

# Philanthropy and the Cultural and Heritage sector: A Literature Review

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## **Introduction**

This literature review provides a summary overview of the current academic and non-academic research into philanthropy and giving in the cultural and heritage sectors, in the context of quantitative and qualitative data on the state of private giving in the United Kingdom as a whole. In this review we draw on key influential literature and data to describe what has been written on this area, to identify the key areas and themes and to debate and discuss these ideas. This document is intended to be a comprehensive resource for the Heritage Lottery Fund (HLF), its stakeholders and other key audiences.

This review begins by outlining data on the extent and nature of philanthropy and giving in the United Kingdom today. Drawing on data from the National Council for Voluntary Organisations (NCVO), the Charities Aid Foundation (CAF) and the Cabinet Office, we present a picture of a vibrant philanthropic culture supporting a wide range of organisations. The next section focusses in on the cultural and heritage sectors, looking at the extent and nature of philanthropy and giving in the five areas that HLF supports. We also here consider the extent to which philanthropy and giving in these sectors looks different to other areas of charitable giving. We next pause briefly to look at British government policy on philanthropy and giving, and to compare British state support for cultural and heritage organisations with the situation in other national contexts.

The next three sections of this review then look in depth at three themes that emerge from the literature as being of particular significance to cultural and heritage philanthropy and giving:

- (1) the 'golden tripod' of funding
- (2) the impact of the size of an organisation and the extent to which it can attract 'friends' and resource fundraising
- (3) the impact of an organisation's location on its ability to fundraise.

The final section considers why donors give to cultural and heritage organisations, looking at the demand for evidence of impact and on the emerging trend for venture philanthropy among high-level donors.

At the end of this review we provide a summary of all the data that is produced on philanthropy and giving in the UK on a regular basis, to provide a convenient resource for locating new data when it is published.

## The state of philanthropy in 2013

Each year, NCVO and CAF publish *UK Giving*, a comprehensive overview of the current state of giving in the UK. The most recent report (NCVO and CAF, 2012) outlined that according to two key measures (propensity and amount), donations in the UK have fallen in the past three years. The proportion of the population giving to charitable causes in a typical month fell from 58% in 2010-11 to 55% in 2011-12, while the median amount given per donor per month in 2011-12 was £10, down from £11 in 2010-11 and £12 in 2009-10 (NCVO and CAF, 2012). As a result in this decline in both the proportion giving and the amount each donor gives, the estimated total amount donated to charity in 2011-12 was £9.3 billion, a decrease of £1.7 billion in case terms and £2.3 billion in real terms on the previous year. In real terms, then, the estimated total amount donated to charity in 2011-12 was the smallest it has been since NCVO and CAF began collecting the data in this format in 2004-05. The proportion of donors who give small sums of money each month (less than £10) has remained similar over the past few years at around 40%, whilst the proportion of donors giving larger sums of £25 or more decreased from 32% in 2010-11 to 29% in 2011-12 (NCVO and CAF, 2012).

The methodology used in the *UK Giving* survey – random probability sampling of 3,000 people per year – means it is highly unlikely to chance upon any major donors. The *Million Pound Donors Report*, funded by Coutts bank and researched and written by the Centre for Philanthropy at the University of Kent, was therefore established to ‘fill in’ data about the top end of giving. As with mass giving, elite giving has seen a drop in recent years – the total value of donations worth £1m or more was £1.6 billion in the financial year 2006/07 and fell to £1.2 billion in 2010/11 (a real-term drop of £581m), but in contrast to mass giving, the number of individual 7-figure donations has risen over that same period from 193 to 232, indicating an expanded pool of major donors,

Despite some similarities in the general trends found in *UK Giving* and the *Million Pound Donors Reports*, it should be noted that different datasets come up with different figures for the extent of charitable giving, with the Citizenship Survey (Cabinet Office, 2001-2011) consistently reporting higher figures than those presented by NCVO and CAF. The credibility of giving data has become a source of concern for many<sup>1</sup> and is discussed in a paper published by the Centre for Giving and Philanthropy in December 2012, ironically entitled ‘Give or take a few billion: the wide confidence intervals around annual

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<sup>1</sup> See for example this analysis of giving data in the charity sector press: <http://www.thirdsector.co.uk/Fundraising/article/1160388/Analysis-sector-divided-fall-individual-giving/>

estimates of charitable donations in the UK<sup>2</sup>. Whilst the resources available for research and quality control are clearly important factors, different findings are also a product of the way in which questions are asked, as discussed in relation to giving and volunteering by Rochester et al (2012), who conclude that it is not sensible to seek definitive data, rather to treat each dataset with caution as to how it was collected.

