

# **INTERNATIONAL BEST PRACTICE IN ARTS PHILANTHROPY**

**A REPORT FOR THE WINSTON CHURCHILL MEMORIAL TRUST OF AUSTRALIA**

**MELISSA E. SMITH  
CHURCHILL FELLOW 2007**

**THE WINSTON CHURCHILL MEMORIAL TRUST OF AUSTRLIA**

**REPORT BY – MELISSA E. SMITH – 2007 CHURCHILL FELLOW**

**To study international best practice in arts philanthropy**

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Signed

Dated

Melissa E. Smith

July 2008

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I would also like to thank Malcolm Moir, Norman Gillespie and Naomi Grabel who supported my application for the Churchill Fellowship.

The author states the information contained within this report is believed to be accurate based on interviews and publically accessible information during the period of March – July 2008. The author apologises for any misinformation the report may contain.

## **EXECUTIVE SUMMARY**

Name: Melissa E. Smith

### **Project Description:**

To study international best practice in arts philanthropy for application within an Australian market.

The purpose of this Churchill Fellowship is to research international best practice in arts philanthropy, from the perspective of arts organisations, both visual and performing arts, in the United States and United Kingdom. The focus is to understand business and management practices, and their possible application to an Australian market, based on the theory that while philanthropy is fundamentally about relationships, it requires sound professional practices to provide a framework to ensure long term sustainability, turning one-off donations into life-long donor relationships.

Acknowledging significant discussion regarding cultural differences between the US, UK and Australia, it is argued that sound professional practices are highly transferrable, particularly when applied with sensitivity to their immediate environment.

The opportunity to discuss the strategic and operational details of development programs with individuals representing leading cultural institutions such as the Museum of Modern Art, the Metropolitan Museum, Kennedy Center for Performing Arts, San Francisco Ballet, Smithsonian, Royal Opera House and Tate was to witness highly professional, entrepreneurial, well-resourced philanthropy programs that were collectively securing in excess of US\$580 million for the arts annually.

Interviewing 84 individuals from 50 organisations in the US, UK and Australia and focusing research on 23 key arts organisations, key learnings regarding arts philanthropy were gained. In summary these are:

- External environment influences fundraising styles - within a competitive fundraising environment, the organisation's unique position and persona needs to be refined and articulated in all communications.
- Transactional fundraising will not ensure long-term sustainability - significant investment in philanthropy is required at the Board, CEO and cross-organisation levels. This requires ongoing dialogue, mentoring and focus to provide a competitive edge.
- The broad development program matrix reflects cyclical behaviours of giving, offering a sustainable approach to fundraising. This approach requires significant resources, and compromising on this requires realistic expectations in terms of long term income and donor delivery.
- The next generation of donors and staffing are issues raising concern – investment must be made in developing programs to attract new donors, and the availability of skilled human resources to deliver these must be addressed.

I will actively disseminate the learnings and recommendations contained within this report amongst my colleagues and key stakeholders within the philanthropic sector, and through industry bodies such as Fundraising Institute of Australia, Philanthropy Australia and Artsupport.

## PROGRAM: LIST OF INTERVIEWS

<b>SAN FRANCISCO</b>			
Elizabeth	Bacchetti	Associate Development Director for Individual Giving and Special Campaigns	Asian Art Museum
Thomas	Flynn	Director of Development	San Francisco Ballet
Elizabeth	Lani	Manager for Major Gifts	De Young Museum
Andrea	Morgan	Associate Director of Development, Foundation & Government Support	San Francisco Museum of Modern Art
David	Odenkinchen	Senior Director of Development Operations	San Francisco Opera
Mary	Powell	Director of Development	San Francisco Opera
Greg	Salustro	Director of Development	De Young Museum
<b>SAN DIEGO</b>			
Association of Fundraising Professionals		45th International Conference on Fundraising, 2008:	
'The Crocker Art Museum: Story of Success', Lial Jones, Director, Crocker Art Museum & Peter Hoskow, Vice President, CCS Fund Raising			
'Bold Plans, Sound Strategy: Strategic Planning for Fundraising Success', Tony Wilson & Val Broadie, Campbell & Company			
<b>NEW YORK</b>			
Robert	Archibald	Director, Cultural Relations	Australian Consulate General
Christine	Begley	Deputy Chief Development Officer for Government & Foundation Giving	The Metropolitan Museum
Elizabeth	Burke	Senior Associate Director, Department of Development & Membership	The Museum of Modern Art
Susan	Courtemanche	Strategic Planning and Campaign Consultant	Whitney Museum of American Art
Christine	Donato	Director, Development Operations	Lincoln Centre for the Performing Arts
Vallejo	Gantner	Artistic Director	PS122
Richard	Hamilton	Director	American Patrons of Tate
Ben	Hartley	Deputy Director, Planning & Strategy	Museum of Arts & Design
Laura	Harwin	Director of Corporate Giving	Shakespeare Theatre Company
Ellen	Holtzman	Program Director for American Art	Henry Luce Foundation
Sri	Horvitz	Deputy Director, Institutional Giving	Lincoln Centre for the Performing Arts
Naomi	Jackson	Program Associate	Rockefeller Brothers Fund
Ed	Jones	Vice President, Philanthropic Services	J.P. Morgan Private Bank
Abigail	Lawler	Associate Manager of Individual Development	Guggenheim Museum
Jay	Levenson	Director, International Programs	The Museum of Modern Art
Lisa	Mantone	Director of Development	The Museum of Modern Art
Jane	McIntosh	Director, Major Gifts	Lincoln Centre for the Performing Arts
Sarah	Milestone	Senior Manager of Special Events	Whitney Museum of American Art
Savita	Monie	Deputy Chief Development Officer for Individual Giving	The Metropolitan Museum
Gina	Rogak	Director of Special Events	Whitney Museum of American Art
Polly	Rua	Senior Director, Sponsorship & Corporate Relations	Lincoln Centre for the Performing Arts
Lynn	Sheward	Director, Membership Programs	Lincoln Centre for the Performing Arts
Hillary	Strong	Director of Foundations & Government Relations	Whitney Museum of American Art
Helen	Warwick	Director of Individual Development	Guggenheim Museum
Ben	Whine	Associate Director of Individual Development	Guggenheim Museum
<b>WASHINGTON DC</b>			
Francine	Berkowitz	Director, Office of International Relations	Smithsonian Institution
Kay	Casstevens	Deputy Chief Development Officer	National Gallery of Art
Cathryn	Dickert Scoville	Senior Development Officer for Major Gifts	National Gallery of Art
Patricia	Donovan	Senior Development Officer, Major Gifts & Foundation Giving	National Gallery of Art
Zully	Door	Director, Development Operations, Office of Development	Smithsonian Institution
Daniel	Hagerty	Director of Individual Campaigns, Office of Development	The John F Kennedy Center for the Performing Arts
Christine	Hollins	Director of Institutional Giving	The Phillips Collection
Jaya	Kaveeshwar	Head, Operations & Finance, Freer Gallery of Art & Arthur Sackler Gallery	Smithsonian Institution
Holly	Oliver	Manager, Individual Campaigns, Office of Development	The John F Kennedy Center for the Performing Arts
Kara	Pamirez Mullins	Senior Development Officer Annual Giving and Major Gifts	National Gallery of Art
Katharine	Reishman	Development Officer, Director, Smithsonian Young Benefactors, Smithsonian Associates	Smithsonian Institution
Laurie	Sroope	Director of Development, Smithsonian Associates	Smithsonian Institution

<b>LONDON</b>			
Gillian	Barrow	Head of Trust Development	Royal Opera House
Laura	Dee	Head of Trusts and Individual Giving	The National Gallery
Kevin	Fewster	Director	National Maritime Museum
Rosemary	Gilbert	Head of Development	National Maritime Museum
Lindsey	Gen	ROH2 Development Manager	Royal Opera House
Craig	Hassall	Managing Director	English National Ballet
Rebecca	Hellen	Paintings Conservator; Chair, Tate Staff Council	Tate
Emily	Hoare	Major Donor Development Manager (Endowment Campaign)	Royal Opera House
Sue	Livermore	Assistant Patrons Manager	Tate
Caroline	Mark	Manager, Individual Giving	The National Gallery
Sally	Muckley	Development Director	English National Ballet
Kathrin	Ostermann	Head of Individual Giving	Tate
William	Shaw	Events Manager	Tate
Charlotte	Young	Development Manager, Programmes	Tate
<b>AUSTRALIA</b>			
Frankie	Airey	Director	Philanthropy Squared
Robert	Albert AO	Board Director	Australian Ballet
Catherine	Baldwin	Head, Perpetual Foundation	Perpetual Foundation
Louise	Burton	Manager, Membership Services	Philanthropy Australia
Christine	Burton	Senior Lecturer, School of Leisure, Sport & Tourism	UTS
David	Greatorex AO	Director	The Greatorex Foundation
Alison	Harbert	Deputy Development Manager	Australian Chamber Orchestra
Neroli	Hobbins	General Manager	Opera Australia Capital Fund
Lawrence	Jackson	Head of University Campaigns	University of Sydney
John	Kaldor AM	Director	Kaldor Art Projects
Renata	Kaldor AO	Trustee	Sydney Opera House
Virginia	Lloyd	Writer & Consultant	
Justin	MacDonnell	Executive Director	ANZArts Institute
Prof Myles	McGregor-Lowndes	Director	Australian Centre for Philanthropy & Nonprofit Studies, QUT
Malcolm	Moir	Head of Business Development	Sydney Festival
Shanthini	Naidoo	Head of Development	Taronga Zoo
John	Peid AO	School of Strategy & Entrepreneurship, Australian School of Business	University of New South Wales
Margaret (Mrs)	Poss AM	Trustee	John T Peid Charitable Trusts
Dr Wendy	Scaife	Senior Research Fellow	Australian Centre for Philanthropy & Nonprofit Studies, QUT
Clare	Stanford	Head of Philanthropy	Trust Company
Dennis	Tracey	Deputy Director	Centre for Philanthropy and Social Investment, Swinburne University
Dr Sue-Anne	Wallace	CEO	Fundraising Institute of Australia
Louise	Walsh	Director	Artsupport Australia
Kenneth	Watkins	Director, Endowment & Private Giving	Australian Ballet
Dilshani	Weerasinghe	Sponsorship & Philanthropy Manager	Brisbane Powerhouse
Jane	Wynter	Benefactions Manager	AGNSW

## INTRODUCTION

The purpose of this Churchill Fellowship is to research international best practice in arts philanthropy, from the perspective of arts organisations, both visual and performing arts, in the United States and United Kingdom. The reason for doing so is to understand business and management practices, and their possible application to the Australian market.

