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The Ohio State University, 1988
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UMI
THE STATE OF THE CORPORATE-ARTS RELATIONSHIP
AS VIEWED THROUGH THE PERSPECTIVE
OF THE
NONPROFIT THEATRE

DISSERTATION

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

by

Karen Hadley Copp, B.S., M.A.

* * * * *

The Ohio State University
1988

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To Jennifer and Aaron
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CHAPTER I

ARTS PATRONAGE: AN INTRODUCTION

The image of the struggling artist is an old one, and for good reason. Artists have traditionally found it difficult to support themselves and have found it necessary to look beyond their own means for financial survival. Arts patronage has provided that outside support in various forms for centuries, and even though the form of patronage has changed over the years, it holds just as much significance for the arts in the 1980s as it did in any other period in history.

The 1980s, in particular, is a difficult time for the survival of arts groups because of rising costs, inflation, lack of political support, and increasing competition for the philanthropic dollar. Circumstances are forcing arts groups to become increasingly sophisticated in their attempts to find support for operating costs and special projects, and those attempts are focused in many directions--toward the federal, state, and municipal funder, toward the individual giver, and toward the philanthropy of the corporate world.
It is the corporate support of the arts that this study explores. As competition for the philanthropic dollar becomes more and more intense, as the necessity for more sophisticated funding strategies increases, and as many external and internal pressures on the corporation produce a more besieged corporate arts funder, the importance for understanding the nature of the relationship between the arts and the corporation becomes more essential.

Too often the relationship between the two groups is seen only in terms of the one giving the other a handout, and this mentality automatically delegates the arts group to a subordinate position. A more honest and beneficial approach would examine these two worlds from a broader perspective, one that explores the sociological and cultural bases that they share. An investigation of such fundamental relationships is not only interesting from a theoretical perspective, but more significantly, it has practical applications for the world of fund raising for the arts.

This study investigates the common underpinnings of these two worlds. It examines the theory of this relationship, and focuses on the reality of the present-day situation. Do the arts and the corporations recognize any kinship with each other? What exactly are the viewpoints that each has of the other? Are there
visionaries in each of these worlds who see the other group as an extension of their environment? What are their responsibilities, if any, to each other? Because of the necessity of limiting the scope of the study, it looks at this relationship through a single segment of the world of the arts—the professional nonprofit theatre in this country—exploring not only the viewpoints the corporation and the theatre have of each other, but the ways in which various sociological pressures might affect their relationship within the next decade. And lastly, by placing the modern corporate-arts relationship in historical perspective, it will be possible to draw conclusions about future directions of the alliance based on historical precedence. A study of this particular association will certainly have implications for the other arts.

Methodology

This study has two objectives: to explore the association of the corporation and the arts through a detailed look at the corporate relationship to the professional nonprofit theatre in this country, and to predict the outcome of that relationship during the next decade.

The significant primary source material for this study comes from two surveys that were devised with the
help of the Polimetrics Laboratory at The Ohio State University. The first survey was sent to managing and artistic directors of the theatre members of the Theatre Communications Group; the second survey was sent to corporations in this country that most heavily fund the arts. This latter category was found in the American Council for the Arts' Corporate Giving 3 and Corporate Giving to the Arts 4.1

The surveys are not intended to produce quantifiable data, but instead to elicit viewpoints from the respondents about the other group and how they see themselves in relation to that other group. The conclusions will not yield hard figures that point with certainty toward a particular direction, but instead will set forth an educated guess that is supported by expert opinion.

Sources

Material in this area falls into several categories, much of it valuable to this study. One of the largest body of works consists of manuals that explain appropriate ways to approach corporations for funding. Works in this area include Carol Kurzig's Foundation Fundamentals: A

Guide for Grantseekers and Public Management Institute's How to Get Corporate Grants. While these works are effective in teaching grant writing, other categories were more useful in exploring the corporate-arts relationship. One such category includes works about corporate philanthropy in general. F. Emerson Andrews' early work Corporate Giving and Richard Eells' more comprehensive Corporation Giving in a Free Society are representative of this area.

Another corporate category is concerned with the corporation itself and with corporate theory, from Eells' Conceptual Foundations of Business to Thomas Peters' and Robert Waterman's In Search of Excellence. An extension of this category is concerned with the relationship between the arts and business; the principal works are Richard Eells' The Corporation and the Arts, Alvin Reiss's

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Culture and Company, and Gideon Chagy's series of books on business and the arts.\(^5\)

The Foundation Center maintains comprehensive files and reports on corporate foundations; the Columbus Public Library has an extensive regional collection of this material, and the Center maintains a field office in Cleveland that was useful. Theatre Communications Group publishes similar material on the financial status of the major nonprofit theatres around the country in Theatre Profiles.

Because the status of the business-arts connection continues to evolve, much of the source material was found in periodicals, journals, newspapers, and magazines. Such publications are American Theatre, the National Endowment for the Arts' Culture Post, Fortune, American Council for the Arts' Update, Public Relations Journal, Foundation News, and the New York Times and Wall Street Journal.

Primary sources consisted of interviews and surveys. There were two primary surveys: the first was focused toward corporations that have a tradition of arts support, and the second survey was sent to major professional nonprofit theatres. The purpose of both of these surveys was to discover how the arts community and the corporate

world view each other, the extent of corporate theatre funding, whether or not they see this relationship as mutually beneficial, and whether or not they validate the relationship for pragmatic reasons or they see beyond the utilitarian aspects to some more common bond.

Arts Patronage: What It Is and How It Evolved

My Prince was always satisfied with my works; I not only had the encouragement of constant approval, but as conductor of an orchestra, I could make experiments, observe what produced an effect and what weakened it, and was thus in a position to improve, alter, make additions or omissions, and be as bold as I pleased; I was cut off from the world; there was no one to confuse or torment me; and I was forced to become original.®

Franz Joseph Haydn thus described his thirty years of subsidy from his patrons, the Princes Eszterhazy, in eighteenth-century Austria. He defined the ideal nature of the phenomenon of arts patronage—the gift of time for artistic creation. No longer forced to spend valuable effort in pursuit of sustenance, the subsidized artist has the time to experiment, to fail, to create, and to produce a work of art. That valuable commodity of time, combined with perceptive arts patronage and artistic abilities, has given the world some of its most celebrated works of art,

®Franz Joseph Haydn, as cited by Frederick Dorian, Commitment to Culture: Arts Patronage in Europe and Its Significance for America (Pittsburg: University of Pittsburg Press, 1964), p. 16.
from the sculpture and painting of Michelangelo and Leonardo da Vinci, to the writing of Dante and Moliere, to the opera of Verdi and the music of Beethoven.

A widespread interest in notable works of art, however, does not translate into profit for most artists. The most prevalent economic system, competition in the open market place, has always been difficult for artists, although some of them have been self-supporting; a large percentage, however, have been unable to survive solely in the open market place. Another economic system, bartering, supplies an alternate level of financial return; the payment is not in money, but in goods or services. Arts patronage is actually a mixture of the market economy and the barter system. Patronage assumes that the artist is associating with a group, an individual, or a ruling body with sufficient financial resources to commission the artist to work on a particular project, or support the artist during a specific period of time. The patron may or may not own the work of art that is subsidized, depending on the agreement with the individual artist.

Patronage benefits not only the artist, but the patron as well. One of the principal rewards of arts patronage throughout history has been prestige. From the choregus' sponsorship of the Greek chorus in the Theatre of Dionysus to Phillip Morris' support of the Next Wave Festival at the Brooklyn Academy of Music, association
with a prestigious arts event has given credibility, legitimacy, and sometimes even honor to the fortunate patron. Association with the artist, the philosopher, and the poet, for example, lent a sense of legitimacy to the illegitimacy of the feudal tyrant's rule. "[T]he most honorable alliance which he [the tyrant] could form was with intellectual merit, without regard to its origin." The Brandenburg Concertos of Johann Sebastian Bach gave the highest award possible to the arts patron: immortality to an otherwise undistinguished duke, Christian Ludwig of Brandenburg.

Another benefit of patronage is the utilization of the arts as a way of teaching and influencing people. By funding the arts and then prescribing the subject matter for the artist, for example, the Church in the Middle Ages was able to use them for the glorification of God and for the teaching of man's proper relationship to God. Although the patrons of the 1980s are a somewhat different mixture from those of the Middle Ages, these same benefits of prestige and influence continue to make arts patronage attractive to modern philanthropists.


8Dorian, p. 230.

9Ibid., pp. 53-54.
In order to better appreciate today's corporate patronage of the arts, it is helpful to review the background of arts support and the evolution of the various patronage combinations. Any attempt to trace cultural or sociological phenomena is complex; the ensuing historical discussion of patronage, therefore, only touches upon the more significant patronage trends and how they provide historical perspective to arts patronage in the 1980s. The basic funding elements that continue to appear in various combinations through the centuries are the Church, the State (both at the national level and the municipal level), the wealthy individual (frequently the aristocracy, more recently the middle class), and the group (at any level, from universities to guilds). The corporation is frequently perceived as a relative newcomer to arts patronage, but when recognized as a modern-day substitute for the middle class and aristocratic patron, the corporation actually has precedence reaching back many centuries.

The presence of a middle class is not a modern phenomenon; it has been recorded as far back as 2500 B.C. in Mesopotamia and Egypt. Greece had a thriving middle class by the fifth century B.C.\textsuperscript{10} Not only were Greek

\textsuperscript{10}Franklin Charles Palm, The Middle Classes, Then and Now (New York: Macmillan, 1936), pp. 8-11.
artists, such as architects\textsuperscript{11} and potters, financed by the state, but there is evidence that much of the potters' patronage came from the middle class.\textsuperscript{12} One of the first well-known examples of arts support is found in the dramatic festivals of Greece as early as the sixth century B.C.\textsuperscript{13} These festivals, ranging from small rural events to larger and more elaborate ones in Athens, were sponsored by the state for the purpose of glorifying Athenian citizenship, for its own citizens and for foreign merchants visiting that thriving trade center. The state, the primary patron of these festivals, appointed wealthy citizens to perform a liturgy, or service for the community, that carried with it great distinction.\textsuperscript{14} One of the most important of these liturgies was that of choregos. The citizens appointed to that position furnished training and costuming for the chorus of the particular play that they sponsored. The position was a highly competitive one, and the choreg tried to outdo


\textsuperscript{14}Boeckh, pp. 449-450.
each other in the elaborate presentation of their respective choruses.¹⁵

One of the benefits derived from association with intellectuals and artists is the prestige involved, and this was certainly a part of the attraction for the choregi. Not only were victorious choregi awarded prizes,¹⁶ but the position was a convenient one for consolidating personal and political power through displays of wealth and opportunities for currying favor.¹⁷

One of the first State authorized ministers of culture was recorded in ancient Rome, where Gaius Maecenas was appointed to that position by Emperor Augustus. Maecenas, recognizing the social value of the arts, became a staunch supporter of artists such as Virgil and Horace as he guided them in the glorification of the ideal of the Roman state in their writings.¹⁸ Arts support did not come entirely from the State, however; Roman middle classes frequently had more money than aristocrats and from their ranks came some of the leading arts patrons of the time.¹⁹

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¹⁶ Pickard-Cambridge, pp. 77-78.

¹⁷ Flickinger, p. 270.

¹⁸ Dorian, pp. 52-53.

¹⁹ Palm, p. 17.
During the Middle Ages, a major shift occurred in the center of patronage power—the Church assumed the primary position in support of the arts and used them to celebrate its teachings and to glorify God. Its dominance in this field also paralleled its assumption of religious and political power. Medieval art was anonymous; the Church believed the artist would detract from art's proper symbolic focus on man's relationship with God; cathedrals became "treatise[s] in theology"; and plays became concerned with vice, virtue, and the soul of man.

The Church was not the only arts supporter of the period. Medieval middle class patronage appeared in the form of guilds and confraternities, the phenomenon of guilds having appeared as early as ancient Greece. It was not until the end of the eleventh or the beginning of the twelfth century, however, that evidence of guild charters emerged, either because previous charters had been lost, or possibly because guilds had been more or less loosely knit organizations. Merchants and craftsmen had banded together for each other's protection, for

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20Dorian, pp. 53-54.


22Palm, pp. 10-11.
increased purchasing power,\textsuperscript{23} for controlling the number of workers, the output, and the price of goods\textsuperscript{24}—needs that certainly present parallels with the modern corporation and the merchant and craftsmen guilds of the Middle Ages. Guilds and confraternities bore much of the cost of festivals and construction of cathedrals, thus providing a supporting role to the Church.\textsuperscript{25} Guilds were officially chartered organizations of merchants and craftsmen formed according to principles similar to those of the modern corporation, and as such they can be seen as one of the first examples of the modern corporation's role as a patron of the arts.

Because patronage power resides with the holder of political power, patronage underwent another major shift as the Middle Ages came to an end. During the Renaissance, the power of the Church was to slowly give way to the power of the movement known as humanism, as man's focus on his relationship with God gave way to man's interest in man. Thus, it follows that the focus of patronage should also shift. The feudal system's makeup of individual states and courts that were in constant con-


\textsuperscript{24}Palm, p. 22.

\textsuperscript{25}Maurois, p. 73.
flict with each other provided a ready-made field for competition, not only on the battle field, but in the area of the arts. Control of feudal states often changed hands as power was seized by warring forces; thus the ruling power was often illegitimate. To erase that stigma, the prince in power would frequently associate himself with persons of intellectual and artistic merit.26 "In the company of the poet and the scholar, he felt himself in a new position—almost, indeed, in possession of a new legitimacy."27 Machiavelli suggested another reason for being a patron: "to keep the [repressed] people occupied with festivals and shows,"28 a reason behind much of arts patronage throughout history, from Roman emperors to Mussolini and Hitler. Scenic designers, dancers, writers, directors, singers and many other artists were hired to produce and perform splendid theatrical pantomimes for the entertainment of friends of the court as nobles tried to outdo each other in colossal splendor.29

As splendid as the court patronage was, ironically the family that emerged as the pinnacle of patronage

26 Burckhardt, p. 27.
27 Ibid., pp. 27-28.
29 Burckhardt, pp. 409-413.
during the Renaissance was the banking family of the Medicis. The Medicis—Cosimo the Elder, his son Piero, and Piero's son Lorenzo, the Magnificent—have become synonymous with the best in arts patronage, not only during the Renaissance, but throughout history. Lorenzo, in particular, developed an intense interest in all of the arts, and it was through his artistic leadership that Florence eventually became "a microcosm of a cultural state."30 Records of many individual art patrons exist for this period, including one of the first female patrons on record, Isabella d'Este of the Gonzaga family of Mantua.31 The guilds and the clergy also continued their support of arts during this period.32

The next significant milestone in arts patronage is found in England and France during the early seventeenth century. Queen Elizabeth's royal patronage for theatre in the latter part of the sixteenth century had not been extensive (the Queen saw only about five productions a year, for which she paid the companies); the Stuarts, however, were much more interested in theatre. Not only did James I and Charles I attend more theatre, but they

30Dorian, p. 56.


32Ibid., pp. xxviii-xxx.
paid each actor in the royal company a yearly fee, plus additional allowances. Actors and designers participating in Stuart masques were recipients of further court patronage, but even with this increased royal patronage, theatre companies of the period relied much more heavily on an ever expanding public support.33

Just as the Medicis represented the epitome of patronage during the Renaissance, so one name dominated arts patronage in the seventeenth century—Louis XIV of France. He "regarded State aid as essential to the interests of literature and art, and was determined that every means of influencing the opinion of his subjects should be under the immediate control of the Court."34 Louis XIV used the arts in a time-honored tradition that goes back to the Greeks, as he supported art that would reflect the magnificence of the French monarchy, from the theatrical tradition of Racine and Moliere, to the operatic tradition of Lully and the architectural splendor of Versailles. He imposed his own sense of beauty on the arts just as the Greeks, the Romans, and the medieval church had each imposed their own "ideal" on the arts of their period.


After the reign of Louis XIV, however, court arts patronage continued in France but it declined through much of the eighteenth century as the increasing appearance of women and the affluent middle class signaled the emergence of a new French arts patronage constituency. Although some government arts support continued, French court patronage ended with the Revolution. Aristocratic patronage was personified elsewhere in the German court of Frederick the Great and in the Austrian court of the Prince Eszterhazy with support of such artists as Bach, Voltaire, and Haydn.

Other traditional patronage systems began to disappear as the centuries-old guild system began to disintegrate because of the increasing number of merchants and artisans who paid little or no attention to guild regulations. In 1791, France passed the Chapelier Law, abolishing guilds and restrictions on trade.

As old systems faded, new patronage movements gained momentum. At the close of the eighteenth century and the beginning of the nineteenth century, during the turbulence of the industrial revolution, fortunes were being made in the fertile fields of mercantilism, banking and stock

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35 Dorian, pp. 144-145.
36 Palm, p. 128.
37 Ibid., p. 137.
brokerage, manufacturing, shipping, and transportation. Members of the new wealthy middle class, finding themselves in need of social legitimacy, turned to the arts to provide that opportunity.

Throughout history, patrons and artists of all levels of taste and ability have been attracted to the arts; this diversity, however, became even more apparent in the nineteenth century. The very large number of wealthy middle class patrons obviously had different levels of taste and dissimilar expectations of art. Many wealthy landowners, for example, not needing social display, purchased excellent works of fine art and put them into private collections not available to the public, a practice certainly not new in the nineteenth century.

Other patrons saw in art a moralistic force with the power to ennoble and uplift the common man, and the more noble the individual, the better off was society; " . . . with art on one's side, could goodness be far behind?" Arts patronage for some became a way toward a

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40Ibid., p. 2.
more sound and moral society,\textsuperscript{41} and not an end in itself. This moralistic motivation for patronage was not new—it has existed since ancient Greece, continued into the Middle Ages and the Renaissance, and endured as a major factor in arts patronage in the Victorian Age. As an outgrowth of moralistic patronage in the 1800s, patron organizations such as the London Art Union were created; the Union was a self-help society confident in its ability to uplift the common man through art by making "cheap art good and good art universal."\textsuperscript{42}

The establishment of social legitimacy through arts patronage was also happening in the United States. The Vanderbilts, the Astors, the Fricks, the Mellons, the Stewarts, the Carnegies, and the Huntingtons represent just a few of the families who amassed private fortunes that heavily financed the arts. Their collections of art represented one aspect of the sense of competition among these successful entrepreneurs, as they vied with each other for social prominence. "Foremost, of course, was the ingrained urge to excel fellow millionaires, as well

\textsuperscript{41} Ibid., p. 139.
\textsuperscript{42} Ibid., p. 3.
as to impress a nation of pecuniary inferiors by a show of monumental extravagance.*3

A further rationale for arts patronage started to gain prominence during the nineteenth century—the industrial application of the arts to produce a more marketable product. This utilitarian function of art was certainly not new. The industrial revolution initially stressed function rather than design, but as market place competition became more intense, it was obvious that the better designed product was more profitable. English merchants, for example, noticed a marked increase in the export of goods that were well-designed, such as silk, plates and pottery, and paper hangings.** For pragmatic reasons, therefore, some businessmen began to involve themselves in the world of the arts. The American industrialist Joseph Choate supported the Metropolitan Museum of Art, not for artistic reasons, but to improve industrial design by demonstrating quality in design to his industrial artisans.45 And for the same reason, later in the 1930s, Walter Paepcke, founder and president of the


**Ring, p. 137.

Container Corporation of America, established the Aspen Institute for Humanistic Studies because of his belief in the significance of design to the ultimate success of a product.\textsuperscript{46} Industry supported the arts initially because it recognized that poor design meant less profit, a thought that initially appears very "bottom line" oriented, but which ultimately acknowledges the kinship that function has to design, and that business has to the arts.

Except for a few industrial visionaries, however, much of this country's corporate world was slow to recognize the business value of the arts specifically and of philanthropy in general. It was the artistic preference of the industrialist himself, not any perceived utilitarian value of the arts, that determined most of the industrial support of the arts. The extent of industrial philanthropy in general was limited, and what there was began for pragmatic reasons; the railroads, for example, started supporting YMCAs across the country to furnish temporary housing for their traveling employees. Other early recipients of corporate philanthropy were the American Red Cross during World War I and the Community Chest in the 1920s.\textsuperscript{47} Gradually, the number of favorite


\textsuperscript{47}Andrews, \textit{Corporation Giving}, pp. 23-34.
corporate "charities" grew to include health, welfare, and education groups.

The year 1935 was a hallmark for corporate philanthropy because a revision of the Internal Revenue Act included an exemption "from taxation corporation contributions to defined charitable agencies up to five per cent of net income, beginning with the year 1936." Richard Bells comments on this milestone in Conceptual Foundations of Business—"the corporation may now love mankind." This legalization of corporate philanthropy was to have far-reaching implications for arts support, and it came at an opportune time, as the concentration of private wealth shifted to the large publically-owned corporations after World War II.

For centuries, arts philanthropy had slowly moved among centers of power--from states to churches to aristocracy to universities and guilds, and by the early twentieth century, the modern corporation began to emerge as a principal philanthropic influence in the world of art. The transfer of wealth, the growing financial holdings of the publically-owned corporations, and the legalization of corporate philanthropy laid the groundwork

48 Bells, Corporate Giving, p. 4.
49 Bells, Conceptual Foundations, p. 539.
50 Chagy, p. 42.
for the relationship of the modern corporation and the arts by the late 1940s. Today, factors such as high inflation rates, high cost of artistic creation, competition for the arts funding dollar, and public awareness of the need for arts support have reconfirmed the importance of the corporate-arts association. It is in the 1960s that this relationship really began to expand.
CHAPTER II
ARTS PATRONAGE: FROM THE SIXTIES TO THE EIGHTIES

To understand what corporate arts funding is, what it should be, and what it will eventually become, one must view it within the context of external forces and events that have influenced its growth. The last twenty-seven years have been particularly meaningful for corporate arts patronage, and this chapter examines the interaction of significant phenomena as they have come to form the background for corporate arts patronage in 1988.

The Sixties

The decade of the sixties was a remarkable one for the arts. A series of events occurred during this period that not only increased public arts awareness, but also made possible a persuasive rationale for public and private arts support. People in the arts had argued for subsidy for many years, but they had been encumbered with a variety of misconceptions that had severely hampered their credibility, and specifically their credibility for
asking for outside support. Many of these misconceptions were economic ones—the arts can and should be self-supporting; artists do not know how to manage funds (although at one time there was an element of truth to this notion); the only truly creative artist is a hungry one. This last misconception was even implied by W. McNeill Lowry, director of the Program in the Arts and Humanities for the Ford Foundation, as he referred to the artist's poverty as a source of creativity.\(^1\) In the sixties, these flawed ideas were examined more closely through economic and corporate perspectives.

The first efforts to understand the economic nature of the arts were two landmark studies that appeared within a year of each other. The 1965 Rockefeller Panel Report, \textit{The Performing Arts: Problems and Prospects} was the first comprehensive examination of performing arts support.\(^2\)

The fact that it was written under the auspices of the Rockefellers, working with corporation and foundation executives, labor officials, editors, and educators gave the study a unique credibility that had been lacking in previous attempts to justify arts subsidy. The Report


examined the changing role of arts patronage, the importance of the arts to the community, and the role that private and public subsidy should play in the support of the arts.

The second milestone in the growth of public arts awareness was the 1966 publication of *The Performing Arts: The Economic Dilemma* by William J. Baumol and William G. Bowen, a study that explored the economics of the arts.\(^3\) By compiling records of long-standing arts organizations, the authors demonstrated that, due to the economic structure of live performance within a high technology society that reduces cost through mass production, the arts will never be able to be self-sustaining, thereby creating an inherent income gap in all of the arts that will only grow larger in the future. Several factors gave this study credibility, particularly in government and business. Baumol and Bowen were both economists; their only association with the arts was one of interested spectators, not of professionals. They talked about the arts, not in terms of intangible spiritual manifestations, but in terms of a service with a product for the community.

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When Baumol and Bowen theorized that the arts could never be self-sustaining and that in order to survive, the arts would have to depend on contributed income, business and government leaders finally had an acceptable economic rationale for public and private arts subsidy. Arts professionals realized the significance of this work and used it as justification for increased emphasis on funding development.

**Early Business Support**

Business began to recognize its alliance with the arts in 1965 when the New York Board of Trade, a grain futures exchange, initiated an awards program for corporations that had given considerable support to the arts, and in 1966 the Board of Trade went even further and formed an Arts Advisory Council. In 1967 the establishment of the Business Committee for the Arts (BCA), a New York-based nonprofit organization, signaled a more formal, although initially very small, corporate commitment to establish long-term guidelines for corporate arts patronage. Its membership included presidents and board chairmen of some of the country's largest corporations, and its mission, according to David Rockefeller's

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inaugural remarks, was that the Council, "drawn from the ranks of businessmen knowledgeable in the arts, cultural leaders and representative artists, could provide strong impetus and clearly defined direction for what is often rather haphazard progress." The BCA counseled companies considering arts patronage, gave financial advice to arts groups, and collected information about patronage opportunities. Its early work in this area established the BCA as a model for many other groups that would emerge in the seventies and eighties.

Foundation Support

While business was just beginning its relationship with the arts, arts support from large private foundations was flourishing. The Ford Foundation had begun the first national foundation program for the arts as early as 1957 under the leadership of W. McNeil Lowry, and before he left the Foundation in 1975, he had overseen a $280


6Ibid.
million investment in the performing arts. The purpose of this support was to "bring about important capital and program developments and pull into the arts on a more systematic basis available non-Ford Foundation funds from private and corporate sources throughout the country." Not every foundation was able to devote such a large amount to the arts, but due to the early leadership of large private foundations such as Ford, the number of other foundations involved in arts funding increased significantly during the sixties and seventies. The concept of using funds as a catalyst to generate additional arts money was unique, and the idea was to have a growing importance for public and private subsidy, culminating in the NEA emphasis on Challenge Grants in the eighties.

Foundation funding also helped to galvanize corporate support. Because the Ford Foundation has many similarities to corporate foundations--intermediary bodies that function as foundations, but having support of and strong


ties with the parent corporation—it also paved the way for arts support from corporate foundations, providing further impetus for the corporation itself to become involved in arts patronage.

**Political Environment**

If national corporate health is influenced by the political environment, then corporate arts support is also affected, not only through the direct influence of government regulation, but through the indirect effect of political attitudes toward public arts subsidy. Political public arts subsidy positions have changed drastically through the years. Before the sixties, arts support had been political anathema, with the exception of Roosevelt's 1935 Works Progress Administration (WPA) Art Projects, and that broad approach to arts subsidy did not happen because of any need for excellence in the arts, however, but through a need for economic recovery.10

The WPA was an exception; although token support had surfaced periodically, no significant political interest in the arts occurred until the Kennedy administration. Politically, the beginning of the sixties could not have

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created a better arts setting. The Kennedys gave a high profile to the arts by surrounding themselves with writers, scholars, and artists, thus creating a lifestyle unknown in Washington since the Roosevelt years. The Kennedys' interest in the arts came at an appropriate time; they established a favorable environment for an increasing public awareness of the importance of the arts by setting the stage for the convergence of the arts with politics and economics. A President's Advisory Council on the Arts was established in 1963, but Kennedy was assassinated before it could convene.  

Lyndon Johnson sensed a growing constituency for public arts support that had been tapped by Kennedy and signed into legislation the bill creating the National Foundation for the Arts and Humanities as an independent agency of the executive branch of the federal government. The Foundation consists of two segments, the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH), each having a Congressional mandate for direct support and promotion of the arts and humanities. In recognizing the historically subservient position occupied by these fields, Johnson said on signing the bill establishing the Endowments, "We in America have

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not always been kind to the artists and scholars who are the creators and the keepers of our vision. Somehow, the scientists always seem to get the penthouse, while the arts and the humanities get the basement." The significance of these agencies far exceeded the initial value of their appropriations, for their establishment gave federal recognition to the importance of the arts and humanities socially and culturally, and their legitimacy opened the way for local, state, individual, and corporate subsidy.

