
16 Corporate arts sponsorship

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As a consequence of unprecedented business profits since the 1960s, corporations worldwide have supported non-profit organizations in increasing numbers. Such corporate contributions are a mutually beneficial interaction, whereby the company gives mostly money, but also goods and services, or expertise, in exchange for a promotional or image transfer from the supported non-profit institution. Corporate arts contributions discussed here are limited to non-profit arts institutions, and exclude commercial arts enterprises.

The magnitude of corporate arts contributions has increased tremendously within the last three decades. The estimates for annual corporate arts contributions in the United States grew from \$161 million in 1977, to \$496 million in 1987, to \$740 million in 1995, and to almost \$1200 million in 2000 (current dollars, see Table 1).¹ Other countries followed suit. The German corporate world gave approximately €185 million in 1989, €255 million in 1994, and €350 million in 2000 to the arts.² However, there are still considerable differences among the countries of the world, although they have become less distinctive in recent years. These distinctions originate from the different significance of private subsidies for the arts. They are essential, for example, in the United States and other countries of the Americas and Asia but, until recently, not in most European countries (with the exception of the United Kingdom). For instance, United States public agencies cannot create and preserve local arts institutions on a high-quality level alone. Only 15 to 25 per cent of the revenues for the operating expenses of major US arts organizations come from direct governmental funds, whereas, in Germany, for example, public agencies give about 75 per cent for that purpose.

Corporate grants for non-profit arts institutions complement public, individual and foundation subsidies. For many museums, orchestras, operas and non-profit theatres, they not only match the support from governmental sources but are, with other private contributions, essential for the maintenance, if not survival, of their institutions. With 3 to 5 per cent of the annual total institutional budget, corporate giving is a relatively small proportion of the budgets of arts institutions. However, this amount is critical for audience development, innovative planning and attracting other donors. For the arts community, corporate support became a considerable factor in the first

Table 1 Corporate arts contributions in the United States, 1977–2000

Year	Corporate arts contributions (current million \$)	Corporate arts contributions (real million \$)
1977	160.7	456.6
1979	227.0	538.4
1981	299.0	566.4
1984	434.0	719.3
1986	547.4	860.1
1987	495.5	751.1
1988	538.5	783.9
1989	553.2	768.2
1990	599.5	789.9
1991	558.0	705.5
1992	570.0	699.6
1993	600.0	715.0
1994	580.5	674.5
1995	740.0	836.1
1996	765.0	839.6
1997	779.0	835.8
1998	916.8	968.5
1999	1046.9	1082.1
2000	1194.6	1194.6

Note: Own calculations of data provided by AAFRC Trust for Philanthropy (1977–2001); real dollars calculated by CPI-U (Consumer Price Index for Urban Consumers).

Source: For CPI-U (US city annual average), US Department for Labor Statistics (<ftp://ftp.bls.gov/pub/special.requests/cpilcpiai.txt>).

half of the 1980s, at a time when government policy moved towards a more conservative thrust, emphasizing regional culture rather than the fine arts (Useem, 1987).

Owing to the nature of the two-way exchange, there should be a balance of equal benefits for corporations and for arts institutions. The perception of this exchange of benefits is the foundation for the analysis of motivation. Whereas the attention of cultural economics scholars is mostly focused on a description and analysis of benefits and motives on the corporate side, it is also important to observe the benefits and motives on the side of arts institutions. Some fundraising literature deals with that perspective but it is still underrepresented. In the last decades arts institutions have become interested in a growth of corporate arts contributions – first in societies such as the United States where there is no tradition of dominant public arts support, later also in European countries with an impor-

tant but shrinking tradition of public arts support. Government subsidies shrank or could not keep up with the increasing financial demand from arts institutions that had to grow to meet an increasing public demand for culture.

Subsequently, arts institutions have been confronted by increased competition for public and private funds, not only among other arts institutions but also among a growing and more diversified field of new non-profit institutions in areas such as health, education, environment, religion or other social causes. Grantees emphasize how critical even a small corporate grant is for a cultural institution. The financial security of an arts organization may be ensured by a reputation for being artistically acknowledged and having artistic significance, and corporate support is indeed one factor in fostering this reputation: the business world participation implies that this organization is a worthy recipient for more non-profit and public funds. The support by a prestigious corporation is an effective catalyst for more funds from other corporations and funding sources outside the business world.

