VIRTUE MEETS VALUE: THE FUTURE OF SUCCESSFUL CULTURAL PHILANTHROPY

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By

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This paper was written at a time of great attitudinal change in many American cities toward cultural support. Cities are reflecting on how to position their arts and cultural institutions for economic purposes, while simultaneously trying to leverage their vitality. Cultural administrators find themselves justifying the benefits of the arts to government officials, to philanthropic entities such as foundations and to corporate and individual patrons. Arts administrators are promulgating the fact that the arts and culture provide a unique platform for educating youth and helping communities. Some arts organizations and cultural institutions scorn a united arts front while other groups, in light of the events of 9/11, are starting to embrace shared resources and visions. In Columbus, where institutional endowments are scarce and competition for grant money by nonprofits is tight, asset building and working on a united vision is difficult. However, without pragmatic giving by institutions, nonprofits without large endowments would have trouble sustaining themselves.

This paper acknowledges the idea that corporate social responsibility is now a universally accepted reality in our business community. Yet this paper also reports that many corporations remain unaware of how to best approach this complicated matter. Therefore three tools have been offered to make this difficult journey easier for businesses keen on expanding their approaches and attitudes. Recommended for valuable giving are the virtue matrix ideals along with concepts of the NewTithing Group with the Business Committee for the Arts. This triumvirate is explained in the paper along with the individual attributes that make each prong essential and exciting.

A main objective of this paper is to contextualize the sphere of cultural philanthropy as it relates to different sectors. This re-contextualizing helps us to better understand the interplay between the factions. Therefore, discussions about the arts as a societal sector along with streams of funding and a description of corporate
philanthropy appear. In an effort to track corporate giving, a cross city comparison between three Columbus, Ohio businesses and three Minnesotan businesses was performed. The new data that emerged displayed a strong connection showing that cities where companies are headquartered give the vast majority of their arts giving locally. This information lead to discussions about cultivating climates of philanthropy and the issues surrounding communication between nonprofits and their funders.
Dedicated to my father who would have been proud
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CHAPTER 1

INTRODUCTION

Virtue Meets Value: The Future of Successful Cultural Philanthropy

“...The market is the sphere of products, art is the sphere of dreams and visions. There is a relationship between the two, but to reduce art value and meaning to being a product is a reduction that guts art's soul” Roberto Bedoya, writer and arts consultant and former executive director of the National Association of Artists' Organizations (PBS Forum, 1998).

The Problem

Background to the Problem

Many American cities, including Columbus, Ohio, are at a crossroad when it comes to cultural support. Cities are reflecting on how to position their arts and cultural institutions for economic purposes, while simultaneously trying to leverage their vitality. Cultural administrators find themselves justifying the benefits of the arts to government officials, to philanthropic entities such as foundations and to corporate and individual patrons. Arts administrators are promulgating the fact that the arts and culture provide a unique platform for educating youth and helping communities. Many arts organizations and cultural institutions scorn a united arts front while other
groups, in light of the events of 9/11, are starting to embrace shared resources and visions. In Columbus, where institutional endowments are scarce and competition for grant money by nonprofits is tight, asset building and working on a united vision is difficult. However, without pragmatic giving by institutions, nonprofits without large endowments would have trouble sustaining themselves.

Roger Martin, Dean of the Rotman School of Management at the University of Toronto is one of many scholars devoted to demystifying charitable giving on behalf of corporations. He introduced a tool in 2001 for navigating corporate social responsibility (CSR) called the virtue matrix. CSR is the idea that organizations have an obligation to consider more than their financial bottom line when making decisions. The key decision makers in the corporation, when applying the concept of CSR, have the interests of customers, employees, shareholders, community and the environment in mind. What also makes this approach unique is that the catalyst for action is not compliance with regulations but rather social consciousness.

Martin’s “virtue matrix” helps corporations gage how effective and progressive their giving is by plotting their actions on a chart with axis. Martin makes numerous fine points, but one is particularly enlightening. He argues that collective action by a few corporations is the only way to get strong long-term results. In his writing, Martin mostly talks about issues like the reduction of greenhouse gasses but his principles of corporate cooperation and self discovery can be applied to sustaining the arts and cultural sector.
This core concept of structured giving, or thoughtful and researched charitable donations, is analogous to successful trends apparent in the spheres of foundations, federations, and nonprofits. Many of these groups are thriving within environments of collective action too. Could such strength through unity help a city such as Columbus, which is concerned with differentiating its arts and cultural sector, in an effort to stand out among other mid-sized U.S. cities? Could a plan of action based on cooperation boost cultural giving? It has already been proven that federations boast a history of greater gift giving when the operation is organized and strategic. Experts from foundations who guide philanthropic transactions make less whimsical and more directed donations. Perhaps this concept, when applied to cultural organizations, could provide a platform for change with ensuing sustainability.

Large scale change has already occurred in the realm of corporate philanthropy. Thirty years ago one could sincerely question whether issues such as social responsibility and corporate philanthropy were the responsibilities of corporations. Today corporations have provided affirmative answers to these questions for us. On the websites belonging to Barnes & Noble, Microsoft, Target and other national companies, there are sections and pop-ups about corporate responsibility. Most large companies employ a person or team responsible for community relations who initiate fundraisers and charitable community projects. One could say that corporations have answered the query for society because it is clear that most of them have embraced the role of ‘corporate citizen’ and philanthropist. However, because CSR has been so universally accepted, many corporate good deeds are viewed less like acts of good-will and more as duties to employees and society at
large. Some initiatives that were instituted by companies out of social awareness have been made into law, such as healthcare benefits, or are expected by their respective employees and customers without expert understanding of its significance or origin.

Although CSR has a strong foothold in our society, the motives that lead corporations and other funders to engage in philanthropy are still of interest to others. One would be naïve not to assume that there are great public relations benefits to giving to one’s community. There are even studies such as *Good Companies, Better Employees: How Community Involvement and Good Corporate Citizenship Can Enhance Employee Morale, Motivation, Commitment and Performance* by Michael Tuffrey of The Corporate Citizenship Company. This study traces the positive effects that community service has on the workplace and the increased level of loyalty that usually arises from these initiatives. Positive employee attitudes are increased further when associates see their CEO involved in charitable projects and on boards of nonprofit organizations.

Reynold Levy, formerly an executive director of New York’s 92nd Street Y and president of the AT&T Corporation wrote in a book entitled *Give and Take: A Candid Account of Corporate Philanthropy*, “The best way to keep philanthropy vibrant, well regarded, and well funded in a corporation is to demonstrate its regular contributions to business success. This means good corporate philanthropy incorporates both business interest and societal need” (Levy, 1999). Nina Kressner Cobb echoes this sentiment in an article entitled “The New Philanthropy: Its Impact on Funding Arts and Culture” she writes, “The arts community must make the case that arts and culture change lives, make special efforts to use the talents of the new
“engaged philanthropist,” and enhance the accessibility of the arts by connecting them with the community” (Kressner Cobb, 2002). Both of these individuals are saying that whether you are the funder or the recipient, making your accomplishments public is essential in engendering more donations.

While motives are interesting, the decision making process of corporations is even more fascinating. How do corporations decide where to give? Do they have areas of interest they prefer to support? How did those areas arise, did the company ask for input from employees or stock holders?

Because philanthropy is built in to company missions, it has become part of their brand identity. The Body Shop, Tom’s of Maine and Avon are just a few examples of companies that champion social issues, raise awareness for them, and support them monetarily. These are examples of outspoken businesses with overt advertising campaigns which illustrate these beliefs. Yet there are hundreds of other corporations making strides on a more local level by partnering with NPOs to work on community issues like hunger, education, and the arts.

According to the author of Management and the Arts by William J. Byrnes, “In the best of times, arts and cultural organizations are usually not at the top of the corporate funding priority list, but regular support can be found if fundraisers are willing to make the effort to track down the sources” (Byrnes, 2003). Corporate funding is just a small percentage of the overall charity that is given in the United States annually. From 1995-2000 the average annual growth rate for private giving was 10.4 percent, but in the arts the increase was only 2.9 percent (Kressner Cobb, 2002). Byrnes notes that “corporations donated $8.2 billion to charities in 1997...
represents only 6 percent of the $143.5 billion given by all funders to charities in 1997” (Byrnes, 2003). In general, nonprofits rely on a blending of funds from individual donors, corporations, governmental agencies, and foundations.

Corporate funding is known to be volatile because unlike foundations that usually give fixed amounts from annuities, corporate giving patterns often mirror the state of the economy. This paper explores the culture of giving in Columbus, OH through a direct look at some of the top corporate sponsors. I will also compare data from three leading Columbus-based corporations with that of three Minneapolis-St. Paul businesses as a means of comparison.

Statement of the problem/research questions

Cultural organizations in Columbus, Ohio, depend on outside sponsorship as a means of survival. Therefore, most arts nonprofits are effected by and must react to changing economic conditions. Exploring this relationship between arts funding and economic trends is critical because cultural institutions are dependent on market driven entities. Today the city of Columbus is struggling to retain and create jobs, increase its declining income tax revenue, and revitalize its waning downtown. Despite such an environment, arts and cultural organizations remain the recipients of state and local money and contributions from citizens and private corporations. This is because they supply economic and public value to the city which, in turn, is significant politically and socially.
In this paper I present my research on funding streams for the arts and culture with a focus on Columbus, Ohio and the Twin Cities (Minneapolis and St. Paul), Minnesota. I address three areas of underdeveloped research. First, I paint the broad picture by describing the players in the world of philanthropy. Second, I explore the arts and cultural sector to view how that arena compares and contrasts to the general giving pattern. Finally, I spotlight Columbus, OH (and to a lesser degree Minneapolis and St. Paul) to present real-life examples. Throughout these pages I also expose motivations for giving both in general and specifically to the arts. I discuss the changing role of corporate America as cultural ambassadors and other ramifications of the effects of reduced government spending on the arts and culture. This paper is an effort to understand the nuances of CSR and how it relates to the shifting economy and specifically to the cultural sector in Columbus and its peer cities.

All throughout the paper I also present my conviction about the strength of collective giving as a way to achieve greater action. I believe that if tools, such as the ‘virtue matrix’ and the attitude put forward by the NewTithing Group, (which I will soon introduce) were embraced with regard to arts funding, that society would view the cultural sector very differently. I believe that if corporations are motivated to give collectively to the arts, the path toward giving would be less uneven and more productive.
Theoretical Framework

Review of Related Literature

In order to familiarize myself with cultural sponsorship and the arts and cultural sectors in Columbus, Ohio I read a vast and diverse body of literature. Luckily there is considerable literature written about these interconnected subjects. The history of philanthropy is documented (Pifer, 1984) and is accompanied by numerous journals and websites devoted to the subject such as the *Chronicle of Philanthropy* and The Foundation Center. Tomes are also written about Progressive Social Change Philanthropy (Johnson, 1988), Corporate Philanthropy (Levy, 1999) and Philanthropy and the American Economy (Gaudiani, 2003). There are meditations on generosity (Salamon, 2003) and studies challenging corporations to embrace social responsibility (Lyon, 2004).

There are articles along with those calling for action from arts policy professionals, imploring them to look into the negative trend that is draining increased corporate giving away from arts funding into other nonprofit pockets (Kressner Cobb, 2002). Minority opinions, such as that of economist Milton Friedman, declare that charity is not the responsibility of corporations at all (Friedman, 1970). Another dissenting opinion argues that CSR offers assistance to a more general pool of people when a firm should instead be concentrating on assisting people with closer relationships to them (Lantos, 2002).
Many foundations and nonprofits have published scholarly papers investigating Ohio. The Foundation Center sponsored a 2005 report about philanthropy in Ohio and the Ohio Arts Council regularly publishes fiscal reports highlighting topics such as public support of the arts and introduces advocacy plans. I also found many reports to be of interest from the Mid-Ohio Regional Planning Commission and the Ohio Department of Development. These documents provided clear data about the financial state of Ohio and its economic outlook. I was able to compliment these writings with newspaper articles from The Columbus Dispatch which provided me with an editorialized view of the situation.

In my review of literature I culled journal articles from leading cultural policy scholars such as Cherbo, Cobb, DiMaggio, Kriedler, and Wyszomirski. These writers offered up inclusive accounts on subjects ranging from politics and government support of the arts to economics and trends in the sphere of the cultural sector. They and their colleagues wrote about cultural patronage by nongovernmental sources and the concept of profiling cultural support in an effort to track fiduciary activities. In a similar vein I read literature tracking public attitudes toward the arts and papers devoted to nonprofits and the challenges they face when raising capital. The texts also covered issues of community foundations, grant-making, and building social capital. Without such information and existing literature this paper would not be as complete.

These topics gave rise to an exploration of leadership and community building as relating to the arts. Questions were broached about the concept of community and its borders—whether they are local, national, or global. The idea of corporations as "citizens" followed from here as their place in community was discussed. What
should the role of a business be in society and what kinds of social impacts will they make through their funding of cultural projects? How does this interplay between public and private partnerships effect artist’s issues of freedom of expression? These and other concerns were exciting tangential points that arose from my research.

In conclusion, I view the cultural sector as a system of interconnected parts and thus a paper such as mine is an effort to survey one piece of this comprehensive picture.

Purpose of the Study

A few years ago when I began the journey of creating this research paper I decided that I wanted to find new data that could be of use to cultural nonprofits in Columbus, Ohio and possibly even to corporations in the same area. To the best of my knowledge there already was copious amounts of information about arts funding in general and about the economy in Columbus, but not one source that joined the two together while also discussing the unique role of top Columbus corporations and other funding streams for the arts there.

After searching The Ohio State University archives for other Master’s Theses and PHD Dissertations on related topics I discovered only one that even touched upon my subject. It was composed in 1988 by the M.A. student David Guion and was entitled “Corporate Relationships to Nonprofit Arts Organizations: The Basis for Corporate Arts Philanthropy.” It was thrilling to come upon this thesis after I had
already isolated my idea because Guion specifically recommends that further research be completed regarding the spheres of the corporate and nonprofit arts worlds in Columbus. I believe that Guion offered a platform for my research and to the best of my knowledge no other student research had been performed on this in the past 18 years at OSU.

While many ideas that surfaced in Guion's thesis resurface in my research, many societal concepts and elements of context are quite different now. Guion opens his work by stating that corporate philanthropy was still a recent phenomenon in 1988 and he questions whether charitable giving to the arts is important or should be expected. On the other hand, I begin my thesis with the assumption that corporate philanthropy for the arts is widely accepted and should be further developed. Despite this disparity, which is mostly due to the passing of time, it is exciting to further investigate a topic broached by a fellow student.

Methodology

I used a combination of qualitative and quantitative methods when gathering data for this project. As discussed earlier, I read a large body of literature that helped to frame this topic and give it historical and economic backgrounds. I also communicated with several people in arts organizations and corporations in order to incorporate more beliefs, attitudes, and knowledge into my research paper.
The largest quantitative component in the paper was the gathering of data from the IRS 990 form. This form is completed and returned to the IRS annually by federally tax-exempt organizations. The form provides information on the organization's mission, programs, and finances. It also lists the organization’s board members, the investments made on its behalf, and usually includes application forms for those interested in applying for grants.

These forms were of special interest to me in my quest to track the giving patterns, over three years, of corporations headquartered in Columbus, Ohio and the Twin Cities of Minnesota. Both of these cities are home to corporations that have a lot to offer the arts and cultural sectors in their areas. Minneapolis has a reputation for broad corporate philanthropy while Columbus has a smaller and more concentrated group of four major corporate givers. I was curious to note any geographic consistencies or incongruities and wondered whether these specific companies gave more to the cities where they are headquartered. Not only was I interested in uncovering whether these businesses offered more locally or nationally, I was also seeing what percentage of these business’s total charitable donations were given to the arts and culture. And, of total local donations, what amount of that was given to the arts.

Most importantly I chose top corporations which were headquartered in the before mentioned cities. From that pool I chose from among the most financially successful. I state later in the paper that the wealth of corporations based in Columbus, Ohio rests in the hands of a few high profile corporations and that much of the corporate giving in dollars can be traced back to these select few. I also later
elaborate on the fact that representatives from these organizations are of great consequence because they are often members of the board of directors of many of the same cultural nonprofits in Columbus.

Originally I had planned on comparing the giving patterns of large, mid-sized, and small companies in Columbus but soon realized that the data from small businesses was unreliable. Smaller corporations do not have to publicize their charitable giving unlike the larger corporate foundations that give millions of dollars and receive tax exemptions upon registering with the IRS. Some of these smaller companies were not forthcoming with their information and so I decided to focus on their larger brethren.

When sifting through hundreds of pages of these forms, it was amusing to note the discrepancies between the filing methods of these corporations. Not only were the six companies’ records different from each other, over the three years that I tracked them (which were 2002-2004) a single corporation would change its own filing format. While this was not a huge hurdle, isolating the donations specifically for the arts and culture sometimes was very complicated. Often the arts were grouped with culture and the environment. Other times, they were combined with civic organizations and sometimes the hundreds of donations were not grouped at all.

When speaking with a manager in the tax department at General Mills Inc. I actually complimented him on the organization of his company’s 990 form. General Mills
Foundation was the only one that divided up their arts and culture section into: cultural centers, performing arts, public broadcasting, and visual arts.¹

I mention in another part of this paper that a three year span is accepted as a respectable number of years from which to draw conclusions from the 990 form. I chose 2002-2004 because for some of the corporations, the most recent year published on guidestar.com, a website devoted to providing the public with nonprofit information, was 2004. Therefore when tracking a three year period I went backward from 2004.