The focus of the Churchill Report is based on the theory that while philanthropy is fundamentally about relationships, it requires sound business and management practices to provide a framework to ensure long term sustainability, turning one-off donations into life-long donor relationships. While there has been significant discussion regarding the cultural differences between Australia and its international counterparts,<sup>1</sup> sound business and management practices are often highly transferable, particularly when applied with sensitivity to our own unique market.

I interviewed 84 individuals from 50 organisations in the US, UK and Australia, including 23 arts organisations in detail. I asked each key organisation a series of questions concerning their professional practices, such as reporting structures, strategy, budgeting, communication, development programs and teams, stakeholder engagement and so on. A summary of data is outlined in the Organisational Overview in Appendix 1.

Prior to departing on my Churchill Fellowship, I interviewed 26 individuals in philanthropy in Australia to seek an overview of the current fundraising climate. Individuals included industry representatives, development managers, philanthropists, foundations, arts board members and academics. I asked each the same question asked of international representatives – “What are the key challenges and opportunities for growth in arts philanthropy?” Their responses were varied, but a number of key themes arose.

These included:

- Need for grassroots change in Australia's philanthropic culture;
- Encouraging the wealthy to give more;
- Need for greater investment in philanthropy (arts organisations: programs and resourcing);
- Need for greater investment at Board and CEO level (arts organisations);
- Need for greater transparency, and potentially governance, of non-profit organisations;
- Preparing for the next generation of philanthropists;
- Staffing: need for skilled fundraisers; reducing turnover;

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<sup>1</sup> Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology (QUT). 'Philanthropy, development and fundraising in arts/culture and sport: scoping the international environment', Department of Communications, Information Technology and the Arts, 2005



- Need for greater dialogue amongst philanthropic stakeholders including nonprofits, philanthropists, foundations and boards.

There is significant discussion concerning the need for creating, or further developing, a cultural shift in philanthropy in Australia, both at the grassroots level and at the very wealthy end of the spectrum.<sup>2</sup> There has also been significant discussion regarding need for greater transparency within non-profits to encourage greater confidence amongst donors.<sup>3</sup>

This Churchill Fellowship report therefore focuses on measures for improvement from the perspective of arts organisations, in encouraging greater investment in philanthropy at the CEO, Board and program level. This will enable preparation for the future in terms of the next generation of donors, and having skilled staff to build these programs. Investing in internal capacities enabling greater effectiveness in donor cultivation and management, will therefore increase confidence from the donor market. It is hoped that this Churchill Fellowship report plays some small role in providing further opportunity for dialogue amongst philanthropic stakeholders, to encourage sharing of ideas, issues and concerns in order to strengthen and build a sustainable culture of philanthropy in Australia.

The key organisations chosen for the Fellowship report (outlined in Attachment 1) represent cultural leaders both in terms of core business (performance, exhibitions, collections) and philanthropic programs (income, donors, programs). They were selected to provide a broad cross-section of the US market, representing both the east (New York) and west (San Francisco) coasts, and its national capital (Washington DC); along with the cultural hub of the UK (London).

The following report breaks down research on international best practice in arts philanthropy into the following sections:

- 1) External Environment & Positioning
- 2) Role of the Organisation
- 3) Role of the Board
- 4) Role of the CEO
- 5) Role of Fundraising Programs
- 6) Future issues in arts philanthropy

The following section of the report outlines recommendations for application to an Australian market based on the above research.

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<sup>2</sup> Asia-Pacific Centre for Philanthropy and Social Investment, 'Encouraging Australians to be more philanthropic: a report for the Petre Foundation', 2005 & Dr K Madden & Dr W Scaife, 'Good times and Philanthropy: Giving by Australia's Affluent', The Australian Centre for Philanthropy and Nonprofit Studies, 2008

<sup>3</sup> Social Economy Executive Education Network, 'Contrary and Congruent Views of Leadership and Management in the Australian Social Economy', November 2007, [www.perpetual.com.au](http://www.perpetual.com.au)

## CHURCHILL FELLOWSHIP RESEARCH

### 1) External Environment: Positioning & Persona

The importance of the organisation, its Board and CEO in best practice arts philanthropy will be discussed. Arts organisations, however, "don't fundraise in a vacuum".<sup>4</sup> The organisation's position within a highly competitive fundraising environment shadowed by economic concerns is fundamental to an organisation's success. Knowing your organisation, and its position within the market, provides a level of objectivity and commerciality that can steer a philanthropy program through the complex world of fundraising. Each of the organisations interviewed knew their organisation's unique strengths, and leveraged these through position of brand and case for support.

The United States commands a highly competitive fundraising market.<sup>5</sup> There are a significant number of non-profits competing for the donor dollar across the country, with compelling cases for support. Cultural organisations need to compete amongst universities, health and welfare causes, along with international activities.<sup>6</sup> On top of this, the current economic down-turn is already impacting on corporate sponsorship,<sup>7</sup> which, many believe, may soon spread to the philanthropic market. Many organisations are reducing philanthropic targets in light of this and even delaying the launch of significant campaigns.<sup>8</sup>

In the UK, competition is also experienced, however not at the same level as the US. Similarly, organisations are concerned about the current economic situation and other new, short-term competitors, such as the London Olympics in 2012.

In addition to a competitive market and economic concerns, the external environment unique to each region influences its specific regional philanthropic climates, be it San Francisco, New York City, Washington DC or London.

In San Francisco, for example, the 1989 earthquake resulted in a number of organisations having to rebuild (De Young Museum) or relocate (Asian Art Museum), which led to widespread capital fundraising. During this ambitious fundraising period, further complicated by the 'dot com bust' in 2000, donor fatigue was a significant, and still a current concern.<sup>9</sup> As a result, organisations are now conscious of the number of other campaigns currently in the market place, and are building on strong loyalties with long-term donors to ensure the programs continue to secure

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<sup>4</sup> Jane McIntosh, Director, Major Gifts, Lincoln Center for the Performing Arts

<sup>5</sup> The Foundation Center, [www.foundationcenter.org](http://www.foundationcenter.org)

<sup>6</sup> Susan Raymond, 'Rumors of the Death of Arts Philanthropy are Wildly Exaggerated', onPhilanthropy

<sup>7</sup> Interview with Laura Harwin, Director of Corporate Giving, Shakespeare Theatre Company

<sup>8</sup> Organisation's name withheld at their request.

<sup>9</sup> Interview with Elizabeth Lani, Manager for Major Gifts, De Young Museum

significant funds. Similarly with those whose buildings are now completed, there is gradually a move towards second stage capital campaigns (Asian Art Museum, SFMOMA) or alternatively endowment funds to support the ongoing sustainability of the organisation in the future (San Francisco Ballet and San Francisco Opera). The Bay area is a very wealthy area, however it is also fairly small which makes fundraising very competitive with a high concentration of arts and universities in the area.<sup>10</sup> To mitigate this concern, a number of organisations have focused on building donor loyalty through strong donor stewardship programs. Organisations such as the San Francisco Asian Art Museum benefit from a specialised interest area that attracts a smaller, yet highly loyal donor base.<sup>11</sup>

New York, alternatively, is an extremely wealthy megacity that has a highly competitive fundraising climate, including internationally renowned institutions such as the Metropolitan Museum, MOMA, Guggenheim and Lincoln Center.<sup>12</sup> Prestigious arts boards are leveraged to both personally donate and secure significant donations, and a range of fundraising programs are developed with organisations to secure a breadth of supporters at every level of the donor pyramid. High profile brands, collections and board members combine with entrepreneurial philanthropy programs and sound business practices to secure enormous development targets. The styles of the programs are often campaign-driven, with a gradual move, upon completion of large capital campaigns, towards endowment campaigns to ensure long-term financial stability.