One of the intents of the NEA legislation was to channel arts funds through the state governments, specifically through state arts councils. At the urging of the NEA, all of the states, except one, had established arts councils by the end of 1967. A few states, however, had already anticipated the need for public arts subsidy and on their own initiative had formed arts councils. The New York State Council of the Arts, established by Nelson Rockefeller in 1960, is generally conceded to be the pioneer state arts council because of its early promotion of arts subsidy and because many future national arts advocates gained their experience

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12Ibid., p. 49.

with this agency. The state's financial commitment to the Council has always been substantial. In 1971, for example, it "dispensed more financial support to New York State arts organizations than the National Endowment dispensed to the entire nation." New York was not the only early state arts advocate; California, Missouri, and Illinois also had the foresight to establish arts councils before the impetus of the NEA. Arts agencies were also created on the local level as early as the 1940s; they are known under various names--arts councils, mayor's office of cultural affairs, arts committees, and cultural alliances. By 1967, local, state, and federal machinery was in place for channeling public funds into the arts at any level, and in the process of setting up these agencies, arts advocates became more adept at supporting their cause in the political arena.

None of these arts events occurred in isolation; neither the Baumol-Bowen report, the Rockefeller Panel Report, the establishment of the NEA/NEH and state and local arts councils, nor increased foundation support was

14Taylor, p. 13.

15Langley, p. 296.

16Charles Christopher Mark, Arts Reporting Service, 7 July 1970, p. 3.

an unrelated phenomenon. The arts have always existed in a context of political, social, and economic complexities, and this recognition began to be addressed on many levels in the sixties. People in the arts began to move in circles unfamiliar to them as financial constraints forced them to learn the workings of business and government.

**Economic Environment**

Corporate arts support exists within an economic environment and is as much subject to economic forces as is any other aspect of the corporation. Fund-raisers must be knowledgable about national and international economic trends because of their ultimate effect on corporate philanthropy. One of the most prominent economic features of industry in the sixties was the degree to which a very few firms ruled most segments of manufacturing, whether it was American Telephone and Telegraph, General Motors, Proctor and Gamble, U.S. Steel, or Mobil Oil. The power in each industry was shared by a handful of large companies, a phenomenon known as oligopoly. This phenomenon was not confined to the sixties; it had been growing for years. In 1956, for example, 135 corporations owned forty-five percent of all industrial assets of this
country. Government attempts to pass anti-trust legislation were half-hearted, and the growth of monopolies and oligopolies continued unabated—approximately 16,570 mergers occurred in the manufacturing sector alone between 1953 and 1969. Richard Barber, in *The American Corporation: Its Power, Its Money, Its Politics*, said of these corporate giants, "Their incredible absolute size and commanding market position make them the most exceptional man-made creatures of the twentieth century. Indeed, their economic might, political position, and social stature is matched only by a few major nations." Although corporate profits are subject to variations in the economy, this oligopolistic phenomenon seems impervious to change by normal economic forces. These industrial behemoths were restrained, not so much by government, as by what John Kenneth Galbraith called "countervailing powers"—pressure from giant unions, from

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21 Ibid., pp. 24-25.
concentrated retail chains, and from emerging consumer pressure.22

The growth of oligopolies, however, did not curtail the proliferation of small companies. Business opportunities, with new markets and new products, began a rapid expansion in the sixties with a "net increase of over 500,000 corporations, 20,000 partnerships, and 300,000 proprietorships."23 Not only were large corporations getting bigger, but smaller ones were emerging in great abundance. It is significant that by 1969 the forty-five percent control of assets in 1956 had only increased to forty-eight percent and by 1976 it was down to forty-six percent.24 Perhaps Galbraith's "countervailing forces" were controlling this growth, perhaps what Samuel Elliott Morrison calls the "outmoded free market" system was still at work, or perhaps there was an economic point of saturation which prevented further expansion. Whatever the reason, large corporations and small companies continued to grow, which is fortunate because both have contributed significantly to the arts. Although large


businesses have given more money, small companies have frequently donated a larger percentage of their pretax profits, coming closer to the five percent legally allowed in the 1935 revision of the Tax Law.

Globalization of industry was another emerging industrial trend of the sixties. Not only were other nations expanding economically, they were beginning to challenge American industrial leadership for the first time since World War II. The competitive arena went from a national one to one that was multinational, and through global investments and heavy commitments to foreign markets, the concept of national corporations began to be obsolete in the sixties. Some larger firms such as Standard Oil of New Jersey, Mobil Oil, and National Cash Register derived more than half their income from international sales.25 Industrial globalization will continue to have far-reaching implications for this country's corporate health into the next century.

Corporate Arts Support

Business arts philanthropy was miniscule throughout much of the sixties; by 1967 total corporate arts support

25Barber, pp. 250-251.
was only four percent of the total "civic and cultural" philanthropy of $621 million. At the 50th Anniversary Conference of the National Industrial Conference Board in 1966, David Rockefeller noted that while Americans spent $4 billion on cultural activities in 1965 (twice that spent in the mid fifties), "only a tiny fraction of corporate giving goes to meet cultural needs--less than $25 million in total. A survey by the National Industrial Conference Board has pointed out that contributions to the arts in 1965 amounted to less than three cents of each corporate philanthropic dollar." While eighty percent of corporate philanthropy in the sixties went to education, health, and welfare causes, the remaining twenty percent went to the broad area of civic and cultural causes. Corporate arts support still had much room for expansion.

At the same time that corporate awareness of the arts was increasing, the arts themselves were expanding. Population growth, increased leisure time, urbanization, arts emphasis in elementary and secondary education, more

27Ibid., p. 10.
28Rockefeller.
29Whalen, p. 22.
college graduates, and more amateur involvement in the arts—all combined at the end of the sixties to create a potential for arts expansion that was to be realized in the next decade. This expansion, whether it was a partial result of or partial cause of outside arts support, certainly paralleled the growth of corporate arts funding.

**The Seventies**

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

**Corporate Philanthropy**

The arts made significant philanthropic gains in the seventies as private giving showed phenomenal increases.
Individuals, businesses, and foundations contributed almost $21 billion to philanthropic causes in 1970; that amount doubled to over $43 billion in 1979.\textsuperscript{30} Impressive as these figures may seem, however, growth in philanthropy did not keep pace with increases in inflation and the GNP; national giving would have had to increase by a further $6 billion just to remain even with inflation.\textsuperscript{31}

By the end of the decade, categories of philanthropy maintained their traditional ranking, with the largest percentage going to religion, and arts and humanities remaining relatively low on the scale. More importantly, for the purposes of this study, corporation giving passed foundation giving for the first time ever. From 1976 to 1978, for example, corporate contributions to art and culture increased from $42.2 million to $70 million, a significant increase not only in money, but in the percentage for corporate funding for this category--from 8.2 percent to 10.1 percent of total philanthropy.\textsuperscript{32} This increase represents a fairly substantial rise in corporate interest in cultural institutions and agencies.


\textsuperscript{32}Ibid., p. 18.
Viewed from another perspective, however, the figures do not present as optimistic a picture. As a percentage of pretax profits, 1979 corporate philanthropy represented an actual decrease, from 1.06 percent in 1970 to 0.91 percent in 1979. This decrease appeared in spite of the fact that corporate income before taxes rose from $75.4 billion in 1970 to $252.7 billion in 1979.\(^{33}\) By the late seventies, however, business was faced with an inflation rate of 13.3 percent, increasing OPEC oil prices, and rising interest rates.\(^{34}\) Although profits were rising, arts and humanities groups actually lost ground in 1978 and 1979.\(^ {35}\) Corporate philanthropy has never approached the five percent ceiling allowed by the income tax reform of 1935.

Depending on one's viewpoint, the current status of philanthropy seems optimistic or pessimistic. Another variable—IRS charitable statistics—makes it even more difficult to get an accurate picture of corporate philanthropy. Data used to calculate the amount of charitable giving originate from the Internal Revenue Service when corporations use the charitable deduction

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\(^{34}\)Schnaue, Giving USA: Annual Report 1980, p. 37.

\(^{35}\)Ibid.
option to record their philanthropy. Using these figures as an indication of the real value of corporate philanthropy can be deceiving, however, because they do not include donation of any services, equipment, or volunteer hours, all common "in-kind" donations frequently given to charitable groups. The observer of the philanthropic scene should keep all of these variables in mind when trying to evaluate the extent of corporate philanthropy to the arts.

Corporate Arts Organizations

In the seventies, many business leaders, convinced of the necessity for corporate arts relationships, began promoting the arts to their corporate colleagues. The Business Committee for the Arts, which had been founded in 1967, became even more vocal about the arts in the seventies as they aggressively pursued arts support as a sound business investment.

Volunteer Lawyers for the Arts (VLA) was founded in 1969 to offer free legal assistance to artists and arts groups and to serve as a resource for attorneys interested

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in providing legal advice to the arts community. In the seventies, VLA established affiliate groups across the country, and its library, part of The Arts Resource Consortium and Library at Equitable Center in New York, is one of the largest legal arts libraries in the country.\textsuperscript{38}

A more recent business-arts group is the National Corporate Theatre Fund, a consortium founded in 1977 by corporate and theatre executives to locate corporate funding for ten of this country's prominent nonprofit theatres. The Fund has been responsible for locating almost $2 million for nonprofit theatre from over 110 corporations, with an annual 33 percent increase in contributions.\textsuperscript{39} The consortium approach, also used by dance and opera, continues to be popular with arts groups and corporations; it not only gives development staffs more time to pursue other funding sources, it allows corporations the opportunity to support several nonprofit arts groups with only one contribution.

Corporate giving clubs, started in the seventies, create another channel for subsidy, not only for the arts, but for the entire nonprofit sector. The clubs use peer


\textsuperscript{39}National Corporate Theatre Fund, \textit{National Corporate Theatre Fund} (New York: National Corporate Theatre Fund, n.d.), p. 3.
contacts to induce their companies to make tax deductible charitable contributions at or above a designated level.\footnote{E. B. Knauft, "Corporate Giving Clubs," \textit{Foundation News}, March-April 1983, p. 61.} As of 1983, fourteen cities had clubs with 950 corporations participating, most of them smaller companies. Clubs have different designations, depending on the level of giving that they are trying to achieve. There are two percent clubs, five percent clubs, and, with the passage of the Economic Recovery Tax Act of 1981 raising the limit of allowable federal deduction, ten percent clubs.\footnote{Ibid., p. 63.}

The Arts and Business Council, a nonprofit arts service organization that was an outgrowth of the Arts Advisory Council of the New York Board of Trade, was founded in the early seventies. The membership of the Council had equal representation from both the arts and business communities; its purpose was to encourage more individuals who worked for corporations to become involved with the arts, as opposed to seeking funding directly from the corporation. To this end, the Arts and Business Council established the Business Volunteers for the Arts to train middle to upper management corporate employees with adaptable business skills to serve as volunteers with cultural groups. Founding members were AT&T, Citibank,
Signa Foundation, Exxon, National Broadcasting Company, and Philip Morris.42

Political Environment

At the same time that the corporate-arts bond was growing stronger, the federal government was making even greater strides in arts support. Richard Nixon was very supportive of federal arts subsidy; dramatic increases of NEA appropriations came during his administration. In his Special Message to Congress in 1970, Nixon not only asked Congress to extend the legislation creating the National Foundation of the Arts and Humanities and to increase its appropriations, but he remarked on the federal government's "obligation to help broaden the base of our cultural legacy . . . to make its diversity and insight more readily accessible to millions of people everywhere. . . . Few investments we could make would give us so great a return in terms of human understanding, human satisfaction and the intangible but essential qualities of grace, beauty and spiritual fulfilment."43


Nixon's support of the arts continued throughout his administration. On May 26, 1971, he became the first president to appear at a national arts conference, the Associated Councils of the Arts, where he urged an increase in NEA appropriations to $30 million—three times as much as the 1969 appropriation. In 1973, Nixon again requested NEA budget increases to $80 million for 1974. Since 1970, the NEA funding had increased 900 percent.

A trend that was to eventually be significant for the arts began to emerge during the Nixon years—decentralization. Nixon favored the concept not only because he believed it would lead to more effective management, but also because funding would more accurately reflect community values. Decentralization was also supported during the Ford and Carter administrations.

The Carter administration, peopled by Washington outsiders, signalled a long-held-off debate, not about whether to fund the arts, but about where these funds were to go. Decentralization emerged full force in the form of the elitist-populist contest in the area of public arts funding. Issues of arts policies have always generated a

44 Taylor, pp. 147-148.
disproportionate amount of controversy, and such was certainly the case in 1977. The elitist position supported public funding of established cultural institutions, advocated the funding of quality rather than quantity, and focused on the professional rather than the amateur. The elitist position became synonymous with "snobism and special privilege, and thus something anti-Democratic and threatening to the common good." In defending the elitist perspective, Lincoln Kirstein in his essay "The Performing Arts and Our Egregious Elite," said that "a residual amateurism degrades a recognition of standards, and yet at the same time secretes a distrust and a resentment of the strict limitations of a professional elite." The elitist position argued that funds are so limited that only professionals should get them. Dick Netzer, author of The Subsidized Muse, supported the elitist position, but for a different reason. He posited that amateur involvement in the arts is on the rise anyhow, a middle class phenomenon probably due to an increase in leisure time, and to fund a

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phenomenon that is expanding by itself is a waste of resources. He recommended instead funding a mixture of major arts institutions, of arts groups that do not choose to grow, arts groups in low demand, and individual artists.  

The populist arts position was an outgrowth of the broader, more political populist movements, such as civil rights, rights of women and Hispanics, of gays and the elderly. The movement supported the widest possible availability of the arts, the user and consumer of arts, and participation and experience with the arts. This position weakened considerably the distinction between amateur and professional, and it looked at art as a marketable commodity that creates financial growth in the business community. This latter argument, an outgrowth of the Baulmol-Bowen report, had become a popular rationale for arts subsidy. Carter used this economic impact argument to justify much of his public arts support. When viewed from an historical perspective, it is easy to see how this issue emerged from age-old debates of democracy vs. republicanism, utilitarian vs. ornamental, rural vs. 

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urban (since most artistic creativity tends to be an urban phenomenon), coastal vs. heartland. The populist viewpoint was also made prominent by the fact that, as the appropriations for the Endowment steadily increased, Congress felt that it had to justify these expenditures to its constituencies; the easiest justification was to have Endowment money benefit the broadest constituency possible. In spite of the fact that NEA appropriations had been increasing through the seventies, the more established arts institutions, faced with spiraling costs and double-digit inflation, were not receiving any additional support. As a result of the emphasis on decentralization, a larger percentage of funds was going to smaller arts groups, many of them amateur. By channeling subsidy from professional to amateur arts organizations, the emphasis changed from quality to quantity of art.

An indirect incentive to growth of corporate arts funding, as well as individual and foundation giving, occurred in 1976 when Congress and the NEA worked together to establish the Challenge Grant Program. It consisted of one-time grants to elicit private funds using public support as a leverage and to help grantees become more

51Ibid., p. 18.

52National Endowment for the Arts, "Legislative Notes," The Culture Post, July-August 1978, p. 3.
financially stable. The matching formula was three-to-one (the arts organization giving three dollars for every one dollar from NEA), and if capital improvements were to be funded, the formula was four-to-one. Congress was very pleased with the Challenge Grants because of the pay-off in nonfederal dollars. In 1978, for example, $930 thousand in NEA funds generated an additional $2,790 million in nonfederal funding, for a total of $3,720 million that went to seven major nonprofit theatres.\(^{53}\)

NEA appropriations increased substantially under Carter, and by the end of his administration in 1981, the total program funds for the NEA totaled $158.8 million,\(^{54}\) the highest Endowment level ever.

**The Arts Environment**

The cultural explosion of the sixties led to the art boom of the seventies, with more than 1,000 orchestras, 6,000 museums, hundreds of opera and dance companies, several thousand theatres, and more than 1,800

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community arts organizations. The arts, once considered "frills," were now being looked at by many municipalities as economic necessities. "When arts budgets are totalled, plus real estate values, plus their effect on upgrading taxes on adjoining properties, plus the number of people they employ, plus the number of tourists they attract, the arts are suddenly big business." The economic impact of the arts is judged by the "ripple effect," or the amount of money spent by arts-goers on support services such as restaurants, parking, and taxis and by arts organizations on such services as publishing, advertising, food services, security, office supplies, construction, and many others. A 1976 economic impact study of nonprofit cultural institutions in metropolitan St. Louis, for example, showed that a cultural institution that attracts one hundred visitors a day "brings in the same income . . . as does a new business with a payroll of $500,000," and would generate " . . . $78,000 in taxes, a $144,000 increase in bank deposits, an increase in retail sales of $1.2 million, and 111 new industry-related jobs."57

The National Research Center of the Arts, Inc., an affiliate of Louis Harris and Associates, Inc., conducted


56Ibid., p. 13.

57Ibid.
two different public opinion surveys in the seventies to examine the attitude of the American public towards the arts. The first survey in 1973 revealed the then-startling findings that there was a broad spectrum of arts support—nine out of ten people thought the arts were important to the quality of life, two-thirds of them were willing to pay an additional five dollars in taxes to support them, and two-thirds thought that business had a responsibility to help support the arts. The second survey in 1975, conducted during an economically unstable period, showed the same results.

Many factors converged in the seventies that either influenced or were the result of an expanding interest in the arts. There was the combination of the political and economic interest in the arts from the sixties, strengthened by the continued business and government support in this decade; Carter's push for arts decentralization; the increased leisure time of the American public; efforts to hold down ticket prices in the face of mounting costs; arts outreach programs; increased aid to arts-in-education; and the growing number of articulate arts advocates who knew how to work within the political and corporate systems. The arts were reaching an unprecedented number of people. Unfortunately, the permanent income gap predicted by Baumol and Bowen continued to
expand, and the pressure placed on the corporation to fill that gap intensified.

The Eighties

Political Environment

The strengthened relationship of business and arts was given new emphasis by Ronald Reagan. As Governor of California, Reagan had formulated an arts policy that stressed business participation: "While the Governor is very supportive of the arts," a spokesman said, "government bureaucracy is strangling the arts." 58 When Reagan became President, the push for public arts subsidy seemed to go, not from populist to elitist, but from populist to zero overnight. As David Stockman began budget cutting from his infamous "hit list," the National Endowments seemed to be an easy target—conservative Republicans called it "the National Endowment for the Frills". 59

A Heritage Foundation Report prepared for President Reagan sharply criticized the NEA for spending "millions of dollars yearly to fund programs and policies which are


unconcerned in any way with enduring artistic accomplishments; the best of these projects do no more than fossilize the popular culture of the past, and the worst are little more than high-flown welfare and employment schemes." The report apparently had some effect on Reagan. Although Carter had signed a 1981 NEA budget of $158 million, Reagan proposed a 1982 budget of $88 million, a cut of almost fifty percent. In appropriation hearings, Stockman argued for cuts on the grounds that the Endowments had hindered business from contributing to arts organizations.

The NEA was further criticized by the Task Force on the Arts and Humanities, one of the groups formed by Reagan to explore possibilities of private funding sources. The Task Force found the NEA's Expansion Arts program that funded the newer, more innovative arts especially disturbing. Arts advocates stressed that if government did not fund those arts, corporations certainly would not take the chance. The Task Force eventually recanted and recommended continued federal support, especially if it involved matching grants requiring three


or more private dollars for every federal dollar awarded.62

NEA supporters argued eloquently to restore the proposed cuts, citing such figures as a seven hundred percent increase in the number of professional arts organizations since 1965, an increase in professional orchestras from 58 to 145, of professional opera companies from 31 to 109, of professional dance companies from 35 to 250, and of professional theatre companies from 40 to 500.63 And most importantly for the purposes of this study, "... in the decade prior to the Endowment's establishment, private support for the arts rose three percent; since 1965 this support has shown a 13-fold increase (corporate giving grew at the fastest rate--a 20-fold increase),"64 refuting the Reagan argument that federal support stifles business participation in the arts.

In an attempt to further the relationship between business and nonprofit organizations, President Reagan created the Task Force on Private Sector Initiatives in 1981. The Task Force, created to "help community-aid programs shift fiscal gears, making it easier for them to

62 Bertsch, Corporate Philanthropy, p. 41.


64 Ibid., p. 20.
kick the federal funding habit by drawing more heavily on private and voluntary sources," was criticized as existing only to take people's minds off of Reagan's drastic budget cuts that affected every category except defense. In announcing the formation of this Task Force, Reagan said that Americans were "members of their communities and the answers to their problems can be found on the streets where they live." He actively supported the group, attending several of its meetings; he even gave its Chairman, C. William Verity, Jr., chairman of the board of Armco Steel, ambassador-level rank. Its major shortcomings centered on a nonspecific agenda from the President and lack of opportunity for sufficient dialogue among the forty-four prominent members of the Task Force. One of the recommendations, aimed specifically at corporations, was to increase their philanthropy to at least two percent and double their efforts at community service. The outcome of the Task Force did not meet the President's grand expectations, but it did generate forty-two state task forces to continue searching for ways for the private sector to become more involved in nonprofit causes.

66 Ibid., p. 12.
67 Ibid., pp. 10-17.
The Reagan administration has not been kind to the arts; arts groups have had to contend with the image projected by Reagan that "the arts are freeloaders." Budget-cutting has resulted in the section of the Tax Reform Act of 1986 which would disallow charitable deductions for non-itemizers (the implications of this act will be explored in Chapter VII of this study); the attempt by the Internal Revenue Service to curb nonprofit lobby-ing; the Gramm-Rudman-Hollings law that reduces the deficit each year to create a balanced budget by 1991 (this affects all government agencies, including the NEA); a crack-down on the income-producing activities of nonprofits; the recommendation of the Postal Rate Commission to limit or eliminate the use of special mailing rates by nonprofits; the recommendation of the Joint Committee on Taxation for a five percent excise tax in nonprofits' income investment; the recommendation of the House Ways and Means Committee and the Senate Finance Committee to reduce charitable deductions from twenty-eight percent to fifteen percent; and annual NEA/H


budget cutting recommendations. In all fairness, some of the effort at balancing the budget by finding new sources of revenue has been spearheaded by Democrats as well as Republicans, but the Republican administration has set the tone for the decrease in federal arts support.

Corporate Arts Organizations

While Reagan was trying new approaches to generate private support, business arts groups, such as the BCA, corporate clubs, and VLA continued their work begun in the sixties and seventies. New groups emerged in the eighties. The Young Presidents Organization, a group with membership of over four thousand corporate presidents, started a national program called Partnership of Presidents. The organization, formed with help from the President's Committee on the Arts and Humanities, has over ninety chapters and is developing local arts and education programs with corporate funding.71

The increasingly active Business Volunteers for the Arts is planning to expand from thirteen chapters to sixty-one cities by the 1990s. The expansion was started by a grant of $300 thousand from the Rockefeller Foundation, to

be matched by $4.5 million from earned income and corporate funding members.\textsuperscript{72}

The National Arts Stabilization Fund (NASF) was founded in 1983, not by business interests, but by the Ford, Andrew W. Mellon, and Rockefeller Foundations.\textsuperscript{73} It is an independent agency formed to initiate and strengthen alliances between local and national donors and the arts, with funds coming from foundations, corporations, and individuals. Its purpose is to help arts organizations achieve financial stability, and the funds represent new arts money—not reallocations—from these foundations. The initial funding, $9 million, is to be used to attract new "partners" in arts funding around the country—$6 million to be raised from large foundations and corporations, and $12.8 million from those cities benefiting from having an arts group participate in the NASF funding. The establishment of the NASF is a culmination of the arts stabilization initiatives begun by the Ford Foundation in the sixties and seventies.\textsuperscript{74}

The BCA, the oldest business group working for corporate arts sponsorship, conducted several surveys in

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\item \textsuperscript{72}Alvin H. Reiss, ed., "Major Expansion Program in the Arts Initiated," \textit{Arts Management}, March-April 1985, p. 1.


\item \textsuperscript{74}Ibid., p. 10.
\end{itemize}
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the beginning of the eighties to determine levels of corporate arts funding, and found that in general, it was continuing to increase, but the increase is slowing down. In 1985 the survey found that twenty-one percent of American businesses expect to give more or maintain the same level of support as in previous years, which leaves seventy-nine percent of businesses whose arts support will be lower in the coming years—a significant figure to remember in calculating future arts support from the business sector.\textsuperscript{75} This twenty-one percent figure for predicted 1986 funding compares with a seventy-four percent figure for predicted 1983 funding.\textsuperscript{76}

\textbf{Effect of Federal Cutbacks}

President Reagan began massive cutbacks in federal funding of social programs based on the theory that the difference would be made up by increased philanthropy from individuals and corporations. In spite of his efforts to realign public and private subsidy, and in spite of the work of his Task Force on Private Sector Initiatives, this goal has not been met. From 1982 to 1985 President Reagan

\textsuperscript{75}Business Committee for the Arts, American Business Provides a Total of $698 Million to the Arts in 1985 (New York: Business Committee for the Arts, November 1986), p. 3.

\textsuperscript{76}Bertsch, Corporate Philanthropy, p. 4.
intended to slash $33 billion from federal grants to charities, with the expectation that business would pick up that difference. Business's yearly philanthropy for the early eighties was approximately $3 billion. Most people in corporate philanthropy agree that this expectation is unrealistic; a doubling of the level of corporate giving would only produce another $3 billion.

The slashing of federal arts appropriations caused a sharp increase in corporate grant applications. A survey by the Council on Foundations found that there was a sixty-four percent increase in grant requests during the first six months of 1981, with a median increase per corporation of forty-six percent. "Reagonomics victims are drowning American corporate grantmakers in pleas for money, forcing them to reassess their grantmaking programs and policies." Budget cutbacks have not only caused the number of grant applicants to grow dramatically, but more requests have come from human service agencies. Even some state government organizations have begun to seek corporate funding, a situation that makes corporations

77Ibid., p. 50.


79Ibid., p. 46.
very apprehensive because of their reluctance to become involved in matters involving basic social welfare.80

As a result of increased pressure for corporate funding from a wide spectrum of organizations, what has happened to corporate arts funding? Have corporations realigned their funding priorities and increased their giving to more needy concerns? According to a 1983 report from the American Association of Fund-Raising Counsel, there was a seventeen percent jump—to $6.2 billion—in total philanthropy given to social service programs in 1982, undoubtedly "a sign that private givers are trying, in part, to soothe the pain caused by federal budget cuts."81

Slight shifts in percentages of corporate philanthropy have occurred during the early eighties, but nothing like the major adjustments originally anticipated. The percentage given to health and human services by corporations declined from 33.6 percent in 1981 to 28.7 percent in 1983; education increased from 36.7 percent in 1981 to 39 percent in 1983; civic and community activities increased from 11.7 percent in 1981 to 14.8 percent in 1983; while the amount to culture and arts declined


slightly—from 11.9 percent in 1981 to 11.4 percent in 1983. Many of the activities in the civic and community category were those faced with sharp budget cutbacks.

In light of the increased demand for corporate funds from more needy organizations, it is interesting to note that the percentage of corporate arts funding remained steady over the beginning of the decade. While it might be assumed that the arts are luxuries that corporations would be less inclined to fund, given the pressure to make up for federal cutbacks, it is important to realize why many corporations fund the arts—for visibility and image-building. As shown in Chapter I, these are two of the principal reasons why the arts have been supported throughout history. "[T]he arts are visible, uncontroversial and closely linked with the class interests of those giving out the money. But what can a homeless hungry person do for a corporation? He doesn't work at the company, he doesn't buy its products and his good will won't do the corporation much good." Another reason for continued corporate arts funding must also be attributed to aggressive arts advocates who have become increasingly sophisticated in applying for corporate philanthropy.

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83 Lewin, p. 20.
The corporate-arts relationship has experienced tremendous growth during the last two decades. There was token funding at the beginning of the sixties; with the emergence of political support in the late sixties and seventies, business support of the arts reached new heights, going from four percent of total corporate giving in 1965 to eleven percent in 1980.\textsuperscript{84} The federal cutbacks in the eighties have resulted in a reevaluation of corporate philanthropy priorities and social responsibilities. The eighties are extremely important to the relationship between business and the arts. It is obvious that the Reagan cutbacks have caused increased competition for the corporate funding dollar, and the high-visibility advantage found in arts funding may begin to be offset by the plight of underfunded social programs. The arts can no longer live in the isolation of the mythical starving artist's garret; the well-being of the arts is becoming increasingly dependent on external political and economic forces. For these reasons, the nation's political climate has enormous implications for the financial health of the arts in this country.

\textsuperscript{84}Ibid., p. 60.
CHAPTER III

THE CORPORATE ARTS RELATIONSHIP: A BROADER PERSPECTIVE

A comprehensive examination of corporate arts funding must take into account its theoretical parameters, an approach that has inherent problems. There are as many different theoretical corporate-arts relationships as there are corporations and arts organizations, but it is possible to trace common trends throughout the association that will be helpful in understanding why corporations support the arts.

