will be made in arts organizations’ mailings to subscribers; c. Opportunity to run a joint promotion with arts organizations to encourage crossover between arts organizations’ supporters and business partner’s customers; and d. All press releases concerning the sponsorship event will carry a credit for business partners.

Compared to sponsorship agreement, in joint issue promotions, nonprofit arts partners have a moderate level of control. However, business partners can exercise varying levels of power themselves, depending upon the agreement. Businesses may contribute resources and expertise, which allow for substantial power in the relationship (Wymer and Samu, 14). Finally, cause related marketing is characterized as being
primarily controlled by the business partners on the account that businesses may spend much more on advertising and promoting their association with the cause of the nonprofit arts partner than they actually contribute money to them.

2. Commitment: Project requires commitment of each party but is limited to specific transaction or project. Trust must be constantly ‘re-earned.’

3. Formality: Project progresses based on explicit performance expectations specified in formal agreement contracts

4. Participation levels: communication channels expanding from relationship managers to strong personal connection at leadership level

5. Time frame: covers a short time frame where specific events and projects are holding.

6. Distance: level of engagement becomes closer than arm’s length relationships given that the planning and operations of relationships are performed jointly and there is a significant two-way ‘value’ exchange. Yet, the bond is still fragile because each partner does not employ performance measures based on longer-term results.
CHAPTER 7

STRATEGIC ALLIANCE

This stage presents the last type of partnership found in B2B partnership model and what Austin labeled ‘integrative stage collaborations.’ Both businesses and the nonprofit arts’ motivations of entering this type of partnership are mostly driven by economic rationale. As the term ‘strategic alliance’ originates from a business language, the objectives and goals of relationships pursued by each partner are almost similar to the ones found in business-to-business partnership. In strategic alliance model, the nonprofit arts organizations and artists are seen as artistic and cultural goods having economic value. For example, joint R&D and co-production, the most prominent types that fall to the strategic alliance category, provide tech-based businesses or industries based on copyrights with opportunities to work with new media artists or the nonprofit theatre to develop innovative products, find new contents, and create cultural products.

From a managerial perspective, strategic alliance tends to a long-term project based on formal contracts. Multiple divisions from business side such as product development, marketing, R&D are involved in strategic alliance agreements, and from the nonprofit arts’ side, production, development, marketing teams are their counterparts. Close communication is conducted most frequently, and resources of both partners are shared and combined to create values to each partner.
7.1 Research lab: Joint R&D between technology companies and media artists

*Definition*

Research labs are property-based ventures consisting of research and development facilities for technology and science-based companies. Research labs often promote community economic development and technology transfer. They tend to be ‘larger-scale’ projects than business incubators. Research labs house everything from corporate, government, and university labs to big and small companies. Unlike business incubators, research labs do *not* offer comprehensive programs of business assistance. Nevertheless, an important component of some research lab is a business incubator focused on early-stage companies.

A joint R&D is a strategic alliance whereby two or more organizations to combine their technological knowledge and research and development to create new innovative products.

*Pre-Conditions*

1. The growth of the arts and culture as a creative sector

The formation of creative sector is embedded in a ‘societal’ perspective rather than an economic one – an important distinction since the 1970s the arts community has sought to establish justification of themselves through economic impact of the arts. Wyszomirski (2003) considered the impact or potential impact of the changing creative sector in terms of scope and workforce. She advocated for the term and subsequent structure of a sector because it is more inclusive than an industry or a field. Similarly, ‘creative’ is argued to best describe the sector without the confusion or connotations that the words ‘culture’ or
‘arts’ may infuse. Taking a holistic approach that combines each definitional perspective – occupational approach, production structure approach, products/services approach, and process-based approach – in mapping creative industries gives more precise understanding of why core creative workforce and supporting infrastructure constitutes a vital part of ‘knowledge economy’ in the 21st century.

2. Relevance of creative sector to the business: cultural capital

By taking the ‘sectoral’ approach, creative sector as a whole becomes the second largest industry in the U.S. (Wyszomirski, 2003). Let alone this significant growth in the size of arts and culture as a social sector, businesses also began to take much more attention to the accompanied qualitative changes in the nature of arts and cultural sector. In particular, new media artists are seen as playing a key role in developing innovative products. In other words, their abilities to produce creative products are valued most in the knowledge economy in that companies lives on new product ideas, infinitely renewable information and contents. From this point of view, new media artists are regarded as important generators of intellectual property in particular. On the other hand, artists encompassing fine artists and artists in applied arts were seen as cultural content providers in general. In sum, businesses see artists and their creativity as ‘cultural capital’ having economic value.

Types of research lab

Particular note was made on the new technology companies, which are broadly interwound in art, entertainment, communications, and information content areas, and their initiatives for partnerships to increase the use of their products including both
software and hardware and services in all of these areas. As will be discussed in the following case examples, tech companies have a wide range of partners from professional fine artists, graphic and industrial designers, and emerging student-artists located in higher educations.

7.1.1 University-based research lab

7.1.1.1 Sectoral Drivers

*Business perspective*

: Recruiting new artistic talents that can be employed in business practice

Growing entertainment industry is demanding schools to teach entertainment technology. Entertainment-engineering companies such as Disney and casino, show producers in Las Vegas need versatile engineers knowing artistic context on top of the technical skills to produce new, bigger, and more complicated high tech shows or animations. These market needs are reflected in several curricular collaborations in higher education between disparate disciplines.

For example, Yale University houses the technical design and production program at the School of Drama, and the University of Nevada at Las Vegas (UNLV) created the entertainment engineering major. At the 2004 Barnett Symposium hosted by the Ohio State University, Richard Durst, Executive Director of the International Council of Fine Arts Deans, explained that these schools offer basic blend of engineering and artistry hand in hand. In addition, Durst exemplified the support by the Bowing aircraft for the interdisciplinary problem-solving project between artists and engineers at the Penn State University.
Another example is found in the collaborative work with the School of Cinema-Television at the University of Southern California (USC) and Character Animation, Experimental Animation and a new graduate program in Integrated Media at the California Institute of the Arts (CalArts). Several film and television companies offer internship to practicing student-artists, and a festival of USC student film projects are attended by industry representatives and film producers searching for new artistic talent (Pankratz 2002, Galligan 2003).

Several design graduate students who study at the Advanced Computing Center for the Arts and Design (ACCAD) of the Ohio State University have internships in the US movie industry. Some of them worked as an intern at Electronic Arts, the world's leading independent developer and publisher of interactive entertainment and video games software for PC, Wii, Xbox, PlayStation, mobile, and online. Pixar animation studios in California offer six-month summer internships, too. Others worked as a technical artist in lighting during an internship at Dreamworks/PDI.

Limited Brands partners with Columbus College of Art and Design (CCAD) to place graphic design students in marketing internships. These students have the opportunity to create labels used on Victoria’s Secret and Bath & Body Works products, as well as image for promotional materials, community relations materials, and more.

In sum, high-tech, communication, and entertainment companies collaborate with universities housing cohesive entertainment and design major in three major ways. First, they exclusively focus on its funding on research lab based in universities. Intel Corporation is the largest American corporate supporter of tech-based art and they justify return on its art investment in terms of the high public visibility it affords. Anything made
by artists demonstrating creative use of more ‘processing power’ best fits Intel’s corporate image and product line. Second, tech companies offer in-kind contributions such as necessary equipments in producing a new show or projects. Third, to prepare students for a real world, they provide workshops, professional trainings, internship, and field trip opportunities. For collaborating companies, this institutional support to trainings serves as a recruiting tool, and at the same time, it contributes to enrich companies’ education and outreach programs.

**Emerging artists perspective**

: Artists career pipeline

For student-artists, the collaborations between companies and higher education can serve as artists career pipelines. Through corporate institutional support such as workshops, technical assistance, think-tank sessions, internships, and field trip opportunities, these emerging artists can be benefited from new opportunities and pre-professional trainings for the artistic demands of the changing arts environment. In addition, cross-disciplinary curricula offer student-artists more career advancement options.

**7.1.1.2 Interorganizational Factor**

: Complementarity

Strategic alliance is the most prominent ABR model that complementarity plays a big part in boosting their relationships forming. The probability for relationship success is enhanced when each partner has the resource that the other partner is lacking. More specifically, the scarcity of key resources such as funds, market access, technology,
power, influence and many other resources prompts organizations to gain influence over other organizations that possess the required scarce resources. For example, the CCAD house the fashion merchandising program and students enrolled in that program are future fashion designers. Limited Brands could be a job market for these students. In this example, without complementing market access – recruiting market for the Limited Brands and job market for the CCAD -, the alliance between the Limited Brands and the CCAD would not be as successful.

7.1.2 Corporate-based studio-laboratory

7.1.2.1 Sectoral Drivers

*Business perspective*

: Capitalizing on artistic expertise for product invention and increasing intellectual property

Another collaboration motive by tech companies or service related industry including bank, insurance, and communications industries may be called ‘design and product invention rationale.’ Rectanus (2002) called this type of collaboration ‘the transfer of cultural software from artists back into corporations.’ The article from the Harvard Business Review (2004) featured the phenomenon that a lot of companies are starting to value people having MFA degree, especially who have design abilities that might help company to do a better job in design and promoting their products. This is especially so in entertainment or content-based corporations. Those industries have in common in that they heavily rely on, and derive substantial profits from ITCP (information technology and creative practices). “More structured and better funded collaborations are those found
in architecture firms, movie production companies, and computer game industry” (Beyond Productivity: Information Technology, innovation, and creativity 2003).

Some companies have experimented with specialized arts centers, artist-in-residence programs, or short-term arts projects, with mixed results. From these initiatives, they attempted to harness artistic expertise to further corporate goals such as new product development and increasing the company’s portfolio of intellectual property. For instance, Interval Research Corporations assembled diverse research staffs, including artists and filmmakers as well as computer and social scientists. The Nippon Telegraph and Telephone InterComumication Center (ICC) and the Canon ArtLab in Japan are the prominent examples of studio-laboratory, which brings together multimedia artists and computer engineers to produce new digital art works. The studio portion of the program presented exhibitions of multimedia works developed in house to the general public. Workshops and lectures on new communications technologies and practices were also organized both nationally and internationally. Thus, studio-laboratory model as a collaboration venue integrates knowledge, research, and practice of different domains.

Some IT companies experienced ventures into art and design that generate tangible benefits. The Philips Vision of the Future is one example of a large-scale project that integrated technology development with design practices. The roles of artists brought in projects are to try out products or programs and to provide consulting or video documentation services. Their opinions have impact by affecting the design of products used on a mass-market scale. To summarize, the values generated from inviting artists, designers, and writers consist of two levels. First, the economic payoff of creative practice tends to be at the design level, which is quite relevant in companies such as
Apple Computer and fashion industry, whose core competency depends on design capabilities. If it is true that technology has advanced sufficiently that the major differences among products seldom are based on technological capability, then the design of more stylish, usable, and aesthetically pleasing products has great value to the companies.

Second, let alone empirical evidence, which supports the argument for introducing artists into IT corporations, benefits also occur at the qualitative level. Artists’ motivations can drive technology forward in unexpected ways because they reconfigure unlikely materials for unexpected purposes. Finally, the opportunity cost of risk is tiny in the realm of cultural production and the rewards for risky new ideas are high. The corporation engaging outsiders leverages incentives to generate inventions and patent, so-called intellectual capital, that might not otherwise take root inside the organization.

Nevertheless, venturing into art and design by creating research lab brought another challenge of maintaining intellectual capital that corporations cropped out of it. For example, Xerox was successful in assembling a creative and diverse research community into Xerox PARC, but it closed because they were unsuccessful in protecting or marketing its intellectual property.

*Professional artists perspective*

: Access to advanced human and technical resources/ Networking opportunity with other professionals
New media artists were presented with the opportunity to spend a sustained time period creating new work as artist-researcher in research lab programs. In addition to the invaluable creative time, the new media arts residencies in studio-lab provide the artists with access to state-of-the-art technology, well-appointed facilities and highly skilled technical staff. Artists and other professionals – including scientists, technologists and business people – were brought together for more limited time periods in workshops or think tank seminars. The research project providing human and technical resources to artists is thought to be immeasurable value because access to those advanced resources is not generally available to the public. Moreover, fostering an on-going relationship with corporate research center as well as science and technology communities can go further in enabling the continued development of work and professional growth.

For participating artists, a corporation’s ‘studio-laboratory’ serves as an opportunity to expose them to new technologies, and in turn, to stimulate artistic use and adopt them to new artistic products. Artistic innovation sprang from the studio-laboratory can also benefit commercial arts producers since it is a way of satisfying paying customers.

### 7.2 Licensing

*Definition*

In typical licensing agreements between business in general and nonprofit organizations, nonprofit organizations allow corporations to apply their names and logos to a product or service that businesses provide in return for a flat fee and/or a royalty (adapted from The Alliance Analyst 1996). This practice is quite the opposite way in sponsorship agreement
where companies pays the nonprofit a sponsorship fee for using the business’s brand in the nonprofit’s advertisements or other promotional materials.

Independent Sector provides a broader definition that licensing is not only referring to an agreement in which a nonprofit's name is attached to a product, but also an agreement in which the nonprofit allows its ‘information’ or ‘knowledge’ to be used for a fee. Typically, a nonprofit licenses a company to develop, produce, market and/or distribute a mission-related product that is promoted either with a nonprofit organization's brand name or co-branded with both the company's and nonprofit's names. In business-to-business relationships in general, licensing refers to the granting of permission to use intellectual property rights, such as trademarks, patents, or technology, under defined conditions.

7.2.1 Sectoral Drivers

The entertainment arts businesses perspective

: Producing new content / Optimizing returns on successful products

As to the motives of cross-sector relationships between the nonprofit and for-profit arts, entertainment companies can benefit from working with the nonprofit arts in producing ‘new content’ for searching the audience including both niche and mass markets.

Prominent examples of this type of collaboration are found in interplays among commercial producer in Broadway, entertainment companies, and nonprofit live theater. Cherbo (1999) observed distinct arrangements that each sector can enter into. First of all, a nonprofit can ‘license’ a production developed in its theater. Commercial producers may become interested and license the production from the nonprofit entity, which then
participates in a royalty pool and profit sharing, receiving a negotiated percentage of revenues, and subsidiary rights such as merchandise, film rights, CDs, and so forth. Nowadays, film companies are inking development deals with innovative nonprofit theater groups in exchange for the first rights to a play that might translate into a feature film.

Another reason for entertainment businesses’ engaging in licensing agreement with the nonprofit arts can be said that, “They can optimize returns on successful products and offset losses or marginal returns on most products (Hodsoll 2002, 109),” considering that investment in theater or films produces spectacular returns only on occasion.

The nonprofit arts perspective

: Enhancing revenue streams / Better dissemination of works

The primary motive of the nonprofit theaters’ entering into licensing agreement with commercial producers is to enhance their revenue streams and missions. Plus, a nonprofit theater can enjoy the benefits such as better dissemination of their work, increased recognition and new audiences on the account that entertainment companies perform a great deal of marketing and promotion activities of licensed work.

Hodsoll (2002) noted on the outcome of this collaboration that, by being involved with for profit partners, the nonprofit arts organizations can reduce the amount of necessary fundraising, increase the visibility of their work, and in a few cases, providing a surplus that can subsidize a theater’s not-for-profit work.