After isolating which items on the 990 forms were art and cultural organizations, I then separated which ones were in the cities of research i.e. Columbus and Minneapolis and St. Paul and then I separated what was given to organizations in Ohio and Minnesota and then the rest of the country. Once I had gathered that data and created an excel sheet I was then able to compare the arts total with the grand total and find the appropriate percentages. These charts are toward the rear of the paper as well as a section with analysis and findings from the processed data.

¹ For the purposes of this paper I did include public broadcasting in my definition of the arts and culture but did not include zoos and aquariums or horticultural societies or venues.
Significance of the Study

From the corporations that I sampled, the trend was that Minneapolis/St Paul businesses gave more in total and in the amount they give to the arts and culture. Another point of great significance that surfaced from my research is that all the companies but one (US Bancorp), proved to give predominantly on a local level when donating to the arts. What made my findings so interesting is that US Bancorp which was the only one of six to distribute its charity nationally and not favor the hometown of its headquarters, gave in a radically different way. This difference in approach is so interesting squarely because it follows a different model.

It is clear from the US Bancorp website that their approach is rooted in their generosity to their 24-state banking region. As the 6th largest bank in the country, the company operates 2,462 banking offices. The Limited Brands, another of the corporations that I highlighted in this report has 3,534 stores under the Victoria's Secret, Bath & Body Works, Express, Limited Stores and other brand names in the United States. Yet unlike US Bancorp, it gives charity predominantly in the vicinity of its headquarters. Therefore this quintessential and differing sort of relationship each of these companies has with its community is interesting and compelling. Such information and other giving patterns are of great importance to nonprofits that approach businesses for contributions.

According to business school professors Marquis and Davis, banks have held a unique place in American society. They write, “Idiosyncrasies of US federal and state banking laws tightly restricted the geographic growth of banks for much of
American history, and as a result they established deep roots within their communities” (Marquis and Davis, 2004). This could then explain the grand differences between the pathways of giving at the Limited Brands verses US Bancorp. It will be very interesting to see the evolution of bank giving in the future as the laws have changed. Now that so many mergers have taken place, as in the cases of Bank of America with MBNA Corporation in 2005 and Wachovia and Golden West Financial in 2006 (http://www.answers.com) among dozens of others, the effects on local giving might change drastically as the pathways of decisions alter.

The other point of great significance stemming from my research is the pattern of successful giving when structure and strategy are effectively employed. I cite examples such as the National Alliance for Choice in Giving (NACG) which aids employers with workplace giving initiatives and the NewTithing Group as two successful organizations with impressive and immediately effective track records. Some of the success of these organizations can be attributed to their pledges to have high rates of accountability and transparency in their work. It is because of the marked success of these and other similar organizations that I recommend the use of these models in the development arena of cities such as Columbus, Ohio.
CHAPTER 2

GENERAL CONTEXT AND PLACE OF CORPORATE SOCIAL RESPONSIBILITY

Streams of Funding:

When speaking about a confluence of funding, people often refer to it as a funding stream. This language connotes a coming together of many different smaller bodies. It is rare for a nonprofit to have a single form of funding. Usually it is a convergence of public, corporate, and individual contributions along with some earned revenue depending on the services offered. For example, in 2005 the Columbus Museum of Art recorded six forms of revenue in their annual report. These included: contributions, membership, grants; endowment and investment income; special events, museum shop, and café; admissions and other earned income; auxiliary donations; and in-kind donations. The museum’s total revenue for that year amounted to $7,006,473 (Annual Report, 2005). By far, the first category dwarfed the rest totaling 52% of the whole which was $3,664,027. The second highest percentage was the revenue from the shop and café which was 20% amounting to $1,389,743. The remaining categories were in the single digits percentage-wise and had much
smaller dollar amounts. What this quick peek demonstrates is that each of these forms of revenue is necessary considering that the museum’s expenses for 2005 were $6,869,447. This leaves a mere $137,026 in surplus.

Now that we have witnessed the many streams of contributions that flow into a cultural institution, it is interesting to take a large company such as General Mills Inc. and see what types of institutions it gives to. In 2002 General Mills Inc. provided 373 grants in the area of family life, 26 grants in education, 89 in health and nutrition, 24 grants in arts and culture, and 19 grants in a national and other category. The diversity within sections is very interesting. Within arts and culture they provided grants for the well known ProMusica and the lesser known Minnesota Chinese Dance Theater. Similarly in the education section they gave to major universities in the higher education section and to small elementary school programs in the mid-west. One of the many beauties of corporate and individual giving is the freedom to contribute to a diverse pool and that the incentives driving the parties are different, thus at best, ensuring a greater spectrum of charitable giving.

Not only are all streams of funding important to a single NPO, the streams are also important as far as building a greater community of gift giving. Dean Roger Martin author of “The virtue matrix: A tool for understanding corporate social responsibility,” explains in his article “Corporations don’t operate in a universe composed solely of shareholders. They exist within larger political and social entities and are subject to pressures from members of those networks, be they citizens concerned about environmental pollution, employees seeking to strike a balance between work and family, or political authorities protective of their tax bases”
(Martin, 2006). But this isn’t where it ends either. Individuals are influenced by the
giving of other patrons, the government and corporations. In his article, Martin
explains, as I did at the start of this paper, that what are now social norms in the world
of philanthropy weren’t always. He pointed to the insurance industry and explained
that one company changed its policy to benefit people suffering from AIDS, allowing
the individuals to delve into the death benefits in their policies to pay for medical
expenses. At first this drastic action was condemned by skeptics only to be followed
by a succession of other insurers who did the same thing. In short, the stream is
essential to the recipients and the tributaries play a game of self reflection by seeing
who the other players are giving to.

Individual giving occurs in a variety of ways. According to the Foundation
Center’s 2005 report on Ohio, “In addition to direct contributions to charities,
individuals gave through community foundations, private foundations, United Ways,
religious federations, commercial gift funds, racial and ethnic communities,
workplace campaigns, women’s funds and giving circles.” According to the
NewTithing Group, the estimated total charitable gifts given in 2003 was $148.4
billion in the United States. The NewTithing Group is a philanthropic research
organization with a distinctive bent. They claim to be the only US organization “that
consistently releases IRS-based reports on philanthropy accounting for asset wealth,
not merely for income” (www.newtithing.org). The fact that they are figuring in asset
wealth is important in building a deeper picture of how much people are giving versus
how much money they have altogether. It was this very detail that marked Columbus,
Ohio as a unique city in that the amount of charity big businesses were giving was on par with other businesses that had much larger assets. Thus Columbus was judged to be generous beyond expectations.

The NewTithing Group frequently publishes jarring data about U.S. individual giving. In their 2005 report discussing the 2003 tax-year, they found that “aside from seniors, it is the wealthy—specifically the upper middle class and the middle rich—who donate a lower proportion of their investment asset wealth to charity than everyone else.” (NewTithing Group, 2005) The report groups the giving population into four categories: the middle class and below (earn under $200,000 in adjusted gross income), the upper middle class (earn $200,000 to under $1 million in adjusted gross income), the middle rich (earn $1 million to under $10 million in adjusted gross income), and the super rich (earn $10 million or more in adjusted gross income).

According to the study, generosity plummets by more than half in the 35 and younger age group between the middle class and below and the upper middle class and middle rich filers. In other words, middle class and below filers gave 1.87% of their investment asset wealth to charity while upper middle class and middle rich gave .54% of their investment asset wealth to charity.

What makes the reporting of the NewTithing Group so interesting is that they are really marketing a biblical idea through their unearthing of this data. They are taking an age old idea of giving away a portion of one’s salary to charity but adding a new sheen to it. They want to figure in one’s investment assets and the economic climate so as to encourage comfortable and optimal charitable giving depending on all of these factors including one’s age and financial standing. So when reporting that
richer filers are giving less, they explain the significance as had the richer counterparts given more, “total individual charitable donations that year would have been over $25 billion higher, an increase of 17%” (NewTithing Group, 2005). This approach is appealing because it gets the message across through numbers, thus relying on fact without being too preachy.

According to a Foundation Center study “Key facts on community foundations,” independent foundations gave the lion’s share in the foundation arena in 2004. Corporate foundations followed with 11% and community foundations trailed with 9%. The total amount of giving was $31.8 billion and operating amounted to 7% which was $2.2 billion. Independent foundations are private funds that usually come from a single family and are not associated with a nonprofit, they are non-operating foundations (http://fundraising-dictionary.com). According to the Foundation Center report, individuals can respond rapidly to changes in the economy yet the authors believe that community funds are less susceptible to economic upheavals because of the diversity of their donors. They propose that some donors will be hit harder than others in the case of a crisis and for this exact reason they encourage community foundations over family ones.
Arts as Societal Sector:

Having a strong infrastructure is key to the growth and success of the cultural sector (Wyszomirski, 2005). According to Wyszomirski, if the arts and culture are viewed as an economic sector then it needs to be developed and strengthened by educational institutions, funders, policy and advocacy support systems. Benefits exist from the fact that the arts are supported by a diverse base (Wyszomirski, 2002). One outlook is that a diversified support base illustrates the range of individuals and communities involved in the arts and creative industries. Considering that this is a multi-billion dollar industry (Cohen & Wyszomirski, 2002), it would only make sense that cultural policy makers strategize on how to best realize the potential that this sector has to offer. Because I believe that philanthropy for the arts in Columbus is an underdeveloped area of study, I decided to research the fundamentals of why corporations fund arts programs. Aside from the need for language tools and better research guidelines about the arts, leadership is another angle of great importance.

Strategic leadership and management are usually ingredients in a successful initiative. Not only do strong leaders inspire lofty goals, they often work with others to create concrete plans to realize them. Cultivating competent leaders for the cultural sector is an important aim that policymakers should have in mind. Leaders are not only instrumental in times of crisis, they can be advocates for the sector and act as liaisons with leaders in other industries. The GCAC created the Business Arts Partnership program in order to distinguish the relationship of support between the business and arts sectors in Columbus. Marilyn Harris, the 2006 Arts Partnership
Chair, noted “We know that a vibrant arts community is an important element of economic development, especially in attracting and retaining a strong work force. Business collaborations are crucial to the continued success of our artists and cultural organizations” (www.gcac.org).

Cultural administrators are important leaders in the art world. They are expected to operate their nonprofits more like businesses by doing more with less and working more intelligently not harder. Additionally, they are being asked to provide more services to the community, frequently at a low cost or free of charge. The role of the executive director of an arts organization is to bring patrons and audiences the uniqueness of the arts but in doing so the director must possess an array of diverse knowledge and skills. Management writer William Byrnes wrote that the arts manager is faced with “almost endless variety and changing circumstances in the world around the arts organization” (Byrnes, 2003). Luckily there are resources for arts managers such as arts councils. Policy making organizations such as GCAC can help with the knowledge of environments and people, communication with the public, financial issues, and assist in development of the arts through the process of collaboration.
Foundations:

Now that I have presented the large picture, I will spotlight each of the streams of funding to gain a better understanding of it. At their best, local foundations are not just trying to leverage money but they are cultural philanthropists who over time have the aim of investing in a community and raising awareness for certain causes (Wyszomirski, 1999). Foundations are often successful institutions because they bring together a diverse sampling of community leaders (America’s Cultural Capital, 2001). It is through this and other initiatives that foundations act as unifying agents to bridge the differences among organizations in an area. Community foundations are of great value because they are usually well respected and are a safe third party. They often have favorable relationships with the media, government officials and agencies, and are well connected in the business community.

Foundations can also act as trend setters and lend validity to certain causes and organizations. Similarly bad relations between community organizations and foundations can have devastating effects for fund recipients. It would be interesting to know the extent to which foundations and the government lend authenticity to certain nonprofits and the effects of withdrawal of funding can have. According to the Mellon foundation, “...significant changes have occurred in Americans’ willingness to support the arts...signaled in part by recent large reductions in government funding for these fields (Mellon, 1996).” This would lead one to believe that the ties can be quite strong. Corporate funding has repercussions as well. Critics of the Marlboro corporation say that the cigarette company tries to gain validity by association with
the institutions it supports. Here we see that government, private and corporate
funding can offer economic “validity” to arts organizations and projects but that
sometimes the cultural organization has the prominence that a company or individual
is looking for.

The leading foundation in Columbus, Ohio is the Columbus Foundation. Its
mission is to “assist donors and others in strengthening and improving our community
for the benefit of all of its citizens.” On their website, they present themselves as
being trustworthy and experts in the field of philanthropy. As of 2004 their assets
totalled $809.8 million with a total of $67 million in gifts given to them that year.
They have distributed $54.6 million in grants to 1,589 nonprofit organizations
(www.columbusfoundation.org). Yet, when compared to other cities such as
Cleveland, Cincinnati, Pittsburgh, and Kansas City it is lower in total assets
(Columbus Partnership, 2003). Again it is critical to mention that despite Columbus’
status regarding total assets, the grants and gifts that the Columbus foundations give
far outweigh usual percentages. According to one study, this behavior “is evidence
that although Columbus is newer at philanthropy, it is giving and getting on a level
much higher than its foundation asset size” (Columbus Partnership, 2003).
Furthermore, according to the “2004 Survey of U.S. Community Foundations” The
Columbus Foundation ranks 7th in overall asset size among 650 U.S. community
foundations, 13th in grants paid, and 14th in gifts received.

A common thread of worry in the world of arts and culture nonprofits is
financial uncertainty. Foundations help alleviate such worries because their gifts are
aimed to be predictable from year to year (Columbus Partnership, 2003). It is also the
case that private foundations are required to dole out a specified amount each year. The Columbus Foundation is known to be one of the fastest growing foundations in the country. It allots 17% of its donations to arts and culture in Columbus which falls below education and health and human services and above environment, community improvement and other (Columbus Partnership, 2003). Yet despite this seemingly positive picture, unlike other Midwestern cities such as Minneapolis, Cleveland, and Indianapolis, there are no billionaire dynasties such as the Gund or Lilly families to help jumpstart the cultural landscape (Building, 2005). Columbus could change dramatically in the next decades due to the fact that much of the private wealth is in its first generation and is still active in business. Thus right now money tends to flow thru corporate donations rather than private family foundations but this has much room to change.

Trends in foundation giving to arts and culture:

The Foundation Center provides many valuable services and data to the field. Among the research performed is an annual “snapshot” of foundation giving to the arts and culture. They track changes in the giving patterns over a one year period by 1,172 of the largest U.S. foundations. The most recent report follows 2003-04 and reports that, aside from one enormous grant, giving remained steady. Between 2003 and 2004 there was an increase of $189.3 million of unadjusted grant dollars given to the arts and culture. The total 2003 amount is $1.79 billion and the total amount given
in 2004 was $1.98 billion. The increase in arts giving is mostly due to a $189.8 million grant from the American Art Foundation to the Whitney Museum of American Art. According to the Foundation Center, without this grand donation, giving for the arts would have been unchanged.

The Report notes that most of the larger foundations do indeed support the arts but only half show a “strong commitment.” Yet the report does include a very curious fact which is that “support for the arts appears to be less concentrated among a small number of foundations” (Renz & Lawrence, 2006). They go on to say that 39 percent of the total foundation dollars for the arts in 2004 came from the top 25 foundations. This is a change from 15 years ago when 50 percent of the funding came from the top grossing foundations. In other parts of this paper the discussion arose about the consequences of having a minority in charge of funding the arts or giving the most philanthropy in a location. While there are issues that may arise from such a scenario, the broadening of support for the arts trumps them and could be an exciting trend to watch.

When compared to the other major fields of giving, the arts and culture received the fourth greatest amount in 2004. As you will see from the foundation’s figure 2 below, only education (23%), health (22%), and human services (14%) were given more. Arts and culture came in with 13% of the pie and below that were public affairs (13%), environment and animals (5%), religion (3%), international affairs (2%), science and technology (2%), and social sciences (1%).
Figure 2. Percent of grant dollars by major field of giving, 2004*

When looking at the arts as a subfield, museum activities and performing arts are the greatest recipients of funding. This can be seen in figure 2.2 from the Foundation Center's 2006 report.
The report concisely explains that there is a history of vacillation between performing arts and museums taking the lead in funding. The report states, “From the start of the 1980s until 1998, the performing arts consistently received more foundation support than museums. In the mid 1980s the two fields received nearly equal shares of funding” (Renz & Lawrence, 2006). The report continues by saying this even field was shattered in the 1980s and mid-1990s with the performing arts taking the lead. Then, in the late 1990s until today there has been an upswing for
giving to museums. The authors decline to offer reasons as to why the wavering between the two occurred but does point to several elements such as "the entry on to the scene of new and large arts funders, extraordinarily large grants, the contribution of valuable art collections, and new capital projects at museums."

In figures 2.3 and 2.4 we can see more specifically how the grant divisions lie.
Figure 2.3 displays the breakdown of the performing arts grants with the greatest percentage going to music while figure 2.4 shows the percentages given to different types of museums. Art museums far outweigh the others in grants received. From 2003 to 2004 there was an increase in the number of performing arts grant dollars from $580.5 million to $626.7 million, an increase of 8%. All in all, a larger number of grants went to the performing arts but they were smaller amounts than the fewer and larger grants that went to museums.