Washington DC is a significantly smaller city but comparatively high profile with national arts institutions such as the Smithsonian, National Gallery of Art and the Kennedy Center. As national institutions, Board appointments tend to be made by government and generally do not offer as significant income opportunities as major donor appointments in other states. This however is often overcome through establishing separate Development Committees. Furthermore, while Washington DC has smaller donor pool opportunities in its immediate locale, organisations can leverage their national status and secure gifts and steward donors from across the country, such as the National Gallery and the Kennedy Center. Representing the nation as cultural ambassadors also offers opportunities for organisations to seek international funds, such as Freer & Sackler Museum of the Smithsonian does from countries as diverse as Portugal to India.

Compared to the US, a significant cultural shift takes place in London, with very different social, economic and political climates. With significantly greater investment of government in the arts compared to the US, philanthropy is a relatively new practice developing in arts organisations over the past 10 to 20 years, and not

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<sup>10</sup> Interview with Thomas Flynn, Director of Development, San Francisco Ballet

<sup>11</sup> Interview with Elizabeth Bacchetti, Associate Development Director for Individual Giving and Special Campaigns, Asian Art Museum

<sup>12</sup> Interview with Susan Courtemanche, Strategic Planning and Campaign Consultant, Whitney Museum of American Art

at the very core of its history as in the US. The class system, social conventions, and the role of government create unique styles of philanthropy programs.<sup>13</sup> Many boards are government appointed, and see their role as fundamentally governance, with little or no responsibility in fundraising. Similarly as in Washington DC, separate Development Advisory Committees have been established to overcome this hurdle, such as at the Royal Opera House. Many organisations are also in the early stages of developing a broader array of philanthropy programs (National Gallery, UK and Maritime Museum), while others have established, successful philanthropy programs that are tailored to the style and tone of their donors, led by dynamic and entrepreneurial leaders willing to invest for the long term (Tate and Royal Opera House). Organisations are also looking at international donor bases, particularly in the US, to seek funds (either those based in US or Americans based in London deducting gifts through US tax system). Education and developing messages to affect change is a key focus of philanthropy programs, targeting both internal and external stakeholders.

Positioning of an arts organisation within a competitive cultural and philanthropic market is an important component of successful fundraising. The ability to carve out a unique and essential role within a community will attract support through profile and relevancy. Then it is up to the internal stakeholders of the organisation to leverage its strengths to continue to attract and steward donors for the long term.

The English National Ballet's (ENB) mission is "to take classical ballet of the highest quality to the widest geographical audience, at a price everyone can afford". The ENB is positioned as more accessible than its colleague, the Royal Ballet. With Diana, Princess of Wales as its former patron, the ENB had a remarkable honour and profiling opportunity to perform at the memorial 'Concert for Diana' in July 2007. This had a significant role in raising the organisation's profile, and making it accessible to new audiences. As a result, philanthropic income has increased, along with greater public attention. Securing new donors, and stewarding them through accessible, informal visits to studio rehearsals and so on, reiterates its accessible position, and the unique opportunity to leverage the company's strengths, that is its dancers, to create a sense of intimacy with the company as a whole.

Alternatively, the San Francisco Ballet is currently celebrating its 75<sup>th</sup> anniversary and is said to be experiencing a "golden era", being stronger financially and artistically than ever before.<sup>14</sup> As America's oldest professional ballet company, and considered to be one of the world's best,<sup>15</sup> it is focusing on securing the support of its top donors, and raising its profile amongst the broader community. For example 75<sup>th</sup> Anniversary projects are funded by 15 major donors, who are publicly recognised as the "75<sup>th</sup> Anniversary Sponsor Council" (a number of trustees and almost all

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<sup>13</sup> Interview with Craig Hassell, Managing Director, English National Ballet

<sup>14</sup> Interview with Thomas Flynn, Director of Development, San Francisco Ballet

<sup>15</sup> San Francisco Ballet website

endowment campaign donors), with gifts ranging from \$250,000 to \$1 million; one of the projects they are funding is a televised anniversary performance which will be broadcast to millions of viewers. The prestigious position of the Company is reiterated through leveraging a significant milestone, and in so doing further develops relationship building opportunities with its top donors, and seeking to raise its profile amongst the general public.

It has often been said that the “personality of an organisation comes through its development department”.<sup>16</sup> By using the unique character of an arts organisation, and reiterating its persona through philanthropy programs, solicitation styles and its development personnel, a strength and dynamism can be built to cut through a cluttered fundraising market and strike a direct rapport with its donors. This theory is evidenced by the Guggenheim’s creative and entrepreneurial fundraising style, focusing on international collectors, tailoring to the latest exhibition or education project. On the other hand, the Metropolitan Museum delivers prestigious exhibitions and programs, drawing upon a long list of major donors and collectors to offer naming rights and social prestige. While there is a commonality of programs across visual and performing arts organisations in the US and UK, through spending time with each organisation, a style and persona unique to the company becomes evident, and those that can successfully communicate that to supporters ensure long-term, loyal donors who have a relationship with the organisation’s character and vision.

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<sup>16</sup> Original quote from Helen Warwick, Director of Individual Development, Guggenheim, and reiterated at the MOMA, Metropolitan Museum, English National Ballet and the Tate.

## 2) Role of the Organisation

Organisations in the UK, and the US in particular, make significant investment in philanthropy programs through an organisation-wide approach evidenced through structure, organisational interdependence, communication and resourcing.

The majority of organisations have a direct reporting line from the CEO to the Director of Development. Similarly, most Directors of Development had direct access to the Board, or Development Committees, and invest significantly in building stakeholder relationships. Formal reporting structures enable clear communication regarding development matters and awareness at the top level of the organisation of the realities of fundraising.

This is particularly important when it comes to annual budgeting of fundraising targets, which is often a complex negotiation between what the organisation needs, and what the development department believes the market can bear. While stretch targets are often placed on the development department, the organisation needs to be aware of the external market, as it can be left in a very precarious financial position if targets are too unrealistic. The role of the Director of Development is to undertake these negotiations, while ensuring the team has the capacity to deliver. With a new development team in place at The National Gallery, London, the Director of Development successfully negotiated a relatively conservative target of \$4 million annually for two years while the team settles in, before increasing to \$6 million annually. The level of importance afforded to development in terms of negotiating, communication and reporting is justified when fundraising income accounts for up to 69%<sup>17</sup> of organisational income, and averaging 32%<sup>18</sup>.

Development departments are responsible for achieving income targets, however this singular responsibility represents the tip of the iceberg of interdependence of various departments in achieving this. Firstly and fundamentally, fundraising is only as strong as its core business, "as long as the product is good, we can bring in the money".<sup>19</sup> The core business of an organisation needs to be at the highest standard to solicit the highest level of support, be it exhibitions, collections or performance seasons. This theory is supported through San Francisco Ballet's current 'golden era' referred to earlier.<sup>20</sup>

Secondly, those departments that represent content must also be ambassadors of their organisation, willing to play key roles in donor stewardship. The Guggenheim actively promotes its curators who "include many of the most influential scholars and

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<sup>17</sup> The Phillips Collection

<sup>18</sup> Based on average % of fundraising income/target of Key Organisations in Organisational Overview, Attachment 1

<sup>19</sup> Jane McIntosh, Director, Major Gifts, Lincoln Center

<sup>20</sup> Interview with Thomas Flynn, Director of Development, San Francisco Ballet

voices in the international art world"<sup>21</sup> through photos and biographies in donor communication materials, and with representation at stewardship events. The English National Ballet has been working with its dancers to ensure they are comfortable with donors attending rehearsals or co-hosting events. Working with internal ambassadors, enables development departments to offer key donors a direct link to the core business of an organisation, through a personal and relatively exclusive style. The technique also broadens a donor's relationship with the organisation beyond the key development contact, ensuring an ongoing connection beyond the term of the development staff member. This is also achieved through contact with the Board and CEO as discussed below.

Communication between departments is therefore key, in order to seek support, clarify expectations, and ensure information is kept up to date. This is particularly pertinent when it comes to Institutional Giving (including trusts, foundations and government funding) which demands long and rigorous lead times for applications. Development needs to be at "the hub "of the organisation; "we need to know exactly what is going on across the entire institution",<sup>22</sup> as funding opportunities can be realised within a variety of areas including exhibitions, curatorial, building and programmatic areas, that may be missed without proper development insight or lead time.

Formal mechanisms to ensure communication, particularly necessary in large organisations such as the Metropolitan Museum or the Lincoln Center, include regular cross-organisation meetings, and/or assigned development representatives for each content area. Similarly relationships with administrative or communication departments such as finance, marketing and public relations are also key to ensure back-end efficiency and seamless messaging.

Overcoming resistance to philanthropy within the organisation can be achieved not only through a top-down approach (CEO endorsement) but also through a bottom-up approach, of developing strong informal relationships with key stakeholders. For example, the Director of Development Operations at the Lincoln Center has developed strong relationships with a number of key areas in the organisation during her 9 year tenure, which ensures seamless communication with a number of administrative areas so that the front end fundraisers in the department can focus almost exclusively on raising funds, rather than on internal communication or budgeting issues.<sup>23</sup>

In another instance, the development department at the Royal Opera House is positioned as a champion for the organisation in raising funds for the capital redevelopment that not only upgraded front of house areas, but also back of

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<sup>21</sup> *Solomon R. Guggenheim Museum: An Overview*, 2006, p31

<sup>22</sup> Hillary Strong, Director of Foundations & Government Relations, Whitney

<sup>23</sup> Interview with Lincoln Center Development team

house.<sup>24</sup> New accommodation and amenities for staff was a direct result of the development's department success in fundraising, which positions the development department very favourably. As a result, the organisation has a "very positive attitude towards fundraising".<sup>25</sup>

The organisation needs to make significant investment within philanthropy not only through structure, communication and an organisation-wide approach, but in resourcing. As indicated in Appendix 1, generally the greater investment in staffing resources, the higher the fundraising income. Staffing issues will be further explored in Role of Fundraising Programs section below.