In the case of the Center Theatre Group in Los Angeles, only Children of a Lesser God and a touring production of Phantom of the Opera made money. In the case of Lincoln Center Theatre, neither Carousel nor Parade recouped investment. One-third of the Old
Globe’s commercial transfers, mostly musicals, have produced revenues that exceeded recoupment. Of twenty-seven Goodman productions that were commercially transferred over twenty-seven years, only five actually produced surpluses. On the other hand, these commercial productions all reduce seasonal operating deficits. New York Times coverage and playing in New York were also noted as important pluses (p.115).

In addition to the regional and off-Broadway theater collaboration with commercial producers, Sesame Street’s collaboration with Random House and MTV shows another prominent case of licensing. Sesame Workshop, formerly known as Childrens Television Workshop (CTW), has used its Sesame Street brand to establish for-profit enterprises. CTW’s first venture of this kind involved Random House, which is a for-profit subsidiary of Bertelsmann book publishing company, in the production and sale of Sesame Street–related books. In 1998, CTW joined MTV Networks in co-investing (50:50) in another for-profit corporation to put Sesame Street programming on what was to become Nickelodeon’s Noggin Channel, aimed at children ages 6 to 11.

7.3 Co-Production

A co-production is a production where two or more different production companies are working together. Film and video makers have long benefited from co-production agreements, and new media makers are finding some opportunities for this as well (Jennings 2000). Unlike licensing agreements, co-production begins with the initial brainstorming sessions among nonprofit arts organizations, potential business partners and independent producers to explore, critique, and share ideas about creating cultural product.
7.3.1 Sectoral Drivers

The entertainment business perspective

: Quest for new contents

On entertainment businesses’ part, the quest for contents prompts them to invest capitals to the nonprofit arts organizations and raw talents. Co-production agreements are often found in between nonprofit arts organizations associated with motion pictures or theaters and television networks. A couple of cases illustrate this. CBS Broadcasting Inc., co-produced CBS television specials on movies and stars with American Film Institute (AFI). Showtime, a subscription TV brand, produced a series of made-for-television movies in collaboration with the Center Theatre Group. In his field study findings, Hodsoll (2002) attributed tv networks’ interests in this type of partnership to that, they have a much greater need for additional content — seven days a week, twenty-four hours a day - than feature films do. Television markets are already sliced and diced into smaller and smaller segments, and digital television is expected to expand the need for programming. There simply won’t be enough programming to fill all the time slots in all the channels (Hodsoll, 112).

The nonprofit arts perspective

: Cost-efficiency in developing projects / Diversifying income streams

Nonprofit arts organizations can have the rights to a production that it cannot afford to develop itself. ‘Enhancement money’ is sometimes forthcoming from commercial producers with an eye for a Broadway run. For example, Cameron MacIntosh Limited, a theater production company in the U.K., gave enhancement money to the Lincoln Center
in the U.S. to show ‘Carousel’ which had been revived at the Royal National Theatre in London.

Finally, a nonprofit entity may co-produce a show by forming a for-profit subsidiary or directly partnering with entertainment companies who are better suited to production than traditional nonprofit and independent producers. For example, Manhattan Theatre Club created a for-profit subsidiary to oversee the transfers of their works to the commercial theatres. In ten years, eight plays went on to commercial venues. Five of the six that went to off-Broadway commercial theaters recouped their investments, and one of the two that went to Broadway did so.

At the outset of co-production with the large entertainment companies, there has been recognition of nonprofit/commercial synergy as a cost-effective means of developing projects. On the nonprofit theater’s part, “growing concern of escalating production cost, longer time period required to recover an investment, and risk of failure have availed themselves of collaboration” (Cherbo, 1999).

Beckoning global markets and ancillary income streams such as film, video, merchandising, soundtracks provided another rationale of co-production. In the last decade, Time Warner, Disney, Sony, Seagrams, Bertelsmann, Viacom, SFX Entertainment and New’s Corps ventures into nonprofit live theater by bringing rational business practices, access to capital, and integrated services to the high risk business of live theater. Many of them not only own theaters and presenting venues but also are affiliated with companies integral to the production and distribution of theater such as TV and cable stations, satellite TV, video production, music, publishing, internet, and theme
park companies. By collaborating with these entertainment giants, a nonprofit theater can have national and international channel of advertising and distribution.

7.3.2 Interorganizational Factors

: Complementarity / Mutuality

The phenomenon of connections between for profit arts and the nonprofit arts was seen along with a paradigm shift in thinking about the place of the arts in society. The 1999 American Assembly Report: Deals and Ideals: For profit and not-for-profit arts connections proposed that the range of arts sector in America include the entire spectrum of artistic activity – the nonprofit and commercial arts, as well as community, avocational, traditional, and unincorporated arts. Assembly Report also concluded that the arts sector is characterized by ‘interdependence’ between its parts, revealed in the sharing and overlap of artistic styles, ideas, properties, cultural production, marketing, and methods of distribution to the public.

Among various strategic alliance types, co-production best illustrates that the success of relationship formation is enhanced by mutuality. At the outset of the alliance, nonprofit arts organizations and potential business partners begin to develop strategic objectives together, each partner seeking ways to bring value from the alliance to the other partner. Achieving the expected outcomes heavily depends on each partner’s willingness to develop joint goals and risk/reward sharing. To put it another way, at the core of an alliance is the concept of ‘shared destiny.’ Entertainment companies’ return on investment cannot be achieved without a high quality original content from nonprofit
theatres. For nonprofit theatres, increased sales and publicity result from entertainment businesses’ performance on producing, presenting and distribution.

7.3.3 Operational Elements

The characteristics consisting of strategic alliance can be summarized as follows.

1. The Locus of control: In licensing agreement, business generally takes a great deal of operational control. The business must perform the marketing activities necessary to generate sales from the licensing agreement. A nonprofit arts partner’s control is generally limited to how its name is presented. Compared to that, entertainment businesses and nonprofit arts partners have almost equal balance of control in co-production agreement, because partnering organizations are all operationally involved in production. In most cases, though, business partners have distribution rights to the contents.

2. Commitment: Projects requires joint planning, joint operation control and risk/reward sharing. Although commitment of each party is to specific project, it is to a longer term relationship, particularly in joint R&D.

3. Formality: All types of strategic alliance progress based on rights and liabilities among partnering organizations specified in formal agreement contracts.

4. Participation levels: People begin to interact with greater frequency and communication channels are at multiple levels.

5. Time frame: Covers a longer time frame
6. Distance: As the levels of institutional resources get bigger and the risks involved with the association becomes more critical to each partner, the closer the distance between each partner.
CHAPTER 8

VENTURE PHILANTHROPY

This chapter presents the ‘social change’ rationale, and shows the pattern of relationship that is actually extended from strategic philanthropy model during 70s and 80s. While strategic philanthropy is seen mainly as funding and resources as an investment to achieve business aims, it also incorporates the element of addressing the community needs when deciding the areas of support. Particular concerns for addressing social problems and needs are succeeded in venture philanthropy with much more emphasis on accountability from business investors and sustainability from the nonprofit arts side. It is also called by corporate social investing in that businesses’ investment of capitals and resources in the nonprofit sector aims to bring a social impact, nurturing the communities and enriching the innovative social enterprises. In light of managerial activities, venture-like investment has a relatively ‘longer-term’ horizon, spanning mostly three to six years at least. Since the offering of comprehensive business expertise and assistance are requirements for the venture philanthropy, the level of engagement gets very high and the types and levels of institutional resources employed multiply.

In contrast to the cases of strategic alliance model, within venture philanthropy model, the nonprofit arts and cultural sector is seen as social capital having public values as well as political capital helping authorizing environment in favor of investing companies.
Definition

Finally, corporate involvement with the arts evolved into a new phase in the 1990s. The shift of rationales in business involvement with the nonprofits may be outlined as from investment purpose to social change purpose. Muirhead predicted that, just as decrease in contributions budgets and the adoption of strategic philanthropy were an expression of the strategic changes that swept corporate American in the 1990s, so too will the repositioning of philanthropy reflect the globalization of economy. Claudia H. Deutch reported in her New York Times article that “Corporations adopt a different attitude; Show us the value.”

‘Venture philanthropy’ is the latest topic in corporate grant-making scene affected by political, economic, social, and technological changes since the 1990s. Pepin (2004) defined venture philanthropy as ‘human resources and funding invested in the charities by various types of funders such as entrepreneurs, venture capitalists, and corporations in search of a social return on their investment.’ It is characterized by principles of entrepreneurial business. In other words, it combines the practices of ‘long-term’ investment and venture capital of the for-profit sector with the mission-driven principles of the nonprofit sector. In business practices, ‘venture philanthropy’ is ramified into two definitional approaches as follows.

1. A ‘pure’ venture capital investment approach: Venture capitalists are investing in new and creative commercial enterprises operated by nonprofit organization or their trading or holding companies to seek a ‘financial’ return on investment for both parties.
2. A 'modified' venture capitalist approach: Investing in nonprofit organizations to achieve a number of measurable 'social' results. Typically, investment falls into one of the four types including:

   a. start-ups/incubator support;
   b. infrastructure development;
   c. investing in people (social entrepreneurs); and
   d. investment in organizational development.

In socially responsible investment practice, business investors can be either venture capitalists or corporate foundations or multiple business units in a company, although companies seem less likely to use the term 'venture philanthropy.' However, regardless of who they are, in terms of approach, business investors use the venture capitalists’ framework such as taking the initiative, investing in new or growth ideas generated by nonprofit organizations, and taking a performance-centered and results-oriented stance on their investment.

From the above definitions, the primary difference between actual venture capital investment and 'venture capitalists-like' investment lies in the motivation of entering the relationships: a financial return on investment for the former vs. a social return on investment for the latter. In addition, the latter approach has a special focus on the nonprofit’s sustainability. Recently, the term ‘venture philanthropy’ has been often used in referring to only the latter definition, that is, venture philanthropy focusing on social return on investment.
From the vantage point of arts and culture, both dimensions of venture philanthropy will be examined after reviewing the external environments affecting the rise of new type of philanthropy.

Pre-conditions

1. Venture capitalists’ involvement in grant making

In late 1990s, new technology and biomedical industries created new wealth and these successful venture capitalists and entrepreneurs have demonstrated the ability to turn business ideas into action and results. This dot.com boom also brought more attention to their financial support and involvement in grant making. The success experienced in business is considered to be extended to the nonprofit sector. Typically, venture capital focuses on relatively ‘small’ companies, anything from start-ups to companies in various stages of implementing their operating plans or establishing organizations’ financial viability (Williams, 2002).

2. Businesses seeking out social performance

Political environment influenced the new phase of corporate philanthropy. There has been increasing tendency within societies at large to look to corporations, not government, for leadership in resolving social and environmental problems. The government social spending cuts in the 1980s, financial gains realized by corporations, and the downsizing of the federal government in the 1990s led to decentralization and privatizations of government enterprises and explosive growths in the private sector, as a consequence. The public and NGOs are increasingly looking to corporations for not only
monetary support but for leadership in solving societal problems that have not or cannot be addressed by government (Muirhead, 1999).

In addition to the change in political environment, corporations faced the new context for conducting business, globalization. More and more companies began implementing programs that recognize that ‘social capital’ have powerful impacts on communities worldwide. In tandem with efforts to promote their corporate citizenship values, leading companies are increasing the transparency of their business and social practices. A significant group of companies such as Shell, BP, and Monsanto have adopted the so-called ‘triple bottom line’ of reporting, through which firms commit to report not only on their economic, but also on environmental and ‘social’ performance. These companies’ social practices are considered to represent a ‘second generation’ of the social responsibility and foundations of corporate venture philanthropy.

In International Venture Philanthropy Forum, this phenomenon was described as that, just as an entrepreneur invests ‘venture capital’ (start-up money) in a potential business blockbuster, a corporation invests in its funds and expertise in a nonprofit, with a plan to build that nonprofit’s self-sustainability and accountability (Nonprofit Enterprise and Self-sustainability Team, www.nesst.org/listings/Forum.htm). It is also called ‘social ventures’ in that venture philanthropists aim to solve the root of social problems or ‘quality-of-life investments’ (Weeden, 1998) on the account that it contributes to improvements in the quality of life throughout the community.

3. Public value of the Arts

The values that artists or nonprofit arts and cultural organizations can deliver may be best captured as intrinsic and inherent values. Throughout the 70s and 80s, arts advocates
have used the concept of cultural tourism and cultural marketing to persuade existing or potential funders to support nonprofit arts and cultural organization. By the time of the 90s, along with increasing business interests in community issues, they began to elaborate the social and public values that the arts can offer to the communities. For instance, public arts agencies strive to integrate the public purposes and public values of the arts as their guiding theme in 90’s cultural policy agendas.

As to the social problems that the arts can contribute as a solution, there is no shortage of list: external threats to national identity, unemployment of job loss, urban disinvestments, educational problems, youth crime, or the impact of globalization, and so forth. In addition to these social and community values, a life-changing experience that the arts can bring on the personal level is reported as an evidence of the ‘transformative’ value of the arts. Among these, any issue can become an agenda to be addressed by corporate venture philanthropist in relation to business’s aim and their position in the particular community.

4. From ‘fundraising’ to ‘financing’

NESsT (Nonprofit Enterprise and Self-sustainability Team), a worldwide service organization working as a social enterprise catalyst in emerging market countries, figured that the nonprofit capital market faces the following key limitations:

a. A strategic focus on philanthropic ‘fundraising’ vs. a wider, more holistic approach to organizational ‘financing’;

b. A focus on diversifying sources of fundraising (i.e., individuals, foundations, corporations, governments), but not on diversifying ‘types’ of financing;

c. A primary focus on projects/programs, not on organizational development;
d. An ‘equity gap’ due to the non-profit, non-distribution constraint (i.e., nonprofit organizations do not have shareholders or ownership as in the for-profit sector); and

e. ‘Weak’ balance sheets (i.e., nonprofit organizations have tremendous difficulty in acquiring hard assets or carrying over liquid assets from year to year due to terms and conditions of donor grants)

In comparison, the for-profit capital market includes a rich variety of financing sources (i.e., banks, venture capital and private equity funds, etc) and financing instruments (i.e., bonds, equity, loans, etc) for capitalizing the various stages of enterprise development. Meanwhile, despite the tremendous diversity within the nonprofit sector, the nonprofit capital market relies predominantly on one single financing instrument - the grant - for providing capital to organizations of various sizes, types, and stages of development.

Socially responsible venture capital investment has been emerged as an alternative financing model to help ‘diversify’ the financing base and further the mission of the nonprofit organizations. It could be employed by businesses to address the limitations of the nonprofit capital market at multiple levels: 1) at market level to be more responsive to the needs of local communities; 2) at organizational level that can meet the operating and growth needs of nonprofits; and 3) at sectoral level to provide more secure and flexible types of financing necessary at the various stages of nonprofits’ development. Facing this new grantsmaking practices, nonprofit arts organizations are challenged to transfer socially responsible investment to ‘culturally’ responsible enterprises.
Operational Elements

According to the Center for Venture Philanthropy, venture philanthropy includes the following five elements:

1. Investments in the *long* term (mostly for 3-6 year business plan, with some implying support for up to 10 years);
2. High-engaging partner relationships between the investor and the nonprofit;
3. An accountability-for-results process (impact evaluation and performance measurement);
4. Provision of cash *and* expertise; and
5. Exit strategy principle: creating partnership and lessening dependency.

