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# **Corporate Social Responsibility and the Arts**

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**How business  
engagement with the  
arts is changing**

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The SMART Company, May 2004,

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## Executive summary

Businesses provide financial support for the arts in two ways; through sponsorships paid for from marketing budgets or through donations from their community investment budgets. While some businesses appear set to continue their long-term partnerships with arts organisations we have also recently seen some major supporters of the arts drawing back their support in favour of other causes. This research set out to consider whether the emergence of corporate social responsibility (CSR) practice is changing business attitudes to the arts and if so, in what ways.

### What is CSR?

CSR is a term that is used to describe good corporate management practice. There is growing pressure on businesses to prove they are acting responsibly and to show evidence of their impact. CSR covers:

- Responsibility in the marketplace
- Treatment of employees
- Environmental responsibility
- Being active within the communities in which companies operate

We sought to identify how these expectations may be changing the way companies choose to work with arts organisations. Our questions were focused on primarily on the ways businesses are choosing to engage with communities and the impact this may be having on strategies for community investment.

### What we wanted to know?

We sought to answer 4 key questions:

1. Is CSR changing the way companies engage with the arts – if so how?
2. What are businesses trying to achieve through partnering with the arts?
3. How do companies see support for the arts from their communities budgets compared to other ‘good causes’?
4. What kind of evaluation do companies require to make the case?

## Key findings

### **1. Is CSR changing the way companies engage with the arts, and if so, how?**

Expectation is growing on companies in the UK to show in what ways they are meeting their social and environmental responsibilities. 132 of the top 250 companies now produce a Social Report, a figure that has risen from 105 companies to 132 in the last year. The effect of this on business relationships with the arts is two-fold.

Firstly, businesses are looking more favourably on arts activities that engage the community or address social problems. CSR professionals are more interested in funding community based art and are moving away from traditional forms of corporate hospitality, concerned about charges of patronage or elitism. While we found no evidence of a shift in funding from marketing to CSR budgets, marketing professionals indicated sensitivity to the emerging CSR environment and see the reputation benefits of including a community element to major arts sponsorships. This presents a threat to some arts activity in that companies are less inclined to fund art for art's sake.

Secondly, CSR has changed thinking in terms of evaluation. This move to greater transparency is forcing companies to prove the value of their spend on the arts. Companies are expected to be more rigorous in their assessment of the impact they are having in communities and are evaluating their arts spend more closely.

### **2. What are businesses trying to achieve through partnering with the arts?**

Our research highlighted a convergence between what CSR and marketing professionals are seeking to achieve through partnering with the arts. The brand building objectives of arts based sponsorships are mirrored by the corporate reputation activities of community investment. Both marketing and CSR professionals agreed that arts activities are useful for reaching a wide group of stakeholders in a high profile public environment. As CSR develops, arts activities with a community focus are particularly useful in engaging with stakeholders and influencing opinion formers, as they combine public events with the opportunity to showcase a company's social impact.

### **3. How do companies see support for the arts from their community budgets when compared with other causes?**

The arts sector faces stiff competition for funding from community budgets for two reasons. Firstly, companies consider arts organisations to be less good at evaluating impact. Without

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the evidence for how arts activities directly benefit communities it is hard for companies to justify significant funding. Our research found that even companies who are favourable to supporting the arts are unlikely to spend more than 25% of their community investment budgets on arts activities. Companies are concerned about how to present support for the arts in corporate social reports, as CSR professionals are wary that the public perceive support for the arts as elitist.

Secondly, arts as a cause does not register within CSR circles as strongly as other causes. We interviewed some companies who had recently pulled back support from the arts in favour of investing all their community budgets in one single issue. The arts compete with initiatives that appear far more pressing in terms of social need. In addition, advocates for the arts do not seem to have penetrated CSR circles in the way that other sectors such as sport have.

However, there is recognition among CSR professionals that arts activities offer specific benefits when compared with other causes. These include improving relationships with local communities, employee training, engaging a wide group of stakeholders and injecting creativity, helping businesses to think differently.

#### **4. What kind of evaluation do companies require to make the case?**

The expansion of CSR has brought with it a greater requirement for business to evaluate its work in the community and its impact in other ways. This move towards greater evaluation presents a challenge to the arts sector. Companies are keen to see an improvement in the way that arts organisations evaluate and it is vital to the sector if it is to compete with other causes for corporate support. The direct impact of the arts on society is harder to prove than other ‘good causes’. Companies require the arts sector to develop better ways of evaluating impact, such as proving the outcome of arts interventions in addition to the outputs.

#### **Next steps for arts organisations**

CSR is changing the context in which businesses consider funding for arts activities. Most critically, this relates to how companies perceive arts activities compared to other causes when making decisions on spending from their community investment budgets. In order to compete for support arts organisations should:

- Improve their understanding of what companies are seeking to achieve through their community investment and target proposals more accurately.
- Actively promote outcomes that arts activities are particularly effective at achieving such as reaching local communities, engaging a wide range of stakeholders, injecting creativity in a business and developing the skills of employees.
- Not ‘communitise’ falsely in order to subsidise non-community projects.

- Develop long-term partnerships that involve staff.
- Improve the quality of evaluation.

## Next steps for Arts & Business

Arts & Business needs to help raise the profile of the arts sector among CSR professionals and help to make the case for the contribution of the arts in helping companies achieve their CSR objectives. We suggest it might do this in the following ways:

- Represent the arts sector in important CSR circles
- Support arts organisations and the arts sector generally to improve evaluation that meets the needs of business.
- Promote the unique contribution the arts can make in helping companies achieve their CSR objectives.
- Help to change the public perception of arts activities as elitist and engage companies in this mission.
- Work with businesses to produce better evidence of the contribution arts activities have made to CSR.

## Aim and purpose of the research

While Arts and Business undertakes an annual survey of arts organisations to assess the amount of support they receive from businesses in any one given year, no research is yet undertaken amongst businesses themselves. The absence of this research means that there is currently no means of gathering information on how trends and attitudes to supporting the arts within businesses are changing. This piece of work marks the first of a new programme of research that will seek to collect information about business attitudes towards the arts and business spending on arts activities.

