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**THE ARTS:  
CORPORATIONS AND FOUNDATIONS**

**Arts Research Seminar No. 4**

**September 6, 1985**

Research & Evaluation  
Canada Council  
November 1, 1985

**T H E A R T S  
CORPORATIONS AND FOUNDATIONS**

**Arts Research Seminar No. 4  
September 6th, 1985**

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## Introduction

As part of its ongoing research program, the Research & Evaluation Section of the Canada Council has initiated a series of arts research seminars to investigate, in a public forum, issues of concern to the arts in Canada. The fourth seminar was held on September 6th, 1985 in the Board Room of the Canada Council. Its topic was The Arts: Corporations and Foundations. The seminar featured Dr. J. Mark Davidson Schuster, Assistant Head, Urban Studies, Dept. of Urban Studies and Planning, Massachusetts Institute of Technology.

The transcript of the fourth Arts Research Seminar which follows was edited by Claire McCaughey, Research Officer, Canada Council. It reports the research papers presented and the questions and observations raised during the seminar. The transcript was edited from a taped recording of the seminar. A list of the more than 50 participants follows this introduction. Errors and omissions are the responsibility of Research & Evaluation.

Fifth and sixth seminars are tentatively planned for March and June 1986. The topics will be The Arts: Enjoyment and Expression and The Arts: Automation and Administration. I invite interested arts researchers to submit papers for future seminars, as well as to suggest topics for investigation. Transcripts of future arts research seminars will also be produced and made available to participants and others concerned with the arts in Canada.

I take this opportunity to thank the featured speaker, Mark Schuster, as well as participants of the fourth Canada Council Arts Research Seminar, and invite them to attend subsequent seminars. I wish to thank Diane Sadaka (DA-PRO 4) and Nicole Comtois-Martineau for preparing the draft transcript, and Diane Sadaka for acting as sound technician during the seminar. I also wish to thank Monique Scott (Administrative Officer) for proof editing the transcript, and Simone Cox (Statistics Officer) and Lyne Sarrazin (Statistics Clerk) for tabulating the results of a survey held during the seminar. It is hoped the series of arts research seminars will ensure that the importance and impact of the arts on the Canadian society and economy will be more fully appreciated by public and private sector decision makers.

Harry Hillman-Chartrand  
Research Director  
Canada Council  
Ottawa, Canada  
November 1985

Harry Chartrand  
Research Director, Canada Council  
**Chairman of the Seminar**

**LIST OF SPEAKERS**

J. Mark Davidson Schuster	Assistant Head, Urban Studies, Dept. of Urban Studies and Planning, Massachusetts Institute of Technology
Mel MacLeod	Head, Killam Program, Canada Council
Richard Hopkinson	President, Institute of Donations and Public Affairs Research
Heather Moore	Institute of Canadian Studies, Carleton University

**LIST OF ATTENDERS**

David Anido	External Affairs
Sam Armstrong	Carleton University
Theresa Arts	Business Fund for Canadian Studies in the United States
David Bartlett	Secretary and Assistant Director, Canada Council
Carol Betts	Canadian Artists' Representation/ Front des Artistes Canadiens
Esther Bobak	Canada Council
James de Gaspé Bonar	Canada Council
E.C. Bovey	Chairman, Task Force on Funding of the Arts

Brian Boyd	Ontario Ministry of Citizenship and Culture
Peter Brown	Assistant Director and Director of Administration and Finance, Canada Council
Roy Cottier	Business Fund for Canadian Studies in the U.S.
Simone Cox	Canada Council
Hugh Davidson	Canada Council
Cecelia Davies	Task Force on Funding of the Arts
Vincent Dupuis	Kelowna International Festival of the Arts
Helen Eriks	Canada Council
Jacques Flamand	Canada Council
André Fortier	Task Force on Funding of the Arts
Claude Gauthier	Honorary Associate Director, Canada Council
Francine Gauthier	Canada Council
Edythe Goodridge	Canada Council
Gail Graser	Treasury Board
Kenneth Hart	The Conference Board of Canada
Barbara Helm	Dept. of Communications
Jamie Hum	Dept. of Communications
Olga Jurgens	UNESCO
Josef Jurkovic	External Affairs
Bill Kearns	Canada Council
Franz Kraemer	Canada Council
Henriette Leblanc	Canada Council
Gilles Lefebvre	Associate Director, Canada Council

Jacques Lefebvre	Vice-Chairman, Canada Council
Mukhtar Malik	Dept. of Communications
Barbara Mason	Canada Council
Nadine Matte	Dept. of Communications
Claire McCaughey	Canada Council
John McCormack	Kelowna International Festival of the Arts
Elizabeth Mojewski	Secretary of State
Bill Morrison	Carleton University
Donna Owens	Statistics Canada
Barry Pipes	Proctor and Gamble Inc.
Nancy-Gay Rotstein	Member of the Board, Canada Council
Diane Sadaka	Canada Council
Lyne Sarrazin	Canada Council
Monique Scott	Canada Council
Mary Sullivan	Canada Council
Linda Sword	Canada Council
Sandra Swystun	Dept. of Finance
Lorraine Tinsley	ABT Associates
Terry Thomas	Library of Parliament
Jeremy Thorn	National Museums of Canada
Andrew Wilson	Dept. of Communications
Conrad Win	Dept. of Communications
Heather Young	Carleton University

**THE ARTS  
CORPORATIONS AND FOUNDATIONS**

An Arts Research Seminar featuring  
Dr. J. Mark Davidson Schuster  
Assistant Head, Urban Studies  
Department of Urban Studies and Planning  
Massachusetts Institute of Technology

**AGENDA**

255 Albert St., Rm 1616, Ottawa, Canada  
September 6, 1985

**MORNING SESSION  
10:00 A.M. to 12:00 P.M.**

**Welcoming Comments**  
Harry Hillman-Chartrand  
Research Director, Canada Council

Presentation #1: Dr. J. Mark Davidson Schuster  
**NON-FUNGIBILITY OF ARTS FUNDING:  
PERSPECTIVES ON CORPORATION AND FOUNDATION SUPPORT**  
10:10 to 10:30 A.M.

Presentation #2: Mel MacLeod  
Head, Canada Council Killam Program  
**NO SMALL SUM:  
FOUNDATION SUPPORT FOR THE ARTS IN CANADA**  
10:35 to 10:55 A.M.

**Questions & Observations**  
11:00 A.M. to 12:00 P.M.

**LUNCH**  
12:00 to 2:00 P.M.  
(not arranged)

**AFTERNOON SESSION  
2:00 to 4:00 P.M.**

Presentation #3: Richard Hopkinson  
President, Institute for Donations and Public Affairs Research  
**CORPORATE DONATIONS AND SPONSORSHIP OF THE ARTS**  
2:05 to 2:25 P.M.

Presentation #4: Heather Moore  
Carleton University Institute of Canadian Studies  
**EFFECTS OF CORPORATE SPONSORSHIP ON  
CANADIAN ORCHESTRAS: THREE CASE STUDIES**  
2:30 to 2:50 P.M.

**Questions & Observations**  
3:00 to 4:00 P.M.

**Sponsored by  
Research & Evaluation  
Canada Council**

**THE NON-FUNGIBILITY OF ARTS FUNDING:  
PERSPECTIVES ON CORPORATE AND FOUNDATION SUPPORT**

**by**

**Dr. J. Mark Davidson Schuster**

Dr. J. Mark Davidson Schuster is Assistant Professor of Urban Studies and Planning at the Massachusetts Institute of Technology. He is co-author of Patrons Despite Themselves: Taxpayers and Arts Policy, a Twentieth Century Fund Report on tax expenditures for the arts in the United States. He has been a postdoctoral fellow with the United States-France Exchange of Scientists, under whose auspices he worked in the Service des Etudes et Recherches, Ministère de la Culture, Paris, France. He has written on tax incentives for the arts in Western Europe for the Program on Non-Profit Organizations at Yale University and has recently completed a major comparative study of arts support in eight countries for the National Endowment for the Arts.



"Thou marshall'st me the way that I was going..."

- Macbeth, Act II, Scene I

Macbeth's words to the image of the dagger, appearing before him and spurring him onward in new directions, directions he comes to accept (whether reluctantly, resignedly, or willingly we are never quite sure), are a fitting place to begin an inquiry into the nature of the relationships between arts funding sources and the arts. What is the influence of the donor on the arts? How are the donor's predilections, desires, priorities, or idiosyncracies translated into artistic activity of one type or another? How do arts institutions posture themselves with respect to their potential donors? What is the affect of the way in which we fund the arts on the mix of arts that we are ultimately able to experience?

In today's presentation I have been asked to focus on corporate and foundation support for the arts, and I hope to be true to that mandate though I also hope to be able to persuade you that these important donors to the arts cannot be considered in isolation. To fully understand their impact on the arts, careful attention must be paid to the interrelationships between donors, because only then can we begin to understand what a particular system of arts funding has wrought (or bought). To explore all such possible interactions is clearly beyond the scope of what I will be able to accomplish this morning; at most, I hope to be able to suggest some areas in which further inquiry is likely to prove fruitful.

I should make my predispositions very clear from the outset. It is my premise that donors have tastes. Moreover, not only do single donors have tastes, but broad classes of donors have roughly similar tastes as well. These tastes are not always obvious; and they may not even be well-understood by the donor himself, herself, or itself; but they are tastes which, with a combination of research and circumspection, are identifiable. And most importantly, these tastes have a pervasive effect on the arts we are able to experience.

Undoubtedly, this premise is easiest to accept in the case of private individual donors. But what I will argue is that corporations and foundations have tastes too, though perhaps we do not yet understand them as well as the tastes and preferences of the individual donor.

Also underlying my analysis is the notion that the private charitable contribution is a transaction, a transaction in which the arts activity receives financial support and the donor receives social status and recognition as well as the right to influence aspects of the institution's operations.

As a first cut at what donor tastes might be, let's take a look at what the National Endowment for the Arts has to say on this question. Within the last couple of years the Endowment was asked by the U.S. Congress to prepare a five year plan. In its first five year plan, the National Endowment has, in an unusually candid moment, explicitly recognized that not all areas of artistic activity are equally attractive to private donors (Table 1).(1)

What are the factors that explain relative attractiveness? Most important seems to be the donor's desire for recognition, and recognition is most easily attached to a discrete aspect of an arts institution's operation. It is much easier to find the money to build a new building that will prominently feature the donor's name over the door than to provide for the ongoing maintenance of that building. (This tendency has been termed the "edifice complex".) Similarly, it is easier to find private support for a specific project than for general operating expenses. The motivation for recognition is particularly strong for corporate donors who wish to enhance their corporate image through their contribution policies, but this motivation is just as true for individual donors and may be an important factor in foundation decisions as well.

Table 1

Relative Attractiveness of Arts Activities to Private Funding

Attractive to Private Sector	Less Attractive to Private Sector	Unattractive to Private Sector
Major Museum Exhibitions	Classical Theater	Avant Garde and Inter-
Opera	Modern Dance	Disciplinary
Ballet	Jazz	Support of Individuals
Orchestras	Design	Visual Artists Organizations
Large Presenters and	Film Preservation	Post-Modern Dance
Performing Arts Centers	Folk Arts	Video Presentation
Institutions Undertaking	Public Radio	Museum Maintenance
Capital Construction	New Music	Minority Organizations
Public Television	Media Arts Centers	Archives and Libraries
Arts Presentations	Chamber Music	Service Organizations
	Arts Education	Dance Notation
	Choral Music	
	Professional Training	
	Museum Conservation	
	Medium and Small	
	Presenters	
	Artist Colonies	

Source: National Endowment for the Arts, Five-Year Planning Document: 1986-1990 (Washington, D.C.: National Endowment for the Arts, February 1984), p. 101.

NEA's list suggests that the private donor is more likely to support traditional rather than new emerging art forms and major, established institutions rather than smaller, younger institutions. Private support for artists is a low priority both because the tax laws do not provide the same generous incentives for donations to individuals that they provide for donations to nonprofit organizations and because private donors often are unwilling to make the sorts of aesthetic decisions that would be necessary to distinguish among individuals applying for funding. Generally, private support to artists is provided indirectly by making a charitable contribution to a regrantee organization, which assumes the ultimate decisionmaking responsibility. I disagree with NEA's categorization in one regard: the rapid growth of service organizations as intermediary organizations in the provision of the arts has, it seems to me, attracted considerable private support from corporations and foundations, though not from individuals.

While counterexamples can certainly be found in all levels of private support, these factors suggest that private support, in large part, tends to be cautious and conservative, looking to excellence as it has been traditionally defined.

In the United States, public policy vis-à-vis the arts has often been described as a "public/private partnership". The enabling legislation that created the National Foundation on the Arts and the Humanities and its twin Endowments made it clear that the government did not mean to pre-empt private action: "...The encouragement and support of national progress and scholarship in the humanities and the arts, while primarily a matter for private and local initiative, is also an appropriate matter of concern to the Federal government" (emphasis added).(2) In no other country is the tradition of support through the contributions of private donors--whether individuals, corporations, or foundations--as important to the financial security of its artistic institutions.(3)

The ongoing debate over the appropriate role for government funding of the arts in the United States can be seen as a search for an appropriate balance between public and private sources of funding, a balance that ideally would seek to assure diversity and financial stability while limiting the constraints placed on arts institutions by their various financial supporters. Thus, the characteristics of the various funding sources and their interrelationships are important, not only because they ultimately determine the aggregate amount of funding received by the arts, but also because changes in one sector--whether they are changes of taste, policy, or economics--often prompt responses by the other sector. And these responses have artistic as well as financial implications. These responses may be compensating, with one sector picking up the burden dropped by the other or cutting back where the other has increased its support; or they may be mutually reinforcing, with one sector mimicking the choices of the other. It is hardly controversial to suggest that public policy vis-à-vis the arts ought to be crafted to take account of and exploit these relationships. Unfortunately, our current level of understanding of these relationships is extremely poor.

The first Reagan administration's proposals to cut federal funding for the arts (proposals that were eventually overridden by Congress) provide ample testimony to the way in which public and private funding may be linked. The government contended that 15 years of federal support for the arts through the National Endowment for the Arts had discouraged or driven out support by individuals and corporations who felt their donations were no longer as necessary as they had once

been. Whether or not private support has been driven out is extremely difficult to document. All sources of private funding have grown dramatically since the creation of NEA, giving some support to the view that government money has not driven out private money. Whether private support would have increased further in the absence of government support we cannot know. Nevertheless, it was corporate support to which President Reagan turned the arts world's attention, identifying it as a sector that he felt was particularly ripe for increased support.

### CORPORATE SUPPORT

According to the Business Committee for the Arts, corporations contributed a total of \$506 million to culture and the arts in 1982: \$305 million in direct grants, \$175 million in grants made through corporate foundations, \$15 million in the value of contributed volunteer services, and \$11 million in business expense contributions from budgets other than the direct contributions budget.(4) This represented an increase of 32% over 1981. Corporate donations have grown steadily throughout the period of direct government involvement in the arts; according to BCA, corporations donated only \$22 million in 1967. These figures undoubtedly underestimate the true corporate financial impact on the arts because they do not fully account for corporate sponsorship, which typically comes out of public relations budgets and can be deducted as business expenses rather than as charitable contributions. They also may not fully account for in-kind contributions of equipment, material, or space or for seconded staff.

This situation is indicative of the overall quality of the data currently available on private giving. The data, drawn from a wide variety of sources, suffer from the fact that there has been no coordinated effort to collect reliable comparable data on arts funding in the United States. They often reflect the self-interest of the collecting agency and are affected by differences not only in the methods of collection, but also in the actual definition of "culture", "the arts", and "the humanities" used in each case. Often they are little better than guesses, and they may include double counting. Thus, the data must be treated with care and seen as suggestive rather than definitive.

I said that there was a big increase of \$22 million to \$506 million from 1967 to 1982. How real is that increase? Is this an increase in corporate donations or is this an increase in our ability to measure corporate donations? We are doing a much better job than we used to about measuring those things, and I wonder if what we are seeing is an artifact of our ability to measure better. I asked the same question in my international comparative study on supporting the arts. What we saw, and were quite surprised by, was the large amount of local support being provided by local governments in all the countries we looked at. This was in places where we had believed everything was highly centralized. In my conversations with arts researchers in those countries we came to a tentative conclusion that a lot of that increase was the result of counting better, knowing where to look for those expenditures in making the collective process a little bit more rigorous.

There are other places we have to question the data as well, for example, the public opinion surveys. What do we make of a result that says that two-thirds of the public believe corporations should increase giving? That tells how many people answered the question in that way, but I am not sure that as a guide for policy that is very helpful. There are also the questions about trying to estimate the financial impact of the arts, which is another area where the data are very flimsy at the moment.

Much has been made of the fact that BCA's estimate of corporate support is more than three times the recent annual budgets of the National Endowment for the Arts, which have remained relatively stable between \$143 and \$162 million for the past six years. (\$144.5 was requested by the administration for 1986.) But this comparison misrepresents the relative importance of the government as a funding source for the arts in the United States; on the government side it ignores other federal agencies as well as state and local governments, and on the corporate side it includes categories that broaden the definition of arts support quite substantially (e.g. libraries, historic preservation, television program underwriting, and purchase of art works for corporate collections). Depending on how you count and which items you wish to include, direct government support for the arts and humanities is as much as twice the BCA figure for corporate support.(5)

Since the early 1960's the arts have gradually increased their share of corporate donations, from 3.0% in 1966 to 11.4% in 1982. This parallels the growth in the share of the arts in foundation donations from 3.0% in 1966 to 11.1% in 1982.(6) By comparison, Chemical Bank has estimated that the arts and humanities have historically (1955-1982) received an average of 8.2% of individual giving, somewhat less than from corporate or foundation donations.(7) This is due to the relative importance of religious giving, which represents over half of individual charitable giving. Other data sources suggest that this historical percentage may currently be much too high for the arts.

Turning from the relative importance of the arts to the corporation to the relative importance of the corporation to the arts, according to Chemical Bank arts and humanities groups receive an average of 17% of their contributed income from corporate and foundation giving and, to a lesser degree, from bequests; 83% of contributions come from private individuals. The National Endowment for the Arts uses the rule of thumb that "the relation of earned to contributed income is rarely more than 60:40", with private and public support making up the 40 percent.(8) Accepting this rule of thumb for the moment and taking into account a variety of data sources to make an extremely rough estimate, the overall profile of income for the arts and humanities institutions in the United States may look something like: 60% earned income, 3-5% government support (direct), 30% individual support, 2-3% corporate support, and 2-3% foundation support. This profile, of course, is only suggestive; it would differ widely for various artistic sectors as well as for individual institutions.(9)

Up to this point, I have assumed that the primary public interest in corporate support for the arts is in knowing where that support is going so that the public sector might consider supplementing, complementing, or perhaps even counteracting that support. From this perspective, corporate contributions are seen as private actions taken with private money. But there is another perspective that suggests another reason for public policy to be interested in corporate support.

As with individual donations to the arts, corporate donations benefit from substantial income tax incentives. Corporate charitable donations are deductible from income up to a limit of 10% of the corporation's taxable income. (Most corporations fall far short of this limit. For the past thirty years total corporate contributions have remained remarkably stable at approximately 1% of pretax income. In some cities corporations have begun Five Percent or Two Percent Clubs with the goal of getting corporate donations up to those levels, and these clubs seem to be particularly active in those cities where the arts are relatively high on the corporate giving agenda.)

For analytical purposes a deductible charitable contribution should be considered as having two components: the tax expenditure portion (the taxes foregone through deductibility) and the private contribution portion (the donor's actual net-of-tax contribution, the true net cost to the donor).(10) A public decision to offer an incentive through a charitable deduction is just as much a public policy vis-à-vis the arts as is the decision to make a direct grant, and the taxes foregone through such a choice are just as much a public "cost". The public as a whole has a direct interest in the contribution in the amount of the tax expenditure. A rough estimate of the tax expenditure embedded in the \$506 million corporate contribution to the arts is \$228 million in federal tax expenditure and \$17 million in state tax expenditure, amounts more properly credited to public support than to private support; the net corporate cost was actually only \$261 million.(11)

Corporations have been able to make tax deductible charitable contributions since 1936, though there was a "direct benefit" standard, overturned by court decision in 1953, which said that contributions had to be to the direct benefit of the corporation. (Corporate support actually preceded the tax incentive. The first corporate support in the United States was for railroads in the 19th century, which in turn provided money to the YMCA's and to the tracklayers. The first major public/private support went to the Red Cross during the First World War.) Despite this incentive they were long reluctant to fund cultural activities for two reasons: (i) they felt that limited funds should go to needs that were widely recognized by a large segment of the community, and (ii) they felt that support for "cultural" activities should come from the individuals who were the prime beneficiaries.(12) In the last 15 to 20 years this view has changed dramatically as they came to realize the advantages that can accrue to a corporation through an affiliation with the arts, and corporate support has become one of the fastest growing sources of income for the arts.

### Patterns in Corporate Support

What has this increased activity in the arts wrought? At the risk of severe overgeneralization, in this section I will attempt to pull together the various strands in the literature and research on corporate donations to ascertain what patterns can be identified in corporate donations.

There are basically two reasons for corporate support for the arts. In smaller corporations the personal interest of the chief executive officer or another influential staff member is likely to be the most important motivation behind a contribution. But, in assessing the impact that increased corporate funding has had

on the arts, it is important not to lose sight of the fact that the primary motivation for that support, particularly among the larger corporations who are also the larger donors, is the corporation's "enlightened self-interest", i.e. the bottom line. What we have seen, and this may be an over-simplification, is a kind of evolution from "pure philanthropy" to "social responsibility" in the 1960s and 1970s to a new era of "enlightened self-interest". In the words of George Weissman, the recently retired Chairman of the Board of Philip Morris, a major corporate supporter of the arts:

Our fundamental interest in the arts is self-interest. There are immediate and pragmatic benefits to be derived as business entities, and long range benefits as responsible corporate citizens of our communities and country...The fundamental decision to support the arts was not determined by the need or the state of the arts. We were out to beat the competition.(13)

This is particularly true when the arts audience contains the upwardly mobile, highly educated, affluent individuals to whom the corporation wishes to market itself.

Because of this business motivation, funding decisions are, on the whole, cautious and conservative, favoring projects that will be uncontroversial and will provide maximum visibility such as public television productions or blockbuster exhibitions of traditional art. This also explains the apparent interest of corporations in representational art and travelling exhibitions. It should not be surprising if the corporate donor is unwilling to support innovative programs or programs that are accessible to more than its perceived clientele. A heavy emphasis will be placed on the number of individuals who will be reached by the project, particularly if they are employees of the corporation. Identifiable special projects are preferred over ongoing support, which is considerably less visible. (Ironically, to the extent that NEA has emphasized project funding rather than ongoing support in its grantmaking, it has reinforced this tendency.)

A major element in corporate support in recent years has been the blockbuster exhibition. The corporate presence has been obvious to anyone who has come within advertising distance of these exhibits. Yet, despite the high visibility afforded by such shows, corporations have experienced some negative consequences. Philip Morris, which contributed \$5 million to "The Vatican Collection", cannot have been pleased with the lukewarm press the exhibition received. And corporations who have contributed as junior partners in such exhibitions have found that their contribution has been buried behind the recognition given to the major donor. The corporation's relative priorities are clearly reflected in the expenditure of these funds. For the "Treasures of Ancient Nigeria" show at the Metropolitan Museum, Mobil spent \$150,000 for the exhibition and \$75,000 for advertising and promotion.(14)

This brings us to the issue of recognition of corporate support. The art institution does not want to appear too commercial, yet the donor wants recognition. Catalogs, brochures, posters, and advertisements all carry the corporate donor's logo, and many institutions in their press materials have begun to explicitly request editors to credit corporate sponsors. In Europe this type of recognition has been a major issue; the daily press has been very reluctant to recognize corporate sponsors in its coverage of artistic activities. A new solution

to this problem seems to be including the corporation's name in the title of the exhibit, e.g. "British Art Now: An American Perspective; 1980 Exxon International Exhibition" at the Guggenheim or the "Imperial Tobacco Portrait Award" at the National Gallery in London.(15) This has been the practice in sports sponsorship for a long time, but, of course, in the professional sports both of the partners are profitmaking enterprises. In Great Britain the increasing recognition of corporate donors has posed a problem for the Arts Council of Great Britain whose financial support is often considerably larger than corporate support of a particular institution or event. In 1979 the Arts Council, arguing that the public ought to be aware of its relative importance and in the meantime doing a bit of political lobbying on behalf of itself, introduced guidelines for the appropriate recognition of its grants including the relative size of the acknowledgements to be included in printed materials.(16)

This, in turn, raises the possibility that private corporations might benefit unduly from the public subsidy received by the arts institutions they support. In Amsterdam, the Heineken brewery bought out a concert of the Concertgebouw and invited its employees and clients. Because Heineken paid the normal ticket price the government objected, pointing out that normal ticket prices were highly subsidized by the state and that the public subsidy should not be used to assist a private interest in this way.(17)

On occasion, corporate donors are able to negotiate benefits for their employees or their clients as a condition of sponsorship. Lincoln Center discounts tickets for employees of corporate donors. Many of the museums supported by Champion International allow their employees free admission. American Express' support of the recent Matisse exhibit at the Moderna Museet in Stockholm came with the stipulation that holders of American Express cards to be admitted free.

Many corporations hesitate to fund direct artistic costs or to make funding decisions based on artistic criteria. Because of the corporation's natural interest in the profitability of its activities, it often concerns itself with the internal financial management of the organizations it is assisting. This undoubtedly brings a higher emphasis on non-aesthetic considerations into the institution's programming, an emphasis whose financial benefits may have artistic costs. As a result, major pre-existing institutions have an advantage in fundraising from the corporate sector.

As always, there are exceptions to these general patterns. Annual grants from the Mobil Corporation, for example, have allowed the Guggenheim and Whitney museums to remain open for free on Tuesday evenings.(18) And some arts institutions are sufficiently prestigious to insist on ongoing support as a sine qua non for corporate participation in more glamorous and more visible activities: the Guthrie Theater limits its underwriters for new productions to those corporations already supporting the theater's general operating fund with at least a \$10,000 donation.(19)

But the general patterns in corporate support remain clear. Often they are even articulated in corporate funding policies. For example, in 1983 AT&T followed these guidelines to distribute \$1.6 million, 16.6% of its total giving, to culture and the arts:



To expand the public's opportunity to enjoy and participate in arts and cultural activities, AT&T contributed to:

- cultural organizations of national scope, with an emphasis on music and the performing arts
- arts service organizations, particularly those that provide assistance to institutions nationally
- umbrella organizations that fund a number of art groups or institutions
- leading local art and cultural organizations serving communities where AT&T is a major presence
- public television stations with a significant number of AT&T employees in their viewing areas.(20)

In 1984 AT&T gave \$2.6 million, 11% of its total contributions, to the arts and culture, mostly through the newly formed AT&T Foundation, which it had created to help stabilize the giving program making it less dependent on year to year earnings. It had also added a further stipulation to its arts support: to be eligible an organization had to have been professionally managed for at least five years and had to compensate artistic and managerial personnel.(21)

The most recent report for the Business Committee for the Arts done by Peat, Marwick, Mitchell & Company, a major accounting firm, contains a variety of data on the distribution of corporate support across artistic sectors.(22) Table 2, constructed from several tables in the BCA report, offers three different ways to look at the question of how corporate support is spread across artistic sectors.

Looking at the first column, we see that museums receive the largest share--19%--of total corporate support followed by theaters, cultural centers and symphony orchestras at 8-9%. At the other end of the scale are the more experimental and less well established art forms.

Before concluding, however, that these figures reflect biases in corporate support it would be necessary to look at a variety of other variables. For example, this distribution might actually reflect the distribution of arts institutions in the United States: How many more museums are there than symphony orchestras or theaters? Or it might reflect the relative budgetary sizes (or relative earnings gaps) of these sectors: Is it considerably more expensive to operate a museum than to operate the others? Or it may be a reflection of the demand on corporate resources: Which institutions actually come forward with funding proposals and to what extent does relative funding reflect this?

The second column looks at frequency rather than amount of support. Here symphony orchestras rise to the top; 54% of the corporate respondents contributed to a symphony orchestra in 1982, 44% gave to museums, 35% to theater, and 30% to general arts funds. Once again, I would argue, these figures match what our intuitive guesses might be about the distribution of corporate support, but these figures would need to be tested more fully and compared to a variety of other variables to better understand the actual degree to which corporate tastes alone explain the distribution.

Table 2

## Three Perspectives on the Distribution of Business Support to the Arts, 1982

<u>Art Form</u>	<u>Percentage of Total Corporate Support</u>	<u>Percentage of Respondents Supporting this Art Form</u>	<u>Average Amount Contributed per Corporation to this Art Form</u>
Museums	19%	44%	\$34,000
Theater	9	35	20,700
Cultural Centers	9	18	37,400
Symphony Orchestras	8	54	12,200
Public Radio and TV - Program Underwriting	6	9	52,000
Opera	6	20	19,100
Arts Funds - General	6	30	13,600
Public Radio and TV - General Support	5	32	13,000
Other Music	5	27	13,500
Dance	4	20	13,600
Art Exhibition Sponsorship	4	11	26,200
Historic and Cultural Preservation Projects	4	25	12,200
Libraries	3	16	11,400
Arts-in-Education Programs	1	11	10,100
Films (noncommercial)	0.4	1	15,500
Purchase of Art for Corporate Collections	0.3	6	4,300
Artists-in-Residence Programs	0.2	2	5,400
Commercial Radio and TV - Cultural Programming	0.1	4	2,500
Video Projects (noncommercial)	0.07	2	11,100
Crafts	0.05	4	1,100
Folk Art	0.03	5	900
Other (excluding commercial)	10	31	33,300

Source: Peat, Marwick, Mitchell & Company, Survey of Business Support for the Arts, 1981 and 1982, Report for the Business Committee for the Arts, New York, October 1983, pp. 18, 20, and 23.

The third column reports the average contribution averaged over the corporations who actually gave to each art form. Though not many corporations (9%) underwrite public broadcasting programming, those that do spend substantial sums, an average of \$52,000. Similarly, not many (11%) support art exhibitions, but those that do spend an average of \$26,200. Both of these are examples of arts activities where the corporation can achieve a high degree of visibility by associating with the project. The average grants to capital intensive sectors are also high: \$37,400 to cultural centers and \$34,000 to museums. Once again the overall patterns are clear.

Often there is considerable variation within a sector, but variation which nonetheless reflects the same overall patterns. Modern dance has a harder time than classical ballet in attracting support. Despite the figures given above, which indicate that theater has done fairly well in the competition for corporate support, some theaters find that their artistic choices make corporate fundraising difficult. This is one of several factors that help explain why theater has had to adapt more to decreasing resources through smaller productions and proportionately more marketable productions than have other sectors such as symphony orchestras or opera companies.

These trends in corporate support are not uniquely American. More and more countries are encouraging and are experiencing a rise in corporate giving, and where they have studied that increase they have observed similar trends.(23) When I asked Colin Tweedy, director of the Association for Business Sponsorship of the Arts in Great Britain, how he would characterize the distribution of business support in Great Britain, his rough rule of thumb estimate was that 50% of business sponsorship went to classical music in London.

Direct corporate grants to individual artists are rare both because corporations feel they do not have the expertise to make this type of funding decision and because the tax laws do not allow deductible contributions to individuals (making the net cost of giving to individuals higher than the net cost of giving to institutions). Some corporations have gotten around this by donating to intermediary nonprofit organizations that do make grants to individuals or by funnelling their support for individual artists through a corporate foundation, which is not restricted from making grants to individuals.

Another view of the trends in corporate giving is offered by looking at giving across corporate sectors. According to the Conference Board, printing and publishing corporations, not surprisingly, provide the highest proportion of their charitable contributions, 20.4%, to culture and the arts; financial institutions provide 19.3% of their contributions; and petroleum and gas companies provide 18.4%.(24) But, in total contributions the petroleum industry swamps all the others in giving to arts and culture because of the large absolute size of its contributions. The largest companies--those reporting annual sales of \$50 million or more--provide 80% of the corporate support; 70% of the largest companies give to the arts.(25)

Substantial support by the petroleum and gas industry for public television has led to the observation that the Public Broadcasting Service should, more appropriately, be called the Petroleum Broadcasting System. This large scale support of public broadcasting is not an accident; it came at a time when

petroleum companies were very worried about their image. Charles Maxwell, an oil analyst, has been widely quoted for his belief that support of the arts, particularly the visual arts and public television, may have contributed to a decrease in the strength of attacks on major corporations.(26)

Another trend of concern to those who influence public policy for the arts is that because of the local and regional emphasis in corporate support the geographical distribution of corporate support is more a function of the distribution of corporate headquarters than of the actual distribution of artistic activity: 55% comes from corporate donors in the Middle Atlantic states (New York, New Jersey, Pennsylvania, Connecticut, Maryland, and Delaware), 15% from the East North Central Region, 14% from the West Pacific, 12% from the South, and 4% from the remaining 21 states.(27) Recent research by the Greater Washington Research Center has further demonstrated that both corporate charitable resources and foundation resources are distributed very unevenly across a set of seven major cities.(28) Not all corporate support, of course, is spent on activities that are only available to the local area, but much of it is naturally and appropriately (from the corporation's perspective) spent there.

Occasionally corporate goals and objectives move corporate funding beyond the realm of the aggregate trends I have been describing to more explicit intervention into the content of artistic programming. A few examples illustrate the potential for artistic conflict: Mobil Oil tried unsuccessfully to dissuade the Corporation for Public Broadcasting from showing "Death of a Princess." The Museum of Modern Art's 1979 exhibition, "Transformations in Modern Architecture," funded by Pittsburgh Plate Glass Industries, was criticized when it was realized that it featured almost entirely buildings with mirrored-glass skins. The objectivity of the labor history exhibits at the Merrimack Valley Textile Museum, now the Museum of American Textile History, in Massachusetts has been challenged with the suggestion that the museum's support from foundations created by the J.P. Stevens textile manufacturing fortune was a contributing factor. Some corporations are beginning to take a more active role in shaping arts programs through sponsor-initiated shows, exhibitions that are assembled and packaged in advance by the corporation and then distributed to museums; and others are becoming heavily involved in the creation of corporate collections, art galleries, and branch museums.

