A new theoretical framework for business investments in the arts: Some examples from Italy

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Abstract: Sponsorship and cultural patronage has often been associated with a company's non-business or philanthropic plans. They have always been treated as separate practices from the core activities of any particular business and have not been analysed from a business perspective. Although some research has tried to highlight the role of sponsorship as marketing tool (especially sport sponsorship) within a business marketing perspective, not has much attention has been given to the support and involvement of companies with arts and cultural activities. Nevertheless, the Italian landscape presents some interesting challenges and trends to the researcher which want to make sense of business investment in the arts in the business perspective. The old models for interpreting these practices do not seem to provide a meaningful explanation to why companies are everyday getting more involve with arts and culture. A new theoretical framework need to be drawn which take into consideration the new cultural economy perspective and presents business investments in the arts as a socio-economic choice of a company and that tries to investigate its impact in terms of economic competitiveness.

Keywords: Sponsorship, business investments in the arts, corporate philanthropy, competitiveness, corporate arts collections; cultural economy.

1. Introduction

Many factors and trends of the present economic development seem to suggest an ever growing interconnection between the world of the arts and business. Nevertheless, not many studies have tried to explain what brings these two worlds together and specifically why the economic sector seeks to build relations and exchanges with the artistic and cultural sector. This paper aims to consider and analyse the business practice of sponsorship and cultural patronage[1] within a socio-economic theoretical framework. By highlighting how these practices can be easily compared to other sorts of business investments, it argues that they can be studied in a more holistic way: analysing the socio-economic perspective behind any decision of a company to sponsor or support the cultural sector.

The investments of private companies in the arts and cultural sector can be seen as a growing phenomenon, Kotler and Scheff (1997) underline that general sponsorship will become the fastest-growing area of marketing in the new millennium. Consequently the arts and cultural sector will be affected by this growth.

Many authors suggest that there are growing interconnections and exchanges between the economic and the cultural worlds. This has been linked to the growing importance of culture within contemporary society, and particularly its economic impact. There has been a "cultural turn" (Ray and Sayer, 1999) in the economy, where the cultural dimensions (with its demand and implications) are used to explain new economic processes and issues.

The paper suggests how this new framework needs to be taken into consideration in the understanding of business investment in the arts. The first section reviews some of the major contributions in the literature about business investment in the arts and integrates them with some new researches in the wider sponsorship field. This is followed by a brief overview of how sponsorship should be understood in reference to the business operation and how different strategies in sponsorship respond to different aims and time scales. The last section presents a new theoretical approach to business investment in the arts which take into consideration the competitive advantage model developed by Porter (1991) and present as an example the practice of certain Italian companies[2].

2. Understanding business investments in the arts

As Scott (1997) suggests "as we enter the twenty-first century a very marked convergence between the spheres of cultural and economic development seems to be occurring" (Scott 1997: 324). In trying to explain the rise of this cultural dimension in both economics as well as everyday life, the growth of leisure time, education and disposable income has been cited, as leading to an increased consumption of 'leisure' and cultural goods. On one side this change has taken place involving cultural and arts organizations: Van Aalst and Boorgaarts (2002) suggest how the museum and art gallery sector in the last decades have seen their role changing from conservation and restoration to temporary exhibition and participation of the public. This, it can be argued, has placed them in a much more central position in the economy and, as such, a means for companies to communicate to their potential market. Ninetto (1998: 266) underlines that "both museum and corporations are institutions that create an ever-expanding array of consumer needs and desires, to be fulfilled by an ever-expanding array of commodities".

On the other side, the post-fordist society, where basic needs have been met, the demand for luxury and specialised goods can grow. This is, Scott (2004) points out, one of the feature of cultural products: they are subject to the Engel's Law; when the disposable income expands, consumption rises at a higher rate. In the post-fordist economy companies have to radically restructure their operations in order to be able to detect and respond to these increasingly niche and volatile markets. In many ways economic life has become 'culturalised' (Lash and Urry, 1994; Scott, 2000) and arts become central for the new *Homo Aestheticus* (Dissanayake, 1996).

O'Connor (1999) suggests this growth in demand leads not only to an expansion of, but also to the proliferation and fragmentation of markets. "The growth in cultural consumption meant not just increased purchase of cultural goods but new uses of these goods in the construction of individual and social identity".