There is greater consensus on the characteristics of givers. Notably in terms of gender, there is an enduring imbalance, with 58% of women donating to charity monthly compared to 52% of men in 2011-12, continuing a trend found in each year that NCVO and CAF have collected this data. Women also give higher donations on average than men, although this gap closed in 2011-12 with women donating on average £11 compared to £10 for men (NCVO and CAF, 2012). There are also differences in the extent of philanthropy and giving between different occupational groups. Over the years of the NVCO and CAF data, individuals in managerial and professional occupations have been more likely to give and more likely to give more than those from other groups. However, the past year has seen a significant fall in the average monthly amount donated by managerial and professional donors, falling from £20 in 2010-11 to £17 in 2011-12, while those in routine and manual occupations have continued to give on average £8 a month (NCVO and CAF, 2012).

In terms of what donors give to, medical research (33% of donors), hospitals and hospices (30%) and children's charities (23%) consistently figure in a range of datasets as being the most popular among donors, with the environment (5%), sports (3%) and the arts (1%) being the least popular according to the 2012 NVCO and CAF report. We will return in the next section to the relatively small proportion of philanthropic donations that go to cultural and heritage organisations, and the trends within this broader theme.

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<sup>2</sup> This paper is freely available online  
<http://www.cgap.org.uk/uploads/Briefing%20Notes/CGAP%20BN10%20give%20or%20take%20a%20few%20billion.pdf>

## **The state of philanthropy to the cultural and heritage sectors**

### *What the data tells us*

Srakar and Čopič (2012), in an analysis of private giving to arts and heritage in Eastern Europe, note that there are three types of private giving to cultural and heritage organisations. The first is *individual giving*, which is all those donations made by individuals with the aim of helping fund the work of a cultural or heritage organisation. *Business support* is the second type of private giving and includes direct investment in the arts, sponsorship of projects or events and, corporate donations. The third type of private giving is support from *foundations and trusts*, which tends to involve donations from intermediary institutions which are legally constituted and are supported by private endowments (Srakar and Čopič, 2012). In 2009-10, only 16% of the cultural sector's funding came from private sources, the total value of this amounting to an estimated £658m (Mermiri, 2011). Individual giving was the most significant of the three types of private giving during this period, with 55% of private income coming from individual donations, with business support and foundations and trusts contributing around a quarter each. We next explore these three types of donation in turn.

### *Individual Giving*

Individual giving accounts for 55% of private income – 8% of the total income of cultural and heritage organisations overall – and its total value more than doubled between 2000 and 2010 (Mermiri, 2010). However, the recession of the late 2000s saw this upward trend reverse somewhat, with a 7% fall between 2007-08 and 2008-09 and a further 4% fall between 2008-09 and 2009-10 (Mermiri, 2011). A recovery of sorts has taken place, with a rise of 6.5% between 2010-11 and 2011-12, with the total value of individual donations rising to an estimated £372.9m (Arts and Business, 2012). In terms of the value of individual donations to cultural and heritage organisations, the majority are for relatively small sums. Research by Ana Gaio of City University, London conducted in 2009 found that 27.7% of donations were for under £5 while a further 41% were for between £6 and £100. Donations in these ranges would be described as low-level donations. There are also, however, a significant number of mid-value donations, with 16.1% of donations being worth between £101 and £300 and a further 4.6% between £301 and £1,000. Donations of over £1,000 are generally seen to be high-level donations, with Gaio finding that 9.3% of all individual donations to cultural and heritage organisations were for between £1,001 and £9,999 and a further 1.3% were of over £10,000 (Gaio, 2009).

### *Business Support*

Business investment in cultural and heritage organisations has been falling since 2007-08, with a fall of 11% in 2009-10 to £144 million. Because of these three consecutive years of falling business support for cultural and heritage organisations, the total value of this support was in 2009-10 lower than it had been in 2004-05 (Mermiri, 2011). The average value of business support differs significantly between different sizes of recipient organisation – business investments received by large cultural and heritage organisations were worth a mean of £349,000 in 2009-10, while the mean value of business support to small organisations was £5,000 (Mermiri, 2011).