The Foundation Center Report also has a section describing grants by types of support. This tracks how much is given toward program support, general operating support, and capital support. The report goes on to say that “Of the three main categories of support, special programs and projects typically receive the largest share of arts and culture grant dollars.” It continues saying that this is also usually the case in the fields of health and education. This harks back to the discussion regarding the communication pathways between nonprofits and funders regarding addressing the true needs of the nonprofit. As mentioned in other sections, nonprofits predominantly request funds for operating support and here we note the trend of most funds being offered for programming.

Why do some arts and cultural nonprofits and projects have more donor participation than others? There are some theories to explain the phenomenon. All streams of funding enjoy supporting fun initiatives. It could seem like a lot more fun to support the popular Columbus Arts Festival than to offer operating support to the Greater Columbus Arts Council. Some corporations support fun programs so that they seem youthful and energized and can be associated with and recognized by youths.
Other donors want to give money to areas where results can be obtained and their support be quantified. To some supporters, numbers act as a justification for further giving. Sadly, some money is designated to specific programs because of a breakdown of communication between nonprofits and donors. Some donors use for-profit business tactics when analyzing nonprofits and believe them to need certain things over others.

Yet why are music and performing arts more popular than theater and dance? There are three main answers: scale, audience, and the nature of the different businesses. Part of it comes down to scale of operation. Music includes symphony orchestras and operas and performing arts include performing arts centers, performing arts schools, and other multidisciplinary arts programs. It is almost impossible to tally how many of these institutions there are but it is most probably safe to say that there are many more musical groups than dance troupes and schools. This then leads into the aspect of the audience, larger audiences usually translates to more income and possibly a greater scale of operations. According to Pam Bishop, Director of Development at Balletmet,

People have a comfort level of what they will experience if they attend a concert of music. Conversely, dance is much more intimidating and mysterious. I would argue that dance is a more sophisticated art form because it weaves multiple art forms together to create art - movement, music, theatre, visual arts - and that can be intimidating to someone with no "experience" in dance. (Bishop, Pam. “RE: question.” E-mail to Cecily Marbach. 8 Feb. 2007.)
Bishop is a proponent of early dance education for children as part of their curriculum. She believes such experiences could lead to the broadening of dance audiences in the future.

Another reason why performing arts are more popular and receive more grant support than theater and dance is due to their budgets. Again Pam Bishop of Balletmet elucidates the point that when nonprofits apply for operating support they have to display their budgets. Usually, nonprofits are awarded grants based upon a percentage of their budgets. Budgets for symphony orchestras are larger than those for dance troupes. So from here we see a cycle arising. Greater audiences and scale of operation usually lead to higher budgets and higher budgets lead to more grant support. This cycle is illustrated in the following figure.
Figure 2.5 Cycles of success for performing arts nonprofits
Other drastic differences between dance and music exist. Most notably, to quote Bishop of Balletmet,

Musicians in a symphony orchestra earn an average of $40,000 - $60,000 annually. Dancers in a ballet company earn an average of $25,000 - $35,000. Musicians can perform for 30-40 years and as they gain more experience they earn more money. Dancers peak in their careers in their mid-twenties and most are retired by their mid-thirties. They typically start their careers right out of high school at age 18, are paid very modestly, and then have fewer years to accumulate incremental raises. (Bishop, Pam. “RE: question.” E-mail to Cecily Marbach. 7 Feb. 2007.)

Thus the numbers and nature of these different performing arts are staggering. This very much explains the cycle of giving that has become a pattern.

Returning to the topic of museums, it is curious that art museums as seen in figure 2.4 receive more funding then all other kinds of museums. Art museums are very popular in the United States however, according to the USA Museums Database (http://www.museumca.org/usa/index.html) there are 360 art museums in the country but 524 history museums. So, there are almost one and a half times more history museums, which the foundation center says receive 7.2% of all museum funding, but art museums nevertheless get 63.7% of museum funding! As Sara Pearce, Visual Arts reporter for the Cincinnati Enquirer put it, “...some people just like art and want to support it for that reason alone.” (Pearce, Sara. “RE: questions.” E-mail to Cecily Marbach. 11. Feb. 2007.) Perhaps this likeability is a big motivation toward giving to the visual arts.
In the Foundation Center report they do, as mentioned earlier, bring up some valuable points regarding this issue. They mention the rise of large arts funders and the contribution of costly art collections as reasons for the immense interest in funding art museums. Art museums also commonly present blockbuster shows of accessible art that draw large crowds. Because art surrounds us in newspapers, magazines, and on television it is an art form that people are comfortable with. People's comfort level with art could be the trigger for greater audiences thus beginning a cycle as seen above in the figure depicting the cycle of success for performing arts nonprofits.

Taxes:

Tax policies are integral to any discussion regarding philanthropy for the arts and culture. From a public policy perspective tax relief for the arts create a platform for arts issues to be addressed publicly. The arts, due to people's passion for it, attracts professionals from many disciplines together to discuss issues like the preservation of our nations' historical sites and other cultural issues within the community. It is also understood that that tax policies directly influence corporate and individual giving to charity.
Columbus is often criticized for its poor tax structure and this is one of the things that that politicians are working on to ensure future company growth in the City and to stimulate corporate funding.²

The government also lightens the load for nonprofits by labeling them tax exempt. However, the political environment is still unforgiving on some fronts and thus not all arts initiatives are supported by tax credits. But overall fiduciary assistance is critical to the livelihood of most nonprofits. This is especially true since many of the sources of support are dependent on one another. For example, matching and challenge grants and program and project partnerships can all be interdependent (Wyszomirski, 1999).

Development offices in nonprofits will be the first to admit that creativity must be applied when seeking sponsorship. One growing argument is that cultural goods are becoming increasingly more diverse and numerous that government funding will be less effective. This is due to the larger number of recipients and the shrinking base amount available to draw from (Silverthorne, 2005). Other initiatives are potentially threatening to the arts and culture such as one of the platforms regarding tax reforms and incentives that President Bush stood on in the 2000 presidential campaign. He campaigned for a nationwide increase in support of

² Under the Taft administration in 2005 numerous tax changes were created in response to overwhelming criticism. A Columbus Dispatch article notes, “In general, supporters said the revisions are long overdue, bringing Ohio tax rates in line with other states and simplifying a system that had grown complicated, inefficient and riddled with loopholes (Sheban, 2005).” The new policies assisted manufacturers the most, which was intended to retain jobs and tempt businesses to stay or re-locate to Ohio.
community and faith-based organizations that crusaded against hunger and poverty in America. The Bush administration pushed for the charitable tax credit system which was intended to increase private donations and support antipoverty initiatives. The key idea was that government would place the responsibility of determining public value in the hands of individual taxpayers.

The notion of a charitable tax credit has been publicized since the 1990s by many conservative think tanks and republican members of Congress (De Vita, 2005). Its purpose is to motivate Americans to give charity and it differs from federal charitable tax deduction program in two basic ways. The first main difference is that taxpayers may claim a charitable deduction against their adjusted gross income if they contribute to a recognized 501c(3) however charitable tax credits only apply to certain charities, specifically ones that are antipoverty. The second main difference is that people get more money taken off their taxes if they give to the “approved” antipoverty then if they give to any existing nonprofit of their choice.

A tax credit like this is of consequence to the arts because philanthropic engineering is at play between the government and the public. Philanthropic engineering is the idea that regulations and sanctions are created to inhibit or encourage certain philanthropic behavior. Such “encouragement” could drive private donors and corporations to give to causes that not only match their missions and ideals but also provide them with the greatest tax breaks. These tax breaks are the result of legislation and are often the deciding factor for individuals or institutions when planning their charitable giving. Since the arts are for the most part regular 501c(3) recognized nonprofits and are not primarily focused on antipoverty work,
they could be hurt by this tax reform. Therefore, one could understand this charitable initiative to be problematic on a free will level and show signs of discrimination. It is the job of arts advocacy groups to be informed about such reforms and share their knowledge with the arts and culture community.

Public Support of Arts Nonprofits:

Since we have seen the arts policy ramifications of tax policy issues we can take a closer look at public funding. Public financial support for the arts is critical for our country on many levels. It is important for issues of national pride, heritage, preservation and cultivation. The public funding of some cultural nonprofits has kept them afloat. Yet public funding was also designed as an outlet for nonprofits and artists to create in an atmosphere of greater freedom and without the threat of the bottom line.

Public funding is offered in a plethora of ways such as grants and line items in budgets. It is also through public channels that tax exemptions and deductions for charitable donations are overseen (Wyszomirski, 2002). By the very nature of the grants being government support, they have characteristics different from those assembled by other sources. Much like a business, which usually has a board of directors, the government must take into consideration the needs and wishes of its constituents when it comes to giving aid. Often public opinion is shaped by the media and this then influences public officials and interest groups. According to some, what
makes government funding unique is that it is obligated to stand for all Americans (Free Expression, 2003).

As alluded to in other areas of this paper, public funding is limited and must serve diverse groups. The Greater Columbus Arts Council (GCAC) for example, has its own set of grant guidelines and funding priorities which sometimes overlap with the interests of an individual arts organization. Sometimes, the GCAC is instructed by the City Council regarding what they will fund, as in the case of the Center of Science and Industry (COSI), and things they cannot such as programs outside the city limits. Another tricky detail is that in some locations with limited funding streams, such as Columbus, a small arts nonprofit could be competing with an arts council for the same funds.

Even with the support of the populace, arts groups have noted a stagnation or reduction in government grants. The decreased donations from foundations and the government have negatively affected organizations’ contributed income (Columbus Partnership, 2003). Another burning problem is also at play between grantmakers and grant recipients and that’s need assessment. A June 2004 report called “Spotlight on Arts Grantmaking in Ohio” shows a discrepancy between the types of support grantmakers award compared to what arts groups say they need most.

In this study, almost 90% of grant recipient respondents said they needed aid with general/operating support while only 75% was awarded. The next category down from general support was performance/production support and the need was rated at about 35% but the grantmakers awarded it at about 64%. From the bar graph illustrating this scenario it seemed that grantmakers were interested in a somewhat
balanced distribution while most grant recipients were far more in favor of receiving general/operating support. In short, this brings to light an issue of communication that needs development between grantmakers and their recipients and an investigation into the different sets of priorities which may exist on either front.

I believe this study made an effort to illustrate this disconnect in a sidebar called “In their own words... What are the biggest challenges facing nonprofits when it comes to funding for arts and culture.” In this section the authors placed five quotations from prominent grantmakers and five more from stellar grant recipients. Most of the parties touched on the same key ideas: frustration from the number of new NPOs that are being created, the ensuing struggle for funding stemming from this, and the primary need for operating support over all else. Yet another idea surfaced which is the difficulty for small NPOs to measure the impact of their programs and the effectiveness of the utilization of funds to satisfy their funders. This then could be the reason for the disconnect between what NPOs request and what sort of funding they receive. Maybe if money is given for educational purposes or to strengthen fundraising, the results can be calculated whereas if money is donated to operating support, there is less accountability. From here we learn that it could be less about miscommunication and more about finding a language to measure results differently. Again this could be a case of the for-profit world applying their performance expectations on the nonprofit sector.
With all of this said, the nonprofit situation is anything but bleak. The issues of public accountability, for profit performance expectations, and nonprofit measurement problems are continuously being addressed in nonprofit boardrooms and at administrative meetings. Nonprofits have a great reason to create performance measures and live up to them as a way to position themselves as a successful agency within their community. Some private sector performance measures can be applied to nonprofits such as defining the agency services and outputs. For example, museums usually record the attendance level and participation in special programming surrounding exhibitions. If clear outcomes were laid out prior to the opening of an exhibition, such as age appropriateness, length of average visitor stay, and the number of expected group visits then data can be compiled to weigh the preparedness of the museum. Outcome information can then be very useful for employees of the museum as a way to understand their performance and prepare for future exhibitions.

Philosophy of Giving:

Next I chose to explore some philosophical aspects of philanthropy in an effort to help frame the discussion about CSR. There are many terms in philosophy that describe various aspects of philanthropy. Deontology is a branch of moral philosophy that focuses on the area of moral obligations. It holds that decisions should not be whimsical but be based on one’s duties and principles. Deontology is a basis often used to substantiate that corporations do in fact have a moral obligation or
a responsibility to involve themselves in philanthropy (Lantos, 2002). Other corporations have embraced the “ethics of care” model which was made popular in the 1990s through feminist ethical philosophy (Lantos, 2002 & Roberts, 2002). Ethics of care is concerned with relationship-oriented virtues. In other words, corporations that have embraced this philosophy value the personal lives of their employees and their place in the community. Ben & Jerry’s, for example, is an advocate of this and have developed their own term called “caring capitalism.” This company strives to be the embodiment of happy employees and strong community because it translates to a thriving corporation.

Communitarianism is another branch of philosophy that “sees individuals as being embedded in communities, which give order and purpose to their lives” (Roberts, 2002). This concept much like deontology and the ethics of care sees our world as an interconnected ecosystem that is strengthened through the creation and continuance of partnerships and community relations. To go even further they believe that these relationships have “fundamental value that should be preserved and nurtured.” (Roberts, 2002) Yet, from literature explaining the ethics of care we learn that these philosophers do not believe that we are obligated to care equally for all. In fact, they believe that aid asymmetry is appropriate being that organizations and individuals have varying resources and opportunities. In other words, large corporations can presumably give more charity then small start-ups.

In the following chart we can view examples of corporate missions with philosophical affiliations attributed to each. As you will see, the missions all include communitarian and deontological characteristics. All three philosophical ideas

43
overlap and so I opted to point out the more overt attributes in the last column.

Because of the complementary aspect of the ideas, it is difficult to assign prevalence of one over another in a particular location.

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<th>Foundation</th>
<th>Mission</th>
<th>Philosophical Affiliation</th>
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<tbody>
<tr>
<td>Limited Brands Inc.</td>
<td>Limited Brands is committed to being a responsible member of the global community. We realize that our enterprise touches the lives of millions of people — customers, associates, shareholders, vendor partners, suppliers, environmental and community groups, and many more. We believe we have a responsibility to do what is right, not only for our business and our stakeholders, but also for the global community. Accountability and responsibility must be our guiding principles, and our actions must demonstrate our values.</td>
<td>Deontological and communitarian approaches</td>
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http://www.limitedbrands.com/social_responsibility/index.jsp

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<tr>
<th>Foundation</th>
<th>Mission</th>
<th>Philosophical Affiliation</th>
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<tr>
<td>Nationwide Inc.</td>
<td>Helping others is what we do. Our people make the difference for both our customers and the communities we call home. The community involvement of Nationwide associates shows a decade’s long trend for caring, sharing and building better neighborhoods. Our associates drive Nationwide’s community involvement through their generous gifts of time and money. Their efforts are enhanced with resources from the entire Nationwide family of companies to make a real difference in the community and help people in need every day.</td>
<td>Ethics of care Approach</td>
</tr>
</tbody>
</table>


| Medtronic | Medtronic is passionate about improving the health of people and communities throughout the world, and our philanthropy reflects that passion. We focus our giving in areas where we can make unique and positive contributions: health, education and community. | Deontological approach |

http://www.medtronic.com/
Table 2.1 (continued)

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<th>Foundation</th>
<th>Mission</th>
<th>Philosophical Affiliation</th>
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<tbody>
<tr>
<td>General Mill Inc.</td>
<td>Since the General Mills Foundation was created, it has awarded over $370 million to our communities. In fiscal 2006, the Foundation contributed over $20 million in grants in our communities. In the Twin Cities, the Foundation focuses grants in the areas of youth nutrition and fitness, education, arts and culture, social services, and United Way. In our communities outside the Twin Cities, our key grantmaking priorities are improving youth nutrition and fitness, and United Way. Beyond financial resources, we also support organizations with volunteers and mentors who share their expertise and talents.</td>
<td>Communitarian approach</td>
</tr>
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Table 2.1 Foundation mission and philosophical affiliation
How these philosophical concepts affect arts and culture is critical to our discussion. Obviously the arts benefit from the generosity of corporate sponsorship but the benefits are reciprocal. It is not uncommon to draw a connection between a healthy nonprofit environment and a strong corporate one. NPOs typically pop-up when a community recognizes its need for social services and when it has the available funds to support them. What makes a cultural nonprofit different from a business that manufactures plastics is that the business can make inroads into producing products in a more environmentally friendly way but a nonprofit doesn’t incur more externalities than it already did through its original work pattern. Yet, a nonprofit agency can position itself differently so as to affect more and diverse kinds of people. It can also strive to work more efficiently because its behavior can positively affect the behavior of its peers.

Stances on CSR:

Before going further, seeing that two sides to the CSR argument exist is significant. There has been a long history of entrepreneurs who have “given back” to society. Some scholars go as far as to say that “Corporations do not have some fundamental or natural right to pursue profit and only profit. Hence, it is at least conceivable that they might have other obligations...” (Roberts, 2002). The authors of an article entitled “The Ethics of Public-Private Partnerships” go on to list CSR as a
basic obligation of businesses. They also argue that individual managers have a “personal moral responsibility to behave in certain ways” and thus pursue charitable goals through their business channels.

More mainstream is the idea that CSR is commendable because it bridges business and local communities through volunteerism and offers another channel of revenue for nonprofit organizations.