The extent to which the independence of artistic judgement has been compromised by corporate, or for that matter any other type of private or government, support is impossible to document, and so we are forced to argue by anecdote. But most of the impact of corporate support on the arts probably does not lie in the explicit, relatively easy to observe behaviors I have outlined above. Rather, it lies in the indirect influence of the corporate donor, which is exerted as potential donees begin to craft their proposed programs with the potential of corporate support in the backs of their minds. Donald Platten, retired chairman of Chemical Bank, a substantial corporate donor, has concluded that:

Shifting the center of control over program content to outside organizations (donors) can...have the effect of favoring those nonprofit organizations with a talent for guessing the predilections of potential donors.(29)

While the institution may be able to obtain corporate support without attached strings that appear to be too onerous, the fact remains that there is a powerful incentive to preselect programs in order to present a menu of "fundable" proposals to the corporate donor. And this is no less an example of corporate influence for having been the decision of an arts administrator.

So far our attention has been on trends and patterns within the arts world, but the level of corporate support is also related to other, competing demands for corporate charitable funding. With the Reagan administration's cutbacks in a wide variety of human services programs, private donors are experiencing an unprecedented number of demands on their largesse, and corporate officials have cautioned that it may be difficult for them to maintain the newly achieved heights of arts support in the face of these needs. In a 1982 survey, the local elite and business leaders in the Minneapolis-St. Paul area agreed that most corporate support should go to health/welfare organizations in the next few years, and a number of them voiced the opinion that cultural organizations had received too much corporate support.(30)

Such a shift in corporate priorities is not new to the arts; when William Schuman retired from the presidency of Lincoln Center in 1968 he cited as one of his great disappointments that corporations had not supported Lincoln Center as heavily as they had said they would, turning instead to "urban crisis" programs.(31) The desire to repackage artistic programs to capture funding under new corporate priorities can take on rather bizarre forms. Atlantic Richfield, exploring ways to mesh cultural and social-welfare concerns, proposed a series of "Strings and Beans" concerts by the Denver Symphony Orchestra, to which the price of admission would have been canned goods for the poor.(32)

Other external factors may also prove critical in the size or distribution of corporate support. The level of corporate funding is closely linked to the current state of the economy, particularly if donations are made out of the current operating budget rather than through a corporate foundation. Changes in the structure of an industry may also have important effects. The recent breakup of AT&T led to major changes in corporate support for a wide range of arts institutions. And corporate mergers change the configuration of support when corporate headquarters are moved or corporate priorities are changed.

### Interrelationships Between Funding Sources

As I have already mentioned, it would be a mistake to consider corporate support in isolation from the other funding sources for the arts. What is the nature of the interaction between funding sources? Do they complement and reinforce one another's funding decisions or do they mimic and duplicate one another? And what are the implications for corporate support?

A major theme that has emerged in the arts policy debate in the United States is that it is the role of the National Endowment to be a leader in identifying worthy grant recipients. In the words of NEA Chairman Francis Hodsoll, "a principal role of the Arts Endowment is to confer a stamp of approval," an 'imprimatur' that will give recipient organizations an advantage in competing for

other sources of funds.(33) The theory is that other funders will defer to the expertise of NEA and its peer review panels in identifying those arts activities that are worthy (and needy) of support. It has even been suggested that NEA conserve its limited resources by simply identifying worthy recipients without making any financial commitment. (In addition to improving the chances for private support, the receipt of an NEA grant may also dramatically improve the organization's chances of receiving future public support.) At the same time, private funding sources, particularly corporations, have been criticized for their unwillingness to exert independent aesthetic judgments and for their over-reliance on the endorsement of the government to trigger private actions.(34)

The extent to which donors take their cues from one another has been the target of much speculation and little research, but a recent study by Michael Useem and Stephen Kutner offers a glimpse at how potential corporate donors view the general influence and prior grantmaking of outside organizations. Tables 3 and 4 are reproduced from their study.(35)

These data suggest that there is a follow-the-leader tendency in corporate support, but the most striking result is the strong influence that corporations apparently have on one another's funding decisions. Based on these results, Useem and Kutner have hypothesized that as corporate support grows and becomes more professionalized it will converge, and an individual corporation's pattern of support will come to more closely resemble the overall pattern of corporate support. This contradicts the conventional wisdom that increased corporate support will mean increased variation in that support.

Government arts agencies have designed many of their funding programs to provide incentives for private funding sources to fall into line. From the very beginning the National Endowment for the Arts followed the principle that the Endowment would not fund the total cost of any project, a stipulation which set up an implicit matching grant as other sources of funding were expected, and often required, to match or complement the federal grant. More recently the Endowment has used explicit matching grants throughout its funding programs, most notably in the Challenge Grant program which requires a match of at least three or four dollars in new contributions from other sources (states, localities, corporations, foundations, individuals, special projects, or other organizations) for every one dollar of public money. (The question of what exactly is "new" money is one that seems to have been answered in a variety of ways depending on the exigencies of the moment. It has become a notoriously tricky concept to operationalize.)

Arts institutions seem to have been successful in coming up with the matching funds required by NEA, suggesting that other funding sources have followed their lead in this regard. According to NEA figures, as of June 1984, its investment in the Challenge Grant Program of \$110 million had been matched with new contributions of over \$800 million.

Via the matching grant mechanism, government can encourage the flow of arts funding in certain directions and away from others, and the government can decide who the ultimate recipient of all these funds will be. Other funding sources, also eager to magnify their influence, have adopted this idea and are now beginning

Table 3

The Influence of Outside Organizations on the Level and Target of Contributions by Massachusetts Companies

<u>Outside Organization</u>	<u>Percentage of Companies Reporting Modest or Strong Influence of Outside Organization on Own Decisions</u>
<b>Government Agencies</b>	
National Endowment for the Arts	14.5%
National Endowment for the Humanities	11.3
Massachusetts Council for the Arts and Humanities	21.1
<b>Nonprofit Association</b>	
Massachusetts Cultural Alliance	21.0
<b>Business Association</b>	
Business Committee for the Arts Conference Board	6.4 21.0
Other Corporations in the Region	51.6

Table 4

The Influence of an Outside Organization's Earlier Grant to an Applicant on the Evaluation of the Applicant's Merits by Massachusetts Companies

<u>Outside Organization</u>	<u>Percentage of Companies Reporting Modest or Strong Influence of Outside Organization on Own Decisions</u>
National Endowment for the Arts	29.0%
National Endowment for the Humanities	27.4
Massachusetts Council for the Arts and Humanities	33.9
Another Major Corporation	50.0

Note: Number of companies upon which percentages are based = 62

Source: Michael Useem and Stephen Kutner, "Corporate Contributions to the Nonprofit Sector: The Organization of Giving, and the Influence of the Chief Executive Officer and Other Firms on Company Contributions in Massachusetts", Working Paper No. 94, Program on Non-Profit Institutions, Institution for Social and Policy Studies, Yale University, December 1984. To be published in Paul DiMaggio, ed., Nonprofit Organizations in the Arts (New York: Oxford University Press, 1986).

to initiate matching grants on their own. The increasing popularity of matching grants has created a new problem where multiple matching grants made in one geographical area have led to "saturation," prompting vigorous competition among local groups both within the arts and between charitable sectors for limited local philanthropic resources.(36) In 1978, for example, the six challenge grants made to arts organizations in the San Francisco Bay area required that local arts support jump by 30% in order to cover the matching requirements.(37)

Matching grants have also been criticized as a constraint on private decisions, which erodes private responsibility and initiative.(38)

The other side of the leadership-in-funding coin, is that discontinuation of government support might jeopardize the existence of an institution as other funding sources cut back their support in response, thinking the donee no longer worthy of their support. This has particularly been a problem in countries where arts institutions enjoy ongoing annual support from the government. When the Arts Council of Great Britain responded to budgetary cutbacks by dropping some of its revenue clients, it was called on to assure other possible funding sources that the discontinuation of funding was based on financial reasons rather than on reasons of artistic quality. This phenomenon can work in the opposite direction as well. Governments may be wary about the implications for public expenditures when private sources cut back their funding. Volvo offered to provide 5 years of support to the Goteborg Symphony to enable it to add 20 additional string players. The Swedish government balked at this arrangement, wondering whether at the end of the 5 years it would be expected to pick up the additional burden.(39)

In two cases that I have come across, governments have turned the matching grants notion on its head and have implemented mechanisms whereby the government's matching grant follows, rather than precedes, a commitment by a corporate donor. Recently the British government begun a Business Sponsorship Incentive Scheme. Through the Office of Arts and Libraries, the government has given 1 million pounds to the Association for Business Sponsorship of the Arts, a private organization along the lines of the American Business Committee for the Arts, to be used as matching grants to provide incentives for new corporate sponsorship for the arts. An arts institution that succeeds in finding new corporate sponsorship for the arts--new both for the institution and for the corporation--can apply to ABSA and receive one additional pound of government money for every three pounds it receives in new sponsorship. The government's match must be at least 2,500 pound but no more than 25,000 pounds. Note that it is the corporation who decides who will receive the benefit of the government matching grant.

In the United States, the Massachusetts Council on the Arts and Humanities has implemented a Regional Corporate Challenge Program in response to a mandate from the state legislature to find new ways to involve private money in the arts. The goals of this program are twofold: to increase corporate support of the arts and to increase the network of private sector advocates for arts funding. The matching grant system operates through informal local, county, or regional business committees. So far eight have been formed in various parts of the state. These committees encourage increased corporate support for the arts in their area, and any documented increase in arts support for the arts in their area, and any documented increase in arts support is matched on a 1:1 basis by the Council with



state money. Requests for the matching funds are processed by the local committees and passed along to the Council. To be eligible to receive these matching funds, the cultural organization must have received funding from the Massachusetts Council within the past few years. In the first year of operation \$250,000 was allocated and \$275,000 was actually spent; in the second year \$500,000 was allocated and \$615,000 was spent; \$600,000 has been requested for the next fiscal year.

In both cases these programs assume that an additional incentive beyond tax deductibility is needed to increase corporate sponsorship or corporate philanthropy. In creating these programs these governments have actually magnified the effect of the tax deduction, which itself is the oldest form of government matching grant, with the government matching the donor's private net-of-tax contribution with a tax expenditure in the form of foregone taxes.

A lot of attention has been paid to tax deductibility as a key in fostering corporate support, and the opinion is often voiced that if only tax incentives were greater corporate contributions would increase dramatically. But my international comparative study for NEA suggests that this may not be the case. Of the eight countries I looked at, seven provide tax incentives for charitable contributions to the arts, but only in the United States, and to a considerably lesser degree in Canada and Great Britain, is there significant corporate support.<sup>(40)</sup> The differences in level of support seem to lie more in historic patterns of patronage and in the modern importance of the public sector in support of artistic activities than in actual differences in tax laws. This is not to say that tax incentives cannot make a difference, but they are certainly not sufficient. In most countries the debate around increased corporate support has focussed on increasing the limits on deductibility, but as long as corporations are not giving up to the limits, these limits are not binding constraints on giving, and the lobbying effort that is being focussed on changing these limits is misplaced.

There is one example of a concrete relationship between individual donors and corporate donors that deserves mention: corporate matching-gift programs. Many corporations have decided to allow employees to participate in deciding how corporations' charitable contribution budgets will be spent, by offering to match employee contributions. The individual employee decides to whom the corporation's donation will be channeled within any broad guidelines established by the corporation. In 1981 one of the debates that came before the Presidential Task Force on the Arts and Humanities, which was very interested in increasing corporate support for the arts, was whether it should endorse corporate matching-gift programs and employee payroll deductions. But when they took a hard look at what the experience has been with these programs, they realized that the arts and the humanities fared less well in programs such as these, whose expenditures were determined by individual donors who give proportionately less to the arts, than they fared in support programs where the corporation was making decisions according to its own criteria.<sup>(41)</sup>

### Trends in Corporate Support

Given these historic patterns of corporate arts support, what are the directions in which corporate support is moving?

First and foremost, there is a perceptible shift away from patronage (philanthropy) toward sponsorship. Corporations are becoming increasingly aware of the benefits of being associated in a visible way with the arts, and the arts are perhaps becoming a bit less wary of corporate support. Indirect institutional advertising through the promotion of the corporation's logo and the careful management and promotion of its corporate image is becoming the key to corporate support. My conversations with knowledgeable individuals have indicated that this is just as true in Canada as it is in the United States. At this point it goes almost without saying that this trend will undoubtedly affect the type of arts supported.

A second trend, which so far is less well established, is a movement from support of the arts to active participation. Corporations may well find it to their advantage to take on an active role in producing arts events and in creating exhibitions and perhaps even establishing their own galleries or museums. This will bring these activities more directly under their control, and they will be more able to reap the direct benefits from such support. Though the arts will benefit from this trend, the traditional nonprofit arts institutions as we know them will not necessarily share in these increased resources.

From the arts institution's perspective it will become increasingly important to attract the right trustees. In the United States, the individuals who serve as trustees of these private nonprofit organizations are a particularly important link in the overall financial stability of the institutions. They are often the key that unlocks corporate support. The adages that directors of arts institutions use to describe the roles of their trustees--"Give, get, or get off" and "Wealth, wisdom, or work"--attest to this importance. Many institutions now informally attach a price to a seat on the board of trustees--\$2,000-\$4,000 per year is not uncommon--and the trustee accepts the responsibility to donate this amount personally or to raise it on behalf of the institution.

In other countries, the role of the trustee has been much less explicitly linked to the role of fundraising, particularly where arts institutions have enjoyed high levels of government subsidy. In England, when I inquired about the role of the trustee, I was told that "real businessmen do not sit on boards of institutions" (and presumably they don't eat quiche either), but as other countries turn more to private sources of funding the role of the trustee will have to change.

On an international scale corporate support for the arts is receiving unprecedented attention. In each of the seven countries I visited for my NEA study, it is the corporate sector to which the government is first turning as a source of private support. And, invariably, it is to corporate sponsorship--where the corporation would receive visible recognition in exchange for its contribution--rather than to patronage.(42) In Sweden, the government is very aware of the irony that one of the primary goals of its cultural policy is to counteract the negative consequences of commercialism, as it begins to develop a new, more welcoming view toward corporate support in a era of dwindling public resources. The government's first concrete step in this direction has been to promulgate a policy requiring a tax on corporations to be used to provide artistic activities in their own facilities for their own employees.

And finally, it is very much in vogue in Washington, D.C. these days to use the term "partnership" to describe the evolving relationship between business and the arts. While its use may be more rhetorical than descriptive, it is useful if it indicates the development of a new, clearer understanding between donor and donee. Elizabeth Weil, writing on the relationship between business and the arts for the Endowment, points out:

...the nature of true partnership requires continued sensitivity on both sides...Where one partner assumes the role of "patron", the other is necessarily "patronized". The new arts-business partnerships are built on a different foundation: clearly recognized mutual interests.(43)

When these interests are mutually recognized, true corporate support in much more than just the financial sense will result.

### FOUNDATION SUPPORT

The importance of foundations as a source of private support is another distinguishing characteristic of arts funding in the United States. Foundations are private, nonprofit organizations that act as intermediaries in charitable giving; they receive charitable contributions, often through bequests, and redistribute the income from their endowments to operating charities for education, scientific, social welfare and cultural purposes. In 1981 there were an estimated 22,000 active grantmaking private foundations in the United States; they held \$51 billion in assets and awarded \$4.1 billion in grants. Approximately 4,000 of these accounted for the bulk of foundation giving.(44)

Research on the impact of foundation funding on the arts is in its infancy and is less well developed than that on corporate funding, so much of what I have to say is exceedingly impressionistic. Nevertheless, once again it is possible to make out the bare outlines of discernible patterns.

In the last twenty years foundation giving for the arts has paralleled the growth in corporate and other private giving, both absolutely and relatively. Unfortunately, currently available data do not allow a very precise estimate of the magnitude of foundation support for the arts, but the trend is clear. Kenneth Goody, in a report for the Rockefeller Foundation, has estimated that foundation support grew from \$38 million in 1966 (3% of total foundation giving in that year) to \$349 million in 1982 (11.1% of total giving).(45) The Foundation Center, which collects the most careful statistics, unfortunately only looks at the largest foundations; it reports donations of \$277 million to the arts from those foundations in 1983, 15.4% of their total contributions.(46)

As with other sources of private support, charitable donations made through foundations are made in the context of tax laws, which control the range and shape of the foundation's activities and which provide generous tax incentives for those contributions. At least 40% of the support given by foundations is in the form of foregone taxes; thus, in 1982 this public element of private foundation support was approximately \$140 million.(47)

It is just as difficult to characterize the overall shape of foundation support as it is with corporate support; exceptions are undoubtedly numerous and important. The organizational form and mandate of foundations would seem to provide wide latitude to take new initiatives; and they are, in theory, less constrained than other funding sources who respond to relatively homogeneous political, social, or economic pressures. This suggests that foundations might be well suited to fund the artistic activities that other sources of funding might pass over. Foundations are, of course, limited by their charters and by their trustees' decisions, but American foundations tend to be "general purpose" more often than their counterparts in other countries (if they exist at all) and are therefore likely candidates for providing support to the arts. The Rockefeller Brothers Foundation in its seminal report, The Performing Arts: Problems and Prospects, singled out foundations for their potential to "give particular encouragement to the bold and the venturesome—an encouragement they are especially equipped to provide".(48)

Unfortunately, that potential seems to be largely unrealized. The overall profile of foundation support may be fairly conservative, in part because most foundations do not have large staffs to research and evaluate new proposals. A recent survey indicates that foundations seem to be more willing to provide administrative and service support than to directly fund the artistic aspects of the institution's programs.(49) In this sense foundation funding may complement the funding from other sources less willing to provide ongoing support. At the same time there is some evidence that foundations, too, like the visibility afforded by specific projects. NEA has reported that recipients have had some difficulty in finding increased foundation funding to match their Challenge Grants, because those grants have been targeted toward stabilizing the economic position of the arts institutions rather than toward specific projects.(50)

The survey also found that foundation support is mainly available to major, traditional institutions; 65% of the survey respondents indicated that their support is exclusively for established institutions. It is becoming increasingly difficult to elicit first-time grants from foundations, though foundations still find the time-limited pilot project an attractive target for funding with the hopes that if successful the project would be picked up by other funders and made permanent.

The largest foundations have, from time to time, implemented major initiatives in the arts by pooling large amounts of resources. W. McNeil Lowry, former vice president of the Ford Foundation who was in charge of that foundation's arts support, saw an active role for foundation support:

We are catalysts rather than reformers, participants rather than backers, communicants rather than critics...Our investments in the arts are not so much subsidies as they are levers.(51)

Beginning in 1953 the Rockefeller Foundation began funding a variety of artistic programs, though since 1964 Rockefeller's allocations for the arts have remained at approximately \$3 million per year. In 1957 the Ford Foundation began to support the major regional resident theatres, and by 1976 they had spent some \$19.5 million.(52) In 1963 Ford began a \$30 million program in support of dance, the largest program of that type that had ever been undertaken. In 1966 it announced a multi-year \$80 million program in support of the major symphony orchestras, whose goals were to increase the orchestra's permanent endowments, broaden their

base of support, lengthen their seasons, increase their audiences, and raise musicians salaries. (In the final analysis, a larger portion of these grants was bargained away by the musicians' unions than Ford had hoped.) And in 1971 Ford began a major stabilization program to improve the financial position of performing arts organizations.(53) At times Ford has been criticized for getting the institutions they funded hooked on big audiences and big budgets, though, as Julius Novick has pointed out, the institutions were more than willing to be tempted.(54)

Recently the major foundations seem to have been turning their attention away from the arts toward other, more immediately pressing, social welfare needs. But at the same time the Ford, Andrew W. Mellon and Rockefeller Foundations have committed \$9 million to the creation of a National Arts Stabilization Fund. This Fund, aimed at a broad group of arts institutions, hopes to provide \$25 million over the next five years to build working capital reserves and to provide a variety of professional consulting services aimed at improving the management of the recipient organizations. The first grants totalling \$2.2 million were made in June to three arts organizations in Boston, the pilot city. And two new foundations have come onto the scene and promise to provide substantial support to the arts: the MacArthur Foundation in Chicago and the Getty Foundation, whose colossal endowment will have enormous effects on the arts world as it pours millions into art conservation and research as well as into its own collections through a string of self-created and self-operated arts institutes.

Yet despite these major initiatives, the view that foundations can "act rapidly, anticipate emerging needs,...undertake sensitive, value-laden, and esoteric projects that might be inappropriate for public support,...underwrite programs, institutions, or causes that are beyond the scope of individual largesse, and afford the kind of decades-long research projects that individuals or government might not",(55) points more to the potential than to the aggregate experience of foundation support.

## CONCLUSIONS

One of the things that other countries find most attractive about the American system of arts funding is its diversity. And it is beneficial to the arts to have diverse sources of funding, promoting financial security and allowing the artistic innovation and vitality that might be thwarted by over-reliance on a single funding source.

But diversity in funding may be illusive. Each of the funding sources for the arts has its own characteristic patterns of funding, but there is substantial overlap as to the types of projects each of the sources finds attractive. Involving more sectors and more decisionmakers in arts funding has undoubtedly increased plurality in decisionmaking, but it has not necessarily increased diversity. Yet, a system of multiple funding sources does offer the opportunity to pursue many different cultural policies at the same time. It may be that pluralism in arts funding is most important because it creates a system of options in which no single patron can effectively foreclose an artistic venture and in which it might even be possible, on occasion, for donees to talk back to their funding sources.

The relative mix of funding sources has an important influence on the types of art programs that are made available to American society. With the current state of information on cultural policy we can only guess at what this influence is. I have made some tentative suggestions today, and others, if they had been invited, would undoubtedly have made different suggestions. Further research into the nature of this public/private partnership will help us to understand how the way in which a society decides to fund the arts ultimately determines the type of art we will have and will enable us to better shape that funding system to embody our cultural policies.

I fully realize that from the perspective of the individual arts institution much of what I have said may seem hopelessly irrelevant. After all, isn't the most important goal simply to get more money for the arts wherever it can be found? In the service of this objective, arts institutions are too willing to assume that funding dollars are infinitely fungible. Who cares what the funding source is as long as it provides money? But a dollar from one funding source is not identical to a dollar from another funding source. Each contributed dollar comes with a variety of constraints, both spoken and unspoken. Each funding source has its own expectations of control, its own tastes, its own limits for what is acceptable and what is unacceptable, and its own expectations concerning level of accountability; and the art we are ultimately able to enjoy is affected in important, though subtle, ways by these constraints.

As in architecture, there is an inextricable link between form and function in arts funding. With an improved understanding of our funding systems and improved communication between all types of donors, perhaps we can foresee the day when the arts institution will be able to say to its donor, "Thou marshall'st me the way that I was going..." not with reluctance or resignation, but with affirmation.

## NOTES

1. National Endowment for the Arts, Five-Year Planning Document (Washington, D.C.: National Endowment for the Arts, February 1984), p. 101.
2. United States 89th Congress, National Foundation on the Arts and the Humanities Act of 1965, Public Law 209.
3. J. Mark Davidson Schuster, Supporting the Arts: An International Comparative Study (Washington, D.C.: National Endowment for the Arts, April 1985), pp. 48-58.
4. Peat, Marwick, Mitchell & Company, Survey of Business Support for the Arts, 1981 and 1982 (New York: Business Committee for the Arts, October 1983), p. 5.
5. For two related attempts at estimating the relative importance of the various funding sources in the United States see J. Mark Davidson Schuster, "The Interrelationships Between Public and Private Funding of the Arts in the United States", Journal of Arts Management and Law, Vol. 14, No. 4, Winter 1985, and Schuster, Supporting the Arts.
6. Kenneth L. Goody, "The Funding of the Arts and Artists, Humanities and Humanists in the United States", report prepared for the Rockefeller Foundation, November 1983. A summary of this report is available in Kenneth Goody, "Arts Funding: Growth and Change Between 1963 and 1983", The Annals of the American Academy of Political and Social Science, Vol. 471, January 1984.
7. Chemical Bank, The Not For Profit Group, "Giving and Getting: A Chemical Bank Study of Charitable Contributions 1983 through 1988."
8. National Endowment for the Arts, Five-Year Planning Document, p. 15.
9. For a summary of some recent reports on the profile of income by artistic sector see Schuster, Supporting the Arts, Appendix B.
10. For a fuller discussion of the tax expenditure perspective see Alan L. Feld, Michael O'Hare, and J. Mark Davidson Schuster, Patrons Despite Themselves: Taxpayers and Arts Policy, A Twentieth Century Fund Report (New York: New York University Press, 1983), particularly pp. 24-70. This volume contains a full discussion of all of the important tax expenditures in arts funding in the United States.
11. This estimate is based on calculations outlined in Feld et al., Patrons Despite Themselves, pp. 24-70.
12. A full treatment of the evolution of corporate involvement in the arts up to 1970 can be found in Alvin H. Reiss, Culture & Company (New York: Twayne Publishers, 1972).

NOTES  
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13. George Weissman, "Philip Morris and the Arts", remarks published in a brochure by Philip Morris, 5 September 1980.
14. Leonard Sloane, "Is Big Business a Bonanza for the Arts?" ARTnews, October 1980, pp. 111-115.
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17. Many of the European examples contained in this paper are more fully discussed in Schuster, Supporting the Arts.
18. Leonard Sloane, "Is Big Business a Bonanza for the Arts?" p. 112.
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26. Robert Metz, "The Corporation as Art Patron: A Growth Stock", ARTnews, May 1979, p. 45.
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41. Barnabas McHenry, "Notes on the Presidential Task Force on the Arts and Humanities and President's Committee on the Arts and Humanities", The Annals of the American Academy of Political and Social Science, Vol. 471, January 1984, p. 112.

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**FOUNDATION SUPPORT FOR THE ARTS IN CANADA**

**1980 - 1984**

**by**

**Mel G. MacLeod**

**Head, Killam Program  
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By way of general introductory remarks, I should note that currently there are some 650 philanthropic foundations in Canada which control approximately \$1.5 billion in capital assets and disburse in excess of \$175 millions of dollars annually.(1) Clearly, figures of this magnitude have significant social and economic implications, especially for areas in which the foundations are concentrated. As Table 1 reveals, over half of the foundations are located in Ontario, with only 3.5% located in the Atlantic Provinces and the remainder split between Western Canada and Québec. Considering that approximately three-quarters of the foundations restrict their giving to specific provinces or regions, it would seem that fundraisers in the areas of concentration enjoy some considerable advantage over their counterparts in less favoured areas; presumably, however, this apparent advantage is tempered by a not dissimilar geographic distribution of population and demand.

There is a considerable range of size of foundations; for example, the 50 largest foundations listed in the Canadian Directory to Foundations held 81% of the assets of all foundations listed in the directory and accounted for about 56% of grant expenditures. This left some 600 foundations which held 19% of assets and accounted for approximately 44% of grant expenditures. The top 50 foundations by grants averaged \$2.6 million in annual grant expenditures and accounted for 74.4% of total grant expenditures. By contrast the remaining 600 averaged \$76 thousand in annual grant expenditures. Some foundations, of course, hold few assets, but distribute relatively large amounts of money received as annual contributions. As cited by Alan Arlett, available figures indicate that Canadian foundations account for some 8% of total charitable giving in Canada, compared to 4% by their American counterparts.(3) Notwithstanding the apparent significance of the role played by foundations in Canadian charitable giving, we know relatively little about the distribution of foundation grants.

The available data on foundations tends to be of uneven quality, and generally difficult to correlate, because of a lack either of detail or of a standard system of classifying grants. My colleague, Harry Chartrand, encouraged me to undertake a survey of a limited number of foundations in an attempt to obtain usable data relating to support for the arts and culture relative to other sectors. Somewhat to my chagrin, I am assembling a growing body of data which tends to be of uneven quality and generally difficult to correlate, because of a lack either of detail or of a standard system of classification. This prompts me to preface my discussion with a number of caveats.

#### Survey of Foundation Support to the Arts in Canada

An obvious shortcoming of a survey, of course, is that respondents are neither equally thorough in completing a survey nor equally prompt in returning it. Moreover, as only a small proportion of foundations have full-time, professional staffs, some understandably cannot provide the level of detail required promptly, while others cannot provide it at all.

Nonetheless, we have managed to assemble a body of data which represents 22 of a final sample of 43 foundations; these 22 foundations represent approximately 80% of the assets held by the total sample and probably account for some 70% of total expenditures. As I have noted, the responses tend to be uneven especially with respect to the level of detail provided and thus for the purposes of this discussion, I will limit my remarks to such general observations as the data permits.

I should add that the initial sample included some 140 foundations listed in the 1982 edition of the Directory of Foundations, which is compiled by the Canadian Centre for Philanthropy. The majority were subsequently eliminated for a variety of reasons, notably including that they have ceased to exist, that they neither support nor have any intention of supporting the arts, and that they prefer not to participate in such surveys. The latter group, I am glad to say, did not include foundations of any apparent significance in the context of arts funding, while several even smaller foundations simply informed me - usually by form letter - that my organization is not eligible for their support. Feeling only mildly rebuked - considering that I had not, after all, applied - I nonetheless struck them rather decisively from my list. Finally, I did not include in the sample some dozen foundations which support arts and culture in the context of specific religious or ethnic communities, nor did I include foundations for which annual expenditures in support of the arts total less than \$1,000.

The main objective of the survey was to establish the magnitude and pattern of foundation expenditures across four broad areas of activities, with special attention to the arts, for the 5-year period from 1980 to 1984. Respondents were asked to specify granting priorities and geographic scope, as well as to respond to several questions about policies and procedures. They also were asked to detail grants and expenditures in support of the arts, the natural sciences, the human sciences, and, rather broadly "other" activities which they were asked to specify. While several of the larger foundations were able to comply, most had difficulty with the categories, especially for the early years of the five-year period. Again, for the purpose of this discussion, I have collapsed these categories into three broader ones: Arts and Culture; Education and Research; and the nebulous catch-all, "Other" Activities.

The 22 foundations under consideration range in size from the Emil Skarin Foundation, with assets of \$50 thousand, to the Kahanoff Foundation, with assets of approximately \$58 million.<sup>(4)</sup> Most are family foundations, including the Birks, the Richard and Jean Ivey, the Richard Ivey, and the Molson Foundations. Most are fairly substantial in size, as the 22 hold an average of almost \$13 million in assets. Of the 22, 9 grant on a Canada-wide basis, while 5 restrict funding to Ontario, 3 to Alberta, 2 to British Columbia, 2 to New Brunswick and 1 to Manitoba.

In 1980, as Table 2 indicates, these 22 foundations accounted for total assets of approximately \$200 million dollars and expended almost \$13 million, which represented 6.5% of total assets. By 1984, total assets had increased by 39%, to \$278 million, while expenditures had increased by 83%, to almost \$24 million. In 1984, the total expenditure represented 8.5% of assets.



Only 2 of the 22 foundations cite arts as their first priority; unfortunately, from an arts perspective, one is the smallest, with annual expenditures of only about \$6 thousand, while the other is also modest in size, with annual expenditures of approximately \$200 thousand. Three foundations do not set priorities, while 2 others cite research and education as a main priority. The remaining 13 cite "Other" first priorities, notably, in approximate order, hospitals or health care, medical research, and social and community services. The relative importance of these various priorities will be considered in terms of the distribution of funds by a number of the foundations under consideration.

All 22 foundations require written applications, and with one exception, grantees are selected either by a special committee or by the foundation board. In the one exception, an individual selects grantees and allocates an annual expenditure of approximately \$275 thousand. Several, especially the larger foundations, consult specialists as required, while the others rely on the expertise of committee or board members. All foundations indicated that grants are awarded only to non-profit organizations with registered Department of National Revenue Charitable Numbers. The majority of the respondents appear to have well-established funding patterns with a substantial number of regular, repeat recipients. Generally, I should add, the foundations under consideration also appear to have sound, well-established policies and granting procedures in place.

Grants in support of Arts and Culture amounted to \$1.7 million in 1980, or 13% of the total grants. In 1984, \$2.5 million was awarded in support of arts and culture, ostensibly a rather handsome increase in arts funding of 52%. In the context of the overall increase in funding, however, the arts share declined by 2.6% to 10.5% of total funding.

This relative decline in support to the arts appears to bear no relation to demand, as most respondents indicated that requests for arts support have increased substantially, especially in the past 2 years. Indeed, most foundations report "enormous" increases in demand generally over the past 2 years, with several observing that arts requests are at the forefront of the surge. It seems that the decline in arts support simply reflects a shift in granting priorities, which becomes more apparent in a consideration of the year-to-year distribution of funds between 1980 and 1984.

For the purpose of this consideration I will confine my remarks to 15 foundations which provided fairly complete 5-year data. The 7 exclusions include the Clifford E. Lee Foundation, the Eaton Foundation and the Beaverbrook Foundation, all of which are substantial supporters of the arts; the effect of their exclusion, however, is consistent throughout the 5-year period and does not appreciably alter the measurement of shifting priorities over all.(5)

Between 1980 and 1984, as shown in Table 3, total annual expenditures of the 15 foundations increased from \$9.9 million to \$20.5 million, an increase of 108%. Over the 5-year period, the foundations disbursed a total of \$70.7 million of which \$8.7 million, or 12.3%, was in support of arts and culture. The arts share of expenditures rose from 11.4% in 1980 to an average of 16% for each of the next 2 years, then dropped sharply, first to approximately 12% in 1983, then 9% in 1984. In terms of actual amounts, arts funding rose from \$1 million in 1980 to \$1.7

million over each of the next 2 years, peaked at \$2.2 million in 1983, then dropped substantially to approximately \$1.8 million in 1984. Over the same period, expenditures on Research and Education followed a similar pattern, rising from 20% of total grants in 1980 to a peak of almost 25% in 1982, followed by a decline to less than 18% in 1984. As a consideration of Table 3 reveals, expenditures in support of both the arts and culture and education and research categories have declined in favour of increased expenditures in support of "other" activities.