From these components, it looks like that there is a great deal of overlapping with corporate strategic philanthropy, except for the two attributes: 1) the provision of ‘expertise’ in addition to cash, on the business part is a ‘must,’ not an option for venture philanthropy; and 2) venture philanthropy has a special focus on results, nonprofit’s ‘sustainable’ organizational capacity, therefore, a long-term span, while strategic philanthropy tends to be one-time grants that may result in short-term program opportunities. Another big difference lies in the entering motivation to the relationship with the arts. As will be discussed in the next section, while corporate strategic philanthropy is much more inclined toward serving business interests, corporate venture philanthropy is gearing toward searching for a social return on their investment (SRI).
8.1 Venture capital investment in for-profit subsidiary of nonprofit arts organizations

One of the patterns shown in actual venture capitalist investment in nonprofit arts and cultural organizations is investment in for-profit subsidiary of nonprofit arts organizations. This funding model might have a potential of viability between venture capitals and new media arts relationships in that both partners have the same organizational status – ‘for-profit’ entities - and shared goal – generating more ‘revenue.’

8.1.1 Sectoral Drivers

The venture capital perspective

: Raising more capitals / financial returns on investment

Frequently, businesses more readily invest or lend capital to for-profit entities rather than to tax-exempt organizations. From corporations’ side, the main reason for that is, “in the event of insolvency of the exempt organization, an involuntary bankruptcy cannot be filed against it by creditors. Furthermore, a for-profit entity has the capacity to raise capital from the general public through a conventional stock issue” (Sanders 1994,17). Typically, venture capitalists look for IPOs (initial public offerings of stocks) or acquisition opportunities when deciding to invest (Stanford Social Innovation Review, www.ssireview.org). In the economic boom of 1990s, venture capital funds realized returns of 40-50 percent and higher return rate (Alternative Assets).

However, this investment rationale does not seem to sit well for venture capitalists in investing in for-profit subsidiary of nonprofit arts organizations. Above all, the number of cases found to date is very limited and no data or research findings are
available as to the actual ‘outcome’ - the return on investment rate - from those investments. This may be attributed to the fact that arts business set up by nonprofit arts organizations rarely head for IPOs. This limitation might indicate that a more prevalent pattern of venture capitals’ direct investment in commercial arts businesses, not affiliated with the parent nonprofit arts organizations, is more viable, if their foremost objective is to expect ‘financial’ return on investment. In reality, the latter type of venture capital investment may have a chance to be developed as joint venture and end up with vertical integration, which are frequently found in B2B relationship.

*The nonprofit arts perspective*

: Tax advantages / Developing a marketable product and intellectual property

On the other hand, from the nonprofit arts organizations’ side, through the use of a subsidiary, they can be indirectly involved in a for-profit activity without jeopardizing its exempt status. In addition, the parent nonprofit will not be subject to unrelated business income tax on the subsidiary’s income because the income of the subsidiary is generally taxable. Another advantage from forming a for-profit subsidiary is that nonprofit arts organizations may choose to place an activity in a separate subsidiary to protect the status of the exempt parent organization and insulate its assets from possible legal liability for the activity. A parent nonprofit is generally not liable for the debts or tortuous act of its subsidiary. Last but not the least, a for-profit subsidiary can not only transform artistic work and vision into a marketable product but also identify and develop intellectual property by patenting the work or by licensing their technology.
From these vantage points, as an alternative to direct participation in commercial joint venture with the corporate sector, venture capitalists or venture philanthropists, there is a growing tendency that nonprofit arts organizations form a for-profit subsidiary on their own. Most of representative cases are found in new media arts. For example, 3-Legged Doggs, a New York nonprofit theater company, formed a for-profit subsidiary called Shape of Time to protect and market intellectual property developed by 3LD. Some corporate venture capitals made contributions to them through channels of the New York City Investment Fund.

Reversely, there is also an opposite case that venture capital organizations set up a nonprofit entity serving as a think-tank or an incubator to make informed investment decision. For instance, Arts Alliance, a European-based e-commerce venture capital organization, set up Arts Alliance Laboratory in San Francisco, to have them conduct experiments in digital media, and to keep abreast of new technologies and innovations in academia, industry, and other research arenas. This art laboratory helps parent company – Arts Alliance - to make an informed decision in funding start-up web companies.

8.2 Business Incubators for the Arts

Definition

The National Business Incubator Association (NBIA) defined ‘business incubation’ as a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. Critical to
the definition of an incubator includes: 1) the provision of management guidance over three to six years, 2) technical assistance, and 3) consulting tailored to young growing companies.

The concept of business incubators for the arts was first put into practice in 1987. A Chicago-based consulting firm, whose clients included emerging arts groups and a small cadre of arts administration and facility development professionals, first adapted the business incubator model for the cultural community. Integrated facility and organizational development services are known to what distinguish arts incubation from a cooperative arts space or a more traditional technical assistance program (NBIA, 2000).

Venture philanthropists or corporations supporting arts incubator program may serve as an incubator’s parent or host organization or may simply make financial contributions such as building or renovating a space to be used as an arts incubator and provide technical assistance to the incubator program. Roughly, three major clients of arts incubators can be identified as: 1) small and emerging nonprofit arts organizations focusing on ‘community-revitalization’ projects or ‘organizational development,’ 2) individual artists for creation, and 3) for-profit arts businesses focusing on technology-based cultural projects.

8.2.1 Sectoral Drivers

The business perspective

1. Organizational capacity building of the arts organizations

A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding. By assisting in the growth and development
of wide range of arts organizations, arts incubators are seen as having the potential to create jobs in economically distressed communities, expand tourism, revitalize neighborhoods, transfer and commercialize new technology, retain businesses in a community, and become an integral part of its community.

The startup phase of Entergy Arts Business Center, an arts incubator in New Orleans, LA, shows the importance of corporate funding for day-to-day operations. The incubator, whose clients are nine nonprofit theatre, jazz, film, video, and literary organizations, received a $150,000 operating grant from the Entergy Corporation, a regional utility company, for a three-year period. They continue as a primary sponsor of Entergy Arts Business Center today.

EC2 is a non-profit business incubator and research facility at the Annenberg Center for Communication, University of Southern California (USC). It is affiliated with the USC’s Schools of Communications, Engineering, and Cinema-Television and positioned to facilitate collaborative, interdisciplinary projects, leveraging its relationships with media companies, technology producers, policy experts, academics, and USC. Several corporate partners participate in EC2 as service providers and offer incubator companies discounted products and services in critical business areas, including accounting, financing, and network infrastructure. Currently, corporate partners include: Aon Corporation, Berbay Corporation, E-Commerce Exchange, Epoch WebAccelerator Program, Exodus Communications, HR Advisors, Media Technology Ventures, O’Melveny & Myers and PricewaterhouseCoopers. As an arts business, L@it2’d, a directorial/design company specializing in television broadcast design, music videos, commercials and interactive entertainment, is enlisted in incubator companies.
2. ‘Long-term’ industry health as a result of investment in the community

Embedded in the corporate venture philanthropy that is gaining wider corporate focus today, are interrelated goals of business responsiveness, community participation, and reputation enhancement and management. Rectanus (2002) employed the term ‘corporate cultural politics,’ on the ground that many companies articulated cultural programming as a vehicle of maintaining community relations to assert their institutional legitimacy in terms of social issues and market acceptance.

The social issue frequently found in arts-based community development projects in partnership with businesses and city government is a city’s re-development project. In many communities, urban revitalization and community building initiatives involve close partnerships between arts and business sectors, and more often than not, in collaboration with national or local governments, which generates benefits to the general public. The 1999 American Assembly report briefly described the case of redevelopment of community building project in New York. The New 42nd Street, a nonprofit corporation, re-developed abandoned historic theaters, which was donated by the city of New York to children’s theatre and a rehearsal building for the arts, and negotiated the siting of a multiplex movie theater with two corporations by leasing the theater buildings to them.

Through the various levels of involvements with arts-based community development projects, companies earn community trust and credibility. A good corporate reputation of having social impact is, in turn, seen as a source of better economic performance and competitive advantage in the long run (Pepin 2005, Muirhead, 1999).
3. Employee Impact

Engagement with artists and arts organizations can have especially high leverage in a corporate context. Nowadays, businesses look to the arts for solutions to some of the key challenges they face, in terms of developing their people and harnessing their commitment and creativity. Often, corporations have their employees volunteer their time and experience in arts incubators. In return, mentoring to arts entrepreneurs provides middle to senior business managers with intellectual stimulation applying their knowledge and skills. Other times, business volunteers serve on the board of nonprofit arts organizations and have an experience of non-executive governance such as setting policy, strategy and overseeing management. These volunteer activities are considered to have an impact on developing volunteers' business skills, in particular project management, analysis, creative thinking, influencing, and communications.

Since 1975, Business Volunteers for the Arts program has become a successful model of the network of business partners in local communities under the coordination of the Arts & Business Council of Americans for the Arts. They have provided consulting services to ten nonprofit arts organizations through ArtsServe, an arts incubator in Fort Lauderdale, Florida, since 1994.

The arts entrepreneurs perspective

1. Business skills, technical assistance, training, and mentorship/Work space

Artists and arts entrepreneurs enter into arts incubator program to get the business training and the support they need to succeed. Galligan (2003) pointed out the perplexities faced by artists and arts entrepreneurs when it comes to running a successful
arts business. While artists easily comprehend what is needed in terms of ongoing artistic training, they are often at a loss in assessing ‘what is needed’ and ‘how to do it.’ It includes a range of activities such as marketing, management, financial planning, bookkeeping, costing, and accounting. In addition to these routine business skills, it may include technical assistance such as helping with computers, designing website as well as assistance in filing needed legal documents, competing tax forms, fundraising and grants writing, and so forth. Training and technical assistance often work together to build an individual or organization’s capacity to grow and prosper.

2. Infrastructure development strategy for arts and cultural sector
The socially responsible venture capital funds are relatively new, with little in the way of a track record. In 2002 survey highlights of PricewaterhouseCoopers/Venture Economics/National Venture Capital Association, five investments from venture capital fall within the parameters of the arts and culture industry under ‘Media and Entertainment’ industry. Music equipment manufacturing, national performance venue chains and dot-com business providing community and resource center for musicians found support from venture capitalists in 2001. From this example, Williams (2002) projected that venture capital funding is reaching beyond technology-based cultural projects. Further suggestion was made that the cultural sector might be best served by venture capital approach with social overtones, an approach prioritizing targeted building and strengthening of arts and cultural infrastructure.

Most arts incubators find the best sources of corporate funding to build an incubator facility close to home. For example, Arts Bridge, an arts incubator in Chicago, gained support of Uptown National Bank. The Chicago bank contributed about $50,000
to renovate space in its building to house the arts incubator and subsidized its rent for several years (NBIA, 2000, 70). Besides funding or subsidized lease for the facilities, provision of office equipments is another way to strengthen the ‘communication’ infrastructure of arts organizations. In Arts Bridge case, a local media company contributed telephone equipment to them. Some mixed-use business incubators have had success garnering corporate dollars for specific projects such as computer centers or the installation of central telephone systems.

Considering low investor return rate from culturally related projects as well as low number of arts businesses offering publicly traded stocks, community-based cultural enterprises have viability in attracting and retaining venture capitalists and corporations who are interested in financing social enterprises. The most popular projects among them are: 1) cultural infrastructure building projects that can enhance the quality of life of populations, 2) revitalization projects in economically disadvantaged urban or rural communities that has a strong potential of job creation, 3) arts in youth services that reach at-risk youth in schools and residential programs, and 4) meeting cultural diversity of neighborhood.

Copp (1988) made a case that an advantage in funding the arts is their ability to improve a community by offering a service that goes beyond the more ‘basic’ services of health and social welfare. Accordingn to Copp, the most popular appeal of the arts appears to be as a service that ‘enriches’ a community, not only through its entertainment value, but also for its potential to promote creativity and to explore the human condition. This explains well why arts incubators promoting intrinsic value of the arts in a community should be developed as a future solicitation strategy for investment.
8.2.2 Operational Elements

Venture philanthropy is characterized by the following operational traits.

1. The Locus of control: Although venture philanthropy investors may take an active role in the investees’ social enterprises through business expertise and technical support in addition to seed money, one of the impacts that they bring to the nonprofit arts partners is building their ‘self-financing’ capacities. Hence, joint operating controls at the outset of relationships decreases over time once the nonprofit arts organizations or arts businesses are able to create a larger, sustainable pool of operational resources rather than merely re-distributing existing resources. At the exit stage of investors, nonprofit arts partners or arts business can take ‘self-control.’

2. Commitment: Commitment is to the nonprofit arts partners’ long-term success. On top of the grant funding, a wide range of financing instruments are being developed, including loan funding, capital finance, shared equity and bonds. This poses more risk to venture philanthropy organizations but they exhibit more tolerance for short-term loss than any other collaboration type, at the same time. Endeavor Capital Management, who invested in dance enterprise in San Francisco, manifested its philosophy that they seek management teams that welcome investors as outside partners who will work ‘on their behalf.’

3. Formality: Venture philanthropy starts with an in-depth assessment process of the nonprofit arts partners’ organizational capacity, feasibility of the nonprofit enterprise, leading to an agreement of the needs and priorities for support.
4. Participation levels: Venture philanthropy emphasizes high engagement as essential to the investment relationship. ‘Value-added’ involvement is an often-used phrase in the private equity community. Expertise can be offered, 1) directly from the venture philanthropy organizations, 2) from experts volunteering from businesses, or 3) from specialist consultancies which are paid for by the venture philanthropist. Experts’ participation prevails across extensive operational functions of the nonprofit arts partners ranging from feasibility study and business plan development for nonprofit arts enterprise, enterprise management, nonprofit accounting, financial management, product development /pricing to legal counseling.

5. Time frame: Investments in the long term (mostly for 3-6 year business plan, with some implying support for up to 10 years)

6. Distance: As the levels of institutional resources get bigger and the risks involved with the association becomes more critical to each partner, the closer the distance between each partner. Venture philanthropy would be the most proximate relationship among four different patterns of the ABRs.
CHAPTER 9

PROFILES OF ARTS AND BUSINESS PARTNERS

In the previous four chapters, the cases of four distinct ABRs patterns were reviewed through analytical framework developed in Chapter 2. The focus of this investigation was made on the nature of each relationship pattern, e.g., types of relationships, major motivations that drive each sector entering into specific collaboration with the other sector, and operational elements that characterize the way each relationship model is implemented.

This study attempts to link the causes and conditions of relationship formation across a range of ABRs, given that much less has been known about the conditions under which such relationships occur. It was believed that with an integration of those conditional factors and relationship attributes, the development of a comprehensive ABRs model would be considerably enhanced. As identified in the analytical framework in Chapter 2, these conditions refer to the ‘interorganizational factors’ that facilitate or impede the formation of ABRs. They can be seen as ‘moderator variables,’ influencing the strength of a relationship between two other variables, sectoral drivers and relationship patterns. In the ABRs model, four generalizable factors were identified: complementarity, supplementarity, symmetry, and domain consensus. Naturally, research on these ‘interorganizational’ factors directed the attention to the partnering organizations themselves. It is noted that knowing better the profiles of each partner in cases would
help to explain some of the facilitating conditions of ABRs formation reversely, if not all. The purpose of this chapter is to focus on symmetry factor in specific among all interorganizational factors as the first step to explore the characteristics of partners in ABRs. This, in turn, will help to be more specific in predicting a variety of different patterns and types of ABRs and in identifying the research gaps that require further attention.

