

Australia
Business Arts
Foundation



Australian Government



Arts and business: partnerships that work

Research report

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Foreword

by Jane Haley, CEO, Australia Business Arts Foundation (AbaF)

Arts and business: partnerships that work contains much welcome news for the arts.

As the study reveals, many decision-makers in the business world recognise the unique qualities of the arts. They see the value of connecting their brand to a particular arts organisation. They understand that by partnering with the arts they can achieve key social responsibility outcomes. And they know that arts partnerships can motivate and excite their staff, and help make their company an employer of choice.

Businesses commended the ways in which the arts could be integrated across many functions—forming a genuine partnership rather than a less valued sponsorship relationship. The ability of arts partners to engage with differing levels and layers of a company is one of the key drivers for success, with effective communication a characteristic of these relationships.

The arts offer a creative energy that business partners relish. The arts provide ‘a way to look at the world differently, a way to promote excellence, a way to encourage tolerance and to be uplifted’, as one business partner put it.

So business knows what the arts can offer. This report underlines that, for a partnership to succeed, the arts must have an equally good knowledge of business. Corporate decision-makers stress that arts organisations must understand their company’s business needs, and what the business seeks from a relationship.

Creativity is the stock in trade of the arts: creativity is what the arts do. The challenge is to bring creative ideas and approaches to business partnerships.

In the words of the business sector, the arts should not try to replicate the approaches of other sectors—such as sport—but play to their own strengths. These include the creative potential of arts and cultural activities, the passion and loyalty of audiences, the uniqueness of events, inclusivity, and the capacity to connect to ideas and emotions. Simply by being themselves, the arts offer benefits that no other sector can match.

With the insights revealed in this report, AbaF is confident that beneficial creative connections between arts and business will continue to grow in Australia.



by Kathy Keele, CEO, Australia Council for the Arts

The Australia Council supports artists in developing Australian art. A key priority is to generate research that creates value for the arts sector, which adds new knowledge to the field, and provides insight and direction for policy, practice and innovation. This report addresses one of our key research priorities, business and philanthropic involvement in the arts.

We’re pleased to partner with AbaF to deliver this 2010 update on arts partnerships and the corporate processes surrounding arts-business relationships. This study examines the perceptions and preferences of partnership decision-makers at 36 businesses around Australia—including both businesses that currently support the arts and businesses that support other sectors.

For arts organisations pursuing new relationships, the report reaffirms the importance of knowing your target. In an increasingly competitive sponsorship market, those arts organisations that can tailor their proposals to the needs and decision-making processes of prospective partners will stand out from the crowd. All arts organisations, including those managing established partnerships, may be interested to read how businesses are looking for creative new ways to share resources and capitalise on synergies.

Business-arts partnerships are a key area of interest for the Australia Council. Well-designed relationships can unlock considerable value for both parties. We consistently notice that organisations that partner well can build capacity by accessing skills and resources they don’t have internally. This enables them to concentrate more on doing what they do well—a key requirement for high performance.

I hope the findings assist arts organisations to develop smart new relationships and to deepen existing ones as we move into the new decade. Arts organisations should also have confidence in the value of their offering. It’s clear from this research that even in the current economic climate, many businesses are as aware as ever of the unique benefits of arts partnerships, and understand how arts organisations can assist them to deliver on their corporate objectives.



Introduction

This collaboration between AbaF and the Australia Council investigated the various dimensions of corporate support for the arts. The overarching aim of the project was to gather a descriptive account of trends regarding the decision-making and strategies of sponsorship and relationship managers.

AbaF has conducted extensive industry research; such as the *Arts Sponsorship Outlook Survey (2009)* and the annual *AbaF Survey of Private Sector Support for the Arts*. This is the first study that directly focuses on the attitudes of corporate decision makers towards arts sponsorships and partnerships.

The key objective of the research was to gain a greater understanding of corporate views on:

1. The strategic importance of arts partnerships for the corporate sector.
2. The corporate sector's motivations for partnering with the arts.
3. Key influences and decisions that shape strategies associated with arts sponsorships.
4. Decisions and activities that convey some of the key best practice lessons learnt.
5. Examples that highlight the benefits of business-arts partnerships for the corporate sector.
6. The primary reasons for major corporate brands not currently investing in the arts sponsorship industry.

AbaF approached Repucom International to conduct this research due to its expertise within the sponsorship research field. Work began on the project in late 2009. This document details the key findings gathered through this qualitative research process.

A note on terminology

As the interviews were conducted with corporate sponsorship relationship managers we've used sponsorship language throughout this report—thus 'brand' to refer to businesses or sponsors and 'property' or 'rightsholder' to denote an organisation or event that is sponsored.

Summary of findings

What business seeks from the arts

Many companies viewed partnerships with arts organisations as a way to deliver on their corporate objectives and priorities.

'Brand positioning and alignment', 'social responsibility' and 'employee engagement' emerged as the key areas where arts partnerships align with the corporate priorities of companies that sponsor the arts ('arts supporters') (see page 9).

Brand alignment also proved to be a factor amongst companies who are not currently sponsors of the arts ('non-arts supporters'). These companies prefer to align their brands with sponsorship sectors that help to convey key brand messaging, for example, health promotion aligned with sports sponsorship (see page 9-10).

Key benefits of arts partnerships for business

60 percent of the companies surveyed deemed there to be a difference between a sponsorship and a partnership, with a partnership the desired relationship for these companies. Companies valued arts partnerships as reciprocal relationships with both parties benefiting.

The ability of the arts to engage the community, staff, clients and other key audiences is a differentiating factor compared with other sponsorship properties and, as noted by sponsors, should be a focal point when approaching companies (see page 12).

Arts partnerships have the ability to engage staff, helping to bring creative energy, vibrancy and a different way of thinking to the workplace for sponsors.

The creative energy and input that arts organisations can provide companies was also one of the most sought after elements amongst sponsors and in most cases the differentiating factor between the arts and other corporate partnerships (e.g. sport, entertainment, other community). Creativity represents an opportunity for arts organisations, as companies expect a level of creative initiative and input when approached.

Arts partnerships were viewed as an exciting medium to leverage the unique skills and initiatives of arts organisations, enabling partnerships to 'come to life' (see page 12).