There is anecdotal evidence that businesses are seeing the value of the arts in helping them to meet their CSR objectives, for example by helping them to improve the impact they have on communities or by improving the skills of their staff. On the other hand, there have been some high profile examples of businesses drawing back from supporting the arts in favour of other causes. To what extent either of these examples constitutes a trend, however, is not proven. Arts & Business's commissioning of this research is the first step in trying to understand better what trends may be occurring. This report provides a baseline understanding of the way in which businesses think about support for the arts in the context of CSR practice, against which future surveys can be compared.

What is known is that the interest within businesses in CSR is undimmed. The trend towards annual Social Reporting continues to grow. 132 of top FTSE 250 companies now produce a Social Report. The forthcoming legislation to implement the company law review introducing the new Financial Operating Requirements will mean that this trend will quicken rather than wane. CSR is maturing and being increasingly integrated into business practice as pressures increase on companies to prove they are operating responsibly. This pressure is coming from an increase in public mistrust of corporate behaviour fuelled in part by the recent Enron type scandals, an upturn in consumer consciousness around ethical products and from investors and politicians increasingly concerned about the negative impact of corporate misbehaviour. This is affecting the way in which companies think about their Corporate Social Responsibility and in particular their Community Investment strategies. This needs to be understood by arts organisations seeking to attract support.

Businesses conducting Social Reporting have to demonstrate how they are meeting their social and environmental responsibilities and this has resulted in the development of 'impact assessment' measures. The need to develop indicators to measure performance is growing and more needs to be done to establish the impact of arts activities in line with measurements such as the CSR Index and guidance on social impact indicators. This research also aims to explain in what ways this growth in corporate responsibility may affect the way in which business will expect arts organisations to interact with them. For arts organisations these developments present both threats and opportunities.

The purpose of this research is to provide a learning tool with the following specific aims:

- to improve Arts & Business understanding of the issues surrounding CSR and the arts;
- to improve the quality of advice Arts & Business is able to give to arts organisations that are grappling with how to relate with business in a changing environment;
- to help Arts & Business decide how to move the debate forward.

This research provides a baseline for measuring how CSR is changing the way that companies engage with the arts. It aims to provide insight into business attitudes to arts funding as they are seen today in relation to the CSR agenda, and to provide an understanding of business behaviour in terms of spending on the arts, through collecting data on arts spending that can be tested against by future studies.

### **The research sought to answer 4 key questions:**

1. Is CSR changing the way companies engage with the arts – if so how?
2. What are businesses trying to achieve through partnering with the arts?
3. How do companies see support for the arts from their communities budgets compared to other ‘good causes’?
4. What kind of evaluation do companies require to make the case?

We conclude the report with a final section with recommendations for arts organisations and for Arts & Business.

## Definitions

### **CSR and community investment**

Throughout the report we refer to the general term ‘CSR’ to mean Corporate Social Responsibility. It is important to make the distinction between ‘community investment’ and ‘CSR’. By ‘community investment’ we mean where companies contribute funding and other support to community based initiatives as a way of meeting their social responsibilities. By ‘CSR’ we refer to business practices that extend beyond engaging with the community and are concerned with how businesses meet their environmental, social and ethical responsibilities, including their responsibilities to their staff.

### **Sponsorship and donations**

Businesses tend to support arts activities in two distinct ways – either by sponsoring events in exchange for branding benefits, or philanthropically through their community investment budgets. This research seeks to explore differences in motivation between philanthropic and non-philanthropic forms of arts funding.

### **Arts organisations**

Where the report refers to ‘arts organisations’ we mean all organisations pursuing activity related to the arts. This includes the performing arts (music, theatre, dance, opera), the visual arts, film and literature. We use this term to mean all forms and sizes of arts organisations working in all kinds of premises, including theatres, museums, galleries and festivals. Where useful for clarification, we make a distinction between ‘community arts’ and other arts activities, but where this distinction is not made, ‘arts activities’ includes ‘community arts’. ‘Arts organisations’ also refers to not-for-profit arts activity.

### **Direct and indirect support**

For the purposes of this research we have identified ‘direct’ support for the arts as direct funding of artistic and creative organisations through grant giving, as well as gift-in-kind support such as premises or materials, or active engagement through professional advice and support. By ‘indirect’ support we mean support for activities that use the arts to deliver other objectives, such as projects that use drama or music as a way of delivering training, or drawing or painting as a way of teaching children about the environment.

## Methodology

The SMART Company undertook this work on behalf of Arts and Business by surveying companies on how they approach support for arts and arts related activities through their CSR and Marketing departments. We surveyed the FTSE top 100 companies and other, non-listed companies with significant turnover, a total of over 140 companies.

For interview, we selected companies who were known for their previous or current support for the arts. We calculate that those who replied to the postal survey were more likely to have an interest in the arts. The results of our survey therefore reflect the views of those companies who are more likely to engage with the arts than the full spread of companies in the FTSE top 100. This research should be taken in that context.

The views detailed in this report are drawn from:

- Survey responses from 23 CSR professionals from the FTSE top 100 and significant non-listed companies.
- Survey responses from 18 Marketing professionals from the FTSE top 100 and significant non-listed companies.
- In-depth interviews with CSR professionals from 10 leading UK companies spanning the leisure, financial, communications, FMCG, management consultancy and construction sectors.

## 1. The Context: What is CSR and what are the new pressures on business?

*“It pains me to say this, but I am becoming less cynical about Corporate Social Responsibility. Companies that are less exposed to social, environmental and ethical risks are more highly valued by the market.”*