Vertical reporting lines, cross horizontal lines of communication and internal stakeholder buy-in are essential to successful philanthropy programs. While income targets are the responsibility of development departments, they represent complex interdependencies which rely on the organisation as a whole to invest in philanthropy and deliver results.

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<sup>24</sup> Interview with Gillian Barrow, Head of Trust Development, Royal Opera House

<sup>25</sup> Lindsey Glen, ROH2 Development Manager, Royal Opera House



### 3) Role of the Board

The Board of an organisation can make a significant impact on the success of philanthropy programs through direct contribution, fundraising and broader advocacy.

Arts organisations in the United States tend to have large boards (averaging 49 members<sup>26</sup>), not only charged with governance, but a clear mandate for fundraising. Of the 18 US organisations interviewed, 11 had giving prerequisites, from \$10,000 to \$2.5 million. Appointing donors as Board members is a broadly used method to steward major donors, rewarding their significant contribution. This provides the donor the ultimate insight into an organisation and capacity to build relationships at the highest level. Not only is this an exclusive benefit, but it also provides a significant social and business networking opportunity, with Boards representing leaders of the corporate world and social elite. For example the Board of the Museum of Modern Art has an estimated fundraising power of \$133,523,000<sup>27</sup> and includes names such as David Rockefeller, Ron Lauder and Emily Rauh Pulitzer. Second on the *New York Observer* Arts & Culture list was the Lincoln Center with estimated fundraising power of \$120,965,000 and Board members including David Rubenstein and Daisy Soros, then the Metropolitan Museum ranks fourth after the Metropolitan Opera Association, with \$108,923,000, including Board members Annette de la Renta and Anna Wintour.

Boards need to be large and wealthy to raise the significant amount of funds required of an organisation, and meet the traditional expectation of personally contributing 60-80% of capital campaigns.<sup>28</sup> The Guggenheim's 28 Board members, for example, are expected to contribute \$2.5 million each to the current endowment campaign.

Mixing governance and personal investment in an organisation can also be an issue, providing members of the social elite the right to determine the strategic directions of major cultural organisations. A complex negotiation between the role of a governing board member, and the stewardship of a major donor is an undertaking required by many CEOs and their Directors of Development. This is an issue raised in a number of articles and not the focus of this Fellowship, but the complexity of power relationships and financial demands should not be underestimated as a key issue in arts organisations.

Managing large boards populated by major donors requires significant resourcing at the highest levels of the organisation to engage, excite and sustain momentum, and significant administrative work in managing donation schedules and payments.

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<sup>26</sup> Based on average of US Board Member numbers outlined in Organisational Overview Appendix 1

<sup>27</sup> 'Who's Who in Charity: New York's Most Powerful Philanthropic Boards', *The New York Observer*, 7 Apr, 2008, p2-3

<sup>28</sup> Susan Courtemanche, Strategic Planning and Campaign Consultant

Susan Courtemanche, currently Strategic Planning and Campaign Consultant at the Whitney, with over 30 years experience in fundraising, recommends a holistic approach to the Board, working closely with them to develop relationships and achieve goals. The Whitney also practices a peer-to-peer mentoring program on the Board to develop skills and ensure its stability. With a \$680 million capital campaign goal over 5 years, these techniques may prove invaluable to the program's success.

Not all boards are as successful with fundraising or even see fundraising as a key role. This is more so the case in the UK where Boards are traditionally government appointed, and philanthropy is not as ingrained in its culture as in the US. Traditionally smaller boards (14 members on average<sup>29</sup>), representing not only business and social leaders but members of the artistic community, have had less of a mandate for fundraising, and only increasingly is it becoming part of the agenda.<sup>30</sup> Without the ability to use the board as stewardship for major donors, UK organisations are establishing separate Development Committees to fulfil this function, with a clear fundraising role and expectations. Similarly government appointed boards in the US are also taking this step with successful results, such as the National Gallery of Art, Washington DC. Another way to increase Board engagement and focus on fundraising is through constant dialogue and market awareness, ensuring Boards are fully aware of the need for investment in fundraising, the long-term benefits it provides to the sustainability of an organisation, and what competitors are doing in the marketplace. This is exemplified in the expansion of philanthropy programs at The National Gallery in London, with a new team and dialogue with the CEO and Board.

Boards are particularly successful when led by a focused and energetic Chair that understands fundraising. The National Maritime Museum has set a new record in the UK for a cultural institution, receiving the largest single donation of £20 million from Sammy Ofer, an Israeli shipping magnate, secured through the relationship with the Chairman of the National Maritime Museum, Lord Sterling. With a £35 million capital campaign now underway with its leadership gift, this is an example where the Chairman has set a very high bar for fundraising within an organisation that has traditionally focused more on corporate sponsorship than philanthropy.<sup>31</sup>

Despite cultural difference between the US and UK, the role of the board often underpins the success of an organisation's philanthropy programs. Through engagement and mentoring with this essential internal stakeholder body, significant long-term benefits can be realised.

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<sup>29</sup> Based on average number of UK Board Members in Organisational Overview in Appendix 1

<sup>30</sup> Interview with Laura Dee, Head of Trusts and Individual Giving, The National Gallery

<sup>31</sup> Interview with Rosemary Gilbert, Head of Development, National Maritime Museum

#### 4) Role of the CEO

The role of the CEO is essential to the success of fundraising programs. The CEO sets the strategic direction and organisational priorities, which have a direct impact on the tactics and style of development. International best practice positions the CEO as the 'hero' of the organisation, an ambassador, advocate and consummate fundraiser.

Some of the most successful philanthropy programs in arts organisations are attributed to a dynamic leader who has invested significantly in the development area of the organisation as they can see long term results and sustainability. One such example is Sir Nicholas Serota, Chief Executive of the Tate since 1988. The Tate is considered one of the leaders in fundraising in the arts in the UK, and has invested considerably in its programs, with 55 staff and over 83,000 members, with an 87% membership retention rate.<sup>32</sup> The entrepreneurial, visionary tone set by the organisation's leader is reiterated by development staff and underlies their strategy. Kathrin Ostermann, Head of Individual Giving says "Tate wants to be leading, not following; wants to shape the arts world, not respond to it." Similarly in development, Tate wants to set the agenda, not follow what others do, which is why, as an example, Tate is working on developing an Annual Giving program, a program that is successful and broadly adapted in the US, but relatively uncommon in the UK.

Another aspect of fundraising that significantly credits its success to the CEO is the American Patrons of the Tate. Having an office in New York since 1999, and operating the program for 20 years, American Patrons of the Tate is one of the leading charities raising US funds for UK institutions, securing over \$10 million in cash gifts this year, plus an additional \$4 million in art. Richard Hamilton, Director, American Patrons of the Tate, credits Tate's outstanding success in fundraising in the American market to Nick Serota, "he single-handedly turned around the London contemporary art world; American collectors admire him and his vision... [he is] absolutely key to success."<sup>33</sup> Not only is the CEO visionary, but he invests significantly in relationships with American donors, by visiting New York three times annually for Board meetings and events. By travelling and meeting donors, Nick Serota, and by extension the Tate, appears to not just be based in London seeking money, but internationally focused and wanting to develop relationships with global contemporary art collectors and philanthropists. The CEO's visionary and charismatic persona successfully secures funding to realise his vision, and reiterate the Tate's positioning at the forefront of the British, and even international, arts world.

Another example where a leader can not only provide the vision, but the sheer energy and passion to rally a group of supporters, private, civic, board and staff, to realise a project that initially seemed unlikely to succeed is the Crocker Art Museum

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<sup>32</sup> Kathrin Ostermann, Head of Individual Giving, Tate

<sup>33</sup> Interview with Richard Hamilton, Director, American Patrons of the Tate

in Sacramento, California. The Museum was created after a gift in 1885 and was the first museum west of the Mississippi. With an annual budget of \$5.1 million, and a membership base of 9,500, the museum is a cultural treasure of the region; however it only raised \$7 million in a previous capital campaign in 1987-89.

Lial Jones, newly appointed Director in 1999, defied the odds in setting a bold target to accompany the bold vision for the new museum, planning a 125,000-square-foot expansion scheduled to open in 2010 which will triple its size. With a campaign target of \$100 million, and already \$88 million raised by April 2008 from 225 donors, the campaign is the most ambitious in the region's history.<sup>34</sup> The success has been attributed to a compelling case for support to a broad audience including civic leaders, officials, locals and art lovers, and similarly, treating every individual as a prospective donor, "Every single aspect of the Crocker will be dramatically improved by the expansion. Whether it's through the added prestige to our capital city, more revenue from tourism or simply access to an incredible artistic experience, surely every person in our region will be touched by what this project sets out to accomplish."<sup>35</sup> The relentless energy and passion to maintain the focus and drive of the campaign, treating every individual as a prospect, and investing significantly in prospect briefings, has been the responsibility of, and testament to, the Director, Lial Jones. The bold vision, contagious passion, and sincerity of purpose are key attributes of the leader's style that sets the tone of the campaign, and ultimately ensures its success.