Naturally there are those with the opposing view that CSR is not an optimal path for a corporation. One minority opinion believes it to be amoral for businesses because it violates “shareholder property rights, unjustly seizing stockholder wealth, and it bestows benefits for the general welfare at the expense for whom the firm should care in close relationships” (Lantos, 2002). This opinion believes that in practicing corporate philanthropy the company spends money that might otherwise go to shareholders on other things. This anti-CSR opinion also concerns itself with the possibility that the company will choose to fund nonprofit and community activities and programs that would oppose the values of the stockholders. The author also thinks that corporations should concentrate on maximizing their profit and not try to fix social ills. In short, the argument against CSR considers that corporations should first and foremost concern themselves with their bottom line and charity should be left to individuals.

An additional argument on this topic asserts that since virtually all corporations impose public externality costs on the public, then corporate philanthropy is a way of balancing out those costs with other community benefits. This is an interesting theoretical idea; however, some businesses create positive rather
than negative externalities. For instance, if one owns a mobile phone network in a developing country, it will make people richer and offer other benefits as well as wider communication pathways. One article described how cocoa and coffee growers in Côte d'Ivoire use mobile phones to track international prices on cocoa and coffee. Prior to having this technology they knew nothing of market trends and did could not sell their goods in respect to market activities (Lopez, 2000). Thus, the above argument intimating that CSR is remuneration for their negative externalities would apply to some but not all companies. Furthermore, many companies truly do goodwill for the sake of it.

The Virtue Matrix and Corporate Collective Behavior:

A foundation has so far been built accounting for who gives, how, and why. Yet, it is still clear that navigating the realm of charitable giving is still a complicated task. Roger Martin, Dean of the Rotman School of Management at the University of Toronto introduced a tool for navigating corporate social responsibility 'the virtue matrix.' Martin specifically refers to his matrix as a tool because he created it as a catalyst for corporate executives to use when involved in corporate social responsibility. The purpose of the matrix is predominantly to create a clear "framework for assessing opportunities for socially-responsible behavior," stated Martin in his article “The Virtue Matrix” (Martin, 2002). In his article he explores the many pressures, internal and external, that confront companies as a result of their
support tactics. At the same time, Martin gives numerous examples of company policies that please shareholders and retain workers while also creating goodwill and positive public relations for a company such as having daycare facilities and gyms at the workplace. The benefits of such perks repeatedly outweigh the costs for most American and Canadian businesses (Martin, 2002). However, Martin and others remind their readers how quickly employees take these amenities for granted and on the flip side how governmental regulation steps in and make some “perks” into expected benefits such as in the case of healthcare.

Martin differentiates between activities that corporations perform out of choice and those that are dictated to them. Giving to cultural institutions is an activity of free will unlike following laws and regulations set by the government which leaves little room for choice. For example, adhering to health and environmental standards are termed corporate social responsibilities but the motivation for these actions is foremost to follow the standard of the law and perhaps after that to foster safety and good-will. It is possible that laws had to be made because of corporate shareholder opposition. Martin makes the point of stating that “If the corporate consensus is that a particular activity will not accrue to shareholders’ benefit, no one corporation is likely to take the initiative to disprove that assumption” (Martin, 2002). Here we see how strong some barriers can be if even assumptions are strong enough to stifle action.

The point of greatest significance in Martin’s Virtue Matrix is his powerful critique of business leaders. He applauds consumer anxiety over corporate policy, behavior, or products as a check and balance for businesses. In other words, the public sometimes has an unclouded view of how things could be better. While the
public eye is only sometimes on target, it does often isolate what Martin terms as “The greatest barrier to corporate action… is the lack of economic incentives.” In other words the role of government in society has shifted and many areas that were handled by the public sector have fallen to the hands of corporations.

What Martin points out here is that companies embrace their public stewardship role to an extent but when no economic incentives are foreseeable they back-off. Martin takes issue with this response and goes on to say that the most optimal way to change corporate action is through collective corporate action. According to Martin, governmental regulatory action can sometimes stifle an economy. Yet, he believes that if group action begins from within the business community more progress can be made. The idea is that if there is a consensus among the business community that change is preferable then they can work around obstacles that impede change.

In the case of businesses, price increases due to modernization could be explained to consumers and through proactive public relations campaigns and other paths. Common examples of this today are low-energy light bulbs. Low-energy light bulbs save on energy costs and are thus better for the environment. However, they are many times more expensive than conventional bulbs. The popularization of this product can only be achieved through the cooperation of large retail stores committed to making a difference in the environment.

**Martin’s Virtue Matrix**
Frontier
(actions whose value is negative or merit is hidden for shareholders)

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Structural</th>
</tr>
</thead>
<tbody>
<tr>
<td>(actions may add to shareholder value)</td>
<td>(actions intrinsically motivated and contrary to interests of shareholders thus community priorities come first)</td>
</tr>
<tr>
<td>Choice</td>
<td>Compliance</td>
</tr>
<tr>
<td>(actions in accordance with laws and customs)</td>
<td>(actions in accordance with laws and regulations)</td>
</tr>
</tbody>
</table>

Foundation
(common law of CSR)

Table 2.2 Martin’s Virtue Matrix

The above table is my illustration based directly on Martin’s virtue matrix. There are four quadrants in the table labeled strategic, structural, choice, and compliance. The bottom two quadrants are the basis for the foundation of “common law” for CSR. Martin refers to them as the common law because it is through these channels that most CSR is performed. By choice he means charitable giving that
businesses engage in as part of expected societal obligations. Compliance is his word for corporations that fulfill social needs, such as healthcare, because of statutes and regulations.

It is the upper two quadrants called the frontier which are the more controversial areas. The strategic frontier represents decisions made by corporate executives that have the bottom line in mind but take chances in favor of social responsibility. The example Martin cites for this, also alluded to earlier in the paper, was the Prudential Insurance Company. In 1990 the insurance company offered viatical settlements. These were agreements allowing “people with AIDS to tap into death benefits in their life insurance policies to pay for medical and related expenses” (Martin, 2003). This seemingly radical move was soon embraced by other insurance companies and then became the norm.

The final quadrant, the structural frontier is in the upper right hand corner. The actions spurred by this concept are more beneficial to society than to the business. Martin’s primary example for this is the Malden Mills company. In 1995 a fire destroyed this textile plant and the owner “used his $300-million insurance settlement to not only rebuild the plant but also pay his workers while it was under construction.” This extreme action reduced shareholder profits significantly and the company ended up going bankrupt. One could say that the actions of the executives at Malden Mills did not make economic sense. Unlike the Prudential Insurance company, where societal norms were changed due to the company’s progressive
innovation, no one is about to follow the path of Malden Mills. Another difference separating these examples is that great social change occurs when companies joined together and when economic stakes were not too high.

Martin and his cohorts admit that using this tool properly is not simple. For businesses to assess their standing they must figure out which box they are in and weigh the externalities stemming from their actions. Another complicated element is that despite the fact that the chart seems segmented, really it is more like a continuum so it is also difficult to judge where the frontier lies and what the boundaries are. Another complicated factor is that sometimes for businesses to effectively institute their innovations the public must go along with it. If headway is to be made environmentally, oftentimes Americans will have to settle for lumpier or darker recycled paper and plastic. If this is not embraced then some innovations will be scrapped for their less environmentally friendly incarnations.

After learning about the matrix it occurred to me that I had unsuspectingly found a trend running through my research: strength through collective action. At first I was researching charitable federations which are “groups of nonprofit organizations united for fundraising and/or marketing purposes around a common area of societal focus or concern such as human and social welfare, the environment, medical research and international relief” (NACG, 2005). It was clear from my studies that nonprofits profited in numerous ways from this relationship. A large benefit is that federations achieve economies of scale in their fundraising and they help nurture strong community ties between NPOs and donors.
Charitable foundations are another example of joining together of institutions in order to create a legal body that distributes grants in support of certain causes. The Columbus Foundation for example bills itself as being run by “experts” in the field of philanthropy. As they write on their website: “The mission of The Columbus Foundation is to assist donors and others in strengthening and improving our community for the benefit of all of its citizens.” (http://www.columbusfoundation.org) The Foundation stresses that they are trustworthy, experts on philanthropy, and experts on the Columbus community and its needs. On the Columbus Foundation’s website it states that in 2004 gifts totaled $67 million, greater than any other community foundation in Ohio. Again we see here an example of strength through cohesion.

There are other alliances that are noticing the trend of strength through unity in the philanthropic world. One of them is the National Alliance for Choice in Giving (NACG). This group assists in organizing on-the-job giving for its members. It has also drafted the NACG Standards of Conduct for Workplace Giving Organizations which allows workers “autonomy over their personal giving and for high standards of accountability and transparency among the charities they support” (NACG, 2002). In its brochures, NACG seems ecstatic about its mission and is open about the fact that they are capitalizing on a trend that they recognize is happening, an increase in workplace giving. They claim that they represent 54 local and national federations and that altogether more than $100 million was raised, up many millions from two years prior.
A paper by Christopher Marquis, an Assistant Professor in the Organizational Behavior unit at the Harvard Business School and his colleague Gerald F. Davis, entitled “Golfing Alone? Local Corporations, Elite Cohesion and Community Social Capital, 1986-1998” (Davis & Marquis, 2004) discusses connection between community members. The paper considers how the number of corporate and bank headquarters in a single community along with the social ties exhibited by community leaders influence changes in the health and number of the NPOs in their community. Their results showed that there is, as they put it, “a subtle relationship between corporate presence, cohesive elites and civic organizations in US communities.” They go on to say that “… the health of community-oriented non-profits was unrelated to corporate density, but was influenced most heavily by the structure of connections among members of the community’s elite.” Here, we again see, that social ties, or peer pressure, are an impetus for charitable giving whether the incentives are competitive, gossipy, or inspired by good-will.

Corporate Giving & Corporate Social Responsibility:

To some it is not a question of ‘can we impose expectations on businesses to give to their communities?’ but rather ‘how do we?’ Yet the famous economist Milton Friedman believed along with others that economic efficiency is the goal of a business and any actions that do not maximize shareholder profits are liabilities. (Friedman, 1970). Yet, there is a major flaw in this argument and that is that our
economy is not perfectly competitive and it is plausible to argue that CSR will not ruin a system that is already not perfect. Furthermore, to some liberal minded business people, there are many other achievements such as more equal income distribution or stricter compliance to environmental regulations that would arise from a more lenient approach to the bottom line.

The private sector is comprised of individuals, foundations, and corporations. The funding from this triumvirate makes up 25 percent of nonprofit arts organizations’ total revenue (Cohen & Wyszomirski, 2002). Corporate funding also known as direct public support, can take many forms such as contributions, gifts, and grants. Large organizations often receive in-kind support from corporations in the shape of printing services and advertising (Cohen & Wyszomirski, 2002). Corporations are often inclined to support certain types of performances or events. Such corporate sponsorship usually amounts to good marketing for corporations and that publicly labels a company a friend of the arts and culture in a community and beyond.

Some things as of late have changed the terrain of corporate philanthropy. There is a general sense that corporate leadership is changing and that new executives are alleged to be less altruistic then their predecessors (Wyszomirski, 1999). The tone an executive sets for giving can be influential in deciding what charitable initiatives the company engages in. In the case of Columbus, as I will soon discuss, one corporation can have an affect on a whole community. Literature is written that traces patterns of homogeneity within communities that house the headquarters of a corporation. Often a corporation sets a tone such as what they believe to be a worthy
cause or charitable area of interest and the government and local peers often follow suit and support the chosen issue (Swaim, 2003).

Another component is the idea that globalization has also changed the landscape of corporate funding. It still is the case that companies mostly invest in their local communities which usually means the majority of their giving goes to the site of their corporate headquarters. With efforts to boost their global identities, many companies are embracing the “global village” mentality and are moving away from the confines of their own limited community.

A recent Wall Street Journal article addressed this issue of corporate executives becoming new global ambassadors for the United States (King Jr., 2006). The article describes how the State Department is sending chief executives from leading American companies such as Pfizer Inc., Xerox Corp., and PepsiCo Inc. to countries in need such as Indonesia, Iraq, Pakistan, and Guatemala. These corporations and many others are involved in international public diplomacy initiatives that had always been taken care of by the federal government. Many of the CEOs quoted in the piece feel that it is corporate America’s responsibility to help boost the nation’s image internationally. Consensus does arise in the article indicating that corporations’ intentions “aren’t purely patriotic—some of their motives are simply to improve their own image in important global markets.” The article also notes that some corporate heads are nervous that this new role could strain corporate resources. All in all, this new phenomenon is occurring because our society needs
resource diversification because our government can’t keep up. Luckily, market forces and corporate altruism help make the transition to this new dynamic easier as others step in to fill the void.

This new corporate role brings to light the question of what is a corporation’s place in society and politics? Furthermore, what is or should be a company’s relationship to public policy? Like many charged questions, this one has multiple answers depending upon who you ask. I definitely think that businesses have a role to play in society apart from their financial mission. A lot depends upon the size of the company and the available resources it has whether they be wealth, employees, or products. One reason why citizens are hyper-aware of Wal-Mart’s treatment of its employees is due to the sheer numbers of low income workers that its policies affect. The private practices of this corporation are analyzed by the nation similarly to its watchdog attitude toward a government body. Therefore one could say that Wal-Mart does hold a place in society as a mass employer and as a model for other corporations in terms of entrepreneurism and employee right and benefits.

Aside from the effect that a global economy can have on local philanthropy, other aspects threatening the fervor of corporate citizenship abound (Silverthorne, 2005). Another area that has affected the nation is the vacillating public opinion toward the business community. Sometimes politicians fall into disrepute and businesses take the high road and vice versa as in the case of Enron and Ken Lay. With the ever increasing muddy divide between public and private responsibility, it is often unclear who is working in the best interest of society and who has themselves foremost in mind. There are many foreseeable reactions to recent business scandals.
Some corporations could feel exempted from “helping-out” because of a general air of distrust and a feel of dirty money while other corporations could want to give more and thus set the record straight for the public.

Today it is commonplace for corporations to have community involvement built directly into the company’s corporate culture (Workshop, 2000). This usually means that it is written in the mission or bylaws at the conception of the institution. Tom’s of Maine and the Body Shop are two companies among many others, which have pledged to be socially responsible and market driven. Both companies care about the ingredients in their products, where they come from, and the effects they have on people’s health and the environment. They also share the opinion that they have educated consumers. This concept otherwise known as the "the triple bottom line" was developed by John Elkington in his 1997 book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Elkington explains that sustainable business practice is evoked when the three bottom lines economic prosperity, environmental protection and social justice are taken into consideration.

Tom Chappell, the President of Tom’s of Maine, discusses the duality of managing a multimillion-dollar business and helping communities in his book *The Soul of a Business*. After meeting with his marketing team, where they grouped consumer types he wrote, “I now realize that this numbers-oriented approach annoyed me because it clashed with my own values, which were based on respecting people as people, not on calculating their utility in machinelike terms” (Chappell, 2002).
Even among companies that are not principally driven to social responsibility, there are numerous other reasons to engage in corporate philanthropy. Some want to create a warm and motivated environment for their employees. This form of enlightened self-interest creates goodwill while also helping to promote the brand (Workshop, 2000). Other corporations have been known to give time, money, and resources in an effort to improve their corporate image and connect with other successful likeminded businesses. Some even get involved to just challenge regulatory obstacles (Palmer, 2004).

Below is a chart that I created to better understand the motivations for CSR. I chose a radial graph format here specifically because the points are all interrelated and a single company could incur all of these motivations at once. Furthermore there is no general hierarchy of motivations as every company is different. There are six motivations highlighted on this chart the top one being creates a conciliatory workplace environment. We know this from many studies including the one cited in this paper discussing benefits of CSR on the workplace environment. Altruism and opportunity to build community are two other motivations mentioned. Both of these motivations are testimony to a company’s consciousness of being a member of society. The company could purely want to give charity or use its place in the community to better programs or show its affiliation or involvement with community issues.

Brand promotion and good public relations are two other axis on the radial chart titled motivations for CSR. Both of these point to the positive public benefits that are often apt to arise from a company investing money, volunteers, goods, and
time into worthy causes. Nonprofits and others, in touch with this motivation, offer unlimited opportunities for companies to become involved. The ease with which companies can align themselves with social causes allows for some cross pollination of brand identity. An investment bank could sponsor an opera house in an effort to impress clients and shareholders. The opera house could derive more sponsorships stemming from the confidence displayed by the investment bank.

The final category on this chart is the motivation that businesses want to connect with other businesses. Some companies utilize CSR as an opportunity to network with others. Oftentimes fundraising events have social components where business associates work together and form alliances. Having entry into a conceivably low-stress environment with other business players is a powerful motivator for CSR involvement.
Opportunity to Build Community

Want to Connect with Other Businesses

Creates a Conciliatory Workplace Environment

Altruism

Motivations for Corporate Social Responsibility

Brand Promotion

Good Public Relations

Figure 2.6 Motivations for Corporate Social Responsibility
A question that occasionally arises when this topic is broached is whether or not businesses effectively involve themselves in community affairs (Lantos, 2002). Some businesses take a hands-off approach by giving to NPOs with no strings attached. Other corporations give funds along with demands such as a series of goals that need to be met. Yet for the most part, corporate stipulations usually have more to do with administrative restrictions than aesthetic ones. In other words, sponsors will ask that the money be utilized for children’s programming or outreach rather than giving creative specifications for an exhibition.