### *Foundations and Trusts*

The value of foundation and trust support to cultural and heritage organisations is increasing – between 2010-11 and 2011-12, trust and foundation support increased by 15.8% (Arts and Business, 2012). In observing this increase, the authors note that it is too early to tell whether this increase represents a shift by trusts and foundations towards funding cultural and heritage organisations or whether it represents an increase overall in their grant giving as a reflection of increasing need in England as a result of government funding cuts (Arts and Business, 2012). Either way, they conclude that such an increase is likely to be well in excess of the performance of the endowments that fund trusts and foundations, and that as such this increase in funding is potentially unsustainable (Arts and Business, 2012), although of course this does not account for flow-through funds or spending out foundations.

### *Differences within the Culture and Heritage sector*

The data in the previous section, and indeed the majority of the data produced on cultural and heritage organisations, does not differentiate between giving to different types of cultural and heritage organisation. HLF, however, identify five types of cultural and heritage organisation to whom their funding programmes are directed, as described in the following list, with the total value of HLF funding from 1994-2012 in parentheses:

1. Historic buildings and monuments (£1,883m)
2. Museums, libraries, archives and collections (£1,432m)
3. Land and biodiversity (£1,049m)
4. Industrial, maritime and transport (£400m)
5. Cultures and memories (£258m)

In terms of private investment in these different types of organisation, the largest amount of private investment, around 32%, went in 2009-10 to heritage organisations, though this figure is particularly skewed by a very small number of extremely large organisations with very lucrative membership schemes. It is worth noting, though, that Mermiri's (2011) definition of heritage organisations covers a more limited range of

organisations than HLF's remit, mostly concerning organisations within HLF's historic buildings category and not covering museums. These are covered in other categories by Mermiri (2011), with the next most popular areas within the cultural and heritage sector after heritage organisations being museums and the visual arts (Mermiri, 2011).

It has been suggested that different types of private investment (Srakar and Čopič, 2012) prefer different forms of cultural or heritage organisation. O'Hagan and Harvey (2000) suggest that business supporters tend to prefer supporting museum exhibitions, theatre and the visual arts, all of which provide them with venues in which they can entertain clients and attract publicity. For individual donors and trusts and foundations, Méndez-Carbajo and Stanziola (2008) suggest, the picture is less clear, with more diverse funding patterns based on the personal interests and passions of individuals and trustees. Engagement in cultural or heritage activities as a hobby or interest may dictate where individuals or trusts and foundations donate, as well as awareness created by well-run fundraising campaigns (Andreoni and Payne, 2003). Gaoi (2009) argues that the very different audiences that different cultural and heritage forms attract influences the extent and nature of the private support they receive. For example, audiences for community arts and film/video tend to have different audiences in terms of age, education, socio-economic profile than from more traditional artforms such as portrait galleries. Gaoi (2009) does not, however, explore what these differences are and how they impact on funding. As such, these findings are tentative and there is a need for more research into such differences.

There have been some suggestions (see Wilkerson, 2012) that donors to cultural and heritage organisations may take the safe option, a phenomena which Wilkerson terms "*The Frog and Toad Problem*" (p.205), whereby donors seek safe and popular offerings rather than riskier, more alternative works. However, Mermiri (2010) had previously argued against this perception, arguing that due to their entrepreneurial nature, high-value donors were often more likely to take risks and encourage innovation. Therefore Mermiri (2010) argues that the 'frog and toad problem' is a "*groundless generalisation*" (p.25) with no evidence that private funding encourages conservative or dull cultural and heritage projects.

#### *Comparisons with other sectors*

We saw previously that NCVO and CAF data suggests that cultural and heritage organisations receive a small proportion of the total amount of private investment in charitable organisations. Two main arguments have been made for why this may be the case. The first is that in a competitive market for charitable giving, where different

organisations must make the case for why they receive donors' scarce resources, donors' preferences are more likely to be directed towards organisations which fulfil basic needs, rather than towards the provision of cultural or heritage goods (Bertacchini et al, 2011). The other argument is that because cultural and heritage organisations in the United Kingdom have historically received substantial funding from the state, donors are less inclined to support it because they see this as being the state's role. Indeed, research by the Department for Culture, Media and Sport (2005) suggests that:

*"54% of people will not give to charities that "get enough financial support from government" and 27% of people say that there is no point in giving money to charities that are strongly supported by government."* (DCMS, 2005: 64)

While debates around whether state funding causes crowding-in or crowding-out are discussed later in this review, Mermiri (2011) considers that both of these explanations play a part in the trend for cultural and heritage organisations receiving a smaller proportion of private donations than organisations working in other areas.