Thus arts and culture expenditures have declined in both real and relative terms, notwithstanding increased demand and increased spending by foundations. This decline appears to be related mainly to the persisting tendency to downgrade the importance and value of arts and cultural activities relative to what are perceived (not unreasonably) to be essential activities: notably hospital services, medical research, and health care.

Several respondents, for example, related that resources previously available to arts and culture have been depleted in the past 2 years by increasing demands and increasing costs associated with health care, including hospitals and medical research. One Ontario foundation reported receiving for the first time last year, requests for support of health care facilities from as far afield as B.C.. Two others observed that it is difficult to assess the merits of arts requests, whereas the merit is self-evident in the case of requests from hospitals and medical researchers. These latter areas appear to be the major beneficiaries of shifting foundation priorities, while conservation and social services activities are holding their ground.

What seems clear is that foundation support for arts and culture is not likely to increase appreciably in the short term; what is less clear is whether there will be further substantial decline. What may serve to arrest the decline is the fact that the bulk of foundation support for the arts is concentrated in a limited number of foundations which have a strong tradition of supporting arts and culture.

Between 1980 and 1984, for example, the 15 foundations under consideration expended a total of \$8.7 million in support of arts and culture, of which 4 of the foundations accounted for \$6.1 million. Similarly, in 1984, the same 4 expended \$1.3 million of the total expenditures of slightly over \$1.8 million.

The 4 foundations in question include the Laidlaw Foundation, the Winnipeg Foundation, the Kahanoff Foundation and the Leon and Thea Koerner Foundation. While the Koerner and Winnipeg Foundations restrict funding to British Columbia and Winnipeg respectively, both Kahanoff and Laidlaw grant on a Canada-wide basis.

Subject to further verification, it appears that the majority of foundation support to the arts is allocated to the performing arts and visual arts, with relatively little support for literature and media arts. The Laidlaw Foundation is of special interest in this context; like most of the foundations, Laidlaw allocates much of its arts support to the performing arts; unlike the others, however, the Laidlaw Foundation contravenes the general expectation that foundations (and, indeed corporations) tend to support "safe", traditional art forms. The Laidlaw foundation established a performing arts program in 1981 that is restricted to

companies developing new works likely to enhance the development of the performing arts in Canada. The program encourages the type of creative risk taking and experimentation for which funding sources are generally found to be scarce. Over the 5 years in question, the Laidlaw Foundation has disbursed approximately \$1.4 million through this program, of a total expenditure of almost \$2 million in arts and culture.

Notwithstanding the encouraging example of such foundations as Laidlaw, the implications of shifting foundation priorities clearly should be disquieting for the arts community. Rather than looking to foundations for increased support, arts and culture organizations may have to settle for at best a levelling out of foundation support. On the basis of the results of this initial survey, it appears that the best hope for the arts community in Canada is that those foundations which have been the major patrons of the arts will at least hold fast to their traditional funding patterns.

## FOOTNOTES

1. Unless otherwise noted, the figures cited in this section are derived from Allan Arlett, "A Profile of Canadian Foundations in the Directory", in Allan Arlett and Ingrid van Rotterdam, eds., Canadian Directory to Foundations Sixth Edition 1985 (Toronto, The Canadian Centre for Philanthropy, 1985), pp. iv-xii. The figures reflect 1983 financial data and thus likely would be somewhat higher in 1985. The Directory lists 653 foundations, for four of which no financial data is available.
2. This is a summary version of "Table 3: Geographic Analysis of Foundations", in Allan Arlett, ibid., p. vii.
3. Allan Arlett, "Canadian Foundations and Pluralism", in A. Arlett, Senior Editor, Canadian Directory to Foundations and Granting Agencies, Fifth Edition 1982, Volume 1, Foundations (Toronto, The Canadian Centre for Philanthropy, 1982).
4. The figures cited reflect the financial data provided by the following 22 foundations:

- Atkinson Charitable Foundation
- \* Beaverbrook Canadian Foundation
- J.P. Bickell Foundation
- Birks Family Foundation
- \* Central Okanagan Foundation
- \* Eaton Foundation
- \* Fredericton Foundation Inc.
- Audrey S. Hellyer Charitable Foundation
- Richard Ivey Foundation
- Richard and Jean Ivey Fund
- Kahanoff Foundation
- Leon and Thea Koerner Foundation
- Laidlaw Foundation
- \* Clifford E. Lee Foundation
- George Lunau Foundation
- Molson Family Foundation
- \* Nickle Family Foundation
- Noranda Foundation
- Senator Norman M. Patterson Foundation
- Royal Lepage Charitable Foundation
- \* Emil Skarin Fund
- Winnipeg Foundation

### FOOTNOTES (cont'd)

Responses which were not sufficiently detailed to be included in this analysis (but which will be useful for other purposes) were also received from the Allstate Foundation of Canada, the Ontario Paper Company Foundation and the Regina Community Foundation.

- \* Excluded from later discussion of 15 foundations.

The collaboration of all of the foregoing foundations is gratefully acknowledged.

- 5. All seven exclusions are identified in Note 4, above.

**Table 1**  
**Geographic Distribution of Foundations and Grants**

	Total No. Foundations	% of Total	Grants (\$'000s)	(No. Reporting)	% of Total Grants
Western Canada	125	19.5	45,347	(122)	25.3
Ontario	362	56.0	92,264	(353)	51.6
Quebec	136	21.0	39,635	(125)	22.1
Atlantic Provinces	26	3.5	1,717	(26)	1.0
TOTALS	649	100.0	178,963	(626)	100.0

Source: See Note 2.

**Table 2**  
**Assets and Grants of Twenty-Two Foundations**

(in thousands of dollars)

	1980	1984	% Change
Assets	199,378	277,700	+39.3
Total Grants	12,995	23,719	+82.5
(Grants as % of Assets)	(6.5)	(8.5)	(+2.0)
Arts and Culture Grants	1,712	2,495	+45.7
(A & C Grants as % of Total)	(13.1)	(10.5)	(-2.6)

**Table 3**  
**Total Assets, Total Grants and Grants by Sector**  
**For Fifteen Foundations**

**1980-1984**

	1980	1981	1982	1983	1984	Totals
(in thousands of dollars)						
Assets	171,067	205,396	210,240	230,092	234,935	-
Grants	9,896	10,769	11,272	18,203	20,544	70,684
% Assets	5.8	5.2	5.4	7.9	8.7	-
Arts & Culture	1,127	1,768	1,736	2,233	1,841	8,705
% of Total	11.4	16.4	15.4	12.3	9.0	12.3
Research & Education	1,932	2,505	2,791	3,290	3,628	14,146
% of Total	19.5	23.3	24.8	18.1	17.6	20.0
Other	6,837	6,496	6,745	12,680	15,075	47,833
% of Total	69.1	60.3	59.8	69.6	73.4	67.7



**QUESTIONS & OBSERVATIONS**

**Morning Session**

E.C. Bovey:

Is it possible, Mel, that some of this skewing in the foundation figures from year to year is occasioned by years in which there are major capital campaigns for museums or art galleries particularly? When I was Chairman of the Council for Business and the Arts we found that we would sometimes get thrown off and think that the arts were coming off second best in a given year. When we checked back, however, we found there was, for example, an art gallery campaign for \$12 million.

Mel MacLeod:

That is one of the reasons why I tend to be more speculative than conclusive today. With respect to the overall support for the arts, between 1982 and 1984 there seemed to be a surge in arts support directly related to a surge in support from the Kahanoff Foundation, which makes very substantial grants and which may well have made a substantial capital investment in the arts in that year.

Mark Schuster:

This is one example of a broader problem in studying and collecting data that has to do with the extraordinary outlier or the unusual item that is included in the data. Take the example of the Getty Foundation in the United States. If you include the Getty Foundation with other foundations, the numbers for foundations triple or quadruple. The Getty has incredible assets at its disposal; it could buy every art work that comes on the market for an entire year in the world! It is hard to know how that ought to be treated and thought about. To give you another example, the Metropolitan Opera is so large and unique that if you include it in your performing arts figures, you see a mix that looks very different from that if you were to leave it out.

E.C. Bovey:

Did you include the Vancouver Foundation in your numbers, Mel?

Mel MacLeod:

No. I hoped to be able to obtain data from the Vancouver Foundation, but it was not included in the numbers I discussed this morning.

E.C. Bovey:

I am involved with a group trying to set up a Toronto Foundation. I have received two or three Vancouver Foundation annual reports that are very detailed. I mention that to you for your information and interest. Also, did you include the Devonian Foundation?

Mel MacLeod:

It is not included in the population I discussed today.

E.C. Bovey:

They set up \$50 million to be spent over ten years, and they have applied it to what you might call urban renewal. You would not include that in your survey?

Mel MacLeod:

No.

Richard Hopkinson:

I return to Mr. Bovey's point. There is a "blip" in the cultural figures when one looks at total corporate contributions. The influence of the major cultural centre, Science North in Sudbury, was no doubt reflected in the CBAC figures as well as in the IDPAR figures. A set of exhibits will be distributed to you this afternoon, and in Exhibit A corporate giving to culture is tracked and related to other claimants from 1971 to 1984 inclusive. The effect of one major company's contribution to Science North in Sudbury is evident in the big blip in the cultural capital component, particularly in the years 1981 and 1982.

Jacques Flamand:

My question for Mel is about the putting together of arts and culture. Is this a real distinction or does it come out of the responses you received from the foundations? To me, the definition of culture is certainly more than just restricted to the narrow sense of the arts. I think that the social sciences can also be included.

Mel MacLeod:

The distinction came initially from me, although the response of the foundations has tended to confirm it. I would agree with you that certainly the human sciences, the natural sciences and any kind of scientific research is part of our larger cultural corpus. However, the foundations I have dealt with tend to define things very broadly as cultural activities, which would include support for the arts, support for higher education (including universities and university research), and support for community colleges, private schools, private colleges, and so on.

I initially asked foundations to classify their grants to the arts within four categories. I asked them to classify the natural and human sciences only broadly. As I noted earlier, I included these other two categories because of my own activities with the Killam Program. In retrospect, I somewhat regret

having done that because the foundations had enough difficulty with the arts category alone. Within the Performing Arts, for example, the Laidlaw Foundation included some grants to the National Ballet School but not others. They did not include, for example, scholarships that they sponsored at the National Ballet School. I would tend to regard that as being arts support.

Mark Schuster:

The words "arts" and "culture" are much more synonymous in the United States than they are in Canada or in any of the other countries I have looked at. This does not pose great methodological problems. In the United States, you are more likely to see the arts grouped with the humanities, education and the social sciences. There are varying definitions: the Business Committee for the Arts sets a boundary different from that of the Council and foundations when it collects its numbers.

I would also make a point about the ministries that are responsible for culture in various countries. Let me give you a quick rundown. In France, there is now a Ministry of Culture, but it has also previously been called the Ministry of Culture and Communication and the Ministry of Culture and Environment. The definition has changed over time as the political situation has changed. In Great Britain, there is the Office of Arts and Libraries, which incorporates the Arts Council of Great Britain under its umbrella in a way that is not dissimilar to the relationship between the Canada Council and the Department of Communications here. In Italy, there are two ministries: the Ministry for Cultural Property and Environment -- responsible for stored preservation, national museums, libraries, archives, and fine arts, among other things -- and the Ministry for Tourism and the Performing Arts. And they do not talk to each other! In the Netherlands, the arts now come under the Ministry of Welfare, Health and Cultural Affairs, but that is only a recent innovation. It used to be a different combination of portfolios. In Sweden, there are two ministries: the Ministry of Education and Cultural Affairs the Department of Mass Media Policy. It can be seen that those definitional problems are not even resolved in the structures that are supervising what we would call arts or cultural policy.

Jacques Flamand:

Mel, you mentioned that foundations provide little support for literature. Do you have any comments about that?

Mel Macleod:

It seems to be a much lower priority. There is some support for literature but it is very limited. The support goes first to the performing arts then to the visual arts. Only one foundation in fact has any kind of priority in this area of arts funding.

Bill Morrison:

Dr. Schuster, I think you quite rightly said that a lot of corporate sponsorship is a transaction that involves something more than philanthropy. Something that has not been mentioned is that corporate funding may be underestimated in the sense that some corporations have been known to register expenses given to the arts in their expense accounts. These are not formally donations because the corporations are getting promotion, good will, and so on, in return. These are transactions that show up in expense accounts.

The other aspect of this is the foregone tax issue. In this context there are not really any foregone taxes...

Mark Schuster:

But there are foregone taxes!! The business expense is deducted like anything else. You may think about this differently for public policy purposes, but there are foregone taxes.

It is very easy to co-mingle philanthropy and sponsorship because the tax incentives are essentially the same. You can either deduct as a business expense or deduct as a corporate contribution, and, basically, it does not make any difference to the corporate bottom line. That is true in most countries, except in Great Britain and in Sweden where it is very important for corporations to clearly indicate whether they are undertaking philanthropy or sponsorship because the taxing pacts are quite different. In any case, you are right in saying that corporate funding is underestimated: the BCA estimates include a little bit of what I would call sponsorship, but there is a lot more going on. In fact, one might even see the overall estimate of corporate funding going down as more corporations switch towards sponsorship and away from philanthropy. That would not indicate a change in the amount of money going to the arts. It would indicate a shift in corporate priority.

Bill Morrison:

You mentioned the matching grant system in England. Do you have any results as to how successful that scheme is?

Mark Schuster:

It was just begun in the second half of last year. A fund was created, with a million pounds to be allocated this year. I have not heard anything about its success. Curiously, there were already substantial tax incentives for corporate contributions in Great Britain. The theory apparently was that those incentives were not sufficient, and that what was needed was an additional incentive to break open the "log jam".

I have asked about corporate support in Great Britain, and why they have no hard data. Colin Tweedy, the Director of the Association for Business Sponsorship, hazarded a guess that 50% of corporate sponsorship in Great Britain goes to classical music in London. That is an indication of what the pattern might be.

Barry Pipes:

Mark drew our attention to the decisions of other corporations in a region as an important influence for any single corporation. To me that would reflect very much the use of the old boy system. To the extent that that is a mutual back-scratching situation, it is fine for those organizations that have the option to capitalize on it because of the campaigners that they have attracted. But what about the organizations in a small community that do not have major corporations in the vicinity to get the campaign leaders together?

Mark Schuster:

You point to another of the problems embedded in this system. Michael Useem did a study that deals with this question, but does not provide a clear answer. When corporate executives say "I was influenced by another corporation's decision", we cannot be sure whether that means they have decided not to fund or whether it means they have decided to fund the same thing because their pals decided it was a worthy thing. Michael Useem has come to the conclusion that there is replication rather than substitution, but we do not have any hard data about that question.

Another of his conclusions is also interesting. He says that as corporate funding becomes more professionalized, more important and more visible, he expects to see a convergence rather than a divergence. The theory is that as corporations become more professionalized, they will be able to consider a wide diversity of demands, be better able to ascertain which are worthy and which are not, and might become involved in a broader range of things. What he expects to see, however, is a convergence towards the average over corporate support because people are more likely to mimic one another. That is a little bit at a tangent to the question that you asked, but that is really all we have as evidence at the moment.

Jacques Lefebvre:

We are now looking at the end result of corporate funding -- the figures. What about the process? Why is it that suddenly education or medical research or health care get a large amount of support? Is it because they are more aggressive or better at doing it? As a donor I will respond differently, and my board will respond differently, to a more aggressive approach, to a more creative approach, than just to a bland letter that says "please give". Do we have any data about how the arts, as opposed to other sectors, go about raising their money, in terms of quality of organization?

Mel MacLeod:

There are several things at issue. I think, on the one hand, scientists by and large are more adept at the application process, filling out application forms, and so on. I do not think that is a significant factor with respect to the increase in funding to medical research. All foundations reported enormous increases in demand generally, across all sectors, including the arts. What it seems to relate more directly to, on the basis of comments of several of the respondents, is the simple perception of what is more important in difficult economic times: arts or medical research? The foundations seem to be coming down on the side of medical research and health care as opposed to arts. There is a persistent inclination to look upon the arts as a kind of a luxury that can be better afforded in good times.

Mark Schuster:

I do not know of any studies that have looked particularly at the quality of applications that are presented by various sectors. Most of the studies do not look across sectors. However, there have been some recent studies that have asked influential corporate officers what they felt about the current mix of corporate support and what they might do to change it. There is some indication of a feeling that the arts have been receiving too much, particularly in the face of increased demands from other sectors. The decreases in federal support in the United States for health, education, welfare and all these other sectors have been much larger than they have been for the arts. The National Endowment has stayed at the same nominal level, though it has lost through inflation. This evidence is anecdotal at best. There are, as far as I know, no studies that have looked at this from a broad perspective.

Hugh Davidson:

In your studies abroad, Mark, you appear to have looked mainly at the centralized countries. Did you look at any decentralized countries like Germany or Switzerland, and the patterns of funding in relation to decentralized tax systems?

Mark Schuster:

Yes, I did. The international comparative study included Italy, France, the Netherlands, West Germany, Sweden, Great Britain, Canada, and the United States. Why did I look at these eight? The National Endowment wanted us to look at fifteen countries, and gave us only three months to do it! So we had to do some cutting. The cutting we did was according to a very bad research criterion: we studied those countries where we believed we would be able to get some data.

One of the conclusions arising from my study is a disagreement with the statement that these countries are relatively centralized systems. One of the things we discovered is that there is a lot of local and state or provincial or

regional support -- much higher percentages than we certainly expected, and much higher percentages than the National Endowment expected. I think that the decentralization-centralization question is a bit more subtle than we previously believed.

The situation in West Germany, for instance, is one where there are federal tax incentives and a charitable contribution deduction, but only very small contributions. If you look at national expenditures for the arts, the expenditures of West Germany are very very small. Instead, the action is at the level of the Länder and the local communities. The federal government is prohibited by the constitution from engaging in arts and cultural matters because of the worry about promoting national culture in the aftermath of the Second World War. What you mean by decentralization, I think, is a very subtle question. The money may be coming from the local government, but the decision about how it is going to be spent may have been made at the national level. Is that decentralization or is that just serving as a conduit for federal priorities? There is a lot of subtlety that needs to be incorporated into such a discussion.

E.C. Bovey:

I would like to make a comment about the question of sponsorship as either an expense item or a donation from the donations budget. I speak with some experience of two of the larger performing arts groups in Toronto -- the symphony and the ballet. These numbers are not necessarily accurate but they will give you the idea. Say ten years ago, the total annual sustaining fund for the symphony might have been around \$350,000; today it is \$1.5 million. Ten years ago, there might have been \$10,000 of sponsorship; today, there is \$300,000 or \$400,000. If you can move some of this support for the arts over to the marketing budget, e.g., sponsorships, you will take it out of the donations budget which is quite often set by saying "Our total donations should be one-half of 1% or one-quarter of 1%". When you get it over to marketing, like Philip Morris says, what counts there is the bottom line. I think that it behooves all organizations where sponsorship can be used to really push that in the future, because it takes corporate support for the arts out of that limiting category.

Harry Chartrand:

One problem with all of these time series data is the incredible impact of inflation in the last ten years. We are talking about a factor of four to be able to get back to real dollar terms. We have got a lot of money illusion going on.

André Fortier:

Mark, do you know of any literature or has anybody made any global projections about the needs of the arts in your country or in other countries you have investigated? Have there been any projections about the scheme of funding, i.e., how much should be private, how much public, individual, and earned?



Mark Schuster:

I am not familiar with any. I would make, however, a related comment. One of the things I saw a lot of when I was travelling in Europe was a real interest in the American system -- something I did not expect to see. The reason I did not expect to see it was because of relative levels of funding. I heard interest expressed everywhere in the American system because of its diversity. The European countries are very worried because, through a series of events, historical accident, tax laws, they have backed themselves into corners where one source of funding becomes predominant. It was not unusual for us to find institutions that were receiving 90% to 95% government subsidy in their budget. They cannot currently dig themselves out of that situation; the incentive system is set up so that if they go out and get private support, it will just be deducted from their government grant.

There have been a number of interesting ways of circumventing that problem. Let me just give you one example. In the Netherlands, a number of the museums are city institutions. The revenues collected at the door are treated like tax revenues or any other revenue the city receives. They go directly to the city's budget; they are not credited to the museum in any way. The same thing is true for sales in the museum shop; they are treated as government revenue that goes directly into the government's coffers, and the museum never sees it. But the museums discovered that they could avoid that problem by contracting out the museum shop to "the friends of" the organization. The friends of the organization make a little bit of a profit -- to the extent a non-profit organization is allowed to do that. Then they take that money and buy paintings or other specific things to give to the museum. The government agencies are very aware of the relative incentive problem, and that relative incentive problem exists in the context of tax deductions. My conclusion was that while a tax deduction may be necessary, it is certainly not sufficient. The true explanation here has got to lie in historical patterns in the importance of the public sector vis-à-vis the private sector, the historical importance of philanthropy, and what people's assumptions are about the role of the private citizen vis-à-vis a governmentally supported activity.

André Fortier:

Has anybody in these countries that you have investigated thought of establishing a private arts development bank with private contributions? Rather than going to an organization directly, money would be put into a fund (paralleling the NEA, for example). This would then limit the need to make a choice.

Mark Schuster:

Yes, I have two examples of that. One is Kultur Kause in West Germany, which is formed by private corporations and corporate leaders acting on their own. They created an organization to which they make contributions. That organization then acts like a foundation in making contributions to the arts.

The reasons the West Germans did that are a little complex. On the one hand, they were a little reticent individually to make choices; they felt that there was safety in numbers. On the other hand, they wanted to avoid the suspicion that would come from an individual trying to influence the artistic sector.

In the Scandinavian case, there is discussion of a Nordic Foundation to which corporations could contribute and out of which donations would go to artistic activities. The motivation there seems to be that that would offer a relatively inexpensive way for corporations to provide donations to the arts. They could always say: "I gave to the Nordic Foundation so please do not come to me". At the same time, they have felt the need for an organization which would bring corporations together for sharing of information and priorities and for developing procedures.

## **CORPORATE DONATIONS AND SPONSORSHIP OF THE ARTS**

by

**RICHARD A. HOPKINSON**

**President**

**Institute of Donations and Public Affairs Research**

**(IDPAR)**

Richard Hopkinson received his B.A. in 1950, and his M.A. from Oxford, and graduated from the Centre d'Etudes Industrielles, Geneva, in International Business Administration. Between 1951 and 1961 he worked in several Head Office departments of Alcan and at the Arvida Industrial complex. From 1961 until 1967 he was in economic consulting with Peat, Marwick, Mitchell & Co. and CN's Research and Development Department. From 1967-1971, Mr. Hopkinson worked with the Conference Board both in Canada and the United States. He then joined the Brakeley/Ryerson Group and was responsible for developing the Information and Research Program in Donations and Public Affairs. Mr. Hopkinson is the author of numerous studies on Donations and on Pollution Control and has organized many conferences in both of these areas. He is also the author of the first industrial "Social Audit" in Canada, a "Survey of Industry Attitudes" for the Canadian Council of Resource and Environment Minister. He has lectured at Concordia and McGill Universities on environmental subjects and communications, and he addressed numerous meetings in Canada and abroad on corporate donations and related subjects. He has served as president on the Institute of Donations and Public Affairs Research since its founding in 1975. Mr. Hopkinson is Canadian Member, International Advisory Council, INTERPHIL, (International Standing Conference on Philanthropy).

I have been in the corporate donations game for nearly 20 years. I cut my teeth with "Company Contributions in Canada, 1967". This was done for the Conference Board at a time when it seemed that donations were for many corporations "an annoying obligation".

In the early 70's after I left the Board to join the old Brakeley Company I coined the phrase "community investment". The corporate donations budget has been called many things -- including the "blackmail" budget -- but community investment is a fitting term for a forward thinking corporation, whether through donations, sponsorship and/or the involvement of its employees in community work.

### Corporate Giving in Canada

Allow me, please, to give you a thumbnail sketch of how donations have evolved in Canada, and the origins of IDPAR. This is important to the understanding of today's topic.

In the 1920's shareholders brought a suit against the Bank of Montréal objecting to shareholders' money (i.e., donations) being used to support a Montréal joint hospital campaign. The judge ruled in the bank's favour. He said that the bank's customers and employees were treated by the hospitals therefore the Directors acted in good faith in making the donation. This essentially "established the legitimacy" of corporate giving in Canada.

### First Corporate Donations Research

The first major study on corporate giving was inspired by George Brakeley, whom I would call the dean of fund-raising counsel in North America, in the early 1950's. He persuaded E.P. Taylor(1) to bring together a group of eminent businessmen to finance it. The basic working papers of the resultant study are in IDPAR's Montréal Office. The study's purpose was "to assist business executives and others concerned with the threefold aspects of how, why and how much Canadian corporations contribute to the well-being of the country by direct participation in philanthropy".

### Later Steps

After the pioneer study's publication, Brakeley's returned to concentrate their activities on fund-raising counsel. In 1963, the Conference Board picked up the gauntlet and issued a statistical report twice-yearly. I did two of these, and organized and conducted the first conference in a decade on company contributions. This was in 1971. Leaving the Board, I was invited to join Brakeley's, who had seen the need for expanded research into corporate donations.

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(1) A leading Canadian industrialist of the era.

## Origins of IDPAR

Brakeley's experience with corporate leaders and with the voluntary sector helped in putting together an Information and Research Program in corporate giving and public affairs. I was given carte blanche to develop the program which formed the base of IDPAR's work. It has expanded and developed over the years to meet members' needs.

From the beginning, the program was conceived to be on a cooperative non-adversarial basis with more than corporate members. An early adherent was United Way/Centraide Canada. We now enjoy the support and cooperation of major claimant "umbrella" groups -- the Hospital Association, the University Development officers and AUCC, National Sport and Recreation Centre, the YMCA -- among our members. Our cultural link is through the Canada Council's subscription. Apart from this annual subscription and the Secretary of State's, we have had no government support.

IDPAR was born in fall 1975 when the principals of the old Brakeley group went their separate ways. Program members decided that the appropriate way to continue the program was in a not-for-profit form. We have progressed steadily since early beginnings to meet members' needs and now maintain offices in Calgary and Toronto as well as Montreal.

## IDPAR's Program

IDPAR's program is described in the Exhibits attached, so I will not dwell on it. Within that program context if we have "a mission" -- a term popular today -- it is our concern with the allocation of scarce resources and the avoidance of duplication in community investment.

## Corporate Donations

As a pioneer in this business I have seen the growth, in nearly two decades, of corporate staff with such titles as "donations" and "community" attached to their names. Requests of corporations have increased phenomenally. "Corporate Giving in Canada, 1984"(1) just released, shows an increase of 22% over 1983 reported by some 250 firms. And many companies do not even tally the number of requests received.

Many corporations are taking their donations very seriously today. One petroleum firm has a donations brochure, which has already been issued and is being reissued, and they say they "will continue to speak publicly on donations policies. We may publish the numbers in a future annual report". The Royal Bank went to considerable trouble in making public a brochure entitled "Banking and More" with a list of their donations of more than \$500. IDPAR had perhaps some small part in this because we were asked by the Royal Bank in the fall of 1984 to undertake a special survey of corporations essentially to see "where they were at" and in planning future policies and practices.

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(1) "Corporate Giving in Canada" Annual Policy and Attitude Studies are known as "CGIC".

## Why Companies Give/Sponsor

It is essential in understanding corporate giving and sponsorship to divine corporate motives. A first principle must be enunciated: there is a fundamental difference between corporate and foundation giving. The only raison d'être of a foundation is to give away the interest on the benefactor's endowment. It is a different matter with corporations as reported in the Globe and Mail in November, 1984(1). I said that the prime social responsibility of business is staying in business. There is a fundamental truth here. Although it is simplistic to say "no profits - no donations", a company has to see its long range viability assured "to ensure a giving program". The point I want to make is that from the 1982-83 CGIC returns we saw some companies continuing to give although making losses. There were cut-backs due to the worst recession for 50 years. There was talk about backing-off pledges - but little evidence in fact. So firms hung in and still gave. This is a very different cry from years ago. In times past it was often said that the first thing to go when trouble looms is the donations budget. I do not think it is necessarily the case today. Apart from corporations' prime social responsibility of staying in business, I see other main objectives -- rendering good quality goods and services to their customers, being a safe place to work, returning a fair return to their shareholders, paying taxes. Donations are "up there somewhere". The remarks of Ron Ritchie, former Senior Vice President of Imperial Oil, to a 1974 IDPAR seminar stand the test of time well:

"The basic job of corporations is to produce goods and services efficiently to meet the demands of consumers. To be permitted to do that job well today, corporations have to be accepted, and acceptance is likely to be won only if those in the corporation understand our society, have an active part in it, and are contributing to its unfolding. Corporate giving is an important area of learning, understanding, contributing."

More recently in last year's "CGIC 1983" we saw that the two main factors influencing gifts (reasons for giving) were: 1) worthiness of cause; 2) duty to the community. However, corporations also want to get a bang for their buck. In Ontario's Special Committee for the Arts' 1984 report to the then Minister of Citizenship and Culture, IDPAR's Director Elaine Proulx, and Shell Canada's Manager of Community Affairs said:

(Corporations give) "to serve both the public good and their own good."(2)

To reflect members' changing outlook, IDPAR conducted a series of 3 meetings in the spring on "New Directions in Corporate Donations" (in Montréal, Toronto, and Calgary). There are emerging new views on donations and sponsorships and reasons for giving. One speaker's remarks have reference to Exhibit D, Gifts in Kind.

This IDPAR Member offered the alternative to claimants thinking that support can only take the form of dollars when he said:

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- (1) Page 1 "Quotes of the Day" 20/11/84.
  - (2) Page 11/13.

"Investigate other possibilities. Can we give them some advertising time on T.V.? Can we help defray their printing costs through our printing department? Can we free-up some manpower expertise to advise them on certain matters? The trade-off is service in lieu of dollars, not both."

More evidence of rethinking community investment comes from "CGIC 1984". The remarks require your attention. A Miscellaneous Manufacturer says:

"It is normal practice, nowadays, for donors to request full financial disclosure from donees. By the same token, many charitable and arts organizations are approaching business to determine how best to present donations requests. These practices are providing new contacts and relationships that permit open discussion of objectives and attitudes. There is a recognition that old values and taboos are vanishing and that it is right and businesslike for the right hand to know what the left hand is doing. So we find a renewed interest in the sponsorship route as opposed to the grant. Sponsorship allows open, public recognition. A donor has the ability to orchestrate the gift to satisfy marketing or corporate image objectives."

So let us look further at what "CGIC 1984" reveals about gifts and sponsorship.

## **Corporate Giving In Canada 1984**

### Donations

We see today from "Corporate Giving in Canada 1984", just issued, that 82% of 220 industrial firms make donations to culture (Table 7, next page). You will see that among the "big companies" (those with above 1000 employees) in excess of 90% of firms donate to cultural causes.

In Table 5 (which shows that 225 industrials give \$56.4 million) we see in 19 industry groups that 8 industries give more than 10% of their donations dollar to culture.