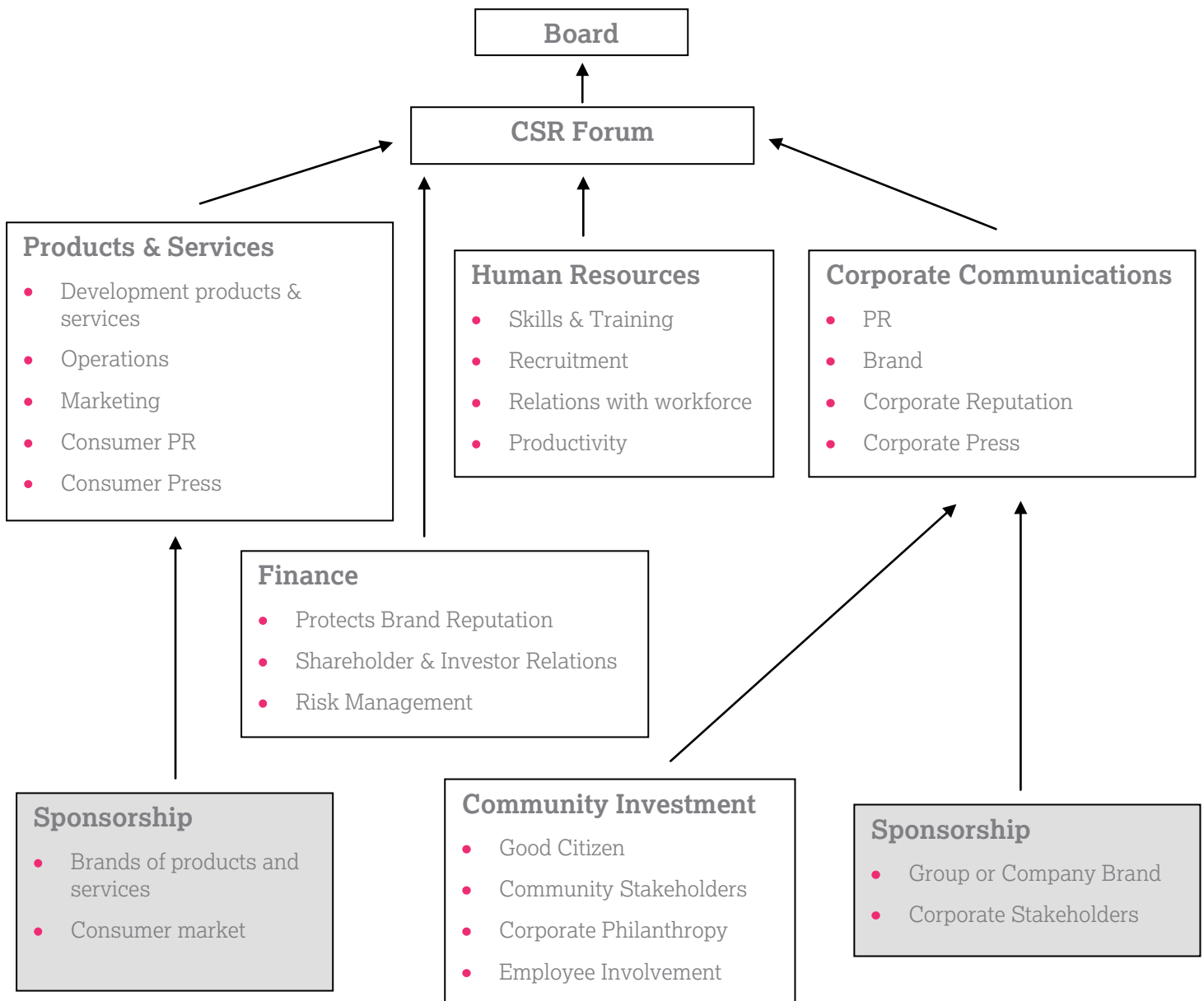
Jane Fuller, Financial Editor for the FT, August 2003

The emergence of the term Corporate Social Responsibility (CSR) is relatively recent, as is the grouping together of business practices that focus on ensuring business meets its social, environmental and ethical responsibilities. CSR is about all aspects of a company’s behaviour and activity – in the workplace, market place, local community and wider society. Companies are increasingly expected to operate ethically, environmentally and responsibly, and to prove to their stakeholders that they are doing so. Where these pressures are coming from is outlined below. Understanding these new pressures and behaviours is important for arts organisations looking to establish partnerships with business.

Business funding for the arts comes from two main sources; marketing spend such as sponsorships where the business derives a clear branding benefit, and from corporate community investment budgets. Community investment is a distinct part of CSR and relates to a company’s commitment to the community via the contribution of finance and skills. Companies often use their community investment activities as a way of contributing to solving social problems. These activities often form the front end of a company’s communication about responsible corporate behaviour. Community investment plays an important role in CSR, but it should be understood as a distinct part of a company’s wider CSR strategy. For those companies whose practice is maturing, CSR relates to wider behaviours such as financial and reputation risk, environmental impacts, human rights, the workforce and responsibility in the marketplace.

For arts organisations, understanding trends in the community investment aspect of CSR is crucial as this, alongside marketing budgets, is where the majority of business funding for the arts comes from. It is with community investment practitioners that arts organisations seeking corporate funding most often relate on the CSR side. For this reason, our research looked mostly at trends in community investment; though we also asked questions about other areas of CSR where they were relevant to arts organisations, such as where arts activity is used to train, develop and engage staff.

The way CSR is governed varies across the corporate sector. Businesses have different priorities and cultures and their structures reflect this. However, as CSR develops, principles about the way CSR should be governed are being adopted. For example, there is growing acceptance that CSR requires a strategic approach because the risks that CSR mitigates against run across the whole business. For this reason, CSR needs to be debated at Board level with senior involvement across the business. As CSR develops as a discipline, we could expect more companies to adopt structures similar to the one below. It is important for arts organisations to identify where support can be sought, who are the professionals to target and how the sponsorship or community investment relates to business objectives.



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Most definitions of CSR connect company behaviour in terms of its treatment of clients, customers, employees, communities and suppliers that goes beyond legal compliance levels, with the strategy and values of the organisation. According to the DTI's definition, which is fairly typical in its content and emphasis, CSR covers:

- Responsibility in the **Marketplace**
- Treatment of employees in the **Workplace**
- **Environmental** Responsibility
- Being active in the **Communities** in which you operate

CSR is growing from an after-thought into mainstream business practice and pressure on business is coming from a number of directions:

## Consumers

- In 1998 28% of the British public believed that when buying a product it was very important that the company showed a high degree of social responsibility; by 2002 this had risen to 44%. (Source: Annual CSR study, MORI)

## Investors

- Over half of analysts and two thirds of investors believe a company that emphasises its environmental and social performance is more attractive to investors. (Source: Investing in the Future, Business in the Environment/MORI's survey of City attitudes to environmental and social issues, May 2001)

## Communities

- In Smart's 2004 Community Panel Survey, the only such survey to ask local community leaders their views on how businesses behave locally, community leaders said they thought businesses should be more proactive in their relationships with the community, and play a longer-term role in building the capacity of community organisations. (Source: The Smart Community Panel 2004)

## Politicians

- The business behaviour most likely to influence Labour MPs when making a judgement about a company is: treatment of staff (70%), customer service (53%) and social responsibility (40%)
- Quality of management and financial performance are rated lower (38% and 25% respectively) (Source 110 MPs, MORI 2001)

## **Business leaders**

- 70% of global chief executives agree that CSR is vital to the profitability of any company. (Source: 5th Global CEO Survey, PricewaterhouseCoopers/World Economics Forum, 2002)

## **Employees**

- Highflying undergraduates are more likely than ever before to look for companies to work for which demonstrate their values and positive impact on the community in which they operate. (Source: 5,000 undergraduates in their final year, NOP, 2001)

It is likely that CSR practice will develop and deepen throughout the UK in the coming years, as businesses respond to these pressures to fulfil their social, environmental and ethical responsibilities. We should therefore expect businesses to be taking a more strategic approach to CSR with community investment evaluated more rigorously for its strategic impact on corporate reputation as opposed to well meaning but unstructured corporate philanthropy.