There has also been some work conducted on whether it is different groups of the population who donate to cultural and heritage organisations. The 2007 *Helping Out* report (Low et al) is the most comprehensive dataset on giving and volunteering in England and Wales, although as it uses 2005 Citizenship Survey data it reports far larger proportions of donors than the NVCO and CAF reports. It indicates that cultural and heritage organisations are supported by a far more gender-balanced donor group than other sectors of the charitable sector: a greater proportion of women donate to almost every sector with the exceptions of conservation, environment and heritage, sports and exercise and hobbies, recreations and clubs. In terms of arts funding, *Helping Out* indicates that female donors slightly outnumber male donors (Low et al, 2007). Income of donors plays a role too: The most popular causes for both mainstream (household income under £150k) and high-income (household income over £150k) donors are those which undertake medical research, hospitals and hospices and children and young people. Animal charities are also popular for mainstream donors but less so for high-income donors. In terms of HLF's areas, environment and heritage is slightly more popular among high-income donors, with 27% of high-income donors giving to causes in this field, compared to 25% of mainstream donors. For arts organisations this difference is more pronounced, with 14% of high-income donors giving to the arts compared to 7% of mainstream donors (Bagwell et al, 2013).

The tendency for higher-income donors to support cultural and heritage organisations can be seen in the disproportionately high number of extremely large donations that



organisations in these fields receive (DCMS, 2005; Mermiri, 2011). The *Million Pound Donors Report* (Breeze, 2012) highlights the value of these significant donations to the sector – there were 30 donations of over 1 million pounds to arts and cultural organisations in 2012, worth a total of £109m, placing the sector third on the list of recipients after foundations and higher education institutions. Unlike the preferences of individuals donors as a whole, for million pound donors arts and culture ranks well above health, human services animals, overseas aid or religious organisations (Breeze, 2012). These elite givers are more inclined to support capital projects or new programmes rather than provide unrestricted funds to support core costs, and cultural and heritage organisations offer the scope for them to do this and to leave a lasting legacy with their donation (DCMS, 2005).

## **Government Policy and Research**

This section very briefly compares government funding of culture and heritage organisations in the United Kingdom with that in the United States and within continental Europe. In the US, public funding for cultural and heritage organisations is low, and when it does occur is often politically contentious. Wilkerson (2012) reports that for many US cultural and heritage organisations, receiving 10% of their funding from government sources is unusual, with one or two per cent more common. This is in contrast to continental Europe, where financing of cultural and heritage organisations is primarily from the state, with private giving to such organisations somewhat rarer (Srakar and Čopič, 2012). The UK lies somewhere in the middle of these two models. In 2000-2001, long before the budget cuts resulting from the recent recession, voluntary organisations working in the fields of arts, culture, sport and recreation were the third largest recipients of government funding (DCMS, 2005). This funding comes from both central and local government, with the Local Government Association (LGA) stating in 2011 that support for culture and heritage organisations was a billion pound concern for local authorities, with this support helping to finance a total of 1,099 theatres, concert halls, arts centres and museums and galleries (DCMS, 2011). Supporting theories of crowding-in, rather than of crowding-out, the LGA argue that local authority subsidies for culture and heritage are often used to leverage match funding from private donors or lottery funds. Indeed, such is the belief in the existence of a crowding-in effect, that it is feared the local authority cuts to spending on arts and culture will cause a “double whammy” (p.26) of funding cuts due to a reduction in both local authorities funds and those that matched them (DCMS, 2011).

## The Golden Tripod

We have seen in the previous sections that for the United Kingdom's culture and heritage organisations, government funding plays a significant role in the make-up of budgets, while private donations play a less significant role. Mermiri (2011) argues that the golden standard – or “*golden tripod*” (p.258) – of culture and heritage organisations is to be in receipt of broadly equal amounts of income from public funding, private investment and earned income. Having a golden tripod funding model will, it is argued, make organisations resilient to economic challenges and make them more creatively autonomous, allowing for innovation in a context of stability (Freshminds, 2008). As such, Stanziola (2011) argues that empirical research has highlighted the importance of funding diversification as part of any cultural and heritage organisation's financial sustainability strategy. Government too supports this model of funding, with DCMS (2011) noting that most culture and heritage organisations operate a mixed funding model of state income, private investment and earned revenue, and reiterating their support for this model.