Freelance writer Gary O. Larson believes that there are fewer regulations tied to corporate funding than to foundation or government money (PBS, 1998). While in many cases this is refreshing for artists and nonprofits, there is a downside to corporate funding that Larson unearths. Larson notes that companies are transferring the reins of their giving programs from their budgeting or corporate foundation offices to their advertising and marketing divisions. The result according to Larson is that:

There’s a disturbing tendency of advertising money to find its way into ancillary activities rather than supporting the arts themselves. A recent tour of independent film and video sponsored by The Gap, for example, reportedly allocated far more money to opening night festivities and similar press events than to the films or the film makers themselves. (PBS, 1998)

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3 Peter B. Lewis is the chairman of Mayfield, OH based Progressive Corp., the nation’s third largest auto insurer. He has given millions of dollars to charity but is renowned for attaching strict stipulations and firm guidelines to the money he gives to universities and nonprofits. Much controversy surrounds his philanthropic approach and he has publicly spurned many institutions and created ill-will in his home town Cleveland, OH.
If marketing professionals devise a way to support the events in a flashy way, minimizing benefits to artists themselves, then arts groups will have to create stipulations of their own.

With the above said, it was interesting to come across a recent interview in *Harvard Business Review Online* with Chris Marquis, an Assistant Professor in the Organizational Behavior unit at the Harvard Business School. Marquis and his colleagues build on the conclusion that there is no evidence that corporate “do-gooding” results in greater returns for shareholders (Silverhorne, 2005). In their forthcoming journal article “Community Isomorphism and Corporate Social Action” the team reflects on the work of Margolis and Walsh (2003) who conducted an analysis of 127 studies about corporate sponsorship over the last 30 years. Their conclusions were spotty thereby showing no conclusive data linking social responsibility to business performance. But the forthcoming study does confirm one thing and that is that “standards of appropriateness about the nature and level of corporate social action are embedded within local communities such that organizational conformity to these institutionalized practices yields systemic patterns that vary by community” (Marquis, 2006). From here we see that even without data confirming monetary returns for CSR it is still prospering and communities unite through the support of concentrated giving to specific areas.

From my own research conducted about major corporations in Columbus and the Twin Cities I learned that the trend was that Minneapolis/St Paul businesses gave more in total *and* in the amount they give to the arts and culture when compared to Columbus corporations. Another point of great significance that surfaced from my
research is that all the companies but one (US Bancorp), proved to give predominantly on a local level when donating to the arts. US Bancorp has a different philosophy toward giving then its retail counterparts. This approach boiled down to a time honored tradition of the place that banks held within a community. Until recently banks represented stability and strength and offered services and support to a community that were not found elsewhere. Today banks have many branches nationally and abroad but they are still giving charity more evenly to all of the places they have franchises as testimony to their connection with each community.

The authors of the forthcoming article “Community Isomorphism and Corporate Social Action” bring up another thread in our discussion of CSR. They write, “…the decisions of those controlling the means and ends of large organizations—the corporate elite—weigh most heavily in shaping the social capital of their local communities” (Marquis & Davis, 2007). In other words, these authors are pointing out that large employers have an upper hand in influencing society because of their opportunity of engagement. Their opportunity of engagement lies in the fact that as large employers they affect people and their families with the charitable goals they choose. This pattern is even more apparent in cities where large corporations are headquartered. In the very same city, members of a single family could be employees and recipients of social services and cultural programs funded by the employer. Also due to the changing landscape of American society, people are now less and less apt to be part of organizations on their own time. Thus charitable campaigns stemming from work can be very effective.
In Marquis and Davis’s article about large corporations and community social capital, they talk about the positive and negative effects of corporate transplants. As an example, the authors cited Boeing’s move from Seattle to Chicago in 2002. According to a Crain’s Chicago Business article, Boeing’s CEO joined several local nonprofit boards and donated over two million dollars to civic organizations in Chicago soon after relocating. They also cited the detrimental social ramifications of the fall of Enron on the Houston community. Here we see the undeniable connection between corporate America and its local community. It would be remiss not to overtly mention this social power that lies in the hands of nonprofits as elements in our civic infrastructure. There is tremendous strength in the fact that CEOs can build their resumes and gain social cache from volunteering time and giving money to social causes. With this in mind we also see how tenuous this relationship is and the heartbreak that is left in some cities when resources are pulled.

In 2004 the Federal Reserve Bank of Chicago held a conference that investigated the implications of the shifting geography of headquarters because it is a public policy topic of great concern for cities and businesses. The article synopsizing the conference discussed that highly skilled workers often prefer larger cities, as do companies, because of the service support industries that are available there and the educational opportunities. City officials welcome large businesses because of the jobs they create, the attraction of investors they bring, and the participation the leaders undertake in the community and philanthropically (http://www.chicagofed).
One of the keynote speakers at the conference Paul O’Connor, executive director of World Business Chicago, spoke about bringing headquarters to Chicago. The article states “Reflecting on the importance of headquarters to cities, O’Connor said that large headquarters matter greatly for city morale and for philanthropic/civic leadership. However, he noted that the public and press often hold a distorted or incomplete view of the actual job impact of a nameplate HQ arrival or departure (http://www.chicagofed).” The example O’Conner gave was that of PepsiCo’s 2000 attainment of the Chicago company Quaker Oats. He explained that while Chicago lost a major headquarters, many new jobs were created as part of the merger. Therefore this article promotes the opinion that often the mergers, acquisitions, and relocating of companies is not as detrimental to the cities where the upheaval is occurring. The article furthermore suggests that city officials should refocus their public policy concerns on the basics, things like transportation and the networking infrastructure of their cities to make way for a structured technical future. This new information is riveting and can provide us with a fresh perspective on the emotional verses actual ramifications of corporate relocation.

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It is unclear who has the upper hand in this NPO and CEO relationship. Both sides have incentives to cultivate relationships. While executives join boards to advance their chances of promotions, nonprofits usually choose figures for their boards that will bring monetary support. This symbiotic relationship is nothing to
scoff at--on the contrary, it has enabled many successful unions to prosper. In a best case scenario the social and cultural issues uniting the factions would promote a shared feeling of responsibility. At a time when society is looking past government to solve societal issues (and even government members are doing so), the union of nonprofits and corporations is a good fit. Conceivably the cycle of understanding is extended through the involvement of the employees of the nonprofits and corporations and those helped through the aid programs and organizations.

For longstanding change to occur, longstanding commitment by businesses is necessary. Target Brands Inc., formerly known as the Dayton Hudson Foundation, is an example of a company showing a history of commitment to the arts and culture. Since 1946 Target has contributed 5% of its federally taxable income to support communities where they do business (http://sites.target.com). Target focuses on supporting education, the arts, and social services. This corporation is also a founding member of the Five Percent Club which consists of local businesses and corporations in the Twin Cities who donate five percent of their pretax earnings to the arts, education, or human services. This “club” spotlights its philanthropy on organizations based in the Minneapolis/St. Paul area and most notably on its inner-city neighborhoods. The grants given, range from about $5,000 to $100,000 and are also awarded in areas of company operations which include places across the U.S.

The University of Arizona professor of sociology Joseph Galaskiewicz is fascinated with the success of this corporate do-good initiative in Minneapolis/St Paul which is now called The Minnesota Keystone Program.

(http://minneapolischamber.org/programs_events/keystone_program.htm)
Galaskiewicz repeatedly visited the cities in order to study whether there was greater local charitable giving in this area and how social, political, and cultural contexts influence corporate behavior. Much like I discovered in my look at Columbus and the Twin Cities, he noted that headquartered cities give proportionately more locally than nationally. But what truly shocks me from his article from a 1997 issue of the Administrative Science Quarterly is that Galaskiewicz was asking and investigating the same questions ten years ago (and even twenty years ago in his earlier work) that we are still digesting today.

He states that some corporate contributions are still decided arbitrarily. He writes in his article about the urban grants economy in the Twin Cities, “The uncertainty surrounding these decisions frees them from strict efficiency norms and makes them susceptible to outside influences, including the larger business culture, public policies, and community institutions (Galaskiewicz, 1997).” By these decisions Galaskiewicz is referring to the decision by corporate managers as to whether to donate and at what range. He also brings up the notion that evidence is still inconclusive as to whether CSR actually delivers monetary profits or boosts the bottom line in any capacity. The same conclusion was reached by Professor Marquis and colleagues in their recent inquiries into corporate administrative behavior. From these points it is safe to say that much has changed yet a whole lot continues to stay the same.

Yet there are fresh inroads into collective action that are in progress in the cultural sector. The Theater Development Fund (TDF), the Arts & Business Council, an initiative of Americans for the Arts, and The Business Committee for the Arts, Inc.
(BCA) are all examples of arts nonprofits committed to spurring action collectively. These groups and many others like them sprouted as the arts were ailing in an inability to live up to market demands. William Baumol, a New York University economist, is the man who made the concept of the “cost disease” famous. It is he who explained that a classical music quartet still needs four musicians and the piece can not be played faster to cut down on costs. James Surowiecki, writer for The New Yorker wrote, “An economist would say that the productivity of classical musicians has not improved over time, and in this regard the musicians aren’t alone. In a number of industries, workers produce about as much per hour as they did a decade or two ago” (Surowiecki, 2003). Thus productivity stays the same but prices keep going up. It is because of this that these types of collective heroic nonprofits turn up.

On the TDF website they write overtly about what spurred their creation. It states: Created in 1968 to help an ailing New York theatre industry, TDF has grown into the nation’s largest performing arts nonprofit, providing support to more than 900 plays and musicals and returning upwards of $1.5 billion in revenue to thousands of Broadway, Off-Broadway and off Off-Broadway music and dance productions (http://www.tdf.org).

Clearly they saw an industry suffering from the cost disease that was ripe for intervention. The panacea for the problem was again the coming together of theaters, businesses, corporations or the like with expert nonprofits to alleviate the ills in the arts and culture sector.

Luckily the motivations for CSR for the arts are many and strong. As seen in the below figure. Therefore conceivably if businesses are not helping out yet, they have strong reasons to be if they see themselves economically fit for giving. This
radial graph boasts five axis each representing a motivation for CSR for the arts and culture. This chart is a sister chart to the earlier one entitled motivations for CSR. The first chart of motivations generally stated many of the benefits of CSR that lead businesses to involve themselves in charitable giving. This second radial chart is more specialized in that it cites reasons for businesses to specifically support the arts and culture.

One of the basic characteristics that runs through the motivations listed below is the platform the arts provide for companies to connect with their communities. One point is that CSR for the arts provides a point of entry for outreach and education. As previously discussed in this paper, funding NPO education initiatives is a popular area of support for corporations. Educational outreach is fun and stimulating and usually involves children, all things that are valued by businesses looking for high profile sponsorship opportunities. The arts also intersect cultures and unite communities and this is a positive message that many companies would like to identify with.

The final three points on this chart are interrelated in that they all have to do with employee retention and the attraction of new employees. The arts are important for the economic stability of a region. Having strong arts and culture in a city creates an attractive environment for people to live in. Businesses are more likely to successfully recruitment top professionals to their region if it is rich in museums, symphonies, and ballets.
Motivations for CSR for the Arts & Culture

- Important for the economic stability in a region
- Intersects cultures and unites communities
- Provides point of entry for outreach and education
- Key factor in workplace recruitment
- Creates attractive cities for people to live in

Figure 2.7 Motivations for corporate social responsibility for the arts and culture

What I propose is a combination of applying the virtue matrix ideals along with concepts of the NewTithing Group with the Business Committee for the Arts
(BCA). Each of these three groups is a piece of the puzzle. What this triumvirate offers is a tool, i.e. a scientific graphing system, a numerical value to aim for, and an institution assessing true needs that is also concerned with relationship and community building. If one focal point existed where these aspects could be combined, conceivably a more strategic and proactive group would exist relying on individuals committed to a long term initiative. This group would also stand out because of its motivational tone expressing a ‘lets get things done’ attitude. If a city or community were under the aegis of such a group, the actual needs of institutions could be assessed and then grants would be split up from the amassed total.

Corporate Foundations:

Businesses usually fund nonprofits through direct giving programs or through company-sponsored foundations. Sometimes a single corporation will do both. Before continuing, it is important to note the differences between the two. Corporate foundations are separate legal entities from the company yet their charitable contributions regularly mirror the interests of the business. They usually rely on the parent company for contributions and usually create small endowments that they grow in their more successful years. Direct corporate giving differs from a foundation because it does not require a separate entity or the filing of a Form 990-PF with the IRS which formalizes its existence.
Through direct giving, a corporation can deduct up to ten percent of its pre-tax income for this purpose. According to the Foundation Center “the average percent is closer to one percent” (http://fdncenter.org). Direct giving often includes employee matching gifts and in-kind gifts as factions of their funding. Corporate sponsorship also allows the company more freedom to diversify their giving in a way corporate foundations sometimes do not.

Columbus, Ohio is unique in that it is bountiful in corporate support to nonprofits. According to a recent study, the average asset of a private corporation headquartered in Columbus is $95 million. The study reflects that this is less than Columbus’s peer cities (cities with similar qualities) however; Columbus exceeds many other US cities in its amount of corporate giving (Columbus Partnership, 2003). What makes this healthy giving even more astonishing is that approximately 94% of the corporate funds distributed, come from only four businesses: Nationwide Foundation, Limited Brands Foundation, The Huntington Foundation, and Wolfe Associates Inc. In general, it is much more common for non-corporate foundations to lead a city in philanthropy. Such a concentration of giving can have important implications politically and otherwise. As mentioned it is because of this fact that the cultivation of other businesses to become arts supporters is essential so there can be a broader and more diverse pool of supporters.

Economics of the Arts:

We have already witnessed that the arts suffer from symptoms like “cost disease” and other market driven illnesses, but there are other defining characteristics
when it comes to the economics of the arts and culture. When one analyzes the economics of the world of arts and culture, a peek into the nonprofit world is a must. This world includes most museums, cultural centers, arts organizations and some performing arts centers among many others. With the founding of the NEA and the NEH in 1965, a main objective was to consult the needs of nonprofits. The belief was that their initiatives were worthy of public subsidization because the arts and culture sector aids numerous other activities such as housing, education, and economic development (Rushton, 2003).

It is important to note that a NPO can still be identified as successful even if it can not flourish without federal funding and philanthropy. Yet it is incumbent upon NPOs to share with their public what they have accomplished for them and how they are working toward the fulfillment of their stated mission. Even if an NPO is successful by market standards and produces a profit, it must reinvest the earnings back into the organization due to the “nondistribution constraint” (Silverthorne, 2005). Therefore, while NPOs are not prohibited from making profits, they are prohibited from distributing profits to their members or others who control them. This constraint ensures that a NPO is focused on furthering its mission and not the whims of its organizers.

There are numerous externalities that come as a result of arts and cultural programming. Michael Rushton, author of the article “Cultural Diversity and Public Funding of the Arts: a View from Cultural Economics” argues that there are innumerable positive externalities as a result of the arts thus causing a market failure in the arts. He writes, “If there are benefits to some members of society from
production and consumption of the arts even when those members of society are not
directly taking part in the arts market, then the prices of cultural goods understate
their true benefit to society, and public action—a subsidy of some sort—is called for
to increase cultural output” (Rushton, 2003). In other words, after school arts
programs can lead to keeping children out of trouble and could reduce crime; or a
community mural project could beautify and gentrify an area causing real estate to
escalate as in neighborhoods in Philadelphia, PA. Both of these initiatives are
examples of positive externalities resulting from an arts based initiative.

Rushton also cites other positive externalities such as the creation of an artistic
legacy for future generations along with a prestigious national identity. However, it is
still irksome that its true pecuniary benefit to society is lessened because of this
phenomenon. It is results such as these that act as catalysts for “institutions to become
more interested in the “demand” side of the arts—including audience development,
arts education, and public awareness campaigns” (Wyszomirski, 1999). This could
mean moving away from the artistic mission of the organization in an effort to
appease outside pressures to quantify the nonprofit’s output.

It is clear that economics play a role in the administration of most museums
but it wasn’t always the case that museum directors were expected to be adept at
business. Today it is common for executive directors to have business backgrounds.
In 1997, Dr. Peter C. Marzio, the director of the Museum of Fine Arts, Houston, gave
a speech to the Philosophical Society of Texas entitled “The Art Museums of
Tomorrow in a Free Market Economy”
In the speech he outlined many serious issues regarding the place of the museum in a mostly for-profit world. Regarding the role of the museum director he stated, “Management skills are not the only new qualifications desirable in a museum director. Art museum directors are also as committed to lobbying legislatures as the leaders of industry. An ability to give convincing testimony may well become a prime prerequisite in job descriptions of future directors. Many art museums have paid lobbyists in city, county, state, or national levels of government—and sometimes in all four. Why? Because it pays.” Nobody is about to deny the importance of being well acquainted with politicians and businesspeople.

Support for non-traditional/controversial art:

When corporations sponsor art exhibitions and cultural programs, they are making a public statement of support. Thus, there are obvious political risks for institutions if they support art that is controversial. This is true not just for businesses but for federal funding as well. Through the course of, and following, the culture wars of the 1990s the government was careful not to fund anything even “potentially”
controversial (Free Expression, 2003). There are some large businesses that are the exception to the rule regarding funding controversial endeavors. Absolut, Benneton, and Marlboro are some of the few high profile businesses that do not shy away from supporting cutting edge art.