Non-arts supporters also acknowledged the unique attributes of arts partnerships. In particular, non-arts supporters acknowledged the ability of the arts to offer access to demographics that cannot be reached through other sponsorship sectors. They also believed the corporate entertainment opportunities available through the arts could create a far more emotional connection than can be driven through competing avenues (see page 13).

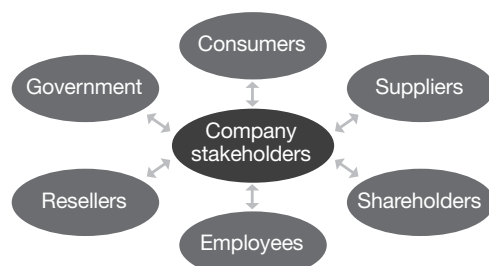


Diagram 1: Arts partnerships can engage multiple stakeholders

Challenges for business-arts partnerships

Common challenges cited for arts relationships are the ability of arts organisations to effectively communicate with, and understand the key business objectives of corporate partners (see pages 15-18). These challenges are particularly relevant at the approach phase, with companies looking to arts organisations to demonstrate a clear understanding of their business needs and objectives and how a partnership with the arts can help to achieve these objectives.

A challenge for any organisation seeking corporate support is to develop an offer that has the ability to attract the business. The key elements (cited by companies) that make an arts proposal stand out are:

- a sponsorship proposal should be a result of a prior conversation
- arts organisations must understand the business they are wishing to engage
- arts organisations must use this knowledge to present specific benefits that align with key business objectives or outcomes.

Some respondents noted that arts organisations can lack commercial rigour and ability to deal with corporate entities and proposed that to complement existing strengths, arts organisations might bring in 'business minded' people to engage with the broader corporate market and disengaged businesses.

All companies emphasised the importance of detailed research, a tailored proposal and a personalised approach to the company.

Another challenge for the arts is the need for more clarity and justification around returns on partnership spending. Changing economic conditions have increased the pressure on business to justify the value and benefit of expenditure. Many arts-related benefits are deemed to be intangible, making it difficult to quantify a direct return (see pages 20-21).

Other considerations

Large organisations tended to be more proactive in their approach to seeking new partnerships, targeting properties to complement their portfolio. They were also more likely to have established formal criteria for evaluating opportunities. In contrast, small and medium sized companies tended to be more reactive to approaches from arts organisations (see pages 22-23).

Whilst a combination of formal and informal evaluation techniques were cited across the corporate sector, most companies were interested in the alignment of brand, vision and values, as well as the potential to reach key stakeholders.

The diagram below outlines the decision making process adopted by many companies, and a list of suggested actions and collateral for arts organisations to consider when approaching potential partners.

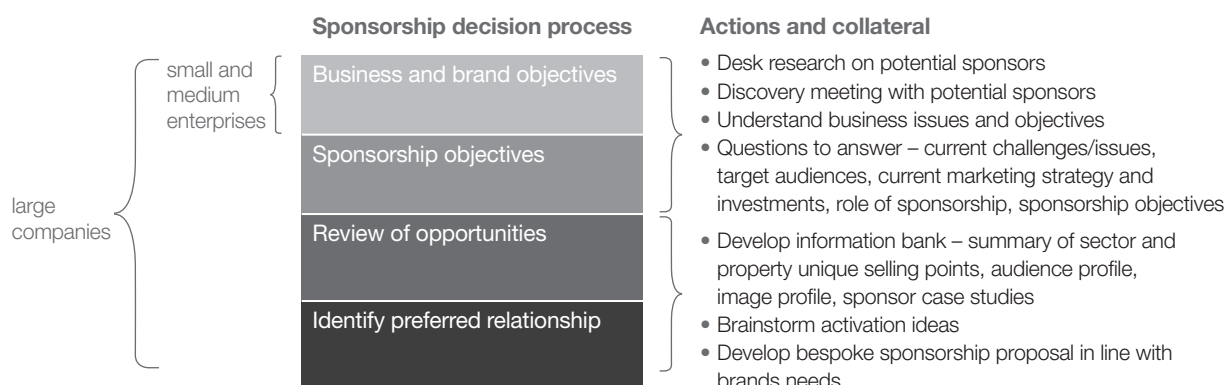


Diagram 2: The sponsorship decision process and associated actions for arts organisations

Managing arts relationships

Marketing and communications divisions are the area that primarily manages arts partnerships within companies, while the final decision for approval of an arts partnership generally rests with top level executives (see pages 23-24).

Arts partnerships appear to be closely integrated with many business functions within arts supporters. Arts partnerships predominantly intersect with employee engagement, corporate hospitality and regional or branch network programs—particularly amongst large companies looking to engage with local communities. Integration with other core marketing functions is also a key element for companies (see page 25).

The majority (60 percent) of companies prefer to establish mutually beneficial two-way partnerships with arts organisations as opposed to more unilateral sponsorship relationships (see page 22).

Amongst sponsor companies preferences on the size of arts partnership portfolios (a few large versus multiple smaller partnerships) were mixed;

- 50 percent of respondents stated a preference for a few large partnerships, with resourcing a major factor behind these decisions
- 25 percent had a preference for smaller partnerships, with the ability to reach more people across different audiences
- 25 percent had a preference for a mixed portfolio, with smaller partnerships used to target specific regions or demographics (see page 22).

More than 50 percent of companies indicated that the economic climate has had an impact on their partnerships. Many of these companies noted changes in the value of the partnership budgets, rather than changes to their number of partnerships.

Companies identified certain risks that might discourage arts partnering, depending on individual circumstances. These included turnover of key arts personnel, the financial sustainability of partner organisations, and artistic content that could potentially conflict with brand and corporate priorities or disengage stakeholders (see pages 18-19). Other companies saw little risk in becoming involved with arts partners, and in fact saw them as less of a gamble than sponsoring organisations in other areas such as sport. They reason that the arts have a 'wholesome appeal' and tend to be associated less with negative issues (e.g. poor player behaviour) than sport.