## 2. Is CSR changing the way companies engage with the arts – and if so, how?

In summary this research shows that CSR is changing the way companies see support for the arts. This research identified three significant areas of change:

- There is increasing pressure on companies to engage with communities and impact positively on society which is causing them to look more favourably on arts partnerships that engage with local communities or address social problems, compared with traditional sponsorship activities.
- The demand for businesses to monitor and report on their social and environmental impacts has made companies increasingly concerned about proving how support for the arts adds value and this extends across to sponsorship activities.
- The new emphasis on CSR is causing many companies to draw back from traditional forms of support for the arts as old-style patronage is no longer seen to be appropriate in the CSR age. Inclusion is the new watchword and companies are concerned with charges of elitism, which presents a major challenge to the arts sector.

### Interview findings

The companies we spoke to told us that CSR has put pressure on corporate relationships with the arts in two distinct ways:

- Firstly, the pressure on companies to show they are behaving in socially responsible ways has led many to question how their traditional relationships with arts organisations are perceived. The majority of those we interviewed told us that they now placed a greater emphasis on using their partnerships with the arts to contribute directly to local communities and to build relationships with their wider stakeholders. This approach has replaced older style forms of patronage and corporate hospitality. Businesses are now more focused on working with arts organisations to engage positively with local communities and wider society.
- Secondly, CSR has changed thinking in terms of evaluation. 132 of the top 250 companies now produce a Social Report (Directions #3, Trends in Social Reporting 2003-4, Salter Baxter and Context). This figure has risen from 105 companies to 132 in the last year. This move to greater transparency is forcing companies to prove the value of their spend on the arts. Companies are expected to be more rigorous in their assessment of the impact they are having in communities and are evaluating their arts spend more closely.

In some cases this has caused companies to pull back from supporting the arts as the added value of these partnerships is not clear (or that is it easier to prove the impact of support for other causes, which we go on to explore in a later section of the report). Where businesses are continuing to support the arts, pressure to develop better ways of measuring impact is building. This move towards reporting has also had a knock-on effect on the marketing side. Although marketing spend has always been evaluated, marketing managers are becoming more concerned with proving the impact of their spend as their decisions are more and more open to public scrutiny, and the impact of sponsorships on brand reputation is being considered within the CSR context.

However, the news is not all bad. These changes have not necessarily resulted in sponsorship and support for the arts declining. Where companies and their arts partners have adapted to these changes, these new pressures have provided opportunities. Equally, where they have been slow to do so, these pressures threaten future funding for the arts in favour of other causes.

In our one-to-one interviews, we talked to two types of companies – those who have increased or sustained their support for the arts in the last 3 years, and those whose support has declined. We asked those who had continued to support the arts why they had chosen to do so, and found three trends occurring:

- Some companies are continuing their support for the arts but have changed the nature of their arts partnerships, eschewing traditional patronage in favour of activity that tackles social causes.
- On the sponsorship side, companies have become more robust and demanding about the value they are deriving and more concerned about the public perception of such sponsorships. Most agreed that linking sponsorships to community benefits, though not necessary, was helpful in justifying major sponsorship spend.
- There are good examples of arts activities having a direct and absolute link to the business and, where this is proven, the argument for ongoing support has been made. In these cases, funding looks likely to increase.

Below are three examples of how this has taken place.

One of the companies we spoke to owns a sizeable art collection that has been added to over the years, driven by a tradition of the company supporting local talent. Recently, the company have taken this legacy and used the art collection to engage with the community. The project started in 3 local schools, using the collection to run workshops with school children to inspire discussion about aspects of the school curriculum, including subjects like maths and history as well as art. The project is now in 140 schools with a focus on the inner city, helping to engage with children who have disengaged with mainstream education. The project also gives support for schools applying for specialist art status, particularly in disadvantaged communities. The company communicates this activity to engage with key stakeholders such as MPs and opinion formers, as well as the local community. Alongside

other projects such as the after school clubs they run with a local theatre, the company forge good relationships with key political stakeholders at the same time as contributing significantly to the community. The company currently spends about 20% of their community investment budget on arts and arts education. They plan for this to increase to about 25% of the total, as their partnerships continue to flourish and the value to the business and to the community increases.

A second company we interviewed is one of the biggest sponsors of the arts in the UK currently. We questioned them about the link between their CSR and sponsorship activity. They do see their marketing and CSR strategies as closely linked. Their marketing strategy is focused on building customer loyalty within the mass and business-to-business markets. This cannot be uncoupled from their corporate reputation management. The company produces an annual Social Report and follows responsible business practice to reduce the risk of unfavourable PR. They see CSR as the flipside of their marketing activity; CSR protects their brand as marketing builds it up. They spend significant amounts in the sponsorship of film, fiction and music, the value of which they evaluate rigorously. They choose to sponsor cinema because of its mass appeal, and avoid highbrow arts sponsorships. As a consumer business, they are mindful of charges of elitism, which would damage rather than enhance their brand. They consider CSR to have raised public expectations about business behaviour generally and as a result are more concerned than they were about proving the value of their marketing spend, alongside actively managing reputation risk by following good CSR practice. The link between their marketing and community investment is also made. They consolidate the link from their community investment activities to their communications business by supporting projects focused on helping people with sensory disabilities communicate better.