However, Arts and Business' analysis suggests that in practice few British organisations achieve this golden tripod (Mermiri, 2011). Across the culture and heritage sector as a whole, public funding accounts for an average of 51.5% of organisations' income, with earned income accounting for 36.5% and private investment making up the remaining 12% (Spedding, Tuchner and Gerolymbos, 2012). The Campaign for Private Giving (2008) argues that falling state subsidies in the performing arts have led to an increase in the importance of the other two spokes of the golden tripod, with the proportion of income coming from public sources falling from 51% in 1980 to 36% in 2008. There has been an assumption that public funding is crucial to the golden standard tripod of arts and culture funding, with falls or increases in public funding causing the other two spokes to increase or fall. However, research by Mermiri (2010) suggests that this correlation is not as strong as had been believed (Mermiri, 2011). Indeed, Stanziola (2011) argues that their empirical research finds some evidence that public funding crowds out other sources of funding. Srakar and Čopič (2012) are less certain, reporting that it is unclear whether public and private funds crowd-in or crowd-out one another, but they argue that if they do indeed crowd-in, then government budget cuts will likely have a negative impact on other forms of funding. This contradicts rhetoric around projects like the Big Society, which argues that private investment of time and money will flow to projects when state support is withdrawn (Srakar and Čopič, 2012). It is unclear, then, whether public funding crowds-in or crowds out private donations to culture and heritage organisations. Nonetheless, Merimiri (2010) argues that given the significant proportion of culture and heritage organisations' funding that comes from the

state, a 25% to 40% decrease in this could lead to a 13% to 21% decrease in overall income, or £500m to £900m of budget cuts across the sector. With private investment currently making up a small proportion of funding models it is unrealistic, Mermiri (2010) argues, to expect this to make up for the potential decrease in public funding.

Partnership funding is seen by funders and funded organisations as a way of increasing the value of donations and ensuring funding from a range of sources, consistent with a golden tripod approach. In order to explore the partnership funding situation, HLF commissioned ECROYS to investigate the partnership funding situation of a sample of HLF-funded projects. A key finding of the report was that 83% of partnership funding has been secured, although only just over half of the organisations surveyed had secured all of the required partnership funding (ECROYS, 2013). While many organisations have been successful in attracting partner funding, a significant number have not.

It is worth briefly noting that the golden tripod is specific to the British context - in other national contexts where the state plays a lesser (United States) or greater (continental Europe) role, a tripod would not be the most appropriate model.

## Size of organisation

This section explores the extent to which the size of a culture or heritage organisation impacts on the nature of the funding it receives. A large majority of private investment in culture and heritage goes to the very largest organisations, with 72% going to major organisations and a further 15% going to large organisations. Just 2% of private investment goes to small cultural and heritage organisations (Mermiri, 2011). For individual giving – one of three components of private investment – this pattern is even more pronounced, with 88% of individual giving going to major organisations (Mermiri, 2011). As Mermiri (2010) outlines,

*“...the difference in levels of individual giving received by large and small organisations is vast, with large and major organisations (with an annual turnover of £1m+) receiving approximately £351m from individuals, as opposed to medium and small organisations (with an annual turnover of under £1m), which collectively received around £12m.”* (Mermiri, 2010: 15)

Méndez-Carbajo and Stanziola (2008) corroborate this, arguing that private funding is concentrated on a few very large cultural and heritage organisations, most of whom have an annual turnover of more than £5 million. Evidence given to the DCMS committee on funding culture and heritage also made this point, with many respondents stating that private investment is significantly harder to attract for smaller organisations who cannot offer high profile advertising or ‘blockbuster productions’. This section now looks at two particular ways in which the size of an organisation impacts on its ability to fundraise: friends and membership schemes and the resources needed to fundraise.

### *Friends and membership schemes*

Around half of individual giving to culture and heritage organisations comes from friends and membership schemes, with Mermiri (2011) putting the figure at 49% of total individual giving and Arts and Business (2012) estimating the figure to be 57.7%. In monetary terms, this amounts to some £227m being given to cultural and heritage organisations through friends and membership schemes in 2010-11 (Spedding, Tuchner and Gerolybos, 2012). These friends and membership schemes take different forms. Probably the best known is The National Trust, which has 3.8 million members and makes 31% of its overall income from membership subscriptions (DCMS, 2011). This figure dwarfs other organisations in the sector, but smaller membership schemes can be just as valuable. Breeze (2012) presents a case study of the Courtauld Institute of Art, which has three different ‘circles’ of giving, depending on the amount donated and with benefits that reflect the size of donation: the Directors’ Circle is for those individuals who have donated at least £5,000 in the last year, the Patrons’ Circle for those who have given at least £2,500 and Associates Circle for those who have given at least £500.