Methodology

Interviews were conducted with sponsor companies from October 2009 to March 2010, via either face-to-face or telephone discussions. The average length of each interview was 38 minutes.

In total, 36 interviews were conducted, comprising:

- 25 businesses which are currently involved in arts partnerships ('arts supporters'); and
- 11 businesses which are not currently involved with any arts partnerships but are active in other areas of the sponsorship market ('non-arts supporters').

Within the arts supporter sample, companies were classified by size and location to capture an indicative cross-section of the Australian landscape.

A minimum of two companies were included in each category, with the size of a company defined as:

- large – companies with an annual revenue exceeding \$1 billion
- medium – companies with more than 200 employees and with an annual revenue below \$1 billion
- small – companies with fewer than 200 employees.

Companies within the non-arts supporter sample were drawn from the following sectors and locations:

- business type – health insurance (3), consumer electronics (2), financial services (2), retail (2), telecommunications (1), superannuation (1)
- location – New South Wales (6), Victoria (3), Western Australia (2).

A full list of participating organisations can be found in Appendix A.

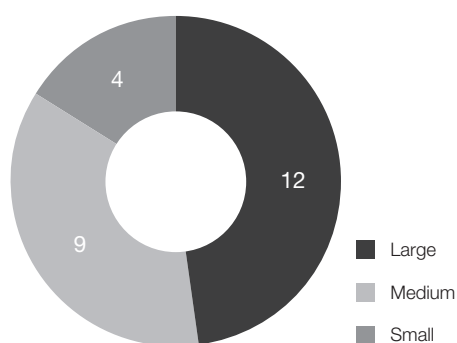


Chart 1: Size of participating companies – arts supporters



Chart 2: Location of participating companies – arts supporters

Research findings

1. What business seeks from the arts

Positioning of arts partnerships within overall corporate priorities

'Brand positioning and alignment', 'social responsibility' and 'employee engagement' emerged as the key areas in which arts partnerships most closely fit the priorities of sponsor companies.

- Brand positioning and alignment

One of the most critical aspects for a business is that the arts partner's vision and values align with the company's desired brand and business outcomes.

Alignment between a brand and an arts property works in two ways for many companies:

1. the ability to link key brand messaging or attributes to a particular arts organisation or property, where strong synergies exist; and/or,
2. arts properties often have strong connections to the local community, providing creative opportunities in which companies can align their brand and engage directly with these audiences.

'We made a strategic decision that sport wasn't for us and art very much aligned with where we wanted to go and how we wanted our business perceived in the community. Also the sorts of people we wanted to be engaging with were in that space—in terms of innovation and creativity...'

- Social responsibility and corporate reputation

Many companies believe the arts deliver a strong platform on which to achieve social responsibility objectives, including areas such as Indigenous relations, regional issues, young people and education, social inclusion and disengaged communities.

- Employee engagement

In many cases arts partnerships are aligned with key employee engagement objectives. They can contribute to education and training initiatives, the recruitment and retention of staff within geographic locations or industries, bring vibrancy to the workplace and encourage creative thinking. Arts properties were seen to offer a differentiating factor to employers, and can demonstrate the company's commitment to the interest of their employees or community.

'A way to look at the world differently, a way to promote excellence, a way to encourage tolerance and a way to be uplifted, for people to have uplifting experiences that let them see a different world and a different way of being...'

Non-arts supporters: major reasons for not currently supporting the arts

Some non-arts supporters indicated that arts sponsorships can lack the degree of reach and exposure required, particularly where the main sponsorship objective is to drive brand awareness. The ability of competing sponsorships, such as sports, to provide what is seen as national exposure often outweighs the more intimate, personal connection that can be made through arts sponsorship.

Brand alignment also played a major role when companies were considering arts sponsorships, with corporate relationship managers preferring partnerships that can convey their specific message more directly to their desired target markets. For example, the arts are not necessarily the best vehicle to communicate a message related to promoting health and physical fitness.

'...I can get the brand awareness and the numbers by sponsoring a football club, so unfortunately that's what they've got to compete against.'

'...it's just such a small audience; that's just not attractive for us.'

'Because we're targeting specific industries, hospitality, tourism and sport, a lot of our partnerships are focused on growing that community, so moving into arts is not a fit with that position.'

Processes for evaluating arts partnership opportunities

A variety of evaluation techniques are used by sponsor companies to assess the strategic fit of potential partners. The most notable form of assessment involves specific criteria established for potential partnerships. However, many companies evaluate opportunities on their own corporate priorities, strategies or desired business outcomes.

Just over one in four (28 percent) companies had formal assessment criteria for evaluating potential opportunities. Large companies were most likely to have formal assessment criteria, along with some medium-sized organisations. This assessment methodology was applied across all corporate partnership types, including the arts. Assessment criteria cited by companies included:

- audience / target market reach
- geographic market reach
- value for money
- brand enhancement / alignment opportunities
- employee engagement
- business benefits
- consumer benefits
- level of clutter (e.g. overall number of property sponsors or competitor brand activity)
- the people to be dealt with
- alignment to strategies.

In most instances, the assessment criteria would act as the first stage of evaluation for companies. Once satisfied, the criteria shaped future exploration of the value of individual properties.

Most companies used informal evaluation techniques. Many of these aligned with some of the above criteria, with a strong emphasis on the alignment of vision and values between the business and the arts organisation. Brands tend to look for synergies between their brand and the arts partner, through reviewing proposals, annual reports or website content, while also assessing the benefits and outcomes to be delivered through the partnership.

The *2009 Sponsorship Outlook Report* (prepared by Repucom & Sponsorship Australasia) indicated that prospective partnerships are being evaluated more and more by sponsors prior to selection. Existing publicly available information (which could include audience or reach metrics, exposure tracking, brand health tracking, industry specific data, etc.) is the most utilised source of information when making rights-related decisions (79 percent), closely followed by personal judgement (76 percent) and rights holder supplied research (76 percent).

Impact of changing corporate priorities on arts partnerships

In many cases, it was difficult for respondents to assess the full impact a change in priorities may have on arts partnerships. The majority of businesses felt all partnerships would need to be re-assessed if priorities were to change and future relationships would depend on what those changes were.