Just as a great CEO can provide visionary leadership that will ensure philanthropic success, a CEO can potentially have a negative impact on the philanthropic position of the organisation, despite short term wins in fundraising. The Smithsonian illustrates this point through a former CEO, who subsequently resigned following a controversial term.<sup>36</sup> One example of the controversial fundraising style was securing a \$38 million gift from a donor and in return offering the donor a say in choosing Americans to be honoured in a "Sprit of America" exhibition;<sup>37</sup> the show was cancelled in response to protests, and the gift was withdrawn.<sup>38</sup> With a new Secretary now appointed, G. Wayne Clough, former President of Georgia Tech with a track record in securing over \$1.5 billion in previous capital campaigns at the university, there is significant opportunity for change and growth, however considerable work is needed to rebuild the trusted Smithsonian brand<sup>39</sup>, "This is a treasure of our country, and it needs to move forward. I know the Smithsonian has

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<sup>34</sup> 'The Crocker Art Museum: Story of Success' presentation at AFP Conference, 1 April, 2008 by Lial Jones, Director, Crocker Art Museum and Peter Hoskow, Vice President, CCS Fund Raising

<sup>35</sup> Lial Jones, Director, Crocker Art Museum; [www.crockerartmuseum.org/expansion/faq.html](http://www.crockerartmuseum.org/expansion/faq.html)

<sup>36</sup> Robin Pogrebin, 'Smithsonian Scrambles to Regain its Footing', *New York Times*, 4 April 2007

<sup>37</sup> Elizabeth Olsen, 'Embattled Smithsonian Official Resigns', *New York Times*, 27 March 2007

<sup>38</sup> Robin Pogrebin, 'Smithsonian Scrambles to Regain its Footing', *New York Times*, 4 April 2007

<sup>39</sup> Interview with Francine Berkowitz, Director, Office of International Relations, Smithsonian

some challenges. We will surmount those challenges fairly quickly and move on to what I believe is a tremendous future for the Smithsonian."<sup>40</sup>

The importance of the CEO cannot be underestimated, as the examples above illustrate. Change in leadership can also significantly impact on philanthropy programs. A number of the organisations interviewed for this report were in periods of leadership transition, including the Metropolitan Museum, San Francisco Asian Art Museum, Smithsonian and the Phillips Collection. In the case of the Metropolitan Museum, Director Phillippe de Montebello has served 30 years, is one of the longest serving of any major art museum director in America, and his retirement naturally heralds significant change in all areas of the museum. During his tenure, the Metropolitan Museum endowment grew from \$1.36 million to \$2.9 billion; and attendance rose from 3.5 million to 5.1 million (2000), now back up to (since 9/11) 4.6 million people.<sup>41</sup> James R. Houghton, Chairman of the Metropolitan's board says "To look for somebody to fill his shoes will be very hard. The pool of potential candidates is smaller than it once was." To find an individual with all the necessary academic, professional and intellectual requirements, plus be a consummate fundraiser that the Metropolitan relies upon to realise its vision, will be a difficult task indeed.

Leadership transition can also herald new opportunities, as in the case of The National Gallery, London. Dr Nicholas Penny, coming from the National Gallery in Washington DC, commenced as Director in early 2008, having previously worked as a curator at The National Gallery until 2000. A highly distinguished scholar and popular staff appointment, the leadership change represents an opportunity to develop the Gallery's philanthropic program so that it no longer needs to be "overshadowed by the Tate mainly because of Nick Serota."<sup>42</sup>

In each of the cases of leadership transition in organisations interviewed, development staff indicated there may be a very small turnover of donors as a result, as generally the major donors have significant investment and relationships with the organisation, and therefore would continue to commit despite leadership change. While the CEO is essential in the philanthropic process, this suggests the importance of deepening the relationship between the donor and the organisation, beyond the CEO, and into company's core business, with strong relationships with a number of areas including the Board, development, curatorial and education departments.

While there is significant opportunity for further research on the styles of leadership, professional background of arts leaders, and impact on fundraising, this sits beyond the scope of this Fellowship report. Based on the examples cited above, however,

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<sup>40</sup> G. Wayne Clough, Secretary, quoted in Robin Pogrebin, 'Georgia Tech President to Lead Smithsonian', *New York Times*, 16 March 2008

<sup>41</sup> Carol Vogel, 'Director (and Voice) of the Metropolitan Museum to Retire', *New York Times*, 9 January 2008

<sup>42</sup> Laura Dee, Head of Trusts and Individual Giving, The National Gallery

the role of the CEO in arts philanthropy is significant, and has the ability to determine the ultimate success, or otherwise, of a campaign.

## 5) Role of Fundraising Programs & Fundraising Teams

Medium to large arts organisations in the US, and increasingly in the UK, have a variety of fundraising programs to engage with a broad audience and ensure ongoing sustainability of income and donors in years ahead. When working successfully, each program serves as a strong and independent income, yet when combined, create a traditional donor life cycle of giving, from membership, annual giving, patrons programs, major gifts, capital and endowment campaigns, and finally legacies or bequests.

The programs serve to build relationships with donors through communication materials and events, and generally the higher the gift, the more personalised the service. A key attribute is the volume of communication with donors, with most large organisations stating that donors would receive materials from the museum/performing arts company once a week, from membership newsletters, to invitations to events, to annual reports to performance or exhibition reviews. The Kennedy Center's Development Department, for example, sends out 1 million pieces of mail every year.<sup>43</sup>

Tax legislation in the US differs from Australia, and enables significant stewardship opportunities for organisations, often with some department areas devoted exclusively to their management. For example, the Guggenheim's Individual Development area raises significant income annually from what is essentially development's programming department, which creates events for donors, from studio visits to travel programs to gala events. Their challenge within the competitive environment is to be cutting edge and find unique ways to attract donors to the Guggenheim.<sup>44</sup>

To deliver the broad range of stewardship materials, arts organisations often have a dedicated operations area within the department. The National Gallery of Art, Washington DC, for example, has 6 staff within the operations area, which is responsible for budget, publications, e-newsletters, and other informational mailings, in addition to overseeing the database and research areas. The Lincoln Center's Development Operations area has 5 staff which oversee "the infrastructure that ties the department together"<sup>45</sup> such as budgeting, software, database, research, acknowledgement and gift processing. With a dedicated operations team, fundraisers can focus on securing gifts confident that the supporting infrastructure is present to deliver and sustain relationships.

Large development teams have significant income, servicing and administrative responsibilities that are often broken down into separate, measurable targets for each program, such as annual giving, major gifts and capital campaigns. While

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<sup>43</sup> Interview with Dan Hagerty, Director of Individual Campaigns, Kennedy Center

<sup>44</sup> Interview with Helen Warwick, Director of Individual Development, Guggenheim

<sup>45</sup> Christine Donato, Director, Development Operations, Lincoln Center

Annual Giving targets would traditionally be lower than Major Gifts, they serve to cultivate a broad range of donors, and act as the breeding ground for major gifts. Similarly while there are independent targets to achieve, successful development departments have effective levels of interdependence that are based on trust and communication. For example, while the Annual Giving team of the National Gallery of Art, Washington DC needs to secure over \$4 million annually, members of the major gifts area attend Annual Giving functions to assist with stewarding donors, and seek to cultivate major donors, to ensure the total NGA fundraising goal of \$20 million is achieved. When interviewing Development teams as a whole for this report as was the case with the National Gallery, Washington DC and the Lincoln Center, a strong sense of unity, trust and communication was evident amongst team members, which no doubt underpins effective fundraising programs.

One significant concern shared across the organisations interviewed (with perhaps the exception of the Metropolitan Museum which has a reputation for long staffing tenure, with the Chief Development Officer at the Museum for 25 years)<sup>46</sup>, was the turnover of development staff. With a highly competitive marketplace and where demand currently outweighs supply, development staff, particularly at entry levels, are constantly turning over. Even at the Director of Development level there was significant turnover with staff transition at the San Francisco Asian Art Museum, Whitney and the Phillips Collection. Remuneration, staff burnout and little room for movement were given as reasons for the turnover, in addition to the current state of the employment market. Turnover impacts the development team, relationships with donors, and ultimately the income capabilities of the organisation. When asked, a number of arts organisations had few professional development opportunities in place for staff due to a lack of funds; similarly there were few internal mentoring-style programs. One exception was the Museum of Modern Art that offered a number of professional development opportunities including attending conferences and courses; turnover at the upper levels of the development department was lower, with a minimum of 5 years tenure, and the two staff interviewed had both been with the Museum for over 10 years each.