The value of membership schemes is at least three-fold. Firstly, they give the organisation a solid income stream that is not dependent on state funding or the whim of donors (Arts and Business, 2012). There is also a belief that individuals who belong to membership schemes are more likely to also make donations (Gaio, 2009). This leads onto the next perceived benefit, that being a member underlines on the part of the individual an on-going commitment to the organisation, bringing individuals into regular contact and making them more likely to donate, as connection with an organisation makes donating far more likely, argues Gaio (2009). Thirdly, the generally low entry cost of membership schemes (although higher-cost membership ranks may be available) means that organisations are often able to attract a large number of friends and members, allowing a wide range of potential donors to show their commitment to organisations. The benefits of these schemes explain why Harrow et al (2011) found that many large organisations already have such schemes in place, while the majority of those that did not have friends or membership schemes in place had future plans to develop them.

### *Resourcing Fundraising*

In a climate of recession and government budget cuts, significant numbers of culture and heritage organisations are investing in fundraising, with increased fundraising efforts reported by 73% of organisations as a response to on-going financial challenges (Mermiri, 2010). This is in line with 70% of organisations expecting that private investment from all three sources will become of greater importance in the years to come, and therefore needs to be resourced accordingly (Mermiri, 2010). The DCMS (2011) committee on funding culture and heritage organisations argues that organisations should be encouraged to become more commercially aware and work to attract private investment. However, they recognise that this will be challenging for some smaller organisations for whom the time and resources required to research and attract private investment is likely to be beyond their capacity (DCMS, 2011). This fear that smaller organisations lack the resources to compete with larger organisations in the scramble for private investment is outlined by Harrow et al (2011) when reflecting on their empirical research,

*“One of the major challenges, especially for smaller organisations, was the availability of resources to develop and maintain a donor cultivation strategy. This related both to the availability of funds that could be used to initiate and invest in donor cultivation strategies and, more importantly, to issues about staff skills and capacity.”* (Harrow et al, 2011: 11)

Fundraising from private individuals, particularly from the major donors who dominate in the culture and heritage sector, is time-consuming and expensive and many small organisations – where often “*one person has to do everything*” (Harrow et al, 2011: 16) – often simply do not have the resources to cover this. However, issues in who resources and supports fundraising are not limited to smaller organisations. Harrow et al (2011) argue that failings of management often mean that organisations are not clear who is in charge of making contact with potential donors: development staff, fundraising departments, marketing, finance, customer relations or some other department?

It is clear that the resourcing of fundraising is important to attracting donors. Gaio (2009) asked donors to reflect on their first ever donation and how it was initiated. 40% of donors had first been recruited by a direct approach from an organisation, either through personal communication or through communication by direct mail, in a performance programme or on an organisation’s website. A further 25% were recruited through attending an event or performance, meaning well over half of donors initially donated because of an approach of some sort from an organisation. If smaller organisations lack the capacity to invest in fundraising, this can clearly have a potentially seriously impact on their ability to fundraise from private sources.

The Catalyst programmes’ focus on building fundraising capacity in the arts and cultural sector, funded by both Arts Council England and Heritage Lottery Fund, sister projects to Catalyst:Endowments, were established to tackle the problem described above.

## London and the Regions

In 1959, Lord Bridges' report on arts funding for the Gulbenkian Foundation *Help for the Arts* (Bridges, 1959) called for policy makers to encourage funders to address the disparity between the amount of arts and cultural funding directed towards London-based organisations and the amount directed towards those outside the capital (Stanziola, 2011). The picture that emerges from a range of sources is that a concentration of private investment in culture and heritage organisations on London continues to persist. The Campaign for Private Giving (2008) estimates that around 69% of the private investment made to culture and arts organisations goes to organisations in London and the South East, while Mermiri (2011) estimates the figure to be 68%. The concentration on London is even more pronounced when only individual giving is considered – in 2010-11, 89.9% of individual giving to culture and heritage went to organisations in London, compared to 67.8% of business support and 73.1% of foundation and trust support (Arts and Business, 2012). This is evident too from the average amount of individual giving that organisations in London receive compared to those elsewhere, with the average London based organisation receiving £266,000 worth of individual donations compared to an average of £77,000 in the UK as a whole (Mermiri, 2011).