The framework of analysis that is presented here suggests a need to reconsider business investment in the arts from this perspective. There is also a call for taking into account the competitiveness model by Porter (1995) and therefore the new challenge for companies is to compete on identity and meaning (Scott 2000, 2004)

2.1 What lies behind corporate philanthropy and arts sponsorship?

Although some literature related to the management of arts organisations and institutions has tried to analyse the importance of the business investment in the arts and its relationship to the different practices of the cultural institution (Myerscough, 1988; Martonella, 1996; Kotler and Scheff, 1997; Wu 2002; Kirchberg, 2003). However, not many authors have tried to explain the other side of the issue: why do companies support and sponsor the arts?

As O'Hagan and Harvey (2000) suggest there is not a large body of literature available on the subject of cultural sponsorship, and that which is available, is mainly derived from sources related to marketing and promotion. During their research, they focused on the motivation behind the sponsorship strategies of 69 companies in Ireland. It was found that company promotion and the opportunity to strengthen their corporate image were the dominating motivation for sponsoring art events. Furthermore, they argue that media coverage was considered as one of the major opportunities for business development, while corporate hospitality was found to be the second most important motivation. Also Young and Burlingame (1996) present an interpretation of the reasons behind business investments in the arts. They

consider four motivation categories for business investments in the arts: the neoclassical/corporate productivity model, the ethical/altruistic model, the political model and the stakeholder model. Meenaghan and Flood (1983) list five main characteristics, which need to be consider in sponsorship (however this could be applied to the business investment in the arts as a whole): the inherence with the company, relation with the product, corporate hospitality, human resources and sales.
Turgeon and Colbert (1992) underline how often the most important reason for a company sponsoring and supporting cultural or social organisations is to change the public perception of the company. Yet, this includes also the possibility to offer a real contribution to society, while improving the relationship with their own, internal human resources. Colbert (1994) presents the results of a research on 34 companies: 34% of them consider a better image of the company as the principal benefit, 22% address the growth in sale, 15% a growth in visibility and 15% the social role played. Quester and Thompson (2001) argue that arts sponsorship, as opposed to sports sponsorship, aims to target image and corporate stature rather than market objectives, and is usually focused on specific, affluent niche audiences rather than the larger, more indistinct 'sport public'. This is further supported by Frank and Geppert's (2004) research within 84 arts institutions which compared sponsorship revenue and audience size. Their findings suggest that corporate donors favour smaller institution focusing on the 'high arts' as opposed to large cultural organisations.
Quester and Thompson (2001: 45) analyse the impact of the sponsorship of the Adelaide Festival of three different companies and conclude that "the willingness to leverage the sponsorship investment with a wider communication programme that includes actively advertising the sponsor's role to the target market, appear to be essential to the success of the sponsorship investment". This suggests that it is not the actual sponsoring which having an effect but how much a company is willing to pay to publicise what it has sponsored.
Much of the literature has been focusing on the difference between corporate philanthropy (the simple donation) and sponsorship (the contract where support from a company is exchanged for visibility and other services). However Porter and Kramer (2002) do not consider this distinction so important as even corporate philanthropy can have a positive economic return and impact for a company that is wisely investing its money.
Similarly, McAlister and Ferrell (2002) describe the importance of 'strategic philanthropy' in a company marketing strategy and define it as "the synergistic use of organisational core competencies and resources to address the key stakeholders' interests and to achieve both organisational and social benefits"(p. 690). Nevertheless, Bennet (1997: 103) argues that "a commercial orientation does not rule out altruistic motives; it merely implies that firms are beginning to understand the marketing potential of this particular business practice".
The majority of research suggests that corporate philanthropy and arts sponsorship have been mainly used as a company investment in image and corporate social responsibility. However research from A&B (2001a, 2001b, 2004b) indicates that companies in the last decade have tried to develop relationships with arts and cultural organisations that go beyond the simple sponsorship model. Another aspect which seems to underline a deeper involvement of companies within the arts and cultural arena has emerged from the scarce success of new tax incentive schemes in countries like France (Morel, 2005) and Italy (Silverio, 2005). It seems that companies perceive their involvement as independent from tax incentives, and although they might take advantage of them, their involvement would take place whether they were, or were not present.

2.2 A more 'cultural' economy

As previously suggested, the growing importance of culture within different contexts, and especially the economic ones, and a convergence between the cultural and economic development is taking place (Scott, 1997). Cultural economy can then be defined by those sectors that engage with products and services "whose subjective meaning, or, more narrowly, sign-value to the consumer, is high in comparison with their utilitarian purpose" (Scott, 2000: 462). Lawrence and Phillips (2002) seem to consider that what makes an industry 'cultural' is in fact the aesthetics of its products; "the problem is not to balance art and commerce but to try and bring aesthetics successfully into the production of goods and the provision of services. The connection between products and aesthetics is a difficult one and requires careful management to produce real value for which consumers will pay premium prices." (Lawrence and Phillips, 2002: 434).