9.1 Introduction

As defined in the ABRs model, ‘symmetry’ refers to the balanced state of the importance of each organization to the other’s success, relative size, industry category, and reputation. This concept pertains to “who partners with whom?,” the profile of each organization. This inquiry involves the examination of the following subset of questions: 1) What type of industry and what kind of nonprofit arts organizations are involved in ABRs?; 2) Are there patterns found in relationship formation between certain types of industry and arts organizations of certain disciplines?; and 3) Is their relative size similar between business partners and the arts partners? To explore the symmetry factor in ABRs, this study utilizes two main measures: industry category, and size.

First, ‘industry category’ refers to the type of business that any organization is engaged in. This is an important variable because the type of industry it is operating in will influence much of the organizations’ perceptions (Iyer 2003, 51). This study adapts industrial classification by the Conference Board for analysis on business partners. By and large, the whole industry category is divided into the manufacturing industry and services industry:
1) The manufacturing industry includes: a) chemical, b) computers and technology, c) electrical equipment and appliances, d) food, beverage, and tobacco, e) industrial machinery and construction, f) petroleum, gas, and mining, g) pharmaceuticals, h) transportation equipment, i) aerospace and defense, and j) other diversified manufacturing; and

2) The services industry including: a) banks, b) finance and insurance, c) retail and wholesale trade, d) telecommunications, e) utilities, and f) other diversified service.

Arts and cultural organizations categories used in this study were adapted from core code classification system of the National Taxonomy of Exempt Entities (NTEE) developed by the National Center for Charitable Statistics. These include: 1) performing arts, 2) visual arts, 3) museums, 4) media/communications, 5) multipurpose organizations such as cultural center, arts council/agency, and multidisciplinary arts, 6) arts education schools/programs, 7) literary arts, 8) historical activities, and 9) others including professional associations, support organizations, arts service organizations, fundraising/distribution, and research/policy analysis.

Second, ‘size’ is an important attribute of any organization. Size can be conceptualized in terms of certain financial profiles, e.g., sales turnover, market capitalization, or its workforce, i.e., number of employees, although these two tend to be correlated. In other words, firms with large sales also tend to have a large number of employees. In case of nonprofits, the concept of sales turnover does not apply; instead, the organization’s annual budget could serve as an indicator of size (Iyer and Gooding-Williams 1999). Size is a continuous variable, although for this discussion, I will be
categorizing it into three: large, medium, and small. Business partners by size followed
the classifications of the BCA’s annual Business in the Arts Awards.

1) Large companies: $250+ million in annual revenue;

2) Midsize companies: $50 million to $250 million in annual revenue; and

3) Small companies: less than $50 million in annual revenue.

Unless otherwise noted, all archival data of businesses are for FY 2008, and were
retrieved from Hoovers.com, a business directory.

For analytical purposes, this study divided the arts, cultural organizations into
three groups:

1) Large (annual revenue of more than $100,000)

2) Medium-sized (annual revenue between $25,000 and $100,000); and

3) Small (annual revenue of less than $25,000)

Archival data of annual budgets of arts and cultural organizations were drawn from the
2008 Return Transaction File maintained by the National Center for Charitable Statistics
at the Urban Institute. It should be noted that only organizations with a budget of $25,000
or more are obligated to file an IRS Form 990. Hence, data of small organizations with a
budget of less than $25,000 were retrieved from another source, Guidestar.org, a service
organization providing information about the nonprofit organizations’ mission, programs,
and financials.
9.1.1 Methodological notes: selection of case site

The data reported here are based on the cases of past awardees of Business in the Arts Awards from 1992-1998, the BCA 10 awardees from 2004 to 2008, and the BCA Best Practices. In total, the number of cases analyzed is ninety. Since nothing is known about the characteristics of partner organizations in ABRs, I sought the cases that were critical and longitudinal enough to explore some patterns in relationship formation and success in light of compatibility and symmetry factors such as industry category and size. As Yin (2002) notes, findings from case studies carry some caveats that case examples are not generalizable to the whole universe or populations, unlike survey sample. Rather, the investigator’s goal is analytic generalization, to expand or generalize theories through analysis of cases (Yin, 10). From this standpoint, the findings from the cases selected are expected to be informative and revealing about the factors, supportive conditions that facilitate relationship formation and increase the probability of success. To test the existence of these facilitating factors in relationships formation, growth, and success, the cases to be examined had to be, above all, successful ones over a longer time frame. Based on such criteria, the cases of above mentioned data source were best suited for the specific conceptual needs.

Since its award program launched in 1992, the Business Committee for the Arts (BCA), a corporate arts service organization, has an established standing in terms of recognizing companies of ‘all’ sizes that have exhibited exceptional long-term vision and commitment to developing alliances with the arts. The objective of this award program is to have presented companies supporting the arts set the standard of excellence and serve as role models for others to follow (BCA website). For ‘Founders Award’ and
‘Commitment Award,’ their awardee selection criteria lie in the long-term commitment for ten years or longer through a variety of philanthropic and business initiatives with the arts. Not only do they recognize the companies showing long-term commitment, but also the ones having provided overall support for five years or less, and having developed ground-breaking partnerships with the arts through ‘New Initiative Award,’ and ‘Innovation Award,’ respectively. In addition, the nomination and selecting process reflects both the arts organizations’ and businesses’ perspectives, not just from one side, as arts organizations nominate companies and a panel of judges consists of both business and arts leaders. Taking all these into consideration, it can be said that the cases of awardees are critical and longitudinal, covering from short to long span of time and many settings, which are sufficient to examination of contributing factors in relationship success. Moreover, all aforementioned accounts are believed to lend to decreasing the possible biased selectivity, a weakness known in collecting evidence of case study.

9.2 Key Findings

The principal findings of this project will be presented in five sections: 1) Partnering patterns by industry categories; 2) Partnering patterns by organization size; 3) Relationship patterns by partner characteristics; and 4) In-kind support and employee matching gift.

9.2.1 Partnering patterns by industry categories

For the purposes of this project, the master file for industry category of business partners was created by combining a list of companies awardeed for best supporting to the arts by
the BCA from 1992 to 1998, with a list from 2004 to 2008. The first chart (Table 9.1) below provides information on the number and percentage of companies that appeared in the awardees files. Manufacturing and service industrial sector accounts for 40%, and 60%, respectively, so service sector overall is considered having little more edge over manufacturing sector in partnering with the arts organizations over the past 10 years.

<table>
<thead>
<tr>
<th>Industry category</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Computer/technology</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Electrical equipment/appliances</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Food, beverage, tobacco</td>
<td>10</td>
<td>11%</td>
</tr>
<tr>
<td>Industrial machinery/construction</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Petroleum, gas, mining</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>Aerospace/defense</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>7</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Manufacturing industry sector total</strong></td>
<td><strong>36</strong></td>
<td><strong>40%</strong></td>
</tr>
<tr>
<td>Banks</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>Finance/insurance</td>
<td>23</td>
<td>26%</td>
</tr>
<tr>
<td>Retail/wholesale trade</td>
<td>8</td>
<td>9%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>4</td>
<td>4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Other service</td>
<td>11</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Service industry sector total</strong></td>
<td><strong>54</strong></td>
<td><strong>60%</strong></td>
</tr>
<tr>
<td><strong>Cumulative Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 9.1: Presence of business industry category in the awardees profiles

The second chart (Figure 9.1) gives the distribution of arts and cultural organizations represented in the awardees profiles that have partnered with businesses. An industrial sector generally is a predictor of its ‘relative’ interest in partnering with the arts. Of the nine broad fields that encompass the majority of arts and cultural activities,
‘performing arts organizations’ (average 32%) were the most popular arts partners selected by both manufacturing and service industrial sector. Schools and organizations that promote ‘arts education’ ranked as the second popular arts partners (18%), followed by ‘museums’ (average 15.5%). The fields that set two industrial sectors apart in terms of partnering frequency are 1) organizations that produce or supply productions in ‘media’ - film, tv, radio, publishers – and 2) ‘multipurpose’ organizations. While 9% of service sector chose to partner with media, only 5% of manufacturing sector did it. On the other hand, multipurpose organizations comprising state and local arts councils, and multidisciplinary arts centers partnered with 11% of manufacturing sector in comparison to with 7% of service sector. Another different partnering pattern was that ‘other’ category including arts foundations, fundraisers, cultural policy/research institutes, and arts service organizations partnered more frequent with service sector (8%) than with manufacturing (5%). Similar to the museum field, the visual arts organizations benefitted from partnering with both manufacturing (7%) and service sector (8%) almost equally.
Meanwhile, the third chart (Table 9.2) provides a detailed breakdown of industry variations across the whole sectors by the fields of arts organizations that they partner with. Market considerations are evident in the varying emphases placed on arts partners by companies in different product area. Industries with direct public contact, such as financial sector (28%), retail (4%), and lodging categorized as other service industries (10%), or companies producing consumer goods such as food/drink/tabacco (8%) selected to support and partner with performing arts organizations in the first place above other arts fields, while industries with little public contact in manufacturing, such as chemical (1%) and aerospace (1%) showed relatively less interest in partnering with them.
<table>
<thead>
<tr>
<th>Industrial sector</th>
<th>Performing arts</th>
<th>Visual Arts</th>
<th>Museum</th>
<th>Media</th>
<th>Multi-purpose</th>
<th>Arts Education</th>
<th>Historical</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
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<td>Computer/electrical</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
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<tr>
<td>Food and allied</td>
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<td>1</td>
<td>4</td>
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</tr>
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<td>Industrial machinery</td>
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</tr>
<tr>
<td>Petroleum, gas, mining</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2</td>
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<td>1</td>
<td>2</td>
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</tr>
<tr>
<td>Transportation equipment</td>
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<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Aerospace/defense</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Manufacturing, total</strong></td>
<td><strong>30</strong></td>
<td><strong>7</strong></td>
<td><strong>13</strong></td>
<td><strong>8</strong></td>
<td><strong>8</strong></td>
<td><strong>16</strong></td>
<td><strong>4</strong></td>
<td><strong>6</strong></td>
</tr>
<tr>
<td>Banks</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Finance/insurance</td>
<td>20</td>
<td>4</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>13</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Retail/wholesale trade</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Utilities</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Service</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Service, total</strong></td>
<td><strong>43</strong></td>
<td><strong>11</strong></td>
<td><strong>22</strong></td>
<td><strong>13</strong></td>
<td><strong>10</strong></td>
<td><strong>26</strong></td>
<td><strong>3</strong></td>
<td><strong>12</strong></td>
</tr>
<tr>
<td><strong>All companies, total</strong></td>
<td><strong>73</strong></td>
<td><strong>18</strong></td>
<td><strong>36</strong></td>
<td><strong>21</strong></td>
<td><strong>18</strong></td>
<td><strong>41</strong></td>
<td><strong>8</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

(All numeric values indicate the number of industry as a % of total number of businesses)

Table 9.2: Percentage of partnering frequency with arts fields by industry
As for the museums, data analysis was based on the combined percentage of both museums and visual arts organizations, since visual arts organizations have close link with art museums. In service industry, partnering trend followed the similar pattern as with performing arts field, financial sector being the most prevalent partners (13%). Interestingly, manufacturing industries such as transportation equipment and petroleum/gas selected to partner with museums/visual arts organizations more often than with performing arts. These industries produce intermediate goods and are often considered to carry a poor industry image associated with environmental pollution. Partnering with fine art museums and visual arts organizations may be viewed as a means of addressing the public’s poor impression on these industries. This also can be attributed to the general perception that positive visibility has a wider reach through museum and visual arts exhibitions, and associating with them is safer than with performing arts.

Partnering pattern with ‘media’ again shows variations across industrial sector that may arise from the nature of these businesses and the advantages gained by engaging in particular kinds of arts organizations. In general, service industry operates comparatively large advertising and contributions programs, whereas most manufacturing industries run smaller ones in both areas. Supporting or partnering with public radio, tv, film, publishers/producers of print materials can reach greater numbers overall and this is what typical service industries that sell directly to the massive public are seeking for. It can also explain the reverse pattern that, manufacturing companies who opted to partner with media only accounted for 7% of total 90 companies.

Frequency of being engaged with arts education institutes or organizations that offer programs promoting a variety of artistic disciplines is very high in both
manufacturing (16%) and service industries (26%). Among those industries, three out of four high-tech firms in telecommunication industry partnered with arts education. Within this industry, the tendency to support arts education institutes or initiatives marked the highest compared to with other fields of arts organizations, which may be attributed to their motivations to support the training of future workers. As specified in the corporate contribution policy of Time Warner, Qualcomm, and United Technologies Corporation, they commonly state that 1) creativity and innovation drive the companies, 2) like science and engineering, the arts are core to who they are as a company, and 3) engaging youth in the arts advance these principles that have been at the core of their success.

Businesses’ partnering with historical organizations preserving arts and culture shows currently the second lowest category of frequency (average 8% of total 90 companies), following the cases with literary arts organizations (2%). Yet, manufacturing sector in total showed more interest in partnering than service sector in total. Particularly, corporate contribution policy of petroleum and natural gas exploitation companies such as Anadarko Petroleum Corporation and Freeport-McMoran Inc. state that preserving society’s cultural heritage is as vital as their business providing energy resources. These manufacturing companies have little public contact, thus, there is no need for supporting high-profile programs/arts organizations to the same degree as service sector does. This may imply that working with art conservation/historical societies projects a sense of concern for tradition, thereby a good fit to magnify credibility of these types of companies over the long-run.
9.2.2 Partnering patterns by organizational size

Table 9.3 outlines data on the relationship between the size of the companies and the industrial sector presented in the awardees profiles. Out of total 90 companies partnering with the arts organizations, small size companies with less than $50 million in annual revenue account for 20%. Service sector took 13% of small companies, slightly bigger share than manufacturing sector’s 7%. Midsize companies with annual revenue of $50 to $250 million have on average the smallest share (13%) of business partners, the manufacturing firms the fewest with only 2% while service firms marked 13%.

Meanwhile, companies categorized as large size with annual revenue of more than $250 million represented about two thirds (67%) of the total business partners. The percentage of large business partners is substantially greater than the combined percentage of small and midsize business partners (33%), implying that larger firms may be in advantageous position in allying with outside organizations due to their comparatively larger resource pools in terms of both money and human resources that are needed in initiating and maintaining the relationships. Both manufacturing and service sector showed the similar distribution (31%, and 36%, respectively) within the large companies’ population.

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>Small</th>
<th>Midsize</th>
<th>Large</th>
<th>Total(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>7</td>
<td>2</td>
<td>31</td>
<td>40</td>
</tr>
<tr>
<td>Service</td>
<td>13</td>
<td>11</td>
<td>36</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>13</td>
<td>67</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 9.3: Presence of industrial sector by size (%)
The following chart (Figure 9.2) delineates data on the relationship between the size of the firms and the size of arts organizations in the awardees profiles. Large size arts organizations with annual revenue of more than $100,000 were revealed as the most popular counterpart by about two thirds of total 90 companies across their size. Among these, preference for large, established arts organizations is the most apparent in large size firms, while only less than 5% of them partnered with small to midsize arts organizations. In contrast, approximately 40% of small companies partnered with small to midsize arts organizations with annual revenue less than $100,000.

Figure 9.2: Partnering frequency by organizational size

An interesting pattern as to the organizations’ relative size was found in partnering with ‘all’ sizes (from small to large) of arts organizations. Mid to large size
firms representing a majority of manufacturing and service sector expressed a relatively similar level of interest, an approximate 22 to 25 percent, in partnering with from small, emerging arts organizations to large, established ones. Small size firms, on the other hand, have less options in this category, showing only 5% of them partnering with all sizes of arts organizations. This result re-affirms the assumption that the larger the company is, the more variety could be present in its partners pool. Taking all the results into consideration, it is implied that the symmetry factor in both partners’ relative size definitely is present and playing in the successful ‘mating process.’