Large companies in particular appear to be very mindful of the impact a change in their sponsorship direction can have on an arts organisation. These companies look to work in transition with arts partners, helping to find new relationships or funding sources for the arts organisation—for example by providing feedback and helping them to become a more attractive prospect in the market for future partners.

Strategic distinctions between arts partnerships and community (or other) partnerships

Differing views towards the classification of an arts or community partnership were recorded amongst sponsor companies. Among companies that do differentiate, it is evident that arts partnerships are viewed as a reciprocal relationship, providing benefits to both entities.

40 percent of companies differentiated between arts and community partnerships. Community partnerships, for these companies, are generally viewed as *'what we can give, rather than what we get back'*, whereas arts partnerships are generally viewed as a reciprocal relationship.

32 percent of companies do not differentiate between arts and community partnerships. These companies reported that 'community' encompassed a wide range of properties, including the arts and grassroots sports.

28 percent of companies had a mixed view on the classification of arts and community partnerships. Overall it depended on the individual partnerships as to how they were classified, but many companies noted an overlap between the two types.

2. Key benefits of arts partnerships for business

The unique benefits or competitive advantages of arts partnerships

Many companies regard the ability to engage and align their brand on an individual level with community groups and the ability to achieve social responsibility objectives as key elements of the attraction of the arts. Specific benefits of effective arts partnerships include:

- creativity
- access to different audiences / markets
- exciting medium to leverage unique skills and creative input from arts personnel
- employee and client engagement opportunities—inclusive of males, females, family members
- brand alignment opportunities
- ability to achieve social investment / corporate social responsibility objectives
- ability to partner with new, dynamic opportunities that can evolve and change over time
- ability to integrate arts with day-to-day business functions
- strong business networking opportunities.

'Ultimately it's the participation. The competitive edge for us is being seen to be doing something different, and for our employees being able to participate and to take advantage of that and be proud of the fact that we are innovative and on the edge...'

The creative energy and input that arts partners can provide companies is one of the most sought after elements amongst arts supporters and in most cases is the differentiating factor between the arts and other corporate partnerships (e.g. sport, entertainment, other community).

Valued benefits of the creative input and energy that arts partners can provide include:

- Brand alignment – in partnering with arts organisations, businesses can align their brand with key arts attributes such as creative, innovative, youthful and fresh.
- Staff engagement – arts partnerships can have a tangible impact on employees and the working environment. The arts have the ability to bring vibrancy and creative energy to the workplace, encouraging people to think outside the square and consider different perspectives.
- Creative outlook – the creative input and initiatives that arts organisations can bring to the table enables partnerships to come to life through shared contributions, working together for a common purpose.

'We love it, and probably rely on it. When you have partners that are really quite creative and inventive, and we are positioned next to them, it is that third party credibility that reflects on us.'

'Creative input is what we seek. It's very disappointing when you are just getting the stock standard proposal and when you meet with them there's just nothing creative. I think sometimes arts organisations forever feel like they are competing with sports... well that's not necessarily the case. It's about highlighting their uniqueness and how they can make our brand be part of that.'

Non-arts supporters: perceived unique benefits or competitive advantages of arts partnerships

The majority of non-arts supporters recognised the fact that the arts offer unique opportunities. There is a belief that the arts can offer access to demographics that cannot be reached through other sponsorships like sport or entertainment. Additionally, the corporate entertainment opportunities available through the arts can create a more emotional connection than can be driven through competing avenues.

'I can imagine that people that are involved in the arts scene are very loyal, probably more so than any other platform, and also very selective. You're talking to a specific group who I think would have an 'open ear' so to speak. So I really think that if you had the right product and the right brand, it would be a very good market to communicate to.'

'...if you're really interested in what's on offer then it can be a beautiful experience. If you can associate your brand with that experience and delight your customers then that's a great thing.'

'They could offer quite a lot of creative opportunity for us; they could also create some sort of emotional connection...'

'I know that other companies use their sponsorship of a theatre company to train their employees in presentation skills, and it gives them a venue for an event, that sort of contra deal, so that's very good.'

Attractiveness of arts audiences to sponsors

There appears to be a perception amongst sponsors that arts audiences are highly educated, high income earning professionals and leaders. This is a differentiating factor motivating involvement with arts organisations for many companies. Arts sponsorship is seen as one of the main avenues available to reach such a demographic. Coupled with the perception of arts audiences being quite engaged and responsive in comparison to competing categories for corporate partnerships, the companies who undertake arts partnerships consider themselves to be open to a *'much more distilled collection of the people you really want to be talking to.'*

'They're generally educated; there are a higher proportion of professional people, a lot of civic and business leaders. Highly intelligent people generally tend to participate and appreciate the arts, and that's a key demographic for us, educated professionals.'

'It's difficult to say in terms of how they compare to other consumers, but they do seem to be quite engaged audiences, those who are already committed to the arts, are very engaged in it.'

'...we have a particular demographic that we are going to be focused on, that's invariably going to be AB, it's going to be CEOs and chairmen of the top 100 companies, it's going to be politicians. So when we're looking at arts partnerships we will look at those that will resonate with that particular demographic from a brand and reputation perspective...'

Other stakeholder groups that companies aspire to influence through arts partnerships

Amongst arts sponsors, government was the most commonly mentioned stakeholder in terms of desire to influence, particularly for the larger national or multinational brands which rely on government support at different levels.

'For us, government is always at the forefront of those groups that we are trying to influence and show that we have a broader contribution to the community...'

'It does provide us with an opportunity to have a relationship with stakeholders that are important to us that aren't issues based—government / NGOs—communicating who we are within the community.'

Youth, grassroots and community sectors were also seen as key stakeholder groups by several companies, with objectives of safety, education and generally improving the image of the brand in the public eye.

3. Challenges for business-arts partnerships

Many of the challenges for arts relationships cited by companies centred around effective communication, and the ability of arts organisations to understand the key business objectives of their corporate partners.