Companies have to radically restructure their operations in order to be able to detect and respond to these increasingly niche and volatile markets, and so economic life has become 'culturalised' (Lash and Urry, 1994; Scott, 2000). Indeed, as many authors suggest culture is not longer a specific field or sphere of social life, but can now be found in everything around us, from urban spaces to communication products, and general commercial goods (Hirsch, 1972; Lash and Urry, 1994).

The cultural (and creative) components of many consumer goods are at the forefront of their economic value. Somehow it this cultural and creative input that will mainly determine the value of the product, instead of the production costs. Goods and services are sold increasingly on the basis of their aesthetic and symbolic content, rather than their intrinsic functional qualities (Scott, 2004). Physical goods are diversified on the basis of their intangible and symbolic qualities and these qualities are also the one determining their value on the market and their economic success. An ever widening range of economic activity is concern with producing and making goods and services that are infused in one way or another with broadly aesthetic and semiotic attributes (Molotch, 1996; Scott, 2004). The ability of firms, regions and nations to capture economic added value from culture and creativity has therefore become an important ingredient of their economic success and competitiveness (Comunian, 2003). Whether considering the existing and expanding importance of arts and culture to society or the associated potential economic benefits, the need for business to built relationships with arts organisations and museums has become too impossible to ignore.

3. From a Business Strategy and Operations perspective

One useful exercise (which many fundraisers within arts and cultural organisation have started to adopt) is to analyse the structures and requirements of companies and consider how arts and culture are able to provide useful and original services for them. Many authors have denounced this approach, which seem to imply that art organisation should do anything to please the companies which support them. Because of the cultural and ethical value of the arts (see also Klamer, 1997), any exchanges with the business sector should be suitably regulated, if they are to take place at all (Wu, 2002). Nonetheless proceeds generated for the arts by providing services/facilities to the economic sector represent a vital proportion of their income, which allows many organisations to continue and expand their work. As a corporate fundraiser from an important gallery in London suggested "sometimes they ask for extra benefits, for example a company wanted their name projected on the wall of the gallery, then we have to see if we can,

or even if we should do it. This is not what our organisation is about. But then if they give us lots of money for it, we would possibly accept and think that we can invest that money on running programs for schools in disadvantaged areas" (interview reported in Comunian, 2002)[3].
It is interesting to look at the business structure of a company and consider which areas of the company are most affected by contacts with arts and cultural organisations and their programs. Turgeon and Colbert (1992) focus on the decision making process behind sponsorship and suggests how a central role in the decision process is played by marketing managers, CEO and advertising manager, but this does not imply that the 'effects' of sponsorship involvement are limited to those areas of activities. Another trend presented by Sauvanet (1999) is the fact that companies more often prefer to be a 'pro-active sponsor', not only developing sponsorship policy which define how the company operates but also becoming more independent and innovative "they have become full-fledged players, heading projects that are in the public interest" (p.61)
Figure 1 presents an overview on the main functions of a company where a partnership or relationship with arts and cultural organisation can have an impact. It is important to consider that the possibility of investing in arts and culture can be regarded as one of the possible ways in which a company can invest its profits. Therefore like any type of investment (such as hiring new staff or buying new premises), support of the in arts should be considered not just on a motivational base, but also on its business impact and economic return.

<table>
<tr>
<td>PRODUCTION
creative industries, cultural products, products diversification</td>
<td>PUBLIC RELATIONS Involvement in public arena, Lobbying and Networking
Media Coverage, Corporate Hospitality, Business Image & Reputation</td>
<td>External Remit
Promotion, point of sales, MARKETING
Advertising, brand and image, product design, brand values</td>
</tr>
<tr>
<td>INNOVATION AND RESEARCH
Product innovation, creativity, research and design, artists in residence</td>
<td>Business Structure
Profit
Strategy Vision</td>
<td>CORPORATE SOCIAL RESPONSIBILITY
Social image of the company, business citizenship, participation to urban renewal and community regeneration</td>
</tr>
<tr>
<td>Internal Remit</td>
<td colspan="2">HUMAN RESOURCES Involvement of the management, arts based training, access to culture for employee, Quality of work environment, participation and higher fidelity</td>
</tr>
</table>