A common reaction to the relationship of the corporation and the arts is that there is none; arts and business are perceived, instead, to be at opposite ends of the spectrum. Richard Eells and Clarence Walton, in Conceptual Foundations of Business, say that "the contrast between these two worlds had become one of the platitudes of our social thought."\(^1\) Although the authors place this

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cliché in the past, it remains a very strong stimulus to
the continuing polarization of corporations and the arts.

Both business and the arts have suffered from these
misconceptions. The corporation has been stereotyped
as heartless, without identity, as utilitarian, linear,
rational, materialistic, and masculine, as a believer
in mass production and governance by committee and the
rule book. Misconceptions about artists, on the other
hand, have characterized them as romantic, idealistic,
wasteful, nonlinear, irrational, loners, effete, frivolous, radical, and as breakers of rules.

Many people facilely accept these stereotypes without
looking beyond the simplistic boundaries. Business
people, focusing on profits and cost effectiveness, have
become locked into a negative attitude toward the artistic
process, and artists concentrating on their creative pro-
duct have been uncomfortable with the rigid bureaucracy
of many companies. The problem of misperception is not
limited to artists and corporate executives, however; the
polarization of these two stereotypes is a universal
phenomenon.

Jacques Barzun, in The House of Intellect, discusses
problems resulting from the different natures of intel-
lectuals and business people. The intellectual-executive
relationship has much in common with the artist-executive
relationship--there is tension in both of these
associations because the intellectual and artistic processes are unfamiliar ground to the corporate executive. Barzun characterizes people in business as basically more comfortable with the sick and insane than they are with intellectuals (artists), a phenomenon he attributes to "a conviction deep in Western culture that he who knows ought to give his knowledge away for nothing." As a result of misunderstanding the place of the intellectual—and the artist—in our culture, Barzun says, the intellectual "is still a mendicant friar at the mercy of philanthropy, or liberal goodness." And, unfortunately, so is the artist.

A distorted understanding of the arts is not new; it has resulted in an age-old antagonism toward artists. Jonas Barish, in *The Anti-theatrical Prejudice*, traces antagonism toward the arts, especially theatre, from Plato and Socrates to the present by exploring the almost universal dimension of this prejudice "to which virtually our whole species seems in some measure prone... a condition inseparable from our beings, which we can no more discard than we can shed our skins." Thus, it is not surprising that the American corporation--the

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3Ibid., p. 177.

profit-intensive institution that so dominates our culture—should be perceived as a major adversary toward the area that is in so many ways seemingly alien—the arts.

While acknowledging a substantial business-arts antagonism, some corporate theorists are becoming increasingly aware of the similarities and common goals of the two groups. One of the major corporate-arts theorists is Eells, a member of the faculty of the Graduate School of Business at Columbia University. His book, *The Corporation and the Arts*, published in 1967, is the definitive work on the value of the corporate-arts relationship. The groundwork for the study was his earlier book, written with Clarence Walton, called *Conceptual Foundations of Business*, which examined business' responsibility to make social contributions that transcend immediate economic concerns. Eells feels that business' association with culture is the highest social goal toward which the corporation should strive.

The idea of the corporation that has a social as well as an economic focus sets the stage for a specific rationale for corporate support of the arts that is fully explored in Eells' *The Corporation and the Arts*; Eells considers this relationship to be just one chapter in the broader area of corporate ecology, and he encourages corporate executives to enlarge their scope of thinking
about the arts—from strategies about which particular arts to fund to wider implications about the similarities that bind them together. If business has been thinking about the arts at all, it has been thinking about them in the narrow context of how to justify spending on items that do not show immediate returns. Eells argues against the short-sightedness of executives who "go on putting together the pieces of a public relations puzzle in order to build a self-justifying case for the support of corporate donations to cultural centers."5 This "public relations puzzle" to which Eells refers results from viewing corporate donations from a narrow focus that is at best situational and short term, with no thought given to a comprehensive philanthropic strategy that relates directly to long-term corporate interests.

Part of the problem of devising a broad strategy of philanthropy results from confusion about what philanthropy really is. Corporate philanthropy in the 1980s is seen in several different ways—as a frill, an affront to the shareholder, a marketing and public relations tool, and a way of enriching the community. The traditional definition of philanthropy—"love of mankind"—is becoming more and more of an anachronism. Increased emphasis on short-term profits rather than long-term goals, a tighter

economy, and more intense competition for the corporate dollar make philanthropy out of the goodness of the corporate heart a luxury that most modern corporations can no longer afford.

Hayden W. Smith, senior vice president of the Council for Financial Aid to Education, says "there is no such thing as corporate philanthropy. The term is an oxymoron, like jumbo shrimp, military intelligence, [or] postal service. . . . Corporate giving is not altruistic. . . . That corporations do make contributions, grants, and gifts is simply a reflection of the fact that corporate management recognizes that it is in their interest to do so." Smith is not arguing against the principle of corporate subsidy, but rather against calling that subsidy philanthropy. Most corporate funding results in benefits, ranging from the more visible corporate image-building and targeting appropriate corporate markets, to the less-visible benefits of social responsibility and quality of life. Franklin Thomas, former president of the Ford Foundation, calls corporate subsidy "balance-sheet philanthropy"—it offers a return on investment. There are always ways in which corporate philanthropy can be


justified as beneficial; it is therefore no longer purely philanthropic, with connotations of charity, but instead, it ties in directly with common interests and common goals of the corporate executive, the corporation, and the beneficiary.

Corporate philanthropy is but a small segment of a very complex corporate environment. Much has been written about business economics, legal systems, management, communication, and marketing, but the corporate cultural connection is one of the least understood areas of business. There are many different links in the corporate arts relationship, all of them valid as a rationale for corporate subsidy, and these junctures range from the more theoretical, less quantifiable ones to the practical reasons that have more obvious economic returns. The theoretical structure of the corporate-arts nexus is best understood by reviewing five prominent corporate rationales for arts funding and by examining the ways in which those rationales benefit the corporation.

The Social Responsibility Rationale

The most abstract rationale for corporate subsidy is to engage in philanthropy because of recognition of business's role in influencing social change. For many years this country's shaping forces were family, church, and
school, but because of significant social realignments, society has begun to look to corporate institutions for stabilization and answers to social problems.\(^8\) Adolf A. Berle, in *The 20th Century Capitalist Revolution*, speaks of the social responsibility of business:

Deep in human consciousness is embedded the assumption that somewhere, somehow, there is a higher law which imposes itself in time on terrestrial earth. . . . Keepers of the tradition of this higher law—medicine men in primitive times, magicians or sybils in the ancient world or divines today—are regularly listened to with respect. . . . Throughout western history a priest could commonly intimidate a policeman; the cross would frequently stop the king. It is here suggested that a somewhat similar phenomenon is slowly looming up in the corporate history of the next generation. There is beginning to be apparent a realization of a counterforce which checks, and remotely acts on and in time may modify in certain areas the absolute power of business discretion.\(^9\)

Berle points to society's recognition of business' obligation to look beyond the bottom line.

Much of the corporate sense of responsibility comes from public expectations of business, not from within the corporation itself. These expectations of business are frequently personified by special interest groups, which exert considerable pressure on business to conform to various demands. Alvin Reiss, in *Culture and Company*,

\(^8\)Eells and Walton, pp. 276-277.

calls corporations "sitting ducks for every group with a cause." Reiss attributes these public expectations to the affluence of business, to the fact that business gives nowhere near its allowed five percent deductible, and to business' accessibility. In contrast, he points to the deeply ingrained corporate giving mentality that stems from giving as an instrument of promotion.10 As discussed in Chapter II, nonprofit groups have made increasingly strong demands on corporate philanthropy in recent years due to President Reagan's budget cutbacks. The federal government expects both corporations and corporate foundations to become more accessible and accountable to the public by taking up the slack created by cutting the budget.11 This expectation, however, is a false one. Even if corporations doubled their funding of nonprofit groups, the deficit created by Reagan's budget cuts would not be erased.

Nonprofit groups and the federal government are not the only ones urging increased corporate social responsibility. Socially conscious investors began to be vocal in the early 1960s, and they have become especially strong in the 1980s, with the proliferation of socially responsible


funds and investment advisors who assert that investors do not have to sacrifice gains for principles. The Council on Economic Priorities (CEP), one of the larger groups advocating social investing, was formed in the late 1960s to monitor socially significant practices of hundreds of corporations; CEP continues to research such corporate issues as minority hiring, child-care, pollution, occupational safety, defense contracting, and community involvement. CEP also rates the size of corporate giving and new and creative nonprofit initiatives in the use of charitable support. A recent publication by CEP, Rating America's Corporate Conscience, enables consumers and investors to make marketplace decisions based upon the social responsibility of the corporation. Many investors are convinced that there is a direct linkage between corporate responsibility and profitability. James Burke, chairman of Johnson & Johnson, says that "There's an important correlation . . . between a corporation's public responsibility and its ultimate financial performance. Although public service is implied in the charter of all American companies,

public responsibility—in reality—is a company's very reason for being."¹³

Burke is representative of the more liberal corporate executive. There remain many corporate conservatives, however, who believe that business should not engage in philanthropy. The traditional conservative rebuttal to requests for philanthropy is Milton Friedman's "the business of business is business." Reliance on competition in the open market place assumes that the "trickle down" effect will provide sufficient benefits for public welfare and that the only concern of the corporate executive should be maximizing profits. A 1982 survey, Corporate Giving: The Views of Chief Executive Officers of Major American Corporations, reveals, however, that sixty-seven percent of the CEOs interviewed disagree with Friedman's conservative approach, arguing that corporate philanthropy is very important or absolutely essential. In fact, "corporate giving is a nearly universal practice among those companies most able to give, namely the Fortune 1300 and corporations with annual sales of $50-$100 million."¹⁴

¹³Ibid., p. 11.

Friedman's corporate theory is representative of what Eells calls the "corporate isolationist," who views a business as an enterprise existing solely for the benefit of profit-seeking stockholders. The CEOs in the above study, on the other hand, represent "corporate contextualists," who view the corporation as a major social institution involved in a multitude of external relationships.\(^{15}\) The contextualists justify nonprofit subsidy in many different ways; Eells calls it an "investment in a protective corporate environment."\(^{16}\) Although corporation theorists and corporate executives continue to debate the issue, it seems that corporate contextualists are outnumbering isolationists, especially in the larger corporations.

The more specific issue, for the purpose of this study, focuses on how corporations justify arts support on the basis of social responsibility, a very theoretical and abstract justification, and therefore the most difficult to examine. Social responsibility justifications of corporate subsidy of education, health, and social welfare programs are based on fairly tangible and quantifiable benefits to the physical and financial well-being of the corporation and its employees. Justification of arts

\(^{15}\)Eells, p. 11.

\(^{16}\)Ibid., p. 261.
support on the basis of social responsibility, however, is not so easily measured. Eells and Watson, in *Conceptual Foundations of Business*, discuss this area of the corporate-arts relationship as one of the last frontiers in the study of corporate ecology, one that has yet to be fully explored.17

Another difficulty in examining this rationale is that it is known by many different names—"goodwill," "serving the broad interests of society," and "improving the climate of the community." The ambiguity and self-congratulatory nature of the whole area of social responsibility make these rationales difficult to measure in terms of direct benefits to the corporation. Most corporate motivations for giving have a more narrow focus, because companies do not have the financial luxury of spending money that does not generate measurable return on the dollar.

Eells offers no answers, he only raises questions about the nature of the social responsibility corporations have toward the arts. "If it is difficult to decide the nature and extent of corporate responsibilities in general, how can one proceed . . . to answer the question of responsibility to Art?"18 Besides, the social

17Eells and Walton, pp. 271-275.
18Eells, p. 281.
responsibility argument tends to place the artist on the receiving end of a passive relationship, and thus puts the artist in a subservient position.\textsuperscript{19} Instead, Eells suggests that it is more fruitful to look at the corporate-arts relationship in terms of common goals and converging interests of the institutions, not common responsibilities to each other.\textsuperscript{20}

\textbf{The Design Rationale}

Obviously, the concept of aesthetics is basic to the artistic process. The corporation, too, has its aesthetic concerns, and these concerns are manifested in different ways. First, outside groups are putting increasing pressure on business to observe sound artistic criteria in architecture, product and advertising design, and use of the natural environment. Secondly, business has a long history of recognizing the economic value of good product design. John Kenneth Galbraith, in an article for \textit{American Theatre} entitled "Guilt by Association," points to the fact that Italy, since World War II, has had one of the highest rates of economic growth of any country in the Western industrial world, a phenomenon he attributes to

\textsuperscript{19}Ibid., p. 214.

\textsuperscript{20}Ibid., p. 281.
Italy's artistic design excellence. "Italian design reflects, in turn, the superb commitment of Italy to artistic excellence extending over the centuries and continuing down to the present day. Such is the role of the artist in the Italian achievement." The economic relationship between good design and profit is a strong one, and its tradition in this country can be traced back to Joseph Choate's support of the Metropolitan Museum of Art to demonstrate design excellence to his industrial artisans.

The Creativity/Innovation Rationale

But good design does not occur in isolation; it depends on the nurturing of creativity and innovation, characteristics vital to both artistic and corporate success. Business prides itself on efficiency, organization, management, and logic; certainly these skills are essential in achieving cost effectiveness and increased profits, but technological breakthroughs are the forces which give business its competitive edge in the marketplace. Most of these discoveries occur because of breaks with tradition, new ways of interpretation, and reshuffling of perceptions—all manifestations of creativity at

work. A corporation's justification of arts support based on potential success to be realized from nurturing this vital link to enhancing corporate productivity is a very pragmatic one.

Many corporations realize the need to stimulate creativity. Alvin Toffler, in The Adaptive Corporation, points to the modern executive's need to begin to think and act "non-linearly," a basic requirement of creative thought. Toffler theorizes that because of the speed-of-light changes brought about by the technological and information revolution, bureaucratic structures created to cope with the industrial revolution are inflexible and outdated. Ideas and systems that have worked in the past need to be constantly reexamined and made more flexible to accommodate the everchanging corporate environment.22 Modern managers "must be experts not in bureaucracy, but in the coordination of ad-hocracy . . . must think beyond the thinkable: to reconceptualize products, procedures, programs and purposes before crisis makes drastic change inescapable."23 Toffler then stresses the need for trend projections that are not limited to economics and demo-

23Ibid., p. 2.
graphics, but multi-dimensional models that interrelate all possible social forces—including the arts.24

Creativity and innovation are key characteristics of successful corporations, according to Thomas J. Peters and Robert H. Waterman in In Search of Excellence. The "art factor in management" is their term for an improvisational corporate structure and mentality that allows for experimentation, mistakes, and innovation.25 They explore the myriad of problems that result from the rational and compartmentalized model of corporate management that fails to nurture the freedom to create and to innovate, and they argue that it is only by establishing proper environments for creativity that companies can maintain their competitive edge in today's industrial economy.

Theoretically, when a corporation supports the arts, it is endorsing an extension of its own creative process, just as a corporation's support of a school of business endorses an extension of its managerial skills. Dr. Otto Sturzenegger, chairman of the CIBA-GEIGY Corporation explained his firm's art support: "Our policy in no small measure is attributable to the similarities we see between the world of art and the prerequisite for creativity on

24Ibid., p. 19.

which we rely so heavily in our research labs."26 The creativity-innovation rationale for corporate arts support is seen by many companies as having a direct effect on corporate profits.

The Marketing Rationale

Many corporations are using philanthropy in ways that can be directly connected to their marketing and public relations strategies. "Improving the quality of life in the community" is a rationale that has been used for years to justify corporate philanthropy, and it remains a valid reason for support of community causes. In an increasingly competitive economic world, however, most corporate executives have become pragmatic about their philanthropy in an effort to extract as much corporate advantage as possible out of the funding dollar.27 They are looking beyond the rather ambiguous "improving the quality of life" rationale to the more profit-centered realization that philanthropy's value to the corporation doubles if the consumer knows about the gift, which not only enhances the company's image but which also has the


potential of appealing directly to specific consumer groups.

Marketing strategies for arts philanthropy can be channeled into "soft" and less measurable public relations or the more directly quantifiable target market area. Because some corporate activities and products are controversial, public relations are more problematic for some companies than for others. A cigarette company, for example, has more difficulty convincing the community that it is an exemplary citizen than does a company that manufactures clothing. A creative public relations office will associate the company with notable outside activities capable of lending respectability to the corporation; the arts are particularly suitable for corporate imaging. They "provide an image for a corporation as sensitive and innovative instead of as a heartless, bottom-line company," according to Tamara Thomas, a prominent Los Angeles art consultant. "It [the arts] is a powerful marketing tool for oil companies, banks and tobacco companies which are trying to clean up their bad public image." 28

Reputations and images are reciprocal, however; not only does the prestige of the arts reflect on the corporation, but the particular image of the corporation can cause problems for the arts. Just as there are many

investors who pressure corporations to conduct their business in a socially responsible manner, there are also individuals and groups who pressure nonprofit organizations to accept philanthropy in a socially responsible manner. Philip Morris, for example, is a corporation that gives twenty percent of its total cash philanthropy to the arts, a move that many health and anti-smoking groups find problematic. They cite the hypocrisy of the funding, saying that "The recipients should start to raise very, very serious questions about that association." 29 Arts groups and corporations usually disagree. Many of them—including the Joffrey Ballet, the Dance Theatre of Harlem, the Metropolitan Museum of Art, Philip Morris, and Mobil Oil—defend arts support on the basis of giving something back to the community, a move they characterize as "more Medicean than Machiavellian." 30

Because they are concerned about their image, corporations frequently shy away from art that may be considered controversial. Although corporate art collections are more liberal than they used to be, some company executives reject much art that deals with nudity, sex,


30 Ibid., p. 34.
violence, religion, or politics. A national arts consultant said that "a corporation doesn't want any art that has anxiety in it, not too bizarre, too violent, or that'll be upsetting. They want things that have integrity, that are fine art, meet the qualifications of fine art, but that are also more lyrical and more romantic." Obviously, it is important for more traditional, conservative companies to associate themselves with art that conveys the same image. Not all businesses reject controversy, however; there may be extenuating circumstances which make the controversy attractive, such as a particular type of audience, the personal taste of the CEO, or the need of the corporation to be associated with a trendy, "cutting edge" image or the success or personality of the art itself. Sponsoring controversial art gives the corporation a progressive, adventuresome, and forward looking image; sponsoring traditional art may imply a sense of concern for tradition and proven quality.

Well chosen arts support can enhance any corporate image, controversial or not. In spite of the fact that it is difficult to measure benefits of corporate images, in today's competitive market place corporate visibility is

31"A Word from Our Sponsor," p. 87.
32Pettigrew, p. 15.
vital to success. In the marketplace, products, pricing, and packaging are frequently indistinguishable from each other, thus making the consumer's attitude toward the company a deciding factor. To strengthen this consumer attitude factor, the corporation must show the consumer that it cares by making highly visible charitable contributions.34

Corporate visibility is just one of the marketing advantages of philanthropy; it has the added advantage of being able to selectively target appropriate consumer markets. This ability to target markets is closely associated with the public relations rationale in that they both impact on the corporation's well-being. But there is a difference, although sometimes blurred. Whereas well-chosen public support can make a company visible to a community, whether or not the total community is a user of the corporate product, philanthropic target marketing supports those specific market segments that are potential consumers for the company's products or services. Arts audiences offer a corporation an upscale group that is generally well-educated, influential, and affluent; they own real estate, they travel, and they eat

at restaurants. They are social achievers, and they are ideal consumers for many businesses.35

A good example of establishing a certain type of audience and using that audience as an attraction for corporate funding is the development work at the Brooklyn Academy of Music's (BAM) Next Wave Festival, the most important assemblage of nontraditional dance, opera, and music in the United States.36 BAM deliberately set about to cultivate the young, trendy, upscale audience that used to be associated with the contemporary visual arts. The Next Wave Festival attracts an audience that is eighty percent under the age of forty, studded with celebrities, art collectors and dealers, and fashion designers—all bringing with them much publicity for BAM. The type of audience is then used, in turn, to attract corporate sponsors who are interested in appealing to this specific market.37 An added advantage of upscale audiences is that they offer corporations not only potential consumers, but also prospective shareholders.38

35Jedlicka, p. 53.


37Ibid., p. 34.

38Pettigrew, p. 12.
BAM's corporate development strategy focuses on very upscale audiences, and while most audiences for arts events tend to be not quite so influential, both visual and performing arts audiences offer corporations the opportunity to target markets with much buying power and to create very positive corporate promotion. Linking a corporate name to the arts gives a much more upbeat and optimistic corporate image than linking with health or social welfare programs. It may be significant that the business community's recognition of the economic value and high visibility of the arts is underscored by the marked increase in the percentage of corporate arts support from three percent in 1965 to eleven percent in 1980.39

The Predictor Rationale

There are some corporate theorists who posit that the effectiveness of a business is measured by the extent to which that business focuses on technology and its competition. Peters and Waterman, in In Search of Excellence, point to an extensive study on innovation conducted by economist Christopher Freeman, in which he affirms that

successful businesses are those that best understand and react to the directions of the marketplace. 40

If an accurate assessment of the marketplace is central to a company's success, the ability to foresee social trends and directions and to plan for a corporate response to those changes is essential, especially in a society in which an increasingly sophisticated technology creates an ever-changing market demand. Corporate planners must develop models that take into account constant social flux. Toffler, in The Adaptive Corporation, examines this problem: "This instability . . . produces new or unprecedented circumstances and undermines the power of extrapolation as a planning method. Linear methods work best in periods of relative stability; they break down in periods of upheaval such as the one we are entering today. This suggests the need for the development of better non-linear planning methods." 41 Toffler urges the use of less precise, more intuitive models to supplement the heavy reliance on quantitative methods of corporate planning.

While the predictive value of art has long been debated, many writers have long held that the value of art as a non-linear indicator of social trends should not be

40Peters and Waterman, pp. 196-197.

41Toffler, p. 165.
overlooked. Eells cites John Dewey, Arnold Toynbee, Alfred North Whitehead, and Pitirim Sorokin to substantiate his theory that one of the more common theoretical goals of corporations and the arts is that they both need to respond to social fluctuations. This response, for the artist a part of her process, becomes one way for a corporation to foresee and plan for changes in its corporate environment.

While Eells warns that artists are not prophets with a sense of social prognosis, he does contend that "There is perhaps a sense in which the esthetic techniques of an age reflect the spirit of the age; those whose task it is to take the long view will not neglect trends in art. The indices of change are too valuable to the policy-maker to neglect any one of them, especially at a time of rapid movement in the whole social structure, in science, in cosmology."\(^42\) Eells explains that the reasons that long-range planners neglect the predictive nature of the arts range from the culture-bound assumptions of the polarization of art and science to the "general visual and tonal illiteracy" in the population as a whole.\(^43\)

The rationales used by corporations for the support of the arts range from the more idealistic one of social

\(^42\)Eells, p. 110.

\(^43\)Ibid., p. 114.
responsibility (which frequently encompasses "goodwill" and "impact on the community") to the more financial justifications of good design, nurturing of creativity and innovation, and targeting specific markets. There are many different ways that a corporation can justify arts support, if it so desires. If it chooses not to support the arts, there are many other ways to justify that decision. The relationship is determined by such factors as the preference of a CEO or the perceived corporate benefits, but it can depend on other factors as well.

The size of a corporation and its corporate structure play a large role in determining the extent of corporate-arts involvement. It may be helpful to compare a corporate-arts relationship to psychologist Abraham Maslow's model of a hierarchy of needs, which theorizes that basic physical needs have to be dealt with before social ones, and the last need, self-actualization, becomes important and attainable only when the others have been satisfied. Like many analogies, the comparison of corporate arts support to Maslow's hierarchy is problematic, but it has certain merits in explaining how the size of a corporation frequently defines its relationship with the arts.

According to Bells, the smaller private corporations, which lack the security against the chaos of the market, cannot look beyond their bottom line physical needs, and because they are private, they are not as exposed to the demands of public pressure. The larger the corporation—especially publically owned, multibillion dollar ones—the more management will extend its discretionary authority into unexplored areas of corporate responsibility because profitability is no longer the sole test of good business performance.\(^4^5\) Large corporations have not only proven their profit-making abilities, but have done it over such a long period that their financial stability is taken for granted, and they can begin to explore the corporate parallel to Maslow's self-actualization—social and cultural relationships that go beyond the immediate, short-term, and isolated interests of the corporations to the more unexplored contextual concerns.

Just as Maslow's needs range from the physical to the social, so corporate needs parallel that spectrum from profits to social accountability. And just as every internal and external corporate action fits somewhere within these parameters—whether it be building a new factory or donating to the local hospital—so a corporation's support of the arts can be justified by

\(^{45}\text{Bells, pp. 162-164.}\)
reasons as immediate as targeting an appropriate market to those as ambiguous as shouldering social responsibilities.
CHAPTER IV

THE CURRENT STATUS OF FUNDING OF THE PROFESSIONAL NONPROFIT THEATRE

The majority of corporate arts supporters do not limit funding to just one art. The American Council for the Arts (ACA) reports that at least seventy-seven percent of companies surveyed subsidize more than one art form. While there are differences between the arts, there are many similarities between the relationship of each to corporate philanthropy. Examination of the relationship of one of the arts with business, therefore, should be helpful in understanding the total corporate arts alliance.

The function of Chapters IV, V, and VI is to examine the relationship between corporate arts funders and nonprofit professional theatre. In many ways, the use of performing arts as a sample group for the study of corporate arts funding offers benefits not found with visual arts. First, the ensemble nature of much of the

performing arts requires organizational structure, a decided advantage in attracting corporate subsidy. Second, music, dance, theatre, and opera are usually separate organizations, making it easier to isolate one group for study. Funding for the visual arts, on the other hand, goes either to individual artists with no long-standing history of corporate funding or to museums, which typically house several types of visual arts, thus making it more difficult to discern which specific art form the funding supports. Segments of the performing arts are easily identified and measured through membership lists of advocacy organizations, such as Opera America, the National Dance Association, and the Federation for the Extension and Development of the American Professional Theatre. The decision to study the corporate-arts relationship through a theatre perspective was made because of the writer's interest in theatre. The Theatre Communications Group (TCG), an organization of most of the significant nonprofit professional theatres in this country, offers a membership of clearly identified theatre organizations representing a wide range of artistic approaches. This latter point is important because of the need to explore the possible connection between the artistic image presented by the theatre and the amount of corporate funding that it receives.
The number of theatres belonging to TCG has grown considerably since its beginning in 1973, when the eighty-seven member theatres had budgets totaling over $40 million. By 1985, however, there were 198 members with budgets totaling almost $242 million—six times the 1973 total. Thirty-five percent of the members had budgets over $1 million; twelve percent had budgets over $3 million; and three percent had budgets over $6 million. By 1985, total attendance amounted to over eighteen million people. In 1987, although there are no budget and attendance figures available yet, there are 295 member theatres—an increase of ninety-three theatres since 1985 and over three times the number in 1973.2 The vigorous growth that makes American nonprofit professional theatre attractive as a survey base also frequently makes it an attractive investment for business. ACA reports a 16.2 percent rise in the number of businesses supporting nonprofit theatre from 1982-1986.3

In spite of theatre's growth, however, the inability to be self-supporting persists, for Baumol and Bowen's


3porter, p. xiii.
income gap, discussed in theoretical terms in the 1960s, continues to be an economic reality in the 1980s. The role of unearned income is becoming increasingly important in the survival of all arts, and it is the purpose of this chapter to focus on the relationship of one element of unearned income—corporate philanthropy—on one arts form—nonprofit professional theatre. It is helpful to begin by setting this narrow focus into a broader comparative context of the larger categories of philanthropy and the different organizations that monitor yearly philanthropic fluctuations and trends.

Arts philanthropy is measured by various groups, and because each analyzes different areas, a thorough examination of the status of corporate support of nonprofit professional theatre must take into account these different studies. Three research groups examine the larger philanthropic movements. The American Association of Fund-Raising Counsel (AAFRC), whose members are firms primarily concerned with fund-raising for nonprofit institutions, offers the broadest perspective of philanthropy through its publication of an annual report, Giving USA, which compiles facts and trends in all areas of subsidy. The Foundation Center, another nonprofit research organization, is the best resource for information on private, community, and corporate foundations throughout the world. The Center publishes The Foundation Grants Index, The
Foundation Directory, and The Foundation News, all helpful in comparing corporate foundation arts support to arts support from private and community foundations. A third major group is the Conference Board, a nonprofit business information and research organization with over 3,600 corporate members, and its Annual Survey of Corporate Contributions, published since the late 1970s, examines yearly changes in all categories of corporate philanthropy.