Some specific challenges in developing successful arts partnerships include:

- **Effective communication between parties**
'It's really just all about communication, having the right people servicing us and just getting to know them and understand them. I think it's taken us a few years to get comfortable with (arts organisation), although it's always been a happy, friendly relationship from the start, you just get a deeper understanding of what they're doing after a few years and when you can talk more freely and openly and you can brainstorm ideas...'
- **Ensuring an understanding of each other's key drivers and outcomes**
'The challenges are ... fundamentally ... working out what they can get out of the relationship and what we can get out of the relationship. Once you've established those fundamental things, then it's somewhat easier.'
- **Ability of arts organisations to successfully manage relationships and engage at a professional level with corporate partners**
'I think probably the arts industry's understanding and ability to engage with a corporate is not as strong as sport. We generally find that we do a lot more work on the arts side and that we have to lead them. Once we do that it's a beautiful thing and they are very willing and cooperative and wanting to do it, however you generally find you are dealing with less experienced people in this space.'
- **Obtaining creative input from arts organisations**
'We always try and be as creative as possible and it seems as though a lot of the sponsorship offerings are pretty stock standard, and there's not always the opportunity to do something a little bit different or creative or out of the box. Sometimes you really feel like you have to try and work that yourself rather than the arts organisations necessarily coming up with the interesting ideas.'

Given these challenges, arts supporters place greater emphasis on ensuring both parties clearly understand each other's objectives at the outset of the partnership. They also encourage greater communication between the parties throughout the life of the partnership—not just at the initial agreement and renewal stages. Working with partners to meet these challenges should be a focus for arts organisations.

Developing winning sponsorship proposals

A challenge for any organisation seeking sponsorship is to develop an offer that is attractive to companies. The key elements cited by companies that make an arts proposal stand out included:

1. A sponsorship proposal should be a result of a prior conversation.
2. Arts organisations must understand the business they are wishing to engage.
3. Arts organisations must use this knowledge to present specific benefits that align with key business objectives or outcomes.

The ability of an arts organisation to demonstrate an understanding of its target partner is an essential element in getting a sponsorship proposal considered.

'Specifically for us they need to understand our business. If they understand our business it makes it easier for us to align our criteria with them.'

'When they can immediately show a good level of understanding of the company and where the fit is. That, first and foremost, is what you look at. Does that arts partner understand where we're coming from in our business and where they can add value to it?'

Companies are constantly receiving requests for sponsorship funding from various sectors including the arts. The ability of an arts organisation to present a professional proposal, demonstrating a clear understanding of business objectives and delivery of benefits to achieve these, will help to differentiate themselves from the competition. As noted by a number of sponsors, receiving a proposal should be a result of a conversation between the two parties. Companies are unlikely to respond to generic, mail-merged proposals.

'You might be surprised by this but it is those proposals that have done their research that get funded. So often we get proposals where it looks like a mail merge where our name has been slotted in. To be honest we get hundreds of those. Those organisations that have actually spent time to think about what our core business is and how that could be a useful resource for their own event are the ones we take notice of – those that have done their homework...'

'I guess it has to be tailored to the organisation. I would prefer to see something that was a result of a conversation, rather than just a stock standard list of opportunities. If they demonstrate that they are willing to be flexible.'

'I don't want to receive a proposal where I haven't had a conversation with someone, because they are not going to have any idea of what I am looking for. What I am more impressed with is people who know how to make that individual approach and can then evaluate needs and can build a relationship and then when the time is right something may or may not happen.'

Case study 1

A great example of a winning approach was highlighted by one of the arts supporters. Following the development of a strategic plan, a performing arts organisation identified its need for a principal partner to assist with business growth. A major energy company, which had been a lower level sponsor for a number of years, was approached with a new proposal based on two key elements: 1) a clear understanding of the business's strategic objectives, and 2) a real alignment between the business's attributes and messaging and the arts organisation's performers. They were able to articulate the synergies that the organisations shared (including history and growth values for the future), and as a result, the media and the public both 'got it'. The ability of the arts organisation to demonstrate this made it easy for the business to decide to invest more.

Case study 2

Another example highlighted by an arts supporter focused on a recently acquired property in which the business (a transport company) was approached by an arts festival it had not previously been involved with. The company received a basic proposal from the festival which provided scope for the company to integrate key messaging through festival events. Together the partners developed a program to showcase performances for customers using the transport company's network. This enabled the partnership to be live and exciting, promoting the festival to a broader audience, while also reinforcing key messages of entertainment and convenience for the sponsor.

Non-arts partners: attracting the interest of disengaged brands

When asked if they thought there were anything arts organisations could do better or differently to attract the interest of disengaged sponsor or brands, sentiments amongst the non-supporter sample echoed that of existing arts partners. The overriding theme was for arts organisations to gain a better understanding of the business needs of a company, outside of logo branding and corporate hospitality. Many companies were looking for a much more integrated approach to their partnerships, with potential synergies and alignments between a brand and a property key to getting a proposal across the line.

The other key finding was the difference that a more personalised proposal can have. Individual, more strategically aligned proposals resonate far more successfully with sponsorship decision makers.

- Research and understand the business functions of the company
'It's not necessarily just arts, it's across the board, but people need to do their research more. Before they just send out a proposal, I don't think there's a lot of thought in actually aligning their brand with the brand that they're trying to target. I think there's this philosophy of the more proposals we get out there, we're more likely to get a positive response back, and that's not the case.'
- Customise approaches to demonstrate the business outcomes that can be achieved through a partnership
'I have experienced in previous companies, approaches from the arts which they focus on the offering but they don't really tie that back into the business imperatives of that particular company, so they seem a little bit naïve.'
'I think they could explain the offer a bit more, what it gives us the potential to do. Sometimes I read them and it's just about corporate hospitality, tickets to the ballet or tickets to the symphony. I know from talking to other companies that they use their arts sponsorships quite carefully and cleverly.'
- Tailored, individual approaches leave a lasting impression on companies
'...with one of the best arts approaches we've received, and they were just persistent and they didn't just come in and throw a prop in front of us and say, 'Hey we want \$200,000', it was, 'Hey this is what the event and festival are about, and there's these opportunities and if you're interested we can tailor something to you', which I think is a much better way of selling.'