Large development teams also provide a variety of professional experience. While a significant number of development staff have extensive experience in the arts, increasingly, staff are being drawn from a variety of fundraising industries including tertiary, charitable and welfare sectors. One example of the diversity of backgrounds having successfully shaped a team is the Tate. With 55 staff in Development drawn from the arts, university and charitable sector, the entrepreneurial fundraising style of the organisation draws upon the variety of experiences and successes across industries and determines their successful application to the Tate.<sup>47</sup> The Individual Giving area, for example, will be rolling out

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<sup>46</sup> Interview with Christine Begley, Deputy Chief Development Officer for Government & Foundation Giving

<sup>47</sup> Charlotte Young, Development Manager, Programmes, Tate



a new Annual Giving Program targeting the Tate's 83,000 members. Relatively new within arts philanthropy in the UK, annual giving is a successful formulised program used in the university sector with alumni, and Kathrin Ostermann, Head of Individual Giving, Tate, draws upon her previous experience at Kings College to implement this program.<sup>48</sup>

Arts philanthropy programs in the US and UK have been significantly influenced by the university sector, in particular, at the major gift level through capital and endowment campaigns. Campaign style fundraising focuses efforts on major capital or endowment campaigns with set targets within finite periods.<sup>49</sup> Based on some of the organisations interviewed, the enormous campaign targets set, and achieved, show the ambition, needs and successes of campaign-style fundraising. For example MOMA raised \$900 million for its new building and was the most successful campaign in the arts at the time.<sup>50</sup>

This style of fundraising results in increasingly competitive and growing campaign targets, in order to remain comparable to like institutions, that is "If X museum is raising \$400 million for their new building, we need to raise \$500 million just to compete in terms of profile". While the campaign targets are justified to meet the growing need for new accommodation, collections and ongoing income in the case of endowments, there is a concern within the marketplace of donor fatigue and eventually exhausting the market.<sup>51</sup> Staff burnout in running these campaigns is already evident through high turnover, particularly at the conclusion of campaigns, and is of ongoing concern.<sup>52</sup>

To secure campaign targets, a prospect management technique, developed originally in the university sector, is often applied. This means that a list of prospects is developed and individuals are assigned to specific development staff who are responsible for securing their gifts. This style of 'moves management' was adopted in almost all organisations who were running significant campaigns, however the level of flexibility in who managed which individual depended on the style of the organisation, from those with set responsibilities and prospects, to more flexible approaches depending on activity, relationship and timing.

One arts organisation that is similar in scale to a university and therefore adopted a number of tertiary fundraising techniques is the Smithsonian. With 19 museums, 9 research institutions and an annual operating budget in excess of \$1 billion, the organisation has a centralised development office that is responsible for managing

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<sup>48</sup> Interview with Kathrin Ostermann, Head of Individual Giving

<sup>49</sup> Tony Wilson & Val Broadie, 'Bold Plans, Sound Strategy: Strategic Planning for Fundraising Success', Campbell & Company, AFP Conference, 31 March 2008

<sup>50</sup> Interview with Lisa Mantone, Director of Development and Elizabeth Burke, Senior Associate Director, Department of Development & Membership

<sup>51</sup> Interview with Elizabeth Lani, Manager for Major Gifts, De Young Museum

<sup>52</sup> Dan Hagerty, Director of Individual Campaigns, Kennedy Center

the assignment of prospects to individual museums and research institutions that have their own development staff. Zully Dorr, Director, Development Operations, Office of Development, Smithsonian, who comes from the university sector, explains the Smithsonian is a large and complex organisation, and using this style of prospect management is an effective way of managing and delivering on the large number of priorities, in the most professional manner, trying to eliminate multiple approaches to individual donors.<sup>53</sup>

In the evolution of fundraising programs, once the base of supporters has been built through membership and annual giving programs, a constituency of major donors has been articulated through major gift programs, and the key organisational priorities have been achieved, through a capital program, an organisation tends to focus on its long term stability, through endowment campaigns. This trend is evident in a number of the organisations interviewed, from the San Francisco Opera, to the Guggenheim, to the Royal Opera House. Endowment programs are often linked to bequests, where the legacy of the gift will continue for years to come. Endowment campaigns are often considered more difficult to fundraise for, as there is little short-term tangible outcome, unlike capital campaigns and new buildings, or major gift programs and new collections. Donors to endowment campaigns are traditionally those most invested with the vision of the organisation, and want their gift to assist in realising that. With finite targets and campaign periods, and with the energy and momentum associated with these types of campaigns, there remains an important question regarding the next step in the evolution of philanthropy programs – what is next? It is unlikely these endowment campaigns will ultimately secure the organisation's financial security, as an organisation's expenditure continues to grow to keep up with market demands, and the organisation's increasingly ambitious vision. So what will be the next step to reinvigorate any potential donor fatigue, and ensure there is the market to bare it?

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<sup>53</sup> Interview with Zully Door, Director, Development Operations, Office of Development, Smithsonian

## **6) Future issues in arts philanthropy**

Each arts organisation interviewed for this report was asked what they perceived to be the greatest challenges and opportunities for growth in arts philanthropy. Key issues mentioned were the economy and the next generation of philanthropists.

The current state of the economy, particularly in the US, was cause for growing concern amongst development staff. Corporate sponsorship had already been affected in some areas, such as the Shakespeare Theatre Company in Washington DC, and the impact on philanthropic areas is uncertain. Those interviewed were reasonably confident that those who had supported their organisations at significant levels for significant periods of time were unlikely to change their giving behaviour, such as leadership donors at the Metropolitan Museum and MOMA. Concern however was raised for donors at lower levels, who had newer relationships with organisations, as the relationship was not as strong, and the donor might be potentially more susceptible to economic downturns than those wealthier donors. Foundations also, such as the Henry Luce Foundation and the Rockefeller Brothers Fund were also likely to decrease their arts funding over the next few years due to lower return on investments.<sup>54</sup>

Some arts organisations are even placing a hold on the launch of endowment campaigns in light of the economic downturn, concerned once funds are secured and transferred into the endowment, losses will potentially be made in investments and this would be a difficult message to articulate so soon after securing a gift.<sup>55</sup>

The economy currently proves a challenge that arts organisations cannot overcome independently, but to mitigate its impact, organisations are focusing on strengthening relationships with current donors, setting more cautious income targets, and analysing the market for other income opportunities to offset any potential drop in specific philanthropic income areas. The variety of philanthropy programs, diversity of donors and strength of brand are key components to ensure ongoing success in a periods of economic uncertainty.

Another area that poses a challenge, and opportunity for arts organisations, is the next generation of donors. Significant dialogue within philanthropy industry publications and conferences discuss the philanthropic landscape of the future, and what current practices may need to change to attract the next generation of donors.<sup>56</sup> A number of arts organisations have established younger donor groups, such as the Apollo Circle at the Metropolitan Museum, and the Young Patrons program at the Tate. These long term strategies to build relationships with donors will

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<sup>54</sup> Interviews with Rockefeller Brothers Fund & Henry Luce Foundation

<sup>55</sup> Organisation wished to remain anonymous

<sup>56</sup> A recurring theme in conference schedules at the American Fundraising Professionals International Conference, San Diego, 29 March – 1 April 2008

potentially take a significant time before organisations recoup their costs, but are essential in building donor awareness and loyalty.

The Tate is focusing on younger donor groups in both operational and strategic ways. With 50% of Tate Modern visitors under the age of 35, the Tate focuses on recruiting a younger audience for its Patrons group, creating an attractive 'club-like' program that involves access to private gallery visits, artists studios and curator-led tours. Branding the Young Patrons program as the 'gateway' to contemporary art in London, it promotes both the art knowledge and social networking opportunities. The Tate sees the young patrons area as a huge area for potential growth, with prices similar to those of joining a gym, the program is growing successfully, with 150 patrons to date, and a target of increasing by 50 patrons annually.<sup>57</sup>

Young patron programs demand significant long-term investment from organisations, and a dynamic and entrepreneurial approach to attract a relatively new audience. Whether these programs will eventually result in significant income opportunities in the long term has yet to be tested, but the rationalisation of creating a culture of philanthropy amongst a new audience and long term relationships with arts organisations is very sound. However, with a new trend of entrepreneurial philanthropists, often characterised as young, self-made entrepreneurs who subscribe less to the philosophy of an organisation, and more to the investment value and return of specific projects (that is, an investment of \$50,000 will mean X number of children can see X number of performances which will have a significant impact on their learning abilities), traditional development styles of building long term relationships for life-long donations may not be as relevant. Therefore attracting and benefiting from a new wave of philanthropists requires a flexible, entrepreneurial approach that may demand long-term shifts in development styles.

## **Conclusion**

Arts organisations are busy securing income to run this year's performances, next year's programs, and the organisation's future vision. While driven and guided by the Development Department, the whole organisation owns responsibility in ensuring its success, being underpinned fundamentally by the Board and the CEO. The external environment of an organisation and its unique brand and strengths need to be leveraged to secure its position within a competitive market. The diversity of philanthropy programs and donors ensure a strategic and sustainable pipeline for future growth. Alongside the day to day activity of securing the next big donation, the next key donor, is the concern for future sustainability, in light of the current economic climate and a new generation of donors. Arts philanthropy is a dynamic, challenging and creative business that requires a flexible and entrepreneurial approach and plays a significant role in ensuring an organisation's future.

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<sup>57</sup> Interview with Sue Livermore, Assistant Manager, Patrons, Tate

## **RECOMMENDATIONS**

The following recommendations are based on the above research, for application within an Australian environment, with sensitivity towards cultural differences:

### **EXTERNAL ENVIRONMENT: POSITIONING & PERSONA**

#### **Internal Organisational Recommendations**

- Undertake an audit of the external environment: determine any environment limitations to philanthropic styles; determine your organisation's unique position in the market and how to differentiate your 'case for support' from competitors.
- Identify and articulate your organisation's unique 'persona'; reflect this in philanthropy styles and programs. Opportunity to develop unique relationships with donors and develop long-term loyalty.