In addition to these general analytical approaches, there are three other research groups that focus specifically on the arts. The ACA, a nonprofit information and publishing center and advocate for the arts, has published four different editions of Guide to Corporate Giving in the Arts since 1978, the most recent one released in 1987. The value of the ACA guides is their ability to pinpoint arts preferences of many corporations and to focus on trends in corporate arts support. Another organization, the TCG, addresses concerns of and serves as a support system and communication network for nonprofit professional theatre in this country; it has published annual surveys since 1978. A third group, previously mentioned in this study, is the Business Committee for the Arts (BCA), which has surveyed arts support from the corporate community since 1983.
While all of these perspectives offer vital information about the corporate-arts and corporate-theatre picture, all are in some way incomplete. In order to get as broad a perspective as possible, therefore, all these approaches should be examined. AAFRC's research is helpful in comparing corporate funding to other donors, and the arts and culture category to other recipients. The AAFRC study, however, makes very few associations between the four categories of donors and the arts; its value lies in placing the corporate donor and the arts and culture recipient in perspective.

The limitations of information from The Foundation Center are obvious—TFC research analyzes data on foundations, and corporate foundations account for only about fifty percent of corporate funding. Both AAFRC and TFC are difficult to compare in their use of categories; although there are many similarities, there are just as many differences, and some of the categories are too broad to allow detailed study of each art form. AAFRC's new category of arts, culture and humanities includes theatres, museums, arts organizations, public television and radio, and symphony orchestras. Not only is there no segmentation of these specific items, but it is also

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difficult to determine the status of such items as cultural centers, opera, art, and dance--areas that are not even mentioned. TFC, on the other hand, breaks down the culture and arts category into specifics--music, museums, public tv and radio, arts funds or councils, theatres, cultural centers, dance, libraries, employee matching gifts for culture and art, other, and subcategories unspecified.5

The ACA analysis is most helpful because it uses the above categories, but differentiates between symphony-chamber orchestras and opera, and adds new categories of visual arts/crafts and film/video to supplement the category of public tv/radio. Its labeling is somewhat confusing, however, in that it lists "national organizations," which could be mistaken for any national arts group that would normally be thought of in another category, such as the New York City Opera Company; although based in New York, it tours nationally, making categorization difficult. The ACA survey also gives respondents the opportunity to check a particular art form either under the art form itself--theatre, for example--or under a broader category of performing arts, an area which is not included in the final breakdown of activities.

Neither TCG nor ACA studies separate corporate foundation funding from corporate funding. Of course, the biggest limitation to these surveys—indeed, any survey—is that not all companies respond, creating a less-than-accurate picture of corporate-arts funding.

Given the limitations of all of the surveys, this study combines elements of all to determine how much funding nonprofit theatres receive from corporations. Before narrowing the focus, however, it is helpful to look at these categories of corporations and arts and culture in a comparative light—who are the other philanthroic donors and recipients? The principal categories of donors measured by AAFRC are corporations, foundations, bequests, and individuals. Table 1 shows the increases in all four areas since 1955. Individual giving has traditionally been the largest source of philanthropy; in 1986, individuals provided 82.2 percent. Corporate support is usually the smallest area, representing only 5.2 percent in 1986. Bequests and foundations usually rank second and third as sources of funding.
Table 1. --Philanthropic Donors (in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Corporations</th>
<th>Foundations</th>
<th>Bequests</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>$0.418</td>
<td>$0.385</td>
<td>$0.239</td>
<td>$7.33</td>
</tr>
<tr>
<td>1958</td>
<td>$0.395</td>
<td>$0.505</td>
<td>$0.451</td>
<td>$8.15</td>
</tr>
<tr>
<td>1960</td>
<td>$0.482</td>
<td>$0.710</td>
<td>$0.574</td>
<td>$9.16</td>
</tr>
<tr>
<td>1962</td>
<td>$0.595</td>
<td>$0.701</td>
<td>$0.701</td>
<td>$9.89</td>
</tr>
<tr>
<td>1964</td>
<td>$0.729</td>
<td>$0.830</td>
<td>$0.951</td>
<td>$11.19</td>
</tr>
<tr>
<td>1966</td>
<td>$0.805</td>
<td>$1.25</td>
<td>$1.31</td>
<td>$12.44</td>
</tr>
<tr>
<td>1968</td>
<td>$1.005</td>
<td>$1.60</td>
<td>$1.60</td>
<td>$14.75</td>
</tr>
<tr>
<td>1970</td>
<td>$0.797</td>
<td>$1.90</td>
<td>$2.13</td>
<td>$16.19</td>
</tr>
<tr>
<td>1972</td>
<td>$1.009</td>
<td>$2.00</td>
<td>$2.10</td>
<td>$19.37</td>
</tr>
<tr>
<td>1974</td>
<td>$1.200</td>
<td>$2.11</td>
<td>$2.07</td>
<td>$21.60</td>
</tr>
<tr>
<td>1976</td>
<td>$1.487</td>
<td>$1.90</td>
<td>$2.36</td>
<td>$26.32</td>
</tr>
<tr>
<td>1978</td>
<td>$2.084</td>
<td>$2.17</td>
<td>$2.60</td>
<td>$32.10</td>
</tr>
<tr>
<td>1980</td>
<td>$2.359</td>
<td>$2.81</td>
<td>$2.86</td>
<td>$40.71</td>
</tr>
<tr>
<td>1982</td>
<td>$2.906</td>
<td>$3.16</td>
<td>$5.45</td>
<td>$48.52</td>
</tr>
<tr>
<td>1984</td>
<td>$3.800</td>
<td>$3.95</td>
<td>$4.89</td>
<td>$60.66</td>
</tr>
<tr>
<td>1986</td>
<td>$4.500</td>
<td>$5.17</td>
<td>$5.83</td>
<td>$71.72</td>
</tr>
</tbody>
</table>


Table 2, which compares the arts and culture category to other subsidy recipients, shows the large share of support traditionally received by religion; in 1986, 46.9 percent of total philanthropy went to this area. Arts and culture was 6.7 percent in 1986, up over two percent from 1955; it has typically remained in fifth position, however, behind the larger categories of religion, education, and health and human service.
Table 2. --Philanthropic Recipients (in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Religion</th>
<th>Education</th>
<th>Health</th>
<th>Human Service</th>
<th>Arts/Culture</th>
<th>Public Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>$3.93</td>
<td>$.817</td>
<td>$1.10</td>
<td>$1.60</td>
<td>$.322</td>
<td>$.250</td>
</tr>
<tr>
<td>1958</td>
<td>4.34</td>
<td>1.17</td>
<td>1.33</td>
<td>1.66</td>
<td>.353</td>
<td>.272</td>
</tr>
<tr>
<td>1960</td>
<td>5.01</td>
<td>1.72</td>
<td>1.35</td>
<td>1.63</td>
<td>.408</td>
<td>.314</td>
</tr>
<tr>
<td>1962</td>
<td>5.45</td>
<td>1.88</td>
<td>1.56</td>
<td>1.77</td>
<td>.410</td>
<td>.312</td>
</tr>
<tr>
<td>1964</td>
<td>6.14</td>
<td>2.28</td>
<td>1.68</td>
<td>1.92</td>
<td>.435</td>
<td>.387</td>
</tr>
<tr>
<td>1966</td>
<td>7.22</td>
<td>2.51</td>
<td>2.23</td>
<td>2.07</td>
<td>.536</td>
<td>.390</td>
</tr>
<tr>
<td>1968</td>
<td>8.42</td>
<td>3.13</td>
<td>3.22</td>
<td>2.31</td>
<td>.604</td>
<td>.428</td>
</tr>
<tr>
<td>1970</td>
<td>9.34</td>
<td>3.28</td>
<td>3.44</td>
<td>2.92</td>
<td>.663</td>
<td>.455</td>
</tr>
<tr>
<td>1972</td>
<td>10.19</td>
<td>3.83</td>
<td>3.94</td>
<td>3.16</td>
<td>1.10</td>
<td>.820</td>
</tr>
<tr>
<td>1974</td>
<td>11.84</td>
<td>4.04</td>
<td>4.19</td>
<td>3.02</td>
<td>1.20</td>
<td>.670</td>
</tr>
<tr>
<td>1976</td>
<td>14.18</td>
<td>4.35</td>
<td>4.79</td>
<td>3.02</td>
<td>2.27</td>
<td>1.03</td>
</tr>
<tr>
<td>1978</td>
<td>18.35</td>
<td>5.45</td>
<td>5.38</td>
<td>3.87</td>
<td>2.40</td>
<td>1.08</td>
</tr>
<tr>
<td>1980</td>
<td>22.23</td>
<td>6.86</td>
<td>6.67</td>
<td>4.91</td>
<td>3.15</td>
<td>1.46</td>
</tr>
<tr>
<td>1982</td>
<td>28.06</td>
<td>8.44</td>
<td>8.41</td>
<td>6.33</td>
<td>4.96</td>
<td>1.68</td>
</tr>
<tr>
<td>1984</td>
<td>35.43</td>
<td>9.95</td>
<td>10.30</td>
<td>7.88</td>
<td>4.58</td>
<td>1.94</td>
</tr>
<tr>
<td>1986</td>
<td>40.90</td>
<td>12.73</td>
<td>12.26</td>
<td>9.13</td>
<td>5.83</td>
<td>2.38</td>
</tr>
</tbody>
</table>


Corporate philanthropy tends to be spread across the same range of subject areas and in somewhat the same proportions as other areas of subsidy, with one major difference—there is very little corporate subsidy of religion, which is briefly mentioned in the "other" category, along with women's causes, in the Conference Board's Annual Survey of Corporate Giving. The categories normally funded by business are education, health and human services, culture and art, civic and community activities, and other—in that order.
Although the relationship between these categories has remained the same over the years, they have undergone a slight realignment since 1980, possibly due to increased demands from certain areas because of President Reagan's budget cutbacks. Figure 1 shows the status of the recipients of corporate support from 1976-1985. The most noticeable change occurred in the gradual decline of support of health and human services, from over forty percent of total corporate philanthropy in 1976 to less than thirty percent by 1984, the difference being made up by increases in aid to education, culture and art, and civic and community causes. For the first time in a decade, however, the 1985 corporate support of health and human services increased. Whether this shift marks a reversal in the downward trend of support for this area is yet to be seen. The culture and art category, after peaking at twelve percent in 1981, has remained steady at approximately eleven percent of total corporate philanthropy since 1982.

An examination of corporate support of arts and culture reveals some common trends that, once isolated, may be used as predictors to determine probability of corporate arts funding. The unevenness of geographical distribution of corporate arts subsidy makes regional arts preferences an effective predictor. Table 3 demonstrates the unequal relationship between number of companies and
Figure 1. Beneficiaries of Corporate Support, 1976–1985
Table 3. --Percentage of Total Corporate Contributions to the Arts, by Region, 1984 and 1985

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of Companies</th>
<th>Percentage to Arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Midwest:</td>
<td>29</td>
<td>37</td>
</tr>
<tr>
<td>Nebraska, South Dakota, North Dakota</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific:</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Washington, Oregon, California, Alaska, Hawaii</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New England:</td>
<td>43</td>
<td>47</td>
</tr>
<tr>
<td>Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Atlantic:</td>
<td>60</td>
<td>73</td>
</tr>
<tr>
<td>New York, New Jersey</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mountain States:</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Idaho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southeast:</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Delaware, Maryland, Virginia, West Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwest:</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>Arkansas, Louisiana, Texas, Oklahoma</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Midwest:</td>
<td>132</td>
<td>128</td>
</tr>
<tr>
<td>Pennsylvania, Ohio, Michigan, Indiana, Illinois, Wisconsin</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

percentage of support given to arts and culture. The largest corporate arts funders are found in the west midwest, and although only thirty-seven companies gave to the arts, that giving was substantial—17.4 percent of their total philanthropy. In the industrial midwest (including Ohio), 128 companies gave to the arts, but that support was only seven percent of their philanthropy. These figures imply that, although it is more difficult to find a company to support the arts in the west midwest region, the ones that do fund will do so more generously. In the industrial midwest, however, it is not as difficult to find a corporate arts supporter, but the amount of support is less.

Another prevalent trend in corporate philanthropy is the tendency of certain business classifications to fund specific categories. Table 4 pinpoints percentages that various corporate categories give to the arts. While its accuracy is flawed by the low number of respondents in some areas, the table does show interesting arts preferences of several classifications. Service industries have shown significant growth in arts and culture support since 1976, from eight percent to fourteen percent of total giving. Major changes were made in four industries—retail and wholesale trades (from ten to nineteen percent), financial service companies (from five to thirteen percent), and telecommunications (from seven to
<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of Companies</th>
<th>Percentage to Arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing, total</td>
<td>214</td>
<td>223</td>
</tr>
<tr>
<td>Stone, glass, and clay products</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Printing and publishing</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Petroleum and gas</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Food, beverage, and tobacco</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>Machinery, non-electrical</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Fabricated metal products</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Paper and like products</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Electrical machinery and equipment</td>
<td>28</td>
<td>32</td>
</tr>
<tr>
<td>Primary metal industries</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Rubber and miscellaneous plastics</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Chemicals</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Textiles and apparel</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Non-Manufacturing, total</td>
<td>201</td>
<td>213</td>
</tr>
<tr>
<td>Retail and wholesale trade</td>
<td>16</td>
<td>19</td>
</tr>
<tr>
<td>Banking</td>
<td>54</td>
<td>60</td>
</tr>
<tr>
<td>Transportation</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Finance</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Utilities</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>Insurance</td>
<td>48</td>
<td>45</td>
</tr>
<tr>
<td>Business services</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

fourteen percent). Stone, glass, and clay products and printing and publishing companies are traditionally heavy arts funders, while chemical companies are among the lowest supporters. There are probably several reasons that could account for this phenomenon. Some areas, such as stone, glass, and clay products and printing and publishing, have aesthetic commonalities with the arts and arts audiences. Other categories, such as petroleum and gas and tobacco, have image problems that can be helped by the prestige that is identified with the arts. The chance to associate a corporate name with the typically well-educated, affluent arts audience is also attractive to many types of corporations. Retail and wholesale trade at 18.9 percent and banking at 17.1 percent both illustrate an awareness of the marketing potential of appealing to arts audiences.

Although the reasons for corporate arts funding vary, the type of arts funding that corporations prefer assumes a fairly standard pattern. Table 5 shows the popularity ranking of different areas, with general operating expenses, special projects, and capital projects all favored by at least seventy percent of the companies.

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6Porter, p. 24.
Table 5. -- Percentage of Companies Involved in Various Areas of Arts Support, 1986

<table>
<thead>
<tr>
<th>kinds of arts support</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>general operating expenses</td>
<td>82.1</td>
</tr>
<tr>
<td>special projects</td>
<td>79.3</td>
</tr>
<tr>
<td>capital projects</td>
<td>70.7</td>
</tr>
<tr>
<td>employee matching gifts</td>
<td>36.1</td>
</tr>
<tr>
<td>in-kind goods &amp; services</td>
<td>31.4</td>
</tr>
<tr>
<td>technical assistance company personnel</td>
<td>21.6</td>
</tr>
<tr>
<td>sponsorship through advertising/PR</td>
<td>21.6</td>
</tr>
<tr>
<td>endowment campaigns</td>
<td>20.9</td>
</tr>
<tr>
<td>international cultural exchange</td>
<td>7.7</td>
</tr>
</tbody>
</table>


The middle range, far below the favorites, consists of employee matching gifts and in-kind goods and services, both around thirty percent. The least considered areas, endowment campaigns and international cultural exchange, are problem areas for the arts. Endowments represent relatively untapped funding for many arts organizations, especially the newer and smaller ones. Some larger and more established groups, such as symphony orchestras, opera companies, and museums, have had endowment funds for years. Theatres have been very slow in getting into the endowment field, but by 1986, twenty-five of the larger

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theatres had established endowment funds, up from fourteen in 1982.\(^8\) As a general area for corporate support, however, endowments rank low in popularity.

Several reasons could account for this lack of corporate endowment interest. Many arts organizations, caught up in the immediacy of short-term financial survival, have not had the luxury of devising long-term financial strategies. Endowments need to have a fair amount of capital set aside for a period of time in order to generate sufficient interest, and they are not practical for many organizations struggling with more imminent budgetary concerns. The regional popularity difference in arts funding, shown earlier in Table 3, demonstrates the importance of peer pressure in generating philanthropy; there is little corporate peer pressure for endowment support. That short-sighted picture could change as many arts organizations, becoming sophisticated in other areas of fund-raising, begin to explore endowment potential.

It is ironic that the least popular category of corporate subsidy is international cultural exchange, with only 7.7 percent support. As more and more American businesses become involved in world commerce and as states constantly vie with each other to attract foreign industry, corporations throughout the world have assumed multi-

national status. International cultural exchange would seem to be a logical way for the growing number of global corporations to understand different cultures in which they have to function. Although the Conference Board reports that approximately one-third of its respondents made charitable contributions overseas, apparently very little is going to culture and arts.

The profile of a potential corporate arts supporter emerges from a composite picture of all of these trends; the supporter is a retailer, banker, publisher, tobacco, or gas corporation located in Minnesota, Iowa, Missouri, Kansas, Nebraska, South Dakota, or North Dakota that funds capital projects, special projects, and general operating expenses. On the other hand, the least likely corporate arts supporter would be in textiles and apparel, chemicals, or insurance located in Pennsylvania, Ohio, Michigan, Indiana, Illinois, or Wisconsin that funds endowments or international cultural exchange. It is dangerous to generalize because of the number of exceptions in all of these categories, but each of these trends, taken individually, is useful in indicating the most likely sources for arts funding.

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A direct dollar-for-dollar relationship between corporate funding and one specific art form is as difficult to come by as is a clear profile of a corporate arts supporter. One of the problems in defining this relationship is that there are several different ways that corporate funding can reach the donor. Support can be in the form of cash or donation of products, services, or volunteer time of the corporation. Another division of funding occurs when some corporations fund through foundations, others directly through the corporation itself, and many through both. Most of TFC's analysis pertains to all foundation funding--individual, corporate, and community. Similarly, when the Conference Board itemizes corporate giving to specific areas, it is analyzing corporation and corporate foundation funding at the same time. The only way to ascertain what corporations give to one art form is to look at both studies and examine a comparative perspective of how corporate philanthropy and nonprofit professional theatre relate to each other.

In analyzing cultural trends, TFC groups theatre and dance together in one category; the other areas are general, art and architecture, history, language and literature, media and communications, and music. In spite of the fact that theatre and dance are combined, their total traditionally lags behind music. By the end of 1986,
however, the number of foundation grants to music had declined and those to theatre and dance had increased, giving each 3.2 percent of the total amount of foundation grants.\textsuperscript{10} Company sponsored foundations, on the other hand, gave a total of thirteen percent ($7,116 million) of their total arts funding to theatre and dance and twenty-two percent ($11,941 million) to music.\textsuperscript{11} Recent TFC publications on specific areas furnished data for the compilation of figures in Table 6, which shows the comparative foundation funding of theatre's closest competitors.

Table 6. --Total Foundation Support of the Performing Arts

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance</td>
<td>$10,789,887</td>
<td>12%</td>
</tr>
<tr>
<td>Theatre</td>
<td>33,257,256</td>
<td>37%</td>
</tr>
<tr>
<td>Music</td>
<td>46,324,811</td>
<td>51%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>90,371,954</td>
<td>100%</td>
</tr>
</tbody>
</table>


\textsuperscript{11}Ibid., p. xviii.
Table 7. --Total Corporate Support of the Performing Arts

<table>
<thead>
<tr>
<th>Art Form</th>
<th>Support ($)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance</td>
<td>3,495,000</td>
<td>11%</td>
</tr>
<tr>
<td>Theatre</td>
<td>9,358,000</td>
<td>29%</td>
</tr>
<tr>
<td>Music</td>
<td>19,673,000</td>
<td>60%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32,526,000</td>
<td>100%</td>
</tr>
</tbody>
</table>


The Conference Board data show a comparatively similar picture of corporate arts funding, as seen in Table 7. While no significant changes have occurred in corporate arts support, some trends are worth watching, especially the slight declines that have happened, not only in theatre, but in almost all areas; the exceptions are subsidies to cultural centers and employee matching gifts--areas that are increasingly attractive to corporations. Cultural centers usually have a very broad base of support, and several different kinds of arts frequently use these facilities, offering high corporate visibility to a wider range of audiences than is available with a single art form.

The popularity of the other area of corporate cultural growth--employee matching gifts--has grown tremendously since 1976; from the barely measurable $61 thousand in 1976, the category more than tripled by 1980, and by 1984 employee matching gifts--$8,928
milli on—almost equaled theatre's share of $9,358 million. The corporation accomplishes two goals by matching its employees' donations—because matching gifts become incentives for employee involvement in a popular common cause, they create a sense of cohesiveness among employees, and they also allow the corporation itself to donate a larger sum of money at only half the cost.

Just as fluctuations within arts categories happen gradually, so fluctuations among the major categories occur just as slowly, but change is happening as growing needs in health and social sectors counterbalance and override increasing political and fund-raising expertise of arts organizations. The years from 1981-1986 have been good ones for the financial stability of theatre and other arts, but that stability has been tempered by growing economic tension.

The beginning of the decade showed much promise for the relationship between corporations and nonprofit professional theatre. By 1980 corporate funding had a remarkable five year compounded growth rate of 27.4 percent that clearly outdistanced the compounded rate of 3.4 percent for foundations and seven percent for individuals.12 From 1981 to 1984, contributions from businesses grew more than twenty percent annually, but by

1985 that growth rate had slowed to eleven percent, and while there were more corporate gifts to theatre, those gifts were relatively small. Declining business volumes and lower pretax profits began to affect corporate philanthropy to the arts.13 The economy in 1986, however, began to look more promising—the stock market had a good year, corporate theatre support increased by 15.9 percent, and there were twice as many corporate gifts, although the average gift size continued to decline. Overall, 1986 was a relatively good year for corporate theatre funding—for the first time in five years, the total income for the sample theatres on the TCG survey grew faster than expenses.14

Optimism in 1986, however, has been replaced by skepticism in 1988. There is much uncertainty, not only about the future of corporate theatre funding, but of philanthropy in general. Two potentially significant variables occurred in 1987 that could affect corporate philanthropy in the coming years—the stock market plunge in October, which may be indicative of larger problems in the economy, and the new Tax Reform Act. What effect these occurrences will have on the amount of support that

business can give to theatre, the other arts, and worthy causes in general remains to be seen.
CHAPTER V

THE CORPORATION AS VIEWED BY THE PROFESSIONAL NONPROFIT THEATRE

An examination of the corporate-arts relationship would not be complete without studying how the participants view each other. The value of this approach is that it goes beyond an examination of the amount of money given by corporations to the arts; it examines instead the perceived benefits of corporate-arts association, the theoretical similarities of business and the arts, and the future of the relationship.

In selecting theatres to study, the writer chose the theatre members of the Theatre Communications Group. The sample offers certain advantages—there are 295 members, a relatively small number that is easy to survey; these theatres are also quite diverse, representing annual budgets ranging from $60 thousand to $10 million, with locations in many different areas of the country and different audience appeals. Although the sample number is relatively small, its diversity makes TCG members an expedient sample group.
Ideally, the study would have been conducted through personal interviews of theatre directors and corporate contributions directors, but because of the scope of the study, the survey was used as a compromise approach. The survey is not intended to yield a rigorous statistical analysis, but rather to point out perceptions that each group has of the other and directions that this relationship might take in the next few years. Like all surveys, its accuracy is impaired by the number that do not respond, placing the burden of accuracy on those that do.¹

The survey questions were pretested by two staff members at the Polimetrics Laboratory at The Ohio State University, by members of the writer's dissertation committee, and by selected people in the arts in Columbus, Ohio.

The method of analysis for the survey information consisted of the tabulation of frequency and percentage of responses, as well as mean, median, and mode calculations. With much of the material, correlation coefficients were used to examine whether there were correlations between various theatre characteristics—age, audience appeal, types of productions—and responses to survey questions.

Part I of the survey examines the basic profiles of nonprofit theatres—the age of the theatre, the type of

¹The material in Chapter V, unless otherwise indicated, comes from responses to the nonprofit theatre survey in Appendix A.
season, and the kind of audience that the theatre attracts. This baseline data is useful in illustrating the wide range of theatres represented in the membership sample, but its ultimate usefulness lies in the relationships that can be examined between the various theatre characteristics and other information in the study. There were 295 theatres in the survey group, and seventy-seven responded—a return rate of twenty-six percent. The age of the theatres varied; 1.4 percent were five years old or younger, 21.6 percent were five to ten years old, 48.6 percent were ten to twenty years, and 28.4 percent were over twenty years old. The respondents were asked to classify their seasons by types of plays and types of concepts—28.4 percent do mostly new plays, 14.9 percent mostly well-known plays, with 56.8 percent doing both, while 13.5 percent do traditional production concepts, 20.3 nontraditional concepts, and 66.2 percent do both. Finally, theatres were asked about their audience appeals, with the resulting figures of 63.5 percent appealing to adults, 10.8 percent appealing to families, 2.7 percent to children, and 23 percent appealing to all categories.

The profile of the typical respondent, therefore, is a theatre that was formed between the mid sixties and mid seventies, doing a mixture of well-known and new scripts, traditional and nontraditional production concepts, and appealing primarily to adults. Although the percentage of
63.5 percent may appear rather high for the number of theatres offering mostly adult plays and 2.7 low for theatres offering children's plays, it must be remembered that theatre appealing to children can actually be found in the other three categories, raising the adult-children/family ratio to two to one.

Part II looks at perceived differences in benefits of corporate funding, corporate foundation funding, individual funding, and public funding. The benefits studied are funds for operating expenses, special projects (funding specific plays), endowments, and nontraditional theatre. The definition of this last category was left to the interpretation of the respondent. Although it was not important that nontraditional theatre be specifically defined as new plays or experimental productions, it was important to examine a category that includes any theatrical enterprise that does not fall into mainstream production concepts. The function of examining this area is to discover whether there is one funding category perceived as being more willing to fund nontraditional theatre.

The categories of "interest in operations of your theatre" and "involvement in your theatre" explore whether or not relationships go beyond a donative action. Are donors interested in how a theatre functions, or do they go further and actually become involved in the theatre process by volunteering time and/or expertise. The
"other" category leaves space for distinguishing benefits that are not listed.

Table 8 shows in mean terms the results of Question II-1, illustrating the perceived differences between funding sources. Some small but interesting directions emerge from these figures. First, individual and public funders are viewed as more important sources for operating expenses. This fact is probably explained by the low priority these groups place on high visibility afforded by funding special projects. The response to

Table 8. --Differences Between Theatre Funding Sources

<table>
<thead>
<tr>
<th></th>
<th>corporate funding</th>
<th>corporate foundation funding</th>
<th>individual funding</th>
<th>public funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>funds/operating expenses</td>
<td>2.9</td>
<td>2.7</td>
<td>3.7</td>
<td>3.6</td>
</tr>
<tr>
<td>funds/special projects</td>
<td>2.2</td>
<td>2.8</td>
<td>2.1</td>
<td>2.7</td>
</tr>
<tr>
<td>funds/endowments</td>
<td>1.0</td>
<td>1.0</td>
<td>1.8</td>
<td>1.0</td>
</tr>
<tr>
<td>funds/nontraditional theatre</td>
<td>0.9</td>
<td>1.4</td>
<td>1.5</td>
<td>1.9</td>
</tr>
<tr>
<td>interest/theatre operations</td>
<td>1.6</td>
<td>1.8</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>involvement in theatre</td>
<td>1.4</td>
<td>1.5</td>
<td>3.1</td>
<td>1.92</td>
</tr>
<tr>
<td>other</td>
<td>0.5</td>
<td>0.0</td>
<td>0.2</td>
<td>0.6</td>
</tr>
</tbody>
</table>

the endowment segment was rather low, many theatres noting that this was not applicable because they have no endowments. Individuals, however, lead slightly in endowment support.