Fig. 1: Business investment in the arts seen in relation to company areas and functions

Starting point of our analysis of the impact of arts sponsorship should therefore be the company itself. It is important to look at the various operational areas within the company to understand what is (or can be) their relationship with arts and culture. The main areas considered in this research are: public relations, marketing, corporate social responsibility, human resources, innovation & research and production. These departments can be further divided into two main conceptual areas. The first three divisions are related to the communication and engagement of the company with the external environment. The last three have a major focus on the operations developed within the company. This distinction will become useful when understanding how different types of investments in the arts have different impacts on companies.

3.1 Reaching the External Remit of the company

As suggested by O'Hagan and Harvey (2000) the emphasis and relation between business investments in the arts and company marketing and promotion is seen by companies as one of the main areas of investments (see also Meenaghan, 1991). Furthermore, Meenaghan (1983) identified six main groups of objectives: increasing public awareness or altering public perceptions of the company, crafting a certain brand image by associating the brand with an event, sales objectives, guest hospitality objectives, to entertain current and potential customers, media objectives and media exposure.

Kotler and Scheff (1997) suggest how the investment in cultural sponsorship is most effective from the point of view of its communication impact: it reaches people in an environment that match with the person life-style creating an emotional link with the customer or audience. Also Colbert *et al* (2005) investigate this potential of sponsorship in reaching specific audiences. Furthermore, this is not only working at the market level, but as A&B (2005) suggests, also at the higher level "arts sponsorship works. It connects a number of key audiences, including opinion formers, which other sponsorship cannot. In terms of a bang for your buck, sponsoring the arts is the best way to attract influential people"[4].

In general, the growth in the demand for cultural products and events, coupled with a wider potential audience, has lead to an expansion in the media coverage of such events. This has created more opportunities for sponsors and companies to gain media exposure and impact. In order to maximize this impact many sponsors have tried to closely link their name to the event or program supported: *Orange Prize for Fiction*, *Heineken Jammin' Festival, Absolut Vision* are just a few examples which suggest the importance in terms of naming and branding of specific art events. This has the added benefit that their names are also used in a non-commercial context. For example a news report on who won a specific book prize, or on how many people attended a certain event will, by default, carry the sponsor's name to potential new audiences.

Although some literature tend to compare the investment in culture to simple advertising and promotion (see for example, Mescon and Tilson, 1987). Sacco (2000) underlines that for a company investing in arts and culture could mean "to communicated with its old and new audiences in a new level: directly involving the arena in which the individual forms its self-perception and understanding, the meaning of self, his existence and the world around him" (Sacco, 2000: 33). Meenaghan (2001: 114) underlines how sponsorship works differently than simple promotion and advertising as "it engages the consumer by bestowing benefits on an activity with which the consumer has an intensely emotional relationship".

From the point of view of a company investing in culture, it seems clear that the best impact and results in terms of image promotion depends upon the involvement and coherency with the arts or cultural form supported. In relation to the different images that a company aims to promote it becomes strategic to be associated to certain arts forms or specific events. The same rule applies to corporate art collection and company's involvement with artists.

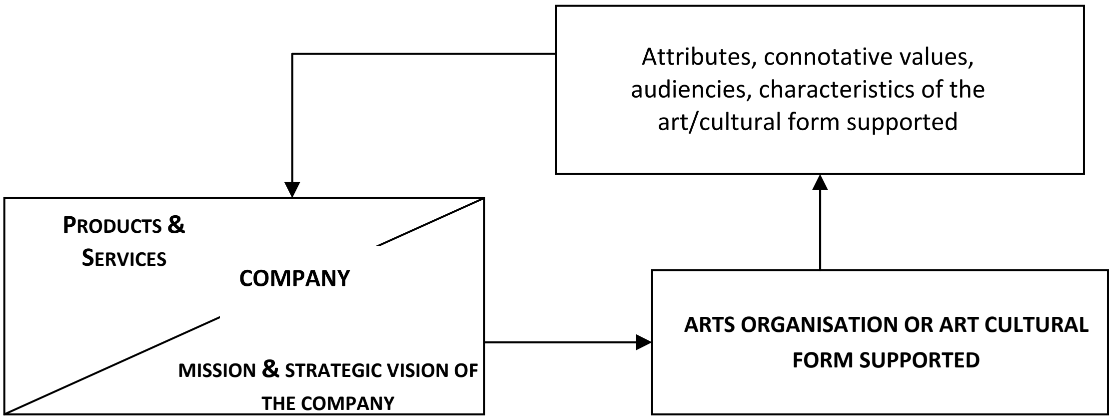

Fig. 2: Reinforcing relationship between company investing in the arts and art form supported