During a news forum on PBS regarding corporate sponsorship, Ben Cameron, then manager of community relations for Target Stores, responded that corporations have begun to align their corporate missions with their giving plans. Cameron stated “The more a corporation prizes experimentation, innovation and creativity or the more it seeks to address a significantly younger, emerging generation of hip consumers, the more likely it is to embrace the non-mainstream in its corporate giving efforts or in its own art collection-- the purchase and commissioning of which is yet another way that corporations support the work of artists” (PBS, 1998). This comment is incredibly progressive in that Cameron is insinuating that sponsorship is like a brand extension. It is possible that other brands associate with opera to achieve sophistication or others embrace rap music to gain cache with an inner city clientele.

While this seems like a positive picture of arts funding, the dominant view is that it revolves around a cycle of guardedness. Many believe that there are too many ethical and religious watchdogs around and so foundations and corporations alike are cautious about their funding choices. What rounds out the cycle is the question of whether this affects the art that is produced?

Much thought has been devoted to this subject, “Free Expression in Arts Funding” a recent report on cultural public policy cites researcher Margaret Wyszomirski as being adamant about the connection between sponsorship and
politics. The report states, “Margaret Wyszomirski has argued forcefully that political accountability is a fact of life for arts funders, and that even granted the importance of artistic freedom, this inevitably means that agencies cannot deviate too far from the cultural and moral norms of their communities” (Free Expression, 2003). Agencies, and by extension corporations, are grounded morally within the boundaries set out by their communities. How does this coexist with the idea that artists are the very individuals who challenge dominant values and set beliefs?

On the one hand, some people believe that companies need to take risks in an effort to achieve social change (Roberts, 2002). On the other hand, many business leaders are versed in conformity and focus on public relations in order to please the common denominator. It is possible that the basic solution to this is recognizing the importance of the individual philanthropist. Luckily the majority of arts funding comes from private philanthropists. Of the $6.07 billion given to charities in Ohio in 2003, 74% of it came from individuals, followed by 17% from foundations, and 9% from bequests (Foundation Center, 2005). The matchmaking that must be pursued is that between small cultural organizations and artists, who are not substantial enough to be of interest to large corporations, and who in kind don’t have the means to gain the attention of the million dollar operations. Perhaps it is these challenging, free spirited, or subversive artists who can find favor in at least one patron of the arts who can enable them to share their message with a greater audience.

One humbling reminder is that most Pulitzer Prize winners in recent history sprung from nonprofit theater and were made possible through grants and other charitable support. Long running shows like *A Chorus Line* and *Rent* are examples of
hits that were experimental but became long running shows for a mainstream audience. This information brings to mind a powerful argument for the support of contemporary art. The case is that creative geniuses are often seen as outcasts in their own time and only later accepted as masterminds, sometimes posthumously. If artists are our societal storytellers, collective conscience, and our behind the scenes heroes, then society must treat them as such and fund them. One aspect that makes such an endeavor so complicated is that our country and culture has become more ethnically and culturally diverse. There is no clear definition of what good art is and thus often there is a smattering of support to a lot of initiatives but not enough support at one time to ensure lasting security for a rising artist or organization. It is also safe at this time to question how mass appeal is cultivated and whether commercial success in Hollywood is determined by or for the people?

On a local level, meaning county or city levels, it is more likely that regional differences are appreciated. Jazz in Louisiana is a more celebrated and economically sustainable sector then jazz bars in Columbus, Ohio. Same with comedy clubs in New York City. Festivals are of great regional interest in Central Ohio. According to one tourism website, Central Ohio hosts 16 annual festivals mostly celebrating different cultures and arts or food. In its February 2007 issue, American Style magazine called the Columbus Arts Festival an "essential festival." One Columbus Dispatch article makes a connection between the high attendance at Columbus Festivals. He writes that there is a correlation between high gas prices and summer festival turnout. The higher the gasoline prices the more likely people will opt to entertain themselves and their families locally (Budzak, 2005).
Another angle that is worth mentioning is that some institutions are quite cautious about the sources of their support. For political and other ideological reasons some museums would not want to take the risk of being supported by a controversial source. It is just the reverse in the case of the 2005 Charles Darwin exhibition at the American Museum of Natural History in New York City. Because the exhibition was devoted to a controversial scientist, the curators and museum administrators struggled to find corporate sponsors for this exhibition to no avail. At a PBS forum the director and CEO of the Minneapolis Institute of Arts, Dr. Evan Maurer, addressed the topic of whether the arts should be subject to the effects of market forces. Maurer replied that during times of economic distress curators and museum directors should feel obliged to delve into their operating funds to present exhibitions they believe are of value to the public. Presumably not every museum or cultural center has the means to do this but the message is certainly noble. Perhaps the administrators at the American Museum of Natural History didn’t realize how controversial the exhibition would become. Nevertheless, they had to use internal funds to pay for it and presumably they felt it was more important to present the Darwin exhibition without outside sponsorship then cancel it.
A main objective of this paper is to repeatedly contextualize the sphere of cultural philanthropy as it relates to different sectors. This re-contextualizing helps us to better understand the issue. Scholars and policy makers also take great pains to appraise this topic so as to make appropriate decisions and strategies that can adapt to an environment in continual flux. This section discusses the importance that proper tools have in this constantly evolving environment. As we will see, arts policy decision makers and practitioners need even better tools and data collection parameters to aid them in their analysis of cultural philanthropy. Following is a discussion of some of the tools available along with their benefits and some shortcomings. The relationship between philanthropists and grantees is discussed as is the ever-existent competition over arts and cultural funding.
Economic Shifts:

In the recent past, much discussion has revolved around the creative class and sector. One strain of thought is that creative skills and other non-tangible attributes will become the most sought after qualities in the workforce of the future (Florida, 2003). Although highly popular in the recent past, some scholars like Steven J. Tepper, former deputy director of the Princeton University’s Center for Arts and Cultural Policy Studies, believe that arts impact studies have become redundant and that economists and cultural theorists should focus instead on dynamic models of cultural economics. Arts impact studies usually quantify the effect of the arts sector upon the economy. For example the Americans for the Arts, a leading nonprofit for the arts, is concerned with policy issues and community arts initiatives. Periodically this organization publishes data on the impact of the arts such as the total amount of auxiliary spending which arts audiences carry out such as dinners out and parking costs.

While arts impact studies are interesting, Professor Tepper prefers to explore how arts and culture respond to changing economic shifts. He is vastly more interested in “how creative assets are produced, consumed, and distributed in the United States and across the globe” (Tepper, 2002). In other words, arts impact studies show the importance to the arts in a community but dynamic models are more proactive and forward thinking in their effort to make hypotheses for the future. Equilibrium models, which run contrary to dynamic models, in Tepper’s opinion, tackle the economics of how cultural goods operate in a specific time and place. Thus
equilibrium models would align themselves with arts impact studies in that they are specific to a particular time and place while dynamic models are current and change to track a varying environment.

An area where Florida and Tepper overlap is on anticipating the future. The two believe that arts and culture is an emergent sector with massive potential for growth. Yet they acknowledge that for the most part the creative sector is a heterogeneous pool of people. Tepper is annoyed by the difficulty of analyzing data from this disorganized source. He says that important trends could be obscured not clarified because of the inadequacy of clear data about the large picture of the cultural sector. Wyszomirski and Cohen suggest that clear and cohesive “data create [a] “common currency” of language for public policymakers, individual donors, corporate donors, private philanthropies, and industry professionals alike, enabling meaningful dialogue about the societal value of the arts, access to the arts, and support of the arts” (Cohen, 2002). Here they argue that tools such as language are essential when developing a viable sector that could be greatly enriched by rigorous data compilation and strong public policy initiatives.

There are positive inroads in research and analysis about the arts and culture. Many research and development corporations such as the RAND Corporation and the Foundation Center are performing research on the arts and culture and there are initiatives such as the National and Local Profiles of Cultural Support Project which are underway. This project purports to systematically completing a detailed analysis of the financing of the nonprofit arts and cultural industry in the United States. (Toepler, 2002) Other resources exist as well such as arts directories detailing
different industries and their philanthropic support of the arts. The Council for Advancement and Support of Education published “Matching Gift Details: Profiles of More than 7,500 Companies with Matching Gift Programs.” This report provides information about U.S. companies that match employee gifts to nonprofits. The Foundation Center publishes an annual Directory of Corporate Giving which profiles almost 3,000 corporations. The entries offer detailed contact information about businesses and list the types of projects that they have a history of giving to. There are also a series of internet sites outlining fundraising and other tools for nonprofits.

Again while we see that resources do abound, many of them are not specific to the arts and culture. We are also left with lingering problems from the past. Large scale research needs to be pursued because of inadequacies found in the work of years past. Facts specific to the arts and culture have often been difficult to compare because of lazy terminology. Wyszomirski gives an example of a common discrepancy, she writes that sometimes, “regional arts organizations and many local arts agencies can count as public/governmental funding or as privately organized funding.” Similarly a question arises as to “whether workplace giving and matching programs should be considered part of individual giving or corporate support.” (Wyszomirski, 2002.) Once there is some consensus and research guidelines are produced and heeded to by arts nonprofits and others, we will acquire usable data that can be culled to make sound conclusions.

Recognizing the impact of economic shifts on the cultural sector is an important area of focus because it can help us analyze data. If we are to say that the creative class is going to be more dominant in the future, the idea of job creation
comes to mind. If more jobs are being created in technological fields wouldn’t it be prudent to gage if jobs are being lost in more traditional arts fields such as printmaking or papermaking? Before celebrating potential gains, we must see if there are losses and where they lie. This brings to mind another area where arts impact studies fall short, it is in their appearance that profit was instigated by the arts which would not have been there otherwise. The studies often forget to incorporate opportunity cost or the idea that in place of one course of action another one could have been committed. Therefore it would be false to assume that no social or economic gains would have occurred if public money for example, had not been given to the arts. By investing in one socially conscious idea, we are always forsaking another. In essence those studies list gross benefits rather than net benefits.

An interesting point that stems from this discussion is the idea that our changing economy can change the landscape of corporate social responsibility. If Richard Florida’s term “creative workforce” is alive and well, then corporations will have to take the repercussions into consideration. The creative workforce refers to Florida’s research about skilled artistic professionals and the patterns he has unearthed regarding their decisions vis-à-vis relocation. Because he believes that these individuals hold the key to the future of a thriving economy, studying what they look for in a city is important to him. As I discussed earlier, a motivation for businesses to give to local arts and culture groups is attracting people in their recruitment efforts. From here we can see that the creative workforce argument has created a new rationale for corporate philanthropy.
Another important aspect of economic shifts in regard to art, culture, and the economy is how sensitive are arts nonprofits and others in the sector to changes in the economy? One new area of nonprofit support was seen in the late 1990s when the New York Stock Exchange skyrocketed and there was a boom in socially conscious investing (Williams & Sharamitaro, 2002). Due to the colossal success of the biomedical and technology industries a unique population called the “new philanthropists” was born. This group engaged in venture philanthropy which combined private sector practices like strategic management with grant making. The idea was that people would invest with a sense of social responsibility.

Unfortunately this new wealth lessened as the market crashed leaving behind a critical idea that didn’t have the time to mature. That is not to say that socially conscious investing has disappeared, in fact socially responsible investment (SRI) assets grew faster than all other managed assets in the United States during the last 10 years, according to the Social Investment Forum’s fifth biennial report on SRI trends (http://www.socialinvest.org). The problem is that overall, SRI remains low and the idea is still not mainstream but if it were, the effect on the arts could be hugely important. The argument that Williams and Sharamitaro champion in their research on this subject builds on our earlier discussion of organization in the arts sector. They believe that when there is another economic boom that the cultural sector should be prepared by positioning itself as an attractive industry for venture investing.
Of course as we will see later on, to many, endowments are the ultimate shelter from the eventual economic storm. The GCAC powerfully cites the importance of endowments for the long-term stability of Columbus’s cultural assets. Columbus however, ranks very low in its attainment of endowments in its cultural organizations.

Power Struggles between Funders and Nonprofits:

Various struggles in the world of philanthropy have been alluded to in this paper so far. Issues like sources of funding, intention of funders, and how the funding is executed are ongoing challenges. It is vital to spell out a stressor that is all too common which is the delicate relationship between philanthropists and their grantees. In an article entitled “Challenges for Nonprofits and Philanthropy,” Eisenberg writes “corporate grant makers may find it difficult to maintain the proper balance between market concerns and enlightened philanthropy, between business activities and good citizenship, between donor influence and grantee independence” (Palmer, 2004). Differences of opinion in these areas can lead to struggles regarding the accomplishment of the mission, goals, and agenda of a nonprofit. Because nonprofits usually have a board of directors made up of community members and business professionals, stresses from people’s professional world could follow them into the nonprofit’s board room.
A healthy public/private partnership begins at the start of the relationship. According to Ben Cameron, former manager of community relations for Target Stores, “In my mind, the best corporate support programs represent a fit between an arts institution's needs and a corporation's objectives.” Cameron continued to say that he would never solicit artists to change their artistic content, but if he were uncomfortable with the material he would ask whether they had anything that would suit his company and its consumers better. Such communication at the front of an alliance would ensure that both sides were clear about their intentions and the scope of influence one was to have on the other.

An issue that lingers in the nonprofit community is that organizations commonly compete for the same dollars from the same pool of sponsors. Another likely scenario is that the same people are often members of several boards in a single city. Columbus hosts an interesting partnership that appears every once in a while. It is between the Franklin Park Conservatory and the Columbus Museum of Art. In the recent past and present, the two have shared many of the same sponsors and board members. So while the two institutions are clearly independent of one another, both in purpose and in general subject matter, they are mutually dependent upon many of the same sources of income. This cooperation has led to many creative initiatives that are mutually beneficial. Both institutions housed glass exhibitions and co-sponsored events surrounding the exhibition. They also advertised the shows as a set and displayed many reminders to visit the other location in their entrances. This cooperative approach can also be attributed to strong leadership skills and mutual respect and admiration of the administrators involved.
In a recent phone interview, Anne A Boninsegna, chief operating officer, at the Franklin Park Conservatory discussed the cross promotion of the two glass shows, the Chihuly at the Conservatory and the Lino Tagliapietra exhibition at the Columbus Museum. Boninsegna inferred that each show was already in the planning stages when the two agencies talked but that once they realized the potential of working together they tried to align the dates of the shows (personal phone conversation, April 26, 2007). At the time they found that by collaborating they were able to reach larger audiences and incur cost saving measures. Boninsegna was excited to note that the experience has spurred further collaboration and that they are now working with the Museum and COSI on a new project.

The Franklin Park Conservatory is one of 16 members of the Columbus Cultural Leadership Consortium (CCLC). The objectives of the consortium are to recognize the importance of the arts and culture in Columbus as a springboard for economic activity, education, and diversification. Another goal of CCLC is that public and private support of artistic initiatives will be rewarded with fertile ground for further artistic activity. As a representative of one of these agencies, Boninsegna was enthusiastic about the potential of this coalition. She is of the opinions that since September 11th, 2001 that the city of Columbus has changed and it continues to become more open thereby embracing an ethic of collaboration not competition. When asked about the nature of competition in Columbus brought on by the finite amount of philanthropy for nonprofits she described how the Franklin Conservatory and other large institutions have donors who have a long history of supporting their institution. She believes that the Columbus museums and cultural institutions are
different enough that they attract individual donors who are emotionally tied to the mission of each particular organization. Boninsegna is unafraid of losing donors due to close collaboration with other cultural groups.

In fact, Boninsegna uncovered another strength that she thinks evolves from a strong arts and cultural sector. It is her opinion that collaboration within cultural nonprofits sends a clear message to the corporate community that there is unity in the arts and a cohesive agenda for the city. Boninsegna also stated her belief that the corporate world is under the misconception that they alone support the arts. The Franklin Conservatory is a model of success and Boninsegna believes that their performance based on earned income should be an inducement for businesses to give more to them.

The words of the chief operating officer at the conservatory were eye opening. It was unique to speak with someone fully on board with the values of collaboration and sharing resources. Additionally it was exciting to hear someone make no excuses for the arts but rather recognize the strengths of the sector in Columbus and use those positives as reasons for further support. Not only has Boninsegna’s team collaborated with leading institutions in the past they are currently planning more projects for the future. Of all of the individuals cited in this paper, these words were the most positive in regard to the state of the arts in Columbus.
CHAPTER 4

COLUMBUS CASE OF CULTURAL PHILANTHROPY

In 2005 a report called “The Nonprofit Sector in the Franklin County Economy” was published by public policy scholars from The Ohio State University. This invaluable report illustrates that nonprofits comprise one of the largest sectors in terms of employment in Franklin County. Records from 2003 show that there were 1,154 charitable nonprofits that filed tax returns that year. It also tallied that nonprofits had 60,390 employees which surprisingly enough comes very close to the number of employees in the leisure and hospitality industry which totals 60,499 (Malecki, 2005).