Our third example is of a company who have increased their funding of the arts significantly over the last 3 years and anticipate spending over £200,000 next year on public art programmes. A property development company, they support arts activities through the public art strategies it has for each of its new developments, by providing grants for community arts projects and by using arts events to involve their stakeholders. As a major player in regeneration, they see their support for the arts as creating a point of difference between themselves and the competition and their developments are much enhanced by the use of art within them. For this company there is such a clear and direct link between the business and their support for the arts that it has become central to their work. They see arts activities as more effective than other causes in influencing opinion formers and improving relationships with the community. For companies where this obvious link to the business exists, funding for arts is likely to increase regardless of developments in CSR.

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We then talked to companies who have *reduced* their spending on the arts, and from those discussions we identified two main trends:

- Major reviews of company's CSR strategies have resulted in a change of focus that does not include the arts, because, in these cases, the arts were not considered to be as good as other causes at delivering community impact.
- There is a public perception problem about support for the arts. Companies are concerned about this regardless of their own level of understanding around the social benefits of the arts in general and community arts in particular. Companies are cautious that continuing support for arts activities will appear elitist, when the pressure on them is to prove community and social responsibilities. Their concern is that the public does not yet associate the arts as closely with community and social projects as it does with the highbrow establishment art institutions. Engaging with the arts therefore presents a PR risk to companies needing to prove their community and social impact, regardless of whether the project they are supporting has a community aspect or not. Companies voiced particular concern about the negative impact of presenting support for the arts as a major proportion of their community investment spend in their social reports.

As examples, two of the companies we spoke to have previously been major supporters of the arts. Recently both have withdrawn support in favour of other causes. In one case this has been despite their previous support for the arts having proven benefits in engaging staff and the general public. In the second case, the main business changed from a consumer facing one to a business-to-business one. The company was heavily involved with the arts, seeing it as an effective way of building brand awareness but when their sales strategy changed to business-to-business, support for the arts no longer seemed appropriate. Their community investment strategy is now very focused on community projects, which relate more closely to the kinds of services they offer businesses. Both of these examples show companies moving away from supporting a number of causes of which arts activities may be one, to a single focused community investment strategy. This presents a major threat to arts funding as, where this is happening, it is unlikely that companies will choose support for the arts as their focus, given the public perception problems outlined above.

## Survey findings

The survey carried out revealed a wide variation in financial support for arts activities, ranging from nothing to over £200,000 a year across both marketing and CSR budgets within companies. Those who are spending significantly anticipated spending similar amounts in coming years indicating that there are some companies who are convinced of the case, and are likely to remain long-term supporters of the arts. These major spenders made up a small proportion of those surveyed however, 13% and 16% of the CSR and marketing respondents respectively. Overall, spending on arts activities appears relatively stable with 61% of marketing budgets and 43% of CSR budgets showing no change over the past 3 years. This

figure includes those who do not spend on the arts as well as those who do, and may indicate that overall business is quite slow to change its behaviour, despite external pressures.

Indeed many of those who support the arts, particularly the CSR professionals, cited the long-term relationships with arts partners as key to their success.



Figure 1: Community Investment Spend on the Arts 2003/4 & 2004/5

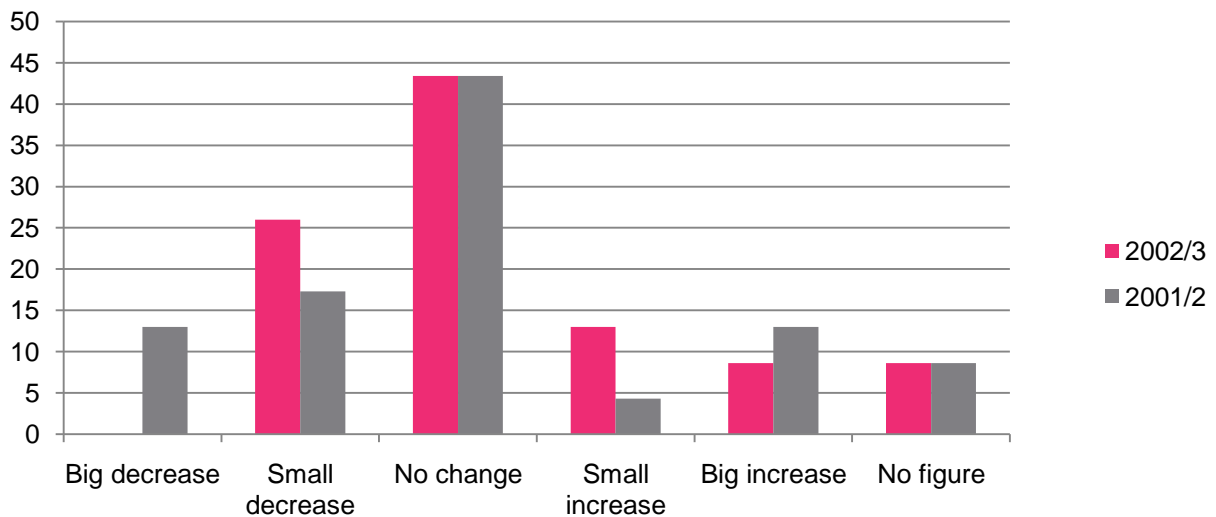


Figure 2: Community Investment Spend on the Arts 2001/2 & 2002/3

The survey asked CSR professionals to consider two types of support for the arts – direct and indirect. By ‘indirect’ we meant support for projects that have a wider primary objective, such as education or social inclusion, and where arts activities are used as a vehicle for delivering the primary objective. For example, arts are often linked with education programmes as a way of bringing them alive. 78% of CSR professionals surveyed indicated that they support the arts indirectly. Arts organisations should therefore not be put off from approaching companies who do not appear to support the arts directly, if the project in question is a vehicle for achieving other aims that the company is prioritising.

Finally, the survey asked about the proportion of their overall budget companies spent on arts activities. The majority of those surveyed (76%) who supported the arts at all, contributed only up to a quarter of their budgets to arts activities. About half of those surveyed also support the arts in other ways, for example through active involvement of staff.