Commercialism of arts organisations

Companies noted that a challenge for arts organisations is creating an effective balance between arts and business. Arts supporters recognise the creativity and innovation that arts organisations possess, however they also note that some arts organisations have shortcomings in terms of commercial rigour and their ability to deal with corporate entities. To help complement existing strengths, suggestions have been made to bring in business-minded people within organisations, providing effective promotion within the broader corporate market and those possibly disengaged entities. Recruitment of this nature is also seen to improve the overall corporate rigour of arts organisations, aligning them more closely with the corporate community.

'For companies that do not see the value in arts, get a hard-core business / finance person to be your front person with them. Get in there and talk the talk. Do your research. Understand the prospective business and their business pressures and how you think you can help them achieve their business goals. Really understand that partner. Everyone wants to see a business link...'

Perceived risks of partnering with arts organisations

While arts sponsors highlighted the value and importance that those partnerships have on their companies, some companies acknowledged potential risks in partnering with arts organisations:

- Change in arts personnel – be it a change in sponsorship personnel or the artistic director, staff changes have the potential to alter the direction of partnerships for sponsors. Such changes are usually unforeseen at the beginning of a relationship; however a number of sponsors note that past experiences have led to a re-evaluation of their arts properties, with one non-renewal recorded.
- Sustainability of arts organisations – companies (particularly large companies) are conscious of the contribution their particular investments make to the viability of some arts organisations, and would not like to be in a position where removal of their funds would impact the financial viability of the arts organisation. In most instances, sponsor companies are looking for reassurance that the arts organisation and the partnership will be sustainable for the life of the contract and that all contractual benefits will be met. Those organisations with a proven track record and strong history of financial viability will be more attractive to these sponsors.
- Artistic content – many sponsors noted that partnering with arts organisations carries risk due to the potential content of performances, material or productions. Arts organisations need to understand that their creative strengths can be a double edged sword, particularly with risk-averse companies. It appears that in practice most arts organisations and sponsors are proactive in addressing issues when aware of any such risk.

Non-arts supporters: perceived risks of partnering with arts organisations

Some companies consider the arts to attract a highly personal opinion on what is good and what is not. They perceive that sponsoring the 'wrong' organisation or art form can polarise people towards brands. Selected companies saw little risk in becoming involved with arts partners, and in fact saw them as less of a gamble than sponsoring properties in other areas such as sport. They reason that the arts have a 'wholesome appeal' and tend to be associated less with negative issues (e.g. poor player behaviour) than sport.

'The arts are a very personal thing, whether you like a certain type of art, whether it's opera or ballet or visual arts, I think in supporting one you'll perhaps offend others.'

'...in fact I probably see a lot less risk in arts sponsorship than with sponsoring sporting teams.'

Likelihood of companies to partner with controversial or experimental arts organisations or productions

Just under 50 percent of all sponsor companies stated they would be unlikely to sponsor experimental or controversial arts organisations or productions, driven mainly by the fact that those properties would not align with brand positioning, and would present too high a risk to the company.

For others open to the possibility, the decision would depend on the individual circumstances of the arts organisation or production on offer, and the company's brand and risk profile. Companies would be more likely to consider sponsoring arts properties of this nature if they had an existing affiliation.

Formal strategies to manage the potential risk of negative publicity are not prevalent amongst willing companies. Most companies are primarily concerned that the relationship is well managed and all due diligence is done to ensure no direct negative impacts to the brand occur during the course of the relationship.

Business challenges faced by sponsors

Economic concerns were an overriding factor for many companies currently involved in arts partnerships. More than 50 percent of companies made specific mention of the impact the recent economic climate has had on their sponsorships. This was most pronounced amongst small to medium-sized businesses.

Whilst no significant reduction in the number of partnerships was noted, a trimming of budgets across the board over the last 18 months has reduced expenditure on partnerships.

There is a need for more clarity and justification around actual returns on partnerships, due to increased internal scrutiny on sponsorship investments.

Other challenges currently facing arts sponsors include:

- resources – internal resourcing, along with the level of servicing received from arts organisations
- how to distinguish your brand from competing sponsors
- finding the right fit in regards to the size and benefits of a sponsorship.

No formal strategies appear to be in place to address these issues. Ensuring open and effective communication with arts organisations, along with general methods of keeping costs to a minimum, such as cheaper leveraging activities or more in-kind activities, were some of the suggested avenues in regard to addressing such challenges.

Obtaining organisational buy-in for spending on arts relationships

Overall, sponsors received minimal internal resistance in regards to arts partnerships, as long as the sponsorship arrangements were justifiable from a budgetary and staff / community benefit point of view. The majority of those who did face a degree of resistance internally felt this could often be overcome through educating challengers on the specific benefits that could be achieved through successful arts relationships.

Some companies have used performances / exhibitions of the arts organisations they sponsor as a way to educate staff on the benefits of their partnerships, including hosting shows for employees and their families. The flexibility of arts organisations can also help reduce internal issues for business, with one sponsor highlighting a case in which the offering of a lower level sponsorship during a time of economic downturn allowed the brand in question to stay involved where they would otherwise have been forced to withdraw their support entirely.

'There are senior members within our company that do not have a direct role with social investment, in terms of approving it, but they are very influential and I have even been asked why we sponsor the ballet. They think the arts is only directed towards the top end of town, perception that it's a 'fluffy' partnership—what does it do for us? The challenge is an education process within our business.'

'There are always individuals that will come into a company that just don't get it, but in general the way that we go about doing things here is just finding the ways to show those people that just because they don't get it, and don't like it, that's okay but it has this impact out in the community, or on your colleagues.'

Evaluating the return on investment

The changing economic climate has increased the pressure on companies to justify the value and benefit of all corporate spends. Effective evaluation of arts partnerships still appears to be a grey area for business. Many of the key benefits associated with arts partnerships, including engaging with the community and achieving social responsibility objectives, can be viewed as intangible benefits, making it difficult for companies to quantify a direct return for the business. This will be a challenge for the arts sector moving forward, highlighting the need for effective evaluation methodologies.

The majority of arts supporters surveyed had some method of evaluation in place in regards to their arts sponsorships, with many based around qualitative measures due to the difficulty in developing meaningful quantitative measures.

Client feedback proved to be a simple, yet common, form of evaluation; with many brands actively encouraging feedback and communication on an ongoing basis.