Public funding is ranked somewhat higher as a supporter of nontraditional theatre, and individuals and public funders are ranked higher in interest in operations
of theatres. Individual supporters seem to become more personally involved in theatres. While foundations rank slightly higher than corporations in funding special projects and interest in theatre operations, it is significant that corporate foundations seem to be more prominent supporters of nontraditional theatre than corporations. This phenomenon is probably attributable to the fact that foundations, while purporting to support creativity, are frequently more interested in art's high visibility that positions the foundation apart from traditional arts supporters.\(^2\) Most corporations, on the other hand, are more concerned with traditional arts images that do not position them too far in either direction. The means illustrated in Table 8 show very little variation when compared with all theatre categories in Part I of the survey—age of theatre, types of plays, general production concepts, and audience appeal—implying that the perceptions in Part II of the survey are valid for almost all of the theatre categories.

There are, however, a few deviations from these general trends. First, although theatre endowments are scarce, they seem to be more prevalent, especially those established by individuals, if the theatre has a broad

\(^2\)Michael Fellows, Director of Trusts and Estates, The Ohio State University Campaign, interview by author, 7 May 1987.
based appeal. Second, theatres using nontraditional production concepts see public funding as their most important supporter, with individuals and corporate foundations ranking second and third. And last, non-traditional theatres view corporate funding as their least important supporter, a predictable phenomenon given the importance of image to a large part of the corporate community.

Questions II-2, II-3, and II-4 explore the relationship between the theatre and its funding corporations and whether that relationship can be improved. If there is room for improvement, the respondent is asked to specify ways in which both the theatre and the corporation can strengthen their alliance. A substantial majority of the theatres, 93.2 percent, thought that the relationship between the theatre and their funding corporations could be improved; 6.8 percent disagreed.

The areas of theatre improvement include "instituting more efficient organizational management," one of the principal factors in the decision to fund a nonprofit request, according to the most recent survey of the American Council for the Arts. The next two areas, "benefits for corporate employees" and "visibility for the 

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corporation," are both currently popular corporate
appeals because they offer measurable value in return. The areas, "more knowledgeable about the corporation" and "more communication with the corporation," are often underdeveloped; funds going from the corporation to the theatre frequently pave the way for one-way communication. It is too easy for the arts to forget the importance of reciprocity in establishing channels of corporate communication that are used to do more than ask for money. "More well-known plays and/or traditional favorites" and "more new plays" point to contrasting marketing directions--popular fare versus newer material. "More social events/interactions with actors, etc." is a way of involving corporate employees with theatre employees, not necessarily in performance. The last category is an opportunity for the respondent to list other ways that the theatre can improve its corporate relationship.

Table 9 lists the means for ways in which business can improve its relationship with theatre. The most important areas, according to theatres, are communication with and visibility for the corporation. Ranked low in importance are "more new plays," "more well-known plays and/or traditional favorites," and "more efficient organizational management." Comments in the last category include: "We need to hire a director of development who knows the 'proper' way to approach corporations," "better
knowledge of their (corporate) needs," "more well connected board member," "publicity," "board involvement," and "We are a youth theatre, so we need more aggressive tactics emphasizing our educational and societal (rather than artistic) value."

Table 9. — Ways in which Theatres Can Improve Their Relationship with Corporate Community

<table>
<thead>
<tr>
<th>mean</th>
<th>improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.6</td>
<td>more efficient organizational management</td>
</tr>
<tr>
<td>3.1</td>
<td>more benefits for corporate employees</td>
</tr>
<tr>
<td>3.6</td>
<td>more visibility for the corporation</td>
</tr>
<tr>
<td>3.2</td>
<td>more knowledgeable about the corporation</td>
</tr>
<tr>
<td>3.8</td>
<td>more communication with the corporation</td>
</tr>
<tr>
<td>2.2</td>
<td>more well-known plays and/or traditional favorites</td>
</tr>
<tr>
<td>2.1</td>
<td>more new plays</td>
</tr>
<tr>
<td>3.0</td>
<td>more social events/interactions with actors</td>
</tr>
<tr>
<td>4.3</td>
<td>other</td>
</tr>
</tbody>
</table>

Although correlation coefficients indicate no strong correlations between different categories of theatres and suggestions for improvement of the corporate-theatre relationship (none of the coefficients were higher than $\pm 0.3000$), one trend does surface—the younger the theatre, the more importance attached to organizational management skills. This is a logical relationship borne out by a comparison of age of theatres with suggested areas of improvement.

Question II-4 asks theatre respondents ways in which they think corporations can improve the corporate-theatre relationship. Many businesses, for example, bring visual
arts into the workplace, but rarely performing arts. Is this a feasible option? If corporate money and expertise can be brought into the theatre, should the theatre reciprocate and go into the workplace? Should the corporation communicate more frequently with the theatre? Another area, "more knowledgeable about the production of plays," assumes that the relationship would be stronger if business was more aware of the artistic process. The next area, "more involvement with selection of plays," is rather controversial, since it is assumed that arts organizations would want to chart their own artistic course without input from outside sources; it was used in the survey to test the accuracy of that assumption. "Instruction in better organizational management" repeats the same issue mentioned in II-3, and it is interesting to note whether theatres think the impetus for organizations should come from themselves or from the corporation.

Table 10. --Ways in which Corporations Can Improve Their Relationship with Nonprofit Theatres

<table>
<thead>
<tr>
<th>mean</th>
<th>improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.9</td>
<td>more theatre performances in the corporate workplace</td>
</tr>
<tr>
<td>3.8</td>
<td>more communication with your theatre</td>
</tr>
<tr>
<td>1.1</td>
<td>more involvement with selection of plays</td>
</tr>
<tr>
<td>3.0</td>
<td>more knowledgeable about production of plays</td>
</tr>
<tr>
<td>2.3</td>
<td>instruction in better organizational management</td>
</tr>
<tr>
<td>4.4</td>
<td>underwriting of specific projects/plays</td>
</tr>
<tr>
<td>4.7</td>
<td>underwriting of operating expenses</td>
</tr>
<tr>
<td>4.0</td>
<td>underwriting of endowments</td>
</tr>
<tr>
<td>4.7</td>
<td>other</td>
</tr>
</tbody>
</table>
Table 10 shows the mean results for suggested improvements in III-4. In a resounding vote, theatres stated that they do not want corporations becoming involved in selection of plays; in like manner, they do not see theatre performances in the corporate workplace as a workable idea. The low rating of better organizational management matches the rating of the comparable question in III-3, probably for good reason. In the sixties, much pressure was placed on arts organizations to become more business like because, as the arts began to appeal for outside support, potential donors became aware of the frequent lack of arts cost effectiveness. Both business and government persuaded the arts to become more skilled in management and accountability. In the eighties, the arts have become quite sophisticated in dealing with corporate and government communities, and no longer see the issue as a top priority.

An issue that is of more importance to theatres, however, is the need for corporations to become more knowledgeable about the production of plays, an understandable concern given the need for corporations to have a clearer idea, not only of the artistic process, but of the function of nonprofit organizations in general. As evidenced in Question III-3, more communication continues to be the most important theatre concern in the improvement of the corporate-theatre relationship.
The next three issues—underwriting of specific projects/plays, operating expenses, or endowments—examine funding preferences. According to ACA's 1987 study, there is a fairly balanced distribution of corporate funds between operating expenses and special projects, with very little going to endowments. The results of these surveys shed light on the preferred directions(s) of corporate funding. As in previous questions, the "other" category is intended for directions not covered by the other possibilities.

Response to the last three items understandably ranks the highest because of the immediacy of financial needs of many theatres. Underwriting of operating expenses ranks first, followed closely by specific projects/plays, and endowments. Operating expenses are frequently not as popular with corporate supporters, for several reasons—they tend to be on-going, they are not as visible as specific projects, and it is more difficult to measure results. The low ranking of endowments is logical because many theatres, especially newer ones, have not been able to formulate long-term commitments required by endowments.

Other suggestions for corporate improvement include: "in kind support," "cash reserve," "assistance with marketing," "encouraging executives to join board," "involvement

\[4\]Ibid., p. xiv.\]
with publicizing events," "better understanding of not-
for-profit," "underwriting of tuitions of individual
students would be marvelous for us," and "change their
attitudes toward the arts." Theatres obviously feel that
there is room for improvement in relationships with their
corporate supporters. Open-ended questions II-5 and
II-6 ask respondents to address the theoretical implica-
tions of the corporate-arts relationship. The question
"Do you see any broad similarities between corporations
and the arts?" tries to identify recognition of any
theoretical kinship between the two entities, while
Question II-6, asking for agreement or disagreement with
Bells' contention that there is more to the corporate-
arts relationship than just funding, probes further into
theory as it asks the respondent to think beyond the
common bottom line basis for the alliance.

Sixty-nine percent (fifty-three) of theatres
responding to II-5 agreed that there were similarities
between corporations and the arts; twenty-three percent
(eighteen) disagreed, and nine percent (seven) gave no
answer. Surprisingly, most of the perceived similarities
were in terms of business, an understandable reaction
from the corporate community, but for the arts to see both
in terms of business is highly ironic, and perhaps
reflective of the intense pressure for arts organizations
to become more business-like. "Theatre is also a business
that must be managed efficiently; both seek to maintain quality of life for employees within the community." "An effective arts organization should be examining its productivity and quality control in the same fashion that business has been doing." "Both should be involved in making the business work." "Both produce a product or service. Must operate with fiscal integrity, must market, advertise, be concerned with public image." "Finished project must sell, good management in overseeing quality of product. Synthesizing many divergent factors to get an end product. Marketing know how essential." "We both strive to produce a good quality product to please our 'buyers.'" "A theatre is a corporation. All corporations depend on efficient management, marketing of an attractive (hopefully excellent) product, and effective communication with the public to convince each member that the product is worth the price. Obviously, the difference lies in the concept that, in an arts organization, excellence of product takes precedence over financial bottom line." One theatre talked about both in terms of differing approaches to product management: "Both marketing product, but corporate is more willing to change product to suit market, arts highly unwilling." Accountability was also a common denominator to another corporation: "Both must account to their constituencies: corporations-stockholders; arts organizations-donors." One corporation
saw a curious and ironic difference: "The arts provide a valuable service to society, as do most corporations. However, the difference between the two is the calculation of the 'bottom line.' The 'bottom line' in the arts is quality, integrity, vision, maintaining standards of excellence and innovation."

Other theatres saw similarities in terms of relationships with the community. "We both contribute to the community, economically and as a factor in the quality of life. Theatre adds the additional components of culture and education." "Both support cultural/social life of community ('quality of life' issues), support involvement with community." "Both are a large part of the community we live in and have to work together to make sure the community gets stronger and stronger to become the best it can be." "Both entities have a civic responsibility to serve the communities in which they exist beyond the bottom line."

One theatre discussed the complementary nature of the relationship: "I feel the two can complement each other... Arts can bring corporations into an entirely different 'world' and corporations can make an important use of their 'excess' money." Another theatre perceives arts audiences as being "stable, rational and clear thinking. The cultivation of these attributes contributes to a
cohesive and productive society which is crucial to the workplace and the marketplace.

Question II-6 asks respondents to agree or disagree with Richard Bell's statement: "A corporate-arts nexus based primarily on corporate donative action is and will long remain a very minor one. The more promising and exciting forms of corporate-arts interplay lie in other directions." These other directions, many of which were discussed as arts funding rationales in Chapter III, imply a recognized theoretical alliance that goes beyond financial benefits. There was a mixture of reactions to this question, with 59.4 percent of responding theatres agreeing, and 40.5 percent disagreeing. Although the question did not ask for elaboration on the part of the respondents who disagreed, one person saw these "other directions" as threatening: "I believe those 'other directions' carry a serious threat to the artistic integrity of the arts institution." Greg Rowe, General Manager of the People's Light Theatre, agrees: "May be more lucrative, but potentially could threaten our freedom of artistic choices."

Other theatres are more positive about alternative directions of corporate and arts communities. "Participatory; sharing of expertise; enriching the lives of employ-

5Responses attributed to specific people, as well as unidentified quotes, are from the nonprofit theatre survey in Appendix A.
ees; providing educational benefits in both directions."
Gian Paul Morelli, Managing Director of the Madison Repertory Theatre, agrees, within limits: "Of course the trend is toward using theatre as a 'marketing' tool, and perhaps using theatrical skills to enhance the ability of companies to effectively communicate (using theatre in an image-building capacity—skills that corporate marketing departments are just beginning to utilize). And theatres can provide that expertise in exchange for corporate involvement. However, I hold that this is a 'trendy' response that will never surpass a corporation's community obligation."

Other directors touch on this issue of community obligation, not only for the corporation, but for the theatre as well. Jeffrey Hooper, Producing Director of the Little Miami Theatre Works, echoes the focus on community: "Cooperation of businesses and arts organizations in community development through advertising/areas of mutual interest."

Some respondents, while agreeing in theory, seem doubtful that it will happen. "I don't think it currently is, but I feel it should be." "God only knows—I only know that what exists now doesn't work for us. I personally wish the arts community would seek governmental support (Ha!) as its primary funder." "Quite true—the limit has obviously been reached." "Corporations must
understand about the quality of life—why are they so short sighted?"  " . . . 'cause-related' marketing can have short-term benefits. However, the relationship is rarely viewed by both parties as equal. Compromise can destroy art and corporate goals." In agreeing with Eells, Mark Hoeger, Executive Director of Emmy Gifford Children's Theatre, laments the " . . . repressive matrix of a position based upon the relationship inherent in the donative action." No statistical correlations could be established between the responses to perceived similarities between corporations and the arts and responses to the Eells question. While some people agree with both questions, just as many split their responses, indicating that it is possible to see no linkage between the two entities, but yet see the relationship expand beyond that of donative functions. On the other hand, perhaps those respondents are basing their ideas of Eells' other directions on perceived similarities, e.g., both as mutually dependent and complementary social institutions.

Part III of the survey examines funding sources of nonprofit theatres to determine profiles of the kinds of businesses that support the arts. Not only is this information valuable in itself, but it also proves useful in studying whether the location, classification, and age of a corporation is a determining factor in predicting
which type of business will fund a specific type of theatre.

Table 11. --Effect of Corporate Size/Location on Amount of Theatre Support

<table>
<thead>
<tr>
<th>percentage</th>
<th>corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>21%</td>
<td>small local corporation</td>
</tr>
<tr>
<td>34%</td>
<td>large local corporation</td>
</tr>
<tr>
<td>25%</td>
<td>large national corporation with local headquarters</td>
</tr>
<tr>
<td>12%</td>
<td>large national corporation with local representatives</td>
</tr>
</tbody>
</table>

Table 11 shows the results of Question III-1—the location of corporations that fund theatres, with the largest percentage coming from large local corporations, and the smallest from national corporations with local representatives. Logically, local businesses give more because of closer community ties. Paul L. Aiken, Executive/Artistic Director of the South Jersey Regional Theatre, for example, points to the fact that thirty-eight percent of his theatre's funding comes from casino gambling, in itself a remarkable fact, but considering that casino gambling is a significant local business in southern New Jersey, the phenomenon is not so surprising.

National corporations with local headquarters give more than those with local representatives because contribution decisions are frequently made from headquarters rather than from subsidiaries. Although they rank the lowest, national corporations with local representatives
are more likely to fund established theatres with a proven record of sound financial management, the same theatres that appeal strongly to any arts supporter.

Table 12. --Corporate Cash Funding According to Corporate Classifications

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Classification</th>
<th>Percentage</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>accounting</td>
<td>14%</td>
<td>manufacturing</td>
</tr>
<tr>
<td>20%</td>
<td>banking</td>
<td>11%</td>
<td>service</td>
</tr>
<tr>
<td>10%</td>
<td>communications</td>
<td>4%</td>
<td>transportation</td>
</tr>
<tr>
<td>4%</td>
<td>food</td>
<td>10%</td>
<td>utilities</td>
</tr>
<tr>
<td>5%</td>
<td>insurance</td>
<td>15%</td>
<td>other</td>
</tr>
<tr>
<td>4%</td>
<td>law</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question III-2 examines corporate support from the perspective of different classifications. Table 12 shows the wide distribution of categories, with banking leading the list at twenty percent, and accounting at the bottom with three percent. Entries in the "other" category include oil and energy, retail, mining and construction, pharmaceutical, medical technology, tourism, entertainment, motion pictures, and United Arts Funds and corporate consortiums, such as the Corporate Council for the Arts and the National Corporate Theatre Fund.

Question III-3 categorizes corporate-theatre funding according to the business' age. Predictably, the largest amount, sixty-six percent, comes from companies twenty years and older, followed by twenty percent from those ten to twenty years, ten percent from those five to ten years,
and four percent from corporations younger than five years. As a rule, younger businesses are too focused on establishing themselves to become involved in philanthropy; once a steady earnings record is established, however, businesses can turn to the less immediate directions, including the funding of nonprofit organizations. Age is on the side of arts philanthropy—a general tendency is that the older, established theatre receives and the older established corporation gives more arts support.

It bears repeating at this point in the study that data from this chapter is a result of responses from seventy-seven professional nonprofit theatres, representing twenty-six percent return rate from the sample mailing. The small return rate on the survey is probably due to the fact that the sample is one that is frequently surveyed, and the questionnaire required some time to answer because of the open-ended nature of several of the questions.

Part IV of the survey consists of open-ended questions dealing with prospects for the future of corporate funding alnd various factors that may potentially influence its vitality. Question IV-1 asks for a prediction on the status of corporate funding through the next decade; 72.2 percent of the theatres think it will increase, 2.8 percent think it will decrease, 8.3 percent
remain the same, and 16.7 percent are uncertain. A surprisingly large percentage of theatres are optimistic about corporate funding, given some rather unfavorable predictions about the future of arts support.

The next three questions focus on specific phenomenon that could influence that status in the next decade. Question IV-2 asks about the effects of corporate mergers and acquisitions on corporate funding within the past three years, and the reaction is mixed—while 30.1 percent of theatres say the phenomenon has no effect, 26 percent are uncertain, and 43.8 percent said that it had definitely had an effect. Question IV-3 asks for reactions to the effects of the new Tax Reform Act on the different segments of outside funding—31.1 percent thought it would affect corporate funding, 25.7 percent corporate foundation funding, 21.6 percent private foundation funding, and a substantial 52.7 percent though that individual support would be the major casualty of the new legislation. The specific concerns of theatres about mergers and the Tax Reform Act are addressed in Chapter VII.

The last question, IV-4, asks about the effect on corporate arts support of President Reagan's urging that corporations pick up the slack created by federal cuts in health programs and social services. There is mixed reaction, and many theatres are obviously concerned. "I'm frankly not sure that we can." "I don't think they will.
It appears our funding is coming in slower already due to the social service dollar push." "It has already hurt."
"The corporations don't do anything they don't have to. If they get the slightest excuse to cut back or forget—they will." "Exxon has already cut 20 million primarily in the arts—if other corporations follow suit, it would be increasingly difficult for arts groups to compete for waning funds against health and social service groups."

Mary Jacobsen, Grants Manager of Seattle Repertory Theatre, says "Good question—one that worries arts organizations like ours. We have already seen a decline in growth compared to years of a Democratic administration." And Barbra Bulovitz Desbois, Artistic Director of the Theatre de la Jeune Lune, says "Unfortunately, the U.S. has never considered its culture and cultivation thereof a necessity for the overall well-being of its citizens. We will just continue our struggle."

Other theatres are not as pessimistic; the more optimistic responses fall into two categories. The first has to do with the quality of life, a term that has become a popular rationale for arts support, the diversity of the arts adding dimension and richness that improves the quality of life in a community. "We must not encourage support for one cause 'over' another; all are important to our quality of life. We will encourage increased giving across the board and our theatre's needs for
support on an ongoing basis. Quality theatre is not just trimmings in our community. "A community's cultural activity is a primary sign of and guiding factor in the city/area's societal development. The arts are interactive with the community and serve to enhance the way people within a community perceive themselves and interact with each other." James Clark, Managing Director of Syracuse Stage, is one of several respondents pointing to the quality of life offered by the arts.

The second category of optimistic responses is more pragmatic. Mark Hoeger of Emmy Gifford Children's Theatre, points out the funding advantages of Emmy Gifford's position: "As a children's theatre, we position ourselves as more of a social service and educational institution in our case statement." Another respondent comments that "Corporate contributions to the arts service society as a whole, but also offer direct benefits to corporations in terms of visibility to a socio-economic group likely to be a target market, direct employee benefits, and a more appealing public image, i.e., a 'positive' contribution to the 'good news' portion of society."

Other comments repeat the economic argument. "Health and social services programs, although helping create a better life, do not in any estimation represent a significant economic activity such as a theatre. I would
imagine the multiplier effect for theatres is greater than that of health and social service agencies." According to Jeffrey Toorish, Development Director of the Portland Stage Company, "... corporations will donate where they can get the most 'bang for the buck;' that may well be arts." Gian Morelli of Madison Repertory Theatre, comments, "The arts is a 'sexy' topic and something that a corporation can point to and say that there was an immediate positive result. Social service and health programs are longer term." Milwaukee Chamber Theatre points out, "What we offer is unique and individual to our area of the country. The arts are necessary to the growth and development of a region and we are a strong part of that growth." Another theatre notes, "In this area with a large retired population and no manufacturing base, the economic impact of the arts is profound. Cultural and educational institutions stabilize the economy, bring national attention, promote tourism, provide clean industry and create jobs. In a resort town, participation in the arts is a sound business investment."

In summary, professional nonprofit theatres, no matter what their age, audience appeal or type of season, are not satisfied with the state of their relationship with the corporate community. While their primary concern appears to be shortage of corporate financial support, theatres also recognize the need to encourage the
corporate alliance through improved communication, an avenue frequently neglected in the drive to locate sources of financial support. The need for improved communication is also reflected in the importance attached to theatre's readiness to know more about their corporate supporters, on the one hand, and their wish that business become more knowledgeable about the production of plays, on the other. So much emphasis has been placed on the arts to become more business like that it is quite easy for the artistic process--and its ensuing need to evolve at its own pace--to become secondary. It is just as important for business to understand that process, and the function of nonprofit organizations in general, as it is for the arts to practice better accountability.

The response to the theoretical survey questions is interesting because of the significant number of theatres that see similarities between corporations and the arts solely in terms of business. It is certainly possible that this reaction would be the first to come to mind because of the arts' increasing sophistication in management. Nevertheless, it is somewhat disquieting to realize that so many of theatre's managing and artistic directors have not been able to articulate a broader complementary social kinship between these two institutions. This is especially true since a general profile of the theatre with the best chance of corporate support is a well
established theatre with enough tradition in a community to be able to address the broader issues of community and social responsibility.

Not only are theatres feeling the need for more communication with the business community, they are increasingly anxious about the future, with evidence of some guarded optimism. In spite of the fact that pressures on the corporate environment may affect corporate arts support, almost three-quarters of the responding theatres expressed feelings that this support will increase through the next decade. Whether the professional nonprofit theatre is just being hopeful or is basing its optimism on corporate assurances remains to be seen.
CHAPTER VI
THE PROFESSIONAL NONPROFIT THEATRE AS VIEWED BY THE CORPORATION

Like the nonprofit theatres used as a survey base in the previous chapter, the corporate sample is extremely varied, representing all areas of the country and ranging from small regional businesses to large, multinational corporations. The sample was chosen from two studies by the American Council for the Arts—Guide to Corporate Giving 3 and Guide to Corporate Giving in the Arts 4, both used because some companies were listed in one study, but not the other. The amount of arts support in these studies ranged from one hundred dollars to several million dollars, and the decision was made to limit the study to those businesses that had given a minimum of ten thousand dollars a year to arts and culture because of the significant arts interest that this amount represents. Five hundred and four corporations met this criteria.

The survey was pretested by twelve corporations in Columbus, Ohio that have a history of arts support, by two staff members of the Polimetrics Laboratory of The Ohio State University, and by the members of the writer's
dissertation committee. There was a return rate of eighteen percent.

It should be noted that, as a basis for comparison, there are many similarities between the nonprofit theatre questionnaire and the corporate questionnaire. Part I asks for classification and age of the business, information that will be used to examine correlation possibilities with other survey data. Manufacturing is the predominant industry in the corporate classification question, representing the largest segment at 27.1 percent; insurance was second at 21.4 percent, followed by banking at 11.4 percent, communications at 8.6 percent, transportation at 4.3 percent, and food and service at 2.9 percent each. Although no accounting, retail, or law firms responded, several listed themselves in the other category--financial services, chemical industries, utilities, developers, pharmaceuticals, gas exploration, coal mining, health care management, and investment. Most of the companies responding were twenty years or older (98.6 percent), 1.4 percent ten to twenty years old, and none responded in the younger categories, making the typical corporation answering this survey a manufacturer or insurance company that is at least twenty years old.¹

¹The material in Chapter VI, unless otherwise indicated, comes from responses to corporate survey in Appendix B.
In spite of all the studies of corporate-arts relationships, none have examined how business benefits from funding arts, compared to other nonprofit areas, or whether business thinks it beneficial to fund one art form rather than another. This area is explored in Part II of the survey, the perceived benefits of corporate philanthropy. Part II uses an identical list of benefits for Questions II-1, II-2, II-3, and II-4 as a basis for comparison. The first two benefits—publicity and image-making—are similar in that they both pertain to visibility. The difference is that publicity has more to do with straight visibility, while some corporations, such as petroleum and tobacco, are more concerned with changing their negative images; in that case, they would be more interested in image-making. The social networking benefit refers to the ability to mingle with peers in the business community; the term target market denotes an arts support rationale based on seeing the audience for that particular art as a potential customer base. Financial investment refers to areas such as education, where support might result in well-trained employees in the future. Employee benefits can be realized in areas such as support of hospitals that are used by a company's employees. The purchase of paintings used in an office could be viewed as enhancement of the workplace, while the ambiguous but trendy term, impact on the local community, can be seen as
a benefit for virtually any form of corporate support. The phrase is used in this study to examine the number of corporations that recognize the more specific benefits of nonprofit support as opposed to the number that rationalize philanthropy in more general terms, one of those being "impact on local community."

Table 13. --Corporate Perception of Philanthropic Benefits

<table>
<thead>
<tr>
<th></th>
<th>religion</th>
<th>education</th>
<th>health</th>
<th>social welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>publicity</td>
<td>.12</td>
<td>2.03</td>
<td>1.60</td>
<td>1.83</td>
</tr>
<tr>
<td>image-making</td>
<td>.13</td>
<td>2.46</td>
<td>1.98</td>
<td>2.28</td>
</tr>
<tr>
<td>social networking</td>
<td>.20</td>
<td>1.88</td>
<td>1.63</td>
<td>1.83</td>
</tr>
<tr>
<td>target market</td>
<td>.20</td>
<td>1.67</td>
<td>1.42</td>
<td>1.38</td>
</tr>
<tr>
<td>financial investment</td>
<td>.08</td>
<td>2.12</td>
<td>1.65</td>
<td>1.85</td>
</tr>
<tr>
<td>employee benefits</td>
<td>.16</td>
<td>3.05</td>
<td>2.74</td>
<td>2.75</td>
</tr>
<tr>
<td>enhancement/workplace</td>
<td>.15</td>
<td>2.79</td>
<td>2.34</td>
<td>2.46</td>
</tr>
<tr>
<td>impact on community</td>
<td>.18</td>
<td>4.34</td>
<td>4.16</td>
<td>4.57</td>
</tr>
</tbody>
</table>

Question II-1 compares the list of benefits with the commonly used, broad areas of philanthropy recipients—religion, education, health, social welfare, and the arts. Table 13 shows the mean results of the responses. Although religion was listed because it is one of the five traditional categories of philanthropy recipients, it is obvious that corporations are not traditional supporters of religion. Clearly, the arts have a slight edge in publicity, image-making and social networking, but in all three of these areas, education is a close second. As for target marketing and employee benefits, however, the arts
are slightly behind education, and the arts are clearly not seen as a financial investment, ranking last behind education, social welfare, and health.

The arts rank second behind education in the enhancement of the workplace, and while it is not apparent why this ranking should occur, it does seem logical that arts are seen in a more public and social context than the other areas, that education would offer direct marketing and employee benefits—although not that much more than the arts—and that education is a good financial investment. The rankings for impact on the local community far exceed the other rankings, and they are all close together, with social welfare first and the arts a close third. The phrase "impact on the local community," unlike the other benefits listed, is a catch-all term used to justify much nonprofit support, and its familiarity in the corporate and nonprofit community probably accounts for its much higher rankings. It is ironic that with business' propensity for quantifying data, it should gravitate to such a nonspecific rationale for justifying nonprofit support.