## INDUSTRIAL COMPANIES

TABLE 7

## BENEFICIARIES - FREQUENCY OF SUPPORT

220 Companies Giving \$56.1 Million - by Number of Employees

Number of Employees	TOTAL	UNDER 100	100 to 249	250 to 499	500 to 999	1,000 to 4,999	5,000 to 9,999	10,000 & over
Number of Companies	220	19	20	30	37	86	12	16
Total Contributions (\$Thousands) = 100%	\$56,108	\$251	\$467	\$1,149	\$2,169	\$18,243	\$10,335	\$23,494
<u>1. HEALTH AND WELFARE</u>	<u>99</u>	<u>89</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
A. United Ways/Centraides	93	74	100	90	97	94	100	94
B. National health agencies - excluded in A	65	37	55	70	62	70	75	75
C. National welfare agencies - excluded in A	50	21	35	47	49	52	92	69
D. Hospitals (1) Capital grants	49	16	40	40	46	51	83	88
(2) Operating grants	42	11	40	43	41	50	50	38
E. Other local health and welfare agencies	69	53	70	60	59	74	75	88
F. Capital grants (excluding hospitals)	15	5	5	23	5	15	25	31
G. Not classified	8	11	5	3	5	12	-	6
<u>2. CULTURE</u> (cultural centres, performing arts, museums, etc.)	<u>82</u>	<u>63</u>	<u>70</u>	<u>67</u>	<u>76</u>	<u>93</u>	<u>100</u>	<u>94</u>
A. Operating funds	73	58	65	63	68	78	100	88
B. Capital grants	25	11	15	7	19	34	50	44
C. Not classified	6	5	-	3	3	12	-	6
<u>3. EDUCATION</u>	<u>90</u>	<u>79</u>	<u>80</u>	<u>77</u>	<u>92</u>	<u>97</u>	<u>100</u>	<u>100</u>
A. Higher Education	(83)	(74)	(75)	(57)	(84)	(90)	(100)	(100)
(1) Scholarships	44	32	20	20	38	55	67	69
(2) Fellowships	12	5	-	7	3	15	42	31
(3) Research grants (not treated as a business expense)	18	-	10	3	14	27	33	25
(4) Capital funds	34	5	25	13	27	40	83	69
(5) Direct unrestricted grants	27	5	15	20	11	37	42	50
(6) Education-related agencies	44	37	50	20	41	47	67	63
(7) Not classified	37	21	15	30	35	44	42	56
B. Technical Schools and Colleges	34	5	10	27	30	43	67	50
C. Secondary Education	28	5	40	30	22	28	50	38
D. Not classified	5	5	-	3	-	9	-	6
<u>4. CIVIC CAUSES</u>	<u>88</u>	<u>58</u>	<u>90</u>	<u>87</u>	<u>78</u>	<u>95</u>	<u>92</u>	<u>100</u>
(1) Community Centres, Arenas, etc.	49	16	25	40	41	58	75	81
(2) Youth Organizations	73	53	80	63	68	78	83	81
(3) YMCA's and YWCA's	44	26	40	17	41	52	58	75
(4) Not classified	7	5	-	7	-	10	8	13
<u>5. NATIONAL ATHLETIC ORGANIZATIONS</u>	<u>59</u>	<u>42</u>	<u>60</u>	<u>47</u>	<u>49</u>	<u>65</u>	<u>67</u>	<u>81</u>
<u>6. «OTHER»</u>	<u>76</u>	<u>68</u>	<u>80</u>	<u>53</u>	<u>81</u>	<u>79</u>	<u>92</u>	<u>81</u>
A. Religious causes	27	37	40	13	27	28	17	25
B. Aid to other countries	18	26	25	7	22	17	17	13
C. Anti-pollution and conservation causes	33	-	30	20	27	42	58	50
D. Not classified	56	53	45	43	57	58	75	69
<u>7. DOLLARS NOT IDENTIFIED OR UNCLASSIFIED</u>	<u>32</u>	<u>42</u>	<u>50</u>	<u>17</u>	<u>27</u>	<u>38</u>	<u>-</u>	<u>25</u>
Capital grants	64	32	60	57	62	66	83	94

- Nil



Table 5

<u>Classification</u>	<u>Total Number Companies</u>	<u>\$'000s Total Giving</u>	<u>% to Culture</u>	<u>Rank</u>
Mining	11	\$1,746	3.7	
Food, beverages & tobacco	22	9,209	23.3	2
Rubber, leather, textiles & clothing	8	617	5.8	
Wood & furniture	3	241	29.8	1
Paper & allied industries	11	2,573	11.5	7
Primary metals	3	872	10.6	8
Printing & publishing	8	2,436	13.8	4
Metal fabricating	8	257	5.0	
Machinery & transport equipment	16	1,745	7.2	
Electrical equipment	15	5,493	10.9	7
Non-metallic minerals	5	633	7.4	
Petroleum products	17	14,698	15.1	3
Chemicals & chemical products	14	1,740	5.5	
Miscellaneous manufacturing	22	967	5.4	
Construction	9	230	12.4	6
Transportation, communication & other utilities	29	7,133	8.2	
Wholesale & retail trade	15	2,932	6.0	
Grain handling & sales	2	438	0.3	
Mineral resources	7	2,146	13.3	5
<b>TOTAL</b>	<b>225</b>	<b>\$56,377</b>	<b>13.0</b>	

Industries giving more than 10% of their donations \$ to culture are:

	<u>%</u>
1. Wood and furniture	29.8
2. Food, beverages & tobacco	23.3
3. Petroleum	15.1
4. Printing & publishing	13.8
5. Mineral resources	13.3
6. Construction	12.4
7. Electrical equipment	10.9
8. Primary metals	10.6

In dollar terms among the group above the top 3 largest giving to culture are:

- |                             |               |
|-----------------------------|---------------|
| 1. Food beverages & tobacco | \$3.0 Million |
| 2. Petroleum                | \$2.2 Million |
| 3. Electrical Equipment     | \$0.6 Million |

So there is a thumbnail sketch of donations. But what about sponsorships?

### Sponsorships

When we embarked on test marketing a project on sponsorship, the thought was that budgets other than corporate donations budgets might be the funding source. But firstly, we had to know what a sponsorship was and was not among our test market members. They gave the following answers:

- a) What it is
- b) What it is Not

### Their Replies Were

#### Company 1

- a) "Response to a need, usually from a registered charity, for which you actively seek recognition"
- b) "Voluntary initiative strongly aimed at commercial promotion of a company and/or a product brand name"

#### Company 2

- a) "Support of specific performance or event"
- b) "Support of civic or sports organizations such as Big Brothers"

#### Company 3

- a) "Response to a need for which one actively seeks recognition through a contractual relationship based on specific recognition with requirements laid down by the sponsor. And to do things in a specific way by using the Company's type face in sponsorship material"
- b) No comment

#### Company 4

- a) "A financial contribution designed to achieve recognition of a number of community/public relations objectives."
- b) "A "no strings attached" donation"

### Company 5

- a) "A response to a need for which you seek recognition through a contractual mechanism"
- b) No comment

We also asked our friends what they saw as the pro's and con's of sponsorship. Boiled down, the pro's of sponsorship were seen as:

### Pro's

- \* "It is supportive of company objectives"
- \* "It gains more recognition. It helps meet the funding needs of an organization"
- \* "It can be a valuable tool for the corporation to become better accepted in the community, better known etc."

### Con's

- \* "It is difficult to distinguish between 'good' and 'bad' sponsorship"
- \* "None, if properly controlled"

At our meeting, IDPAR found that sponsorships were made from the following budgets:

- \* Donations
- \* Public Relations
- \* Advertising
- \* Marketing

### Question Asked in "CGIC, 1984"

With this diversity of source in mind we put the following question to business. "Sponsorships of e.g. cultural and sporting events, often as contractual arrangements, aim to achieve corporate recognition. Which of your budgets supports sponsorship of the events below?"

We asked cooperating firms supporting to 'tick' relevant areas for:

	<u>A) CULTURE</u>					<u>B) SPORTS</u>	
	<u>Budgets</u>	<u>Music/ Opera</u>	<u>Museums/ Galleries</u>	<u>Theatre</u>	<u>Dance</u>	<u>Other</u>	<u>Sports</u>
a)	Donations						
b)	Advertising						
c)	Marketing						
d)	Public/Affairs Relations						
e)	Other (please specify)						

The results in tabular form are in Exhibit F Table A and subsets 1-5.

Let's look at some of the highlights of IDPAR's findings:

### Survey Results

Of the 293 corporations in the Study we found that:

- A) Culture - 171 firms "sponsored" (58%)
- B) Sports - 139 firms "sponsored" (47%)

To give you a profile on "Support for Sponsorships" key factors follow for Culture.

### Culture

- \* The all industry average support by sponsorship is 58% (171 of total 293 firms).

The three leading industries (by % of total sponsoring in the sample) are:

1. 100% wood & furniture: trust companies
2. 89% life insurance
3. 86% mineral resources

In other words, all wood & furniture and trust companies sponsor culture.

- \* Of the 171 firms sponsoring culture there are 790 budget and cultural activity "items" reported.

The frequency of support of "items" by budget is:

1. Donations - 554 (70%)
2. Advertising - 108 (14%)
3. Public Affairs/Relations - 101 (13%)
4. Marketing - 25 (3%)
5. Other - 2 (minimal)

In other words, Donations budgets were the budgets most frequently used to support cultural activities and Other budgets the least.(1)

\* The frequency of the distribution of "items" to cultural activities is in Table A:

1. Music/Opera - 205 (26%) - Split by Budget Table A) 1
2. Theatre - 174 (22%) - " " " " A) 3
3. Museums/Galleries - 162 (21%) - " " " " A) 2
4. Other - 128 (16%) - " " " " A) 5
5. Dance - 121 (15%) - " " " " A) 4

In other words, Music/Opera were the cultural activities most frequently supported by the 5 types of budgets and Dance the least.

To conclude, I just want to give a brief financial dimension to budgets supporting culture. In total there are 80 firms or 47% the total sponsoring culture with donations budgets of \$100,000 plus.

Conclusion

I hope that this look behind the curtain has been illuminating. We continue to live in changing times. The corporation itself is subject to considerable change as we have seen recently with Gulf Canada's take over as well as Canada Trust. This is why I have included Exhibits D and E "Gifts in Kind" to show you that there is other corporate support available besides money.

Finally I'd like to quote the former Governor of the Bank of Canada -- Louis Rasminsky's warning of a decade ago:

"You cannot get a quart out of a pint pot".

Gifts in Kind, Matching Gifts reflect "New Directions" in the giving business. And supplementary to monetary donations of \$78.5 million, \$9.3 million given in 1984 represented Gifts in Kind made by 113 corporations. Such factors should be taken into account as we look at corporations, their future and their role in community investment as we move towards the end of the century.

---

(1) Of interest is that one integrated oil company remarks that "the entire effort is controlled within Public Affairs working in collaboration with the other affected departments".

We live in what has been termed the "Post-Industrial Society", or the "Information Age". (IDPAR, itself, is an example). The changing nature of corporations as a source of funding has already been noted. Their complexion is changing too - I suggest that much of what Du Pont Canada's President said in his 1984 year Report to the shareholders will hold good into the next century about the structure of western industry and profitability:

"One fundamental change is the sharp decline in the high economic growth enjoyed by the western world for most of the post-war period. Today's prospects are for continuing low growth in demand, particularly for the goods-producing industries. The dilemma facing our customers is how to win increased sales in this difficult environment."

Continuing he said:

"The rapid change from high inflation to today's lower inflation environment is a second powerful force affecting our customers. It is much tougher now to achieve higher levels of profitability and to improve productivity. Higher costs can no longer be automatically passed on through higher prices but must instead be handled through higher productivity."

I think that these are guidelines for us all -- whatever our metier. But to those of you in fundraising -- there is no good time for fundraising. When the sledding is heavy, take heart -- there is no fundraising in Russia.

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EXHIBITS

RE: «CORPORATE GIVING IN CANADA»

PREPARED FOR

THE CANADA COUNCIL'S MEETING

ON THE ARTS CORPORATIONS AND FOUNDATIONS

September 6, 1985

BY

RICHARD A. HOPKINSON

PRESIDENT

INSTITUTE OF DONATIONS AND PUBLIC AFFAIRS RESEARCH

(IDPAR)

EXHIBITS

- ABOUT IDPAR -

- A. Corporate Giving to Culture 1971-1984 (Operating/Capital) related to other Claimants and Total Giving
- B. «Corporate Giving in Canada» 1946 and 1951 by Major Classifications
- C. «Fund Programs Planned, 1984-85», Campaigns and \$ Objectives (Summary Sheet)
- D. Gifts in Kind - An Industrial Profile - Reported to IDPAR by 94 Corporations for 1983
- E. Gifts in Kind - Reported to IDPAR by 113 Corporations for 1984
- F. Corporate Sponsorships: By Type of Budget, By Industry
  - Table A) Summary All Cultural Activities
  - Table A) 1 Music/Opera
  - Table A) 2 Museums/Galleries
  - Table A) 3 Theatre
  - Table A) 4 Dance
  - Table A) 5 Other Cultural Activities

Sources

IDPAR



ABOUT IDPAR

«The Institute of Donations and Public Affairs Research (IDPAR) is an independent Federally incorporated non-profit organization. Its Program assists corporate Members in planning their charitable giving within the wider context of public affairs and keeps other Members informed of developments in this important corporate activity».

Initiated as part of a private group in 1972 to analyze and report on corporate charitable donations, its Program has expanded over the years to meet the growing interest and needs of its Members. It received its Federal Charter in January 1976.

The Institute's Program now includes:

- \* The comprehensive annual Corporate Giving Policy and Attitude Study
- \* A bi-annual Fund Programs Planned Report
- \* Seminars in Montreal and Toronto on donations and related issues
- \* Roundtables and Regular Business-Community Relations Forums in key cities
- \* An on call Information Service in Calgary, Montreal and Toronto on charitable appeals
- \* Special Projects

Members represent a wide cross-section of the business community, foundations and representatives from the social assistance field and government.

IDPAR is concerned with the allocation of scarce resources, helping establish donations priorities, and the avoidance of duplication in community investment.

**CORPORATE GIVING TO CULTURE IN \$'000'S AND PERCENT - 1971-1984**  
**RELATED TO OTHER CLAIMANT AREAS AND TOTAL GIVING**

YEAR	FIRMS	TOTAL CULTURE <sup>a)</sup>	CULTURE OPERATING CAPITAL	HOSPITALS <sup>b)</sup>	TOTAL HEALTH & WELFARE	EDUCATION <sup>c)</sup>	CIVIC	ATHLETIC	OTHER <sup>d)</sup>	NOT IDENTIFIED	TOTAL GIVING \$ MILLIONS								
1984	293	9,414	8.0	4.0	8,301	10.6	34,738	44.2	20,577	26.7	6,230	7.9	2,142	2.7	3,853	4.9	1,557	2.0	78.5
1983	303	8,818	7.4	3.9	7,118	9.1	33,163	42.4	21,665	27.7	5,944	7.6	2,524	3.2	4,026	5.1	2,078	2.7	78.2
1982	325	10,063	7.7	6.3	5,367	7.5	29,265	40.7	19,594	27.3	5,345	7.4	1,886	2.6	3,641	5.1	2,019	2.8	71.8
1981	350	12,015	7.8	8.0	5,665	7.5	30,708	40.5	18,567	24.5	6,887	9.1	1,472	1.9	4,029	5.3	2,123	2.8	75.8
1980	390	8,149	7.0	5.0	4,572	6.7	28,104	41.4	16,556	24.4	6,583	9.7	1,356	2.0	3,757	5.5	3,310	4.9	67.8
1979	391	7,148	6.5	5.7	3,156	5.3	24,849	42.7	13,425	23.1	5,447	9.4	1,627	2.8	3,480	6.0	2,160	3.7	58.1
1978	408	5,212	6.1	4.5	1,353	2.7	19,555	39.9	12,408	25.3	5,821	11.9	863	1.8	3,304	6.7	1,801	3.7	49.0
1977	412	4,165	5.7	3.5	1,350	3.0	19,390	42.9	11,947	26.4	4,797	10.6	873	1.9	2,444	5.4	1,642	3.6	45.2
1976	390	3,997	6.7	3.9	1,218	3.2	16,224	42.9	9,600	25.4	3,654	9.6	1,105	2.9	2,591	6.9	708	1.8	37.8
1975	411	2,891	4.9	3.6	1,226	3.6	15,134	44.4	8,956	26.3	3,369	9.9	669	2.0	2,086	6.1	982	2.8	34.1
1974	409	4,498	7.8	3.5	1,512	3.8	15,352	38.3	10,814	27.0	4,092	10.2	1,929	4.8	2,295	5.7	1,101	2.8	40.1
1973	383	2,765	6.9	2.8	2,303	8.1	12,708	44.6	6,905	24.2	1,862	6.5	1,567	5.5	2,285	8.0	435	1.5	28.5
1972	393	3,162	7.6	3.2	962	3.3	12,406	42.5	8,450	28.9	1,863	6.4	734	2.5	1,690	5.8	900	3.0	29.2
1971	241	1,034	3.2	2.2	1,196	6.2	8,000	41.6	7,251	37.7	1,431	7.4	-	-	1,281	6.7	206	1.1	19.2

EXTRACTED FROM IDPAR'S «CORPORATE GIVING IN CANADA»  
 ANNUAL POLICY AND ATTITUDE STUDIES  
 1971 - 1984

- a) Operating includes «non classified» from 1972 onwards
- b) Included in «Total Health & Welfare»
- c) Education - most is Higher Education
- d) Other (causes) includes: Religious; Aid to Other Countries; Anti-pollution and Conservation; «Other»

<sup>1</sup> «Contribution» or «Donation» in these Studies, except for «Non-registered giving» which would be classified as a business expense, is defined as an amount given to a charity which is exempt under the Canadian Income Tax Act, revisions thereto, or under other governing legislation.

Totals may not add, due to rounding

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*Corporate Giving in Canada*<sup>1</sup>

TABLE 8  
BENEFICIARIES OF CONTRIBUTIONS OF 878 SURVEYED CORPORATIONS  
BY MAJOR CLASSIFICATIONS  
1946 and 1951

<i>Beneficiary Class</i>	<i>Per Cent of Total</i>	
	1946	1951
<i>Health and Welfare</i>	%	%
Community Chest	19.6	17.0
Hospitals:		
Capital Grants	10.6	30.7
Other	9.4	12.3
Red Cross	3.0	3.0
Salvation Army	1.0	1.2
Other	11.0	6.0
Sub-Total	54.6	70.2
<i>Cultural &amp; Recreational</i>	15.8	14.4
<i>Educational: Colleges and</i>		
Universities		
Capital Grants	7.3	3.5
Other	6.7	7.2
<i>Religious Organizations</i>	13.0	2.6
<i>Miscellaneous</i>	2.6	2.1
TOTAL	100.0	100.0

<sup>1</sup>«The Pioneer Study» influenced by IDPAR's predecessor Company's Chairman George Brakeley. Published in 1953 by Clarke, Irwin & Company Limited, the basic working papers are in IDPAR's Montreal office.

«FUND PROGRAMS PLANNED, 1984-85» («FPP 1984-85»)

- THE FOUR MAIN CLAIMANT CATEGORIES REVISED AND «REGIONALIZED» -

No.'s Campaigns and Objectives (Private Sector) in \$Millions (as of 18/10/84)

«Region» \$:	<u>HEALTH &amp; WELFARE</u>			<u>CULTURE</u>	<u>EDUCATION</u>		<u>CIVIC</u>		<u>GRAND TOTAL</u>
	<u># Campaigns</u>	<u>U.W's</u> <sup>a)</sup>	<u>Hospitals</u>	<u>Other</u>	<u>«Universities»</u>	<u>«Other»</u>	<u>1) Excl. Y'M's</u>	<u>1) Y'M's</u> <sup>b)</sup>	
National \$	-	-	133.8	29.7	1.2	16.1	3.7	-	\$184.5
#	-	-	45	10	2	11	12	-	# 80
Atlantic \$	5.3	9.3	5.1	5.2	74.7	-	*	4.9	\$104.5
#	6	9	4	3	8	-	1	3	# 34
Quebec \$	19.8	149.9	10.7	1.8	118.8	0.9	13.2	-	\$315.1
#	8	29	18	13	5	6	5	-	# 84
Ontario \$	65.6	326.8	9.5	16.1	114.7	2.2	2.7	59.0	\$596.6
#	34	50	22	15	20	9	4	7	#161
Prairies \$	22.0	10.6	6.3	20.3	55.5	5.8	4.3	54.5	\$179.3
#	9	13	10	21	11	5	4	3	# 76
B.C. \$	12.3	4.7	2.3	1.9	1.0	1.2	0.3	5.2	\$ 28.9
#	7	7	3	14	1	2	1	3	# 38
<b>TOTAL \$</b>	<b>125.0</b>	<b>501.3</b>	<b>167.7</b>	<b>75.0</b>	<b>365.9</b>	<b>26.2</b>	<b>24.2</b>	<b>123.6</b>	<b>\$1,408.900</b>
#	<b>64</b>	<b>108</b>	<b>102</b>	<b>76</b>	<b>47</b>	<b>33</b>	<b>27</b>	<b>16</b>	<b>473</b>
<u>Claimant Category</u>	<u>Total \$</u>								
		\$794.0		\$75.0	\$392.1		\$147.8		
#		274		76	80		43		

a) +12 NA from United Way/Centraide

b) 1984 YMCA capital campaigns from «Y» sources (except Montreal - shown in Col.1)

\* Less than \$0.1 NB «FPP 1984-85» lists an additional \$19.0 million (Athletics 25 campaigns) + \$53.3 million (25 Other campaigns)

N.B. In providing this information to IDPAR we appreciate the cooperation of Canadian Hospital Association; Canadian Association of University Development Officers; National Sport and Recreation Centre; United Way/Centraide Canada etc.

GIFTS IN KIND - AN INDUSTRIAL PROFILE

CLASSIFICATION NO. OF COMPANIES	\$ VALUE <sup>a)</sup>			NATURE OF GIFTS GIVEN	MAIN GIVING AREAS (beneficiaries)
	Highest	Lowest	Total		
Mining (2)	41,000	*	41,000	Computer equipment	University
Food, beverages & tobacco (13)	261,000	*	557,000	Food; wine; confectionary; tobacco; business equipment & stationery	Civic, culture, health & welfare, youth activity; Polish relief fund
Rubber, leather, textiles & clothing (3)	20,000	*	25,000	Used business equipment: product samples	Education, local health and welfare
Wood & furniture (2)	11,600	1,900	13,500	Manufactured goods - furniture; furniture	Local community projects; civic, athletic, other
Paper & allied industries (6)	6,300	*	12,600	Lumber; paper products	Civic; hospitals
Primary metals (3)	1,200,000	2,000	1,208,800	Steel; land buildings, equipment, expertise, personnel	Community: education, civic; health, welfare, education, culture, sports
Printing & publishing (4)	5,403,400	10,000	5,473,400	Equipment: printing; advertising/air time	Wide range of organizations: culture/health/civic
Metal fabricating (4)	2,000	*	3,000	Food: cash collection cans; collapsible trailer, wood cutters, golf jackets	Health/welfare/youth
Machinery & transport equipment (3)	1,500	*	1,500	Printing tickets & programs: equipment: toy trucks/tractors	Culture: churches; hospitals
Electrical equipment (4)	250,000	1,500	453,000	Video products: computing equipment/software support services, technical expertise: household appliances	Education (universities)/ cultural, civic, health, welfare
Non-metallic minerals (2)	25,000	*	25,000	Business products: insulation	Civic
Petroleum products (5)	15,000	*	26,500	Business equipment/services: product: furniture	Health, welfare: civic; communities
Chemicals and chemical products (4)	20,600	*	31,600	Business equipment: product: food	Small non-registered groups: education, welfare/athletics
Miscellaneous manufacturing (5)	18,000	*	19,000	Product	Community organizations: health, civic, welfare causes
Construction (1)	15,000	-	15,000	Licensed manager	United Way
Transportation, communication & other utilities (11)	250,000	*	358,000	Commercial announcements: advertising: business equipment travel passes	Community campaigns: health, welfare, athletics, hospitals, handicapped
Wholesale & retail trade (6)	50,000	*	54,500	Merchandise, equipment: flooring products: publications: Ads on shopping bags for agency campaigns	Athletics, civic, culture, schools
Grain handling & sales (1)	5,000	-	5,000	Pens, pencils, food	-
Banks (1)	800	-	800	Art donation	Hospital
Trust companies (3)	16,100	*	16,100	Provision of office space/ equipment	Culture; education; a foundation's fundraising
Real estate (-)	-	-	-	-	-
Life insurance (5)	15,000	*	16,400	Office furniture/equipment; tickets, public service films; technical advice printing/ promotional support	Cancer Society: Centraide health & welfare
Other financials (5)	40,000	*	73,500	Used business equipment/space & phone; hockey equipment/souvenirs: computer	Local agencies: children's athletics, hospitals; orphanages: health: education
Services (1)	*	*	*	Consulting services	
<b>TOTAL (94)</b>			<b>\$8,430,200</b>		

a) Amounts are rounded to the nearest \$100

\* Not reported/available, or minimal

- Nil

GIFTS IN KINDREPORTED TO IDPAR BY 113 CORPORATIONS  
FOR 1984

<u>Classification</u>	<u>Total Number Companies</u>	<u>Making Such Gifts?</u>		<u>Donations (\$)</u>		<u>Total all Companies</u>
		<u>Yes</u>	<u>No</u> <sup>1</sup>	<u>Highest Amount</u>	<u>Lowest Amount</u>	
Mining	11	3	7	\$ 12,000	\$ *	\$ 12,000
Food, beverages & tobacco	22	12	9	75,000	*	148,000
Rubber, leather, textiles & clothing	8	4	4	5,000	*	10,100
Wood & furniture	3	3	0	5,000	*	5,000
Paper & allied industries	11	7	4	13,283	*	27,512
Primary metals	3	2	1	742,000		742,000
Printing & publishing	8	3	5	77,000	*	84,020
Metal fabricating	8	3	4	3,000	*	3,500
Machinery & transport equipment	16	4	12	15,000	*	29,000
Electrical equipment	15	8	7	7,000,000	*	7,146,431
Non-metallic minerals	5	2	3	8,000	500	8,500
Petroleum Products	17	9	6	33,562	*	88,973
Chemicals & chemical products	14	4	8	12,019	-	12,019
Miscellaneous manufacturing	22	9	13	15,000	-	52,500
Construction	9	2	7	400	*	400
Transportation, communication & Other utilities	29	11	13	15,695	*	73,713
Wholesale & retail trade	15	7	5	350,000	*	431,450
Grain handling & sales	2	1	1	5,000	-	5,000
Mineral resources	7	3	3	350,000	*	364,400
Banks	14	3	10	1,000	*	1,000
Trust companies	5	1	4	2,000	-	2,000
Real estate	2	0	2	-	-	-
Life insurance	19	8	10	15,000	*	38,670
«Other financial»	16	3	12	25,000	-	30,000
Service industry	12	1	10	32,345	-	32,345
<b>TOTAL</b>	<b>293</b>	<b>113</b>	<b>160</b>			<b>\$9,348,533</b>

<sup>1</sup> Twenty-one corporations did not say «yes» or «no» to this question.

\* Not known or not reported

Extracted From «CGIC, 1984»

- IDPAR - «Corporate Giving in Canada, 1984» -

CORPORATE SPONSORSHIPS

SUMMARY TABLE A) ALL CULTURAL ACTIVITIES  
FREQUENCY OF SUPPORT BY TYPE OF BUDGET: BY INDUSTRY

Classification	Total Number Companies	Companies Sponsoring		Type of Budget <sup>1</sup>			Public Affairs/ Relations	e Other	Total No. Budgets
		No.	%	a Donations	b Advertising	c Marketing			
Mining	11	5	45	14	2		2		18
Food, beverages & tobacco	22	15	68	54	3	7	5		69
Rubber, leather, textiles & clothing	8	4	50	10	3				13
Wood & furniture	3	3	100	13	1	1			15
Paper & allied industries	11	8	73	17	6		3		26
Primary metals	3	2	67	6	1		1		8
Printing & publishing	8	5	63	22	5		3		30
Metal fabricating	8	3	38	5	1		2		8
Machinery & transport equipment	16	7	44	26		5	7		38
Electrical equipment	15	6	40	23	5	1	4		33
Non-metallic minerals	5	3	60	11					11
Petroleum products	17	11	65	47	14	3	5		69
Chemicals & chemical products	14	7	50	30			2		32
Miscellaneous manufacturing	22	9	41	30	5	2	5		42
Construction	9	7	78	22	4		4		30
Transportation, communication & other utilities	29	15	52	52	17		12	1	82
Wholesale & retail trade	15	5	33	9	7		5		21
Grain handling & sales	2	1	50	4	1				5
Mineral resources	7	6	86	24	5	1	2		32
Banks	4	8	57	25			10		35
Trust companies	5	5	100	12	4	1	6		23
Real estate	2	1	50	2	1				3
Life insurance	19	17	89	46	20	3	13		82
«Other financial»	16	11	69	28	3		10		41
Service industry	12	7	58	22		1		1	24
TOTAL	293	171	58%	554	108	25	101	2	790

<sup>1</sup>The letters relate to the coding used in the questionnaire

N.B. Corporate support of Culture revealed in «CGIC, 1984» totaled \$9.4 million, or 12% of total giving of \$78.5 million made by 293 firms.

Extracted From «CGIC, 1984»  
 - IDPAR - «Corporate Giving in Canada, 1984» -  
CORPORATE SPONSORSHIPS

TABLE A) 1 CULTURE - MUSIC/OPERA  
 FREQUENCY OF SUPPORT BY TYPE OF BUDGET: BY INDUSTRY

Classification	Total Number Companies	All Culture Companies Sponsoring		Music/Opera Type of Budget <sup>1</sup>			d Public Affairs/ Relations	e Other	Total No. Budgets
		No.	%	a Donations	b Advertising	c Marketing			
Mining	11	5	45	3			1		4
Food, beverages & tobacco	22	15	68	13	1	3	1		18
Rubber, leather, textiles & clothing	8	4	50	3	1				4
Wood & furniture	3	3	100	3					3
Paper & allied industries	11	8	73	7	3				10
Primary metals	3	2	67	2					2
Printing & publishing	8	5	63	5	1		1		7
Metal fabricating	8	3	38	2			1		3
Machinery & transport equipment	16	7	44	7		1	2		10
Electrical equipment	15	6	40	5	1		1		7
Non-metallic minerals	5	3	60	3					3
Petroleum products	17	11	65	11	4	1	1		17
Chemicals & chemical products	14	7	50	7					7
Miscellaneous manufacturing	22	9	41	7	1		1		9
Construction	9	7	78	5	1		1		7
Transportation, communication & other utilities	29	15	52	13	5		3		21
Wholesale & retail trade	15	5	33	2	2		1		5
Grain handling & sales	2	1	50	1					1
Mineral resources	7	6	86	6	2				8
Banks	4	8	57	7			3		10
Trust companies	5	5	100	4	2		1		7
Real estate	2	1	50	1					1
Life insurance	19	17	89	12	7	1	4		24
«Other financial»	16	11	69	8	1		3		12
Service industry	12	7	58	5					5
TOTAL	293	171	58%	142	32	6	25		205

<sup>1</sup>The letters relate to the coding used in the questionnaire

N.B. Corporate support of Culture revealed in «CGIC, 1984» totaled \$9.4 million, or 12% of total giving of \$78.5 million made by 293 firms.



Extracted From «CGIC, 1984»  
 - IDPAR - «Corporate Giving in Canada, 1984» -

CORPORATE SPONSORSHIPS

TABLE A) 2 CULTURE - MUSEUMS/GALLERIES  
 FREQUENCY OF SUPPORT BY TYPE OF BUDGET: BY INDUSTRY

Classification	Total Number Companies	All Culture Companies		Museums/Galleries Type of Budget <sup>1</sup>			d Public Affairs/ Relations	e Other	Total No. Budgets
		Sponsoring No.	%	a Donations	b Advertising	c Marketing			
Mining	11	5	45	4			1		5
Food, beverages & tobacco	22	15	68	11	1		1		13
Rubber, leather, textiles & clothing	8	4	50	2	1				3
Wood & furniture	3	3	100	3					3
Paper & allied industries	11	8	73	4	1				5
Primary metals	3	2	67	1					1
Printing & publishing	8	5	63	5	1				6
Metal fabricating	8	3	38	1			1		2
Machinery & transport equipment	16	7	44	6		2	1		9
Electrical equipment	15	6	40	6	2		1		9
Non-metallic minerals	5	3	60	3					3
Petroleum products	17	11	65	9	2		1		12
Chemicals & chemical products	14	7	50	6			1		7
Miscellaneous manufacturing	22	9	41	7	1				8
Construction	9	7	78	6			1		7
Transportation, communication & other utilities	29	15	52	12	4		2		18
Wholesale & retail trade	15	5	33	2			1		3
Grain handling & sales	2	1	50	1					1
Mineral resources	7	6	86	5					5
Banks	4	8	57	6			1		7
Trust companies	5	5	100	1			1		2
Real estate	2	1	50	1					1
Life insurance	19	17	89	13	4		2		19
«Other financial»	16	11	69	6			2		8
Service industry	12	7	58	4				1	5
<b>TOTAL</b>	<b>293</b>	<b>171</b>	<b>58%</b>	<b>125</b>	<b>17</b>	<b>2</b>	<b>17</b>	<b>1</b>	<b>162</b>

<sup>1</sup>The letters relate to the coding used in the questionnaire

N.B. Corporate support of Culture revealed in «CGIC, 1984» totaled \$9.4 million, or 12% of total giving of \$78.5 million made by 293 firms.

Extracted From «CGIC, 1984»  
 - IDPAR - «Corporate Giving in Canada, 1984» -

CORPORATE SPONSORSHIPS

TABLE A) 3 CULTURE - THEATRE  
 FREQUENCY OF SUPPORT BY TYPE OF BUDGET: BY INDUSTRY

Classification	Total Number Companies	All Culture Companies		Theatre Type of Budget <sup>1</sup>			d Public Affairs/ Relations	e Other	Total No. Budgets
		Sponsoring No.	%	a Donations	b Advertising	c Marketing			
Mining	11	5	45	3					3
Food, beverages & tobacco	22	15	68	12	1	1	1		15
Rubber, leather, textiles & clothing	8	4	50	3	1				4
Wood & furniture	3	3	100	3					3
Paper & allied industries	11	8	73	3	1		1		5
Primary metals	3	2	67	2			1		3
Printing & publishing	8	5	63	5	1		1		7
Metal fabricating	8	3	38	2					2
Machinery & transport equipment	16	7	44	7		1	1		9
Electrical equipment	15	6	40	6	1		1		8
Non-metallic minerals	5	3	60	3					3
Petroleum products	17	11	65	10	4		1		15
Chemicals & chemical products	14	7	50	6					6
Miscellaneous manufacturing	22	9	41	8	2		1		11
Construction	9	7	78	5	2		1		8
Transportation, communication & other utilities	29	15	52	13	4		3		20
Wholesale & retail trade	15	5	33	2	2		1		5
Grain handling & sales	2	1	50	1	1				2
Mineral resources	7	6	86	5					5
Banks	4	8	57	6			2		8
Trust companies	5	5	100	3			1		4
Real estate	2	1	50						
Life insurance	19	17	89	9	4		2		15
«Other financial»	16	11	69	5	1		2		8
Service industry	12	7	58	5					5
TOTAL	293	171	58%	127	25	2	20		174

<sup>1</sup>The letters relate to the coding used in the questionnaire

N.B. Corporate support of Culture revealed in «CGIC, 1984» totaled \$9.4 million, or 12% of total giving of \$78.5 million made by 293 firms.