Corporate support is also essential for the creative edge, the additional innovative cultural quality of an arts organization that can be achieved only by additional resources, resulting from aggressive fundraising that looks for finance from every potential sponsor. Innovative arts productions which are creative above average need commensurate funds, and these funds often come from sources outside the (often public) funding mainstream. Thus, without corporate support, most arts institutions may survive but not develop their attractiveness. The arts institutions' rationale for corporate sponsorship is to increase the programme's attractiveness to the public. Corporate support may also be necessary as a fast response to a sudden financial emergency; without quick, non-bureaucratic response, many arts institutions might not survive a crisis. The function of the corporate world, not as a supporter of sound arts institutions but as a rescuer of those which are financially jeopardized, seems to be becoming more important, especially in an economic recession.

Another motive for arts institutions to ask for corporate support is the conscious effort of the non-profit leadership towards a 'mimetic adjustment', that is, the reorganizing of an arts institution's management according to the more efficient standards of the corporate world. More and more management in arts organizations has to and wants to display business capabilities. They need these capabilities to receive corporate funds. An efficient management is an important evaluation criterion for corporations contemplating a contribution. The arts institutions know this and adjust accordingly (DiMaggio and Powell, 1991).

More a cause than an arts institution's motive for more corporate

support is the recent surge of expensive ‘special exhibitions’ in museums, and other ‘extra events’. The support of well chosen major arts exhibitions can attract scores of cultural visitors: big corporations make large grants for special exhibits, especially when they expect high visibility through a ‘blockbuster show’. An increasing number of museums rely on special exhibitions to attract visitors and to secure their revenues. By underwriting these specific shows, corporations help to foster a new dependency.

However, most scholars in cultural economics describe and analyse the potential benefits and motives for the corporate side. The long list of potential motives can be consolidated into four major *ideal types*, notwithstanding partial overlapping or overlooking of sometimes idiosyncratic motives (O’Hagan and Harvey, 2000). The four main motives for corporate arts support can be labelled as the neoclassical/corporate productivity model, the ethical/altruistic model, the political model, and the stakeholder model. In the following, I will explain this taxonomy of motives.³

The *neoclassical model* comes closest to the main commercial purpose of corporate sponsorship, to increase the returns to a company. According to this model, even corporate philanthropy has the underlying purpose of raising profits. Corporate sponsorship has the immediate objectives of improving product sales, service sales, the corporate image and other public relation goals. Subsequently, donations can also symbolize and extend the market position of a company. The visible ability of a corporation to donate corporate income creates the image for competitors, suppliers and other organizations on the production side that this company is economically in good shape. Above all, this kind of donation is supposed to promote sales. For instance, wealthy clients of the arts are a profitable marketing target group, a courted consumer cohort, and arts sponsorship is a way to get access to them. Even indirect gains, such as improving employee morale or community relations, may be just means to the end of rent seeking, and profit raising, respectively. In this context, corporate arts contributions improve the employee’s quality of life, enhance the employee’s bond to the company (‘corporate identity’), promote working morale in the company and, thus, increase the effectiveness of the company in yielding profits. Owing to its narrower business nature, corporations often omit this concept of corporate arts support when talking about these activities. The ‘bottom-line’ deliberation is sometimes indistinguishably exchangeable with commercial advertising. Therefore, in many countries, these ‘charitable’ contributions are not tax-deductible but business expenses, and they are often also taxable revenues for the non-profit organizations (and therefore costly to some degree for the receiving side).

The *ethical model* emphasizes corporate social responsibility in a world increasingly steered by powerful businesses. The ‘good corporate citizen’

idea becomes the cornerstone of a management culture, mostly induced by corresponding personal attitudes of the senior management, the chief executive officers (CEOs) of a company. The personal value orientation of the CEO is the traditional factor in the decision to support the arts. Moral obligations to support the geographically closest population, a personal satisfaction gained from helping, and the wish to have contact with a vital, creative world outside business are impulses for the decision. This individual value orientation is often shaped by the local social network of corporate leaders. The influence of the CEO in the final decision for corporate arts giving has not diminished, but it is rarely a decision taken alone. The distinction between corporate (management) and individual (CEO) behaviour is often difficult to establish. All in all, by creating or maintaining the image of a sponsoring company as a 'good corporate citizen' this model emphasizes that corporations enrich the local cultural landscape and strengthen corporate community relations with the local government, the other economic actors, and with the population that often is also the potential customership. The overlap of the ethical and the neoclassical models is, therefore, obvious. By creating or strengthening the positive image of a 'good corporate citizen' for employees, customers and other business clientele, it also works outside, creating the image of a successfully run company for the market, that is, supporting the motives described by the neoclassical model.