Questions II-2 and II-3 focus more narrowly on specific arts categories, first dealing with the two broad areas of the visual arts and the performing arts, and then segmenting the performing arts into dance, music, opera, and theatre in order to study if
corporations prefer certain areas of the arts over others, and why. Table 14 shows the results of II-2, and it is immediately apparent that, although they vary among benefits, the mean for the visual arts and the performing arts are remarkably similar, with only small variations. The highest corporate benefit is seen in the performing arts' impact on local community; the performing arts also rank slightly higher than the visual arts in publicity, social networking, and employee benefits, all probably accounted for because they require audiences and thus offer ample opportunity for visibility, socializing, and accommodating large numbers of people at one time.

Table 14. --Corporate Perception of Visual Arts and Performing Arts Benefits

<table>
<thead>
<tr>
<th></th>
<th>visual arts</th>
<th>performing arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>publicity</td>
<td>2.16</td>
<td>2.29</td>
</tr>
<tr>
<td>image-making</td>
<td>2.68</td>
<td>2.61</td>
</tr>
<tr>
<td>social networking</td>
<td>2.07</td>
<td>2.25</td>
</tr>
<tr>
<td>target market</td>
<td>1.64</td>
<td>1.61</td>
</tr>
<tr>
<td>financial investment</td>
<td>1.44</td>
<td>1.40</td>
</tr>
<tr>
<td>employee benefits</td>
<td>2.70</td>
<td>2.84</td>
</tr>
<tr>
<td>enhancement/workplace</td>
<td>2.60</td>
<td>2.40</td>
</tr>
<tr>
<td>impact on community</td>
<td>4.14</td>
<td>4.34</td>
</tr>
</tbody>
</table>

Question II-3, illustrated in Table 15, demonstrates the comparative benefits of dance, music, opera, and theatre. The trend in these responses is the high ranking of music, seen as the leader in all categories except social networking, in which opera is viewed as more
advantageous. The social aura of opera is perhaps explained by the fact that, while music has a broad base of appeal, opera usually appeals only to a more affluent social strata, and is thus perceived as the performing art that offers the most networking potential for corporations. Theatre is a close second in all categories, except for social networking, where it is ranked third. Dance comes in fourth in all groupings except when it ties for third, with opera, in the ability to target markets.

Table 15. --Corporate Perception of Dance, Music, Opera, and Theatre Benefits

<table>
<thead>
<tr>
<th></th>
<th>Dance</th>
<th>Music</th>
<th>Opera</th>
<th>Theatre</th>
</tr>
</thead>
<tbody>
<tr>
<td>publicity</td>
<td>1.78</td>
<td>2.35</td>
<td>1.80</td>
<td>2.11</td>
</tr>
<tr>
<td>image-making</td>
<td>1.88</td>
<td>2.46</td>
<td>1.91</td>
<td>2.22</td>
</tr>
<tr>
<td>social networking</td>
<td>1.60</td>
<td>2.11</td>
<td>2.73</td>
<td>1.91</td>
</tr>
<tr>
<td>target market</td>
<td>1.24</td>
<td>1.58</td>
<td>1.24</td>
<td>1.42</td>
</tr>
<tr>
<td>financial investment</td>
<td>1.04</td>
<td>1.32</td>
<td>1.09</td>
<td>1.28</td>
</tr>
<tr>
<td>employee benefits</td>
<td>1.76</td>
<td>2.46</td>
<td>1.80</td>
<td>2.37</td>
</tr>
<tr>
<td>enhancement/workplace</td>
<td>1.59</td>
<td>2.19</td>
<td>1.69</td>
<td>1.98</td>
</tr>
<tr>
<td>impact on community</td>
<td>3.18</td>
<td>4.14</td>
<td>3.27</td>
<td>3.96</td>
</tr>
</tbody>
</table>

Table 7 in Chapter IV compared the corporate support of music, theatre, and dance; music received the largest amount of corporate funding, with theatre second, and dance last. The response to II-3 bears out that same relationship, but the reasons become more apparent by studying what the corporation thinks it receives in return for its arts support.
Question II-4 analyzes comparative benefits according to the theatre's prominence and location. Examining the commonly held idea that business tends to fund only what will benefit its own employees—namely, arts organizations in the corporate community—Question II-4 compares the differences of benefits perceived in funding local theatres, prominent national theatres (theatres with national reputations), and prominent national theatres located in the same city as the corporation. The numerical values shown in Table 16 are lower than in previous questions, probably due to the fact that by the time the focus has become this specific, there will be more respondents who do not contribute at every level, thus generating more zeroes and lowering the level of the mean. The numerical relationships are still there, however, and reveal the

Table 16. —Corporate Perception of Benefits from Theatre Prominence and Location

<table>
<thead>
<tr>
<th></th>
<th>local theatres</th>
<th>prominent national theatres in community</th>
<th>prominent national theatres</th>
</tr>
</thead>
<tbody>
<tr>
<td>publicity</td>
<td>2.00</td>
<td>.48</td>
<td>1.02</td>
</tr>
<tr>
<td>image-making</td>
<td>2.23</td>
<td>.63</td>
<td>1.13</td>
</tr>
<tr>
<td>social networking</td>
<td>1.79</td>
<td>.52</td>
<td>.86</td>
</tr>
<tr>
<td>target market</td>
<td>1.30</td>
<td>.32</td>
<td>.64</td>
</tr>
<tr>
<td>financial investment</td>
<td>1.27</td>
<td>.38</td>
<td>.71</td>
</tr>
<tr>
<td>employee benefits</td>
<td>2.29</td>
<td>.47</td>
<td>.93</td>
</tr>
<tr>
<td>enhancement/workplace</td>
<td>1.89</td>
<td>.38</td>
<td>.80</td>
</tr>
<tr>
<td>impact on community</td>
<td>3.83</td>
<td>.70</td>
<td>1.51</td>
</tr>
</tbody>
</table>
predictable appeal of local theatre, followed by prominent national theatre located in the city, with prominent national theatres ranked last. Again, the buzz phrase—impact on local community—ranks highest.

Part III of the corporate survey explores whether the corporate-theatre relationship needs improving, and if so, in what ways. Comparatively speaking, the areas targeted for improvement are the same as those listed in the non-profit theatre questionnaire. Corporate opinions are divided fairly evenly in response to III-1, with 46.6 percent of corporations stating that the corporate-theatre relationship can be improved, while a larger 53.4 percent disagreed. A comparison of these percentages with the comparable question in the nonprofit theatre survey reveals an interesting difference—an overwhelming 93.2 percent of theatres thought that the relationship could be improved, with only 6.8 percent disagreeing. This difference could have several implications. First, the donative structure (the arts as needy recipient and corporation as reluctant donor) is deeply ingrained, especially in the corporate community. Second, variations between the corporate mentality concerned with measurable quantities and the artistic mentality more attuned to focusing on cultural relationships—and thus more apt to see a broader picture of its relationship with the corporation—could also be a contributing factor.
Table 17 illustrates the mean results for III-2: "How can theatres you fund improve their relationship with your corporation?" Not surprisingly, the most important suggestion, and the one that is the most familiar, is more efficient organizational management. The "other" category, ranked second, is artificially high because it is a mean of all responses to that category, and since only those people feeling strongly about certain points listed and ranked them, the second place is not a valid point of comparison. The category did contain some specific suggestions, however. "More outreach programs" and "better community consciousness" were mentioned, and William J. Smith, Community Relations Manager of Minnesota Mutual Life Insurance, placed great emphasis on the need for higher contributions budgets and better planning because of intense competition from many theatres (over one hundred) in the area. Thomas M. Hogg, Contributions Administrator of Virginia Power, suggested an annual appreciation luncheon, while Ted R. Frith, Executive Vice President and Chairman, Corporate Contributions Committee and Teresa J. Millea, Secretary, Contributions Committee, of Liberty National Bank and Trust Company of Louisville, saw the need for "increased communication on how our contributions are spent."
Table 17. --Perceptions of Ways Nonprofit Theatre Can Improve Corporate-Theatre Relationship

<table>
<thead>
<tr>
<th></th>
<th>Corporate Perception</th>
<th>Theatre Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>more efficient organizational management</td>
<td>3.7</td>
<td>2.6</td>
</tr>
<tr>
<td>more benefits for corporate employees</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>more visibility of corporate name</td>
<td>3.2</td>
<td>3.6</td>
</tr>
<tr>
<td>more knowledgeable about corporation</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>more communication with corporation</td>
<td>2.9</td>
<td>3.8</td>
</tr>
<tr>
<td>more well-known plays/traditional favorites</td>
<td>2.6</td>
<td>2.2</td>
</tr>
<tr>
<td>more new plays</td>
<td>2.4</td>
<td>2.1</td>
</tr>
<tr>
<td>social events/interactions with actors, etc.</td>
<td>2.1</td>
<td>3.0</td>
</tr>
<tr>
<td>other (specify)</td>
<td>3.7</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Table 17 also shows the difference in the perceptions of corporations and nonprofit theatres to the issues involved in relationship improvement. It is probably best to disregard the first place ranking of the "other" category; its limited response makes it artificially high. The major corporate-arts concerns of corporations appear to differ from those of the theatres they fund. Although business regards management as a top priority, theatres do not, ranking it one point lower. Corporations, on the other hand, do not rank as high on theatre's principal concern--more communication with corporations--a diversity that is probably explained by the previously mentioned difference in the corporate culture and the arts culture. It is also not surprising that business is slightly more in favor of traditional favorites, but it is interesting
that the ranking for more new plays is somewhat stronger on the corporate side.

Question III-3—"What can your corporation do to improve its relationship with the theatres you fund?"—allows the corporation to examine its own feelings about theatres it supports. The results are shown in Table 18. The "other" category remains artificially high (3) in relation to the other benefits, and many of the comments reflect the fact that the concerns are similar to those addressed in Question II-2—problems with the large number of theatres in the Minneapolis area that ask for corporate funds, problems with contributions budgets that are too small; Frith and Millea from Liberty National Bank and Trust Company continue the need to "identify more specific directions on how we want our contributions used."

Table 18. —Perceptions of Ways Corporations Can Improve Corporate-Theatre Relationship

<table>
<thead>
<tr>
<th>Perception</th>
<th>Corporate Perception</th>
<th>Theatre Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>theatre performances in workplace</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>more communication with theatres</td>
<td>2.5</td>
<td>3.8</td>
</tr>
<tr>
<td>more involvement with play selection</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td>more knowledgeable about production of plays</td>
<td>1.8</td>
<td>3.0</td>
</tr>
<tr>
<td>instruction in organizational management</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>underwriting specific projects/plays</td>
<td>2.9</td>
<td>4.4</td>
</tr>
<tr>
<td>underwriting operating expenses</td>
<td>2.2</td>
<td>4.7</td>
</tr>
<tr>
<td>underwriting endowments</td>
<td>1.9</td>
<td>4.8</td>
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<tr>
<td>other</td>
<td>3.0</td>
<td>4.7</td>
</tr>
</tbody>
</table>
The remaining possibilities for corporate improvement are all ranked rather low—as somewhat important (2) or least important (1)—the most popular choices being underwriting specific projects/plays and instruction in better organizational management, both areas in which business has a tradition of involvement, and is therefore most comfortable. Business is not interested in knowing more about the production of plays, and, like theatre, it does not want to become involved in the selection of plays. As stated in Chapter V, theatre is adamantly opposed to corporate input into the selection of plays.

There is wide discrepancy between business and theatre when it comes to underwriting. Business is most interested in funding specific projects, less interested in operating expenses, and least interested in endowments. Theatre, on the other hand, is not only more interested in all three, but it is specifically interested in operating expenses, an area usually less attractive to arts supporters because of its on-going, open-ended nature. Traditionally, business has been attracted by the short term involvement of projects and plays.

Part III repeats the same questions found in the theatre survey about theoretical similarities between corporations and the arts and about Richard Bell's contention that the corporate-arts nexus should go beyond a donative relationship. In response to Question III-4,
67.3 percent agreed that there were similarities between corporations and the arts, while 32.7 percent disagreed—basically the same percentages as in response to similar questions in the survey for the nonprofit theatres. For those respondents agreeing, the commonalities tended to fall into two categories. The first and largest segment saw the arts in terms of business, with the following comments. "Both seek ways to attract more customers and hold down costs." "Both need to be operated in business-like manner with eye on financial management, fiscal responsibility, and attention to broadening client-audience base." "Efficient management need, building markets, providing wanted services, need to improve quality, changing demographics and markets, competition for customers, oversupply problems and shrinking demands." "Businesses with a positive need to make a profit; provides jobs; make economic impact; enhance the environment." "Both aim at improving quality of product, getting the most dollar value. Both struggle with budgets, and seek to provide benefits for users." "They should be self-supporting; the public should decide their product's value and pay for it—or not." "The arts are a business like any other business. In order to keep the organization in sound financial shape, it must have knowledgeable people running it." "Arts is business and needs to be run as such—boards, payrolls, accounting."
A second category of similarities focuses on arts and business as social institutions that improve the quality of life. "They provide a service to the public. I believe one can help the other." "Both depend on a healthy community for success." "Both have an interest in strong, dynamic local economy and attractive community." "Should have similar sense of responsibility toward social issues within the community." Gretchen Miller Reimel, Executive Director of the Sara Lee Foundation, said "Both are social institutions serving society in their unique ways."

A third category of responses moves off into different areas. Robert L. Thompson, Jr., Vice President of Public Affairs for Springs Industries, Inc., commented, "Our company's business revolves in part around color, texture, design and expression. Too, we have learned that our involvement in the arts makes us more perceptive viewers of both current environments and future trends." Ted Frith, Executive Vice President and Chairman of Corporate Contributions Committee of Liberty National Bank and Trust Company, said, "They must be managed properly, especially as relates to losing sight of their mission and becoming bureaucratic." Arlene C. Ehret, Manager, Corporate Communications of Time Insurance Company, said that "The arts provide the necessary balance for members and corporations of today's business community. ('All work and no play makes Jack a dull boy,' from The Shining)."
Allan Goodfellow, General Counsel and Secretary of the American Greetings Corporation, sees a much more utilitarian connection between corporations and the arts: "We hire artists."

Corporate respondents are divided on the Bells question about other directions that the corporate-arts alliance might take. While 51.2 percent agreed with him, 48.8 percent disagreed, thinking that the donative action is the major linkage between business and the arts. This breakdown is similar to the nonprofit theatre response to the same question. One response even said the question was "too silly for comment," and Gretchen Miller Reimel of Sara Lee Foundation, while neither agreeing nor disagreeing with the intent of the question, commented that "Mr. Bells has written total 'da-da.' Why didn't he say that interactions between corporations and arts institutions are limited when based on corporate charitable contributions? This 'corporate-arts nexus' is ridiculous."

Many businesses did agree with Bells' theory, however, although the reasons for agreement were quite diverse. Some answers were relatively predictable: "enhancement of the community's quality of life, thereby attracting high quality work force," "using art in the corporate culture," "sponsorship of art exhibits and scholarships," "education," "'involvement' of the
corporation with various functions of the arts," and "how employees can become more enriched or involved as a result of the arts partnership." Robert Thompson of Springs Industries commented, "Careful participation in planning, especially with community-based arts groups, and development. It's tempting to play programmer as well, but that's best left to artists. We vote with our checkbook if programming is inappropriate; where it is appropriate, we help with money, resources, guidance, and promotion."

Other businesses suggested a more focused approach: "Working one on one directly with the corporation and one organization—in all types of ways—volunteers—sponsor event—employees' attendance to performance" and "marketing, e.g. affiliate artists-style relationships, sponsorships." And Arlene Ehret of Time Insurance Company suggested "more of an integration of business into the arts—from better management to story ideas;" although Ms. Ehret did not respond to a previous question about the corporation becoming involved in the selection of plays, this last suggestion certainly implies that direction.

An interesting point to the Eells question is that a slight correlation can be made between the answer to the question and choices in Part III about ways to improve the corporate-theatre relationship. The respondents who disagree with Eells tend to make more conservative choices about ways to improve the relationship, leaning
heavily toward issues dealing with management and visibility, and shying away from the more unfamiliar suggestions, implying that if theatres are interested in growing beyond the donor-recipient relationship, they should take the initiative in exploring new avenues with conservative corporations. If they do not, many businesses will remain satisfied with the status quo.

Corporate foundations are required by law to publish annual reports on their philanthropic endeavors; corporations, however, are under no such obligation, and it is rare that those specifics are revealed. Part IV on funding recipients asks instead that companies list percentages of cash philanthropy to the arts, and of that going to the arts, what percentages go to dance, music, opera, and theatre. Of the corporations surveyed, the mean given to the arts is seventeen percent, a seemingly high percentage until one is reminded that the sample is taken from corporations that are known for substantial arts funding, the lowest being a minimum of ten thousand dollars and the highest several million. The breakdown between dance, music, opera, and theatre was rather predictable—opera was the lowest, receiving a mean percentage of 7.31 percent, followed by dance at 7.84 percent, theatre at 17.84 percent, and music was the largest, at 23.75 percent. The breakdown of corporate and
corporate foundation arts funding in Chapter IV shows basically the same percentages.

The survey then asks for a listing of the nonprofit theatres funded by the corporation within the past year; the majority of theatres funded are in the same city as the corporate headquarters, a smaller number in the same state, and the larger corporations tend to be more attracted to well-established theatres with national reputations. There are, however, variations in the funding patterns. If, for example, a corporation services an entire state through widely dispersed local representatives, the arts funding can reflect that distribution--with no special consideration given to the location of the headquarters. The theatre support of one Ohio corporation reflects its geographical distribution, funding the Youngstown Playhouse, Canton Palace Theatre, Weathervane Community Playhouse, Cleveland Playhouse, Actors Summer Theatre in Columbus, Cleveland Public Theatre, Karamu House, Fairmount Center of the Deaf, and Great Lakes Theatre Festival in Cleveland.

Another funding trend appears to be associated with the size of the contributions budget for the arts--the larger the amount, the more likely that prominent national theatres outside the corporate geographical location will be funded--theatres such as Lincoln Center, Kennedy Center, and the Guthrie Theatre. Logically, the
locations with the best record of retaining corporate theatre support within their own areas are those with a preponderance of local, well-established theatres. Chicago and Minneapolis, for example, with their large number of theatres--many with national reputations--do particularly well in eliciting local corporate arts support and keeping it within the community. Minnesota Mutual Life Insurance Company, General Mills, and Northwestern National Life Insurance are all examples of Minneapolis-based companies that give most of their support to theatres in Minneapolis. At the same time that prominent theatres are generating local corporate support, they are also being funded by many major corporations across the country.

In general, however, trends in corporate arts funding are very situational. E. B. Knauft, in his recent study on corporate donations detailed in "The End of Another Myth" in Foundation News, discusses its rather unstructured nature. Exploring the long-held assumption that corporations give principally to headquarter communities, Knauft finds that the assumption is conditional—not on headquarter considerations alone—but also upon the number of employees involved. Companies with headquarters in a particular city—if those headquarters involve a large number of employees—give a large amount of their contributions budget to that city. If, however, the
headquarters do not involve a large number of people, especially if the city is a small and affluent suburb, the proportion is much smaller. Three key factors, therefore, are primary determinants of the extent of corporate philanthropy: if the company's headquarters are local, if there are a large number of employees at the headquarters, and if the community is not affluent, corporate support is thought to have the greatest impact.

This survey is not designed to examine the relationship of corporate demographics to corporate arts support; it is obvious, however, from response to the question, "Please list the nonprofit theatres funded by your corporation in the past year," that there are three dominant characteristics that seem to determine which theatres are funded: whether the theatre is a well established one, whether it is in the same community as the corporation, and the theatre's national reputation. There are few theatres listed in the corporate survey that do not have a fairly long-standing reputation, a characteristic that seems much more important than the type of productions offered. Several theatres supported by corporations in the survey sample offer new scripts and nontraditional productions--Woolly Mammoth, Puerto Rican Traveling Theatre, Negro Ensemble Company, Yale Repertory.

Theatre, American Repertory Theatre, Women's Theatre Project, Steppenwolf, Wisdom Bridge, Free Street Theatre, and Body Politic Theatre, to name a few. While these theatres are quite diverse, they do have a common denominator of being established in their communities. Although some have strong ethnic and/or minority connections and some academic affiliations—all frequently advantageous in appealing for corporate support—it is the proven support of a fairly broad community segment that seems to have strong corporate appeal.

An interesting tangent to Part IV is that there does seem to be a slight correlation between the percentages the respondents give to the arts and whether or not the they see theoretical corporate-arts similarities. Those businesses that see no similarities are, on the average, giving a smaller percentages of their contributions budget to the arts, perhaps an indication that the corporate executive with a broader perspective of social relationships is more willing to support that relationship.

Part V, Prospects for the Future, asks the same questions about corporate perceptions of future funding that were asked of nonprofit theatres. In response to a question about the status of the surveyed corporation's arts funding through the 1990s, the largest segment, forty-six percent, said that it would remain the same, while 33.3 percent said that it would increase; 12.7
percent said that it would decrease, and 7.9 percent were uncertain. These percentages are in marked contrast to the more optimistic feelings of theatre respondents to the same question—seventy-two percent were confident of an increase in corporate support, only 2.8 percent saw a decrease, and only 8.3 percent thought it would remain the same.

When questioned about the effects of mergers and acquisitions on their funding, 22.6 percent of the corporate respondents agreed that there was an effect, but the majority—77.4 percent—thought there would be none. Again, the theatre figures differ, and their concern about the corporate environment becomes evident, as 43.8 percent of the theatres think there has been a merger-acquisition effect, 30.1 percent say there has been no effect, and 26 percent of them are uncertain.

As for the effects of the new Tax Reform Law, only 1.6 percent of the corporate respondents see an effect on philanthropy, 21.3 percent are uncertain, and seventy-seven percent are convinced that there will be no effect. Theatres, again, are more pessimistic; while most of the theatre concern is about the effects of the Tax Reform Act on individual funding, 31.1 percent of them are worried about its effect on corporate support.

The nonprofit theatres are obviously anxious, understandably so, because of the uncertainty of support and
the unpredictability of the changing pressures on the corporate community. It is logical, therefore, that their anxiety level be higher than that of business, because these corporate changes could ultimately affect the survival of many arts organizations; any change, therefore, is seen as a threat.

Corporations were quite vocal in their answers to Question V-4 pertaining to the effects of President Reagan's pressure on business to pick up the slack of budget cuts; some thought there would definitely be an effect. "The percentage guideline probably will decrease slightly to compensate for the greatly increased need in major areas of housing, education, etc." "We will decrease the percentage to the arts." "It's tough to justify increases." "Uncertain--it would probably be substantially less." "Good question--however, we are continuing to decrease proportion of dollars going to the arts." One corporation was even more pessimistic--"How can we worry about the arts when there are so many other legitimate needs? Arts are frosting on the cake!"

The majority of the businesses were more optimistic, however, about maintaining their present level of arts support, and seemingly impervious to administration pressure. "We can't pick up the slack, and our budget for the arts will not decrease." "Already doing 47% health and welfare--enough!" "Our support of health and human
services is not instead of support to the arts. It is in addition to." Other corporations tersely said, "We don't need to justify!" and "Elect a new president!"

One of the principal rationales that companies used for not reducing arts funding was the contributions of the arts to the quality of life. "We will continue to fund arts and culture programs because they add to quality of life in our community. Forty-five percent of funds already go to social services projects." "To attract high quality workforce to this rural area." "The arts contribute to the vibrancy of a community and enhance the quality of life which both benefit our employees and customers--giving them a better place to live." "Arts are important to the economic development of a city--promotes tourism." "To enhance quality of life in our communities, particularly the headquarters community." "Corporation in Houston will continue to strongly support the arts locally, but will begin to target single social problems." "The arts are important for the health of a city, cutting our percentage is not a wise decision for the economic growth." "Culture plays a crucial role in 'quality of life' and can play a catalytic role in economic development of urban areas." "We shall continue a balanced program of giving. Man does not live by bread alone!"

William J. Smith, Community Relations Manager of Minnesota Mutual Life Insurance Company, answered, "The arts
contribute significantly to the quality of life in our community, but we are struggling with this problem in view of serious social problems in our community. My guess is we will continue to respond to the major arts programs but be selective."

Arlene Ehret of Time Insurance suggested more creative approaches: "We already give to health programs and social services and will continue to give. We might look to more creative/innovative ways to support the arts, i.e., commissioning a local artist to sculpt a bronze sculpture and clock for the Milwaukee County Zoo." Frisch's Restaurants commented that "Contributions to health programs, social services and to the 'arts' are equally important, but in different ways. The corporation endeavors to help society with its many problems, but it also must support the arts by keeping its rich traditions alive for future generations to learn and enjoy." And according to Springs Industries, "We take the long view. Our rationale for support of the arts is quite strong; we believe the arts are as important to a people as are adequate health and social services. Our arts support may change directions or decline as a percentage of a larger total of philanthropic budgets, but it will continue strongly for the future." Some pragmatic businesses recognize the marketing value of the arts: "Vital cultural institutions add significantly to the quality of life. As
a rule, grants to cultural organizations provide greater
donor recognition opportunities than grants in other
categories. Dollar for dollar, support of arts projects
provides better value than corporate advertising."

Looming ominously over the corporate arts support
issue, however, is AIDS. Not only has the disease had a
direct effect on the lives of people in the artistic
community, it now threatens to compete for philanthropic
support. The Pacific Mutual Company and Foundation have
given $45,899—or nine percent of their total annual
amount for philanthropy—to fight AIDS, almost equaling
the total for arts and culture.3 Another company
commented, "Hopefully our philanthropic budget will
increase to enable us to do both [health/social groups and
the arts], within reason. However, the AIDS epidemic is
having a bigger effect on the philanthropic budget than
anything, and foundations are struggling to decide if they
should fund the AIDS problem or not." Ironically, because
of the increasing numbers of people with AIDS, that
disease is rapidly is coming to the forefront of the
health-related programs that are in competition with the
arts for corporate philanthropy.

3Pacific Mutual Foundation and Pacific Financial Com-
panies1986 Annual Report to the Community, (Newport
In summary, a general corporate view of the arts is not easily categorized because of the complexity and diversity of the corporate community, but there are certain trends that emerge from the survey that arts organizations should be aware of in order to develop stronger alliances with the corporate community. From the survey responses, several attributes of the arts are particularly attractive to business. First, the arts outrank other philanthropic categories of religion, education, health, and social welfare in affording corporate visibility, in establishing a corporate image, and in offering more opportunity for social networking. The arts rank second to education in the ability to target a specific market, to offer employee benefits, and to enhance the workplace. Clearly, corporate respondents think the arts are cost effective in offering direct returns to business. On a cautionary note, the companies surveyed are obviously already convinced of the value of the arts. Each has given an annual minimum of ten thousand dollars to the arts in the past few years. It is helpful to note, however, exactly why these businesses find the arts an attractive investment. By capitalizing on what the arts have to offer business, arts organizations may be more successful in establishing and maintaining relationships with the corporate community.
Second, in comparing the performing arts with the visual arts, no strong differences in benefits emerge. Some small differences do exist, however, and it would be helpful to stress these differences when applying for corporate funding. Performing arts offer slightly more publicity, social networking opportunities, and employee benefits, and appear to have a stronger impact on the community—all undoubtedly because of the high visibility offered through audience potential. The visual arts, on the other hand, are seen as a slightly stronger corporate image-maker and as a better way of enhancing the workplace.

Third, while theatre does not outrank any of the performing arts in perceived benefits, it is second only to music in most areas. Theatre's development potential, therefore, appears relatively strong among the performing arts, especially if the theatre is located in the corporate community, allowing the theatre to take advantage of its strongest argument for support—impact on the local community. Inherent in this last rationale is the implication that, not only will the arts enrich the community, but they will be accessible to a large number of people. Business frequently measures effectiveness in terms of volume, and if the arts position themselves as serving a significant number of people, their chances of support increase.
Over half of the corporate respondents appear satisfied with their corporate-theatre relationships. Many businesses acknowledging the need for improvement stress stronger management skills, an area that is already an important factor in corporate culture, and a traditional, although limited, way for business to relate to the arts.