9.2.3 Relationship patterns by partner characteristics

As identified in the conceptual framework in Chapter 2, ABRs are clustered into four different patterns: 1) traditional philanthropy, 2) transactional collaborations, 3) venture philanthropy, and 4) strategic alliance. Each of these includes a range of types that carries the traits of that specific relationship pattern. Examination on the relationship patterns found in awardees file deals with three major questions:

- Approximately how often does each ABR pattern occur in the practice of ABRs?
- How do the partnership patterns vary across business partners (industry category, size)?
- If the partnership patterns vary with characteristics of businesses, what are the characteristics of arts partners?

To deal with the first question, the distribution of partnership types between arts organizations and businesses in the awardees profile will be first examined. The third
chart (Figure 9.3) reveals that grant is the most popular type (87%) found across all business industry categories, followed by in the order of sponsorship (61%), venture philanthropy (20%), and joint issue promotion (14%). Arts incubator and research lab only capture 4% each, of the total partnerships in awardees profile. These results are anticipated, however, given that arts incubators and research labs have emerged in corporate arts funding scene only since late 1980s.

(Base: multiple responses)
Figure 9.3: Percentage of partnership types in awardee profiles

The objective of looking into the profiles of businesses and its arts partners that entering into a certain type of relationship is to see if there exists any pattern in relationship formation between certain types of industry and arts organizations of certain disciplines. By doing so, this study can also shed light on some of interorganizational facilitating factors that have influence on institutionalizing the partnership process. In the following
analysis, each partnership pattern will be discussed in terms of partners’ characteristics – industry categories and arts disciplines, and their relative size.

9.2.3.1 Grants

Among the four patterns of ABRs, ‘grants’ turned out the most popular type of partnerships adopted by nearly 90 percent of businesses awardees. About three categories of grants were identified from business investment perspective: 1) employee focused investments including employee matching gifts, 2) quality-of-life investments focusing on the needs of a neighborhood, town, or city where the corporation has a plant or headquarters, and 3) customer-centered investments. From arts administration perspective, grants from businesses range from unrestricted operating support, capital support, to program support, to professional development.

Comparing the two industrial sectors, manufacturing companies were much more likely to make grants to the arts - 92% of the manufacturing sector-wide total - than the service sector - 83% of the service sector-wide total (Table 9.4). On the other hand, the distribution of industry types making grants and their relative arts partners were not a whole lot different from the make-up of business industry in the awardees profiles (See Table 9.1) and partnering frequency with arts fields by industry (See Table 9.2), considering that nearly all awardee companies selected grants as a fundamental funding tool. Size-wise, it is noteworthy that the percentage of manufacturing sector making grants to ‘small to midsize’ arts organizations is relatively larger, constituting 36% of the manufacturing sector-wide total than the service sector-wide total (33%).
<table>
<thead>
<tr>
<th>Industrial sector</th>
<th>Grant</th>
<th>Transactional Collaboration</th>
<th>Venture philanthropy</th>
<th>In-kind donation</th>
<th>In-kind service</th>
<th>Employee matching gift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Computer/electrical</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Food and allied</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Industrial machinery</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Petroleum, gas, mining</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Aerospace/defense</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing, total</td>
<td>33</td>
<td>25</td>
<td>7</td>
<td>19</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Percent of the sector-wide total</td>
<td>92%</td>
<td>69%</td>
<td>19%</td>
<td>53%</td>
<td>50%</td>
<td>42%</td>
</tr>
<tr>
<td>Banks</td>
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<td>5</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Finance/insurance</td>
<td>21</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Retail/wholesale trade</td>
<td>7</td>
<td>8</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Utilities</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Other Service</td>
<td>9</td>
<td>7</td>
<td>2</td>
<td>6</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Service, total</td>
<td>45</td>
<td>36</td>
<td>15</td>
<td>18</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Percent of the sector-wide total</td>
<td>83%</td>
<td>67%</td>
<td>28%</td>
<td>33%</td>
<td>56%</td>
<td>37%</td>
</tr>
<tr>
<td>All companies, total</td>
<td>78</td>
<td>61</td>
<td>22</td>
<td>37</td>
<td>48</td>
<td>35</td>
</tr>
<tr>
<td>Percent of the total companies</td>
<td>87%</td>
<td>68%</td>
<td>24%</td>
<td>41%</td>
<td>53%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Table 9.4: Frequency of partnership patterns by industry
9.2.3.2 Transactional collaboration

The second popular pattern of partnerships was transactional collaboration model, including arts sponsorship, joint issue promotion, and cause related marketing. Clearly, there were far more companies that reported making grants and sponsorship with the arts partners than companies either making grants or sponsorship solely, indicating that the combination of these two types of relationship would make up a majority of the businesses’ partnership portfolios, regardless of the business sector and industry category. From the sector-wide comparison as to the frequency of making transactional collaborations, it was virtually identical across the two sectors (69% to 67%). Still, a review of the make-up of industry reveals that ‘retails/wholesale trade’ and ‘banks’ among the service sector are the two most active industries than any other, as 100% of these two industries were involved in transactional collaborations. This result contrasts to the partnership frequency in ‘grant’ category where every manufacturing industry type and nearly all of manufacturing companies were engaged, whereas eight out of ten service companies were. Moreover, the grants-making frequency by banks and retails were much lower than transactional collaborations made by these industries.

A break-down of partnership frequency by each transactional collaboration type gives a clearer picture. Overall, sponsorship agreement is the most popular among three types of transactional collaboration, accounting for 54% of the total companies. While there has been no significant difference found in the frequency of sponsorship between the two sectors, cause related marketing predominated among companies in the service sector, particularly in retails and finance industry. Reversely, relatively more manufacturing companies implemented joint issue promotion campaign than service
companies. From these results, it may be implied that service sector is more inclined to select strongly market-oriented partnerships as exemplified in cause related marketing and sponsorship than manufacturing sector.

Examination of the arts fields that were involved in joint issue promotion reveals that the advertising campaign centers around four major program areas: 1) arts advocacy to promote national awareness of the importance of the arts, 2) historical activities such as American visions: The epic history of Art in America, and National Anthem Project, 3) arts education for high school students (Creative Self-Expression), and pre-schoolers (stArt smArt), and 4) problems solving initiatives through the arts, mostly targeting at youth risk (Arts for Change), victims, AIDS patients, and health care centers (Society for the Arts in Healthcare). On the contrary, the counterparts of cause related marketing projects ranged from performing arts organizations, orchestra and opera in particular, to special exhibit of museums. In common, these two types of collaborations aim to promote the ‘cause,’ but the cause of joint issue promotion is observed to be broader, reaching beyond the arts cause and linked to other diverse nonprofit causes including education, health, and human welfare. Compared to that, the focus of cause related marketing is limited to increasing the audiences of arts organizations that are affiliated with marketing programs often planned by credit card companies or retail businesses, thereby enhancing the revenues of both organizations.
9.2.3.3. *Venture Philanthropy*

As specified in Chapter 8, venture philanthropy model has three types: 1) venture capital investment, 2) a ‘modified’ venture capitalist approach (what is called ‘venture philanthropy’ in currency), and 3) arts incubators.

Among the industries reported doing ‘arts incubators’ were petroleum (Shell), wine company (Brown-Forman corporation), retail (Target), and utility (Entergy), suggesting that there is no significant industry concentration found in implementing this kind of partnership. In terms of size, they are all large companies. Although the focus of incubator programs also varies by the needs of the community and its constituents, great similarity among them is the emphasis on collaboration with a range of partners from small or emerging arts and cultural organizations, local arts councils/agency, arts centers or public policy institutes in higher education, to technical service providers.

On the other hand, a review of companies that decided on ‘venture philanthropy’ reveals industry concentration to some degree. About half of them were financial sector comprising commercial bank, insurance, financial investment, real estate and credit card companies. Food manufacturers (Monsanto) and providers were distant second, and the remaining comprised aerospace industry (Boeing company, Lockheed Martin Corporation), telecommunication (Time Warner), and other service industry including lodging, and shopping mall operator. Among these, all companies belong to service sector, except for food manufacturers and aerospace industry. Most of them were large companies, with some exception in the size of other diversified service industry.

Speaking of characteristics of arts partner, three areas of arts organizations accounted for a majority of venture philanthropy programs: 1) arts education programs for youth from
disadvantaged family, 2) building or renovating venues or facilities of arts organizations, and 3) revitalizing the community through arts. It is noteworthy that, although the funding pattern of venture philanthropy includes investing in start-support, arts partners were not necessarily small or emerging organizations as are the cases in arts incubators. This may be attributed to that one of the key element of venture philanthropy is ‘due diligence’ before investment. Venture philanthropy funders usually evaluate the performance of potential investees before the funding decision. Hence, the arts investees tend to be large cultural institutions undertaking capital campaigns as they move their organizations to the next level, or organizations at mixed stages of development.

Finally, when it comes to ‘pure’ venture capital approach seeking financial returns on investment, firmographics of investors and investees become even more clearer. According to the 2008 MoneyTree survey by PricewaterhouseCoopers/National Venture Capital Association, during the fourth quarter of 2008, 432 million was invested on 75 deals of ‘Media and Entertainment’ industry, constituting 8% of the total 5,403 million investment. The investment on media and entertainment ranked fifth out of 17 industries, showing the increase from 2001 in both the ranking, and money invested/ the number of deals. In 2008, they surpassed ‘networking/equipment,’ ‘telecommunication,’ ‘retail/distributions,’ ‘semiconductors,’ and ‘IT services,’ but was overtaken by ‘medical devices’ and ‘energy’ sector. This finding clearly indicates that private capital investing went in the new cycle. The ‘hottest’ areas in the late 1990s were internet-related, broadband applications represented by ‘networking/equipment,’ ‘IT services’ and ‘telecommunication,’ mostly industry of manufacturing hardwares and providing related services. Nowadays, biotech boom continues to dominate and environmental issue has
become even more relevant. In addition, industry focus is shifting from hardware to software to fill in that hardware. Taken all together, it brings out the rise of related industry to the front, including medical devices, energy, and content-oriented industry like media and entertainment.

Still, out of the seventy-five investments listed under ‘media and entertainment,’ only a few fall within the general parameters of the arts and culture industry, as detailed below (Table 9.5). Media and entertainmenet was such broadly defined that most of investees were production companies or service providers of consumer electronics such as TVs/stereos/games, or sports facilities and events, or recreational products or services other than the exact arts and culture industry.
<table>
<thead>
<tr>
<th>Venture Philanthropy organizations</th>
<th>Organizational Forms</th>
<th>Location</th>
<th>Activities and forms of engagement</th>
<th>Arts and cultural enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endeavor Capital Management</strong>; <strong>Rustic Canyon Partners</strong>; <strong>SOFTBANK Capital Partners</strong></td>
<td>Endowed by Tribune company (media company); independent venture capital firm</td>
<td>Santa Monica; MA; NY</td>
<td>4M, yes</td>
<td>Dance Jam, Inc. (Dance)</td>
</tr>
<tr>
<td>Village Ventures</td>
<td>Network of Partner funds</td>
<td>MA</td>
<td>0.75M, yes</td>
<td>FilmFree Entertainment, Inc. (Film)</td>
</tr>
<tr>
<td><strong>Pilot Group LLC</strong></td>
<td>unknown</td>
<td>NY</td>
<td>20M, yes</td>
<td>Project Playlist, Inc. (Music)</td>
</tr>
<tr>
<td>Beringea</td>
<td>Fully funded by small business administration and private limited partners</td>
<td>MI</td>
<td>1.7M, yes</td>
<td>GetBack Media, Inc. (Entertainment)</td>
</tr>
<tr>
<td><strong>Bay Partners</strong>; <strong>Draper Fisher Jurvetson</strong>; <strong>Telefonica</strong></td>
<td>(global) network of partner funds</td>
<td>CA; global; Spain</td>
<td>10M, financial strategist, investment banking, headhunt, corporate therapy</td>
<td>Eventful, Inc (entertainment arts)</td>
</tr>
</tbody>
</table>

Table 9.5: Profiles of venture capital organizations and arts business investees (Source: PricewaterhouseCoopers/National Venture Capital Association, Quarter 4, 2008)
Table 9.5 shows that community dance program and film distribution project found support from venture capitalists in 2008. All other investments were on technology-based cultural projects, such as operating a website of pop culture community or the database of arts/cultural events, and venues. They were all commercial arts businesses at a different stage of development. Location-wise, most of them were California-based. As to the makeup of venture capital investors, three main organizational forms were found: 1) Endowed or fully-funded venture philanthropy organizations. Occasionally, a single donor may be a company; 2) A network of partner funds, which is the most common form of venture capital organizations; and 3) Independent, professional venture firms.

9.2.3.4 Strategic alliance

Research lab, one of the types in strategic alliance, makes the least popular type (4%) across all relationship patterns found in awardees profiles. Other relationship types such as co-production, licensing that are also classified as strategic alliances in Chapter 7 were not even present in the awardee companies. This could be very much due to the fact that all types of strategic alliance except for the university-based research labs are ‘proprietary’ deals rather than seen as corporate social responsibility. Notably, business-funded research projects based at universities (especially public universities) are a blend of proprietary provisions and more general expenditures, as one of the motivations behind this type of funding is recruiting prospective employees, exemplified in the case of Limited Brands’ support in the Wexner Center for the Arts. Notwithstanding, strategic alliance model including research labs (joint R&D), co-production, and licensing deals in ABRs should be reserved for ‘particular’ industries, not relevant for ‘all’ industries out
there for corporate arts philanthropy. As discussed in Chapter 7, those industries are tech-based businesses based on copyrights, communication industry seeking opportunities to work with new media artists (animation, design, etc) or entertainment industry, so-called ‘for-profit arts’ trying to create cultural products by collaborating with the nonprofit theaters among other artistic disciplines.

9.2.4 *In-kind support and employee matching gift*

Financial contributions are not the only strategy that businesses would use to engage with the arts. The profile data (Table 9.4) indicate that, nearly one out of two companies contributes assets or services to nonprofit arts partners. Originally, in-kind donation is defined as paid or given to charities in goods, commodities, or services instead of money. For the sector-comparison purpose, however, this study separated contribution of time and services from contribution of goods. As a result, manufacturing companies were shown higher percentage of donation of goods (53% of the manufacturing sector-wide total) than service, whereas service companies were apt to donate services (56% of the service sector-wide total) more than goods. The top manufacturing donations in *goods* over the 10-year recordings of the awardee profile were made by these industries – transportation equipment (60%), and petroleum (40%), and printing, publishing, and media and other diversified manufacturing (86%). From the service sector, donations in *service* made by utilities (100%), other diversified service (82%), telecommunication, and insurance industries far exceeded in-kind service made by other industries.