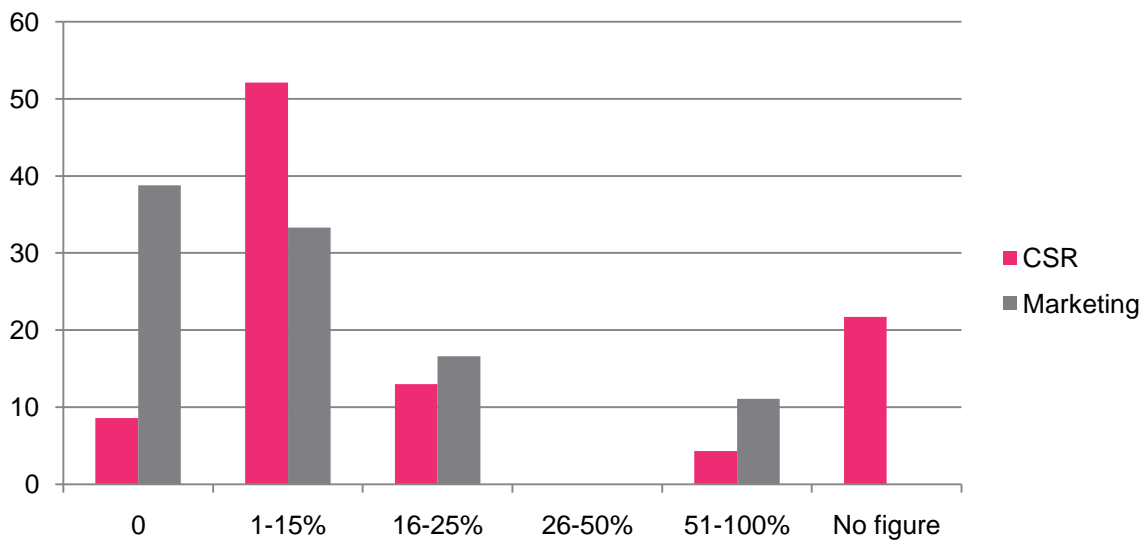


Figure 3: Proportion of budget spend on the arts

## 3. What are businesses trying to achieve through partnering with the arts?

As we have explored above, businesses support for the arts tends to come either from marketing or community investment budgets. Support for the arts therefore needs to contribute to the public profile of a company or to impact positively on society. This is leading companies to favour arts projects that either have a broad public reach, or that contribute to social objectives as their primary focus.

A good example of this is the review many businesses have undertaken on their corporate hospitality support. Taking a box at one of the major art venues close to business headquarters used to be commonplace. A number of the company's we interviewed told us they were increasingly questioning this kind of corporate hospitality, partly because of elitist overtones, but also because companies are favouring activities that reach more people than this kind of opportunity allows.

However, this new focus from business also presents opportunities. Arts organisations can increase the success of their approaches by improving their understanding of the company's CSR priorities. This requires arts organisations to target their approaches and consider where they can add value.

Our research indicated that companies are primarily concerned about the following when thinking about what arts partnerships can deliver:

- Traditional forms of corporate hospitality do not have the reach companies now require. Companies are rejecting traditional corporate hospitality in favour of opportunities that engage a wider group of stakeholders than the corporate box. Companies are looking for ways to engage opinion formers and MPs in non-elitist ways.
- On brand building, companies are seeking a wider reach to consumers, and value is judged primarily through media coverage. However, companies also consider engaging with stakeholders, clients, suppliers, the community and staff as crucial elements to building the brand and arts projects offer opportunities to reach all of these.
- A key CSR driver is internal communication with staff. A number of companies are engaging with arts organisations delivering creative training to staff, either through specific training programmes where arts organisations provide a commercial service, or as a result of involving staff in creative projects.

- Arts projects offer distinctive ways of involving staff. Involvement can improve the creativity of organisations and its people, can inspire innovation and new approaches to work and provide informal ways for staff to engage with each other.

## 4. How do companies see support for the arts from their community budgets compared to other ‘good causes’?

Both in the survey and in one-to-one interviews with CSR professionals, we asked companies to identify how support for the arts compared with support for other causes. We wanted to find out what kind of competition arts organisations are facing when proposals for funding are assessed. Support for other causes may be more effective in helping a company prove a positive social impact. We wanted to know if the arts sector faces a challenge to be seen as relevant in relation to other causes. We also asked companies to identify where arts partnerships can help achieve benefits that other causes cannot.

Our conclusion is that arts organisations face stiff competition from other causes when applying for community investment funds. For example, where companies do support arts activities they are unlikely to contribute more than a quarter of their community involvement budget. In addition, we found that where companies are moving to a single-focus strategy, arts activities are likely to be sidelined as companies favour causes where the social need is more apparent. Arts activities are also unlikely to be favoured by employee fundraising schemes. A number of companies interviewed drew a comparison with the sport sector, which they saw as having been more successful recently in making the case to business.

However, the companies we interviewed also indicated that arts partnerships offer unique benefits to business, which include the training and development of staff, improving relationships with the community local to the business, engaging wider groups of stakeholders and improving creativity. Arts organisations need to consider the competition from other causes when applying for funding, and target their approaches by making the most of the uniqueness of arts based work.

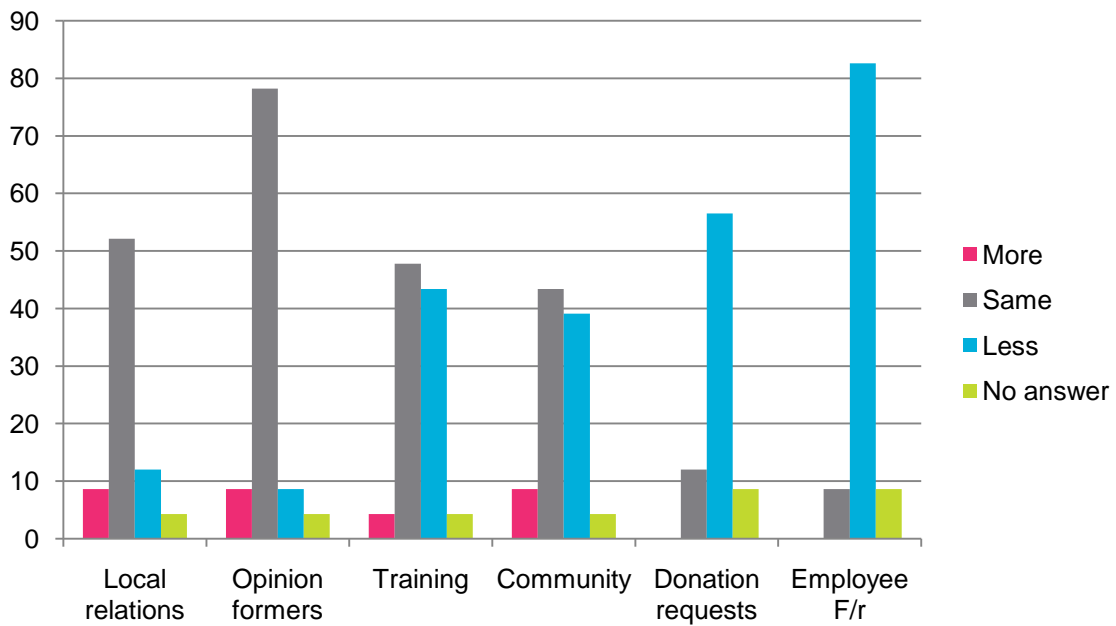


Figure 4: How effective is support for the arts in achieving CSR objectives compared to support for other causes?