Extracted From «CGIC, 1984»  
 - IDPAR - «Corporate Giving in Canada, 1984» -

CORPORATE SPONSORSHIPS

TABLE A) 4 CULTURE - DANCE  
 FREQUENCY OF SUPPORT BY TYPE OF BUDGET: BY INDUSTRY

Classification	Total Number Companies	All Culture Companies Sponsoring		Dance Type of Budget <sup>1</sup>			d Public Affairs/ Relations	e Other	Total No. Budgets
		No.	%	a Donations	b Advertising	c Marketing			
Mining	11	5	45	3	1			4	
Food, beverages & tobacco	22	15	68	10		1		11	
Rubber, leather, textiles & clothing	8	4	50	1				1	
Wood & furniture	3	3	100	2				2	
Paper & allied industries	11	8	73	2	1		1	4	
Primary metals	3	2	67	1				1	
Printing & publishing	8	5	63	5	1			6	
Metal fabricating	8	3	38						
Machinery & transport equipment	16	7	44	5		1	1	7	
Electrical equipment	15	6	40	4				4	
Non-metallic minerals	5	3	60	1				1	
Petroleum products	17	11	65	10	2		1	13	
Chemicals & chemical products	14	7	50	6				6	
Miscellaneous manufacturing	22	9	41	4		1		5	
Construction	9	7	78	2	1			3	
Transportation, communication & other utilities	29	15	52	8	2		1	11	
Wholesale & retail trade	15	5	33	1	1		1	3	
Grain handling & sales	2	1	50	1				1	
Mineral resources	7	6	86	5				5	
Banks	4	8	57	5			1	6	
Trust companies	5	5	100	1			1	2	
Real estate	2	1	50						
Life insurance	19	17	89	7	3		3	13	
«Other financial»	16	11	69	6	1		1	8	
Service industry	12	7	58	4				4	
TOTAL	293	171	58%	94	13	3	11	121	

<sup>1</sup>The letters relate to the coding used in the questionnaire

N.B. Corporate support of Culture revealed in «CGIC, 1984» totaled \$9.4 million, or 12% of total giving of \$78.5 million made by 293 firms.

Extracted From «CGIC, 1984»  
 - IDPAR - «Corporate Giving in Canada, 1984» -

CORPORATE SPONSORSHIPS

TABLE A) 5 CULTURE - OTHER CULTURAL ACTIVITIES  
 FREQUENCY OF SUPPORT BY TYPE OF BUDGET: BY INDUSTRY

Classification	Total Number Companies	All Culture Companies Sponsoring		Other Cultural Activities Type of Budget <sup>1</sup>			d Public Affairs/ Relations	e Other	Total No. Budgets
		No.	%	a Donations	b Advertising	c Marketing			
Mining	11	5	45	1	1				2
Food, beverages & tobacco	22	15	68	8		2	2		12
Rubber, leather, textiles & clothing	8	4	50	1					1
Wood & furniture	3	3	100	2	1	1			4
Paper & allied industries	11	8	73	1			1		2
Primary metals	3	2	67		1				1
Printing & publishing	8	5	63	2	1		1		4
Metal fabricating	8	3	38		1				1
Machinery & transport equipment	16	7	44	1			2		3
Electrical equipment	15	6	40	2	1	1	1		5
Non-metallic minerals	5	3	60	1					1
Petroleum products	17	11	65	7	2	2	1		12
Chemicals & chemical products	14	7	50	5			1		6
Miscellaneous manufacturing	22	9	41	4	1	1	3		9
Construction	9	7	78	4			1		5
Transportation, communication & other utilities	29	15	52	6	2		3	1	12
Wholesale & retail trade	15	5	33	2	2		1		5
Grain handling & sales	2	1	50						
Mineral resources	7	6	86	3	3	1	2		9
Banks	4	8	57	1			3		4
Trust companies	5	5	100	3	2	1	2		8
Real estate	2	1	50		1				1
Life insurance	19	17	89	5	2	2	2		11
«Other financial»	16	11	69	3			2		5
Service industry	12	7	58	4		1			5
TOTAL	293	171	58%	66	21	12	28	1	128

<sup>1</sup> The letters relate to the coding used in the questionnaire

N.B. Corporate support of Culture revealed in «CGIC, 1984» totaled \$9.4 million, or 12% of total giving of \$78.5 million made by 293 firms.

**THE EFFECTS OF CORPORATE SPONSORSHIP  
ON CANADIAN ORCHESTRAS**

**by**

**Heather Moore**

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of the requirements for the degree of  
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## ABSTRACT

The financial environment of Canadian arts organizations is changing. Government cutbacks in arts funding and this decade's recession have caused arts organizations to rely more heavily on the business sector for financial support. The current trend in corporate support is away from donations and towards sponsorships, which provide corporations with a return for their investment. Utilizing organizational behaviour theories, three hypotheses regarding the effects of increased corporate sponsorship have been formulated:

Hypothesis 1. Changes in the origins of financial resources will produce corresponding changes in the administrative structures of arts organizations.

Hypothesis 2. Changes in the dependency pattern of arts organizations will result in the development of new strategies for dealing with these dependencies.

Hypothesis 3. Changes in the origins of financial resources will produce corresponding changes in the artistic output of arts organizations.

These hypotheses are examined with evidence obtained from three Canadian orchestras: the Toronto Symphony, the Hamilton Philharmonic Orchestra and the Ottawa Symphony Orchestra.

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# CHAPTER ONE

## CHANGES IN ARTS FUNDING IN CANADA

### INTRODUCTION

Arts funding has sparked much debate in economic, political and artistic circles; since Baumol and Bowen's 1966 study, it has been accepted that the performing arts will never be financially independent and that monetary crisis is a way of life in the arts world (Baumol, 1966:3). The arts have therefore been supported by patrons who have varied throughout history in both character and role. Artists and arts organizations today still rely on outside sources for a large percentage of their revenue. Canada's system and history of arts funding differs greatly from that of other countries, most noticeably the United States. While Americans have a long tradition of private arts patronage, Canadian arts organizations have relied heavily upon government subsidies to finance their operations. The Canadian government followed the model of the Arts Council of Great Britain in its establishment of the Canada Council in 1957. As an independent granting agency, the Council's mandate was "...to foster and promote the study and enjoyment of, and production of, works in the arts, humanities and social sciences" (Canada Council, 1982c:2). Similar councils are operated by the provinces and municipalities and together with their federal counterpart contribute 20-40% of most arts organizations' annual revenues (Throsby, 1979:85).

Despite this government support, the last decade has seen Canadian arts organizations turning more and more to the private sector for support. Canada Council grants have decreased steadily in real dollars since 1977 (Chartrand, 1985:8), and current cutbacks by the Mulroney government indicate that this trend will continue. These cuts, most noticeably to the CBC, the National Arts Centre and the Canada Council, angered the arts community and ran counter to the views of such notables as Mavor Moore, former chairman of the Canada Council:

It is the Council's belief that the federal government, through its cultural agencies, has a distinct and crucial role to play in support of the arts, which is neither feasible nor profitable for other levels of government or the private sector (Canada Council, 1982b:2).

Artists naturally hope that the business sector will fill the gap created by government cutbacks (Cohen, 1985:B1). The present federal government appears to share this wish; it has announced that it is strongly in favour of privatization of publically supported organizations and that it plans to sell crown corporations "...with a commercial value and no ongoing public policy purpose..." (The Globe and Mail, 1985:6). This policy of encouraging private support for traditionally public services has been extended to the arts. A task force was created in June, 1985 to study the means of obtaining and encouraging private funding for the arts in Canada. Arts organizations themselves have already begun to tap these private resources more frequently and more aggressively.

This switch in emphasis from public to private corporate support of the arts may not happen as smoothly as anticipated, due in part to some important implications that policy makers have overlooked. Canadian business does not have an encouraging record of charitable giving: more than 90% of Canadian



corporations do not contribute to charities and those that do donate only an average of 0.55% of their incomes (Martin, 1985:240,251). The 1980's recession has depressed the situation further, as Samuel Martin reports in his 1985 analysis of non-profit funding in Canada, An Essential Grace:

As Canadian corporations generally become increasingly capital intensive we might expect them to become less philanthropic. The hard internal demands for capital tend to preclude, or at least crowd out, the softer requirements of the human sector (1985:230).

Neither does The Financial Post predict an imminent increase in corporate giving to the arts:

Because governments, particularly the federal government, have taken the lead in funding the arts, corporations have not felt the need to contribute as much as in other countries...Moreover, corporations are less likely to become benefactors in Canada because the tax break is less attractive than in the U.S. (Cohen 1985:B1).

Mavor Moore, in his weekly arts commentary in The Globe and Mail, referred to the indirect effects of government cutbacks to the arts:

To put it plainly, the fashionable notion that the private sector will take up the slack left by the government withdrawal from arts support is pure wishful thinking. When government itself stamps the arts as dispensable, and at the same time appeals to the private sector to come to the rescue of such other essential public services such as health and education, the likelihood is that the private sector will follow, not counterbalance, the prevailing trend (1985:Entertainment 7).

This argument suggests that corporations either are not in a financial position to, or are simply not willing to, give more money in support of the arts. The Continental Bank provides further commentary on this situation:

Corporate profitability is still in the recovery room and unemployment is uncomfortably high. Without the promise of some return it is easy to appreciate the reluctance of a company to pour its funds into, say, supporting a dance troupe while laying off its own workers (1984:13).

The key word in this statement is "return". Corporations are becoming less eager simply to give money and now seek to receive a return on their investment. Arts organizations now obtain the bulk of their corporate support in the form of sponsorships rather than donations. All indicators point to the continuation of this recent development. Sponsorships are usually granted at a fixed rate per concert or event, and the corporation receives public recognition on posters, advertisements, programmes and tickets for the sponsored event. The Council for Business and the Arts in Canada (CBAC), established in 1974 as a liason between the arts and business worlds, recognizes this development of corporate support, as stated by staff member Sarah Iley:

Corporations want more for their money now than just a 100% tax write-off for gifts made to non-profit groups with charitable status...the arts are seen by more and more companies as the avenue by which to reach the core of their markets (Iley, 1982:14).

Corporate sponsorships have greatly increased in size and number in recent years, and are having many effects - both administrative and artistic - on the arts organizations involved.

## REVIEW OF RELATED LITERATURE

This study centres on the implications of this change in both the origin and the type of financial support available to arts organizations. The scenario is a new one, and its effect on Canadian arts organizations has yet to be analysed. A review of literature related to arts funding in Canada reveals that little has been written on corporate sponsorship. General reports and surveys of arts funding emphasize the role of the government and pay little attention to private support -- in accordance with past Canadian funding practices. Similarly, studies such as Martin's An Essential Grace explore the world of corporate giving in Canada, but focus only briefly on the arts as beneficiaries. The little information existing on corporate sponsorship is written almost exclusively from a business viewpoint. Articles in The Financial Post and Business Quarterly present corporate personnel who assess their role in corporate arts sponsorship (Cohen, 1985; Sanders, 1984). The arts world has been relatively silent on this matter; indeed, many organizations are only now realizing the import and necessity of corporate sponsorship. While some arts groups have obtained funds through sponsorships for years, few have kept systematic records of the amount or percentage of sponsorship dollars received (interviews No. 2,4,7,8 -- see bibliography). The CBAC, which compiles annual financial surveys of performing arts groups in Canada, has just this past year distinguished sponsorships from corporate donations in its reports. Major umbrella organizations such as the Canadian Conference for the Arts and the Association of Canadian Orchestras also lack data and research on corporate sponsorship, although they express concern and an awareness that work must be done in this field (interviews No.1,5).

This study, therefore, is a preliminary one. Its purpose is to examine the effects of corporate sponsorship on Canadian arts organizations and to thereby frame questions for further research. The results will aid arts organizations that are new to this method of funding, will assist in the development of long-term plans and guidelines for future financial support and will help in the formation of government policy.

## PROCEDURES

A case study rather than a survey approach was chosen for this paper because of the preliminary nature of the research. A case study provides greater flexibility in the information gathered and types of respondents chosen, and will help to refine the general hypotheses. A comprehensive survey, the best alternative to the use of case studies for this type of research, was impossible because the necessary resources -- time, money and statistics - were unavailable at this time. Nor were the research questions sufficiently focussed.

The decade from 1975 to 1985 is the time frame chosen for this study, as it covers the most significant period of change in both government and corporate support. Although some major arts groups had sponsors prior to 1975, most are relatively new to this type of support and began focussing on it only in the last few years. Information, especially statistical data, is sparse. Since the personnel turnover in arts management is quite high, many organizations are not certain of their situation ten years ago vis-à-vis corporate sponsorship. This study will therefore focus on recent events, the earlier information used for comparison whenever possible.

Orchestras were chosen as the units of analysis for a variety of reasons. My own background in music and experience as an orchestral musician made orchestras the logical choice for my research. Orchestras have been particularly successful in attracting corporate support. "Music is the main beneficiary of corporate arts funding in Canada" (Neilson, 1980:14). Orchestras tend to have wide-ranging repertoires that are not restricted to a particular genre; they are thus not as limited as other arts groups in the audience they attract. Three orchestras were chosen for this study: the Toronto Symphony, the Hamilton Philharmonic Orchestra and the Ottawa Symphony Orchestra. All three are close enough to Ottawa to be easily accessible with limited resources. Each represents a different type of orchestra, and each serves a different function in its community.

The Toronto Symphony (TS), established in 1922, is one of Canada's largest and most prestigious professional orchestras. It is located in and serves Canada's largest metropolitan centre, and it enjoys an international reputation. Its current budget of about \$9,000,000 is one of the largest of any Canadian orchestra (CBAC, 1985:32). It has a full 37 week concert season and a repertoire that covers the entire musical spectrum.

The Hamilton Philharmonic Orchestra (HPO) is a major orchestra of the second rank. It is well recognized throughout Canada and is developing an international reputation. It did not become fully professional until 1971 and remains smaller than the TS, with an operating budget of just over \$2,000,000 (CBAC, 1985:30). While its repertoire and concert season are similar to those of the TS, the HPO tends to favour more familiar, less esoteric works. Since Hamilton is an industrially-based city, its orchestra must cater to a different type of audience and business environment than the TS, while being situated close enough to Toronto to have to compete with the TS for audience and financial support. The HPO does, however, have a firmly established tradition and system of corporate sponsorship.

The Ottawa Symphony Orchestra (OSO) is a large community orchestra comprised of both amateur and professional musicians. Its \$160,000 budget is much smaller than that of the TS or HPO (CBAC, 1985:31). Unlike the other two orchestras, the OSO is managed entirely by volunteers. The OSO competes for audience and prestige with the National Arts Centre Orchestra, a professional orchestra funded exclusively by the federal government. The OSO's season is limited to five regular concerts with a repertoire focussing on late 19th, early 20th century works. Its reputation is essentially local. The OSO is relatively new to the corporate sponsorship scene, having first received funds from this source in 1979 (interview No. 2).

The information for these case studies was obtained mainly through interviews with management personnel from each orchestra, and complemented by data gained from the orchestras' financial reports and programmes, when available. In addition, comments and views of corporations and umbrella organizations involved in corporate sponsorship are included for comparison and evaluation.

## THEORY

No specific theories of corporate arts sponsorship have yet been proposed; one must therefore adopt theories from related disciplines that apply to similar situations. Many economic theories of arts funding have been advanced. Baumol and Bowen's landmark study of 1966, Performing Arts: The Economic Dilemma, concluded that the arts will never be self-supporting. Studies by Netzer (1978) and J.R. Thera (1977) offer theories of the "income gap" -- a problem which stems from "the inability of the performing arts to reap any substantial advantage from technological change due to its labour intensive features" (Thera, 1977:1-2). These studies, however, fail to address the specific effects of varying types of support. Theories of philanthropy and corporate giving have also been developed (Martin, 1985; Gavsie, 1981), but generally apply only to the donors (i.e. the corporations) and not to the recipients (i.e. the arts organizations). Organizational change and behaviour appear to be the most appropriate to a discussion of the effects of corporate sponsorship, since they focus on the responses of the organizations affected.

There are two theories of organizational behaviour relevant to this discussion - the contingency theory and the dependency theory. Each focusses on a different aspect of the relationship between organizations and their environments. According to the contingency theory, organizations must, in order to survive, become aware of and able to cope with the contingent or uncertain elements of their operations (Hickson, 1971). An organization will alter its structure in order to cope with these contingencies. New subunits within the organization will be created, or the focus of existing subunits will change, as new contingencies arise out of the changing environment. The contingency theory further states that power structures within the organization will be altered in favour of those best able to cope with the contingencies (Hickson, 1971). Money has always been a contingency for arts organizations. The recent government cutbacks in arts support have rendered funding even more problematic, and are forcing arts organizations to search for alternate sources of funding -- i.e. corporate sponsorships. These changes bring about a whole new set of contingencies, with which arts organizations must learn to cope if they are to survive. New administrative structures will be created to cope with the new contingencies of corporate sponsorship. Based on this theory, the following supposition about the state of arts organizations may be made:

Hypothesis 1. Changes in the origins of financial resources will produce corresponding changes in the administrative structures of arts organizations.

A second organizational behaviour theory is the dependency theory. The dependency theory originates in the idea of environmental influence, as stated by Pfeffer, a leading researcher in the field of organizational behaviour: "Organizational behaviour is constrained and shaped by the demands and pressures of organizations and groups in its environment" (1982:59). Organizations exist within a network of dependencies on other organizations. The most common situation is one in which the dependence among organizations is unequal. Asymmetrical interdependence results in constraints on an organization's behaviour (Pfeffer, 1982:59). Organizations therefore develop strategies to avoid or mitigate this one-way dependence that threatens their survival. Because of government cutbacks, arts groups are becoming more dependent upon corporate sponsorships and less on the government for their financial resources. The relationship between arts organizations and the government has traditionally been one of mutual dependency: arts organizations relied on the government for financial support, and the government relied on arts organizations for legitimacy in the area of cultural and social services. The relationship between arts organizations and corporations is different in that the dependency is unequal: corporations do not depend upon arts groups to the same degree as the government. While government withdrawal of arts support is met by public outcry and lobbying from arts groups, corporate refusal of support could not be as publicly contested for fear of scaring off other potential corporate supporters. Corporations are not obliged to sponsor the arts; many other charitable organizations can provide the corporations with legitimacy and publicity. The relationship between arts organizations and corporations is therefore one of asymmetrical interdependence, and is potentially dangerous for the arts organizations. From this one may infer a second hypothesis from the dependency theory:

Hypothesis 2. Changes in the dependency pattern of arts organizations will result in the development of new strategies for dealing with these dependencies.

Arts groups must develop means of managing their dependency upon corporations if they are to survive as autonomous organizations. The dependency theory is also concerned with the implications of organizational dependency:

The organization will tend to be influenced more the greater the dependence on the external organization, or alternatively, the more important the external organization is to the functioning and survival of the organization (Pfeffer, 1982:59-60).

With dependency comes control. Organizations are subject to the influence and demands of the external organizations upon which they depend. An organization that yields to these demands "...places itself in a situation in which its long-term survival may be threatened" (Pfeffer, 1982:95).

Many areas of an arts organization's operations are susceptible to external pressures; least acceptable is influence of the organization's artistic output. Unlike government funding agencies such as the Canada Council, corporations are not restricted by an arm's length principle that theoretically prohibits any form of artistic control. The emergence of sponsorships over donations as the major form of support creates a greater opportunity for such influence or interference by the

corporation. Corporations, now making business deals with arts organizations rather than offering gifts, expect a return on their investment that will enhance their image as good corporate citizens. Arts organizations fear that corporations may attempt to dictate the choice of programming or artists to suit their business needs. A third hypothesis has been formulated from both the contingency and dependency theories:

Hypothesis 3. Changes in the origins of financial resources will produce corresponding changes in the artistic output of arts organizations.

The changing contingencies will effect artistic change only if the organization's dependencies are not properly managed. Hypothesis 3 is therefore contingent upon Hypothesis 2, in that the better an organization is able to manage its dependencies, the less it will be subject to influence or control by external organizations.

These three hypotheses will be explored with respect to each of the three orchestras mentioned. Chapter Two deals with the administrative structures of the orchestras. The administrative procedures involved with each orchestra's corporate sponsorship programme are discussed, and any changes in personnel or focus noted. Corporate responses to arts sponsorships are discussed so as to clarify the environmental changes that are taking place. Chapter Three explores the artistic effects of corporate sponsorship. Each orchestra's experiences with sponsorship are discussed to determine any artistic changes resulting from corporate influence. Corporate views of artistic interference will be provided for comparison. The findings of this study are summarized in Chapter Four, policy implications are discussed, and suggestions and ideas for further research are offered.

## CHAPTER TWO

### STRUCTURAL AND STRATEGIC CHANGES

#### INTRODUCTION

Arts organizations may be said to be dependent upon their environment for survival, since they rely on income from outside sources - that is, grants from the government and, increasingly, the private sector. Current environmental change is evidenced by a number of recent events. Only this summer, the federal government appointed a task force to study aspects of private arts funding -- indicating its awareness of the situation. In 1979, The Financial Post began its annual "Business in the Arts" awards, presented to corporations that make outstanding contributions to the arts in Canada. The establishment of the CBAC in 1974 was an early response to the trend of business support that has continued over the past decade.

That corporate sponsorships are beginning to outweigh corporate donations is also demonstrable. Arnold Edinborough, president of the CBAC, stated recently that:

There is a real trend now for corporations to go the sponsorship route...(but that) few if any recognize just how effectively they might use art sponsorships as a corporate marketing tool (CBAC, 1985c:4).

Many corporations are beginning to use their marketing, public relations or advertising budgets, rather than the traditional donations budget, to allocate their sponsorship dollars, and corporate respondents to a CBAC Policy questionnaire noticed "...a trend towards advertising and away from philanthropy as companies go for sponsorship recognition" (CBAC, 1982b:8). The Continental Bank recognized the growing popularity of sponsorships in its 1984 annual report:

Until now, corporate donors have accepted a self-governing code by which they settled for indirect benefits. But when much larger sums are needed from them, it is only natural that they will look for larger returns. American Express' initiative (in sponsoring various Canadian arts organizations) is likely only the first of many in which we will be seeing not so much a donation as a deal being offered (Continental Bank, 1984:25).

According to the organizational behaviour theories cited above, organizations must learn to cope with these environmental changes and contingencies. With corporate sponsorships come new procedures that are governed by the rules and regulations of the business world. The procedures involved in obtaining corporate sponsorships will be examined with regard to all three sample orchestras to assess the effects of such funding on their administrative structures.

## TORONTO

The Toronto Symphony (TS) receives funding from all three levels of government as well as from individual donors, foundations and corporations. Since 1975, the orchestra's list of corporate sponsors has more than doubled (TS, 1975a;1984a), and revenue from this source has increased from \$100,000 to \$600,000 (the expected sponsorship total for 1985-86) (interview No. 8). These increases are part of a larger trend, as the TS reported a 95% increase in total private sector funding between the 1984 and 1985 fiscal years (TS, 1984c;1985c).

A Development Office has been created to solicit private sector funding at all levels. This Office works with fundraising committees from the Board of Directors, and supervises many volunteers from the general public in its corporate campaign. The Office conducts research into Canada's leading corporations to determine which are most likely to contribute to the TS, and examines sponsor lists of other arts organizations to locate corporations already committed to supporting the arts. The Development Office also attempts to increase corporate donations to the amounts necessary for sponsorship support.

Since 1983, the TS has had a standard system of obtaining corporate sponsorships (interview No. 8). Corporations may sponsor an individual concert, a pair of concerts or an entire series. The TS ranks its concerts in terms of their popularity, and prices the sponsorships accordingly. A concert ranked number I usually features a world-famous soloist or a large-scale, popular work; a number II concert consists of familiar yet less popular performances; while a number III concert would present a lesser known soloist with less familiar, often avant-garde, programming. With this system, the TS responds to the marketing trend of corporate support: it rates potential returns so that they will be commensurate with the corporation's investment. The 1985 fee structure and list of corporate benefits are listed in Table 1:

Table 1

### Sponsorship Fees for the Toronto Symphony, 1984-85 Season

<u>Category</u>	<u>Fee for 2 Concerts</u>	<u>Fee for 1 Concert</u>	<u>No. of Complimentary Tickets</u>
I	\$12,000	\$7,500	20
II	\$ 9,000	\$6,000	16
III	\$ 7,000	\$4,500	12

Source: Toronto Symphony, 1984-85. A Reflection of Commitment: Annual Corporate Campaign.



In exchange the corporate sponsor receives recognition in all printed materials - tickets, posters, concert programmes and subscription brochures - public service announcements and paid media advertising; complementary tickets; and assistance and facilities for arranging pre- and post-concert reception (TS, 1984-85a).

The TS reports that for the 1985-86 season, approximately 75 new corporations were approached for sponsorships; of these 75, 5 agreed to sponsor the orchestra (interview No. 8). The TS finds that the large, established corporations such as Imperial Oil, Texaco, Air Canada, and Seagram's are more likely to sponsor the orchestra; smaller, growing corporations are less prepared to make this type of commitment. The TS offers various explanations as to why corporations agree or refuse to sponsor the orchestra. Most commonly, sponsorships are related to personal contacts between the corporations - that is, someone on the TS's Board knows someone in a company, or perhaps a CEO (Chief Executive Officer) is known to like classical music and may be approached on a personal level. Those corporations solicited without personal contacts generally sponsor the TS because they want to do something for the community and thereby enhance their image as good corporate citizens. In fact, the TS has had corporations approach them first for sponsorships, usually because a competitor is sponsoring the orchestra. Corporations are becoming increasingly involved with the TS for marketing reasons, but more often for:

...a mixture of altruistic and materialistic reasons. The commitment to the community has to come first. Marketing and publicity (returns) can sweeten it - may make them choose you over someone else. But obviously there are better marketing opportunities elsewhere (interview No. 8).

The most common reasons given for not sponsoring the TS include the following: the corporation only supports hospitals and other social services - not the arts; the company's budget has already been allocated; the sponsorship involves too much money; or, when a marketing approach is used, that the TS does not have the corporation's market.

The TS has responded to increased corporate sponsorship in various ways. The administrative staff of the TS and the administration's focus have undergone many changes in the past ten years. The Development Office was reorganized in 1983, and has since expanded further to its present complement of a Director, an Administrator of Fundraising, a Corporate Campaign Coordinator, an Individual Campaign Coordinator, a Research Assistant, an Accountant, and clerical and secretarial staff. Prior to 1983, records of corporate sponsorship were not systematically kept. In short, the office was not following proper business procedures, which it now feels it is: "When you're dealing with business, you have to be more business-like" (interview No. 8). The TS makes use of some of the personnel and business expertise of its corporate sponsors, many of whose CEOs sit on the orchestra's Board. As for focus, the Development Office has come to concentrate much more on corporate sponsorships than on corporate donations, whereas the opposite was true a decade ago (TS, 1975c;1985c). A major overhaul of the Development Office in 1984 saw the introduction of a more aggressive marketing approach to corporate sponsorships. Rather than simply solicit the

corporations, the TS now tries to find a match between its product and that of the sponsoring corporation. The orchestra has conducted a comprehensive audience survey in order to discover who and what its market is. The TS feels that this marketing approach gives it an edge on its competitors - other arts organizations and social services: "You have to make your product... more attractive and a better deal than someone else's" (interview No. 8). In referring to orchestra concerts as "products" and fundraising procedures as "deals", the TS's administrative staff even incorporate marketing terms into its vocabulary. Marketing concerns have also been responsible for some corporations' refusals of support: the orchestra is no longer sponsored by Labatts or Molsons because it does not have these breweries' target markets (interview No. 8).

The Board of Directors of the TS has also felt the effects of increased corporate sponsorship. Although it has not changed noticeably in size over the past ten years, the Board's function is changing, with its emphasis now on fundraising rather than administration. The growing importance and success of the corporate sponsorship campaign was recognized in 1983 with the creation of a separate Business Sponsorship Committee. As a result of its intensified fundraising efforts, the TS is looking for new types of Board members - "less presidents, more workers" (interview No. 8). Although big names and corporate connections are important, the TS needs more people to do the leg work: to actually make the contacts and obtain the corporate support. Therefore, fundraising committees chaired by Board members solicit volunteers from both the arts and business worlds.

The Development Office feels that corporate sponsorships will continue to play an important role in the orchestra's fundraising, and that marketing techniques and approaches will become increasingly important. The administration of the orchestra has become more professional in response to increased business involvement. The Board of Directors is also changing, with new committees and members focussing exclusively on corporate sponsorship.

### HAMILTON

The Hamilton Philharmonic Orchestra (HPO) was established in 1883 as a community orchestra and did not become fully professional until 1971 (HPO, 1984b:26,27). Like the TS, the HPO receives funding from the federal, provincial and municipal governments; individual, foundation and corporate donations; and corporate sponsorships. Also like the TS, the HPO has been receiving corporate sponsorships since at least 1975, when they played a lesser role than that of corporate donations (HPO 1975;1985). Corporate sponsorships now account for more than half of the HPO's private sector revenue, the 1985-86 corporate sponsorship goal being \$245,000 (interview No. 4). The orchestra employs a Director of Development who does not have a Development staff but works with volunteer committees from the Board of Directors. The HPO selects concerts and events available for sponsorships from which the corporations may choose their preferences; this is referred to as "the menu approach" (interview No. 4). Like the TS, the HPO varies the sponsorship price with the type of programme offered; yet because of its different environment, it makes smaller, less costly sponsorships available, such as those to underwrite the cost of an orchestra member, guest artist or conductor ("The Chair"). The 1985 sponsorship prices and benefits are listed in Table 2:

**Table 2**  
**Sponsorship Fees for the Hamilton Philharmonic Orchestra,**  
**1984-85 Season**

<u>The Chair</u>		<u>Concert Sponsor</u>	
-Concert Chair	\$ 100	-1 Coffee Concert	\$2,500
-Series Chair	\$1,000	-1 Brunch Concert	\$2,500
-Concert Guest Artists	\$1,000	-1 Celebrity Concert	\$3,500
-Concert Conductor	\$1,000	for a pair	\$6,000
		-Ontario Place Concert	\$5,000
 <u>Concert Co-sponsor</u>		 <u>Series Sponsor</u>	
-Candlelight Concert	\$1,000	-3 Kids Concerts	\$7,500
-Kids Concert	\$1,000	-3 Coffee Concerts	\$7,500
-Pops Concert	\$2,000	-4 Brunch Concerts	\$10,000
		-8 Candlelight Concerts	\$16,000
		-Pops Series	\$18,000
		-10 Celebrity Concerts	\$20,000

Source: Hamilton Philharmonic Orchestra, 1984: On a Financial Note

In exchange for these sponsorship dollars, the corporation receives recognition in all media releases, advertising and concert programmes, complimentary tickets, and a tax receipt (HPO, 1984b). The HPO attempts to attract new sponsors each year as well as to retain its current ones. It approaches corporations that have an interest in the community, such as a head office or branch plant. Like the TS, it finds that the large, established corporations with a history of giving sponsor it, rather than new, high-tech or developing corporations. The HPO agrees that there is no fixed method of approaching a corporation, but that a personal connection usually makes for the best initial contact. The HPO sees community impact and marketing value as the main reasons behind corporate sponsorships. The orchestra feels that the corporation wants to assert its presence in the community in order to present a good image to its employees and market. Another reason for sponsoring the orchestra is that someone in a corporation "had a good time at the HPO" (interview No. 4). The Development Office makes note of CEOs new to the city or recently promoted, and offers them complimentary tickets to its upcoming concerts. Personal contacts with "someone owing someone else" are often responsible for obtaining sponsors (interview No. 4). The orchestra believes that most orchestras that decline to sponsor it do so for marketing reasons: the city, or the orchestra's audience, offers no market value to the corporation. Other corporations refuse sponsorship because they choose to sponsor more than one organization on alternate years.

A situation unique to the HPO is its doubling of sponsors for a concert or series. The HPO now has two sponsors for each programme -- a series sponsor and a concert sponsor. The orchestra fully implemented this practice in 1983 to cope with its limited concert season and the limited number of dollars available from each corporation. Hamilton, an industrial city, was particularly hard hit by the recession, and local corporations have been unable to increase their support by the amount necessary to retain exclusive sponsorship. The HPO has experienced some difficulty with this practice because most corporations prefer exclusivity, and do not readily accept this new, unusual procedure. This, together with increased competition from other regional arts organizations, makes the HPO doubtful as to how much more its corporate sponsorship programme can grow.

The administrative staff of the HPO has changed in recent years. Since 1982, the orchestra has employed more professional administrators. Before this time, fundraising ventures were handled by the Board, whose decisions were administered by an Executive Secretary. In 1982, the HPO hired a Director of Development to plan strategies in six fundraising areas: individual, foundation and corporate donations; special events; endowments; and corporate sponsorships. The Director works with the fundraising committees of the Board to develop more realistic plans and goals for the HPO's fundraising campaigns. The fundraising efforts of the HPO have become centred more on corporate sponsorships than donations, and the current focus of the sponsorship programme is on marketing. This aggressive approach to marketing can be traced to 1982 and the change in management. The HPO is looking for ways to marry its product with that of the corporations; one successful match saw Lifesavers sponsoring the HPO's Kids concerts. The administration is "looking at more funds coming out of the corporate sector from the marketing budgets" (interview No. 4). Many corporations that previously offered both donations and sponsorships now deal exclusively in sponsorships. Corporations have approached the HPO to be sponsors for the potential marketing returns involved (interview No. 4). The orchestra's management feels that "Where it (corporate sponsorship) will impact is in the marketing aspect of the arrangement between the product and the sponsor" (interview No. 4). As well as focussing on marketing, the HPO is trying to obtain long-term commitments from its corporate sponsors. While organizations may be fairly sure of continued government support once obtained, corporations may withdraw support at any time, for any reason. The HPO tries to maintain a broad base of support to guard against such an occurrence.

The Board of Directors of the HPO has grown in size over the past ten years, though not specifically because of corporate sponsorships. Unlike the TS, the HPO looks for big signers for its Board. It needs more presidents and big corporate names to attract other corporations to the cause. The main function of the Board is not fundraising; a third of the Board members are assigned to Financial Development.

Thus outside pressures have led the administration of the HPO to become more professional and business-like. The orchestra feels that it must demonstrate sound management and a good financial record if it is to attract corporate sponsors. Marketing strategies play an important role in its sponsorship programme. The HPO states that in general, arts organizations "don't know the corporate sector at all...You have got to have very professional development staff; that means you're going to have to pay for it" (interview No. 4.)