### **ORGANISATION**

#### **Structure**

- Direct reporting line between the CEO and Director of Development: clear communication channels regarding development initiatives and cross-organisational impact and vice versa. Opportunity to build capacity of 'hero fundraiser' (CEO) via direct experience of Director of Development.
- Director of Development member of Senior Executive: to ensure that development has position and influence across the organisation, to empower the department to build successful programs; ensure development is structurally positioned at the hub of the organisation.
- Access to the Board and/or Development Committees: ability to build relationships with an essential stakeholder group.

#### **Communication**

- Positioning: ensure Development Department is positioned at the hub of the organisation with excellent communication channels horizontally and vertically to leverage fundraising opportunities and maximise lead-time.
- Formal Channels: establish cross-organisational work groups to ensure communication regarding programs is timely and accurate; build cross-organisational capacity and internal ambassadors.
- Informal Channels: empower development team to build internal stakeholder relationships and seek out advocates for philanthropy within key areas such as programming, marketing and finance. This will assist in building efficiencies of internal infrastructure, and support formal communication channels.

### **BOARD**

#### **Internal Organisational Recommendations**

- Establish a board giving requirement: during initial stages 100% participation representing in-principle commitment to fundraising as a priority, regardless of donation level; focus on increasing income expectations during secondary phase.

- Build relationships with key internal constituents (CEO & Director of Development) and Board and ensure philanthropy is a priority and ongoing item for discussion; establish clear expectations of what is required from all parties to reach stated objectives.
- Seek external party to assist in creating a cultural shift at the board level concerning philanthropy, such as Artsupport.<sup>58</sup>
- Encourage peer-to-peer mentoring on the Board to enable sharing of capacity and confidence regarding fundraising.

#### **Broader Industry Recommendations:**

- Board Best Practice: facilitate forums and opportunities for Board members to discuss with peers in arts industry; similarly develop mentoring opportunities between more philanthropically successful and established arts organisations and those during start-up phase. Opportunity to extend this program to include international peers should also be examined.
- Government Board Appointments: should appointments be restricted by government, seek to establish a separate Development Committee representing major donors, including those also on the Board. Establish guidelines on personal donations, fundraising and broader advocacy, along with appointment terms.

### **CEO**

#### **Internal Organisational Recommendations:**

- Develop excellent communication channels between CEO and Director of Development to encourage seamless teamwork.
- Create CEO's 'hero' image amongst key stakeholders via PR, events, one-to-one meetings.
- Ensure CEO articulates the organisation's philanthropic style, ideally supporting significant, long-term investment in development to ensure a move away from transactional fundraising to sustainable philanthropy programs.

#### **Broader Industry Recommendations:**

- CEO professional development opportunities including peer-to-peer mentoring; industry-run courses (Fundraising Institute of Australia, Philanthropy Australia) or academic forums (Queensland University of Technology, Swinburne University).
- Cultural Chief Executive Bodies: leverage established professional bodies, such as the Council for Australian Museum Directors and other sector equivalents, as a forum for confidential discussion regarding fundraising demands and expectations; benchmarking; strategic decision-making opportunities to have direct impact on philanthropic landscape.

### **FUNDRAISING PROGRAMS & TEAMS**

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<sup>58</sup> For further information on Artsupport Australia go to [www.australiacouncil.gov.au/philanthropy/artsupport\\_australia](http://www.australiacouncil.gov.au/philanthropy/artsupport_australia)

## **Fundraising Programs**

- Determine capacity for investment in development department in terms of program resources and staff. Set realistic targets (income and donor) based on investment in style of programs and number of staff; manageable targets will create a sense of success within the organisation, and reduce capacity for staff burnout. While it is unrealistic to see immediate investment in large development teams and a suite of philanthropic programs, the value of each style of program, and its contribution to the overall donor cycle needs to be determined against the needs of the organisation, both short and long term.
- Provide competitive packages in line with fundraising sector to ensure quality candidates.
- To mitigate some turn-over of staff and increase quality of professionals, provide mentoring (cross-organisation; cross-sector) opportunities for staff, along with professional development opportunities provided by industry bodies such as Fundraising Institute of Australia, Philanthropy Australia or Artsupport.
- Encourage industry networking and sharing information to develop benchmarking opportunities and broader awareness of the current market.
- Encourage dialogue and information sharing with international peers to be across global philanthropic trends and opportunities.
- Encourage dialogue within the organisation to encourage a team approach (development department, CEO and Board).

## **FUTURE ISSUES**

- Risk mitigation: by developing a variety of philanthropy programs and tapping into a broader market, organisations are ensuring a level of risk mitigation concerning future economic climate. Also, continue to build strong relationships with current donors, to ensure ongoing commitment during difficult periods.
- Strengthen philanthropy programs to capitalise on imminent inter-generational transfer of wealth, both at program and relationship level.
- Undertake organisation-wide dialogue internally regarding next generation of donors; ensure issues are included in organisation's long-term strategic vision, and financial investment is made knowing return on investment will be medium to long term.
- Encourage dialogue across the sector (foundation, philanthropists, industry representatives) to improve communication and overcome power dynamics that often undermine capacity to develop long-term and mutually-satisfying relationships.

## **CHURCHILL FELLOWSHIP REPORT: DISSEMINATION**

The dissemination of learnings and recommendations contained within this report form an important part of overall recommendations concerning dialogue across the philanthropic sector. I intend to distribute my report amongst my colleagues and key stakeholders within the philanthropic sector including industry representatives, philanthropists, foundations, arts managers, CEOs and Board members. In addition to this I will actively seek opportunities to share the report through networks via industry bodies such as Artsupport, Fundraising Institute of Australia and Philanthropy Australia.

Additionally, I will take the opportunity to present my findings at a number of industry and academic forums to encourage debate and opportunities for growing arts philanthropy in Australia.

I also look forward to sharing my report with a number of my international colleagues whom I interviewed, whose generosity and experience were invaluable, and provided the foundations for this report. I hope this provides another bridge for international dialogue to further encourage growth in this important area.



**APPENDIX 1:**

**KEY ARTS ORGANISATIONS: OVERVIEW**

ORGANISATION	Organisational Overview & Investment							Board Engagement					Snr Leadership		
	Location	Core Business	Budget (Annual Operating)	Fundraising Income/ Target (Annual Operating)	Fundraising % of Budget	Staff (total)	Staff (development)	Board No.	Board Giving Prerequisite (\$/n)	Govt Appointed (y/n)	Development Advisory Committee (y/n)	Development Giving Prerequisite (\$/n)	Leadership Transition (12 months)	Snr Development Staff Transition (12 months)	Development Director Report to CEO
De Young Museum	San Francisco, USA	Art Museum	\$44M	\$14M	32%	400	21	44	n	n	y	y	y	y	
San Francisco Asian Art Museum	San Francisco, USA	Art Museum	\$22.6M	\$10M	44%	200	18	80	y	y	*	y	y	y	
San Francisco Ballet	San Francisco, USA	PA Co	\$50.2M	\$19.5M	39%	125	17	66	\$10Kpa	n	y	n	n	y	
San Francisco Opera	San Francisco, USA	PA Co	\$69M	\$37M	54%	125	29	80	n	n	y	n	n	y	
SFMOMA	San Francisco, USA	Art Museum	\$38M	\$16M	42%	365	32	60	\$25Kpa	n	y	y	n	y	
American Patrons of Tate	New York, USA	Charity linked to AM	\$450K	\$10M	n/a	2.5	2.5	12	\$25Kpa	n	n	n/a	n	y	
Guggenheim Museum	New York, USA	Art Museum	\$38M	\$8M	21%		27	28	\$2.5M	n	n	n	y	y	
Lincoln Center	New York, USA	PA Co & Centre	\$100M	\$48M	48%	500	35	65	y	n	y	n	n	y	
Metropolitan Museum	New York, USA	Art Museum	\$194M	\$50M	26%	2500	45	90	n	n	y	n	n	n	
Museum of Modern Art	New York, USA	Art Museum	\$121M	\$58M	48%	700	50	60	y	n		n	n	y	
Whitney Museum of American Art	New York, USA	Art Museum	\$29M	\$16M	55%	209	40	45	y	n	n	n	y	y	
John F Kennedy Center for the Performing Arts	Washington DC, USA	PA Co & Centre	\$150M	\$70M	47%	*	50	59	\$50Kpa	y		n	n	y	
National Gallery of Art	Washington DC, USA	Art Museum		\$20M	15%	900	16	10		y	y	y	n	n	
Phillips Collection	Washington DC, USA	Art Museum	\$11.4M	\$7.9M	69%	120	11	28	\$25Kpa	n	y	n	y	y	
Shakespeare Theatre Company	Washington DC, USA	PA Co & Centre	\$19.7M	\$6.4M	32%	150	14	34	\$15Kpa	n	y	n	y	y	
Smithsonian Institution	Washington DC, USA	Museum	\$974M	\$168M	17%	6000	92	17	n	y	n	y	n	y	
Smithsonian Associates (part of SI)	Washington DC, USA	Museum Education	\$7.5M	\$750K	10%	65	3	n/a	n/a	n/a	n/a	y	n		
Freer & Sackler Museum (part of SI)	Washington DC, USA	Art Museum	\$16M	\$4M	25%	170	6	n/a	n/a	n/a	n/a	y	n		
English National Ballet	London, England	PA Co	£12M	£600K	5%	128	6	12	n	*	n	n/a	n	y	
National Maritime Museum	London, England	Museum	£17M	£500K	3%	407	5	15	n	y	y	y	y	y	
Royal Opera House	London, England	PA Co & Centre	£90M	£16.2M	18%	792	27	15	n	y	y	n	n	y	
Tate (including Britain, Modern & Liverpool)	London, England	Art Museum	£87.4M	£7.2M	8%	1238	55	11	*	y	*	n	n	y	
The National Gallery	London, England	Art Museum	£33M	£4M	33%	500	16	*	n	y	n	y	y	y	
<b>KEY:</b>															
* = information not available															
n/a = not applicable															
NB - Data is believed to be accurate based on interviews and publicly accessible information available during March - July 2008															