It is significant that theatre appears to have gone beyond this need to relate to business in managerial terms, and sees the need to expand the relationship through other means, especially through improved communication. Symptomatic of the need to explore other directions is business's apparent lack of interest in becoming more knowledgeable about the artistic process, its viewpoint of the arts as a business with a product, and its frequent lack of understanding of the nature of nonprofit organizations in general.

The social and theoretical relationships between the corporation and the arts are issues that have not been sufficiently explored, especially on the part of the business community. Frequently, the rationale used for arts support is quality of life and impact on the local community. While these arguments are certainly valid, their too frequent use--by both the arts and business--has made them catch-all phrases that do not seem to encourage further theoretical examination of the relationship.
It is evident from the survey response, however, that there are many people in the corporate community who are fully aware of the complementary nature of the arts and business, but it should be remembered that the survey sample consists of corporate arts advocates. Not heard from are the majority of businesses that do not support the arts.

The surveyed corporations are guardedly optimistic about arts support during the 1990s. Almost eighty percent think that their arts funding will either remain the same or increase; very few think that it will decrease. As with the theatre sample, many business respondents are taking a "wait and see" attitude about the effects of environmental factors on their philanthropy. The major impact of the unpredictable economic environment on corporate arts philanthropy is to prompt a vast reexamination of corporate policy on philanthropy, and while it has caused many businesses to lower or drop arts funding, it has also been responsible for the fact that many other companies are now better able to articulate their rationales for support of the arts.
CHAPTER VII

THE EFFECTS OF EXTERNAL PRESSURES ON THE CORPORATE-ARTS RELATIONSHIP

Several environmental factors—political, social, and economic—have the potential for influencing corporate arts support through the 1990s. Political influence on the arts is quite visible, particularly at the federal level. As discussed in Chapter II, the Reagan administration has not been kind to the arts, especially when compared to arts support from past Presidents Kennedy, Johnson, Nixon, and Carter. While Presidents cannot directly affect corporate philanthropy, they can create an atmosphere that is either favorable or unfavorable to the arts. This atmosphere is especially obvious in the way arts policy reflects on appropriations for the National Endowment for the Arts, the most visible symbol of the extent of administrative arts support.

The state of the economy is also a determining factor in the health of philanthropy, which, as a percentage of pretax profits, is often linked to a company's earnings. Atlantic Richfield and Exxon, for example, have experienced reduced earnings, resulting in cutbacks in arts
support. Another economic factor, more indirect but still threatening, is the stock market plunge of 1987. The stock market, "the economy's most visible showplace for the waxing and waning of wealth and confidence," dropped over five hundred points in one day of trading in the fall of 1987, sending shock waves through the country, especially in the business community—and in nonprofit organizations. This sudden phenomenon invalidated economic forecasts, making the economy seem unpredictable. In the weeks that followed, many economic forecasters, uncertain of the reasons for the sudden drop, predicted a dire future for the economy.

While those predictions have not happened, it is obvious that economic forecasting models no longer have the credibility that they once had. One of the principal legacies of the 1987 stock market plunge may indeed by a decline in consumer confidence and a growing economic uncertainty. Richard West, dean of New York University's Graduate School of Business, said that the plunge "was a little like seeing the atom bomb go off. Once you've seen

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it, you know it could happen again. The world has changed."³

Six months have passed since that unpredicted event, and although consumer spending has slowed, it still remains healthy. Continuing economic uncertainty is evidenced, however, in the widely varying predictions about the economy in the coming years. While many forecasters are looking for a continuing growth—albeit much slower—others are forecasting a recession, and a few even a stock market crash.

The key economic factor as far as arts organizations are concerned—uncertainty—is one of the many environmental problems besetting corporations, and it is certainly a restricting factor in a corporation's decision about the extent of its support of nonprofit organizations.

Politics and economics are just a few of the forces affecting the corporate arts alliance, and while the effects of these forces are somewhat straightforward, other factors are more complex and unpredictable in their influence on corporate philanthropy. Some of the potentially significant corporate pressures are discussed in this chapter—mergers, acquisitions, and the resulting globalization of business, the 1986 Tax Reform Act, and

³Glaberson, p. 1.
the new but growing interest in liberal arts education at the corporate management level.

**The Effects of Mergers and Acquisitions**

Industrial consolidation is not a new phenomenon; since the end of the nineteenth century American businesses have been buying and selling each other. The issue of corporate mergers has been fully examined and its effects documented, but it is only since the late 1970s that an awareness of the effect of corporate mergers on corporate philanthropy has begun to emerge. It is the purpose of this section to study the effect of corporate mergers and acquisitions upon corporate philanthropy, particularly their influence upon funding of the arts.

Mergers and acquisitions are just two forms of corporate alliances, but because they are the ones primarily responsible for corporate restructuring in the eighties—and thus an influence on corporate philanthropy—they are the only ones examined in this chapter. A corporate merger is "the absorption of one company, by another, latter retaining its own name and identity and acquiring assets, liabilities, franchises and powers of former and absorbed company ceasing to exist as a separate
business entity." When Gulf Oil, for example, merged with Chevron Oil, Gulf was completely dismantled and ceased to exist. When a company is acquired, however, it becomes a subsidiary of the acquiring company. In 1986 R. J. Reynolds acquired Nabisco Brands and Heublein, both of which have retained their separate identities. The term "takeover" is a colloquialism for either mergers or acquisitions. Although the terms are used interchangeably, whether a company has been merged or acquired can have significant influence on a company's philanthropy, as will be seen later in this section.

In order to understand what the current frenzy of corporate restructuring implies for the arts, it is important to examine briefly how this phenomenon has evolved. There have been four significant periods of merger activity in this century, each with its own characteristics. The first, peaking between 1889 and

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6 Ibid.

1902, consisted of mergers that created monopolies, where "only a few firms dominate the total sales of a product or service." The second, coming to a head in the second half of the 1920s, consisted of mergers of related companies, but the new antitrust law prevented the creation of monopolies. Mergers of unrelated companies, creating large conglomerates, marked the third period of activity in the late 1960s. The present period of corporate alliances, beginning in the mid seventies, is characterized by the merging of conglomerates. Mergers of related businesses in the early part of the century have developed into mega-mergers of colossal, highly diversified conglomerates in the eighties, creating the strongest outbreak of industrial restructuring in U.S. history.

Not only has the size of the companies involved increased, but the amount of money required for takeover activity has grown at an exponential rate. The value of mergers and acquisitions reached $190 billion in 1986—over double what it was in 1982. There were over five times as many $1 billion takeovers in 1986 as in 1983, and seventy-five of the largest one hundred mergers

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8Black, p. 908.

in history took place after 1981.10 In 1985 alone there were more than thirty mergers worth at least one billion dollars each.11 Because of the astronomical profits—usually for lawyers, brokers, investment syndicates, and bankers—there have been an unprecedented number of corporate takeovers in the past few years. In the most lucrative leveraged buyout ever, for example, the big takeover firm of Kohlberg Kravis Roberts and Company made an unprecedented three billion dollar profit in its 1987 takeover of the conglomerate Beatrice Foods, Inc.12 In 1986 alone there were 4,022 takeovers in this country.13 Democratic Representative Timothy Wirth, who chaired a House subcommittee that studied acquisitions, said "These mergers and takeovers are having as profound an impact on the American economy as the advent of the great railroads, the airplane and the telephone."14


11John Greenwald, "Let's Make a Deal," Time, 23 December 1985, p. 44.


14Greenwald, p. 43.
This phenomenal merger growth is nurtured by the hands-off policy of the Reagan administration, which sees bigger as better. According to Beryl Sprinkel, chairman of the President's Council on Economic Advisers, "They [mergers and acquisitions] improve efficiency, transfer scarce resources to higher valued uses and stimulate effective corporate management."\(^{15}\) Although many mergers make good sense, just as many do not. As a result, over forty percent of big mergers between 1974 and 1982 failed. Critics see mergers as disruptive because of focus on short-term profits rather than long-term efforts at improving marketplace competition.\(^{16}\) The gargantuan debt involved in both takeovers and attempts to ward off takeovers is not only far surpassing what is now spent on research and development and investment,\(^{17}\) more significantly, for the purposes of this study, it is depleting the reserve available for the support of nonprofit causes. William S. Woodside, executive committee chairman of the Primerica Corporation, said new corporate executives are so concerned with survival that "it becomes positively


\(^{16}\) Greenwald, pp. 45-47.

\(^{17}\) Adams and Brock, p. 3.
un-American to look at anything except their own bottom line.18

The implications of this phenomenon for philanthropy in general and the arts specifically are enormous. First, corporate restructuring is unsettling to companies involved, and as a result of uncertainty about policy revisions from the takeover company, business as usual comes to a halt until corporate culture clash eases and policy issues are resolved. Integration can take months to achieve, and philanthropic issues do not usually have a high priority.19 Second, and more importantly, the merging of two companies does not necessarily mean that the resulting philanthropy is equal to the sum of the two parts. "Two merged companies always give less than the sum of the companies' independent programs," according to Phyllis Quan, a philanthropy consultant.20 Petrogian Gulf Oil, for example, had strong cultural ties to its headquarters city of Pittsburgh through substantial donations to Carnegie Institute, University of Pittsburgh, Pittsburgh Ballet, Pittsburgh Opera and the Pittsburgh


Symphony Orchestra. After its takeover by Chevron, which was based in San Francisco with no ties to Pittsburgh, Gulf Oil headquarters was dismantled, and although Chevron agreed to pay off Gulf's existing philanthropy, no further funding commitments were forthcoming.21

Fortunately, however, the picture is not always so bleak; when R.J. Reynolds Industries, a substantial non-profit supporter, acquired Nabisco Brands and Heublein, Reynolds executives urged the new subsidiaries to increase their level of contributions to match those of R.J. Reynolds.22

Many corporations think that the current merger atmosphere has no effect on philanthropy. Of the sixty-four corporations that responded to the survey discussed in Chapter VI, fifty-five chose to answer the question "Has the increase in corporate mergers and acquisitions during the last three years had any effect on the level of your corporate arts philanthropy?"23 Seventy-eight percent of those responding said that mergers and acquisitions had no effect on their philanthropy, while twenty-two percent thought it did have some effect, most of that negative.


23Unless otherwise cited, survey notes are based on author's surveys discussed in Chapters V and VI and are not hereafter cited separately.
Many said simply that there was less giving; sometimes it was a matter of contribution budget-cutting, sometimes realigned priorities. One respondent commented that "with the merger of old San Francisco firms into larger eastern U.S. firms, priorities have changed. Some eastern firms prefer more exposure for their grants and choose other areas for exposure."

But the views are not all pessimistic. Nine percent of the respondents reported increases in corporate philanthropy due to mergers—"10% annual increase since 1984 merger," "merger of two foundations, giving us a bigger endowment, which generates more income and therefore more giving," and most interestingly, "We represent firms in mergers and acquisitions. Clients may request contributions to activities in which they are interested. The more business we do, the more requests we get." As was mentioned earlier in the chapter, it is the intermediaries who stand to profit significantly from takeovers; it is unfortunate for the arts, however, that funding has to come through such a circuitous route. In general, corporations do not think that mergers have significantly affected their philanthropy, according to the survey.

Although many corporations are denying the effect of mergers on philanthropy, nonprofit professional theatre is not so certain. Of the seventy Theatre Communications Group member theatres responding to the survey, only
thirty percent think that there has been no merger effect. Twenty-four percent are uncertain, while a significant forty-three percent are convinced that there is a detrimental merger effect. Many theatres complain of cut-backs, while others point to company relocations—"a strong supporter was merged and moved to Houston," "corporations move their headquarters out of state," "our city lost its largest corporate headquarters, resulting in the loss of substantial funding," "lost local base of funders," "fewer locally owned corporations with an interest in the community," and "decision makers no longer interested in local affairs." In addition to lack of interest in community affairs, some corporations are making it clear that they want to be left alone during merger periods—"people/corporations put us off during transitions; some keep low donation profile to avoid attracting attention" and "one corporation sent letters to all local arts groups saying not to even ask." Gian Paul Morelli, managing director of Madison Repertory Theatre, commented that mergers have "eroded top management confidence, and, therefore, the ability of the company to take a strong stand with regard to the arts. Additionally, mergers succeed in constantly changing the players, making 'courting' very difficult." There is strong concern from nonprofit theatres about the effects of mergers on their financial health; that concern ranges
from smaller theatres with budgets of $100 thousand to larger ones with budgets over $5 million.

While mergers have caused a decline in much corporate arts funding, several theatres noted that they have survived by seeking new donors to replace declining theatre funding by increasing their base of corporate support. Several theatres profited from one-time gifts which they attributed to mergers—"some larger, one-time gifts have been secured," and "flat gifts from several major businesses." Ellen Barry, producing director of the New Jersey Shakespeare Festival, said that mergers "may have contributed to the increased gifts we have received." The signals about the effect of corporate consolidation on philanthropy are mixed; while business appears optimistic about "business as usual" from contributions offices, the nonprofit professional theatre is clearly concerned about business' willingness to maintain its present level of support.

Concern about corporate arts support among nonprofit theatres is indicative of a general consensus of opinion that the tremendous growth in corporate philanthropy in the early 1980s is slowing. The Conference Board reported that in late 1986, many large corporations were cutting
charitable programs and contributions staffs.\textsuperscript{24} The extent of the cuts and the direct effect of corporate mergers may not be known for some time. Some takeover companies are reluctant to withdraw corporate contributions all at once, in order to appear as an asset to the community.\textsuperscript{25} Mergers and acquisitions are only one contributing factor; corporations are also pressured by foreign competition and declining profits. Corporate takeovers, however, must surely be counted as one of the major influences contributing to growing corporate uncertainty about the future extent of corporate philanthropy.

In spite of the instability of corporate philanthropy, certain trends have developed that make it possible to draw some tentative conclusions about the effects of takeovers on corporate arts funding. First, local arts groups are more likely to suffer from withdrawal of funds than national organizations. Local cuts are especially severe when the target company is dismantled, as Gulf was in Pittsburgh, or when facilities are relocated. When the target company is only acquired and maintains its presence in the community, however, the cuts


tend to be much smaller. Nonprofit arts groups with high national profiles do not suffer the same degree of corporate cutbacks; their visibility assures the supporting corporation a good return on its dollar, no matter where the corporate headquarters are located.

Second, most major corporations feel obliged to support cultural programs to some degree, and that support is usually between five and fifteen percent of their total corporate funding. Although the rate of corporate arts funding may be slowing, the effect of mega-mergers on arts funding is not going to fluctuate drastically, especially when the recipients are national arts organizations.

Third, the adverse effects of cuts in arts funding is somewhat alleviated when the arts organization has diversified its base of support; when a donor withdraws its commitment, sufficient funding remains so that financial vulnerability is reduced. The trend of smaller contributions from a larger donor base means that the arts have to work harder for the funding dollar. Thus, the restructuring of corporate culture ultimately redirects more arts management focus from artistic product to financial survival, which in itself could portend a fundamental philosophical shift in artistic policy.

26 Ibid.

The Effects of Globalization

Richard J. Barber in The American Corporation, written in 1970, said, "Long strides have been taken in the last twenty-five years toward a genuine world economy and by the end of the century . . . it will make no more sense to consider the United States a separate economy than it would Delaware, Iowa, or Oregon."28 The end of the century is not yet here, but a world economy is. Decades ago American corporations began to extend their marketplace beyond their national boundaries. Dr. Antonie Knopper, President of Merck and Company, said that the modern corporation is "... an enterprise that sees the world or a goodly portion of it as its market and acts to make the most of its opportunities on a supra-national basis."29 Ford Motor Company, once thought of as the epitome of American industry, is today an example of a giant multinational corporation. Robert Stevens, Executive Vice President of Ford's International Operations, commented that "It is our goal to be in every single country there is, Iron Curtain countries, Russia, China.


We at Ford Motor Company look at a world map without boundaries. We don't consider ourselves basically an American company. We are a multinational company. And when we approach a government that doesn't like the U. S., we always say, 'Who do you like? Britain? Germany? We carry a lot of flags.' "American business is global business. To put it in comparative terms, only twenty-two countries in 1977 had Gross National Products larger than the total annual sales of Exxon and General Motors; stated in other terms, "of the 110 largest economic entities in the world, forty-nine are corporations." 

International investing is not a one-way street, however; major changes have occurred in the global economy that have led to what Madelon Talley, an investment manager for Rothschild, Inc., calls a "multi-lane highway" of investment. While twenty-five years ago, seventy-five percent of the world's equity was in this country, today only forty percent of that equity remains. As other countries are becoming more competitive on the corporate scene, the industrial dominance of the


31Munkirs, pp. 193-196.

United States is on the decline. This reshuffling of economic power is giving other countries the financial capability of foreign investments of their own—much of it in the United States.

In the mid-seventies a significant amount of foreign investment in this country was Arabian, in the early eighties it was British, and in the mid eighties it is Japanese. Japanese banks control ten percent of all American banking assets and over eleven percent of all foreign investment in the U. S. Compared with Japan's two percent investment in 1975, it becomes apparent that Japan's stock in this country has assumed substantial proportions in the eighties. Martin Mayer, commenting on Japan's corporate presence in this country, compares it to "a 400-pound gorilla who will rearrange the furniture while deciding where he wants to sit."

The multinational thrust of business carries with it several implications for corporate philanthropy and arts support—not only in the U. S., but in other countries as well. International and domestic philanthropy have similar characteristics—some corporate support programs are tightly controlled by the headquarters in the U.S., while others are decided by the foreign subsidiaries; some

33Munkirs, p. 49.

are channeled through the corporation, others through a
corporate foundation; some are tied directly to marketing
expenses and others are labeled philanthropy; and many are
directly related to interests of the business, while
others are not related at all.35

Not only are there similarities in corporate avenues
of philanthropy; international corporate philanthropy is
beginning to appreciate the cost-effectiveness of cause-related marketing. The Fund for Multinational Management
Education (FMME), a nonprofit institution that studies
international philanthropy, has held workshops to teach
international nonprofits "to look at their programs in a
new way and to tailor their appeals to corporations as
business partnerships, rather than as traditional outlets
for corporate largesse."36 The international potential
for this approach is interesting and somewhat ironic; it
is indisputable that this course has its benefits—it puts
the nonprofit organization on the same level as the cor-
poration, and it allows the organization to appeal to the
corporation in a language that it understands, certainly
two very strong points supporting this philanthropic
concept. Ironically, however, the European tradition of
patronage that became the foundation for American

35 Tom Fox, "New Partnerships in International Corporate
36Fox, p. 50.
philanthropy, which has evolved into "cause-related" marketing, has come full circle by being reintroduced into the European nonprofit community as something totally American. Just as American culture has permeated and supplanted various other cultures, so American philanthropic principles—by their dual nature of being cost effective and image-making at the same time—are proving irresistible to voluntary organizations in other countries. The implications of this course for the arts in other countries are obvious—gearing artistic goals to marketing guidelines is potentially limiting to artistic vision.

Some countries with no tradition of philanthropy develop interest in support of nonprofits after investing in the U. S. economy. Up until the 1970s, for example, Japan had no concept of private philanthropy. A group of major corporate leaders became interested in American philanthropy, and with the help of the Council on Foundations started the Asian Community Trust, the first mechanism for private-sector economic assistance in Japan.37 That move over a decade ago has had significant impact in the eighties—in 1988, Japanese corporations, led by business leaders interested in the visual arts, have become some of the world's largest art collectors.

Significantly, Japanese corporations own about twenty percent of the art museums in Japan, due mainly to a tax system which makes private art collections prohibitive.\(^38\) Although it is difficult to establish a direct cause and effect relationship between government arts policy and corporate arts philanthropy, it is certainly probable that lack of government arts policy has much to do with the fact that Japanese corporations have become that country's major arts patron by default. Government arts subsidy is modest, and no tax incentives are offered for individual patronage.\(^39\)

Major corporate arts patronage in Japan, however, does not necessarily translate into arts support from American corporations that have been taken over by Japanese corporations. Judith Jedlicka of the Business Committee for the Arts contends that foreign takeovers of American corporations have played a role in dwindling corporate arts support because the takeover company does not have a clear understanding of philanthropy in this country.\(^40\)


\(^{39}\)Ibid., p. 55.

That generalization, however, is not always valid. Sarah Kahrl, author of *Columbus Supports the Arts: Corporate and Foundation Profiles*, points to the situational nature of the effect of foreign presence on corporate philanthropy. Honda of Marysville, Ohio, for example, is usually not interested in support of nonprofit organizations, although they did give a one thousand dollar grant to Ballet Metropolitan of Columbus because of the presence of one of their managers on the Ballet's board of directors. Sherex Chemical Company, on the other hand, is a division of a West German company, Schering A. G. Schering's executive officers in Germany are very involved in opera, and this arts tendency carries over into Sherex's support of local arts groups, both in Germany and in central Ohio.\(^{41}\) Another Columbus company, Hagglunds-Denison, was recently purchased by ASAE, a Swedish multinational company, and while Hagglund's philanthropic approach tends to be conservative, they are very aware of the corporate advantages in enriching the cultural life of the community.\(^{42}\) Some cultural characteristics may account for foreign attitudes toward nonprofit support, especially if the country has a strong

\(^{41}\)Sarah Kahrl, Columbus arts consultant, telephone interview by the author, 7 April 1988.

\(^{42}\)Sarah Kahrl, *Columbus Supports the Arts: Corporate and Foundation Profiles* (Columbus, OH: Greater Columbus Arts Council, 1987), p. 41.
tradition of government subsidy, but in general, according to Kahrl, the effect of foreign takeovers on philanthropy depends more on the individual takeover company than on cultural characteristics.\textsuperscript{43}

As an extension of the merger activity in this country, industrial globalization has much potential for changing corporate philanthropy. It is difficult to categorize this influence in and of itself, however. The effects of internationalization of corporate arts support are only magnifications of the same problems encountered in domestic takeovers, with one additional factor—the introduction of another culture. The new culture may or may not have a tradition of corporate support of nonprofit organizations.

\textbf{The Effects of the 1986 Tax Reform Act}

The new 1986 Tax Reform Act has set into motion sweeping changes in the ways that people save, invest, earn, and spend their money, changes that favor the individual by lowering the tax rate. To counterbalance the loss of revenue, many tax breaks have been eliminated. These far-reaching revisions in the act are quite controversial; there is much uncertainty about its effects,

\textsuperscript{43}Kahrl interview.
and only the passage of time will point out its problems and benefits. It appears from the outset, however, that the act has the potential for causing significant shifting of funding for the arts. This chapter will examine the ways in which the Tax Reform Act might influence changes in arts support, what impact these might have on corporate arts philanthropy, and whether or not they will actually occur. Although the new act is not directed at charities, nor is it concerned with where the taxpayers' money goes, it is interested in how money is deducted, and for that reason the Tax Reform Act affects every taxpayer in this country, whether they give to charity or not.44

The most problematic tax change for nonprofit organizations is the elimination of charitable deductions for people who do not itemize. The charitable deduction has a long history, having been part of the tax law since 1917. It has two principal rationales—to sustain the level of giving in the face of rising tax rates and to recognize the fact that personal income given to charity should not be taxed because it does not enrich the donor.45 The 1986 revision has changed that ruling for

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44Michael Fellows, Director of Taxes and Estates, The Ohio State University Campaign, interview by the author, Columbus, Ohio, 7 May 1987.

the first time since 1917, and fund raisers are worried. Recognizing that the largest sector of donors is composed of individuals, it is assumed that the deduction is, in large part, the prime motivation for charitable giving—an assumption that is arguable. Anxiety about the potential impact of eliminating the nonitemizer charitable deduction on the level of philanthropy is based on that assumption.

The Tax Reform Act poses an additional problem for nonprofits—a new lower tax rate for taxpayers who itemize. Before the 1986 revision, there were fourteen tax brackets, ranging from eleven percent to fifty percent. Beginning in 1988, however, there are only two tax brackets—fifteen percent and twenty-eight percent. This change in tax brackets could have various effects. Obviously, there will be more disposable income, which might bode well for nonprofits. On the other hand, a charitable deduction in a twenty-eight percent tax bracket is not going to have the same value as one in a fifty percent tax bracket. The combined effect of elimination of the charitable deduction and reduction of the tax brackets could increase the number of people who do not itemize from sixty-two percent to eighty percent.


significantly realigning the tax incentive of charitable deductions. The Tax Reform Act has also removed tax incentives for wealthy individuals who make gifts of appreciated property. This change is expected to affect museums and libraries, the primary recipients of such gifts.

Critics are especially concerned about the effect of dropping charitable deductions for nonitemizers. Charles Lawson, a fund raising consultant, commented that this deduction was "a training ground for future donors. It encouraged people of modest income to get into the habit of giving." Nathan Leventhal, president of Lincoln Center, said "It seems a little inconsistent to me for the Administration to be continually emphasizing the importance of private voluntary support of the arts, while at the same time reducing tax incentives for that private support. Arts organizations will feel the pinch of this whipsaw action." While neither the elimination of nonitemizer charitable deductions nor the change in tax

48 Molotsky, p. 37.
brackets will directly affect corporate arts philanthropy, if the tax reform reduces one sector of the philanthropic formula, pressure will undoubtedly increase in the other sectors—corporations and foundations—to replace the loss. The Independent Sector, a Washington-based coalition of nonprofit organizations, predicted that the lower tax rate would cost nonprofits approximately $6 billion annually, and the loss of the charitable deduction for nonitemizers would cost an additional $7 billion.52

There are also ways in which the corporate arts relationship is directly affected by the revised act—specifically in the ways that corporations and employees handle business and entertainment deductions. The deductible amount on unreimbursed business entertainment expense goes now into a catch-all miscellaneous category that is deductible only to the extent that the amount in this category exceeds two percent of the employee's annual gross income.53 The employer's portion is also affected, limited to eighty percent of the entertainment expense, provided that "it directly precedes or follows a substantial and bona fide business ... related discussion."54

52Holley, p. 28.


54Grossman, p. 120.
The former tax law allowed for a one hundred percent deduction for entertainment expenses, without the stringent rules that now apply to business related expenses. Critics cite this part of the revised act as having a potentially eroding effect on performing arts ticket sales because of the reduction in deductible incentives, again assuming a direct relationship between tax incentives and ticket sales.

In addition to the revised allowable for entertainment expenses, corporations are directly affected by changes in their tax rates. Business as a whole could suffer, as it is expected to make up much of the loss incurred from lowering individual tax rates. Industries facing substantial tax increases are those that are capital-intensive. In the past, heavy industry traditionally benefited the most from tax breaks on plant and equipment. Other industries will have reduced taxes, especially those that are labor intensive, such as apparel, insurance and securities brokers, business services, and newspaper publishing. Those industries that will suffer the most are railroads, automobile manufacturers, airlines, oil companies, and telecommunications (including the film industry)—all heavy users of invest-

55Molotsky, p. 37.
ment tax credit and depreciation. While this realigning of the corporate tax burden may not seem related to the arts, it actually has a direct bearing on which types of businesses may be more open to funding approaches from fund raisers.

There are several other tax revisions that directly affect the arts—the elimination of income averaging, of particular importance to free-lance artists; the elimination of limited tax exclusion for unemployment compensation, certainly a prime income source for many artists; and, on the plus side, the exclusion of performing artists from a two percent floor on employee expenses. While these new conditions are important to artists, they do not have any bearing on philanthropy or corporate arts support.

The effect of the Tax Reform Act on philanthropy is debatable. On one hand, many feel that tax incentives are necessary to insure a consistent level of charitable giving. Commenting on the significance of altruism versus tax incentives as a motive for philanthropy, Bill Kliwer, an officer of World Vision, an international relief agency, said "They give out of the goodness of their


57 Holley, p. 28.
heart, but at some point they look at the bottom line." 58

Many critics are basing their concerns on a 1986 report by Harvard University economist Lawrence B. Lindsey, who predicts that the effects of the tax revisions will reduce philanthropy by about $13 billion a year, or sixteen percent. 59

The Reagan administration and other supporters of the act refute the doomsayers, however, citing the lower tax rate that will give people more disposable income to contribute to causes they believe in. This argument will certainly be a prime selling point to prospective charitable donors. Dale A. Petroskey, a White House spokesman, said: "We have always thought that the American people do not contribute to charitable causes just for tax deduction purposes." 60 Samuel Lipman, publisher of The New Criterion, contends that the old tax structure that allowed deductions for philanthropy was illusory; while it seemed that the deductions were creating a class of patrons, in actuality the gifts were relatively cost-free. "It is not enough," Lipman argued, "for a donor to give money. He should give part of his life, representing some commitment to the arts. The best patronage is

58 Molotsky, p. 37.


60 Molotsky, p. 37.
motivated not by tax considerations, but by love and knowledge of art.\textsuperscript{61} And certainly, it can be argued that arts philanthropy existed long before there were tax incentives to support it.