## OTTAWA

The Ottawa Symphony Orchestra (OSO), established in 1965, is a ninety member community orchestra made up of professional, semi-professional, student and amateur musicians (OSO, 1984-85c). As it is not a fully professional orchestra and resides in a locale serviced by a major professional orchestra (The National Arts Centre Orchestra), it does not receive funding from the federal government. It does, however, receive provincial, regional and municipal grants as well as donations from individuals, foundations and corporations, and corporate sponsorships. The orchestra's season consists of five concerts and it plays a more limited repertoire than the TS or HPO.

The OSO first obtained funds from corporate sponsorships in 1979 (interview No. 2). Since the OSO had no guidelines to follow, its first experiences with corporate sponsorship were inconsistent; there was no set fee for sponsorships, and very few sponsorships were secured. The orchestra now has a regulated system: for a donation of \$2,500 or more, a sponsor may choose to underwrite part of the cost of a concert, the Conductor's and Concertmaster's annual honoraria, or the printing of the season subscription brochure (OSO, no date). In return, the corporation receives recognition in the concert programme, season subscription brochure and all media advertising; complimentary tickets; a tax receipt; and assistance in arranging post-concert receptions for clients (OSO, no date).

The percentage of income derived from corporate sponsorship is not clear, as sponsorships are consolidated with special events (OSO, 1979b-1985b). This standard \$2,500 sponsorship fee does not appear to have been implemented until the 1983-84 season, which saw 3 of the 5 concerts sponsored (OSO, 1979a-1985a). Like the TS and the HPO, the OSO notes that the larger, more established corporations with a business interest in the community sponsor the orchestra; however, smaller, local companies are becoming involved in sponsorships as well. The reasons given for corporate sponsorship of the OSO differ from those given by the other orchestras studied. The OSO finds that those who agree to sponsor rarely do so out of sense of social responsibility or good corporate citizenship: "The most important thing is that they want to make their presence felt in the National Capital because of possible business with the federal government" (interview No. 4). Corporations often use the OSO concerts to entertain clients, CEO's and government officials. Corporations choose the OSO because it is a fiscally responsible organization and therefore may enhance the company's image by association. Those corporations that refuse to sponsor the OSO say that they do not need to be visible in that area; their business is not with the government or is not based in Ottawa.

The OSO does not employ any permanent staff; all fundraising and other administrative work is carried out by volunteers. The Chairman of the Fundraising Committee, with the assistance of members of the business community, is responsible for all aspects of the corporate sponsorship programme. While this system has been successful, the OSO feels that it will soon need a full-time business manager. The focus of the orchestra's administration is definitely changing. The orchestra was not affected by federal government cutbacks but like the other

orchestras, it is looking for more support from the private sector. The OSO has a history of individual private patronage and is only beginning to realize the value and availability of corporate sponsors. Unlike the other two orchestras, it has not emphasized the marketing benefits of its sponsorships; it is, however, beginning to employ marketing rather than philanthropic strategies when soliciting corporations. The orchestra feels that its promotional and public relations opportunities are most saleable and therefore focusses on the receptions and complimentary tickets available to the sponsors. As a result, the OSO needs to attract more volunteers to handle the public relations aspects of corporate sponsorships. Some of these additional volunteers may be attracted by a position on the orchestra's Board. The Board of Directors of the OSO has not changed in response to corporate sponsorship, but its current members feel that it should (interviews No. 2). They feel that the Board should double in size and concentrate more on fundraising. The OSO now needs a working Board composed of knowledgeable business people rather than members of the arts community. The OSO encourages corporations to provide it with business expertise and staff to sit on the Board of Directors.

Thus the response of the OSO to corporate sponsorship differs from that of the TS or the HPO. Without a professional Development staff, the orchestra has had to rely on assistance in its sponsorship programme from volunteer members from the Board of Directors and the business community. Corporations tend to sponsor the OSO for its promotional and entertainment values, marketing values being of less importance. The OSO would like to increase and develop its Board to better manage its business operations.

#### CORPORATE RESPONSE

To complement the information gathered from these orchestras, the practices and opinions of some of their corporate sponsors were also considered. Arts organizations must naturally take corporate responses into account when forming their sponsorship policies. Samuel Martin contends that "Canadian business has had a long tradition of corporate philanthropy" (1985:225). Since the early part of the century, companies such as Eaton's, Simpsons, and later Labatt's, Stelco and Sun Life have financially supported health, education and the arts across Canada (Martin, 1985:225). This tradition has never involved a large proportion of the business community; today only 10% of Canadian corporations (Martin, 1985:232), contribute to the following areas (listed by priority): Health and Welfare, Education, Arts and Culture, Civic Projects, Sports and Recreation, and Other (CBAC, 1982:6). The reasons for giving, and for giving to the arts specifically, vary with each corporation and its situation (Neilson, 1980:14).

Martin has developed a rationale for donation behaviour with which he classifies motivating influences for philanthropy:

Level Two influences originate from circumstances or actions outside the individual...and contain a strong element of self-interest. They include ethnicity, transaction, leverage, recognition, education, social mobility and social acceptance...Level One motives...emanate from inner standards, intellectual and moral security, an innate sense of constructive purpose, a genuine regard for the welfare of others. They include noblesse oblige, tradition, power, philosophy, freedom and altruism (1985:104).

Martin claims that there are multiple goals for corporate giving, "...the coexistence of both Level One and Level Two motives..." (1985:241). He states that individuals play a vital role in corporate philanthropic decisions, a fact recognized by the three orchestras as well: "The single influence on the level of corporate generosity was the board chairman or chief executive officer" (Martin, 1985:240). As for why corporations give:

The reason most often cited was to demonstrate corporate leadership, followed closely by the personal conviction of the CEO or chairman, altruism and tradition - Level One motives...As many cited more pragmatic reasons: their public relations value, persuasion from the organization, etc. - (Level Two motives) (Martin, 1985:241).

The general reasons for corporate giving to the arts are in keeping with this trend, as noted by the TS: a mixture of altruism and materialism (interview No. 8). The area of sponsorships, as compared to donations, tends to bring about more Level Two reasoning - quid pro quo. The effects of the recession have highlighted more pragmatic reasons for giving; a corporation may want to give for altruistic reasons, but cannot due to economic constraints. This reasoning accounts for the increasing popularity of sponsorships, which - with their practical, concrete returns - enable the corporation to achieve Level Two goals. More and more, corporations are recognizing and responding to the practical applications of their sponsorship dollars. The use of sponsorships for marketing purposes has become quite common and many corporations are now taking their sponsorship money from their marketing rather than donations budgets. As the Continental Bank notes:

...corporate philanthropy, efficiently and imaginatively administered, can be a powerful ally to other efforts in marketing, corporate relations and human resources. It is also a boon to the arts and social agencies who are desperate for support (1984:13).

Further to marketing, this corporation feels that:

...humanistic support has proven to be an effective means of "narrowcasting"; a term relating to the ability of a medium to reach specific socio-economic target groups (1984:21),

and that:

Sponsorship of special events and worthy causes will continue to evolve into an advertising medium in its own right (1984:27).

Stelco, a manufacturing corporation and a major sponsor of the HPO, has taken a structured approach to donations since the early 1970's. The corporation's main reason for giving is to become more visible in the community. Sponsorships enable the company to communicate its social concerns to its employees, customers and shareholders. During the past ten years, Stelco has given half of its support dollars in the form of donations and half in sponsorships; however, it has

recently changed its policy, and now offers only sponsorships to arts organizations. The company needs to see a return for its investment: in this case, ensuring good public relations and maintaining the image of a good corporate citizen. Stelco's sponsorship money comes from its donations budget; as it is not a retail-oriented corporation, it is not interested in direct marketing returns for its sponsorship dollar. Stelco still feels, however, that it makes good business sense to designate a specific use for its contributions, as is the case with sponsorships (interview No. 3).

Seagram's is the largest corporate supporter of Canadian orchestras, sponsoring over 50 professional and community orchestras across the country (interview No. 6). Like Stelco, Seagram's main reason for giving is to achieve corporate visibility, by linking its name with a "manifestation of quality" (interview No. 6). The company also feels that it has a "comfortable fit" with orchestras: Ontario has the largest concentration of Canadian orchestras and is also Seagram's largest market (interview No. 6). The money for orchestra support comes from Seagram's donations budget and is administered by the Executive Director of Donations, with the assistance of the marketing department. The money does not come from marketing funds because "there is no evidence that sponsorships sell alcohol" (interview No. 6).

Almost all the corporations examined feel that arts organizations must alter their administrative structures to become more business-like. Martin, in discussing the humanistic sector in general, states that:

Volunteers come and go and the quality of management and/or efficiency changes with the expertise of the individuals, but on the whole I would rate efficiency at well below that of private business (1985:258).

The CBAC agrees with Martin that arts organizations must become more efficiently managed, and recognizes its role in this process:

...It is a natural extension of...(the CBAC's) mandate to help arts groups become better managed and, therefore, more effective in their fundraising from the private sector (CBAC, 1985:4).

Seagram's feels that arts organizations must take a new look at their management procedures as they become more important in light of increased business sponsorships:

With the financial constraints from the arts councils it may become a priority to maintain the artistic excellence, but doing it with a more balanced statement. That's a major aboutface and may require a change of focus. It doesn't mean that we should look at them differently, but maybe they should look at themselves differently (Neilson, 1980:17).



Seagram's also feels that it has problems maintaining a working business relationship with the orchestras, and its administration has found that many orchestras "have difficulty in learning how to deal with a sponsor" (interview No. 6). The corporation feels that there should be better communication between the sponsor and the arts organization, with more emphasis on maintaining good public and human relations between the two. Seagram's approaches the orchestras for sponsorships almost a year in advance, encouraging them to plan ahead and to become more efficiently administered (interview No. 6). Seagram's therefore recognizes the educational task facing corporate sponsors to train and advise arts management personnel.

Stelco feels that there is "a real need for the arts to develop good organizational structures" and to follow standard business procedures, with the proper format and follow-up to their requests (interview No. 3). Without these standard business procedures, Stelco feels that an organization loses credibility and that its management is questioned. Stelco believes that arts organizations should manage their operations in a professional manner. Stelco provides senior executives to sit on the boards of arts organizations to assist them in their business decisions and operations. Corporate respondents to the CBAC Policy Questionnaire were in agreement with Stelco's statements, saying that "All (charitable, non-profit) organizations will be much more closely scrutinized and required to clearly demonstrate progress, benefits to society, etc." (CBAC, 1982:7), and that "Corporations will emphasize effective administration of donee organizations to ensure beneficial use of donations" (CBAC, 1982:7).

Another major corporate sponsor, particularly of the OSO, is Northern Telecom. In a speech given to a Forum on Corporate Support of the arts, Northern Telecom's Senior Vice President of Corporate Relations, Roy Cottier, outlined his views of how arts organizations should change in response to corporate sponsorship:

Arts groups must:

- develop new and expand existing, non-governmental financial support systems
- develop a better understanding of their corporate markets and their real potential through better market research
- develop market programs and approaches with built-in flexibility that permit effective response to corporate differences in structure, markets, objectives, and philosophies
- communicate better to corporations, and to the public at large, on the vital role of the arts in Canadian society
- begin to think, and plan, long term instead of short term

(Cottier, 1985:19).

These suggestions neatly summarize the views of most of the corporations examined for this study. Many of these recommendations have already been put into practice by the orchestras, as mentioned above.

## CONCLUSION

It is evident then that arts organizations must alter their administrative structures - both management personnel and focus - if they are to cope with the increasing involvement of corporations in the sponsorship of their endeavours. Many administrative changes have already taken place, as noted last year in an article in Business Quarterly:

As a result, there is a greater commitment to professional management and business expertise by cultural institutions. In addition, board members of these organizations are now often people who can give expert advice. Talented businessmen, lawyers, accountants, advertising and public relations executives are now taking their places on arts boards, as their contributions are better understood and more highly valued (Sanders, 1984:96).

All three orchestras are aware of the environmental changes - changes in their sources of funding - and realize that they must adapt to the contingencies resulting from this new involvement with the business world. According to organizational behaviour theory, organizations are dependent upon their environment, and must cope with the contingencies of their environment if they are to survive. The results of this study support Hypothesis 1 and show that it is not only the environment of arts organizations or orchestras in general that determines these administrative changes, but each organization's specific, unique environment as well. Each orchestra has reacted differently to the changes and contingencies of its financial environment, yet all three survive. Not only is each orchestra different in size and function, but each resides in a different socio-economic setting; consequently, the sponsoring corporations for each orchestra vary in their reasons and procedures for support. This evidence supports Hypothesis 2, in that each orchestra has developed strategies to manage its particular dependence upon corporate sponsorship.

In terms of personnel, both the TS and the HPO have recently hired professional Development staff to manage their fundraising activities, in which corporate sponsorships are playing an increasingly important role. The OSO, lacking a permanent staff, has received assistance and advice from members of the business community in the area of corporate sponsorship.

The function of the Boards of Directors is changing in all three instances, with its emphasis shifting towards fundraising. All three have committees addressing financial development, with separate committees or subcommittees responsible for corporate sponsorship exclusively. Each orchestra is now looking for a new type of board member in response to increased fundraising and business activities: the TS for more "workers"; the HPO for more "big signers"; and the OSO for both.

It has been noted that:

...as competition gets keener for corporate dollars, a more energized and sophisticated approach to institutional marketing seems to be emerging (within arts organizations) (Sanders, 1984:96).

These marketing strategies may be seen as a way of equalizing the dependence upon corporations, in that the corporations are receiving valuable returns for their contributions. Of the three orchestras, the HPO seems to be taking the most aggressive marketing approach to its corporate sponsorship programme. This results not only from the expertise of its management but from the particular socio-economic situation in which the HPO finds itself. As a result of the recession, corporations in Hamilton are less eager or able to simply donate money, and are more interested in returns for their investments. The TS has recently introduced marketing strategies into its corporate campaign and is striving to find a good match between its product and that of the sponsoring corporations. Marketing plays a much smaller role in the OSO's sponsorship programme; public relations and promotional benefits are of more interest to its corporations. These corporations are also looking for a return, but one that provides them with visibility in the nation's capital.

Another strategy developed by the orchestras involves long-term planning. The orchestras are aware of the fickleness of corporate support that distinguishes it from the traditionally sustained, though steadily decreasing, government funding. They are therefore aiming for commitments from corporations that will promise a secure financial future. Orchestras and corporations agree, however, that arts organizations in general must develop the administrative expertise necessary to approach and communicate with corporations on a business level, if they wish to continue receiving support.

## CHAPTER THREE

### ARTISTIC CHANGES

#### INTRODUCTION

It has been established that the environment of arts organizations - that is, the origin and type of their financial resources - is changing. The government is reducing its support for the arts, and the business world is being approached more frequently for financial assistance. There is a noticeable trend in the corporate sector towards sponsorships as the prevalent form of arts support, as corporations are less willing to donate money without receiving a return for their investment. This change of patrons carries certain implications. Patrons have historically influenced their artists; as servants of the aristocracy or of the church, artists have had to create to suit their patrons' wishes. The introduction of government patronage in Canada established new ideals and conditions; since the 1950's, the arm's length principle has theoretically prohibited any government interference or control. Yet the autonomy of these government agencies has recently come under question. Some arts organizations feel that the federal government is trying to gain control over their activities by bypassing the councils and offering direct grants to arts groups (Porteous, 1985:1,2). This is precisely the fear expressed about corporate sponsorship; corporations have no such arm's length mandate, and as profit-making businesses, are expected to look for the best returns when entering a sponsorship deal.

Hypothesis 3 states that changes in the sources of financial resources will produce changes in the artistic output of arts organizations. The more dependent an organization becomes on another organization, the more it is subject to influence by the external organization. Therefore, the more arts organizations become dependent upon corporate sponsorship for support, and the less they are able to manage this dependency, the more control or influence the corporations will have over the organizations' output. Chapter Two discussed the corporate influences on the administrative structures of arts organizations; this chapter deals with the influence that corporations may have on their artistic product. The problem, therefore, is to determine the extent and type of influence, if any, corporations have on the artistic output of the arts organizations they sponsor. This question may be divided into three sections: do the corporations have any influence, direct or indirect; do they try to use this influence; and are their attempts successful.

At the very least, corporations exert artistic influence in their choice of arts organizations to sponsor. There are some definite trends in corporate preferences:

...today's corporate sector...does have a powerful, though subtle, influence on the arts and on all other facets of humanistic services...simply by supporting some activities and ignoring others. On the cultural scene, this gives an obvious edge to those performances that: (a) promise to be well attended; (b) appeal to the mainstream of the general public; and (c) contain a minimum of material that might be considered offensive (Continental Bank, 1984:17).

...statistics show most companies tend to be conservative. They do not support controversial productions or innovative art forms. While corporations subsidize classical music, opera and ballet, they avoid experimental dance or avant-garde theatre (Cohen, 1985:B1).

The private sector is "...the primary supporter of music and opera, art forms which tend not to be controversial" (Chartrand, 1983:17). Orchestras are seen by corporations as "safe" -- as compared to less conventional, experimental arts organizations -- and are the recipients of a large percentage of corporate support. Corporations therefore exert an indirect influence on the arts world by sustaining the traditional and conservative while for the most part shunning the avant-garde and experimental.

But do corporations attempt to influence the arts organizations they sponsor? Orchestras generally have a wide-ranging repertoire -- from the classics to the avant-garde -- and must attempt to find sponsors for all their programmes. The three orchestras studied will be examined in turn to determine to what extent, if any, corporations have attempted to use, or succeeded in using their influence on the artistic output of the organization.

## TORONTO

The TS has not experienced any difficulty with corporate influence to date, although it is aware of this possibility (interview No. 8). The TS is a large, prestigious organization that can compete with many corporations for public recognition and stature. A corporation would therefore be less likely to attempt to interfere with the TS's artistic decisions than it would with those of a smaller, less visible organization. In addition, the TS has an extensive repertoire and a wide variety of concerts covering many styles and genres, with something to suit almost every corporation.

The TS has noticed trends in the types of programmes preferred by corporations. Corporations are said to love the Pops concerts, which consist of lighter classical music and often feature a commercially popular soloist or artist. They have a wide appeal and attract a large, mixed audience differing from that of the regular season concerts. The TS feels that corporations prefer the Pops concerts because "they come out feeling good", and corporations like to have their name associated with a good feeling (interview No. 8). And of course, Pops concerts are safe, with little or no controversial programming.

A few corporations, such as Suncor, prefer to sponsor programmes of Canadian music, but for the most part these concerts are not popular. Most Canadian classical music was written in the Twentieth century, and tends therefore to be avant-garde, unfamiliar and difficult to sell. Like Canadian programming, it attracts smaller, more select audiences and may appear incomprehensible or even offensive to the average listener.

No sponsor has ever withdrawn support from the TS for artistic reasons, although some eyebrows have been raised at the avant-garde works that have appeared on a sponsor's programme (interview No. 8). One major sponsor did, however, withdraw support, but for ideological and not aesthetic reasons. In the summer of 1983, Volkswagen withdrew its sponsorship support of the TS:

...because 80 members of the orchestra had participated in a Sound of Peace Concert in High Park to express their concern and desire for world-wide peace. The auto-maker...judged the actions of the orchestra members as "political propaganda" on the part of the TSO. Volkswagen Canada policy prohibited donations to organizations engaged in political activities. VW reversed its decision after it became obvious that public sympathy was with the orchestra members (Martin, 1985:255).

Although this incident did not involve artistic control, it serves to demonstrate the care that corporations take in preserving a good image, maintaining an impartial political stance, and avoiding bad press. Since orchestral music is not language-based, it alone does not carry ideological implications; but corporations aim to please their public and will, therefore, steer away from any programming that may be considered offensive. The TS does not refuse support from any corporations, but does adhere to the policies of tobacco and alcohol companies such as DuMaurier and Seagram's which do not sponsor children's concerts or the Toronto Symphony Youth Orchestra.

There are two ways in which the TS attempts to guard against corporate influence. First, it sets its programmes at least a year in advance. In doing so, the orchestra can present the corporations with a list of scheduled concerts from which to choose. Corporations therefore do not have an opportunity to influence or direct the selection of musical works to suit their purpose. Whether or not the orchestra sets its programming with corporate sponsorships in mind was not determined by the interviews for this study. Second, the TS maintains a broad base of support. Rather than only a few large sponsors, the TS prefers to have many corporate sponsors as well as the support of individuals, foundations and all levels of government. In this way, the orchestra avoids being dependent upon a single external organization which would then gain exclusive control. In all, it appears that the TS, being a large, professional, well-managed and internationally known orchestra, has little to worry about in the area of corporate artistic influence.

#### HAMILTON

The situation of corporate sponsorship and artistic influence is somewhat different with the HPO. While the present management claims never to have given in to corporate persuasion, conductor Boris Brott said otherwise in a 1981 interview:

Sometimes a sponsor will come to me and say "I don't like your programs, I want you to do such and such." I sometimes say, "I'm sorry, this is what we're going to do because this what I believe in". But sometimes I don't. I knuckle under and do what he tells us to. It depends how much I need the money and whether I can find another solution to the programming dilemma. We have to be practical. That's why our orchestra is financially holding its head above water (Kohl, 1981:A8).

The HPO's current administration was surprised when informed of this interview, and stated that this type of comment would not be allowed today. The HPO has recently introduced programming changes but to satisfy the audience rather than the corporate sponsors. These changes are part of a larger marketing strategy to sell the orchestra's product. The HPO might, however, be willing to arrange special events and concerts with programming to suit a sponsor's wishes - providing that such an arrangement did not compromise the orchestra's mandate or policies. The HPO has had one sponsor withdraw support, but for management rather than artistic reasons.

The HPO notices trends in the types of programming preferred by corporate sponsors. As with the TS, corporations like the Pops concerts and the HPO finds them easy to sell. Reasons given include that the corporation's people "are pops", and that these concerts attract an "audience that buys" (interview No. 4). The HPO states that it has problems getting sponsorships for both twentieth century and Canadian music because these programmes provide a smaller market.

The HPO has observed that some corporations attempt to interfere with its artistic output, although the present management denies that the attempts are ever successful. The orchestra is definitely concerned about this matter:

The more we (HPO) get involved with them (corporations) in marketing, the more voice they think they have...It's the creeping thing we see now, where they're beginning to say "I'll put \$10,000 into this if such and such an artist, or such and such...As artists I don't think we can prostitute ourselves to the corporate donor (interview No. 4).

Aware of corporations' attempts to influence, the HPO is taking precautions to prevent them: "I don't think it (corporate sponsorship) will affect the (artistic) product because I don't think we will allow it to affect the product" (interview No. 4). Like the TS, the HPO tries to maintain a broad financial base, and aims for equal proportions of revenue from the government, the private sector and box office earnings. The HPO is fearful of large corporations that for substantial amounts of money want exclusive sponsorship of a series or the entire organization, as is often the case in the United States. By retaining two sponsors per concert, the HPO guards against this type of takeover. The HPO also plans its concert season well in advance, approaching the corporations with a pre-set menu that does not allow for substitutions.

## OTTAWA

The OSO has not experienced any problems with corporations attempting to influence its artistic product (interview No. 2). The orchestra feels that this is a result of its traditional, conservative reputation. With only five regular concerts per season and players ranging widely in experience and ability, the OSO's programming is fairly limited. It includes little modern music, since this is both difficult and costly to perform and is less appealing to the OSO's audiences. This programming is in keeping with the profile of what corporations like and what appeals to a large audience. Interestingly enough, however, the conservative nature of the OSO has in one instance worked to its disadvantage in attempting to attract sponsors. A local, high-tech corporation agreed to support the orchestra but refused to have its name associated with it. The reason given was that the

OSO's programming did not reflect the corporation's image. As a leading-edge, developmental corporation it preferred a more forward-looking, experimental programme. This corporation did not support the OSO again, but has sponsored other local arts groups such as avant-garde dance companies.

The OSO has never had a corporation withdraw its support, nor has it ever refused a corporation's support. Like the HPO, the OSO would consider allowing a sponsoring corporation a say in the programming for special events or concerts only, and again only if it did not compromise the orchestra in any way. The trends in corporate concert preferences are somewhat different with the OSO than they are with the TS and the HPO. With a limited number of concerts, the OSO combines the concepts of "pops" and "kids" concerts to create its "Family Pops" concert. The OSO has difficulty obtaining sponsors for this concert; the "Family Pops" is the only concert of the 1985-86 season without a sponsor. The OSO feels that this is due to the type of corporate sponsors in Ottawa. These sponsors are looking for a promotional opportunity to entertain clients and government representatives. The "Family Pops" concerts emphasize children's programming; corporations cannot impress business associates with "Babar the Elephant". As the OSO plays little avant-garde music, there can be no comparison of trends for this genre. Similarly, the Canadian music performed by the OSO is limited to one piece per concert, usually sandwiched between the classics. As the orchestra has yet to devote an entire programme to Canadian music, there are no visible trends in this genre either.

#### CORPORATE RESPONSE

As one might expect, all corporations studied deny having attempted to influence the artistic output of an organization they sponsor. That they influence indirectly is generally accepted, and most admit to sponsoring orchestras because they are safe, but corporations are very cautious in the area of direct influence. Nina Kaiden Wright, president of Arts & Communications Counselors, has had much experience in corporate and arts relations. On the topic of artistic influence, she states that:

...I have never seen an instance where, for example, a corporation has tried to influence the choice of a conductor, the casting of a ballerina, or the selection of a piece of music. That sort of intrusion just doesn't happen (Sanders, 1984:96).

The Continental Bank is also aware of the potential for corporate influence:

There is little question that those who paid the piper called at least an occasional tune for Haydn and Mozart, yet today's business benefactors - despite their keener interest in making funds work harder - have been far less eager to intervene (Continental Bank, 1984:15).



Stelco feels that it is inappropriate for a corporation to interfere with the artistic product of an organization it sponsors, and therefore does not attempt to influence the HPO's programming. Stelco has on occasion withdrawn support from other arts organizations, as in the case of an experimental theatre group whose material was so controversial that Stelco began receiving complaints from its employees and shareholders. Stelco is now more careful of who and what it sponsors (interview No. 3). There are those who feel that the government, to some extent, controls the artistic output of organizations with the restrictions and limitations it places on its arts grants, for example grants for tours, grants to commission a Canadian work, etc. - restrictions with which the arts groups must comply if they are to receive these funds (interview No. 6). The issue was brought to light recently with the cutbacks and firings by the Department of Communications (see Porteous, 1985:1,2). Any influence that the government has had to date however remains indirect, in its choice of grant recipients. In addition to the specific grants mentioned above, the government, through the Canada Council, offers a large number of operating grants to cover general costs, with no specifications or restrictions. In this way, the government adheres to its arm's length mandate.

Arts organizations are dependent upon, rather than interdependent with, the corporations that sponsor them. A corporation not pleased with the artistic content of an organization can simply refuse or withdraw support; there are many more non-profit organizations in need of funds than there are sponsorship dollars. Sponsorships are by nature more inclined to invite influence attempts than are donations or gifts, as noted by Martin:

Humanistic financing tied to corporate sales is different from corporate gifts, which typically carry no strings. Whether warranted or not, promotional partnerships (i.e. sponsorships) have the potential for...introducing complicated problems of conflicts of interest for the dependent partner (1985:257).

Arts organizations must therefore keep the corporations satisfied while still adhering to their own cultural mandate and achieving their artistic goals.

## CONCLUSION

Thus it may be seen that corporations have varying degrees of influence on the artistic output of the organizations they sponsor. Instances of direct influence - that is, influence on the choice of programming, artists or conductors - is denied by all, thus proving its illegitimacy in the area of arts sponsorship. Yet while direct influence is unacceptable, there are many examples of corporations indirectly influencing arts organizations. The implications of this indirect influence must not be ignored, and pose a threat to the artistic autonomy of arts organizations. The most pervasive form of indirect influence arises from the corporation's choices of which arts organizations to sponsor. Corporations have been shown to prefer traditional organizations and tend to steer away from avant-garde or experimental groups. Orchestras are seen as safe, and therefore receive a large portion of corporate arts support.

Yet orchestra programming consists not only of the classics. Many twentieth century and Canadian avant-garde works are performed by Canadian orchestras on a regular basis. Corporate programming preferences are again seen to favour the popular, traditional and conservative programmes; all three orchestras noticed that corporations preferred not to sponsor avant-garde works (interviews No. 2,4,8). The exception in this trend was a high-tech corporation in Ottawa that preferred an avant-garde programme to reflect its leading-edge image. Arts organizations dependent upon corporate sponsorships may have to narrow the scope of their programming if they wish to obtain sponsors for their concerts. As all three orchestras set their programmes in advance, corporations must choose from pre-set concert lists, and have less opportunity for artistic interference. Yet as corporate sponsorships increase, orchestras will have to plan their concert seasons around corporate preferences, or risk losing their sponsorships. The influence of corporations therefore may not be in the choices of programmes they wish to sponsor, but in the formation of the lists from which they are chosen.

The HPO is the only orchestra that admits to having had experiences with corporate artistic influence. The orchestra's present management has noted instances of corporations attempting to influence its programming, but states that none have been successful. Conductor Boris Brott was quoted in 1981 as saying that he had on occasion given in to corporate persuasion, but the current management insists that this is no longer the case. All three orchestras are willing to arrange special events and programming for their corporate sponsors, providing that these do not compromise the orchestra's artistic mandate.

There may be other types of indirect artistic influence. Board and staff members are now being chosen for their abilities to get along with corporate sponsors. They are being hired for their business abilities, but may in the future be chosen on the grounds of musical taste - a taste similar to that of the sponsoring corporations. As corporate sponsorships play an increasingly important role in the orchestras' survival, the choice of artistic directors may be influenced by corporate artistic tastes. This may result in a further narrowing of the repertoire to exclude everything but the classics. Future consequences of corporations' indirect artistic influence must be considered. The government has long been a supporter of developmental, experimental art as well as the more traditional. Yet if corporations continue to sponsor only conservative organizations, the government may find that it must increase funding to these avant-garde groups or risk their demise. The balance of public and private funding will therefore be upset, with neither traditional nor experimental groups being able to survive with their unique funding sources. The government must therefore make a decision as to the type of art it wishes to promote as being representative of Canadian culture.

## CHAPTER FOUR

### SUMMARY AND DISCUSSION OF FINDINGS

#### SUMMARY

The purpose of this study was to examine the effects of increasing corporate sponsorship on Canadian arts organizations. It is a particularly timely topic in that the federal government, traditionally the major patron of the arts in Canada, has begun to limit its support and is advocating greater business involvement in arts funding. This study has shown that there has already been an increased awareness of corporate arts support, most noticeably over the past five years. It has also shown that there is a trend in the corporate sector away from simple philanthropy and towards sponsorship and marketing as the type of support offered.

In contrast to other studies in the field of arts funding, this project set out to assess the effects of the greater importance of corporate sponsorship from the point of view of the arts organizations. Two theories of organizational behaviour were applied: the contingency theory and the dependency theory. According to these theories, organizations are inextricably bound up with and dependent upon their environment, and must learn to cope with the contingencies of their situations if they are to prosper. Money is a particularly important contingency for arts organizations, as they are mainly dependent upon other organizations in their environment for financial support. Government cutbacks and the recent recession have rendered financial support even more precarious, with new situations and uncertainties arising from increased corporate sponsorship. From these two theories, three hypotheses were developed, and were examined with the evidence gathered from case studies of three orchestras: the Toronto Symphony, the Hamilton Philharmonic Orchestra and the Ottawa Symphony Orchestra.

Hypothesis 1 was supported by the evidence uncovered in the interviews. In light of the new contingencies created by increased corporate sponsorship, the administrative structures of all three orchestras have undergone, or are undergoing, changes. The TS has totally reorganized its Development Office, which now includes a staff person responsible exclusively for the corporate campaign. The HPO has recently hired a Director of Development to coordinate its fundraising and corporate campaign efforts. The Development staff of both orchestras is professionally trained, with background in business as well as the arts. The OSO does not have a Development staff and is administered by members of the Board of Directors and their committees, who are in turn assisted by volunteers from the business community. Due to increased business activity, however, the OSO will soon be in need of a full-time business manager.

The function of the Board of Directors of all three orchestras has changed, and is now focussed more on fundraising than administration. All have committees that aid in the corporate sponsorship campaign. Each orchestra is responding to increased corporate sponsorship by seeking new types of Board members: the TS for workers to aid in the fundraising process, the HPO for influential business people, and the OSO for both. There was no overt evidence of power shifts within the orchestras' administrations in response to increased corporate sponsorship. It may be noted, however, that structural changes within an organization - such as

those evidenced by the three orchestras - are usually reflected by power shifts amongst its subunits (Hickson, 1971). As money becomes more contingent for arts organizations, it may therefore be assumed that their business personnel will become more influential and will gain more power within the organization.

There is also evidence which supports Hypothesis 2. The orchestras are all aware of the dangers inherent in exclusive, asymmetrical dependence and have developed strategies to manage these situations. Each orchestra tries to maintain a broad base of support, with revenue coming from the box office, the government and the private sector. The orchestras also try to obtain sponsorships from many different corporations rather than one exclusive corporation. The HPO is taking a unique approach to controlling its dependencies by having two sponsors per event, thereby greatly expanding its base of support. The TS and HPO are both focussing their corporate campaigns on marketing returns; the OSO is beginning to incorporate marketing strategies when eliciting support, but focusses its campaign more on public relations and promotional opportunities. By developing and utilizing these marketing strategies, the orchestras are attempting to equalize their one-way dependence upon corporations. All three orchestras are encouraging executives from sponsoring corporations to sit on their Boards of Directors, to coopt and familiarize them with the orchestras' point of view. With these strategies, the orchestras hope to avoid the consequences and implications that dependence may bring.