As Figure 2 suggests, there is a direct relationship between the type of art collected or supported and the kind of image that the company wants to portrait. Gwinner (1997) referees to this process in terms of events sponsorship as 'meaning transfer': "one aspect that should be considered, in light of image transfer benefits, is the degree of similarity between the event and the brand. Brand awareness benefits are likely to accrue regardless of similarity levels, but it has been argued here that image associations will be more likely when some links exists, either image or functional, in the consumer's mind" (Gwinner, 1997: 155). For example Unilever has been supporting projects of contemporary art in the Turbine Hall of the Tate Modern in order to be associated and recognised as a creative cutting-edge company. However banks or insurance companies will often target a more traditional and wealthy audience and therefore will tend to support classic music, opera or ballet. A virtuous circle is created and the audiences and the qualitative attributes and characteristics of a certain art form are transferred to the company or its brand. This value attribution and creation seems to be more effective and immediate than the one that could be obtained through a simple advertising campaign as there is already a strong connection with the different audiences and the art form they take part in. Ninetto (1998) describes in details in the case study of Advanta sponsoring the Cézanne exhibition at the Philadelphia Museum of Art and presents the way the company discourses aimed to create an association between the solitary genius of the artists and the company innovative strategies[5].
Another important element in supporting the adoption of investment in culture for improving a company's image is its implication in terms of corporate social responsibility.
Moir and Taffler (2004) conclude that the motivations for business support of the arts can be summarise into two streams: the use of arts for marketing purposes and the use of arts for legitimisation. Tait (1998) suggests how companies have started to use the investment in culture as a way to show their business to be socially responsible. Together with improving the cultural offering and the environment of a location, they can also support specific cultural programs addressed to socially disadvantaged groups, for example. This element of corporate social responsibility and philanthropy as Porter and Kramer (2002) underline can be very functional to

the company in improving the place where it is based, or the life its employees and local workforce. Such philanthropic investments can have significant results also in terms of improving the business environment in which the company operates. Myerscough (1988) already underlined the importance of arts provision on the location of industry. Bednall *et al.* (2001) suggest how in general in their relationship with non-profit support managers are "very aware of the need to consider the direct or indirect effect of their support on the long-term profitability of the firm" (p. 184). This seems to suggest that any philanthropic actions still need to have an economic effect. As Hall (2006: 17) points out "corporate philanthropy and community relations programmes have often been considered luxuries rather than core business operations", nevertheless the author suggest that, through relationship theory, it possible to prove that this action can prove to be a good business practise for the company.

3.2 Impacting on the Internal assets of the company

Although much of the focus on business investment in the arts has been put on the external impact that it could have, some literature and case studies, in the last decade, have shown how beneficial it can be to the internal assets of the company. Areas where such investment can make a significant impact include production, research and development and human resources. Asheim and Clark (2001) argue that the knowledge economy present a new perspective on innovation as being both culturally and institutionally contextualised. Therefore, knowledge, know-how and creativity acquire a new centrality. Investing in arts and culture can enlarge the culture and knowledge base of the company, creating potential for further projects or developments.

Calabrese (2001) suggest the potential of an "aesthetic transformation" of the economy, while McIlroy (2001) underline how the investment in culture is linked to the knowledge economy as cultural diversity is an important resource for the future, since companies in the future will need interesting content, information and creative ideas that the cultural sector can provide.

Nevertheless, the importance of cultural investments is not only theoretical but has proved also to have practical outcomes. In terms of product innovation and diversification, Italian companies like the Fantoni Group or Illy Caffè have proved that investing in culture can present concrete outcomes in terms of finding new markets and new products. With the participation of eminent international figures from the world of industry, design and academics, the activities of the Fantoni Research Centre has become the intersection between the company and its surroundings. One of the artistic workshops of the Research Centre has turned into a new leading catalogue product: the 'Stripes' executive office furniture range is the result of one of the Fantoni Research Center's experimental projects and has been recognized with an award at this year's Salone del Mobile's office exhibition. Developed in cooperation with Marco Viola, it was also shown within Biennale di Architettura in Venice.