Notably, examination of the major form of non-cash contributions reveals that ‘complementarity’ or ‘supplementarity’ was playing as a facilitating factor even in the
non-monetary type of exchange. The following table (Table 9.6) summarizes the industry types and their matching in-kind support to arts partners. Clearly, companies draw resources from their ‘strengths’ or their own ‘capabilities,’ whether these donations are major products or services they specialize in, that are lacking in arts partners.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry categories of business partners</th>
<th>In-kind support</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>Newspaper (media)</td>
<td>Advertising space in their newspaper to orchestra</td>
</tr>
<tr>
<td>M</td>
<td>Cable TV network (media)</td>
<td>PSAs (public service announcements); programming arts news show; promotion materials for joint issue promotion</td>
</tr>
<tr>
<td>M</td>
<td>Magazine (media)</td>
<td>Production/distribution of publications about arts activities to increase arts audiences</td>
</tr>
<tr>
<td>M</td>
<td>Transportation equipment</td>
<td>Transportation</td>
</tr>
<tr>
<td>M</td>
<td>Advertising</td>
<td>Writing copy, design logo; marketing and communication plan</td>
</tr>
<tr>
<td>M</td>
<td>Industrial machinery/construction</td>
<td>A climate control system to protect Michelangelo’s frescoes in the Sistine Chapel; other equipments (telephone system, etc)</td>
</tr>
<tr>
<td>M</td>
<td>Computer/technology</td>
<td>Technology upgrade</td>
</tr>
<tr>
<td>S</td>
<td>Finance</td>
<td>Revolving loan</td>
</tr>
<tr>
<td>S</td>
<td>Real estate department of investment companies</td>
<td>Building facilities for performing arts organizations</td>
</tr>
<tr>
<td>S</td>
<td>Real estate company</td>
<td>Land; rent-free space</td>
</tr>
<tr>
<td>S</td>
<td>Airline</td>
<td>Travel for tours for European tours of symphony orchestras</td>
</tr>
<tr>
<td>S</td>
<td>Research firm</td>
<td>Complimentary research for building audiences and increasing donor bases</td>
</tr>
<tr>
<td>S</td>
<td>Law firm</td>
<td>Legal service</td>
</tr>
<tr>
<td>S</td>
<td>Health care company</td>
<td>Free physical to artists</td>
</tr>
</tbody>
</table>

(M: manufacturing, S: service)

Table 9.6: In-kind support by industry
As exemplified above, complementarity acted as an effective facilitator, as the advantages of building partnerships with businesses can stem from a company’s strength compensating for the resource deficiencies that arts organizations might have. Besides the donation of business resources facilitated by complementarity, the most common form of in-kind service regardless of the industry category was consulting on marketing and communication plans or jointly planning fundraisers for arts organizations.

On the other hand, as stated earlier, some partnerships are facilitated by the exchange of resources that amplifies or enhances the combined strengths of arts and business partners. That trend was present to the most part in manufacturing companies that have specialty in making arts-related products or raw materials of artworks as one of their major product lines.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry categories of business partners</th>
<th>In-kind support</th>
</tr>
</thead>
<tbody>
<tr>
<td>S</td>
<td>Music and audio retailers</td>
<td>Musical instruments; recording, cd pressing, printing services to musicians</td>
</tr>
<tr>
<td>M</td>
<td>Printing</td>
<td>Paper to art teachers; printing service to arts groups; education about printing business and graphic design career to art and design major students</td>
</tr>
<tr>
<td>M</td>
<td>Musical instrument manufacturing</td>
<td>Loan of musical instruments for touring and recording; offer rehearsal space for musicians</td>
</tr>
<tr>
<td>M</td>
<td>Framing stores</td>
<td>Arts supplies</td>
</tr>
<tr>
<td>M</td>
<td>Glass and ceramics manufacturing</td>
<td>Glass artworks to museums</td>
</tr>
<tr>
<td>M</td>
<td>Jewelry maker</td>
<td>Jewelry to gala auctions of arts organizations</td>
</tr>
</tbody>
</table>

Table 9.7: In-kind support by arts-allied industry

As seen in Table 9.7, those companies are either directly related to producing music, art, crafts, or other allied industries such as suppliers of materials and/or equipments that are
used in creating artworks. Rather than seeking an objective all by themselves or merely overcoming the resource deficiencies, these companies may benefit from partnering with other ‘like-minded’ organizations, which are arts organizations, thus an amplification or enhancement of resources can be a favorable condition for a relationship to grow and succeed. For example, The Great Frame Up Systems, Inc. is not large, but a nationwide franchise of art and picture framing stores. They created an art education initiative, the ‘Creative Self-Expression’ program, partnering with local high school art departments. By providing students with art supplies and opening a show for their creation, the program garnered considerable community and media attention that has resulted in additional business support from other companies. The participating stores realized as much as a 36% increase in sales compared to the previous year.

Along with in-kind contributions, employee matching gift clearly plays a significant role in maintaining the stability of the nonprofit arts sector. About 40% of the awardee companies encourages employees to support the arts through a matching gifts program, employee volunteer grants, and employee giving campaigns. The matching ratio varies by companies, but in general two-to-one or one-to-one of the amount of employees’ giving for arts institutions. Otherwise, companies set a policy of the matching level, for example, up to an annual maximum of $2,500 per person. Matching amount is usually determined by the amount of employee’s giving, but in many cases, businesses also donate money for an employee’s ‘volunteer time’ spent at an arts organization, say, $100 to $500 contribution matching every 50 hours.

Sector-wide comparison reveals that manufacturing companies (42%) are more likely to support the arts through the employee matching gift program than service
companies (37%). While telecommunication and finance/insurance industry were the most active across the whole industries, all manufacturing industries were shown having employee matching gift programs, supporting the previous finding that manufacturing companies tend to prefer a grant-type of simple monetary gifts than more complex and broader scope of relationships often opted by service companies.
CHAPTER 10

REFLECTIONS AND CONSIDERATIONS

Having completed the analysis of partner characteristics of ABRs in addition to the contexts and relationship attributes of each of four ABR models, one might question why it is all this important. Arts and businesses have always been seen as ‘something different,’ or on the opposite edge position. But the evolution in the field has opened up new horizons for arts and cultural funding through mutually beneficial relationships between arts and businesses. Strategic partnerships offer both sectors increasingly valuable benefits and opportunities. There has been a paradigm shift in the way arts and businesses interact, and this trend is ongoing. Now, we are seeing a growth in arts and cultural entrepreneurship along with businesses’ social investing and this interdependency will continue to grow and develop with a strong theoretical base. Developing a comprehensive ABRs model and integrating them with each organization’s characteristics will help potential partners better understand themselves as well as develop, implement, and improve their relationships. This final chapter will summarize the key findings to the research questions presented in the first chapter and pose considerations about what might be learned from ABRs model that could lead to more universal corporate engagement with the arts.
10.1 Looking back: Stages of arts-businesses partnership development

10.1.1 Understanding the progression of relationship stages

The business-arts relationship stages evolved from patronage rationale to investment rationale to most recently, social change rationale. As discussed in Chapter 4, political, economic, social, cultural, and technological changes shaped and prompted the emergence of new type of philanthropy and decline of old philanthropy. The timeline (Figure 10.1) visually illustrates how the field has advanced. It is then followed by the list (Table 10.1) primarily highlighting government’s actions that have affected the progress of the ABRs, along with major events occurred in the arts and business community.

Figure 10.1: Timeline of ABRs
<table>
<thead>
<tr>
<th>Era</th>
<th>Periods</th>
<th>Historical framework</th>
<th>Business community</th>
<th>Arts community</th>
<th>Major events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial to late</td>
<td>1930s –</td>
<td>The Great Depression; The World War II; Civil rights movement; New Frontier Great</td>
<td>Prosperity in 50s into 60s; Oligopoly continued in manufacturing sector; Increase</td>
<td>The establishment of the NEA (1965)/ President’s Advisory Council on the Arts;</td>
<td>1935: Internal Revenue Act allowing businesses to deduct up to 5 percent of pretax earnings as charitable gifts</td>
</tr>
<tr>
<td>industrial era</td>
<td>1960s</td>
<td>Society</td>
<td>of no. of companies during 60s</td>
<td>Cultural explosion</td>
<td>1949: The first UAF (United Arts Fund) movement began in Cincinnati and Louisville by civic leaders</td>
</tr>
<tr>
<td></td>
<td>1970s</td>
<td>Decentralization</td>
<td>High inflation rate, rising interest rates, low productivity level, increasing</td>
<td>Development of arts subgovernmental system; A dramatic increase of NEA</td>
<td>1953: New Jersey Supreme Court decided the legality of corporate contributions for purposes ‘not directly’ related to its business</td>
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<td></td>
<td></td>
<td></td>
<td>OPEC oil prices, business downsizing, stagflation</td>
<td>appropriation; Arts boom</td>
<td>1954: The first corporate matching gift program began at General Electric company</td>
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<td></td>
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<td></td>
<td>1963: Matching grant program first administered by the NEA</td>
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<td>: The Rockefeller panel report advised arts organizations to seek new support</td>
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<td></td>
<td>from business</td>
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<td></td>
<td>: The establishment of the Arts and Business Council (ABC) by a group of</td>
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<td></td>
<td></td>
<td></td>
<td>business leaders</td>
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<td>1967: The establishment of the BCA (Business Committee for the Arts)</td>
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<td>1969: The launch of Volunteers Lawyers for the Arts (VLA)</td>
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<td>1973: The launch of the Business Volunteers for the Arts (BVA) Program in New</td>
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<td></td>
<td>York City by the ABC</td>
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<td>1976: The first corporate 5% giving club among smaller companies was established,</td>
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<td></td>
<td>creating another channel for arts support</td>
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<td></td>
<td>1976: Challenge grant program established by the NEA as an indirect incentive to</td>
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<td></td>
<td></td>
<td></td>
<td>elicit the growth of corporate arts funding</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Late 70s: Employee matching gifts began</td>
</tr>
</tbody>
</table>

Table 10.1 The history of ABRs within contexts
<table>
<thead>
<tr>
<th>Knowledge economy era</th>
<th>1980s</th>
<th>1990s to 2000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reagan Administration's cutback on social programs; Accountability movement</td>
<td>Government deregulation of banking and telecommunication</td>
<td>Restructuring; M&amp;A; Emphasis on human capital; New generation of CEO; Strong economy to recession</td>
</tr>
<tr>
<td>Government cutback on the NEA; Professionalization of the field</td>
<td>1981: One of the recommendation of the Task Force on Private Sector Initiatives was double corporate philanthropy at community service</td>
<td>The Culture Wars/Issue Network; Entrepreneurism; Rising expectations of performance</td>
</tr>
<tr>
<td>1982: The passage of the Economic Recovery Tax, raising the limit of allowable federal deductions for charitable contributions to 10 percent of pre-tax income</td>
<td>1983: The establishment of the National Arts Stabilization Fund (NASF) to elicit corporate foundation support</td>
<td>2000s: Increased arts sponsorship and cause related marketing by global multinational companies</td>
</tr>
<tr>
<td>1986: The Tax Reform Act, realigning the corporate tax</td>
<td>Transactional collaborations grow faster than giving</td>
<td>2002: The share of corporate contribution to UAFs declined for the first time</td>
</tr>
<tr>
<td>2005: The merger of the ABC to the AFA (Americans for the Arts)</td>
<td>2008: The merger of the BCA to the AFA</td>
<td>2008: The merger of the BCA to the AFA</td>
</tr>
</tbody>
</table>
In ABRs model (See Figure 2.4 in p.47), these broader environmental factors are preconditions that already exist prior to the formation of ABRs and affect the formation and/or dissolution of the ABRs. All together, these comprise external environments within which every single organization must cope in order to survive. Since these environments are unstable and undependable, development personnel in arts organizations and business contribution managers who seek to develop potential relationships with each other to obtain or magnify resources must be conscious of the following key factors.

- **The economy and company earnings**: The single most significant factor that affects every other factor. In case a company’s sales and earnings are projected to flatten out due to the worsen economy, it is better for the business contribution managers to design a contribution budget so that at least 50 percent of the spending will occur after midyear. For nonprofit arts managers, it would be smart to target corporate foundations instead of the parent company when that occurs. The history suggests that company foundations maintain a relatively stable level of arts support despite profit swings because they were designed to cushion beneficiaries when the needs are greater.

- **Trend of other contribution sources**: These include both public and private sources. For instance, federal and local government’s funding for public arts agencies changes every year and is on the decline for FY2009. For arts managers, ‘leveraging’ change is a better option rather than controlling it, because when the resource becomes scarce, it is more likely for organizations to establish ties within and/or across sector. Also it is important to be conscious of the trend in real
GNI (Gross National Income) per capita. Declining income leaves fewer money to donate and little time to volunteer for nonprofit organizations. Although these sources do not directly affect the ABRs, reduction of one sector of the philanthropic formula increases the need for the other sectors, as each funding source composes ecology of the financial support system.

- **Geographic/ demographic variations:** Cities across the nation vary in their art-corporate linkages. A strong corporate community and a proliferation of well-organized, nationally known arts organizations ensure this partnership. On the other hand, in DiMaggio’s study (1982), cities as Boston, Charleston, Houston, Boca Raton, Naples, Phoenix, continue to show significantly less support by corporations. It was implied that, in metropolitan cultures that have strong tradition of a self-conscious identity with old families of wealth – of upper-class noblesse oblige- there is less corporate support. Arts managers should take these local, demographic variations into consideration when designing a comprehensive development plan.

- **Generational turnover:** Generational turnover in corporate CEOs signals that arts groups must be prepared to put resources into educating new business leaders who are less interested in supporting the arts compared to their predecessors on values of the arts in business and community setting. In addition, frequent employees turnover due to corporate mergers emerges as another factor, so cultivating these contacts and maintain relationships with current and potential corporate partners should become important tasks for development personnel of arts organizations.
Besides the factors above, economic and social conditions are such complex and broad that M&A, tax legislation, external threats like a war, 9/11, or natural disaster such as Katrina and tsunami, environmental uncertainty like global warming, and so forth, are also likely to contribute to realigning the priorities of corporate contributions. This, in the end, will exert an influence on the life of arts and cultural organizations.

Along with these environmental factors above, corporate rationale of engagement with the arts and culture has shifted from pure philanthropic purpose, characterized by benevolent donor and grateful recipient, to deeper, strategic philanthropy. It is important to note that corporate citizenship, which characterized the epitome of earlier days of corporate philanthropy, has not become extinct completely. Rather, it is fair to say that, corporate philanthropy has been renewed and re-interpreted in a way that is pertinent to ever-changing societal need, and business need. More specifically, corporate social responsibility has still succeeded in venture philanthropy nowadays with far more emphasis on the accountability from both the nonprofit arts and businesses side.

In sum, ABRs have progressed into two major streams since the strategic philanthropy has replaced the classic philanthropy motive where the arts are generally thought as frills having aesthetic value (See Figure 10.2 below). Strategic philanthropy incorporates both business interest and community need. This confluence diverges again with each rationale developing in its own direction. One direction is led by economic rationale since the mid 1970s seeing arts and culture as cultural capital, which is worth investing for business’s economic interest. Businesses’ growing expectations for the impacts of support on its economic performance level have become a direct motivation of involving with the arts and cultural sector. Transactional collaborations including
corporate sponsorship, cause related marketing, and joint issue promotion, and strategic alliance such as licensing, co-production, and joint R&D resonate with on-going economic concerns of business partner.

In the meantime, the development toward the other direction has been stimulated by the pressure on the business community to be more attentive to societal needs that they might better address. In response to societal demands from government and the civic sector, companies come to increasingly recognizing the values of the arts as social capital on the account that the arts can contribute to community development on a number of levels and transform the lives of public into better one. Besides the public values of the arts, supporting the arts in association with a good cause can be ‘political’ assets as these activities as ‘socially responsible corporate citizens’ can indirectly build political favors that businesses need.