The evidence for Hypothesis 3 was not as conclusive. It was established that corporations do have an indirect influence on arts organizations in their choice of organizations to sponsor. The majority of corporations prefer to sponsor conservative, traditional organizations rather than avant-garde or experimental groups. These preferences are extended to the corporations' programming choices as well. It is again the conservative, familiar works that are more readily sponsored, while it is generally harder to find sponsors for Twentieth Century and Canadian music. Almost everyone involved with corporate sponsorship denies that corporations directly influence the artistic output of the orchestras. The exception is the HPO, which has experienced corporations attempting to influence, and in the past succeeding in influencing, its programming. Norms exist which deem direct influence socially unacceptable, and may discourage some corporations from attempting to control the artistic output of the sponsored organizations. The degree of artistic influence experienced by arts organizations is however dependent upon their success in developing strategies to avoid dependence (Hypothesis 2).

### POLICY IMPLICATIONS

Many issues arise from the conclusions of this study: issues that will affect the policies of arts organizations, governments and corporations with regards to future arts funding. Some of the most important implications are artistic ones, and stem from corporations' conservative preferences. This study examined only orchestras - organizations generally recognized as conservative and traditional. The question remains as to the fate of other arts organizations such as experimental theatre and dance companies which, due to their avant-garde and often controversial programming, receive very little corporate support. Such arts groups have had to rely heavily upon government grants for their survival, and are

therefore greatly threatened by cutbacks. The question arises as to whether or not the government foresaw any of these implications - that is, the eventual monopoly of traditional art forms represented by orchestras, opera, ballet, etc. This overall conservative trend affects programming as well, and could result in Canada becoming a cultural backwater for the tried and true. Assuming this is not what the government wants, it must take new steps to ensure the survival of experimental, developmental art forms and organizations. It must continue to support the avant-garde, and encourage the business sector to broaden its area of support to include such endeavours.

The structural changes in arts organizations also carry policy implications. New types of personnel are being sought to administer the operations of arts organizations. Increased corporate sponsorship will result in the hiring of MBAs and marketing specialists for the management positions previously held by people from the arts world. As corporate dealings become more essential to the survival of arts organizations, the control of the organizations may come to rest in the hands of its business personnel. In order to ensure that an organization's artistic goals are not compromised, management personnel should ideally be trained in both business and the arts. There are a few arts administration training programmes or courses in existence in Canada; such programmes offer the necessary business training to those wishing to manage arts organizations. While many large, established arts groups are able to obtain business personnel, smaller developing organizations such as the OSO cannot afford to train or hire the necessary staff. The survival of such organizations would therefore be threatened, as they would not be able to compete in the business world with professionally managed organizations. The federal government, through the Canada Council, did have a programme to sponsor the training of arts administrators. This programme was one of those abolished as a result of the recent government cutbacks to the Canada Council. There appears to be a great deal of inconsistency in the policies of the federal government: while advocating increased business involvement in arts support, the government is impeding the development of administrators capable of managing such business support. It is obvious then that a great deal more thought and research must be undergone before such arts policy decisions are made.

Another implication of decreased government arts support and increased corporate sponsorship is the consequent volatility of support. Not all corporations are deeply committed to sponsoring the arts, and those that are may still choose to withdraw support at any time. As corporations become involved with arts organizations for marketing rather than philanthropic reasons, the situation becomes more unstable. Marketing strategies do not remain constant, fluctuating with the economy and lifestyles. Arts organizations must therefore consider the possibility of suddenly losing a large percentage of their revenue, which would most definitely threaten their survival. Changing attitudes and tastes affect marketing strategies, which in turn affect levels of corporate support. Unless the government is willing to counterbalance these corporate trends, arts organizations will be in a position to be seriously influenced by the business world. The onus is really on the arts organizations, particularly those most threatened by the implications of government cutbacks and increased corporate sponsorship, to develop strategies to obtain and manage the type and amount of corporate support they need.

## SUGGESTIONS FOR FURTHER RESEARCH

The questions and implications raised by this study suggest issues that need further research. In light of the structural changes taking place within arts organizations, studies of the new business procedures and personnel required by arts groups must be undertaken. The needs of different types of arts organizations must be assessed, in order to ensure the availability and training of appropriate personnel. A comparative study of the business procedures of arts organizations in the United States, with emphasis on the effects of corporate sponsorship, would be a useful guide to Canadian organizations new to the business world. Such a cross-cultural study would also provide all concerned with examples of the implications of private sector funding, and would aid in the development of future policies and regulations.

The fact that money will continue to be a contingent factor for the arts organizations has implications for further research. The issue of changing power structures within the organizations will become more complex as business personnel and concerns take priority over those of an artistic nature. The roles and subsequent power of the various subunits of arts organizations are changing, with possible conflicts arising between the General Manager, the Board of Directors and the Artistic Director. A study of these power relationships and how they are changing would be useful to organizations developing their personnel, and may forecast future artistic changes in the organizations' outputs.

The overall issue of corporate sponsorship of arts organizations requires the most research in the area of artistic influence. Longitudinal surveys of arts organizations and corporations must be undertaken to determine which corporations sponsor which organizations and why. Trends in corporations' conservative preferences are already in evidence; the continued increase of corporate sponsorships will therefore have a major effect on the types of organizations that will develop and survive in the future. This research would allow for long-term planning, especially necessary for smaller, avant-garde groups to control the dependencies and contingencies of their situation. It is apparent that many policies regarding arts sponsorships have been adopted without a view to their implications. Research such as that suggested above will help arts organizations adapt their operations to new and changing situations, and to be aware of the effects and implications that environmental changes may bring.

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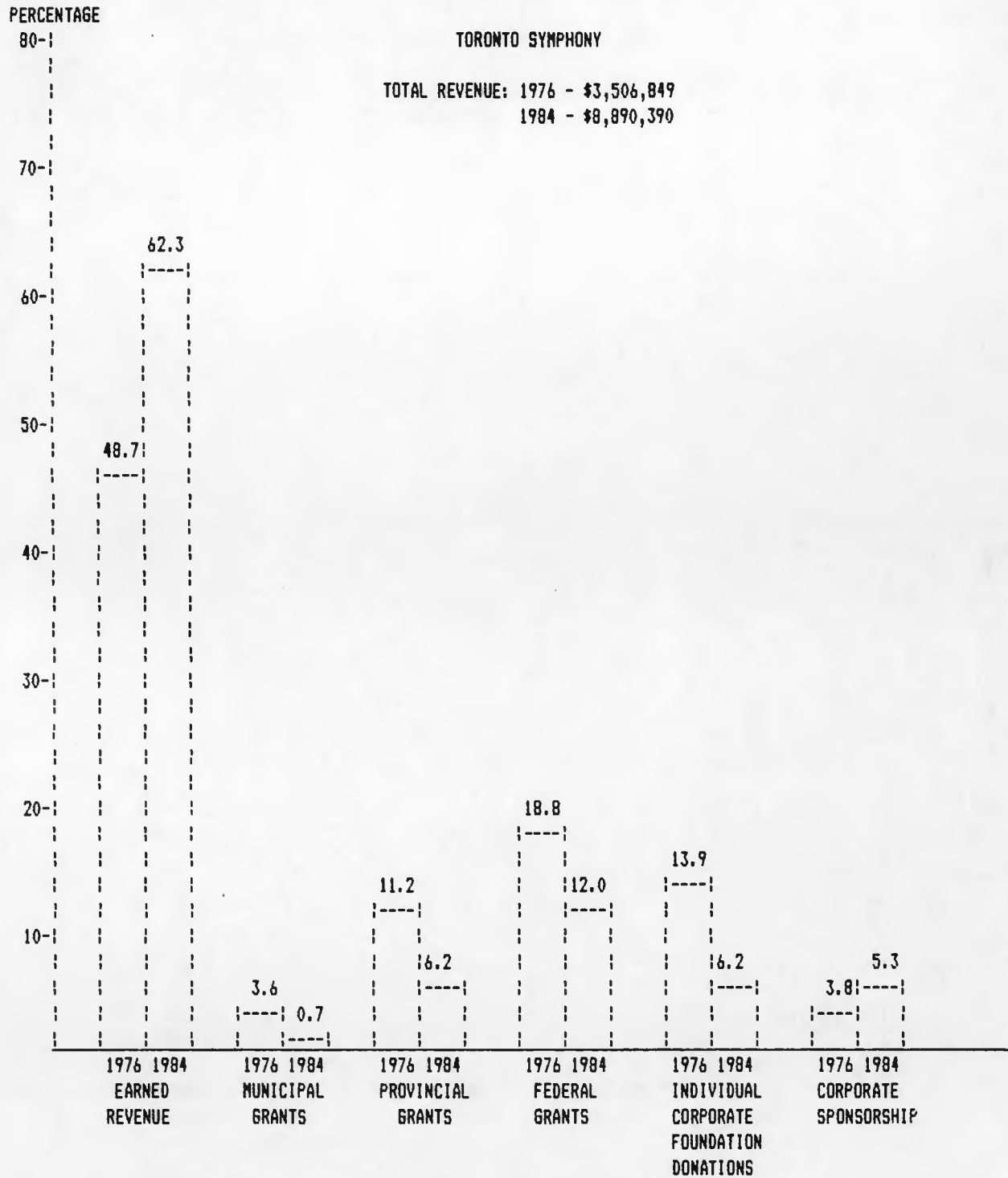
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2. Interview with Dorothy Beckel, Chairman of Fundraising, Ottawa Symphony Orchestra. Ottawa: June 4, 1985.
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8. Interview with Jane Mills, Corporate Campaign Coordinator, Toronto Symphony. Toronto: May 30, 1985.

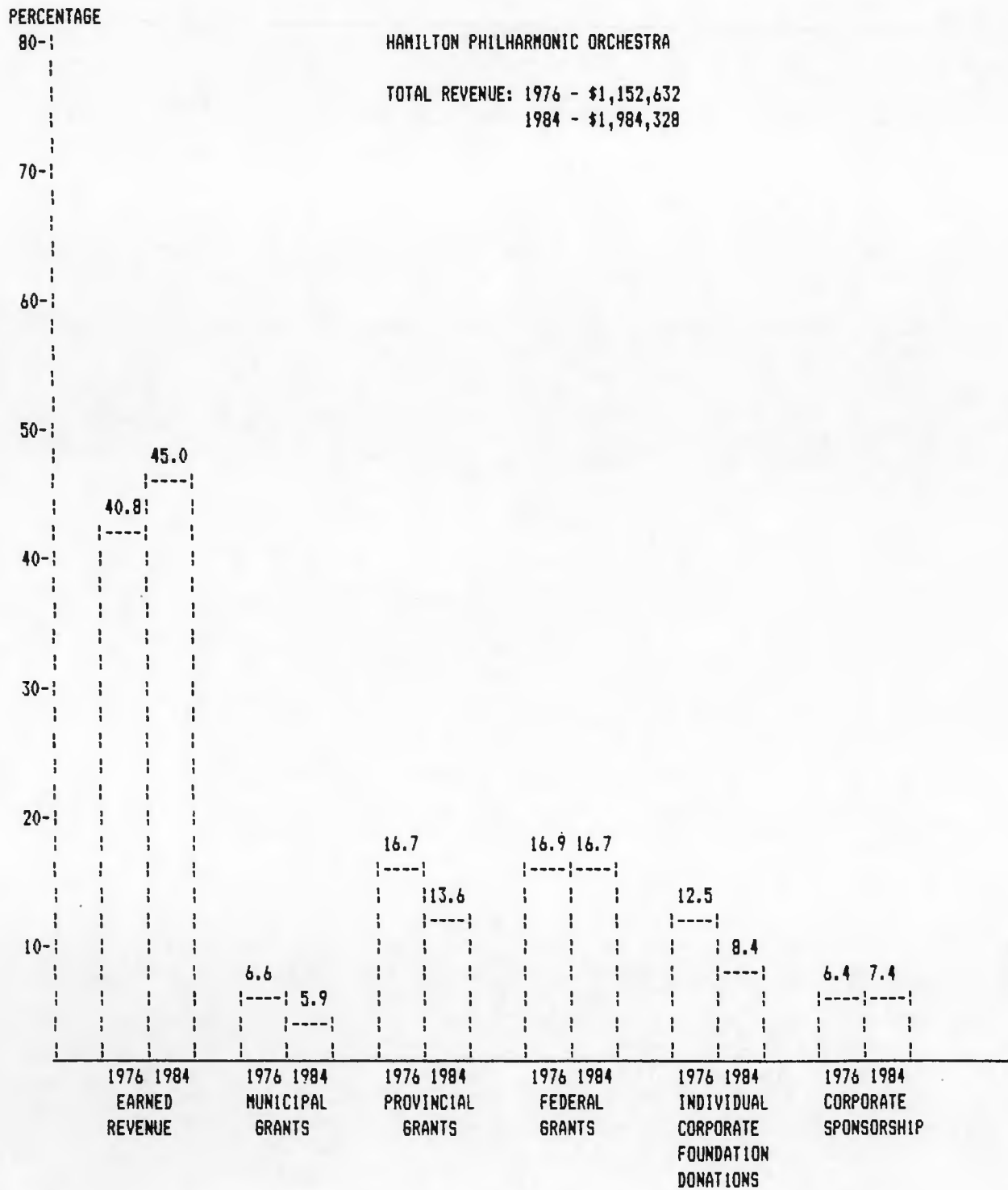
**APPENDIX A**  
**ORCHESTRA REVENUE FROM SOURCES AS PERCENTAGE OF**  
**TOTAL REVENUE: 1976, 1984**



SOURCES: ASSOCIATION OF CANADIAN ORCHESTRAS. (1985) SUBMISSION TO THE HONOURABLE MARCEL MASSE, MINISTER OF COMMUNICATIONS. APPENDIX B.

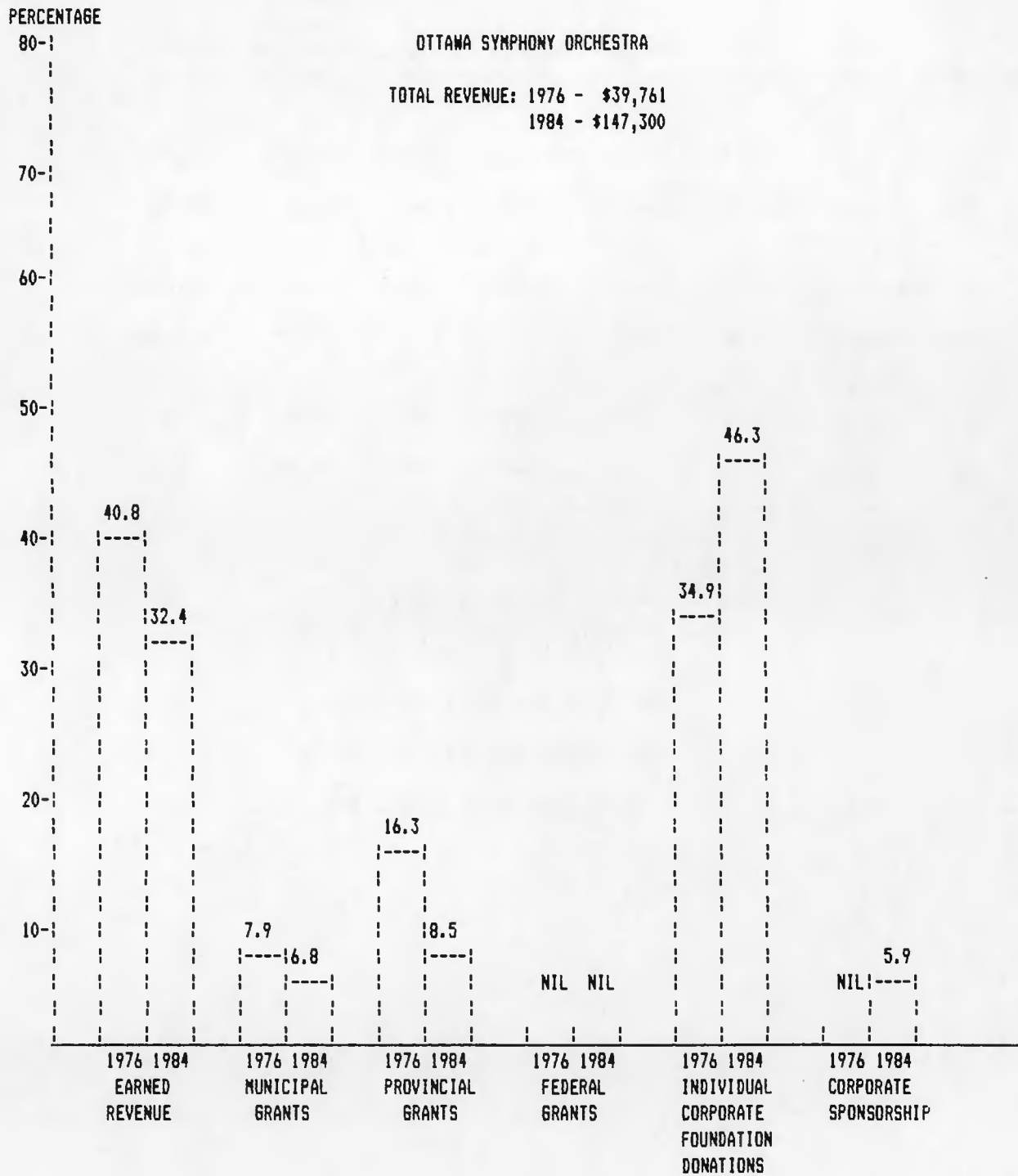
TSO. FINANCIAL STATEMENTS 1976; 1984.

**APPENDIX B**  
**ORCHESTRA REVENUE FROM SOURCES AS PERCENTAGE OF**  
**TOTAL REVENUE: 1976, 1984**



SOURCES: ASSOCIATION OF CANADIAN ORCHESTRAS. (1985) SUBMISSION TO THE HONOURABLE MARCEL MASSE, MINISTER OF COMMUNICATIONS. APPENDIX B.

**APPENDIX C**  
**ORCHESTRA REVENUE FROM SOURCES AS PERCENTAGE OF**  
**TOTAL REVENUE: 1976, 1984**



SOURCES: ASSOCIATION OF CANADIAN ORCHESTRAS. (1985) SUBMISSION TO THE HONOURABLE MARCEL MASSE, MINISTER OF COMMUNICATIONS. APPENDIX B.

OSO. FINANCIAL STATEMENTS 1976; 1984.

**APPENDIX D**  
**ORCHESTRA REVENUE FROM SOURCES (IN DOLLARS): 1976, 1984**

ORCHESTRA	YEAR	TOTAL REVENUE	EARNED REVENUE	MUNICIPAL GRANTS	PROVINCIAL GRANTS	FEDERAL GRANTS	INDIVIDUAL, CORPORATE, FOUNDATION DONATIONS	CORPORATE SPONSORSHIPS
TSO	1976	3,506,849	1,708,643	125,000	392,827	660,000	486,000	133,500
	1984	8,890,390	5,540,849	630,000	555,000	1,070,000	623,233	471,308
HPO	1976	1,152,632	470,391	76,500	192,500	195,000	144,241	74,000
	1984	1,984,328	829,884	117,375	270,000	330,500	167,569	146,000
OSO	1976	39,761	16,222	3,150	6,500	NIL	13,889	NIL
	1984	147,300	47,742	10,000	12,000	NIL	68,208	8,750

SOURCES: ASSOCIATION OF CANADIAN ORCHESTRAS. (1985)  
SUBMISSION TO THE HONOURABLE MARCEL MASSE,  
MINISTER OF COMMUNICATIONS. APPENDIX B.

TSO. FINANCIAL STATEMENTS 1976; 1984.

HPO. FINANCIAL STATEMENTS 1976; 1984.

OSO. FINANCIAL STATEMENTS 1976; 1984.



**QUESTIONS & OBSERVATIONS**

**Afternoon Session**

Brian Boyd:

With regard to the British sponsorship scheme mentioned this morning, Mark, one of the things that interests me is that there is greater control on the new aspect of the sponsorship. In fact, the program is designed very much to ensure that the business sponsors are people who have not previously given to a particular organization: new sponsors are being brought in and being added to the list of sponsors already giving to an organization.

Mark Schuster:

The new sponsorship could also be increased sponsorship of the arts for a particular company. But it would not count if the company was giving ten thousand pounds more to one symphony and ten thousand pounds less to another. The company has to sign a form and attest to the fact that it really is either increased sponsorship of the arts or sponsorship of the arts for the first time.

Brian Boyd:

I thought that that was the interesting aspect of it compared to the challenge fund type schemes that have been in operation elsewhere, and which did not have that element of control.

With regard, Mel, to the point about the increase in arts foundation support in the 1981-1982 period, I wonder if there was not potentially an influence from the Ontario Arts Challenge Fund, which was largely drawing the money in at that point. I cannot recall now the extent to which foundations were involved in donating to organizations through the Challenge Fund. But that may have been an element in that period because that is when the large portion of the donations were coming in.

Mel MacLeod:

I am a little dubious that it was an element. It possibly was. It seems that the most significant increases in support to the arts, in fact, occurred, very roughly, between 1982 and 1983, though there was some increase between 1981 and 1982. It is difficult to say.

Brian Boyd:

Are there any indications in any of the research on foundation or corporate support about the different patterns of support from domestically-based foundations and corporations as opposed to ones which may have an international scope or whose main headquarters may be located outside of Canada? I am wondering also whether such patterns of support might lead us to think about different strategies that should be adopted by organizations or groups seeking support.

Richard Hopkinson:

It was said in times past that United States corporate subsidiary giving was not up to scratch compared with Canadian companies. I do not really know if that is true today. Certainly some of the leading corporate citizens of the country from abroad are more than doing their bit. Floyd Chalmers way back complained about this. Peter Swan, when he was at the Royal Ontario Museum, complained about it as well. The high profile companies, certainly, are as generous, if not more so, than their Canadian counterparts. One has got to be awfully careful not to make blanket remarks about these matters. The corporations that do not sell direct to the public (the metal fabricators, the mines and industries like that) do not have as high a rate of giving as some of the more high-profile companies.

Mark Schuster:

My experience has been a little bit different in that regard. I do not know what the situation is in Canada, but when I talked to people in both the Netherlands and Sweden about which companies were making donations, the answer was that the subsidiaries of American corporations were the only ones who were giving money. The explanation was that they had been accustomed to do that in the context of their corporate policies in the United States. When I was in Sweden, in fact, American Express was sponsoring a Matisse exhibition at the Modern Museum. You could get free admission if you showed your American Express card at the door. They even made the contribution in American dollars, not in kroner! At least in those cases, it seems to be the opposite of what you suggested.

Richard Hopkinson:

It was the American business community in Brussels that set up a United Way in Brussels.

Brian Boyd:

Is there any research to indicate whether small corporations are better or worse in terms of their overall giving than large corporations? We seem to have more information on large companies. Certainly, the mythology in my ministry is that traditionally the small companies in small towns have not given or have not been approached. Are there any figures to support that? Are there any strategies we ought to be adopting in order to encourage them, if indeed that is the case?

Richard Hopkinson:

Part of the problem is to demolish the myth that only 8% of Canadian companies give. I just do not believe this figure! It may be that only 8% of Canadian companies declare donations. But I know very well that amongst my constituents in the corporations -- and this shows up in some of our work

about non-registered giving -- that a tremendous amount of money is given out in ten and twenty five dollar amounts to Pee Wee hockey leagues and high school bands and things like that. These do not show up as donations, but rather through a bank manager or store manager's expense account. My corner grocery store owner will put his hand in the till for United Way and the drycleaner will do much the same. That is a business expense, but it is also a donation.

Now, I will give you some figures. These relate to the 151 profit-reporting companies in the 1984 study that we have just put out. Donations represent \$43.5 million out of profits of nearly \$13 billion. The rate of giving overall is 0.43%, and this is obviously skewed by the 72 companies with assets of \$200 million or more whose rate of giving is 0.33%. But if you look down at the smaller companies, and this is characteristically the case, you have some with assets under \$5 million with a rate of giving of 0.45%. For another group with assets of \$5 to \$10 million the rate is 1.32%. And for companies with assets of about \$10 million the rate is 0.49%.

Some of these small companies are indeed giving more generously than some of the larger companies, but the total dollar figures they represent are not that great. Some of the large high-tech or natural resources companies have to invest a considerable amount of their shareholders' dollar in finding oil wells, new mines or new products. They have to return to the business proportionately much more of the shareholders' dollar than perhaps some of the smaller companies.

Having said all that, I subscribe to what our friends at Texaco said at a mass meeting in Etobicoke in the spring. They said that there are smaller companies in the community that can be brought into corporate giving activity, more perhaps than they have been. Of course, the traditional cry has been: "Try and let's spread this thing!" But, as I said, I do not believe that the bald statistics are necessarily true, because, if you look at the income tax returns, people are not putting their few hundred dollars into donations, they are putting them into general expenses.

Mark Schuster:

I can give you an American number, though I am not sure it is entirely comparable. I have just looked at the Pete Marwick study, which was the major study for the Business Committee for the Arts in 1982. If you break out contributions by size of company and look at companies whose net worth was greater than \$1 million and whose sales were greater than \$50 million in that year (the largest companies), they provided 81.5% of the total arts contributions of \$506 million. If you add in the largest banks, the largest brokerage houses, and the largest insurance companies, it brings you up to around 86%.

Vincent Dupuis:

I am Managing Director of the Kelowna International Festival of the Arts. From looking around the room, I am quite sure I am the only one here from British Columbia, and a distinct minority as someone in the practical end of the business as opposed to research and government. In relation to corporations, I am here courtesy of Pacific Western Airlines and the Kelowna Chamber of Commerce, which represents several hundred small businesses in a community of 90,000 people. One of the reasons the Festival has the support of the Chamber is that we have been continually arguing that the business of small business in the community is not just business but also the quality of life.

I am going to take a little bit of your time because it is a long way to British Columbia on the direct Pacific Western flight! They say there are two things in life that do not change: death and taxes. I can recall sitting in a similar situation, nearly twenty years ago, with Monsieur Fortier, and there has also been very little change in the general situation of arts funding! One of the reasons we are in Ottawa is in response to the Minister of Communications' Special Program of Cultural Initiatives. We have presented a number of programs to the Minister for consideration and they are based on the firm business belief in solid research and development.

I have been in and out of professional arts since 1960. I have been an arts administrator since 1975. I have had my own business as a management consultant to both business and the arts in the use of computer systems. I have been a firm believer in the use of computers as a tool for the business community and in business techniques as a tool for arts administration. In establishing Canada's newest festival, which is still a year from opening, we consider the most important initiative to be the R & D phase and the establishment of some capital base -- again the fund-raising question. Without fund-raising and without solid professional management, there is not, in our view, any sense in mounting an artistic program.

For the last three to four months, we have been involved in preparing a 180 page R & D report consisting of four specific programs. This is our business plan for the consideration of the Minister. The most important of these programs is a fund-raising initiative that attempts to address the taxation problem\*\*.

Going back to death and taxes, if we are going to avoid the death of the arts, I think we are going to have to change the tax environment and there has been very little progress so far. We have identified three areas of existing legislation in taxation that could be used to the greater benefit of the performing arts or the arts in general. These are the Scientific Research

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\*\* This fund-raising initiative is described in greater detail at the end of this document in a short paper provided by the Kelowna Festival (See Appendix 1, p. 141).

Tax Credit (SRTC), the Small Business Development Bond (SBDB) and RRSP and pension investment. The basic idea is the creation of a permanent endowment fund that would sustain not only the Kelowna Festival but other artistic activity in the area.

A part of our initiative that I researched identifies the capital base in a typical small B.C. Okanagan town. The private sector disposable income on a personal or household basis which should normally be contributed to culture is some \$11 million in our community. The number of taxpayers with taxable incomes in excess of \$30,000 is about 12% of our community. Some of the taxable income of these taxpayers could be sheltered in arts deductions -- potentially around \$4 million. Based on GNP related to Kelowna we are looking at a capital base of somewhere around \$18 million.

From a fund-raising point of view, last year the three professional organizations funded by the Canada Council raised a grand total of \$140,000, which was 1% of the available capital. The United Appeal accounted for \$225,000. Obviously, the Festival does not consider the fund-raising climate very friendly at this particular stage. The endowment fund we are investigating will hopefully have the support of our financial community. We would encourage the Minister's Task Force to pursue the application of some of the logic of SRTC or small business fund thinking to artistic organizations.

The federal government lost something like \$1.2 billion through the Scientific Research Tax Credit. Given this alleged tax loss, I estimate that a rather healthy principal of some \$8 billion would be available. If that were invested in a national arts endowment, it would generate a potential tax on the interest to government of \$124 million, and the balance would be available for the arts. This is part of the logic of the establishment of our endowment fund. We have been negotiating with some members of our financial community to issue a bond at an interest rate that would pay roughly 4% to 5% higher than it would cost to borrow it. In the case of many arts organizations, that principal sum could solve a temporary cash problem.

One of the most often raised questions is: Who is going to hold the principal sum? I believe that business generally does not have the confidence in the arts organizations themselves to hold such a massive sum. We are fortunate in the Okanagan to be developing this project together with the Central Okanagan Foundation. We will be announcing the agreement in our fund-raising campaign this fall. We believe we have solved the problem through the use of the Central Okanagan Foundation as the recipient of the principal sum.

The next question is: How will the Central Okanagan Foundation distribute the proceeds of the interest? There is a very simple answer. The precedent exists in the distribution of the Canada Council's funds. The percentages are there and these should be enough to satisfy any community in Canada. With respect to the SRTC and the government's tax loss, I believe that the available funds that were squandered last year on SRTCs would create

a capital base for the arts in this country that would have the same principal as the National Endowment for the Arts does in the United States. Again, the logical recipient and trustee of those funds would be the Canada Council. I just happened to turn on the television last night as Ronald Reagan was talking. I heard him say that Americans have got to get their money out of tax shelters and invest it in the future of their country. I would suggest the same thing for Canada to the Minister's Task Force!

Harry Chartrand:

Vincent, I want to say again something I have already said privately to you. The type of thinking which you and your group are using is the type of innovative thinking that we in the arts will have to look at more and more in the future. There is a series of programs that government over the years has developed but they have never been applied to the arts. These do not require changes in existing legislation, only changes in regulations. I want to compliment your Kelowna group for some of the most imaginative financial thinking on funding of the arts that I have heard in a number of years.

David Anido:

I must commend Harry and the speakers on a very well organized agenda that builds up to a conclusion. My question concerns where our unique place lies in this world of the arts. We are in many ways similar and in many ways different from other great countries such as Britain, the United States, Australia, Italy, Germany and so on, in asking many of the same questions. Relatively recently, the British Council published a book -- The Fifty Years of the British Council. Right on the sleeve, it takes aim very directly at a certain éminence grise named Lord Beaverbrook, who as a great businessmen of Canadian origin -- presumably he lost his citizenship when he became a Lord -- tried very very hard, according to certain members of the Council, to destroy the British Council. He felt that although it had been organized and created to contradict the propaganda of Nazi Germany it was an unnecessary extremity in the main course of British affairs.

I cannot help feeling after the very excellent comments that have been made a certain cautious sense about where we, as Canadians, go from here in the achievement of our artistic excellence. I am not talking about the search for artistic excellence; I am talking about the achievement. We are within the fabric of world arts, but come out of a territory that is our own very specific geographic area. I am no less aware of the fact that modern business and management practices are leading us to stream-lining, to quantifiable conclusions, to efficient directions, all of which are very good in the Hebraic and Roman sense, but which often lose their Hellenistic, more abstract, perhaps less quantifiable aspects.

In looking at the tables that Mr. Hopkinson has presented, one can see right away why major corporations will support the "flagship" companies, the companies that have impact on their corporate image, the companies that

have presumably international programs to present. When one looks at those that are less attractive to the private sector, one sees the more experimental, the more grass-roots organizations, possibly full of younger artists, possibly full of more experimental people. These are the capillary "parts" of the arts fabric, the future potential for the flagship organizations, and perhaps the more individual and less grandiose achievers in this field. In terms of Canadian culture, this is where the future signature of our spirit and our life lies. (And now, with the publication of Mel Hurtig's Encyclopedia of Canadian history, ethics, life and so on, one can flex one's nationalistic muscles.) Corporate support of the arts is essential, exciting and important, but underlying it is a certain hegemonistic intent: support for companies that please the corporate executive officers. There is also a certain political intent in the decision not to support certain cultural organizations, the ones I very crudely described as capillary.

It seems to me that the role of government thereby becomes essential. Companies are in business to make money, to remain viable, creative, philanthropic. Somehow government must maintain the Hellenistic, abstract, arm's length, intuitive, less quantitative aspects of funding of the arts. Such organizations as the Canada Council should be given much more of the taxpayers' money with which to function, and should be given more power to make artistic decisions within its jury system. The jury system remains in Western culture the best form of justice in terms of decision-making. When Heather got into the artistic questions, she left more questions open than she did when talking about the structure and the strategy. I would ask her now whether she feels that the balance is maintained through the system that we actually enjoy in Canada?

Heather Moore:

Are you asking me if you feel it is now being maintained?

David Anido:

In a sense, yes. We know there are problems at the moment in terms of funding. I do not think that there is malice aforethought but I think that there is less thought than less perhaps spirit, and perhaps a certain fear that the agencies are too independent. What I am saying, is that as a counterpoint to the power of the corporations (God bless them!) it is essential that we should be strengthening our government agencies rather than allowing them either to atrophy or to come under more political pressure.

Heather Moore:

There are those in the corporate world who feel that government is controlling arts organizations to a certain extent. I am not really sure about the role of government. I think that it should be taking a better look at the effects of cutbacks and where they are going to hit. I am not going



to make any policy recommendations, but obviously those capillary organizations are going to have to continue to exist. I feel that the arts organizations are the ones that are going to have to step in and start taking a more forceful stand on where they feel the support should come from. They should start initiating their own support and going after these corporations.

Harry Chartrand:

The maturation of the artistic scene in Canada and perhaps the existence of the Task Force itself does give recognition to the fact that the arts community in this country has now reached a level of maturation at which we do have to re-think what has evolved. This does not mean that you throw away the old simply for the sake of the new.