However, we must be wary not to see the London-bias as being separate from the issue of size of organisation, with Stanziola (2006) estimating that from 1993 to 2005, at least half of the total private investment in culture and heritage organisations went to no more than 30 London-based organisations. Méndez-Carbajo and Stanziola (2008) consider this finding to present a challenge to what they term the "*London Effect*" (165), with their analysis of longitudinal data suggesting that being successful at private fundraising in the UK cultural sector is not significantly associated with the region where the organisation is based. They suggest that rather than private funding being concentrated on London itself, it is rather concentrated on a few very large cultural and heritage organisations, most of whom are located in London and have an annual turnover of more than £5 million Méndez-Carbajo and Stanziola, 2008).

While the existence of a London Effect has been challenged, there are still reasons why culture and heritage organisations outside of London and the South East do not attract so much private investment. Méndez-Carbajo and Stanziola (2008) note that private funding for culture is likely to concentrate in urban areas with solid cultural infrastructure and with other cultural and heritage organisations for neighbours. This cultural infrastructure makes these organisations more attractive to private funders, compared to organisations based in smaller cities or regions (Méndez-Carbajo and Stanziola, 2008).



While this is the case for private funding, it is not so much the case for government support for culture and heritage organisations, which is often linked to regeneration agendas and the renewal and empowerment of rural and post-industrial regions (Méndez-Carbajo and Stanziola, 2008). Lower population density in rural areas and outside of London and the South East also impacts on the ability of culture and heritage organisations in these regions to fundraise effectively (DCMS, 2011). This is borne out by data from Bagwell et al (2013) which shows that the average donation in London and the South East - by both mainstream and high-income donors - was lower than in other regions, suggesting that it is a larger pool of donors, rather than more generous individuals, that sustains London's dominance, to the extent that it exists.

## Why donors give (and don't give) to heritage organisations

This final section looks at the motivation behind giving to culture and heritage organisations. We have already seen the importance of an interest in and personal connection with the organisation that an individual donates to. Breeze (2010) looked at how donors chose charities and concluded that, whilst donors often hold expectations that causes will serve 'the needy', in reality their giving decisions are driven more by donors' taste than by recipients' needs. Thus key factors behind choosing which causes to support are donors' interests and passions, personal experiences, perceptions of charities' competence and a desire for personal impact.

This section now looks at two particular aspects of how donors engage with culture and heritage organisations: venture philanthropy and use of evidence and impact measures.

### *Venture Philanthropy*

While the 'Holy Grail' for many culture and heritage organisations is to be given private funding with no restrictions on how it can be spent, major donors are often keen to be heavily involved in the spending of their donated monies (Cluff, 2009). This approach to giving has been termed 'venture philanthropy', and refers to a method whereby the organisation receives not just money but also management support and expertise. It is in theory an active approach to philanthropy that involves the giving of skills as well as money and allows donors to be involved in all stages of their gift's impact (Lincoln and Saxton, 2012). Put simply, the idea behind venture philanthropy stems from the belief that,

*"Many major donors do not want just to be told an organisation's solution to a particular problem. Rather they want to be part of genuinely creating the solution."* (Cluff, 2009: 373)

Venture philanthropists want to see a return of clear social benefits on their investment in culture and heritage organisations, and they want to have a say in how this is delivered (Bagwell, 2012). Organisations too are keen for this involvement, as the Campaign for Private Giving argues,

*"People who have been successful should be encouraged to show philanthropic leadership, giving of their time and expertise, and encouraging their employees to do the same. Working with a cultural organisation should become part of an individual's career development, encouraging both creativity and a sense of civic responsibility. And it doesn't have to stop there. There needs to be a new generation of "venture philanthropists", setting up their own charitable organisations and applying their business acumen to the world of culture and the arts."* (Campaign for Private Giving 2008: 15)

The additional benefits of venture philanthropy may go beyond the expertise offered to recipients – there is also evidence that donors who give both time and money to an organisation give a higher average donation than those who only give money (Bagwell et al, 2013).

#### *Evidence and Impact*

Bagwell et al (2013) found that 63% of donors to cultural and heritage organisations said that they pay close or extremely close attention to how their donations are being used, with 58% of mainstream and 61% of high income donors also being interested in the impact that their donation will have. Similarly, trusts and foundations looking to increase the impact of their limited resources will be looking for recipient organisations that can prove they can efficiently reach and benefit a large number of people (Méndez-Carbajo and Stanziola, 2008). This supports Kressner Cobb's (2002) argument that culture and heritage organisations need to do more to show the impact of their work, to show how what they are doing can, "change lives" (140). Bagwell et al (2013) suggest that there is a significant opportunity to increase donations if culture and heritage organisations can provide evidence of their impact and explain how donations are used.