Figure 10.2: Progression of ABRs with the changing notions of arts and culture
10.1.2 Identifying each organization’s needs

Previously, the progression of ABRs has been placed in a historical context consisting of macro-environmental variables, so that managers of both arts and business side have a framework that enables them to envision possible options under those ongoing influences on them. The second phase of developing ABRs is to identify ‘sectoral drivers’ behind any kind of relationship that each party wants to build. Managers on both sides should answer the following questions: “What are the most compelling reasons to partner with another organization?,” “What are you trying to accomplish through the collaborations?”

This stage is crucial in calibrating each side’s expectations, which will turn each organization to narrow down 1) whether or not it is the right kind of relationship, and 2) one organization can or cannot agree on the outcome of the potential relationship that the other one is projecting.

‘Sectoral drivers’ are a set of predictive contingencies that cause ABRs to occur, and its assessment is dyad because they are not likely the same for both parties due to innate different interests, goals, cultures, and operating styles of the arts and business sector. In order to both illustrate the potential generalizability of the motivations and specify directions for managers of both sides, nine types identified in ABRs model were examined from Chapter 5 to 8. Table 10.2 summarizes a variety of critical causes for specific types of ABRs.
### Table 10.2: Sectoral drivers and strengths in ABRs
(Number indicates the drivers and the driver’s strength is indicated in the order)

<table>
<thead>
<tr>
<th>Sectoral Perspective</th>
<th>Nonprofit arts perspective Drivers*</th>
<th>Business perspective Drivers**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relationship Types</strong></td>
<td><strong>Drivers</strong></td>
<td><strong>Drivers</strong></td>
</tr>
<tr>
<td>Classic Philanthropy model</td>
<td>1, 3</td>
<td>1, 3</td>
</tr>
<tr>
<td>Transactional Collaborations model</td>
<td>- Arts sponsorships: 1, 3</td>
<td>2, 3, 1, 5</td>
</tr>
<tr>
<td></td>
<td>- Cause-related Marketing: 1, 3</td>
<td>2, 5, 1, 3, 4</td>
</tr>
<tr>
<td></td>
<td>- Joint issue promotion: 4, 2, 1, 3</td>
<td>1, 2, 3, 4</td>
</tr>
<tr>
<td>Strategic alliance model</td>
<td>- Joint R&amp;D (Research lab): 4, 1</td>
<td>6, 2</td>
</tr>
<tr>
<td></td>
<td>- Licensing: 1, 3</td>
<td>5, 2, 3, 1</td>
</tr>
<tr>
<td></td>
<td>- Co-production: 1, 2, 3</td>
<td>6, 5, 2</td>
</tr>
<tr>
<td>Venture Philanthropy model</td>
<td>- Venture capital investment: 1, 4</td>
<td>5, 1</td>
</tr>
<tr>
<td></td>
<td>- Business arts incubators: 4, 2, 1</td>
<td>3, 1, 4</td>
</tr>
</tbody>
</table>

*Motivations from the arts’ perspective: 1) funding, 2) leveraging other businesses’ support, 3) publicity, 4) acquiring other business resources (facilities, operational, voluneteering, service), 5) audience development

**Motivations from business perspective: 1) supporting the arts’ cause, 2) target market relations, 3) public relations, 4) human resource enhancement, 5) sales increase/return on investment, 6) contents (products) development

As can be seen, multiple reasons have been offered to explain the development of each type of ABRs – five categories for arts groups, and six categories for businesses. Although each of the determinants may be a separate and sufficient cause of a certain type of relationship formation, the decision to initiate relations with another organization is commonly based on multiple contingencies since those reasons interact and compete with one another. Both arts and business managers should independently assess the organization’s needs first by referring to the drivers list, and, depending on the relative strengths among these competing causes, decide which need should be given ‘priority’
over the others. Otherwise, multiple types of relationships should be pursued concurrently to fulfill multiple outcomes. They should then compare their respective assessment to ascertain the degree of congruence. The drivers list above is by no means exhaustive. Rather, it should be used as a starting point for a debate to develop ‘concrete’ descriptions tailored to each organization’s needs for each driver set, once managers on both sides to the potential relationship sit down together and agree on the realistic expectations of benefits from forming a relationship. Then this assessment practice becomes a beginning for a joint clarification as each party adjusts the relationship design to ensure the relationships’ success. It also, however, may end up with the conclusion that both parties’ purposes are not even close, or attainable.

10.1.3 Considering interorganizational factors

The preceding critical contingencies according to different types of each ABR model provide a basis for determining the appropriate level of ABRs. Although the sectoral drivers explain why ABRs occur, they tell us little about ‘when’ different types of ABRs will be prompted by these motivations. These ‘conditions’ increase the likelihood of relationship formation. Reversely, with its absence or weak existence, a relationship is likely to not occur or dissolve. While drivers are primary power to the relationship formation and exist separately for each side, these facilitating conditions simply exist or not, in-between the arts organizations and businesses. About four different interorganizational factors - complementarity, supplementarity, symmetry, and domain consensus – were identified and these hypothesized conditions were analyzed in each ABR type’s setting.
### Table 10.3: Facilitating conditions of ABRs formation

<table>
<thead>
<tr>
<th>Type of ABRs</th>
<th>Complementarity</th>
<th>Supplementarity</th>
<th>Symmetry</th>
<th>Domain Consensus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classic philanthropy</td>
<td>Tax incentive</td>
<td>n/a</td>
<td>Both have ‘elite’ image(social elite, excellence)</td>
<td>Corporate founders’ philosophy</td>
</tr>
<tr>
<td>Arts sponsorship</td>
<td>Strategic alignment of target market demographics</td>
<td>Meshing objective to increase the visibility of an organization</td>
<td>Both are similar in relative size</td>
<td>Personal connections on CEO and management level</td>
</tr>
<tr>
<td>Cause-related Marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint issue promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research lab (Joint R&amp;D)</td>
<td>Product in mature stage vs. limited technology access</td>
<td>Commitment to partnership idea: searching for the ‘new’ (innovation, experimentation)</td>
<td>Domain similarity: within the same creative industry, different in organizational form (nonprofit vs forprofit)</td>
<td>Mutual understandings of specific objectives</td>
</tr>
<tr>
<td>Licensing</td>
<td>Constraint on revenue stream, but high risk/cost in new product development</td>
<td>Common objective: to enhance the revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-production</td>
<td>High risk/cost of producing alone vs. lack of contents relative to hardware</td>
<td>Strategic fit: to pursue new markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Venture capital investment</td>
<td>Lack of money market for funding</td>
<td>Compatible objective: maximize monetary reward and growth</td>
<td>Asymmetry in size: big capital vs. start-up arts businesses</td>
<td>Pressure to demonstrate financial viability and accountability</td>
</tr>
<tr>
<td>Venture philanthropy</td>
<td>Low community awareness of business presence</td>
<td>Value creation: contributing policy motivations (partnership serving as other problems’ solution)</td>
<td>Similar in relative size</td>
<td></td>
</tr>
</tbody>
</table>

To date, the relationship-specific conditions that cause different relations to occur have not been clarified. As seen in Table 10.3, this study proposed those specific conditions and situated them within generalizable conditions. This, in turn, implies that rigorous adherence to the explanations of any single motivation is likely to reveal only a part of
the truth about why the linkages between arts organizations and businesses develop. Although it was not indicated in this table, there are interactions among these facilitating conditions, meaning that each type of ABRs has relative strength of a certain facilitator compared to other types. For instance, supplementarity is the most critical facilitating factor for successful cause related marketing or joint issue promotion. Yet, this is not the case in most types of venture philanthropy relationships in which supplementarity gives way to complementarity, stemmed from heavy resource dependency between partners. With that said, managers on both arts and businesses side should factor the level of each condition’s relative strength in deciding an appropriate type of relationship once they figured out the strength of the motivations of partnering and have each organization’s expectations of outcome agreed on by the other.

Meanwhile, besides their moderating role between the drivers and relationship patterns, the existence of certain interorganizational factors gives insights on the selection of ‘who to partner.’ Particularly, among four factors above, symmetry pertains to each partner’s ‘firmographics,’ or ‘organizational profile,’ signifying that the probability for relationship success is enhanced when the partners are ‘demographically’ similar or balanced. In Chapter 9, observations have been made on partnering patterns in the most successful cases over 10 years in terms of both disciplines/industry category of arts and business partners and their relative size. The following table (Table 10.4) recapitulates representative relationship patterns found between them.
<table>
<thead>
<tr>
<th>Arts partners</th>
<th>Relationship types</th>
<th>Business partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small/midsize nonprofit arts</td>
<td>Grant</td>
<td>Large manufacturing</td>
</tr>
<tr>
<td>Large nonprofit arts</td>
<td>Joint issue promotion</td>
<td>Large nonprofit arts</td>
</tr>
<tr>
<td>Large nonprofit arts</td>
<td>CRM</td>
<td>Banks, retails of various sizes (service sector)</td>
</tr>
<tr>
<td>Nonprofit arts at mixed development stages</td>
<td>Venture philanthropy</td>
<td>Large finance/insurance, real estate, credit card</td>
</tr>
<tr>
<td>Start-up media/entertainment business; Forprofit subsidiary of nonprofit arts</td>
<td>Venture capital investment</td>
<td>Venture capital firms</td>
</tr>
<tr>
<td>Higher education media arts center/department</td>
<td>Research lab</td>
<td>IT (Information Technology) industry</td>
</tr>
<tr>
<td>Nonprofit theaters, media (film, tv)</td>
<td>Co-production; licensing</td>
<td>Entertainment and media (publishing, tv) industry</td>
</tr>
</tbody>
</table>

Table 10.4: Relationship patterns by partner characteristics

One thing that must not be overlooked is that the list above does not necessarily mean that other partnership options besides the specified one do not exist for these types of arts organizations or industry. For instance, the list rather suggests that, grants or joint issue promotion is the most preferred type or more frequently implemented by large manufacturing companies than any other industry. Like most other businesses, they have arts sponsorship, incubators, and venture philanthropy relationships with arts partners but these represent far smaller segment than grants. Reversely, financial sector shows far stronger affinity for these other types than large manufacturing companies. This implies that the makeup of ABRs portfolios should vary by types and size of arts and businesses, which will be discussed later as the presentation continues.

Profile research results also indicates that besides the similarity in light of their relative size and reputation, there is strong presence of other facilitating factors such as
complementarity or supplementarity that boost the relationship formation between certain disciplines and industries. Table 10.5 outlines industry variations in regard to its relative interest in the arts disciplines.

<table>
<thead>
<tr>
<th>Industry category</th>
<th>Facilitating factors</th>
<th>Arts disciplines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer goods manufacturing (e.g. foods); service companies with direct public contacts (e.g. banking, retails)</td>
<td>Supplementarity (high visibility)</td>
<td>Performing arts</td>
</tr>
<tr>
<td>Intermediate goods manufacturing (e.g. transportation equipment, petroleum)</td>
<td>Complementarity (safe, conservative investment)</td>
<td>Museum/visual arts</td>
</tr>
<tr>
<td>Service sector</td>
<td>Supplementarity (broad reach)</td>
<td>Media</td>
</tr>
<tr>
<td>High tech, telecommunication industry</td>
<td>Supplementarity (training of future workers)</td>
<td>Arts education</td>
</tr>
<tr>
<td>Energy sector (e.g. petroleum, gas)</td>
<td>Supplementarity (mission fit)</td>
<td>Historical activities</td>
</tr>
</tbody>
</table>

Table 10.5: Matching partners: industry type vs. arts disciplines

10.1.4 Decision of relationship types and joint planning

After managers of both arts and business side identified their organizations’ own needs to fulfill through collaboration and examined the conditions that would facilitate or hinder the relationship formation, they have to decide on a relationship type and plan the needed operational elements. Lambert and Knemeyer (2004) argued that the appropriateness of any one type of partnership is a function of the combined strength of the drivers and facilitators. Most importantly, the goal of partnerships and collaborations does not lie in building the most complex, or more integrated relationships, but having the most ‘right’
type of relationships that suit each organization’s particular needs and are supported by shared environments. For example, assuming a certain art organization and a business aspire to cause related marketing or joint issue promotion for promoting the cause and boosting the sales, the most necessary foundation, say, mission and value alignment should be there. If they are mismatch in terms of organizational fit, a relationship is not likely to be successful, and better not to go further. Rather, they had better consider a simple philanthropic relationship instead.

Once arts and business settle on a proposed type of relationship or adjust to the type they might better develop otherwise, they should jointly plan operational elements. In ABRs model, operational elements are joint activities and processes that build and sustain the relationship, which encompass: formality, time frame, scope of activities, participation, and the locus of control. Each ABR pattern entails varying level of managerial complex and resource use. Table 10.6 provides the minimum checkup list of managerial components that are appropriate for different ABRs patterns.

<table>
<thead>
<tr>
<th>ABRs patterns</th>
<th>Classic Philanthropy</th>
<th>Transactional Collaboration</th>
<th>Strategic Alliance</th>
<th>Venture Philanthropy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formality</td>
<td>Informal</td>
<td></td>
<td></td>
<td>General</td>
</tr>
<tr>
<td>Time Frame</td>
<td>Short-term</td>
<td></td>
<td></td>
<td>Long-term</td>
</tr>
<tr>
<td>Scope of activities</td>
<td>Narrow</td>
<td></td>
<td></td>
<td>Broad</td>
</tr>
<tr>
<td>Participation level</td>
<td>Single</td>
<td></td>
<td></td>
<td>Multiple level</td>
</tr>
<tr>
<td>Communication</td>
<td>Ad hoc</td>
<td></td>
<td></td>
<td>Intensive</td>
</tr>
<tr>
<td>Value creation</td>
<td>Minor</td>
<td></td>
<td></td>
<td>Major</td>
</tr>
<tr>
<td>Trust/commitment</td>
<td>Low</td>
<td></td>
<td></td>
<td>High</td>
</tr>
<tr>
<td>Locus of control</td>
<td>Business</td>
<td>Business (CRM) to the nonprofit arts (sponsorship)</td>
<td>Balanced</td>
<td>From business to the self-control of the arts (exit strategy)</td>
</tr>
</tbody>
</table>

Table 10.6: Operational elements of ABRs model
As depicted above, as one moves along the ABRs model, contracts (formality) become formal and specific, time frame covers longer-term, activities broaden, participation occurs at multiple levels, communication intensifies, added value magnifies, and locus of control resides in both sides. In addition, as the levels of institutional resources get bigger and the risks involved with the association becomes more critical to each partner, the closer the distance between arts and business. The list above, however, is generalized and reduced only to illustrate the degree to which operational elements of four patterns of ABRs model are planned and implemented in organizations’ setting (For more detailed discussion, see ‘Operational elements’ of Chapter 5 to 8). As were the cases in tailoring sectoral drivers and examining facilitating conditions, arts and business managers should hold a forum to jointly discuss and plan specific action items and timeline after they determined the appropriate type of relationship. For instance, what operations would be jointly managed and what would be independently? What resources are necessary in terms of money, time, and personnel? They must reach an agreement on each component of relationship action plan before implementation.

The ABRs model was developed as a tool to help assess the existing relationship as well as design the new one. In reality, most arts organizations and businesses have the mix of relationship types, if not all. Even if, in a newly formed relationship, an arts organization is a start-up and a company had little to no experience of collaborations with a social sector before, they want to have a relationship success. For a relationship to thrive and beneficial to each participant for a longer period, a systematic management of current and potential relationships is needed. In addition to strong support at leadership
level, the attitude of valuing a partner’s result and understanding different culture, developing an ABRs portfolios to each organization’s own setting would be the way to ‘institutionalize’ ABRs as an integral part of strategic planning of each organization. The following section will offer some recommendations on this.