The totalitarian systems apply political standards to what type of art is going to be produced. But there is also the application of "capitalist realism" -- a term Claire McCaughey has coined in a paper we have co-authored dealing with the arm's length principle. Capitalist realism means: if it does not pay, kill it! Are we looking at some form of artistic safety net whereby highly creative individuals, who may be politically unacceptable today, can be protected not only from government, but also from the commercial side? There are highly creative people who are not commercially viable in the short-term. If only Van Gogh could have got the present value of the stream of income that has flowed from every exhibition of his works since....he would have been a very, very rich madman! Perhaps what we are looking at is a combination of the artistic safety net -- which government at arm's length can provide -- and the additional maturing sources of income from other places within our community.

Mark Schuster:

Richard Hopkinson talked about matching gift programs as one of the ways that corporations are now disbursing their donations. Corporations match their employees' personal gifts and thus allow employees to decide where the donations will go.

In 1981, the Presidential Task Force on the Arts and Humanities in the United States asked: should the Task Force come out with a statement in favour of encouraging matching gift programs in corporations? When they looked at them much more closely, they decided they might not be a good idea because monies distributed in employee matching grant programs go much less proportionately to the arts than do corporate donations made using the normal corporate criteria.

The second point I wanted to pick up on was in Heather's presentation. She talked about the fear of the influence of the one big sponsor, and it reminded me of another European anecdote. In Goteburg, Sweden, Volvo offered to add 20 string players to the Goteburg Symphony, and to pay for those 20

musicians for five years. This was a large and magnanimous gesture that was eagerly sought by the Symphony. But the government was not very happy because it was afraid that after five years it would end up picking up the tab. Government may be very concerned about the budgetary consequences of large corporate donations or large foundation donations that are up front and time-limited investments.

Richard Hopkinson:

The track record of government in this country is that it has started programs, then has pulled out of them and left a tab for corporations and individual taxpayers to pick up that is immeasurable!!

Mark Schuster:

That is true in the United States as well.

I would like to make a few comments about the results of this morning's survey\*\*. We have just got the results back and there were 42 responses. Those of us who are gathered today found major exhibitions, opera, ballet and symphony orchestras to be very attractive to the private sector. The avant-garde and inter-disciplinary, post-modern dance, new music, museum maintenance, dance notation and artist colonies were perceived to be unattractive to the private sector. I compared the results of the survey here to the NEA's table which was also passed out to you. About 75% of the time, this morning's survey agreed with what the NEA'S table said. On the occasions we disagreed, this group was more pessimistic than the NEA was, in particular with respect to visual artists, film production, new music and media art centres. On the other hand, this group was more optimistic than the NEA'S findings with respect to classical theatre.

André Fortier:

With all the pressures that exist from different sources such as corporations and foundations we are in a situation of checks and balances. The artistic director of any organization would like to follow his own creativity. But he has to contend with the audience first of all -- the tickets he is going to sell. He then has to deal with what the Canada Council or the provincial councils may say, as well as with the municipal people, with the private sector corporations and sometimes foundations.

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\*\* Results of a survey among the audience this morning about the relative attractiveness of different art forms to the private sector. The results of the survey are shown in Appendix 2 at the end of this document, together with a comparable table from an NEA study.

In essence, whatever the artistic director does is a kind of composite or average of all these views. Only if he is good enough at persuading people he is on the right path can he follow his own creativity. I think this is the reality of life. When we talk about the independence of these organizations, we are really concerned with the multiplicity of funding sources.

Barbara Helm:

I have a small anecdote to add. I attended a conference on computers and the arts in Vancouver. By the way, Mr. Dupuis, I am an expatriate British Columbian! Most of the people who attended the conference were from the United States rather than from Canada. One of the things that intrigued me was that the general approach to obtaining funding seemed to be one of cross-subsidization. The artists said that they would do what they have to do to make money, whether it meant doing advertisements for an ad agency or working with medical research on computer graphics, or in any other applications. Then with that revenue, they would do what they want to do in the artistic or creative capacity.

Harry Chartrand:

In your work, Mr. Hopkinson, one of the things that struck me was that your test market of the definition of sponsorship seemed in fact to exclude the advertising budget. The question of contractual arrangement for benefit and recognition does not appear to be recognized overtly as part of the advertising budget. Could you clarify that question? One of the myths emerging at the present time is that sponsorships are advertising exercises with a correspondence between the arts market and the target market for the corporation.

Richard Hopkinson:

I can relate this question to a particular company. This company thought in terms of commercial advertising -- voluntary initiatives strongly aimed at commercial promotion of a company and/or a product brand name. It is the kind of stuff that would come through in print media and in sales or commercial journals. This was not a consumer product company as such; it was an industrial goods company, which nevertheless sponsored cultural activities because of the nature of the company in the community. But the company was not using sponsorship of cultural activities to promote its products because it was doing that through advertising, trade magazines, or in other sort of things from the point of view of selling its product to some fairly narrow markets.

Heather Moore:

At Seagram's, for instance, they are still taking their sponsorship dollars from their donations budget. Their main reason for sponsorship is to promote their image in the community. However, they say that there is no proof that by sponsoring orchestras they are going to sell any more alcohol. Therefore they are not going to take the money from the marketing budget. Similarly, Stelco is not going to use its marketing budget. It takes money from the donations budget because it is not going to sell steel to the audience. I think a lot of the orchestras have to take marketing approaches -- not necessarily advertising but marketing. They should ask: "What is it we have that they want, and what can we give them in terms of public relations or marketing or advertising?" A lot of corporations are still taking the money from the donations budget but are using marketing strategies in their choice of organizations to sponsor.

Barry Pipes:

I was just going to reinforce what Richard said, but I guess Heather said it for me. From the point of view of my company, we do not advertise the name Proctor & Gamble. We advertise brand names all the time, but you are not going to see brand names in sponsorship. You can bet your sweet life that with regard to the Hamilton Philharmonic, as Heather just said, two of their biggest sponsors are going to be Defasco and Stelco. But what do they care about the public per se; the public is not buying those kinds of products.

Harry Chartrand:

I would suggest that our definition of art has been perhaps too limited in this discussion. Would it be fair to say that the vast majority of corporate support for the arts in this country, in the United States and in Europe is in fact from the advertising budgets of corporations? I am not talking about the fine arts but about the employment of musicians, graphic artists, designers, the application of artistic skills for selling products. Yet nowhere in the entire discussion today has anyone mentioned the fact that the entire marketing modalities of the modern corporation are based upon the application of artistic skills.

André Fortier:

You are right, but you are opening up a completely new area. It is true that the major source of income for performing artists as well as some visual artists is money from the advertising budget. But that has never been reflected in the figures concerning private support to the arts. That revenue is really a source of income for artists just as the media are. It is part of the earned revenue of artists.

Harry Chartrand:

This is one of the problems that has bothered me about the entire discussion of the arts policy in this country for a number of years. We talk about art having a relatively low priority for foundations and for corporations. They do not see the arts as being as important as health and welfare, medical research, etc. What can we do to increase the visibility of the arts with respect to the modern corporation? The biggest single source of funding for art in this country is marketing. There is constantly this subterranean question. Neither the Pharisees in the arts, who believe in art for art's sake and art as religion personified, nor the corporate structure, which says art is trivial, recognize that the entire basis of the capitalist system is marketing and advertising using artistic skills and services. If we are going to talk about private support for the arts we must at least be cognizant of this.

Vincent Dupuis:

We have tried to look at this particular problem of where the donation comes from in the corporate budget. There is a rather subtle bit of psychology involved: does it come off the gross profit line or off taxable income and donations in kind? Marketing expense donations that are treated as a cost of sale or part of gross profit, more or less retain control of those funds in the marketing philosophy of the donor organization. To our knowledge at least, there is no difference in the donation whether it is above or below the bottom line. The net benefit to the corporation is the same but the philosophy and the control behind the donation differs greatly. It is part of our rationale with the creation of a festival endowment to allow some artistic and financial freedom and security. That is commonplace in business. The first requirement in establishing business is the establishment of a capital base and this often seems to be overlooked in the establishment of artistic concerns. Once the capital base is established, some security can be offered to the company in the long-term.

Harry Chartrand:

Richard Hopkinson has been kind enough to provide me with some figures. One of the major policy research questions we have looked at is the difference between amateur, commercial and fine arts. Put altogether, these are the arts. The donations budget reported in the IDPAR report for 1984 is \$19 million for the particular sample. For the same sample the advertising budget is \$280 million. How many artists got that money into their pockets? How many artists got \$19 million into their pockets?

David Anido:

You just did a neat "end run" on us and I am not going to let you get away with it! I could not agree with you more about marketing communications using art as a base, but it does exclude the less high profile, less marketable part of the arts. I am not quite sure how an opera singer can appeal to the sale of automobiles. In most advertising you see field goals and touchdowns

and end runs, which is why good advertising sells. You may be talking about the tip of the iceberg; the other seven-eighths submersed are painful creations, failures, experiments and other things of which art is full. Sooner or later these will turn around our culture but very much in the long-term. If you look any Harper's, Fortune, or MacLean's that is ten or twenty years old you can see how the advertising is dated. Whereas like a good wine the arts mature. What used to be unkosher, radical, unacceptable is now on the board of the Canada Council, or a Chief Executive Officer with a major corporation!

Harry Chartrand:

Does the corporate sector have a responsibility to support the arts? It is from the arts that their new advertising ideas eventually emerge -- art-deco, art-nouveau, Tut exhibitions -- which all of a sudden result in huge advertising campaigns. But where are they going to get that R & D? One of the business statistics which has always fascinated me is the Business Week scoreboard report of sixteen major industries in the United States. This showed that as a percentage of gross income the entertainment industry was the only one that had no R & D. Zero percent expenditure on what they would define R & D! Where is their R & D if it is not in the fine arts? By the way, I am actually supporting what you are saying, David!

David Anido:

The phrase is corporate citizenship. The arts are a long-term investment. Are the arts in Canada based on a heritage going back to Sanskrit in terms of recorded time? That is a silly question in one sense, but you know what I mean. They are an investment in what will be the many thousands of years that this country will remain part of the great fabric of ongoing Toynbeesque circular culture. We are talking now about an investment. Companies no longer stripmine or poison if they can help it. Nuclear wastes are a problem, but we are all worried about it so it is corporate citizenship. Companies are perhaps more concerned about the short-term fiscal year profits and corporate turn-around policies, while the arts are a long-term investment. There has to be a harmony between the two. They will fluctuate up and down in graphic terms. Nonetheless, it seems to me that everyone from corporate executives to artists realizes that there is a lot connective tissue between what everybody is actually at, although the time-frame may be temporarily, occasionally a problem.

David Bartlett:

Mr. Chairman, you have opened up a question here that I have thought a good deal about and it will go far beyond what we can discuss today. I would like to draw a fundamental distinction between the arts as we have been using the term up to now and the applied arts. In Mark's questionnaire there was the question: "Do you think design would be attractive or unattractive to

corporations?" I do not think that really belongs in there at all because it is too ambiguous. The arts that you have been talking about in marketing go beyond the arts as we have been talking about them here. They also go beyond marketing.

The whole question of how one supports typography, graphic arts, all the design disciplines, architecture, landscape architecture, even into the area of engineering design, is one that none of us has coped with very well. It is not something that that can be handled with grants. It is not something that can be handled with donations or even, in most cases, sponsorship. The applied artist does not need what he gets from grants -- which is a way to buy some time to do what he does. What the applied artist needs above everything else is good clients. If he has good clients, and he is a good artist, he can do good work. If he does not have good clients, nothing else will replace them. The clients may be corporate clients or they may be governmental clients. There is not a great deal of difference between the corporation and the government because they are really buying a design service for corporate purposes. They may be prestige purposes, they may be marketing purposes, they may in the case of architecture be at least partly functional purposes, but really they are buying those design arts for other purposes and paying for them or commissioning them. How do we get and persuade corporations and governments to be good clients? Governments are lousy clients and most corporations are not very better. How that standard of decision-making is strengthened is a very important subject for discussion, perhaps at a later seminar, but I really think we have gone beyond the substance of our discussion today.

Mel MacLeod:

I suppose to a certain extent, David has expressed the other side of the coin that I was framing in my own mind by drawing an analogy to my experience in the academic world. It is generally accepted, for example, that government contracts, private industry contracts constitute a fairly substantial source of support for economists, political scientists, marketing experts and so on. In my own experience with the Killam Program we receive relatively few applications from academics in these disciplines. Part of the explanation, it has always seemed to me, is that they derive their funds from other sources and do not turn to Killam. In terms of what David was saying about applied artists I am talking about applied academics. To a certain extent what Harry has to say does have a considerable amount of validity but in the context of a very special kind of art.

Jacques Lefebvre:

I hate to be in disaccord with my friend Mr. Hopkinson, but I still feel that the corporate world has to give more and that there are new players in the corporate world that should be giving that do not give at all. I happen to be sitting on both sides of the fence, being a fund-raiser myself. Some corporations are getting away with murder by not giving at all! The largest part of the growth possible is getting new people, new corporations to realize

the importance of giving, not only in terms of social investment or corporate citizenship but in terms of good business sense. If this is achieved then we will get more money from the corporations. Otherwise I do not think we will get very much more.

On the other hand I think that the artistic community or the artistic organizations have got to become a little more aggressive, a little more "commercial". I am not saying that in a bad sense. No one has talked about the Montreal Symphony today. The Montreal Symphony with Charles Dutoit is doing a fantastic marketing job. It does not mean that any corporate sponsor dictates to Charles Dutoit who he is going to invite and how he is going to conduct the repertoire. They have this unique phenomenon, this unique marketable product which is called Charles Dutoit. They have got a good orchestra. There is no way that the artistic purity of the organization is endangered. It is a product in the pure sense of the word.

I think that Canadian theatre-goers, concert-goers and opera-goers are also getting away with murder. I can go to see a Paramount movie and pay \$6 but there is no way I can expect to go and see an opera and pay \$6 too. The tickets will have to reflect the price and the quality of the product that Canadians getting.

Heather Moore:

I would just like to say for the record that I did approach the Montreal Symphony. They were my first choice but they cancelled my appointment, so I had to go elsewhere for my information.

Richard Hopkinson:

I completely agree with you, Monsieur Lefebvre. Nevertheless I do not think of the run of the mill company in Quebec is really tuned into these matters. I still think that companies who are already giving can give more. Quebec philanthropy tends to be somewhat entertainment-oriented because it is the home of the telethon outside the United States. I am not absolutely sure of my ground here but I do not believe that giving to United Way/Centraide in Montreal compares well with other major centres in Canada or in North America.

Harry Chartrand:

One of the points that we have looked at in terms of tax law is that the province of Quebec has operated basically under the same set of tax incentives as the province of Ontario. However, the level of private giving to arts organizations, as our Performing Arts Data Base shows, is one-half or less than what it is in the province of Ontario. This suggests to me that we are dealing not just with a question of financial incentive but of culture.



Peter Brown:

Having spent the better part of yesterday discussing an arts organization that is about to go under, probably because of a fund-raising effort, I would like to throw a caveat out. It applies particularly at the level of arts organizations, which are getting into fund-raising in a bigger way than they have in the past. I believe very strongly that these organizations have to seriously consider cost-benefit in terms of the kinds of fund-raising they are going to get into. There is a cost inherent in raising money from existing sources. This is deemed inevitable or fixed. Similarly, going to the other end of the spectrum, there is a very large cost attached to raising new funds, wherever you are going to find them. This is a cost that is quite different from the costs of renewing old funds. It seems to me that arts organizations that fail to realize the cost of getting into these kinds of programs, can get themselves into pretty serious trouble. Having spent a most distressing day yesterday looking at one of those organizations I thought I would pass that on as a caveat.

Mel MacLeod:

I would like to follow up the third point that Jacques Lefebvre made. At least two of the foundations who are shifting their emphasis away from the arts and towards social welfare, hospitals and so on commented specifically that, in their view, arts groups will have to begin to raise more income through performance fees and through raising ticket prices.

Vincent Dupuis:

Whatever the Task Force does or whatever funding policy is forthcoming from Council or from the Task Force must somehow address the sort of inequity that takes place in the "branch plant" mentality of the regions of Canada. I am speaking specifically of British Columbia, where we have very little indigenous industry, and where the proceeds of such are sent back to Ontario. I did a small case study of one of our major financial institutions. I managed to estimate their margin of profit sent back to head office in Toronto; and it was close to \$5 million. This institution gives \$100 to the professional symphony orchestra. They gave \$300 last year to the United Appeal. Their combined contribution to the professional arts in the community was \$300. In Ontario and Quebec this corporation is a major donor to the arts. There should be some policy directed at that \$5 million profit that is made in the community, so that some miniscule percentage -- I would take one-half of one! -- remains in the community.

Jacques Lefebvre:

I agree with you. I can testify to similar examples. Of course, if it happens that the Chairman's wife is on the committee of the local orchestra, that is a different situation.

There is some kind of contradiction here. I cannot remember who said that we should have an umbrella organization, a kind of a United Way for culture, where everybody would give money to an organization which would in turn distribute it. Is this not a contradiction of the trend we see now, where more corporations want to sponsor so that they can get direct recognition? If this is the trend, and I believe it is, why would they go the anonymous pool, umbrella type organization? Something does not seem to jive there.

Mark Schuster:

I agree that they are contradictory, but you do observe them at the same time. My explanation of that is that they want to promote the corporate image. But they are afraid by themselves to get involved in arts funding and they want the assumed safety that comes in numbers and by being associated with other corporations and like-minded individuals. That does not mean that they would always continue in such an organization. In Sweden, I have talked to representatives of Swedish industry who are interested in both ways of funding. They want to get involved in arts support and sponsorship but also feel the necessity for an umbrella organization to serve as a conduit for exchanging information, if not actually serving as a regrating organization for corporate funds.

Harry Chartrand:

In the United States there is an interesting movement called the United Arts Appeal in a number of major metropolitan areas. All of the arts groups in a given community get together and make a united appeal to individual and corporate donors in the community.

Mr. Lefebvre has raised a very important point that the Task Force is going to have to come to grips with. We have to get new money and somehow we have to be able to get the corporate and private sectors to recognize why they should be supporting the arts. The Department of Regional and Industrial Expansion commissioned a study from the Institute of Research and Public Policy dealing with the service attributes of trade performance. In this report they have attempted to quantify the factors that lead to enhanced trade performance for the Canadian economy. One of the major findings is that both the design and quality of consumer products have been underdeveloped in the North American economy compared with European and Japanese consumer goods in terms of finish, design, etc. These are essentially the applied arts. The business community needs to recognize that not just chips and not just robots but also artists and artistic skills lead to enhanced trade performance for their companies. The applied arts are the application of the fine arts. The fine arts are where the new ideas the new techniques, the new products come from. One of the major failings of the corporate sector in our economy has been to recognize that their R & D for marketing purposes is in the fine arts.

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This is the end of the first cycle of the arts research seminars sponsored by Research & Evaluation. We will be taking a break between now and March before initiating the next of our series. During that period we are hoping to put together all of the papers and observations raised by the participants into a single volume to assist various people in the artistic community and in the policy field to appreciate various dimensions of the arts. These will include the Economic Impact of the Arts, the Spread of the Arts Audience, Women and Politics in the Arts, Television and Touring and today's discussion on Corporations and Foundations. We have tentatively scheduled two new seminars for the next cycle. The first will be entitled "The Arts: Enjoyment and Expression", and will deal with the human potential movement, the contribution of the arts towards human enjoyment and fulfillment, as well as the expression of various cultures through poetry, English/French language, etc. The second in the series is tentatively entitled "The Arts: Automation and Administration". The series will begin we hope in March and we will attempt to keep you posted on it.

Until our next meeting, I wish to thank you all for coming, and for participating. I hope that the transcript, when you receive it, will become food for further thought for all of us. Thank You!

**A P P E N D I X 1**

**KELOWNA INTERNATIONAL FESTIVAL OF THE ARTS**

**Fundraising Initiative**

Vincent Dupuis, Managing Director  
John McCormack, Treasurer  
Kelowna International Festival of the Arts  
1453 Ellis Street, Kelowna, B.C. V1Y 2A3

August 14th, 1985

## KELOWNA INTERNATIONAL FESTIVAL OF THE ARTS

### Dept. of Communications - Special Program of Cultural Initiatives Fundraising Initiative

"The secret to enduring success in both business and the arts is solid research and development." (MacLean's Magazine, 1985)

#### Introduction

The Minister of Communications has established a Task Force on the "Arts Funding" situation which is examining existing and potential ways and means of reducing the cumulative deficit in the professional performing arts.

The Minister of Finance has recently declared that "small business will benefit from increased refundable tax credits for research and development". Do the arts, or can they by their nature, qualify as research and development?

As the economic times are tougher, restraint a reality with deficits growing larger, individuals and corporations are more reluctant to contribute to deficit financing of arts organizations. "One argument used by corporations and foundations in side-stepping arts patronage has been that their funds are too often dissipated through mismanagement." (Ontario Theatre Study).

In defence of the arts, it is difficult to manage (the business of) the arts when the market will only bear one-half of the cost of your product, and government funding is only available on an annual basis, long after the production year commences. Government funding is subject to various regional and municipal priorities which differ widely with no clear policies.

In the west, we also suffer the "branch plant" mentality, where the majority of our corporate sector's financial decisions are made back east or by foreign ownership.

We must find a way that addresses these issues and provides a long term capital base for the arts with adequate security for both investors and the industry within existing tax or affecting tax legislation -- to utilize and re-influence the available capital into improving our quality of life through investment in the arts.

#### Objective

The Kelowna International Festival Society intends:

- to encourage a similar tax advantage/incentive thinking as that applicable to SRTC, SBDB, RRSP & pension investment from the public, private and corporate sectors through creation of the Festival Endowment Fund.
- to establish the Festival Endowment Fund -- a permanent ongoing fund, set up as a separate legal entity, with the Central Okanagan Foundation ensuring its efficient and effective financial management, and providing some long-term financial stability to the Kelowna International Festival.

## **Proposal**

- to develop and issue an investment prospectus, in cooperation with the Kelowna financial community and the Kelowna Chamber of Commerce.

We believe the community is currently saturated with fundraising campaigns seeking cash donations for operating budget and/or cumulative deficits. The Festival does not wish to enter this competition, rather as we are committed to "unique programs of national significance" in the professional performing arts, there is no reason why this should not extend to our financial programs.

## **Methodology**

Working with the investment/financial community, we would configure a share/bond offering attractive to investors within their tax or personal portfolios.

A FESTIVAL BOND would be created, where the principal/investment would remain in the name/control of the investor, - invested in government securities - the interest earned would be designated/donated to the Festival in return for the appropriate tax deductible receipt.

The principal could be retrieved from the Fund if desired, or directed through estate planning to permanent endowment.

The Kelowna International Festival program could be used as a model or trial program for review by Canada Council, as Canada Council (theoretically) could play the same role as the Okanagan Foundation on a national basis - receiving investments/endowments and distributing earnings according to the same artistic and regional rationale that currently applies to grants awards.

This could be a local solution to a national problem and may be implemented under existing legislation at a local level. For the program to be truly effective, it should have national significance, particularly with the Ministry of Finance (Taxation) and the Minister of Communications' Task Force on arts funding.

## **Advantages**

1. This program would provide long-term financial security to the Festival by establishing a secure capital base not subject to vagaries of either box office and/or annual government grants.
2. It would provide some tax incentive and management possibilities for private and corporate sector tax and investment portfolios, with potential for development of further incentive(s) with government.
3. It would avoid the stigma the private and corporate sector can feel in making cash donations to an annual or cumulative deficit (particularly in these economic times).

4. Through the Okanagan Foundation, as the repository, it would provide permanent security and credibility for the principal/capital sum.

5. Through the financial community, it would provide the appropriate community sales outlets for co-operative promotion and distribution of the bonds, in return for commissions not normally available on government securities.

### **Management**

The Festival Society was founded in 1984. The Society has been engaged in research and development since January 1985 with consultants engaged in February and since May, resulting in our Business Plan & Development Report - due for publication in August/September 1985.

The management of the Society consider the establishment of a capital base, contained in this proposal, our priority for 1985 - to be implemented by the end of this (1985) taxation year.

### **Techniques**

As the government securities (our "bonds") will be available in \$1,000 increments, the Festival/Foundation would configure smaller investors in "packages", (e.g. 5 people @ \$200 etc.).

Target marketing - through the financial community and/or direct mail - would be utilized.

The Festival's 1986 (fundraising) financial requirement of \$45,000 would require a principal sum of \$450,000 on deposit at 10% interest, would require only 450 "shareholders" at \$1,000 (bonds) each.

As the Festival does not wish to compete in fundraising with the existing organizations, the "offering" would be configured to receive investments on their behalf and direct/designate the proceeds/interest accordingly - to avoid loss of investment.

### **Available Capital Base (Kelowna Only)**

1. the private sector (individuals) where personal and household income totals over \$700 million...at 1.56% (of GNP) normally contributed to "culture" - potential of \$11 million.

2. the private sector (taxpayers) with taxable income in excess of \$30,000 account for 11.5% of the community...given the (GNP) tax rate of only 16.5% creates a taxable income of \$26.7 million, where 15% could be 'sheltered' in arts deductions - potential of \$4 million.

3. the GNP (Gross National Product) per capita for Kelowna's 1985 population (forecast in our research) amounts to \$1.2 billion, where given the 1.56% (normal) contribution - potential of \$18.6 million...
4. the combined cash donation/ fundraising last year (1985) to our recognized (Canada Council funded) semi-professional arts organizations (Symphony, Theatre, Gallery) was a little over \$140,000 !!!

### **Sample Applications**

- 1) SRTC (Scientific Research Tax Credit) available to large corporations
  - where, \$1,000,000 corporate tax credit, on deposit/endowment pays \$100,000 interest to the Festival, in the first year.
  - cumulative interest over 5 years would amount to \$300,000.
  - principal repayment (5 years) could be negotiated.

If the Festival were to pay tax (16.5%) on the earnings (-50,000) it would be 250,000 ahead...the government is currently in a \$1.2 billion loss situation in their SRTC business program.
- 2) SBDB (Small Business Development Bonds) available from financial institutions, or according to legislation - from any Canadian corporation (interest is taxable to recipient/deductible to the lender)
  - where interest is payable at 1/2 "prime" + 1 (no profit to lender).
  - a \$100,000 Bond could earn \$10,000 and cost \$6,000/net = \$4,000.
- 3) Government securities available to individuals/public could be sold from their tax advantage point of view, for example: a \$10,000 bond, has the first \$1,000 deductible, \$1,000 earnings/donatable - doubles the attractiveness of the bond/investment.
- 4) Presentation of tax benefits to this approach:
  - every \$100 donated/invested = \$133 "deductible" (McCormack)
  - application of political contributions, where in one example, \$100 donation, = \$175 deduction.



## Federal Income Tax Credit Proposal for Funding of the Arts

### 1) Concept:

Donations made to a non-profit Society for permanent (endowment) funding only to be administered by independent organizations (i.e., Central Okanagan Foundation). Each year the interest from this permanent funding would go to the Festival Society (or be divided among the Arts Community according to Canada Council guidelines) in order to provide operating capital. In addition, the donor would receive a Federal "Arts Contribution" Tax Credit, which would enhance and promote this type of long-range funding of the Arts in Canada.

### 2) Advantages:

- there would be a constant guaranteed source of income for organizations to rely upon and plan around.
- improve quality of arts management if supply of funds known and there is money in the budget for management (which is typically the area organizations, when things get tight, tend to compromise on at the very time when strong management is most critical to an organization's success).
- it would move from deficit financing and turning continually to the government at all levels to 'bail out' organizations after they are in trouble.
- donors would be contributing to all the arts and performing organizations through one donation, which would:
  - eliminate the need to go back to the same public repeatedly by different organizations (United Way concept of fund-raising).
  - reduce the cost of fundraising overall, thereby leaving more for performers and administration.
- it would remove reliance by organizations on government and private sector.
- there would be long-term benefits for the Canadian economy related to a healthy, vibrant, and active arts community from both a financial, social and artistic development point of view.

### 3) Tax Advantage:

- it could be structured along the lines of Federal Political Contribution Tax Credits as follows:
  - (a) 33 1/3% of total contribution not to exceed \$500 (\$1,500 donation results in a \$500 tax credit).
  - or (b) any other formula to arrive at basically the same solution.

- there would be pure tax savings to donor which would be of benefit to all taxpayers but particularly those who are in the higher tax brackets and earnings in excess of \$1,000 interest or dividend income.
- estates and trusts could enjoy the same tax credit advantage.

Table I  
FUNDRAISING RATIONALE

Taxation Examples

1. Taxable Income Before Donations	10,000	20,000	30,000	40,000	50,000
2. Tax Payable:	2,174	5,171	8,758	12,665	17,117
Federal	1,429	3,485	5,930	8,705	11,705
B.C.	745	1,686	2,808	3,960	5,412
3. Income/After Tax	7,826 78%	14,829 74%	21,242 71%	27,335 68%	32,883 66%
<b>SCENARIO I - PRESENT ARTS STATUS</b> Given a \$1,000 donation					
1. Taxable Income	9,000	19,000	29,000	39,000	49,000
2. Tax Payable:	1,897	4,836	8,384	12,220	16,672
Federal	1,239	3,255	5,689	8,405	11,405
B.C.	658	1,581	2,695	3,815	5,267
3. Income/After Tax	7,103 71%	14,164 71%	20,616 69%	26,780 67%	32,328 65%
4. Tax Savings	277	335	374	445	445
Percentage of donation	28%	34%	37%	45%	45%
<b>SCENARIO II - TAX CREDIT - FOR PERMANENT ENDOWMENT (FOUNDATIONS)</b> (Philosophy = political contributions) Given a \$1,000 donation					
1. Taxable Income	10,000	20,000	30,000	40,000	50,000
2. Tax Payable:	1,564	4,503	8,051	11,887	16,339
Federal	1,239	3,255	5,689	8,405	11,405
Federal Tax Credit	-333	-333	-333	-333	-333
B.C.	658	1,581	2,695	3,815	5,267
3. Income/After Tax	8,436 84%	15,497 77%	21,949 73%	28,113 70%	33,661 67%
4. Tax Savings	333	333	333	333	333
Percentage of donation	33%	33%	33%	33%	33%
5. Analysis:					
Income Enhancement Scenario I vs II	1,333	1,333	1,333	1,333	1,333
Percentage savings of tax otherwise payable to non donor	39%	15%	9%	7%	5%
to donor/above	21%	7%	4%	3%	2%
<b>Conclusion</b>					
...	under Scenario II, a \$1,000 donation costs only \$666 after tax credit.				
...	greater tax benefit in savings to those with taxable incomes of \$20,000 or less...Increases potential base				
...	potential tax savings to government in the higher income brackets				

**A P P E N D I X 2**

**Seminar Survey Results:**

**The Relative Attractiveness of Arts Activities  
to Private Funding**

Mark Schuster  
September 6th, 1985

## SURVEY RESULTS

### The Relative Attractiveness of Private Funding

Art Form	Responses			Total
	Attractive to Private Sector	Less Attractive to Private Sector	Unattractive to Private Sector	
Major Museum Exhibitions	38	2	2	42
Classical Theatre	24	14	4	42
Avant Garde and Inter-Disciplinary Arts	nil	12	30	42
Opera	30	8	4	42
Modern Dance	3	29	10	42
Ballet	33	6	3	42
Jazz	11	20	11	42
Support of Individuals	2	11	29	42
Orchestras	33	8	1	42
Design	6	17	19	42
Visual Arts	7	23	12	42
Large Presenters	20	12	7	38
Arts Centres	25	13	4	42
Film Preservation	nil	13	29	42
Folk Arts	6	16	20	42

**SURVEY RESULTS (cont'd)**

**The Relative Attractiveness of Private Funding**

Art Form	Responses			Total
	Attractive to Private Sector	Less Attractive to Private Sector	Unattractive to Private Sector	
Post-Modern Dance	2	2	37	41
Institutions Undertaking Capital Construction	24	14	4	42
Public Radio	9	22	11	42
New Music	nil	12	30	42
Museum Maintenance	2	7	33	40
Public Television	21	17	4	40
Media Arts Centres	7	16	19	40
Minority Organizations	2	14	24	40
Chamber Music	10	18	12	40
Archives and Libraries	5	16	19	40
Arts Education	5	16	19	40
Service Organizations	5	14	21	40
Choral Music	5	25	10	40
Dance Notation	nil	5	35	40
Professional Training	2	19	17	38
Museum Conservation	4	18	18	40
Medium and Small Presenters	nil	17	20	37
Artist Colonies	nil	4	35	39

Table 1: Relative Attractiveness of Arts Activities to Private Funding

<u>Attractive to Private Sector</u>	<u>Less Attractive to Private Sector</u>	<u>Unattractive to Private Sector</u>
Major Museum Exhibitions	Classical Theater	Avant Garde and Inter-
Opera	Modern Dance	Disciplinary
Ballet	Jazz	Support of Individuals
Orchestras	Design	Visual Artists
Large Presenters and	Film Preservation	Organizations
Performing Arts Centers	Folk Arts	Post-Modern Dance
Institutions Undertaking	Public Radio	Video Presentation
Capital Construction	New Music	Museum Maintenance
Public Television	Media Arts Centers	Minority Organizations
Arts Presentations	Chamber Music	Archives and Libraries
	Arts Education	Service Organizations
	Choral Music	Dance Notation
	Professional Training	
	Museum Conservation	
	Medium and Small Presenters	
	Artist Colonies	

Source: National Endowment for the Arts, Five-Year Planning Document: 1986-1990 (Washington, D.C.: National Endowment for the Arts, February 1984), p. 101.

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Arts Research Seminar No. 2  
February 1, 1985  
Working Document 600-133

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Arts Research Seminar No. 3  
June 7, 1985  
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