The *political model* understands corporate arts sponsorship as a means to create and preserve corporate power and autonomy, for example, from other publicly controlled bodies and also from other powerful corporations. Corporations strive to limit governmental control over their activities by building and maintaining a positive climate for free enterprise. However, this model includes a grain of social coercion. It includes adjustments especially to peer company pressure regarding alignments in the shape and scope of corporate giving, for example, to the arts, to a specific 'donation standard' of the local business world. Corporate giving acculturates in a mimetic process to the norms of the dominant local business network. This network as reference group is based on local corporate leaders and it is more important for the shape and scope of corporate donations than the donation patterns of other companies in the same industry somewhere else. The significance of this *local* mimetic adjustment, the process of keeping up with the other corporate Joneses in the neighbourhood, can be illustrated by the development of Whitney Museum branches as corporate art galleries in New York City:

It started eleven years ago, when [we] . . . installed a satellite museum, the Downtown Branch of Whitney. Then Philip Morris began to plan for a Whitney

branch in its new headquarters. . . . When Champion International learned of this plan, they decided to do the same. . . . Now Equitable Life is planning to install a Whitney branch in its new headquarters' building, and . . . another one in a new Philip Johnson building. One branch begets another. (Business Committee for the Arts, 1984)

In line with this acculturating function of local corporate networks is the emphasis on the image as a 'good corporate citizen' in the home community. The relations of corporations to the communities become more and more important. For a long time, community effects of corporations were seen only in the function of providing jobs. Now, corporations get actively involved in community affairs. This involvement can be in open and transparent ways, but also in hidden ways when community politics and planning issues are to be influenced.

Corporate support of local art facilities is considered as having an overt and positive impact on the community, although there may be also some covert and detrimental impact, especially if an oligopolization of local power is the goal. For instance, Whitt (1988) shows the overlap of membership on corporate boards of urban development organizations with corporate boards of urban arts organizations. With 85 per cent of the members being on the same boards, this proportion is higher than among other umbrella organizations such as health, community affairs or education. Corporations do not just give money, they also seem to connect these charitable contributions with an influence in urban development decisions. Subsequently, the distinction between, for example, the political model and the stakeholder model vanish, especially when being applied to the impacts on a specific locality. The main rationale behind the political model is the influence on political community decisions through the support of arts institutions. Support for art facilities and artists does not only enhance the cultural life of an urban setting but also affects the economic and social structuring of communities. This may shape, for example, the broader service job-oriented post-industrialization of a region, larger urban development projects, the renewal of smaller neighbourhood areas, or so-called 'business improvement districts' (BIDs). The moment major corporations no longer regard urban planning as the exclusive domain of elected governments (especially if headquarters of these corporations are located in the area under consideration), the difference between the political and the stakeholder models blurs.

The *stakeholder model* emphasizes the perception of corporations as being influenced in a feedback loop by their own corporate behaviour towards the outside world. Corporations do not only seek to influence, they are themselves influenced by other interest groups. This model particularly has a substantive overlap with the political model. Corporate arts support

is never a one-way street. Since arts organizations raise creativity and community images, this improvement also benefits the supporting local corporation. As a consequence, the community, for example, provides a better skilled personnel basis, a better outside (regional, national, or international) reputation for the corporate location, or – because of an attractive cultural environment for more affluent residents – customers with a higher purchasing power. Local business uses the promotion of this positive community image – specifically the image of an attractive cultural landscape – to attract a highly skilled labour force to the corporate location. A qualified labour force is necessary for a company that wants to stand in a competitive national and international high tech and service sector economy. Educated employees demand not only a satisfying working environment but attractive cultural and recreational offerings near to their residences. The ‘new urban sociology’ can contribute to the knowledge about this strategy behind corporate arts contributions. Competing for qualified labour in a ‘high tech’ and ‘high service’ environment, the business world today is increasingly interested in ‘urban amenities’. An urban environment with a high quality of life – including cultural amenities – will lure highly qualified people (that is, potential personnel) close to the corporate location.