The report calls Columbus unique because when compared to cities of like size, it ranked lowest in total market value but 2nd to highest in the number of grants given as a percentage of total assets. The authors state, “This is evidence that although Columbus is newer at philanthropy, it is giving and getting on a level much higher than its foundation asset size.” This is an incredible achievement and is a praiseworthy attribute for a city.
In a paper partially attributed to analyzing corporate sponsorship for the arts in Columbus, it is important to first gain an understanding of the local arts sector. Corporations provide significant funding but they are private entities and have the freedom to disperse their funding as they please. Thus investigating the catalysts for their giving patterns can be very insightful for nonprofit professionals. It is also questionable as to whether corporate sponsors have the tools for which to view the full picture of the arts and culture scene in Columbus and whether it is even of concern to them. This vein of thinking brings up multiple questions such as what level of dedication do corporate sponsors and the city have for the arts? Should support be repeatedly offered to organizations that are more often in the red then the black? Are corporations concerned with the arts in Columbus as vehicles to attract employees and boost business deals?

Recently there have been multiple studies about philanthropy, leadership, and arts sustainability in Columbus. The reports pin point different areas of concern and offer varying recommendations but all agree that Columbus needs to act now by laying more fertile groundwork to ensure a brighter future. According to a recent budget report (Columbus Budget, 2006), Columbus’s general fund revenue has been dwindling over the last five years. There are lower interest rates and less money in the city’s treasury because of reduced bond sales. Since 2001, there has been a dramatic drop in city investment returns (Columbus Budget, 2006). City officials were aware of what was occurring and in 2001 the Mayor appointed an Economic Advisory Committee in response to the worsening economic situation. Financial plans and
policies were developed as were fees and charges to increase revenues. One successful example is the $7 million in annual general fund revenue from the reimbursement of EMS charges by third party providers.

Despite what seems like insurmountable obstacles to a bright future, the reports do say positive things. One study notes that, “The city is aggressively attempting to attract new businesses, create jobs, boost private investment, and grow the downtown area” (Columbus Budget, 2006). According to a report by the Columbus Metropolitan Statistical Area, the services sector, which includes government, finance, transportation, and utilities grew at an annual rate is projected to grow by an annual rate of 1.3 percent.

The Ohio Arts Council (OAC) and the Greater Columbus Arts Council (GCAC) are two organizations that nurture the arts and cultural sector in Columbus by offering grants and programming for artists and communities. There are community-wide initiatives underway of great importance such as the creation of an arts space downtown, a united arts fund, and increasing shared services among nonprofit agencies (Columbus Partnership, 2003). Other issues of importance are organizations’ overall need for new accommodations, competition over entertainment dollars, the lack of endowments, and the need for business leadership support.

The OAC is a state agency that funds and supports arts programming in an effort to support Ohio communities culturally, educationally, and economically (http://www.oac.state.oh.us). OAC is based in the state capital, Columbus, and is vocal in the state legislature regarding the cultural needs of the community. OAC’s allotment in the budget is equal to approximately .05% of the total state budget.
While all of OAC’s grants received from the state are matching, on average OAC receives $33 for every $1 from the state. This astonishing ratio of raised dollars to state dollars is a result of strong advocacy for the arts and popular support. A report created by GCAC in 1998 found that 89% of the people polled in focus groups said that they believed that it was very or somewhat important for the City to provide support for the arts and for arts organizations. This is valuable information for arts advocacy groups.

The OAC is divided into three main program divisions: Services to Artists, Support for Organizations, and Arts in Communities. OAC believes strongly in the concept of public value and lobbies to communicate the importance of public funding for the arts to the public and policy makers. Ultimately the OAC hopes to influence the Ohio General Assembly in order to maintain or increase their budgetary portion.

A major issue afflicting Columbus arts and culture groups is shrinking ticket sales. According to the author of “The Arts in a Market Economy” this national trend is bleak but not misunderstood. Apparently in earlier decades, audiences attended performances as much “out of civic pride as interest in the art form” (Stevens, 2003). Due to the lack of civic pride as an inspiration for attendance and the recent economic recession, ticket sales are down as is governmental and corporate support thus non-profits are forced to find new and innovative funding sources. A recent report conducted for the Columbus Partnership regarding arts and culture found that “Arts organizations must fight for consumer dollars with commercial music venues, movies, and sporting events, to name a few. The arts groups of Columbus are particularly sensitive to the economic downturn because of the city’s youthful
population, and because arts organizations are typically not as firmly rooted here as they are in other communities” (Columbus Partnership, 2003). By “firmly rooted here” the authors of the Partnership Report are most likely referring to a lack of core devotees who can keep a cultural institution afloat under most circumstances.

Even with grant programs such as GCAC’s which allocates over 2 million dollars a year (Columbus Partnership, 2003) in funding to the city’s arts organizations, there are still problems. Some of the grant money comes from the city’s hotel/motel tax. This added revenue is an important funding stream for the city’s arts organizations but nevertheless, Columbus’s arts and cultural bodies are still experiencing problems. A study prepared for GCAC, “Building Creative Capital, reflections on the Assets Available to Sustain Robust Arts and Culture in Columbus,” confirms this worry. It says, “In Columbus, the lack of organizational assets restricts creativity and forces organizations to rely more heavily on ticket sales and annual donations” (Building, 2005). Again we see the vicious cycle erupt as it is recommended that organizations boost ticket sales but then fail to give specifics about how this is to be done in this competitive environment.

In 1993, GCAC created the Columbus Arts Stabilization Project with the help of NAS, the National Arts Stabilization Inc. This project is unique in that it is concept driven by a system of incentives and rewards (Columbus Partnership, 2003). The purpose of this significant national grant was to help develop the capital reserves, donor committee management, policies, financial management, and planning agendas of 8 local arts organizations. This project grew out of the City’s desire to have GCAC bring arts groups together to assist in the celebration of the 500th anniversary of the
landing of Columbus in America. When this concept was presented by GCAC to the arts groups, many said they couldn’t afford to participate in the celebration. This sobering realization then became the catalyst for GCAC’s application for a National Arts Stabilization grant.

In the report “Building Creative Capital, Reflections on the assets available to sustain robust arts and culture in Columbus,” many astounding findings came to light. Columbus was compared to Charlotte, Cincinnati, Cleveland, Indianapolis, Milwaukee, and St. Louis. These cities were deemed comparable communities and the authors calculated and analyzed the creative capital that the nonprofits and foundations contributed to their communities (Building, 2005). According to the study, “Columbus ranked at or near the bottom of every measure of creative capital.” Columbus was specifically cited as being low on the endowment front.

The report about creative capital further argues that Columbus is behind in the creation of personal wealth and the philanthropy that it fosters. It states that unlike Cleveland which boasts more than 22,000 affluent households Columbus has only 12,000 prosperous households which amounts to 1.8% of all families. Furthermore, Columbus ranks at the bottom with the lowest average adjusted gross income on itemized returns reporting charitable contributions ($77,548) and the lowest average itemized contributions reported per household ($2,328) (Building, 2005). It is also noted that there has not been a donation of a million dollars or more to an arts organization in Central Ohio in the past five years aside from a $10 million dollar gift
in 2006 to the Columbus Museum of Art from private donors Robert D. and Margaret M. Walter. This bit of data is important as further testimony that aspects of the city’s economy such as wealth generation and philanthropy need to be explored.

One important idea which is critical and will be further explored as we discuss the state of Columbus’s corporate philanthropy, is the concentration of wealth and philanthropy there. We will see that there are three main corporations that give, by far, the majority of the charitable funding in Columbus. This report seems to highlight that on the individual level as well, with only a small pool of affluent households, substantial gifts are only being given by a select few compared to other cities of its size. Much like other trends in areas such as fashion or music, people do set trends in philanthropic giving. Whether or not charitable giving is vibrant in a city often says a lot about the community. There would be those who argue that much like Columbus must develop an infrastructure for entrepreneurship it should do the same for its culture of philanthropy.

Just as open as many companies are about what they give to, they can be very closed about the details of their decision making process. Therefore pinpointing whether or not Columbus, Ohio businesses encourage their peers in the matter of philanthropy is a very delicate topic. Margaret Wildi, Assistant Vice President of Associate & Community Relations at Grange Insurance stated:
We do make decisions on sponsorships independent of other companies and sometimes as a result of the encouragement of other companies. There are those times however, that a company will ask us to join forces with them in supporting a specific non-profit organization as a whole or for a specific event for a non-profit org. We have also made the same request of other companies. (Wildi, Margaret. “RE: Thesis question.” E-mail to Cecily Marbach. 27 Feb. 2007.)

When asked to give specific examples none were provided. From Wildi’s comments we do see some essence of conciliatory behavior between businesses. Alison Barret, Philanthropy Manager at Limited Brands supported some of Wildi’s assertions. She explained that corporate funding peers see each other often at community functions. She stated, “While there is not a formal communication vehicle in place, we do know each other well enough to call or email each other to discuss ideas, community projects or discover what giving levels the other is thinking for an organization.” (Barret, Allison. “RE: FW: Thesis Help.” E-mail to Cecily Marbach. 8 Mar. 2007.)

She also went on to say that these professionals also share “best practice information” with one another. From these comments we can say that there is congeniality in the administrative world of CSR but the extent to which conversations in passing translate to changing policy is still unclear.

The Columbus Economy:

At this time, it is safe to say that the economy in Ohio has much to be desired. Ohio ranked 46th in the country in terms of job growth in 2003-04 and fell to 47th in 2005 (Niquette, 2006). However, Ohio still has the seventh-largest state economy and
remains the nation's third-largest manufacturing state, fourth-biggest producer of
durable goods and seventh-largest producer of bioresources. It is also home to the
fifth-largest concentration of Fortune 500 companies. Columbus, Ohio is rich in
corporate headquarters. Columbus is the headquarters of Nationwide Insurance
Company, American Electric Power, the Limited Brands, and Wendy’s International.
Battelle Memorial Institute, a research center for the government and private industry,
has its world headquarters in Columbus. Several leading information providers are
also based in Columbus, including Chemical Abstracts Service and the Online
Computer Library Center (Columbus Budget, 2006). These high profile
establishments are hugely important for the economy and generate travel to the area.
Other research institutions such as The Ohio State University draw visitors, outside
interest, and income to Columbus.

With all of this in mind, great efforts are being made by state government to
modify tax codes in order to attract new businesses to the area. Job creation and
retention are of significant interest to the current political body. A recent press release
boasted that Whirlpool Corporation will bring 1,147 new jobs to Ohio due to the
$29.2 million in assistance that the state of Ohio has promised them. The state has
already shown improvement in some areas but has sunk further toward the bottom
nationwide in others. One study suggests that “We should be reaching out to the big
players, finding out what the problems are, and doing what we can to solve them”
(Niquette, 2006). The Taft administration did some national and international
business outreach, the current administration has made the furtherance of those issues
a campaign promise.
Ted Strickland, Governor-Elect of Ohio and Lee Fisher, Lt. Governor-Elect of Ohio campaigned in the Fall of 2006 on a platform called “Turnaround Ohio” (http://govelect.ohio.gov). On Strickland’s Governor-Elect website he writes, “What’s become clear to me is that each problem we have is affecting all the others. Education, health costs, and business development are so closely connected we can’t fix them one at a time. We have to confront them as a total picture. TURNAROUND OHIO is my plan to do that.” Fisher is slated to act as Development Director for the team focusing primarily on business growth and work-force development. According to the Development Department, Ohio has invested more than $12.2 billion in business assistance since 1999. One result of such investment has been the creation of 99,000 new jobs.

One senses that the new administration feels like it is beginning its term at somewhat of a disadvantage. At the February 2007 Business First 13th annual Commercial Developers Power Breakfast, Strickland “said he inherited an overly optimistic revenue forecast” from his predecessor, Bob Taft. He said Taft's administration had projected revenue growth could support a 3 percent increase in state spending in fiscal 2008, which begins July 1 (Bell, 2007). Strickland noted that he has about $1 billion less to work with than what he previously thought. To make matters worse, it is estimated that there will be a revenue growth next year which is less than the expected inflation rate. The result is a 0.6 percent decline in the purchasing resources for 2008.
A paper of significance was written comparing and contrasting four key economic development studies that were composed about this region. The first was conducted in 1993 and the last was completed in 2005 (Ohio Department of Development, 2005). The authors of the studies offered many of the same recommendations and stated similar objectives. Some of the objectives included unifying critical regional stakeholders in order to shape a cohesive economic vision. According to the researchers, the coalition of business leaders would work together to build a realistic idea of the competitive position of the region. The studies recommend that the corporations share their findings with a diverse group of community leaders. By gaining input from community representatives corporations gain new perspectives and possibly gain support and participation from their community. The report also espouses the opinion that since there is a consensus among the past reports that there can thus be a “basic economic development strategy that does not need to change every time economic conditions change” (Ohio Department of Development, 2005). From here we learn that much like in the nonprofit community, the business community could benefit from the creation of an overarching mission in an effort to boost the whole sector.

It is possible that Ted Strickland and Lee Fisher are familiar with these studies. At the Business First's 13th annual Commercial Developers Power Breakfast Strickland described what he called a “disconnect” between state employee development programs and Ohio's economic development efforts. He also recognized the need for better overall communication within state agencies. Another area that Strickland seems to embrace, which was encouraged in the economic studies, is
sharing ideas and learning from businesses in open forums. This new administration believes that a strong economy will only come to be through the cooperation and good-will of public and private entities. Once such pathways of communication are open and safe, leaders such as these think the future will hold much brighter possibilities.

Corporate Leadership in Columbus:

We have just discussed how important corporate leadership is to the public and private sectors. It is common for business people to be on the board of directors of nonprofit organizations and as seen with the Strickland administration, public officials usually yearn for open channels of communication with business leaders. Public/private partnerships are often launched when there are pressing issues that are important to diverse members of the community. The Columbus Partnership is one of those initiatives. The objectives of this project are numerous. They are pressing for communication between regional stakeholders as a means to foster participation and collaboration. They also want to assess what Columbus’s economic challenges are and draft strategies which include greater opportunities for the future (LaFayette, 2005).

Some of the partnership’s key findings include the need to cultivate younger corporate leaders and the bitter consequences of the loss of headquartered companies
in Columbus. According to the research compiled by the project, the loss of headquarters leads to the loss of leadership. With the advent of more CEO changeovers in recent years, the total picture conjures up loss of institutional history and possibly the muddling of the corporate philanthropic mission. Researcher, Pablo Eisenberg, stated, “The new breed of CEO lacks the vision and long-term commitment to the local community shared by many of yesterday's corporate giants” (Palmer, 2004). While this comment is a bit extreme, there is merit to the idea that times are changing and that access to a global base has changed corporate attitudes toward community and marketing. At the same time, local philanthropy will continue as it is valued by many. It is admirable that the project has gone as far as to suggest that corporate leaders be educated in the area of civic involvement. This idea of education is crucial in respect to another pattern that has crept up in Columbus, namely the concentration of leadership and philanthropy among a few corporate leaders.

As mentioned earlier, it is few signature companies that account for the bulk of funding to the Columbus community. It is imperative that more mid-size and small size businesses be coaxed into action or appreciated for the work they have already begun. There is much potential in this area in Columbus and some initiatives such as the Greater Columbus Arts Council’s Business Arts Partnership Awards are already in place. Wolfe Associates, one of the Columbus-based companies that I have gathered data on, was the 2006 winner of this award in the large business category. Each of the three corporate winners is nominated by local arts groups and in the case of Wolfe Associates, they were nominated by Columbus Association of the
Performing Arts (CAPA) and the Wexner Center for the Arts. Each of these arts organizations nominated Wolfe Associates because this corporation supported the programming and mission of these nonprofits over the course of many years.