Illy caffè, the world-wide brand of coffee producer has established a long term commitment to young and famous artists through the creation of artistic limited-edition coffee cups. Moreover the company is investing in a new design for its coffee bars and spaces and has accordingly created an interiors design award. They have asked young artists, architects and designers from around the world, to think about "spaces for a break and dialogue" in contemporary urban life, focusing on that social hub and great urban window that is the bar. This innovative cultural project will be used by the company to create new approaches for ideating coffee consumption spaces, making them more competitive and creative within the world market.

Another key element of the potential of investments in arts and culture within internal assets is the impact in terms of human resources. O'Hagan and Harvey (2000) talk about supply-chain cohesion to represent the importance of the investment which aims to involve the staff and suppliers of a company. The involvement of members of staff at various levels (from board relationship of the director level to a training room/workshop for the employee) aims to address participation, team building, loyalty and creativity. Sauvanet (1999) argues how in France businesses seek employee involvement at different levels: by keeping them informed on the sponsorship operations; by involving them in the project selection; by engaging with projects that see the employees directly involved.

As VanGundy and Naiman (2003: 4) suggest "business today want to break away from their limitations, aim higher and be creative force for the greater good of the world. We need the transformative experiences the arts give us to thrive in a world of change".

One whole issue of the *Journal of Business Strategy* in 2005 has been dedicated to the potential and impact of arts based training and collaboration with artists and arts organisation into business organisations. As the editors Seifter and Buswick (2005: 4) suggest, "artists have profound insights into creativity […] their knowledge represents a formidable resource, waiting to be tapped by companies in search of creative solutions and managers striving to enable, empower and engage their employees' imaginative and inventive powers".

3.3 Strategies and dimensions of business investments in the arts

Following the argument of the different approaches to investing in the arts and the different strategies used by different companies, it can be argued that it is necessary to understand the common factors and objectives behind it. In the analysis of various case studies and processes thought which companies create relationship with arts organisations, two central elements seem to provide a framework for the categorisation of all the cases (figure 3).

One central aspect is the 'spatial' focus behind the investment. In particular it is important to consider the spatial dimension in business terms. Some of the case studies and practices are clearly targeting the wider audience of the company and try to improve image, brand and other facets which have a strong external focus, but also in terms of impact on the external environment and corporate social responsibility. On the other side, other examples seem to present a different dimension to the business involvement with the arts. The focus here is in the business environment, in the improvement of the business premises through corporate art, company galleries and museums.

The other important element is the 'temporal' framework. If one looks at case studies and examples of business investments in the arts, on one side there are projects which aim to create the most impact and publicity, by investing large amount of money in a short period of time (temporary blockbusters exhibitions). While on the other side there are many examples of partnerships or projects which have been developed on a long term base. The type of investment (short term or long term) tends to correspond to the level of engagement. Therefore on one side is the company simply donates or pays a fee, while at the other extreme is the company who can be involved in the organisation and operation of the cultural investment, acquiring know-how and expertise in different fields or even managing the project itself.