## Interview findings

The majority of the companies we interviewed agreed that the public perception of the arts as elitist presents a significant challenge for the arts sector when competing for funding with other causes. Generally companies are cautious about spending more than a quarter of their community investment budget on arts activities, because they are concerned about charges of elitism or patronage that other causes are not associated with. This is, in part, a cultural issue and should be seen within the context of how the arts are seen by society in the UK. International companies that we interviewed had an interesting perspective to offer on this issue. For example, a company with offices in France reported a more relaxed attitude towards arts funding, in part due to greater public support for the arts in France. Likewise, companies with offices in developing countries are more favourable to significant funding for the arts, primarily because of the larger role big businesses play in contributing to the national heritage and cultural development in those countries. The UK compares favourably with the US however, where companies report spending on the arts to be more restricted. Unless the way the arts are perceived in the UK changes, it is unlikely that companies will increase the proportion of their spend on the arts which hovers around a maximum of 25% of the overall budget as an average benchmark (see Figure 3).

In addition, those interviewed consistently mentioned how important staff are in deciding which cause to support. This disadvantages the arts sector overall as staff tend to favour more emotive causes. Where staff lead on deciding fundraising priorities, for example through matched funding schemes, arts activities rarely feature. However, this appears not

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to be the case when staff are actively engaged in long-term partnerships with arts organisations.

A number of interviewees agreed that sports programmes feature more prominently in the minds of CSR professionals as its impact is more obvious and sports organisations have been more effective at making the case to business. Significantly, the Premier League has recently become a member of the Corporate Responsibility Group (a group of leading CSR practitioners), indicating how sports organisations are embracing the CSR agenda. Events such as the Commonwealth Games and Olympic bid have also prioritised sport and offered fantastic opportunities for engagement. At the same time public issues such as the rising concern about obesity and the propensity of heart disease offer companies a quick win when proving their contribution to social issues.

We also asked the companies we interviewed in what areas could support for the arts offer specific benefits when compared with other causes. The results of this are positive for arts organisations and should be built on. Those we interviewed raised the following areas of impact.

- **Employee training** – businesses recognise the benefit of using art based training to build skills such as communication skills amongst the workforce. This currently happens formally and informally. (On the formal side, companies were anxious to caution that training should not be seen as a side-line to subsidise other projects, but work best when delivered as a commercial venture with professional trainers. While there is a clear link with CSR, professionals also cautioned that paid-for training would always need sign-off from Human Resources. Arts organisations considering running business training should therefore only do so if they are interested in delivering long-term professional business training, and they should target Human Resources staff rather than CSR staff when they approach companies for this work.) On the informal side, many companies report employees benefiting from active engagement with arts. Staff involvement is also one of the success criteria cited by companies. Arts organisations should therefore always consider ways in which they can involve staff in partnerships.
- **Improving relationships with the local community** – community arts activities have a high profile within local communities when compared with other causes, mainly because they usually have an end point that is public. Local communities are generally very positive about business getting involved with local arts projects, where the charge of elitism does not seem to apply in the same way, especially when the focus is community arts based. Companies see arts activities as having a higher degree of impact than other causes when improving relationships within their local area.
- **Improving relationships with stakeholders** – despite companies questioning the value of their traditional corporate hospitality spend, arts activities still offer very good ways of engaging groups of stakeholders. Rather than rejecting the arts events as a way of engaging with their stakeholders, companies are changing the focus. Companies tend to prefer arts activities that also have a community impact as these offer excellent ways of engaging a wider range of stakeholders (clients, customers, suppliers, staff and the

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community) and of proving the company's responsibility to the community at the same time. This is particularly useful in the current climate where CSR pressures are to the fore.

- **Creativity** – modern businesses are required to move and change more quickly, and prize innovation. Partnerships with the arts help business to think differently. Companies we interviewed specifically mentioned how working with arts partners helped them to become more creative, for example in designing new ways to engage their stakeholders.
- **Young People** – Much of business' indirect support for the arts is delivered through education-based projects. Because of its inherent creativity and focus on fun, expression and communication, arts activities particularly useful in engaging young people. Music, theatre, visual art and Dj-ing projects are highly successful at engaging young people who have been disadvantaged. Therefore the arts are a particularly useful vehicle for meeting companies' community strategies where they are focused on education, social inclusion, overcoming disadvantage and helping young people achieve their potential.

## Survey findings

Over half of the CSR professionals surveyed agreed that arts activities were as effective or more effective than other causes at improving relations in areas local to the business (60%), improving relationships with stakeholders (52%) and staff training and employee development (52%). (See Figure 4.)

Those surveyed also agreed that arts activities were less effective and were not used as often as other causes as a way of responding to donation requests (56%) or employee fundraising opportunities (82%). Arts organisations should therefore consider that competition from other causes is likely to be much higher when making untargeted applications to company's general funds, and when hoping to engage staff to fundraise for them.

We also asked those surveyed to give us their own view on what was particularly beneficial about working with arts partners. Their spontaneous responses included training of staff and connection to the business, social inclusion, working with young people, helping to reach new communities, encouraging diversity, reaching local communities, relations with staff and brand building.

## 5. What kind of evaluation do companies require to make the case?

As we have seen above, one of the ways in which the expansion of CSR has made an impact on arts and business partnerships is to have increased the emphasis on evaluation. This is particularly true of community involvement initiatives where organisations like the London Benchmarking Group have set up to help companies measure the impact of their investment.

No longer are companies able to support arts for arts sake without justification. Businesses told us that funding for the arts must now be evaluated against one of the following sets of objectives:

- **Marketing:** improving relationships with key stakeholders, brand building with consumers and staff, media coverage.
- **Community Impact:** meeting social objectives, improving relationships with local community, provable benefit to disadvantaged communities.
- **Wider CSR Benefits:** staff training and development, public affairs wins, encouraging innovation and creativity.