Following is a chart representing the last 10 years recipient’s of the GCAC Business Arts Partnership Awards.
<table>
<thead>
<tr>
<th>GCAC Business Arts Partnership Awards</th>
<th>Large Businesses</th>
<th>Medium Businesses</th>
<th>Small Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Crane Plastics</td>
<td>Bricker &amp; Eckler LLP</td>
<td>Gandee &amp; Associates</td>
</tr>
<tr>
<td>2004</td>
<td>Limited Brands, Inc.</td>
<td>Vectra, Inc.</td>
<td>The Piano Gallery</td>
</tr>
<tr>
<td>2002</td>
<td>Battelle</td>
<td>U.S. Bank</td>
<td>Acock Associates Architects</td>
</tr>
<tr>
<td>2001</td>
<td>The Scotts Company</td>
<td>Crabbe, Brown and James</td>
<td>The Media Group</td>
</tr>
<tr>
<td>2000</td>
<td>Lucent Technologies</td>
<td>Dominion Homes</td>
<td>Vinny's Hair Boutique</td>
</tr>
<tr>
<td>1999</td>
<td>Bank One Columbus</td>
<td>WSYX-TV, Channel 6</td>
<td>Parms &amp; Company</td>
</tr>
<tr>
<td>1998</td>
<td>Huntington National Bank</td>
<td>Corna/Kokosing Construction</td>
<td>SOS Productions</td>
</tr>
<tr>
<td>1997</td>
<td>Honda of America, Mfg.</td>
<td>Time Warner Communications</td>
<td>Young Isaac</td>
</tr>
<tr>
<td>1996</td>
<td>America West Airlines</td>
<td>Midwestern Auto Group</td>
<td>WWCD-FM</td>
</tr>
</tbody>
</table>

Table 4.1 Recent recipient’s of the GCAC Business Arts Partnership Awards.
This award is a clever tool created by GCAC to strengthen the ties between the arts and businesses in Columbus. The cleverness is rooted in the fact that it is celebratory and infuses the environment with public praise. It is a good public relations tool for both sectors and it recognizes large, medium, and small businesses. Businesses are nominated by artists, arts organizations, and even by themselves with an endorsement of some kind by an arts organization. The individual or group nominating the business must then provide background as to the nature of the relationship between the arts group and the business. The winning companies receive an original work of art from a local artist which is a permanent reminder for the companies of their achievements in this sphere.
CHAPTER 5

WHAT THE COLUMBUS AND THE TWIN CITIES CASES TELL US ABOUT CORPORATE GIVING TO THE ARTS

A multi-city comparison exploring the giving patterns of six companies seemed like a logical next step. I chose three of the top corporate donors headquartered in Columbus and three headquartered in the Twin Cities. By spotlighting these corporations we see real life examples with accompanying data. Limited Brands Foundation, Nationwide Foundation and Wolfe Associates are three high profile Columbus businesses focusing on apparel, insurance, and printing respectively. General Mills, Medtronic and US Bancorp, all located in the Twin Cities, are large nationally recognized businesses that are leaders in the food service industry, the medical technology industry, and banking respectively. After locating their foundation’s 990 form from guidestar.com, I sought to compare and contrast some of their giving patterns from 2002 to 2004. 2004 is the last year of comprehensive data that is available and 2002 was a good starting point in that a three year span was recommended by the Nonprofit Coordinating Committee of New York (www.npccny.org/Form_990/990.htm) as a fair representation of recent giving.
As I discussed in the methodology portion of this paper, I wanted to compare the amounts that these companies gave in many categories. Seeing how much was giving locally, statewide, and nationally was interesting to me as was what percentage of giving to the arts was taken from the total charitable giving and what percentage of that was given to the city of the corporate headquarters. I felt that this data would show us patterns of allegiance of companies and the importance that they place on donations to the arts.

Following you will find the data collected separated by year.
<table>
<thead>
<tr>
<th>Year 2002</th>
<th>Columbus, OH corporate foundations</th>
<th>Twin Cities, MN corporate foundations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Limited Brands</td>
<td>Nationwide</td>
</tr>
<tr>
<td>Grand Total Charitable Giving</td>
<td>5,535</td>
<td>12,496</td>
</tr>
<tr>
<td>Arts Total</td>
<td>672</td>
<td>821</td>
</tr>
<tr>
<td>Arts Total Columbus/Twin Cities</td>
<td>640</td>
<td>731</td>
</tr>
<tr>
<td>Other Arts Total: Ohio/Minnesota</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>Other Arts Total: USA</td>
<td>27</td>
<td>72</td>
</tr>
<tr>
<td>% given to arts taken from total giving</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>% given to arts in Columbus/Twin Cities taken from total arts giving</td>
<td>10%</td>
<td>89%</td>
</tr>
</tbody>
</table>

Table 5.1 cross city comparison 2002
<table>
<thead>
<tr>
<th></th>
<th>Columbus, OH corporate foundations</th>
<th>Twin Cities, MN corporate foundations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited Brands</strong></td>
<td>10,100</td>
<td>11,728</td>
</tr>
<tr>
<td><strong>Nationwide</strong></td>
<td>11,728</td>
<td>16,627</td>
</tr>
<tr>
<td><strong>Wolfe Associates Inc.</strong></td>
<td>1,644</td>
<td>18,527</td>
</tr>
<tr>
<td><strong>General Mills</strong></td>
<td>16,627</td>
<td>19,526</td>
</tr>
<tr>
<td><strong>Medtronic</strong></td>
<td>18,527</td>
<td></td>
</tr>
<tr>
<td><strong>US Bancorp</strong></td>
<td>19,526</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total Charitable Giving</strong></td>
<td>10,100</td>
<td>11,728</td>
</tr>
<tr>
<td><strong>Arts Total</strong></td>
<td>766</td>
<td>871</td>
</tr>
<tr>
<td><strong>Arts Total Columbus/Twin Cities</strong></td>
<td>710</td>
<td>762</td>
</tr>
<tr>
<td><strong>Other Arts Total: Ohio/Minnesota</strong></td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td><strong>Other Arts Total: USA</strong></td>
<td>56</td>
<td>79</td>
</tr>
<tr>
<td><strong>% given to arts taken from total giving</strong></td>
<td>8%</td>
<td>7.42%</td>
</tr>
<tr>
<td><strong>% given to arts in Columbus/Twin Cities taken from total arts giving</strong></td>
<td>93%</td>
<td>87.50%</td>
</tr>
</tbody>
</table>

Table 5.2 cross city comparison 2003
<table>
<thead>
<tr>
<th>Year 2004</th>
<th>Columbus, OH corporate foundations</th>
<th>Twin Cities, MN corporate foundations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Brands</td>
<td>Nationwide</td>
<td>Wolfe Associates Inc.</td>
</tr>
<tr>
<td>Grand Total Charitable Giving</td>
<td>5,659</td>
<td>12,868</td>
</tr>
<tr>
<td>Arts Total</td>
<td>914</td>
<td>737</td>
</tr>
<tr>
<td>Arts Total Columbus/Twin Cities</td>
<td>877</td>
<td>644</td>
</tr>
<tr>
<td>Other Arts Total: Ohio/Minnesota</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Other Arts Total: USA</td>
<td>32</td>
<td>82</td>
</tr>
<tr>
<td>% given to arts taken from total giving</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>% given to arts in Columbus/Twin Cities taken from total arts giving</td>
<td>96%</td>
<td>87%</td>
</tr>
</tbody>
</table>

Table 5.3 Cross city comparison 2004
The most astounding data discovered in my exploration is that from 2002 through 2004 the Columbus companies gave between 87% and 100% of their total arts giving to nonprofits in Columbus. While the majority of their funds went to local organizations, it must be made clear that over the course of these years, the percent given to the arts from the total charitable lot never peaked above 16% and was on average 9.3%. The average percent given to the arts in Columbus from the total arts giving is 93.5%. From here we see that they gave almost exclusively to the arts in Columbus when the contribution was in the area of the arts.

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Limited Brands</th>
<th>Nationwide</th>
<th>Wolfe Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>% given to arts from total giving</td>
<td>12% 8% 16%</td>
<td>7% 7% 6%</td>
<td>7% 12% 9%</td>
</tr>
<tr>
<td>% given to arts in Columbus from total arts giving</td>
<td>95% 93% 96%</td>
<td>89% 88% 87%</td>
<td>96% 99% 100%</td>
</tr>
</tbody>
</table>

Table 5.4 Columbus corporations’ percentages given to arts

As far as total giving goes, Nationwide led the Columbus pack with $12,868,079.33 in 2004 whereas Limited Brands followed with $5,658,960. Wolfe
Associates trailed with $1,436,940 in total charitable giving in 2004. It is important to note that although Wolfe gave 9% of its donated funds to the arts in 2004 and Nationwide gave 6%, Nationwide’s 6% is equal to $736,900 and Wolfe’s 9% is $130,600.

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Limited Brands</th>
<th>Nationwide</th>
<th>Wolfe Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Charitable Giving 2004</strong></td>
<td>$5,658,960</td>
<td>$12,868,079</td>
<td>$1,436,940</td>
</tr>
<tr>
<td><strong>Total to Arts 2004</strong></td>
<td>$913,905</td>
<td>$736,900</td>
<td>$130,600</td>
</tr>
<tr>
<td><strong>Total Arts to Columbus 2004</strong></td>
<td>$876,605</td>
<td>$644,000</td>
<td>$130,600</td>
</tr>
<tr>
<td><strong>% to arts from total giving 2004</strong></td>
<td>16%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>% to arts Columbus from total arts giving 2004</strong></td>
<td>96%</td>
<td>87%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 5.5 Columbus corporations 2004 giving

For the most part, over the years highlighted in this paper, the companies gave within the same scope only vacillating within a couple of hundred thousand dollars. This is true except for the Limited Brands Foundation where its total giving escalated $4,565,415 in 2003 and then fell $4,441,354 in 2004. After perusing the 2003 990
form I realized that the company had given a second $2 million grant, an unusually large amount, to COSI that year. I contacted Alison Barret, Philanthropy Manager at Limited Brands about the rise and dip in giving and questioned whether it had to do with a levy that COSI was trying to get passed the following year. Barrett substantiated my hunch and stated, “The additional grant was made to COSI. It wasn't related to the levy efforts directly as obviously foundation gifts cannot be used that way. It was more of a public show of support for COSI.” (Barret, Allison. “RE: FW: Thesis Help.” E-mail to Cecily Marbach. 8 Mar. 2007) This gift was made in the hopes that additional funders would follow suit. The following chart shows the drastic change in giving over the course of 2002-04.

<table>
<thead>
<tr>
<th>Limited Brands</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total</td>
<td>$5,534,899</td>
<td>$10,100,314</td>
<td>$5,658,960</td>
</tr>
<tr>
<td>Charitable Giving</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.6 Limited Brands giving 2002 - 2004

Overall the Minnesotan corporations gave more charity and a greater percentage of money to the arts then the Ohio-based corporations. On average, the percent given to the arts by these companies was 19% whereas the Columbus companies gave 9%.
<table>
<thead>
<tr>
<th>Year</th>
<th>General Mills</th>
<th>Medtronic</th>
<th>US Bancorp</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>23%</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>2003</td>
<td>31%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>2004</td>
<td>23%</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>2002</td>
<td>91%</td>
<td>92%</td>
<td>22%</td>
</tr>
<tr>
<td>2003</td>
<td>97%</td>
<td>96%</td>
<td>14%</td>
</tr>
<tr>
<td>2004</td>
<td>97%</td>
<td>96%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Table 5.7 Columbus Corporation’s percent comparison 2002 – 2004

Furthermore, the percentage that Columbus corporations gave to the arts in their hometown was 93% while the Minnesotan companies General Mills, Medtronic, and US Bancorp gave 70%. Again, the reason for the lower number in the case of Minnesotan companies can be attributed to US Bancorp and their more even distribution of charity across the nation.

From this multi-city comparison we can see a general pattern arising but only can the true meaning of the numbers be understood when a familiarity with each locality is understood. From researching this data I feel that understanding corporate giving requires an appreciation for general giving phenomena, external factors regarding those general phenomena, community arts giving practices, and a sense of the local economy and the place of the arts and cultural sectors within that context. Using Columbus as my example, I have learned that there is a pittance of
endowments in the cultural sector there but the level of giving based on corporate assets is high. This means that while Minnesota gives much more to the arts, the percentages of total money given to the arts taken from the corporation’s grand total of charitable giving is surprisingly close. I also believe that the climate of giving in Columbus has the potential to change drastically as corporations mature and corporate foundations grow and become more economically stable.
CHAPTER 6

CONCLUSION

While this conclusion falls at the close of this paper, it is also something of a new beginning. For many of us the ideas brought forth are mostly familiar but to some, the notions are new and utilitarian. One goal from researching this topic was to aid arts and cultural nonprofits in Columbus, OH. This is a lofty goal, but on the same token, fresh perspectives are often valuable no matter where they stem from. In order to come to conclusions about the state of corporate philanthropy for the arts and culture a comprehensive look at many overlapping subjects was necessary.

For instance, before delving into corporate social responsibility and patterns of giving by corporations it seemed prudent to first discuss what streams of funding exist and to learn about the arts and cultural sector. Only once the larger picture was painted was a full exploration into corporate giving and motivations a logical next step. As with many policy issues, cultural policy spans many areas such as legislative, economic, political, communal and environmental among many others. For a full public policy perspective on the topic of structured giving all of these angles were pursued.
It is not by chance that corporate giving to the arts was the topic chosen for this master’s thesis. It seemed a particularly compelling subject to explore in light of what many cities in America are going through. Much public money for the arts and culture has been withdrawn, curtailed, or maintained but not added to and so many cultural nonprofits are finding themselves struggling. At the same time, cities are beginning to realize the economic strength that the arts bring to their municipalities. Reports and books are being written linking the arts to rescuing our nation’s downtown spaces, being inducements for corporate relocation, and acting as benign pathways for educating our youth and helping communities. These assessments are hugely important and raise convincing arguments for support of our arts and cultural agencies and institutions.

Convincing arguments are also vital in the quest for monetary, volunteer, and in-kind support for the arts. As much public support wanes, nonprofits are relying more on finding other funding streams. To some, this means expanding the programs and exhibitions offered so as to raise earned income. To other groups it means targeting more individuals and corporations through fundraising initiatives and sponsorship opportunities. BalletMet in Columbus, Ohio has been discussing ways to gain more financial stability for years. They have conferred about launching an endowment campaign to boost their small endowment but they dismiss this notion because they struggle just to meet their annual operating budget (Bishop, Pam. “RE: question.” E-mail to Cecily Marbach. 8 Feb. 2007).
But BalletMet, much like other progressive arts groups with support systems, is not at a loss for ideas to improve their earned income. Inspired by the Columbus Cultural Leadership Consortium, BalletMet has begun studying their ticket pricing and how it compares regionally in an effort to possibly raise prices. They have thought of creating a satellite dance academy in another part of the city that could serve a different population and thus bring in more revenue. The ballet is also going to try and encourage greater group sales of tickets to performances and offer their studios for rent. Such initiatives show a resolution of perpetuity for this organization and others who are following through with similar measures.

Anne A Boninsegna, chief operating officer, at the Franklin Park Conservatory believes that initiatives like those taken on by the conservatory such as attention-grabbing programming and exhibitions are what will encourage greater participation by corporations. Once they witness the dollar value success of the earned income that these arts and cultural organizations are bringing in they will feel secure in supporting the institutions. This idea touches upon a segment of this paper that focuses on the disconnect between what funders give to verses what agencies need. Often problems arise in the nonprofit world when private sector performance expectations are applied to the public sector. On the one hand, nonprofits are striving for greater accountability by utilizing researched performance measures. On the other hand, the success of an education program can not always be found by calculating the attendance level at the event.
Michael Rushton discusses this topic of evaluating the arts in his article “Cultural Diversity and Public Funding of the Arts: a View from Cultural Economics” (Rushton, 2003). Here he argues that there are innumerable positive externalities as a result of the arts causing a market failure in the arts to exist. Rushton believes that members of society are affected by the arts even if they are not directly seeking them out and thus the full benefit of cultural goods to society is forever being underestimated. Wyszomirski also touches upon this concept as she explains that because of expected performance measures, arts institutions are forced to concentrate on the “demand side of the arts” which could potentially mean straying from the artistic mission that spurred the creation of the agency to begin with (Wyszomirski, 1999). This is one of the exciting elements that makes the Columbus Creative Leadership Consortium (CCLC) such an important force. The CCLC addresses both the demand side of the arts like audience development and revenue and artistic creativity.

The CCLC could end up being a successful model in Columbus for several reasons. The major institutions involved are committed to joining forces on projects and in the creation of a united voice. Wyszomirski and others discuss in their writing that the arts and cultural sector needs collective action and unity in an effort to create strong policy. Cohesion spreads the message that a sector has a thoughtful plan of action with key representatives who have objectives to fulfill. It is this key idea of collective action and cohesion that led to the development of the other core concept of
this paper, the idea that structured giving, or thoughtful and researched charitable
donations, is the single most important element in encouraging philanthropic giving
to ensure a stable future for nonprofits.

The belief and recommendation offered in this paper is that if the proposed
tools are employed by corporations, their giving can become even more valuable.
Proposed is a combination of applying the virtue matrix ideals along with concepts of
the NewTithing Group and Business Committee for the Arts (BCA). Each of these
three groups is a piece of the puzzle. What this triumvirate offers is a tool, i.e. a
scientific graphing system, a numerical value to aim for, and an institution assessing
the true needs of nonprofits that is also concerned with relationship and community
building. These tools were created to assist businesses with the process of
philanthropy and offer them ways to judge their charitable giving performance and
stretch their conceptions of acceptable donations.

As we have seen, planned giving to the arts and cultural sector is not a simple
matter. It is expressly because of this fact that isolating successfully managed
umbrella organizations with low overhead and strong track records of strategic giving
is so important. While some corporations, foundations, and individuals are chartering
the charitable waters quite well with thoughtful plans, others are still making
decisions without weighing the needs of their communities or the boundaries of
possibility for their own giving.

After devoting much effort to the discovery of streams of funding and grant
decision making, many valuable points have been upturned. One point is that every
city or locality has characteristics that make it unique and define its public value. A
progressive philanthropist who wants to make a difference should listen to the needs of her community and use them as a basis for decision making. As stated in the body of this paper, there have been great inroads into giving through workplace initiatives and federations. Such structured giving helps frame the concerns of the grant funders and recipients.

With all of this said, there is much to look forward to in the future of the arts. There is growing prominence in the importance of the arts within our cities. Motivations abound for CSR and this type of giving to the arts and culture in particular. It is also reassuring to note a strong trend where corporations’ allegiance to their hometowns encourages the greatest amount of their arts giving. It is also exciting that the public sector is aware that the arts offer assets to their cities and thus need to be nurtured through tax exemptions and levies. While only time will tell what will pass, I hope that valued and virtuous giving becomes more mainstream and is a new mass appeal remedy for the arts and cultural sector.
LIST OF REFERENCES


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