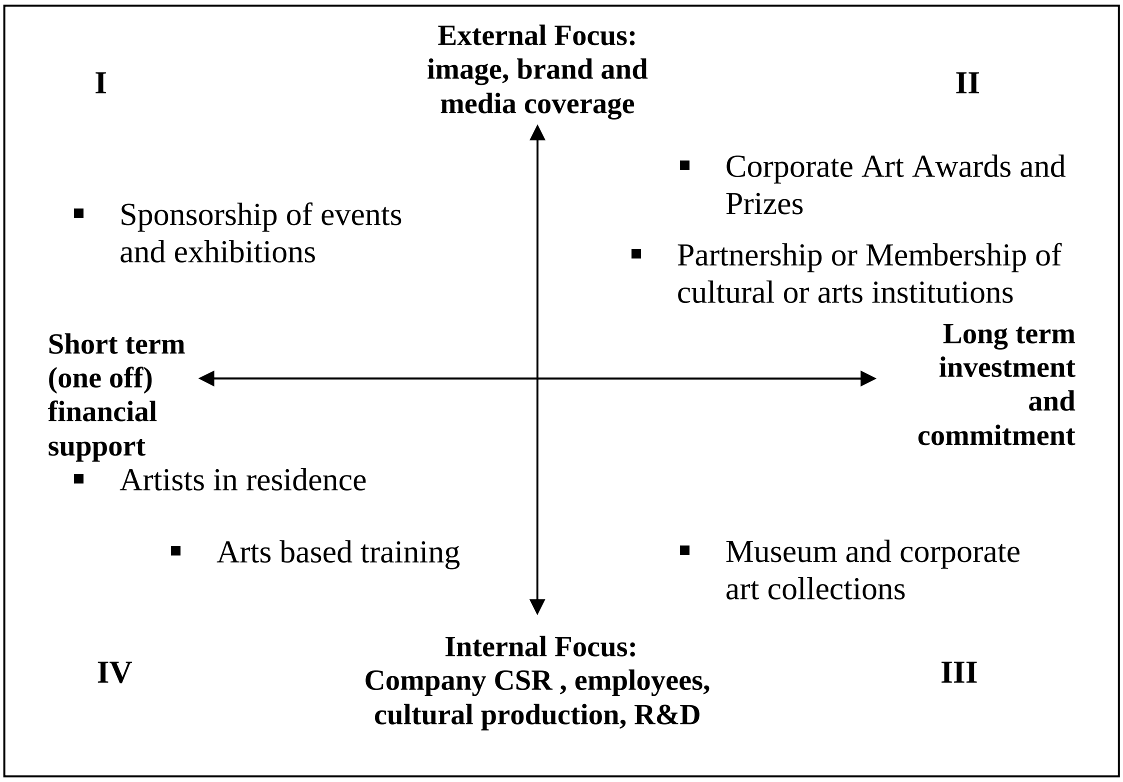

Fig. 3: A possible classification of different strategies of business investment in the arts

The first section (I) represents those investments which are addressing mainly the external stakeholders of the companies, focused around image and branding. This kind of investments is usually temporary and does not involve the company beyond the payment of a sponsorship fee.
The second quadrant (II) instead presents the long term investments which are focused on image and public relations. This kind of investment normally requires a deeper involvement by the company, specifically on the management of the projects (like in the case corporate arts awards and prizes) or on the establishment of partnerships or board relationships between companies and arts organisations.
The third section (III) includes investments which have a long term impact and involvement of the company, but which tend to be developed within the companies or with a specific focus on its assets. One example is the one of corporate art collections or galleries presented within the company premises. Another interesting example of this type of investments is the development of a corporate museum with the history and collections of the company.
The last section (IV) shows the short-term projects or investments that have a specific focus on the internal operations of the company in terms of human resources, creativity and innovation. Arts-based training is an example but other forms of residences or collaborations with artists can also take place.
This distinction and analysis is a theoretical one. It is often the case that companies tend to involve internal and external aspects of their investment in culture in one single project, so the distinction is not rigid. For example, Unilever (A&B, 2004a; A&B, 2004b) has an arts-based

training program called Catalyst which has been developed on a long term base and has now been running for six years. Additionally, it can occur that investments focused on brand and image are developed in such a way as to involve the company's staff and internal assets.
Generally, it can be argued that this framework provides the possibility to analyse the potential 'reach' of different investments. However a well-constructed investment in the arts will try to create a specific equilibrium between investment in external impact and communication and the involvement of internal audiences. On the same trend it could be argued that short-term and one-off investments are used to experiment and understand the potential of these practices, though often companies will move from a short-term project to a long term involvement in order to maximise their investment.

4. A NEW FRAMEWORK: BUSINESS INVESTMENT IN THE ARTS AND COMPETITIVENESS

The theoretical framework of 'competitiveness' presented by Porter (1998) is central to the present analysis in order to understand how business investment in the arts can be conceptualised within the search for a competitive advantage. In order to better understand how companies approach sponsorship and cultural patronage it will be useful to refer to specific case studies.
Porter (2002) underlines how national welfare is created at the microeconomic level and it is based on the ability of companies to create products and services that provide a higher added value on the market. He describes the importance of the process of sophistication of the company's strategies and processes. On one side, he states how this process of sophistication is interlinked with the quality of the environment where the company operates. On the other it is linked to their ability to compete not on input costs but on the supply of product and services that are unique to the market.
Also Fahy *et al.* (2004) argue that sponsorship can be a strategic ingredient of competitive advantage. In their model (see figure 4) two levels of competitive advantage are identified.

