

FUNDRAISING [pp 33 to 35]

A CULTURE OF GIVING?

Theresa Lloyd explains the approach needed for encouraging significant private support for the arts

Why is more private money needed for the arts? Government spending in this area has increased over the past decade, from a very low base, but other pressures on public spending, and drawing on the Lottery funds for the Olympics, means a standstill at best; the DCMS budget is under 0.5 per cent of total government expenditure. At the same time we know that charitable giving across the board has not kept pace with the increase in wealth, especially among the very wealthy; indeed it is lower in real terms than in the mid '90s. And of the £9.5bn giving by individuals to charity in 2006/7, no more than £400m goes to the arts, and more than two-thirds of that goes to the south east¹. At the same time the costs of running arts and heritage organisations are increasing, especially funding acquisitions.

Earlier this year several organisations in the culture sector launched *Private Giving for the Public Good*² with the aim of encouraging just that. But how difficult can it be to raise money for the arts and heritage? Those concerned with other causes sometimes look with envy at a sector whose potential supporters walk in through the door and buy tickets and whose core mission of performance or the visual arts or buildings and gardens itself provides opportunities for the engagement of prospects and donors. High profile artists and volunteer leaders can be called on to nurture relationships.

Motivation

The importance of well-managed relationships was a constant theme in the research for *Why Rich People Give*³. Why do people give to the arts, particularly substantial sums and recurring support? There are overlapping themes but the main factors are:

- a passion for the art form, and perhaps a particular artist, composer or performer;
- knowing that you are making a real difference, to an overall mission or individual lives;
- civic pride, community support, and putting something back into that community;
- giving opportunities to others, whether young talent, or visitors and audiences who would not otherwise benefit, and sharing learning opportunities; and
- the rewards of relationships, with those who deliver the mission, with specialists, with beneficiaries and with other donors.

Civic pride is very important. People spoke of London, or the North West, or the North East 'deserving' a world class opera house or art gallery or concert hall. As one person said 'it's the job of the state to provide the basics; it's the role of the private philanthropist to make the basic the best'.

Although sometimes people support arts organisations as a 'deal' (to get access to scarce tickets, for example), in the case of organisations with which they are really involved that is a bonus, not the main reason for giving. From research and experience we see that what really matters is seeing the work, knowing that one has made a difference and being properly thanked and involved.

But what do we see all too frequently?

Example of typical donor comment

'I would give 10/10 to an organisation which came back after a year and asked for 30 minutes of my time to explain what had happened to the money and project and what was achieved. I have very little experience of this happening.'

All this is about far more than a standard letter – although letters are important and must be personal and well-written, with names and titles correct. Those supporting the arts look for passion and involvement. They look for respect for their knowledge and love of the art form, *and* respect for the expertise which is the source of their wealth.

The question of respect for expertise is crucial, and can be difficult to manage. The self-made business person or financier now dominates the Rich List, and higher level donors more generally; apart from higher levels of wealth (not yet matched by higher levels of giving, in aggregate) we see attitudes, occasionally naïve, about the transferability of business skills to the non-profit sector. They may be more entrepreneurial and risk taking than traditional donors, and look for engagement, impact and accountability. Some will look beyond the conventional development model to seek leverage, to suggest new types of financing. Reflecting the general market focus on impact, accountability and transparency, more information on the financial model underpinning the arts operation will be sought and should be provided. It is no coincidence that Glyndebourne, dependent as it is on private philanthropy, produces an accessible, inspiring and informative annual report, which (among other things) demonstrates where the money comes from and how it is spent.

The marketplace is changing in other ways. There are more role models who are willing to stand up and be counted and an improving research base and expertise. The tax regime is helpful, although it could be significantly simplified and improved, with tax relief for gifts of works of arts and lifetime legacies.

Wealth managers and advisers are seeing philanthropy advice as an opportunity to add value to their service, and some are introducing their clients to arts organisations.

Donor management issues

All this means that there must be a more sophisticated approach to prospect identification and donor education and engagement.

It is all about how the relationships are managed. And donors do not want to meet only staff from the development office, however knowledgeable and charming. They want to meet those who deliver the artistic mission, whether conductors or wig-makers, curators or gardeners. They want to meet the leaders – trustees and senior staff, and, increasingly, to know that trustees with the means have themselves given. And they want to share the pleasure of involvement and learning more about the art-form with like-minded others.

Case study: Orchestra of the Age of Enlightenment's Chair Patron's scheme

In 1993, the Orchestra of the Age of Enlightenment (OAE), founded in 1986, set up a scheme to raise annual donations from individuals based around an association with its orchestral 'chairs'.

The board included musicians and volunteers with a shared passion for music and relevant expertise.

The Chair Patrons scheme captured the essence of that relationship: music-loving supporters want to be associated with excellence, to meet musicians and other supporters and to learn more. All the board members had given financial support already and those who were able immediately signed up as chair patrons. Initially £2,000 brought an association with the principal player in an

orchestra section (with £3000 for the leader's chair). Board member patrons approached friends who were enthusiastic about music. Soon eight couples had become chair patrons. This was a charitable donation. Patrons would pay for their concert tickets and other events on top of their donations.