**KEY ARTS ORGANISATIONS: OVERVIEW (cont'd)**

ORGANISATION	Fundraising Programs											
	Memb'ship	Annual Giving	Major Gifts	Capital	Endowment	Institutional/Foundations & Trusts	Events	Corporate	Bequests/Legacies	Special Projects	International Fundraising	Operations Area
De Young Museum	x		x			x	x	x	x			
San Francisco Asian Art Museum	x	x	x	x	x	x	x	x	x			
San Francisco Ballet	x	x	x	n	x	x	x	x	x	x	n	n
San Francisco Opera	x	x	x	x	x	x	x	x	x	x	n	x
SFMOMA	x	x	x			x	x	x	x			x
American Patrons of Tate	x	x	x			x	x		x	x	x	
Guggenheim Museum	x	x	x	x	x	x	x	x	x	x	x	x
Lincoln Center	x	x	x	x	x	x	x	x	x	x		x
Metropolitan Museum	x	x	x	x	x	x	x	x	x	x		x
Museum of Modern Art	x	x	x	x	x	x	x	x	x	x	x	x
Whitney Museum of American Art	x	x	x	x	x	x	x	x	x	x		x
John F Kennedy Center for the Performing Arts	x	x	x		x	x	x	x		x	x	x
National Gallery of Art		x	x		x	x	x	x	x	x	x	x
Phillips Collection	x		x		x	x	x	x	x			
Shakespeare Theatre Company	x	x	x	x		x	x	x	x			
Smithsonian Institution	x	x	x	x	x	x	x	x	x	x	x	x
Smithsonian Associates (part of SI)	x		x			x	x	x				
Freer & Sackler Museum (part of SI)		x	x			x	x	x		x	x	
English National Ballet	x		x			x	x	x	x	x	x	
National Maritime Museum	x		x	x		x	x	x	x	x	x	
Royal Opera House	x		x		x	x	x	x	x	x	x	x
Tate (including Britain, Modern & Liverpool)	x		x	x		x	x	x	x	x	x	x
The National Gallery		x	x			x	x	x	x			
<b>KEY:</b>												
* = information not available												
n/a = not applicable												
<i>NB - Data is believed to be accurate based on interviews and publically accessible information available during March - July 2008</i>												

**KEY ARTS ORGANISATIONS: OVERVIEW (cont'd)**

ORGANISATION	Program No.s		Capital Campaign Details			Endowment Details				
	Membership No.	Donor No.	Campaign Goal/Result	Campaign Period	Campaign Dates	Current Endowment Capital	Endowment Income Annually (\$)	% of Total Operating Budget	Campaign Goal	Goal % of Total Operating Budget
De Young Museum	77,000	1,400	*	*	completed					
San Francisco Asian Art Museum	15,000	*	\$176M		completed	\$20K				
San Francisco Ballet	16,220	8,020	\$35M/\$45M	7.5 yrs	2000 - 08	\$89.4M	\$13.3M	26%		
San Francisco Opera	[members are donors]	10,000	*	*	*	\$125-130M	\$5M	8%	ongoing	
SFMOMA	40,000		\$24M		ongoing					
American Patrons of Tate	80	200				\$30M	\$1.5M	15%		
Guggenheim Museum	10,000	15,000				\$16M	\$3.5M	10%	\$180M	
Lincoln Center	7,000	1,000	\$850M	10 yrs	ongoing	*			\$50M	
Metropolitan Museum	130,000	*	\$1.035B	14 yrs	ongoing	\$2.5B	\$86.7M	30%	ongoing	
Museum of Modern Art	108,000	120,000	\$900M		1998-2005	\$825M			\$1B	35-36%
Whitney Museum of American Art	11,000	13,000	\$680M	5 yrs	ongoing	\$70M	\$3.1M	10%		
John F Kennedy Center for the Performing Arts	30,000	(incl in memb #)	n/a			\$100K	\$3-7M	2-5%		
National Gallery of Art			\$123M	4 yrs	1994-98					
Phillips Collection	8,800	9,000	\$29M	3.5 yrs	1992-96	\$19M	\$845,000	5-8%		25%
Shakespeare Theatre Company	3000	1000	\$89M/\$75M	10 yrs	ongoing	\$2M	n/a	n/a		
Smithsonian Institution	2,000,000	*							\$1B	
Smithsonian Associates (part of SI)	45,000									
Freer & Sackler Museum (part of SI)		175					\$7-8M	44 - 50%		
English National Ballet		1,100	n/a			£0				
National Maritime Museum	*	*	£35M	2012	ongoing	n/a				
Royal Opera House	26,000	*	£100M		completed	£17M	*	*	*	*
Tate (including Britain, Modern & Liverpool)	78,000	*	*		ongoing	*				
The National Gallery	n/a	*	£25M	3 yrs	completed	£30M	£1M	3%	n/a	n/a
<b>KEY:</b>										
* = information not available										
n/a = not applicable										
<i>NB - Data is believed to be accurate based on interviews and publically accessible information available during March - July 2008</i>										

## APPENDIX 2:

### FOUNDATIONS

During the Churchill Fellowship I met with representatives from two significant US foundations<sup>59</sup>, and a private bank with a significant number of private philanthropic clients.<sup>60</sup> I was offered an insight into the role foundations play within arts philanthropy, and the professional rigour applied to their management.

Foundations represent a significant portion of philanthropic income for US non-profits, including cultural organisations.<sup>61</sup> The style of approach to foundations is clearly articulated and rigorous, often with lengthy applications and long lead times.

Foundations, while often influenced by the personal interests of the founder,<sup>62</sup> also respond to gaps in the funding market. For example, the Henry Luce Foundation is "committed to scholarship and the overall enhancement of American art history"<sup>63</sup>, and often funds projects during the research and development phase, when financial support is crucial but often difficult to secure without public profile and opportunity for benefits available during the exhibition phase.<sup>64</sup>

Foundations also display a depth of understanding of the arts sector, providing grants not only for specific exhibitions or publication projects, but also for capacity building and endowment as in the case of the Rockefeller Brothers Fund. The Rockefeller Brothers Fund invests in the long-term future of arts organisations by contributing to endowment campaigns, and funding special projects determined as 'capacity building'.<sup>65</sup> The capacity building grants will have a direct impact on an organisation's efficiency, such as funds to hire a deputy development director, so the present director of development can focus on securing greater income in the short-term that will eventually fund the additional position. Foundation representatives are often drawn from the industries they represent (such as the arts) which may provide greater insight into the operations and needs of grantees, thereby ensuring greater communication and effectiveness between the grantor and grantee.

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<sup>59</sup> Henry Luce Foundation distributes approximately \$5 million annually to American arts projects; the Rockefeller Brothers Fund distributes approximately \$2 million annually to New York-based arts projects.

<sup>60</sup> JP Morgan Philanthropic Services currently represents \$9 million distributed to arts projects in the US by client foundations (as opposed to corporate foundations).

<sup>61</sup> For further information go to the Foundation Center, [www.foundationcenter.org](http://www.foundationcenter.org)

<sup>62</sup> Interview with Ed Jones, Vice President, Philanthropic Services, JP Morgan Private Bank

<sup>63</sup> Henry Luce Foundation website, [www.hluce.org/americanart.aspx](http://www.hluce.org/americanart.aspx)

<sup>64</sup> Interview with Ellen Holtzman, Program Director for American Art, Henry Luce Foundation

<sup>65</sup> Interview with Naomi Jackson, Program Associate, Rockefeller Brothers Fund

Foundations are also ensuring they remain as responsive and relevant as possible, with ongoing scrutiny of application procedures,<sup>66</sup> and internal evaluation of programs by external agencies.<sup>67</sup>

A fundamental resource used by both grant-makers and grant-seekers alike is the Foundation Center's comprehensive database, along with research, education and training programs available on the organisation's website that receives over 47,000 hits daily.<sup>68</sup> The Center provides a fundamental basis of research in philanthropy, and facilitates the dialogue between foundations and non-profits via its database, playing a vital role in increasing the professionalism and effectiveness of the philanthropic sector.

The Foundations interviewed responded to gaps in the funding market, offered clearly articulated grant guidelines, application procedures and a belief in investing in the capabilities of the organisation for the long-term, representing best practice. Furthermore, the encouragement of rigour, dialogue and depth of research that the Foundation Center offers is an example of international best practice that would provide great opportunity for application within an Australian market.

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<sup>66</sup> Interview with Naomi Jackson, Program Associate, Rockefeller Brothers Fund

<sup>67</sup> Ellen Holtzman, Henry Luce Foundation

<sup>68</sup> The Foundation Center, [www.foundationcenter.org](http://www.foundationcenter.org)

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