Now that the first phases of the Tax Reform Act have been implemented, just how correct are its critics and supporters? Is the act making fund raising more difficult, and will nonprofits suffer from reduced funding? Will the increased tax on segments of business reduce investments, hurt profits, and reduce corporate support of nonprofits? The arts are obviously concerned. In the survey of theatre members of the Theatre Communications Group, eighty-three percent of the respondents expressed anxiety about the act's effect on outside support, while seven percent were uncertain, and ten percent said that the Tax Reform Act would have no effect at all.\textsuperscript{62} One of the positive side effects for some theatres was the stepping up of advance payments on multi-year pledges to take advantage of early tax breaks. Of the eighty-three percent who thought the tax revisions would reduce funding, by far the largest segment—sixty-four percent—predicted that the reduction would most likely be in the

\textsuperscript{61}\textit{Pear, p. 13.}

\textsuperscript{62}Unless otherwise cited, survey notes are based on author's surveys discussed in Chapters V and VI and are not hereafter cited separately.
area of individual support—"People will be less likely to
give; we are already seeing this happen; people in this
area are quite vocal about it." Thirty-six percent of the
responding theatres are worried about corporate support,
and slightly smaller segments of twenty-eight and twenty-
two percent respectively thought there would be a decline
in corporate and private foundation support—"corporate
donations have already declined since passage of the law,"
and "It may be more difficult to get new corporate grants,
and the amounts of corporate grants may not increase at a
consistent rate."

While many are concerned about individual funding,
the signals are mixed at best about future support, some
theatres having found loyal corporate supporters—"Our
corporate contributions are from companies deeply com-
mitted to arts support"—others are unclear—"the new
laws are so confusing"—and some think that the Tax Reform
Act would have no effect because "people give to our
organization because they believe in what we do, not for
tax deduction." One theatre very perceptively commented
that the effects of the tax changes are more psychological
than financial.

Corporations, on the other hand, are more optimistic
about maintaining their present level of support. When
asked if the new act would have any effect of their
corporate philanthropy, seventy-three percent said that it would not, while fourteen percent were uncertain.

Because philanthropy is so essential to the financial health of arts organizations, they are understandably concerned about the effects of the Tax Reform Act on nonprofit support. The present psychological climate of fund raising is precarious, not only because of the tax changes, but because of additional factors of mergers and acquisitions and declining profits. It is therefore not surprising to find that the majority of the nonprofit theatre respondents are anxious about funding reductions.

There are, however, some positive economic signs for fund raisers. The anticipated downturn in business investment, for example, has not occurred; investment has held its own and even increased, although some experts still predict an eventual decline. More importantly, Lindsey's prediction of a decline in philanthropy has so far not been evident. Lawrence Clancy, a vice president of the Association of Fund Raising Counsel, said that tax reform is having no effect on contributions.

If, in the long run, tax reform supporters are correct in their predictions, the long-held assumption that there is a primary relationship between tax law--and

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64Ibid.
specifically tax benefits—and an individual's giving may be flawed. Certainly charitable deductions offer an immediate and visible incentive for philanthropy; other tax benefits are to be had in the setting up of private philanthropic foundations. But whether the philanthropist is an individual giving a small amount or a multimillionaire donating millions of dollars, one of the common motivations for giving still remains the desire to do good, to be socially responsible, and to contribute to the general welfare. Individual philanthropy in this country is all out of proportion to the population size or the gross national product; it has always been the single largest group of givers. Even taking into consideration comparative levels of income, Americans give on the average of six times what the average Briton gives, more than can be attributed to tax incentives.65

While many philanthropists wish to remain anonymous, others give for the visibility it affords. One has only to be aware of the European history of arts patronage, as outlined in Chapter I, to realize that historically tax law has never been a motivation for giving. European arts patronage was motivated by perceived symbols and perceived benefits, just as much modern arts patronage is motivated by the same desire—to be seen and recognized—whether the

65Harold Evans, "How Big is America's Heart?" U. S. News & World Report, 1 September 1986, p. 72.
philanthropist is an individual or a corporation. Just as an individual has a personality, so a corporation has its own individual characteristics. The same kind of influences that shape individual giving shape corporate giving—a desire to be seen. Studies such as the one conducted by Lawrence Lindsey on the decline of philanthropy due to loss of tax incentives base their predictions on the assumption that there is a primary relationship between tax law and philanthropy and on statistics, which cannot measure the intangibles that have historically motivated arts patronage.66

Confusion about the effects of the new Tax Reform Act on nonprofits will continue for some time. New laws will probably be introduced this year by federal and state agencies, the courts, and state legislatures that will continue to affect tax exemptions, fund raising, and charitable giving.67 The relationship of arts organizations with their financial supporters is in a state of flux within a complex matrix of social, economic, and political pressures. Nineteen eighty-eight will continue to be an uncertain and confusing time for nonprofits.

66Fellows interview.

Much modern corporate thought appears to be motivated by a drive for profits that results in short-term planning rather than long-term goals.\textsuperscript{68} This bottom-line emphasis has been the major influence on corporate philanthropy and nonprofit organizations that receive it, especially the arts. As previously discussed in this study, corporations supporting the arts are concerned that their philanthropic dollar be as cost effective as possible, a major concern that is evidenced in two ways. First, corporations generally support only arts organizations with established fiscal and administrative management, and second, many corporations have begun to link their arts support with marketing goals—a phenomenon known as "cause-related marketing."

In the corporate push for philanthropic cost-effectiveness, the arts ultimately suffer. In "The Artistic Home: Discussions with Artistic Directors of America's Institutional Theatres," current concerns of artistic directors are addressed, and one of the principal misgivings is the need for "better imaginations and more opportunities to activate what they imagine." Several conditions prevent this from happening, but they

can all be categorized as lack of flexibility. Budgets prevent the production of many large scale plays, so most seasons focus on small cast single set plays, forcing playwrights to shy away from artistic choices that could lead to larger budgets. Subscription seasons lead to rigid schedules that cannot be deviated from; one artistic director lamented, "[W]e try too hard to make the creative process efficient. We go on as if each play can be shaped with the same cookie cutter: three-and-a-half weeks of rehearsal, two techs, a handful of dress rehearsals and previews, run and close. We're not making cookies. We're bringing something new to life. That takes time."69 Corporate cost-effectiveness has translated directly into artistic inflexibility.

In the focus on financial survival, the ability to imagine and to be flexible is constrained, ultimately resulting in an artistic homogeneity. Artistic directors are fearful that "their visions, and the work they produce, get watered down until theatres come to resemble each other, and eccentricity, one of the theatre's most attractive features, vanishes from the stage."70 It is ironic that business recognizes its own need for research

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70 Ibid., p. 33.
and development, but insists on bottom line results in the arts. 71

The arts are not the only institutions concerned about the narrow focus on assets and liabilities. Many corporate executives are worried that a strict emphasis on financial indicators may be detrimental to a company in the long run. 72 Much of this concern about profits and management of assets can be attributed to the technical skills approach used by most schools of business, and many corporate executives have begun to recognize the limitations of business schools in training future corporate leaders. While the Master of Business Administration (M.B.A.) degree assures technical competence, it does not assure managerial expertise. Many corporate leaders, disappointed in those offerings, have turned in other directions. Instead of looking for business school graduates, some companies are hiring liberal arts majors as junior executives, convinced that technical skills can be easily taught, but that the ability to reason situationally and to deal with managerial problems is more suited to the liberal arts background. Others are utilizing the classics of literature, philosophy, history, and drama to increase leadership and management skills.

71Ibid.

The Hartwick Humanities in Management Institute, at Hartwick College in Oneonta, N.Y., was founded on the belief that management—corporate or otherwise—is one of the humanities, and that the best way to learn management skills is through the classics. The Institute has a two and a half year history of various forms of corporate development work, specifically through banks and insurance companies, traditionally large supporters of the arts. Aetna Life and Casualty, one of the Humanities in Management Institute's customers and a strong supporter of the arts, gave almost $7 million to nonprofit organizations in 1985, with eight percent going to arts and cultural groups.

While it might be hoped that a direct connection could be traced between a corporation's awareness of the value of arts and humanities to its level of management expertise and its resulting financial philanthropic support of arts and humanities, no such relationship has been established. According to John Clemens, director of The Hartwick Humanities in Management Institute, however, there is a predisposition in that direction because

73John Clemens, Director of The Hartwick Humanities in Management Institute, Hartwick College, telephone interview by the author, 7 April 1988.

corporate executives have been sensitized to the value of arts and literature through the Humanities in Management approach, certainly a healthy move that relates in a practical and visible way to the need to nurture corporate philanthropy to the arts and humanities.\textsuperscript{75}

Corporate use of the Humanities in Management approach and the recognition of the value of liberal arts training at the executive level does not have the magnitude of the other forces that shape philanthropy. What is exciting about the corporate use of humanities, however, is its potential for developing support for the arts from within the corporate community. The ideal situation, of course, would be for the corporation to approach the arts. That will rarely happen, but making corporate executives aware of the value of the arts and humanities can help nurture a recognition of business' relationship with other social institutions.

\textsuperscript{75}Clemens interview.
CONCLUSION

The modern corporate-arts relationship has a rich tradition, and by placing the alliance in historical context, its condition in the next decade can be more accurately predicted. As the modern public corporation evolved from private business, corporate philanthropy grew from arts support by individual industrial giants such as Mellon, Carnegie, and Frick to arts support by publically owned corporations such as Mobil and Philip Morris. Much has changed in arts philanthropy, but much has remained the same.

Although the corporation itself is a relatively new phenomenon, its role in arts philanthropy has many parallels with patrons of the past. Most of the arts benefits discussed in Chapter VI, for example, were just as appealing for the Medicis as they are for today's corporation. Just as individuals, groups, the aristocracy, the church, and the state have supported artists for prestige offered by the arts, so modern businesses have learned that the arts continue to offer that same visibility and image-making potential. Louis XIV's art support designed to keep his court happy and distracted
translates directly to modern employee benefits; his creation of Versailles to today's enhancement of the workplace; and his staging of performing arts to contemporary social networking. While the scale and social circumstances may be different, historical parallels with modern corporate arts philanthropy reaffirm its ancient tradition.

Arts support should not be predicted solely on the basis of those parallels, however, because vast differences in modern society have changed much of the nature of philanthropy. The magnitude of modern society has created global problems unknown in the past; not only have economic forces created unparalleled fluctuations of circulating capital, but information technology has reshaped modern civilization, causing political, social, and economic movements to move from state to national to global consequences.

As the arts struggle to survive in a mass production economy, they become more and more of an economic anachronism. At the same time, information technology has produced a sophisticated awareness about ways to survive in the modern economic system. Studies of the economics of the arts, begun by Baumol and Bowen, have given the arts the necessary skills and arguments to make an economically credible case for itself in the pursuit of outside support. Articulate economic arguments for the
arts have been one of the principal reasons why public and corporate support of the arts has increased so dramatically since the 1960s.

But corporate arts support is not rising at the same momentum that it had several years ago. The complexity of the economy, the reluctance of government to make a larger commitment to the arts, tighter profits, takeovers, divestitures, the Tax Reform Act, and more competition for the philanthropic dollar, all create a more competitive posture on the part of the nonprofit sector. In addition, giving priorities of corporations are changing. Philanthropy is now tied more closely to corporate goals, thus linking it more directly with corporate marketing and image. Consequently, the arts struggle to position themselves in a favorable light for corporate support, and at the same time, maintain their artistic flexibility. This is the historical dilemma faced by the arts throughout the centuries--to survive and to remain free; in that respect, nothing has changed.

The future of the corporate-arts relationship through the 1990s appears complex. Business will continue to support the arts because the reasons for their historic attractiveness to patrons still exist today. The arts need to continue to explore their alliance with business, while remaining cautious of repositioning themselves to appeal solely to corporate needs. The ability to balance
artistic needs with corporate needs in appealing for funds will alleviate the pressure for arts organizations to shape their artistic product to please the corporation that votes with its checkbook.

More than any other philanthropic recipient, the arts present certain practical and marketable advantages to business--positive, upbeat visibility for the corporate name and a frequently desirable audience as a potential market. A further advantage in funding the arts that should be emphasized is their ability to improve a community by offering a service that goes beyond the more basic services of health and social welfare. While an argument can be made about the arts supporting a basic human need, their most popular appeal appears to be as a service that enriches a community, not only through its obvious entertainment value, but also for its potential to promote creativity and to explore the human condition.

Both the arts and business should begin to examine the broader implications of their socially complementary relationship, a necessary step that would take the relationship beyond that of corporate handouts and economic justifications for the arts. The popularity of the "impact on the local community" benefit of the arts should also be expanded in corporate appeals. Positioning of the arts should stress its strong community ties, its community service, and its community partnership. The
emphasis on partnership would put the arts on more equal footing with business, thus eliminating much of the subservient nature inherent in pleas for support.

This effort to search beyond bottom line reasons for the corporate-arts relationship cannot be one-sided; the arts share equal blame with business for not exploring in more detail theoretical as well as practical advantages to the alliance. In striving to be more like business, the arts have frequently fallen into corporate models of efficiency and cost effectiveness—models that even many businesses are finding limiting because of their exclusive attention to bottom line goals. In striving to justify the arts in terms of economics, the socially complementary nature of the arts has been forgotten. Peter Zeisler, director of Theatre Communications Group, complaining about the zeal to justify the arts economically, stated in *American Theatre*: "The simple fact is that arts are essential for no other reason than their relationship to civilization."¹

Indeed, the whole character of nonprofits—created as tax exempt institutions "to assist those activities important to society that could not function as commercial . . . endeavors"²—seems to have been ignored in the


²Ibid.
pressure to make the arts more business like and to market a product that pleases the outside supporter's needs as well as the broadest audience base. The arts are certainly not the only nonprofit organizations that have moved in this direction; the entire nonprofit community is under fire because of the gradual blurring of its conceptual differences from the commercial sector. Bruce Hopkins, an attorney specializing in tax-exempt law, termed 1987 "the year of charity bashing" because of the rash of proposed legislation unfavorable to nonprofit groups. Hopkins attributes this phenomenon to several factors—the need for additional federal revenue, decline in respect for nonprofit groups (taking them for granted), and the fact that many in the nonprofit sector act like commercial businesses.3

The nonprofit sector is not the only social institution that is evolving. The corporation is beset by changes; some are beneficial, others are not. All of them, however, are causing the corporation to reexamine its policies. Just as business has been restructuring its philanthropic policies to make them better reflect corporate goals, so the corporate community is under increasing pressure to look more closely at itself as a

---

responsible social institution and to sort out the extent of its responsibilities as they reflect social goals.

The financial crises of arts institutions are part of that sorting out process. People in the arts are understandably anxious about locating sources of funding, especially with the increasing economic pressures on business that have the potential for directly affecting arts support. The dramatic rise in corporate arts support of the last twenty years has slowed. The growth rate for corporate arts funding was reduced to a ten percent gain in 1987, compared to gains of fifteen to seventeen percent the previous three years. Some analysts say that overall corporate philanthropy growth is slowing, while others think it has actually declined.  

While the general decrease has not fully affected theatre support, nonprofit theatres are quite apprehensive, as illustrated in their survey responses. They have begun to broaden their base of support to cushion the blow of a decline in corporate support.

Corporations, however, will continue to fund the arts. Perhaps the rate of funding will lessen somewhat; the rapid rise of business arts support could be an aberration, and--like the stock market--this decline could be an adjustment in its rapid growth. Although too many

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businesses see the arts as frills, many other corporations see arts support as a good investment, just as traditionally patrons have supported the arts throughout history; economic factors will not affect those motives for giving. As corporations readjust to continuing pressures of economic forces and of society's changing expectation of corporate social responsibility, the nonprofit theatre--and the other arts as well--will continue to be supported by the world of business. As they explore their partnership in the community, perhaps they will discover more about their common boundaries. Richard Eells commented on the benefits to be had from the coexistence and mutual understanding of these social institutions:

One learns a good deal about the nature of a subject by exploring its peripheral boundaries where other fields are touched. So it is with the arts: as we find new and interesting tangential relationships where the arts affect corporate policy, one learns new things about the arts as well as about the nature and functions of the corporation in our society. 5

APPENDIX A

NONPROFIT THEATRE QUESTIONNAIRE
NONPROFIT THEATRE QUESTIONNAIRE

I. THE THEATRE

1. How old is your theatre organization?
   
   (check one)
   
   ___ 5 years or younger  ___ 10-20 years old
   ___ 5-10 years old  ___ 20 years or older

2. How do you classify your theatre seasons?
   
   (check one)  (check one)
   
   ___ mostly new plays  ___ traditional production concepts
   ___ mostly well-known  ___ nontraditional production concepts
   ___ plays  ___ both
   ___ both

3. Does your season appeal more to:
   
   (check one)
   
   ___ adults  ___ children
   ___ families  ___ all of the above

II. THE STATE OF THE CORPORATE-THEATRE RELATIONSHIP

1. Please indicate the relative importance of benefits your theatre receives as a result of contributions from the following areas: (0=no funding; 1-5, with 1=least important, 5=most important)

   corporate funding  corporate foundation funding  individual funding  *public funding

   | funds operating expenses  |  |  |  |
   | funds special projects  |  |  |  |
   | funds endowments  |  |  |  |
   | funds nontraditional theatre  |  |  |  |
   | interest in operations of your theatre  |  |  |  |
   | involvement in your theatre  |  |  |  |
   | other  |  |  |  |

   *includes federal, state, municipal funding
2. Can the relationship between your theatre and corporations that fund you be improved?

____ Yes

____ No (if answer is No, skip to Question 5)

3. What can your theatre do to improve its relationship with funding corporations? (please indicate the relative importance on a scale of 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th>Option</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>more efficient organizational management</td>
<td></td>
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<tr>
<td>more benefits for corporate employees</td>
<td></td>
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<td></td>
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<tr>
<td>more visibility for corporation</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>more knowledgeable about corporation</td>
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<tr>
<td>more communication with corporation</td>
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<tr>
<td>more well-known plays/traditional favorites</td>
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<td></td>
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</tr>
<tr>
<td>more new plays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>more social events/interactions with actors</td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>other (specify)</td>
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</tr>
</tbody>
</table>

4. What can funding corporations do to improve their relationship with your theatre? (please indicate the relative importance on a scale of 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th>Option</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>more theatre performances in corporate workplace</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>more communication with your theatre</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>more involvement with selection of plays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>more knowledgeable about production of plays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>instruction in better organizational management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>underwriting of specific projects/plays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>underwriting of operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>underwriting of endowments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other (specify)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Do you see any broad similarities between corporations and the arts?

____ Yes (if Yes, please answer #5a)

____ No (if No, please go to #6)

5a. What are these similarities? _______________________________
6. In his book *Conceptual Foundations of Business*, Richard Eells of Columbia University's School of Business, states: "A corporate-arts nexus based primarily on corporate donative action is and will long remain a very minor one. The more promising and exciting forms of corporate-arts interplay lie in other directions."

___ I agree (if Agree, please go to #6a)
___ I disagree (if Disagree, please go to next section)

6a. What might those "other directions" be? 

III. FUNDING SOURCES

1. Approximately what % of your corporate cash funding comes from:

   ___ % small local corporations
   ___ % large local corporations
   ___ % national corporations with local headquarters
   ___ % national corporations with local representative(s)

   100% TOTAL

2. Approximately what % of your corporate cash funding comes from:

   ___ % accounting  ___ % manufacturing
   ___ % banking    ___ % service
   ___ % communications ___ % transportation
   ___ % food       ___ % utilities
   ___ % insurance  ___ % other (specify)

   100% TOTAL

3. Approximately what % of your cash funding comes from:

   ___ % corporations 5 years or younger
   ___ % corporations 5-10 years old
   ___ % corporations 10-20 years old
   ___ % corporations 20 years and older

   100% TOTAL
IV. PROSPECTS FOR THE FUTURE

1. What do you think will be the status of your corporate funding through the 1990s?

___ increase
___ decrease
___ remain the same
___ uncertain

2. Has the increase in corporate mergers and acquisitions during the last 3 years had any effect on the level of your corporate philanthropy?

___ yes (if Yes, go to #2a)
___ no (if No, go to #3)
___ uncertain

2a. What effects have mergers/acquisitions had?

3. Do you expect the new Tax Reform Law to affect any of the following areas of funding?

___ corporate funding ___ private foundation funding
___ individual funding ___ corporate foundation funding

How will it affect your philanthropy? ____________

4. President Reagan is asking corporations to pick up the slack created by cutting funds for health programs and social services, a move that has created more competition for the philanthropic dollar. If this trend continues, how will your supporting corporations justify their support of the arts?

__________________________________________________________________________

As stated in the cover letter, all information in this survey is anonymous. If, however, you want any of the survey information attributed to you and your theatre, please signify by signing your name and the name of your theatre. If you wish to remain anonymous, leave the lines blank.

(name) (theatre)
(position) (date)
APPENDIX B

CORPORATE QUESTIONNAIRE
CORPORATE QUESTIONNAIRE

I. THE CORPORATION

1. How do you classify your corporation?

<table>
<thead>
<tr>
<th></th>
<th>accounting</th>
<th>manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>banking</td>
<td>service</td>
</tr>
<tr>
<td></td>
<td>communications</td>
<td>retailing</td>
</tr>
<tr>
<td></td>
<td>food</td>
<td>transportation</td>
</tr>
<tr>
<td></td>
<td>insurance</td>
<td>other (specify)</td>
</tr>
<tr>
<td></td>
<td>law</td>
<td></td>
</tr>
</tbody>
</table>

2. How old is your company?

<table>
<thead>
<tr>
<th></th>
<th>5 years or younger</th>
<th>10-20 years old</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5-10 years old</td>
<td>20 years or older</td>
</tr>
</tbody>
</table>

II. THE BENEFITS OF CORPORATE PHILANTHROPY

1. Please indicate the relative importance of corporate benefits received as a result of your corporation's philanthropy in the following areas: (0=don't contribute; 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th>Benefit</th>
<th>religion</th>
<th>education</th>
<th>health</th>
<th>social</th>
<th>arts</th>
<th>welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>publicity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>image-making</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>social networking</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>target market</td>
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<td></td>
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<tr>
<td>financial investment</td>
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<tr>
<td>employee benefits</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>enhancement of workplace</td>
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<tr>
<td>impact on community</td>
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</tr>
</tbody>
</table>
2. Please indicate the relative importance of corporate benefits received as a result of your corporation's philanthropy in the following areas: (0=don't contribute; 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th>Visual arts</th>
<th>Performing arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>(painting, sculpture, museums)</td>
<td>(dance, music, opera, theatre)</td>
</tr>
<tr>
<td>publicity</td>
<td></td>
</tr>
<tr>
<td>image-making</td>
<td></td>
</tr>
<tr>
<td>social networking</td>
<td></td>
</tr>
<tr>
<td>target market</td>
<td></td>
</tr>
<tr>
<td>financial investment</td>
<td></td>
</tr>
<tr>
<td>employee benefits</td>
<td></td>
</tr>
<tr>
<td>enhancement of workplace</td>
<td></td>
</tr>
<tr>
<td>impact on community</td>
<td></td>
</tr>
</tbody>
</table>

3. Please indicate the relative importance of corporate benefits received as a result of your corporation's philanthropy in the following areas: (0=don't contribute; 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th>Dance</th>
<th>Music</th>
<th>Opera</th>
<th>Theatre</th>
</tr>
</thead>
<tbody>
<tr>
<td>publicity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>image-making</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>social networking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>target market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial investment</td>
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<td></td>
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<tr>
<td>employee benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>enhancement of workplace</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>impact on community</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Please indicate the relative importance of corporate benefits received as a result of your corporation's philanthropy in the following areas: (0=don't contribute; 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th></th>
<th>local theatres</th>
<th>prominent national theatres</th>
<th>prominent national theatres in your city</th>
</tr>
</thead>
<tbody>
<tr>
<td>publicity</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>image-making</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>social networking</td>
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</tr>
<tr>
<td>target market</td>
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<td>___</td>
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<tr>
<td>financial investment</td>
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<tr>
<td>employee benefits</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>enhancement of workplace</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>impact on community</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
</tbody>
</table>

III. THE STATE OF THE CORPORATE-THEATRE RELATIONSHIP

1. Can the relationship between your corporation and the theatres you fund be improved?

   ___ Yes
   ___ No (if answer is No, skip to Question 4)

2. How can the theatres you fund improve their relationship with your corporation? (please indicate the relative importance on a scale of 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>more efficient organizational management</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
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<tr>
<td>more benefits for your employees</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>more visibility of your corporate name</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>more knowledgeable about your corporation</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>more communication with your corporation</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
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<tr>
<td>more well-known plays/traditional favorites</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>more new plays</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
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<tr>
<td>social events and interactions with actors, etc.</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>other (specify)</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
</tbody>
</table>
3. What can your corporation do to improve its relationship with the theatres you fund? (please indicate the relative importance on a scale of 1-5, with 1=least important, 5=most important)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>theatre performance</td>
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<tr>
<td>more communication</td>
<td></td>
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<tr>
<td>more involvement</td>
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<tr>
<td>more knowledgeable</td>
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<td></td>
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<tr>
<td>instruction</td>
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<tr>
<td>underwriting of</td>
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<td>underwriting of</td>
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<tr>
<td>underwriting of</td>
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<tr>
<td>other (specify)</td>
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</tr>
</tbody>
</table>

4. Do you seem any broad similarities between corporations and the arts?

- Yes (if Yes, please answer #4a)
- No (If No, please go to #5)

4a. What are these similarities?

5. In his book Conceptual Foundations of Business, Richard Eells of Columbia University's School of Business states: "A corporate-arts nexus based primarily on corporate donative action is and will long remain a very minor one. The more promising and exciting forms of corporate-arts interplay lie in other directions."

- I agree (if Agree, please answer #5a)
- I disagree (if Disagree, please go to next section)

5a. What might those "other directions" be? ________
IV. FUNDING RECIPIENTS

1. Approximately what percentage of your total cash philanthropy goes to the arts? 

2. Approximately what percentage of your cash philanthropy to the arts goes to

  ___% dance
  ___% music
  ___% opera
  ___% theatre

3. Please list the nonprofit theatres funded by your corporation in the past year.

V. PROSPECTS FOR THE FUTURE

1. What do you think will be the status of your corporate arts funding through the 1990s?

    ____ increase
    ____ decrease
    ____ remain the same
    ____ uncertain

2. Has the increase in corporate mergers and acquisitions during the last 3 years had any effect on the level of your corporate arts philanthropy?

    ____ yes (if Yes, go to #2a)
    ____ no (if No, go to #3)
    ____ uncertain (if Uncertain, go to #3)

   2a. What effects have the mergers/acquisitions had?

       _______________________________________________________
       _______________________________________________________
3. Will the new Tax Reform Law have any effect on your corporate philanthropy?

___ yes (if Yes, please answer #3a)
___ no
___ uncertain

3a. How will it affect your philanthropy? ________________________________

4. President Reagan is asking corporations to pick up the slack created by cutting funds for health programs and social services, a move that has created more competition for the philanthropic dollar. If this trend continues, how will your corporation justify its support of the arts?

________________________________________________________________________
________________________________________________________________________

As stated in the cover letter, all information in this survey is anonymous. If, however, you want any of the survey information attributed to you and your corporation, please signify by signing your name and the name of your corporation. If you wish to remain anonymous, leave the lines blank.

__________________________
(name)

__________________________
(position)

__________________________
(corporation)

__________________________
(date)
Primary Sources


Clemmons, John, Director of The Hartwick Humanities in Management Institute, Hartwick College. Telephone interview. 7 April 1988.


Fellows, Michael, Director of Trusts and Estates, The Ohio State University Campaign, The Ohio State University. Personal interview. 19 May 1987.


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Surveys. Theatre Members (295) of Theatre Communications Group.

Surveys. Corporations (504) listed by American Council for the Arts, giving above $15,000 annually to the arts.


Secondary Sources