Employee feedback was another common measure, obtained through engagement programs associated with arts partnerships—training, workshops, and performances.

Other forms of sponsorship measurement and evaluation included:

- attendance figures
- levels of staff participation
- awareness and disposition (brand research)
- media exposure
- campaign tracking (website hits, participation)
- the amount of leverage activities / opportunities that were available as a result of the sponsorship.

There were also more informal methods undertaken by companies, including 'feel' of the working relationship between partners, delivery of contractual benefits by arts organisations and achievement of desired outcomes for the arts partnerships.

Despite the variety of measurement and evaluation techniques in place, a large number of sponsors mentioned that their methods are 'less than perfect' or that it is 'one area we really have to work on'.

Sponsorship evaluation metrics carried varying levels of weight in terms of the decision making process, with some companies placing a high importance factor on the results, while others were less swayed. Recognising the difficulty in quantifying key measurements and outcomes for partnerships, many sponsors did not place a high emphasis on metrics, instead judging partnerships on overall sentiment.

Arts partnerships were typically reviewed over one or two timeframes; annually—either calendar, financial or budget year based—or contractually, leading into the renewal or termination stage of a partnership. At an informal level however, many brands adopt an ongoing review process that assists in dealing with any on-the-spot issues which may arise.

The assessment and measurement of sponsorship outcomes was usually the responsibility of the individual or division that managed or acquired the sponsorship. Arts organisations were involved in the review process at some level with most sponsors, for instance by providing their own feedback on the partnership, or by completing a formal report (generally established at the commencement of the relationship) in conjunction with the company.

'We do a review every 12 months and we will share our evaluation scorecard with them and take them through that – what has worked well, not so well and what needs to be improved. That then becomes an input for the upcoming year.'

In many cases, businesses required their arts partners to provide an analysis of the sponsorship as a way of demonstrating whether the outcomes that were set at the beginning of the relationship were actually achieved.

By involving arts organisations in the review process, businesses were able to incorporate feedback about what had or hadn't worked successfully in the sponsorship, and use it as a platform to discuss the possible extension, renewal or finalisation of the arts relationship.

'We expect them to present an evaluation as they see it, for us to review. There is no set metrics identified from our end. It is about them demonstrating the outcomes they said they would achieve for us and the ability to show us how they have done this.'

4. Managing arts relationships

Perceived differences between a sponsorship and a partnership

Sixty percent of the sponsors surveyed acknowledged there was a difference between a sponsorship and a partnership, with a partnership the desired relationship for these companies. Sponsorships are increasingly seen as the giving of money for a branding exercise, whereas partnerships are seen as a two-way benefit for two organisations—‘working together towards a common cause’. In order to achieve this, sponsors look to develop a working relationship with their arts partners, ensuring that key outcomes are achieved for both parties throughout the life of the partnership.

Those organisations (40 percent) that did not perceive a difference between sponsorships and partnerships see the two terms as interchangeable.

Preferences for the number and size of relationships

There were mixed preferences towards the size of overall arts portfolios amongst arts supporters. From a resourcing point of view, most companies leaned towards having only a few large partnerships. However smaller partnerships (below \$10,000 per year) were also thought to have a role to play by a few companies (of varying size), and these partnerships tend to be targeted toward specific audiences.

Fifty percent of companies expressed a preference for a small number of large arts partnerships. Key reasons include:

- Many companies do not have the resources to manage a portfolio containing multiple smaller arts partnerships. Logistically, managing a large number of smaller partnerships is difficult for companies, and as a result, they tend not to obtain the full benefits of individual partnerships.
- By investing larger amounts in a few partnerships, companies feel they can better manage those relationships and thus achieve the desired outcomes of those partnerships.
- A number of companies are still trying to achieve a base level of community recognition from their arts partnerships, which they feel cannot be obtained through the lower tier partnerships (too small to receive the desired level of exposure and recognition).

Twenty-five percent of companies cited a preference for a larger number of small arts partnerships. Key reasons behind these decisions include the ability to:

- reach more people across different audiences, demographics or locations
- identify leverage ideas for those smaller, targeted audiences.

Twenty-five percent of companies indicated a preference towards a mixed portfolio, which allows for a balance between the above perspectives.

Resources spent actively seeking new arts partnerships compared with evaluating unsolicited proposals

- Small to medium sized companies tend not to actively seek partnerships, but rather act on approaches from arts organisations. Limited internal resources are a factor in this decision.
- The majority of larger companies tend to be a lot more active in their approach to new partnerships, selecting partnerships that will complement their portfolio.

When looking for information or advice on prospective arts organisations, AbaF tends to be the primary source of information for many sponsor companies. Networking also proves a valuable source of information for sponsors, be it other partners or industry contacts, primarily to establish a profile of potential arts organisations—past dealings, reputation, credibility, personnel and so forth.

As the small and medium sized companies tend not to seek sponsorships, the quality of unsolicited approaches is a critical factor for arts organisations.

When choosing to partner with arts organisations, the majority of companies do not have a preference for any particular art form or event type. The decision to partner with specific art forms is usually driven by the alignment to their strategies and target audience.

The influence of history, tradition and reputation when evaluating potential arts partners

Almost two thirds of sponsor companies stated that the history, tradition and reputation of the arts organisation has a strong influence on their decision to enter into a partnership. Large companies, in particular, place the greatest importance on these aspects. In contrast only one company stated the above factors have no influence in their decision making process. The remaining companies agreed that those factors have an impact on their decision, but by no means dictate decision making.

Close to 25 percent of companies are open to the prospect of partnering with new and emerging talent. Small-to-medium-sized companies in particular cited that emerging arts organisations were a cost-effective sponsorship option when compared with the level of spend and benefits for larger, more reputable arts organisations, which already have partnerships in place with 'top tier' brands.

Primary management of arts partnerships

As the sponsorship sector has evolved, the level of integration of sponsorship investments with the objectives of the business and wider marketing and communications has increased significantly. Across the sports, arts, entertainment and 'cause' sectors, sponsorship investment decisions are now predominantly linked to business needs and directly managed by core marketing teams, with the spectre of 'chairman's choice' rapidly disappearing. This trend was reflected within this research. Marketing and communications is the area within a sponsoring organisation that primarily manages arts partnerships, with close to 50 percent of all companies citing this area as the principal manager.