10.2 Looking forward

10.2.1. Building Arts and Business Relationships portfolios

As discussed earlier, it is significant that the progression of business-arts relationship stage does not necessarily mean that one type of relationship has become completely extinct so the advent of next phase of relationship type is inevitable. The case examples presented in earlier discussions do not illustrate the decisive case of either the progression of, or a growing repertoire of relationships within a ‘single’ the nonprofit arts-business relationship over time, since each case was presented to illustrate a specific type of ABRs. In spite of the lack of a representative single case providing an integrative view of the evolutionary dynamics, it is still valid to conclude that the progression of relationship stages has manifested in the fields over time, considering not only what actually took place between the ABRs in a historical context, but also changing motivations and relation-specific conditions that drove and influenced the formation of new type of relationship. Secondly, it is important to note that the progression of relationship stages is on the ‘continuum,’ and the progression is not automatic because it is the result of explicit decisions and actions by the each partner. This implies that regression and exit are always possible.
Generally, businesses and nonprofit arts organizations can have multiple relationships, so the schema of evolving patterns of ABRs (See Figure 2.2 in p.39) serves as a template to map the type of relationships that a nonprofit arts and a business has in terms of the stages. From mapping process, managers of arts and business can diagnose the current nature of the existing relationships, but also begin to strategize as to the ideal mix of relationship types that one might want to have in the future. Thus, the schema of relationships progression is instrumental to build ‘partnership portfolios’ (Figure 10.3).

The pie chart shows how a typical ‘medium to large’ arts organizations and businesses might organize and design cross-sectoral relationships. Since there is no single prototype that will work for every arts organization and business, the size of the chambers will vary from organization to organization depending on each one’s needs,
interests, and opportunities. For example, within their portfolios, the nonprofit arts and businesses might wish to continue to have several philanthropic relationships as relatively low maintenance engagements. For another set of relationships, there may be opportunities to enter into broader engagement and higher value transactional collaborations such as arts sponsorship or cause related marketing. And, for a smaller, highly selective set, the partners may create the more intensive and demanding but higher pay-off strategic alliances. Normally, though, as revealed in the profile research, strategic alliance patterns are not applicable to all arts fields or types of businesses. They suit better with relationships between media arts, theaters and technology/entertainment industry, as significant field concentration was witnessed in these types of partnerships. In sum, a relationship portfolio between a nonprofit arts organization and a business might have some aspects that fall into one stage, for example, philanthropic stage, and others that are in another, thus creating hybrids of different stages. Presented in the pages that follow is the schematic for the ABRs portfolio – a detailed explanation of how to plan and manage ABRs for both parties.

10.2.2 Applications of Arts-businesses portfolios

Having proposed the ABRs portfolios, it seems necessary to suggest how each segment of portfolios can work in arts organizations and businesses’ settings since both arts and businesses exist and operate to achieve an organization’s goals, and objectives. This final subchapter will highlight critical issues - how three most generally applicable ABRs models can be integrated to both organizations’ strategies to survive and grow, and what options and tactics that each can employ to get there.
10.2.2.1 Grants

As shown in Figure 10.3, grants are jumbo-sized corporate support for the arts. The ABRs portfolio calls for up to 40 percent of these types of cash investments to be set aside for grants. Considering that the manufacturing sector tends to donate more products and more often matches employees’ gifts and/or volunteered time than the service sector, it is recommended for them to set the grants at the maximum level compared to other types of relationships. For the service sector, they might distribute a portion of grants lower at around 30 to 35 percent, because they are more likely to provide in-kind services than products. More often than not, a monetary value on volunteerism or services is not included in a company’s total contribution budget or business expense.

Still, there might be some portion of arm’s-length type of charitable grants included in this category. However, the majority of corporate giving these days will turn to strategic philanthropy, integrated to public relations strategy, aimed at heightened public recognition for the companies’ philanthropic acts, which will benefit the business performance in the long run. As a matter of tactics, the high concentration of company’s direct giving near headquarters that focuses on only a few key philanthropic areas that meet business goals, employee passions, and customer concerns is the most current trend. For CEOs of companies, though, spending much more time out of the community and traveling around the world, the UAF system is considered alternative means to support local arts organizations to meet standards of quality and financial stability. Furthermore, pooled funds such as UAFs through an intermediary community foundation or local arts agency can be a good first step for smaller companies just getting started in philanthropy.

The current range of options for philanthropic giving is broad, breaking from
traditions in the past that focused on cash donations to more creative giving strategies. They are: 1) cash contributions: direct gifts, matching gifts, securities, United Arts Funds, and employee matching gifts, 2) in-kind goods/services, 3) indirect subsidy: renting art’s spaces for company events; artists residence in workplace, 4) volunteerism: providing technical expertise through serving as boards of arts organizations, and 5) loans other than fiscal: the use of business facilities for meeting, exhibition, performance, distribution channels, and (idle) equipment. As corporate philanthropy has been a standard component of institutional marketing strategy, it is important to sustain even when the company is going through tough times. They may need to reduce cash giving during economic downturns, but giving more of their time or product to offset this is critical to ensure on-going or even more appreciated credibility.

For arts organizations, acquiring and maintaining grants level at around 40 percent of the total corporate contribution is a key to ensure an organization’s fiscal stability. While they raise grants for project/program support as well as operating support, the majority of grants should be raised for annual fundraiser campaigns and management development, especially for museum/visual arts organizations due to their heavy reliance on contribution income compared to performing arts disciplines. As a tactic of financial capital building strategy, they could employ philanthropic expansion campaigns on a sectoral level. As mentioned earlier, the size of the contribution budget is typically keyed to the previous year’s pre-tax income. During the early and mid-1980s, corporations allocated, on average, 2 percent of their pretax net income to nonprofit causes, indicative of the increased importance of corporate giving. It begins to slow down since then, declining below 1 percent in 2007. The campaigns of ‘Give 2% corporate philanthropy’
or ‘1-1-1 percent solution’ - placing 1 percent of pretax income, 1 percent of equity to corporate foundations, spend 1 percent of employees’ time volunteering – could be spread at grantmakers forum, 2% club, local chamber of commerce as a catch phrase to boost corporate giving level back to its peak. For lobbying and advocacy purpose, arts managers may consider to disseminate this campaign to governor’s and Congressman’s office.

Options that arts organizations can provide for businesses are: 1) acknowledgements of corporate philanthropy in publications or public presentations, 2) invitations of business executives, employees to arts presentations, and 3) arts in business programs (enhancing business management/ human resource development through arts skills).

10.2.2.2 Transactional Collaborations

Transactional collaborations will typically account for up to 40 percent of the total investment budget depending on the industry type, although in ABRs portfolios it was apportioned at 15 to 35 percent. Sponsorships between arts and businesses have experienced a sharp rise in corporate marketing budgets. Both in monetary terms and the growth rate, it surpasses grants category. Especially when the economy becomes sluggish, the need for transactional collaboration model will grow much more than all other ABRs model due to its instant visibility and relatively quantifiable outcome on business bottom line. On another plus note, investment managers can justify its spending without resentment of shareholders during economic downtime.

Transactional collaboration model serves the best as a market development strategy. Three types of transactional collaboration model can be implemented alone or
often in practice, the combination of two types - either sponsorship and joint issue promotion or cause related marketing and joint issue promotion – are used to complement direct advertising benefit of corporate brand with more subtle, yet effective publicity of associating with the nonprofit cause. Assuming its usage is the most versatile and practical, businesses often choose transactional collaboration model in preference to other initiatives. The following circumstances should signal an opportunity to consider arts sponsorship: 1) when a company’s target markets are overlapping with audiences/members of the potential arts partner on various levels (e.g., demographics, geographics, psychographics, and behavior variables), 2) when the arts cause can be connected and sustained by a company’s product, 3) when the opportunity exists to contribute underutilized in-kind services. On the other hand, although most companies have the potential for developing and implementing a CRM and joint issue promotion, those most likely to experience success are companies with products that enjoy a large market or mass market appeal, have well-established and wide distribution channels, and would benefit from a product differentiation that offers consumers an opportunity to contribute to a favorite arts organization, discipline or an art cause linked to other causes (For partner affinity around partnership patterns, see Table 10.4 presented in the previous section).

Options of transactional collaboration include: 1) cash contributions, 2) direct subsidy such as purchasing artworks, tickets of presentations and commissioning new works, 3) varying range of in-kind donation and promotion services building on businesses’ strengths, for instance, advertisement in newspaper and programs, publicity
including op-ed, paid public announcement services on television, printing, and so forth
(For more detailed lists, see Table 9.6 and 9.7 in Chapter 9).

Transactional collaborations are mainly used for program support for arts
organizations. Raised money/services/goods are used for the development of
program/curriculum or producing program such as performances, exhibits,
film/video/radio, arts education, conferences, publications, events/festival, collections
management/preservation. As is the reverse case in a company’s circumstance,
transactional collaboration is particularly effective 1) when a potential corporate partner’s
customer base will have a chance to become an arts organization’s new audience, 2) when the mission of an arts organization has a linkage with a potential corporate partner’s
philosophy and business morale. Hence, transactional collaboration can be incorporated
to arts marketing (audience development) strategy. When involved in joint issue
promotion and cause related marketing with corporate partners, general public’s
awareness of the arts cause is expected to be raised, which should lead to added support
for fundraiser, increased arts participation, and even more volunteers for the arts. Based
on these anticipated outcomes, these collaborations can be employed as a mechanism of
arts advocacy strategy, too.

Options that arts organizations can consider offering to businesses in transactional
collaborations – particularly, sponsorship - are: 1) official designation, 2) media benefits
(frequency, desired reach according to each media channel), 3) advertising and promotion
of business logo in posters, programs, and registration forms, 4) signage, 5) hospitality at
gala event, presentations, 6) discounted or complimentary tickets, 7) on-site promotion,
and 8) advance publicity. For business memberships, arts organizations offer: publications, materials, venue privileges, and so on.

10.2.2.3 Venture philanthropy

The ABRs portfolios propose venture philanthropy to be apportioned up to 35 percent of a company’s total investment budget. For businesses, venture philanthropy is utilized as a tool for addressing the issues concerning the quality of life in the communities where the company has a presence. More importantly, community is interpreted broadly, both inside and outside the business community. And community well-being can be related to not only vibrant economy, but also psychological and emotional needs of the community such as social integration, and cultural diversity. Although a few large manufacturing corporations participates in venture philanthropy initiatives, the service sector in general, financial sector (banking, insurance, securities firms, real estate industry) in particular has been the most active in this initiative, as they can provide diverse financing options and leveraged support through partner networks in response to the various capital needs of arts organizations. Hence, for these companies, they may set up the budget as high as 35 percent, whereas other small to midsize service industry and large manufacturing can consider distributing about 15 to 25 percent to venture philanthropy.

‘Culturally responsible investment’ can be integrated to community and government relations strategy to assert businesses’ institutional legitimacy in terms of social issues and market acceptance. Circumstances that might provide this optimal situation could be 1) when the community’s awareness of business presence is low, and 2) when investments in arts causes can be identified as contributing to solving important
social problems of the community – educational reform, youth crime, integration of immigrants, multicultural groups and disadvantaged class. Compared to the broadly defined applications of culturally responsible investments, the usage of business arts incubator is more tailored to the following situations on the account that its components must include the provision of facility and management guidance/technical expertise: 1) when investments in arts can serve as a solution to addressing the issue of urban disinvestment of the community, city-branding, and 2) when investments in arts organizations will strengthen relationships with suppliers or distributors. Overall, venture philanthropy can be also employed as a vehicle of internal marketing strategy as there are plenty of opportunities to develop employees’ skills since they are expected to provide consulting through community involvement. This enhances their morale toward the company and in turn, minimizes the turnover rate.

Options of venture philanthropy include: 1) multi-year operating grants, 2) endowment/seed grant, 3) pre-public stock donation through venture philanthropy fund, 4) re-financing project by offering the loan with lower interest rate, 5) (co-) building the new facility; donation of land or existing facility; subsidized lease, 6) board bank/skills bank, and 7) provision of equipments/services for free or at a subsidized rate on their own and/or through other partner networks.

For arts partners, venture philanthropy has a great potential to meet the ‘growth’ needs at various stages of arts organizations. Most of all, it has an application when emerging arts groups, or established cultural institutions seeking to move their organizations to the next level develop infrastructure building strategy, but find doing it on its own is too costly. Through venture philanthropy initiatives, money/goods/services
are raised for capital campaigns, debt reduction, facility building/renovation project, and building/restructuring technology system. With leadership and mentorship of business executives and management staffs, venture philanthropy also serves as a tool for developing the creative capital (workforce) strategy both inside and outside arts organizations. As a key tactical approach to acquiring venture philanthropy, identifying and developing social causes to piggyback on is quite necessary. As repeatedly discussed, those other policy agenda is abundant – arts education, urban revitalization, job creation, talent attraction and retention, healthcare, city branding and marketing, tourism, safety and crime prevention, to name a few. Consequently, for mutual and federated support, collaborating with nonprofit organizations of other causes in the community as well as coalition building strategy with other arts organizations including local arts agency in the community is highly recommended, especially knowing that arts incubators house ‘plural’ organizations in just one spot.

As venture philanthropy funders constantly seek measurable results, the other most important task for arts managers is to develop outcome measures. In the arts, it has been more difficult to measure such thing as the actual effects of arts participation on people’s lives. The concept of ‘enabling conditions,’ which Americans for the Arts introduced in 2001, allows for measurement of a variable which itself has a positive impact on desired outcomes when the outcomes themselves might be difficult to measure. For example, the outcome for an institutional stabilization program might be enhanced financial health for organizations. An enabling condition might be the elimination of at least 20 percent of organizations’ accumulated deficits each year over a five-year period (Americans for the Arts, Monograph 2001, 6). The example suggests that arts managers
should be prepared to discuss specific measures of the anticipated outcome with venture philanthropy funders. In addition to quantitative measures, for venture philanthropy to become a viable financing option for arts organizations, cases of life-transformative experiences through arts participation should build as qualitative outcome measures, and be incorporated to arts advocacy strategy.

10.2.3 Conclusion

Given the increasing proliferation of interorganizational partnerships and collaborations in today’s environments, the potential of cross-sectoral relationships between arts and businesses to generate public values and enhance business and arts organization’s performance is considerable. The case studies attempted to glean insights from changing arts financing and business investment practice, and build a systematic process of situating them within an evolutionary context, assessing, designing, and implementing continuously improving relationships between them. Particular efforts were made on striking the balance between building a generalizable common structure of ABRs formation and its applicability to relationships-specific and contexts-specific. In addition, as case studies and profile research progressed through its many stages of conceptualization, research, and analysis, what has become clearer was the dimensions of arts and business relationships are ever so complex and creative beyond just money market - financing and investment. Hence, the attention was brought to illustrate that all elements comprising arts-business relationships are interrelated, and interact in an organic way. This rectifies disunity and fragmentation of a handful of past research.
Finally, it is important to understand that arts, culture, and business relationships are still burgeoning field. As cultural entrepreneurship grows, they will continue to evolve, and so will the ABRs model. It is hoped that the ABRs model and portfolios will serve as a conceptual framework to make creative connections, and strategies to achieve the organizational goal, respectively. Additionally, it is hoped that this study will spur the thinking that this social enterprise arena constitutes an important cultural policy agenda to build creative community and produce significant benefits for society.
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