Thus corporate arts support is a strategic means of improving the pool of potential qualified employees by enhancing the economic and cultural situation of a locality via improvement of the attractiveness of urban arts. Apart from this rationale there is also a more direct corporate reason to support the local arts: investing in real estate and improving yields from this economic activity with the help of the arts. Arts organizations are a means to this end, rather than partners in economic growth and urban development. However, the Business Committee for the Arts (1984) claims that this interaction is a partnership that ‘animates and enlivens dead and otherwise negatively perceived areas’. Non-profit leases of inner-city warehouses, for example for theatre groups, artists and craftspeople, ‘brings hundreds of “new” people a week in our area of town. [This revitalization] . . . helps us lease . . . office space a block away’. Subsequently, local corporate boards, urban development boards and boards of major arts institutions are strongly intertwined. Thus corporations connect their art contributions to an influence in urban development networks that decide community developments.

The interconnection of political and stakeholder motives in a specific locality needs more consideration because corporate arts support is not equally disseminated across the country. Not only the big metropolitan areas along the East Coast are places with many high arts facilities (relative to the population size); specifically, smaller metropolitan areas in the West and South of the United States have a high density of higher arts

institutions because, in these locations, the decision-making local elites prefer certain high arts institutions. But not all businesses everywhere are equally committed to this pursuit. What lessens or even precludes the involvement of corporations in the arts in some places? On the topic of general generosity, Wolpert (1993) shows why some places in America are more generous in a secondary data analysis of local generosity that includes corporate giving as the dependent variable and population size, wealth, employment, corporate presence and welfare ideology as independent variables. He concludes that generosity is higher where larger corporations are prominent, income is greater, unemployment is lower and the welfare ideology is more liberal.

According to Useem (1988), the significance of the local economy is more important than the significance of national or international influencing factors for corporate arts contributions: 'Perhaps the most significant . . . factor shaping a company's giving level is the local attitude of business toward contributions. Regional business communities evolve distinct climates of giving among their members' (ibid., p.83) A comparison of company ratings of corporate giving criteria reveals that the local geographic impact of an arts institution significantly increased in importance as a corporate criterion for evaluating arts requests.

An examination of the scope and structure of local corporate arts support has to include local economic factors because they affect the local ability and desire of companies to support the arts. One important economic factor affecting local corporate arts support is the degree of post-industrialization, that is, the transition from a manufacturing sector economy to a service sector economy. Corporate arts support is higher in metropolitan areas where the population is better educated and the local service sector generates more income than the local manufacturing sector. Corporations of the manufacturing industries are mostly indifferent towards arts support. In contrast, corporations of a highly qualified service sector are supportive of the local arts (Kirchberg, 1995).

All models of motives for corporate arts contributions have considerable overlaps. Corporations themselves are not always aware of them, or do not mind (at least not openly) these 'academic' differences among their motives. They often do not even distinguish between charitable contributions and taxable sponsorship expenses. For instance, in Germany, in a survey of 204 big corporations on social cause sponsorship, more than 90 per cent did not distinguish charitable contributions from commercial sponsorship because they regarded their activities as meeting both objectives (Kirchberg and Reibestein, 1999).

Notes

1. Source for US data: AAFRC Trust for Philanthropy (1990–2001). The share of corporate contributions to the *arts* is primarily based on Conference Board data reported in AAFRC Trust for Philanthropy (1990–2001).
2. Source for German 1989 and 1995 data: ifo (1995); source for German 2000 data: Arbeitskreis Kultursponsoring (2000). Additional data on European arts sponsorship are available in Sauvanet (1999). For an international comparison of corporate arts sponsorship, see Martorella (1996).
3. Young and Burlington (1996), quoted in O'Hagan and Harvey (2000), have developed these categories. Galaskiewicz and Sinclair (quoted in AAFRC Trust for Philanthropy) have developed a similar four-tier model of motives. While Young and Burlington talk about a 'neoclassical model', Galaskiewicz and Sinclair talk about 'commercial partnership'. The equivalent to Young and Burlington's 'ethical model' is Galaskiewicz and Sinclair's 'civic partnership'. Young and Burlington's 'political model' is similar to Galaskiewicz and Sinclair's 'strategic partnership', and Young and Burlington's 'stakeholder model' is somewhat similar to Galaskiewicz and Sinclair's 'philanthropic partnership'.

See also:

Chapter 38: Marketing the arts.

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