## Summary and conclusions

This review has presented an overview of the state of private giving in the United Kingdom and looked specifically at the extent and nature of donations to organisations across the heritage and cultural sectors. Whilst the data is not unanimous, it appears that the proportion of the British population regularly giving to charity has fallen in the past three years, as has the amount each donor gives. As such, the estimated total amount given to charity in 2011-2012 was the smallest since NCVO and CAF began collecting data in 2004-2005. The total value of major donor giving also fell in this period, although the total number of million pound donors rose in this period (Breeze, 2012). Looking at the cultural and heritage sectors, only 16% per cent of funding in 2009-10 came from private sources (Mermiri, 2011). Of this, 55% came from individual giving, the remainder made up of a mix of business support and funding from foundations and trusts (Mermiri, 2011). Within the cultural and heritage sector, a small number of very large organisations with big membership schemes attract a significant proportion of private investment. Other, potentially less mainstream, organisations struggle to attract individual donations (Wilkerson, 2012). As a whole, the cultural and heritage organisations receive a small proportion of total private investment in charitable organisations, although they attract a greater proportion of major donors than they do of standard-level donors.

The golden tripod (Mermiri, 2011; Stanziola, 2011; Srakar and Čopič, 2012) of cultural and heritage organisations, it is argued, involves organisations being in receipt of broadly equal amounts of income from public funding, private investment and earned income. Having such a funding model should help organisations to be resilient to economic challenges. Bound up with the concept of the golden tripod are debates as to whether public funding crowds-in or crowds-out other forms of funding. Evidence on this is mixed, with Stanziola (2011) arguing that public funds crowd-out while Mermiri (2011) and Srakar and Čopič (2012) suggest that there is no significant relationship between public and other forms of funding. However, considering the decline in public funding available since 2010, we can envisage that Lottery rather than Government funding will provide the majority of the public leg of the golden tripod in future years. As government Funding falls, Lottery sources may be in a position to make up some of the shortfall. In doing so, funders should consider how their funding is contributing to the golden tripod for organisations: how can raising funds from private sources and foundations be incentivised and supported by Lottery funders, rather than being seen as an unaffordable and risky venture? As the ECROYS (2013) report outlines, while some organisations have been very successful in attracting partnership funding, over half of the organisations surveyed are struggling to find match funding partners. Nonetheless,

the concept of the golden tripod suggests that partnership funding and the encouraging of investment from a range of sources should be a key component of Government funding.

The ability, or perceived ability, of organisations to attract funding also comes out of this literature review as an important factor in the funding of cultural and heritage organisations. The size of organisations (Méndez-Carbajo and Stanziola, 2008; Mermiri, 2010; 2011) affects the extent to which an organisation can afford to invest in fundraising, and while DCMS (2011) encourages organisations to become more commercially aware, widespread acceptance of this theory is not always aligned with the reality in practice. Harrow et al (2011) outline that in the scramble for scarce funding resources, larger organisations are far better equipped to secure funding. In many small organisations, paid staff may have to fulfil multiple roles, and are as such unable to devote the necessary time to attracting funding. The smallest organisations without any paid staff are clearly in an even more difficult position. Location of organisations is also a significant factor in attracting funding, with organisations outside of London and other major cities being less likely to secure funding, although how far this can be separated from size of organisation – as many large organisations have headquarters in London – is debatable. What is clear is that the struggle to attract funding may be less to do with a lack of available donors and more the result of an organisation's inability to solicit donations/funding successfully. Capacity building in this regard, creating a wider range of organisations with the skills and institutional commitment to attract all types of donor, should result in a broader range of economically sustainable organisations in the cultural and heritage sector.

## **Appendix 1: Resources for giving data**

The sources listed below have been used in producing this literature review and may be useful to those wishing to keep up to date with the state of private giving to culture and heritage organisations in the United Kingdom.

### *Annual Reports*

- UK Giving Report (CAF/NCVO)
- Arts and Business Private Investment Culture
- Million Pound Donors Report (Centre for Philanthropy/Coutts)
- NCVO Civil Society Almanac
- Community Life Survey (Cabinet Office)

### *Other Sources*

- Arts Quarter Reports
- Cultural Trends Journal
- The Journal of Arts Management, Law, and Society
- Nonprofit and Voluntary Sector Quarterly
- Third Sector Research Centre

### *Online Resources*

- <http://uk.artshub.com>

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