The primary management of arts partnerships is more diversified in larger companies. There are two broad business functions responsible for the management of arts partnerships. The first is marketing, encompassing marketing, communications and sponsorship departments. The second is aligned to corporate reputation, encompassing corporate affairs and sustainable investment divisions.

Within medium-sized businesses, marketing accounted for close to 60 percent of arts partnership management, while the remainder rested with business development, public relations and corporate relations business units.

Due to the relative size of small companies, arts partnership management was likely to rest with the CEO or managing director, with assistance from an office manager (50 percent) or marketing managers (50 percent).

The responsibilities of key staff are primarily focused on the day-to-day management of arts partnerships.

Key responsibilities associated with the management of arts partnerships include:

- developing strategies for new and existing corporate partnerships
- profiling and aligning new opportunities with arts organisations
- developing leveraging programs
- implementing contractual benefits.

Final decision maker

The final decision to approve an arts partnership sits relatively high within sponsor companies. Many companies stated that the overall level of spend for a partnership dictated who the final decision maker would be, however top-level executives acted as the final decision makers in the majority of cases. The final decision maker depends upon the level of spend of each individual partnership; however in most cases the responsibility still does reach a high level.

The managing director, partner or CEO acts as the final decision maker on arts partnerships for 50 percent of sponsor companies, with the board making the final decision for a further 20 percent of companies.

A small number (10 percent) of companies (comprising a mix of medium and large companies) use a sponsorship or executive committee to evaluate proposed partnerships. Committee members include the CEO or managing director, along with other executive decision makers and key personnel close to the management of arts partnerships.

The remaining decision makers are the heads of those business units primarily responsible for the management of arts partnerships.

It is interesting to note that the seniority of the final decision maker is similar for small and large companies, the managing director, a partner, CEO or the board involved. In contrast, in medium-sized companies the role of the final decision predominantly sits with the heads of business units.

Non-arts supporters: final sponsorship decision maker

Ultimately, decisions on major partnerships came to rest on the shoulders of the CEO, managing director or board of most companies. Lower level sponsorships did not always require approval from top tier management, and may be endorsed by those in positions such as marketing manager or director of communications.

Potential impact of change in the CEO or directors on arts partnerships

Many companies today have established strategies to mitigate the impact that personal opinions have in sponsorship decision making. In many companies engagement with the arts has become a firmly established partnership strategy and community activity. Larger companies appear to be more protected from the potential impact of changes in senior management, with strategies directing alignment towards the current choice of corporate partnerships. However, reservations still exist, predominantly amongst medium-sized organisations that new personnel with different interests or philosophies may come on board which can have an impact on the overall direction of partnerships.

Integration of arts partnerships with other business areas

Arts partnerships appear to be closely integrated with many business functions within arts supporters. In many cases, companies outlined two or three business units with which arts programs are integrated. Most positively, all the companies surveyed stated some integration between their arts partnerships and other business functions.

The ability of arts partnerships to engage managers at differing levels and layers of companies is one of the key drivers of successful cross-company integration.

More so than any other area, arts partnerships tend to be closely aligned with employee engagement programs, as the partnerships can be used by companies for staff rewards, training and education.

Arts partnerships are also closely aligned with client engagement and relationships. Corporate hospitality, or the ability to entertain clients, is central to the commercial functioning of many businesses.

Large companies with regional branches also use arts partnerships to engage with local communities.

Integration with other marketing functions, such as communications and media departments, ensures a common link to brand activity and key marketing objectives.

In summary, arts partnerships appear to be used across companies and are not confined to the area responsible for acquiring rights. This is a necessary function for the benefits of the relationship to be maximised and for successful outcomes to be achieved. It reflects a professional marketing approach to arts relationships.

5. Additional insight from non-arts supporters

Past approaches from arts organisations

Thoughts and feelings towards approaches from arts organisations were balanced overall, with some described as *'fantastic'* while others were seen to be *'not as well thought out as they should be'*. These attitudes were not limited to arts proposals. As one respondent asserted, *'I wouldn't say they were any worse than a sports proposal, even in sports you get proposals of all calibres'*. Other noteworthy comments included:

'There was one that came to mind, and they made a fantastic presentation. Once I started explaining to them our fit and what we do, they were finding ways of looking at that.'

'The proposals I get through are sometimes not as well thought out as they should be, making sure that they understand our business. I suppose they're artistic people and they're great at that, but sometimes their business partnership skills are not there. We get festivals and those type of things come through regularly, and the 'here and now' is not just having a logo for a logo's sake on something but creating a bit more substance behind it.'

Scenarios that may lead to consideration of arts-related investment in the future

Just over 40 percent of non-arts supporters felt their doors would remain closed to arts partnerships for the time being, primarily due to current strategic sponsorship policies within the company. A number of companies that suggested they would be seeking to engage with the arts in the future indicated that it was important to them to find the right fit. Noteworthy comments included:

'We are actively looking at that, we're actively looking at things that have more of an emotive connection to the brand. So absolutely, we're actively looking for stuff like that, but like I said, the challenge has always been it's got to be national and have a decent enough cut through to be realistically considered.'

'Yes definitely, when we do a further assessment towards the end of this year, sort of do a bit a matrix work and see where the gaps are in our current offering, we'll certainly look to engage in that area.'

Appendix

Participating companies

Arts supporters

Aurora Energy
Azimuth Financial Advisers
Bank SA
BlueScope Steel
Boral
Brisbane Airport Corporation
Clayton Utz
Country Energy
Deloitte
Fox Creek Wines
Gadens Lawyers
Gerard Daniels
Hawaiian Management Group
Macquarie Group
Metlink
Minter Ellison Legal Group
Optus
Qantas
Queensland Rail
RACT Insurance
Rio Tinto
St John of God Health Care
Toyota
Wesfarmers
Woodside Energy

Non-arts supporters

BUPA
Bing Lee
Harvey Norman
HBF
Host Plus
LG
Medibank Private
Members Equity
Samsung
Vodafone
Zurich