The move towards greater evaluation presents a challenge to the arts sector. Unless better indicators are developed to help the arts sector prove it's unique impact, it will not compete effectively with other causes. Arts organisations should consider how to prove the impact of both direct and indirect projects as it may be easier to establish the effectiveness of art based activity as a vehicle for delivering impact in areas such as education and engaging young people, for example.

We conclude that the expansion of CSR has brought with it a greater requirement for business to evaluate its work in the community and its impact in other ways. This has resulted in a greater expectation on arts partners to prove the value of its work, in terms of marketing reach, benefits to the business and impact on the community. Companies are keen to see an improvement in the way arts organisations evaluate. This is vital to the sector if it is to compete with other causes that find it easier to prove social, community and business benefits. The arts sector should develop further measurement indicators, along the lines of models like the London Benchmarking Group and establish robust processes for measuring inputs, outputs and outcomes appropriate to arts activities.

## Interview findings

The companies we interviewed all agreed that evaluation played a key part in successful partnerships. They had three main messages about the importance of evaluation and how it should develop in the arts sector.

- **Methods of evaluation need to improve across the sector** – arts organisations need to get more sophisticated about how they measure impact. It is not enough to look to the numbers of people participating. Measures need to include the impact of participation.
- **Improve the professionalism of impact measurement** – currently companies are sceptical about the commitment to evaluation within arts organisations. Companies want to work with trusted partners who are committed to delivering partnership aims over the long-term. Companies are more likely to trust arts organisations that have developed management systems to effectively carry out evaluation as part of their core activity rather than tagged onto the end of projects. Arts organisations that display greater professionalism around impact assessment are likely to prove more convincing.
- **Don't 'communitise' falsely** – companies are sceptical if they sense arts organisations are adding on a community angle to their work purely to access funding with which they can subsidise other activities. To achieve their social objectives through community investment programmes, companies wish to work with arts partners who are committed to the community and can prove success working within it. Quality evaluation that proves impact underpins the ability of truly community minded projects to deliver.

## Survey findings

In our survey we asked both marketing and CSR professionals who their key audiences are and how they measure the impact of their arts partnerships with those audiences.

The three main target audiences cited by marketing professionals were local communities, business leaders and staff. 66% of marketing professionals said they evaluate their programmes and those who do evaluate cited media coverage, a survey of stakeholders and spontaneous feedback through letters and other means as the main three ways of evaluating.

Of those CSR professionals who evaluate, 80% look to establish the impact of their arts partnership on the community, 60% measure the impact on their arts partner and 50% measure the impact on the business. 60% of those companies that evaluate use an external agency to carry out the work for them. All companies evaluate by project, with 50% also evaluating the impact of their work with arts organisations on an annual basis as well.

## 6. Recommendations for arts organisations

CSR is changing the context in which businesses consider funding for arts activities. Most critically, this relates to how companies perceive arts activities compared to other causes when making decisions on spending from their community investment budgets. In addition, the pressure on companies to prove they are behaving responsibly affects decisions on marketing spend on the arts. We draw the following lessons for arts organisations from our research:

- 1 Overall, arts organisations need to get better at targeting proposals and understanding what companies are looking for. Untargeted applications are unlikely to be successful and companies complain about the number of untargeted approaches they receive. Untargeted approaches from any organisation do not impress companies but other causes have more chance of success because of their more obvious social impact. Art projects have to work harder to make the case and it is therefore more important to make targeted approaches.
- 2 Indirect funding for arts activities presents an opportunity. Companies are receptive to applications using arts projects to meet a defined social need even if they do not explicitly state support for arts activities.
- 3 Arts organisations should play to their strengths. Businesses recognise arts projects as being particularly effective at reaching local communities, engaging a wide range of stakeholders, injecting creativity in a business and developing the skills of employees.
- 4 As businesses are increasingly looking to prove responsibility by working in the community, business partnerships with community based arts projects should flourish. However, businesses are rightly suspicious of arts organisations looking to subsidise non-community based projects by adding on a community element. Arts organisations should not 'communitise' falsely.
- 5 Partnership is very important to companies and long-term relationships work, particularly where activity takes place in the area local to the business. Where successful partnerships are in place, companies are much more likely to continue funding for arts projects.
- 6 Partnerships are more likely to prove successful in the long-term if they actively involve staff.
- 7 Improve the quality of evaluation. Arts organisations have to compete with many other causes when applying for community investment funding. Many of these organisations are able to prove their beneficial impact on society more directly. To be more successful in attracting ongoing corporate funding arts organisations need to improve their evidence of the positive social impact of their activities.

## 7. Recommendations for Arts & Business

To conclude our research, we asked those companies we interviewed how they thought CSR professionals saw partnerships with the arts developing overall. Though many of the individuals we talked to were passionate supporters of the arts, and advocates for arts partnerships within their own organisations, the overall view was that the development of CSR presents a number of serious challenges to the arts sector. Our main recommendation to Arts & Business is that it needs to help raise the profile of the arts sector among CSR professionals and help to make the case for the contribution arts activities can have in helping companies achieve their CSR objectives. We suggest it might do this in the following ways:

- 1 Represent the arts sector in important CSR circles such as the Corporate Responsibility Group.
- 2 Impress upon arts organisations the need to improve evaluation if arts activities are to compete effectively with other causes.
- 3 Work with arts organisations and businesses to develop a sophisticated and practical evaluation framework that is useable by arts organisations and meets the reporting needs of business. This should dovetail with the strategies and initiatives of public funders and policy makers who are also seeking to improve the available evidence on the impact arts activities have on society.
- 4 Raise the level of debate about the unique contribution the arts can make in helping companies achieve their CSR objectives, specifically their community investment goals, both directly and indirectly. This should include reaching local communities, engaging a wide range of stakeholders, injecting creativity in a business and developing the skills of employees.
- 5 Explore further with businesses the public perception of arts activities as elitist. Arts & Business could instigate a dialogue with business about how support for the arts might be presented differently in social reports to overcome this problem and in turn educate the public and other companies about the role arts activities can play in achieving community goals.
- 6 Contribute to the wider debate about the social and economic benefits of the arts alongside other advocates for the arts, by working with business to produce evidence of the contribution arts activities have made to CSR.