After each concert at the South Bank Centre, chair patrons were invited to pay to dine afterwards with the musicians, forming what became known as the Dining Club. At first a working title, the name has stuck because it describes well the 'clubbable' informal atmosphere after concerts.

Fifteen years on the scheme is still going strong. The donation is now £3,500 and a new higher level of benefactor has been introduced. In 2008 the OAE has 22 chair patrons and 8 benefactors and, with Gift Aid on some of the donations, the scheme now generates around £150,000 a year. This represents a substantial part of its voluntary income. Total annual turnover is £2m to £2.5m.

The retention rate is high, and it also works very well as a scheme to introduce and involve new patrons. Over 15 years the chair patrons and benefactors have generated around £1.5m, and the scheme has grown significantly in recent years, giving confidence for the future.

What all this is telling us is that it is a question of a corporate culture of engagement. As Robin Thomas wrote in this magazine (see pages 34 to 35, *Caritas*, Issue 7, June 2008), there must be legitimate opportunities to involve and listen to donors and prospects. Staff and artists must understand that participating in nurturing relationships is not a matter of 'doing a favour' for the development office, but an integral part of their role.

Everyone must understand why this matters, and see such potential major donor support as a major asset, drawing in people who will not only give money but be advocates. This may require a culture change and investment. It is

instructive at this point to consider the results of a survey I conducted in 2000, based on eight major national arts institutions in various sectors, about what really mattered to donors, and the institutional success factors:

- the nature and quality of the artistic mission;
- the nature of the organisation (opera house, museum, theatre.....);
- the reputation for competence and sound financial management;
- the corporate culture – how open to donors;
- the board and other volunteer leadership – trustee participation in stewardship, extent of exemplary giving;
- the entertaining facilities and the catering ;
- the ability to identify and communicate with regular visitors;
- the quality of the research information and database systems; and
- the level of investment in pr and communications, to promote the; messages that underpin successful fundraising.

It can be seen that most of what matters is outside the control of the development office. Development – the creation and sustaining of long-term relationships for the benefit of the institution – is something which must be undertaken by, and seen as the responsibility of, the whole organisation, from chair to caretaker. Development is the facilitator. And this requires investment.

The latest Fundatios report (2006/7)⁴ indicates a cost to income ratio for major donor programmes of about 21 per cent, and about 29 per cent for committed giving and membership programmes. Allowing for problems of definition, and higher costs in start-up phases, an average of about 25 per cent is probably about right. Yet too many trustees focus on the percentage of costs to income as a marker of effectiveness, rather than the net amount raised, and investing what it takes (with prudent oversight) to maximise the market potential. In figure 1, I would argue that the trustees of organisation A, possibly priding themselves on 'only' spending 10 per cent on fundraising, are failing their institution, while organisation D, netting £3m for its artistic mission, is achieving its best for its artists, experts and audiences or visitors.

Figure 1: examples of cost ratios and net income at different investment levels

	A	B	C	D
Gross revenue	1,000,000	2,000,000	3,000,000	4,000,000
Investment	100,000	300,000	600,000	1,000,000
Net revenue	900,000	1,700,000	2,400,000	3,000,000
Cost/income	10 %	15 %	20 %	25 %

Future of cultural giving

Without active engagement and commitment from the board private fundraising will not reach its potential. The board must not only oversee the delivery of an outstanding artistic mission, but adopt a strategic approach to development, and invest accordingly. The chair should give credible messages about the importance of development to the organisation by taking a leadership role in some aspect of the development activities. It should be accepted that the participation of at least some trustees in the cultivation of prospects and nurturing relationships with donors is essential. The organisation must be a philanthropic priority for all members of the board, and the director and senior staff encouraged to develop a corporate culture of engagement.

Senior management is responsible for a first-class cultural programme, and for excellent business planning and accounting systems. They must implement the necessary changes to ensure creative engagement with donors, and ensure an integrated approach to marketing and fundraising activities and messages. They

should produce a compelling and informative annual report designed for donors. And they must invest in the development office.

With this attitude and appropriate investment in a genuinely personalised approach and the necessary support systems, the development office will be well-placed to orchestrate the management of relationships for maximum enjoyment of supporters and hence the lasting benefit of the arts institution.

As one donor puts it: 'The sense of making a real difference...satisfaction, getting to know some extraordinary people ..who are now friends. Fun with a capital 'F'. You can't buy it and it's unobtainable elsewhere'.

Biography

Theresa Lloyd has been a leading adviser on strategic planning, governance and fundraising to charities since 1995 following a career in the City, Save the Children and ActionAid. She also advises families on the development of a strategy for their philanthropy, including governance and procedures. She was Founder Director of Philanthropy UK, and now sits on its advisory board.

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Theresa Lloyd is the author of *Why Rich People Give* (2004) and *Cultural Giving* (2006) and a leading adviser to cultural and other non-profit institutions on governance, planning and fundraising. She is a board member of The Young Vic, a member of the development board of the OAE, a trustee of the European Association of Planned Giving and a member of the Advisory Board of Philanthropy UK.

¹ Source? NCVO or Charity Trends?

² See www.philanthropyuk.org

³ Also on www.philanthropyuk.org

⁴ www.cifc.co.uk