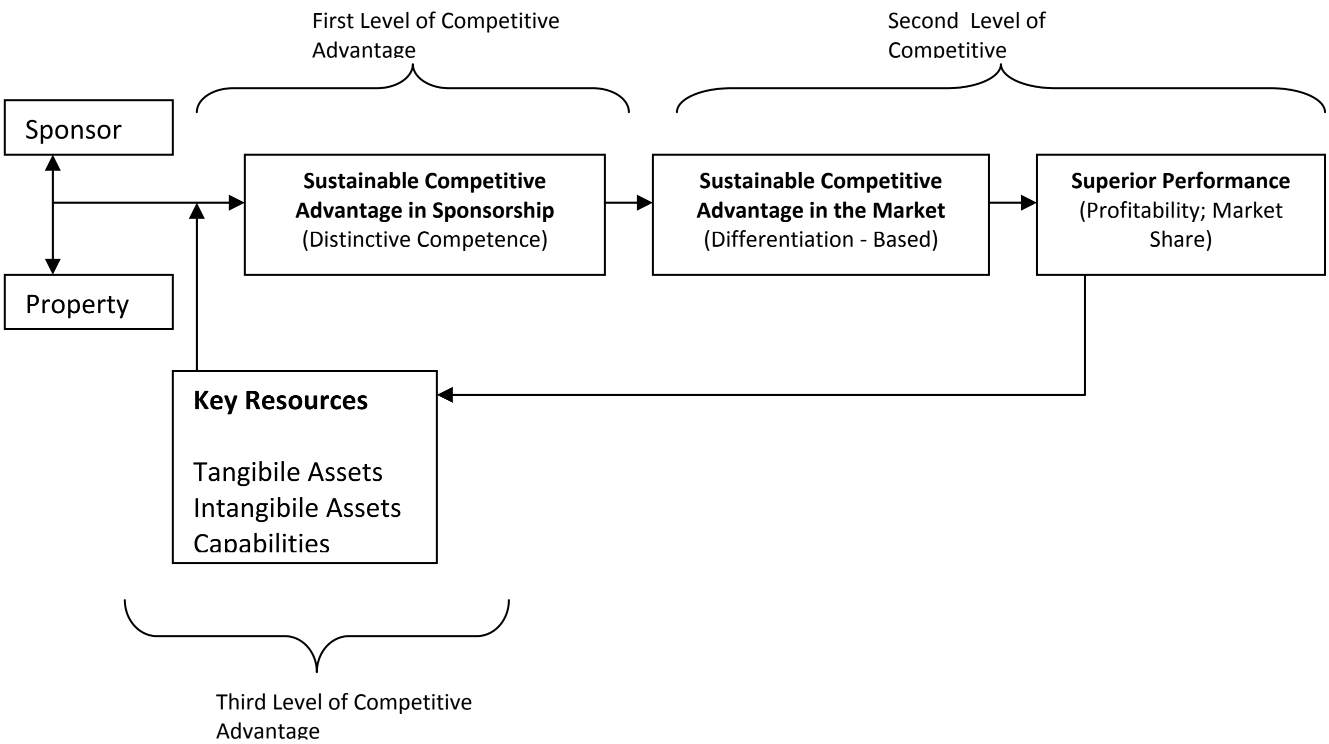

Fig. 4: A model of sponsorship-based competitive advantage (from Fahy *et al.*, 2004: 1014). The graphs highlighting the different levels are an addition to the original model.

They argue that there is a first level of competitive advantage in terms of 'competitive market for sponsorship'. One side this consist on the ability of companies to defend their position in relation to a specific art field or art organisation, in order for other competitors not to create an ambush. This is related also to the long-term commitment of the sponsor and to its ability to tap into specific markets or events where its competitors are not active. For example, Orange started its involvement with culture - and specifically the *Orange Prize for Fiction* - with the view that none of its competitors where active in the arts but all where instead engaged with sport sponsorship. This competitive advantage in sponsorship depends also from the distinctive competence and know-how which the company acquires through dealing with events, arts organisation and cultural managers. This can become a valuable asset to the company and improve the management skills for future sponsored events.
Furthermore, some Italian companies have established in house competences in terms of arts management, enough for them to enter the cultural arena with cultural institutions such as the Museum of Salvatore Ferragamo in Florence, the Giorgio Amarelli Liquorice Museum and the (now ended) project of FIAT with Palazzo Grassi in Venice.
One conclusion which can be drawn on the importance of this level of competitive advantage is in the fact that, no matter what is the level of success in terms of image or sales of a sponsorship project, it should provide a competitive advantage in terms of management and know-how acquired by the company.
The second level is defined by the possibility for the company to generate competitive advantage in its product market: "it will only generate a competitive advantage in products

markets if it provides value and enables the creation of value for customers" (Fahry *et al.* 2004: 1015). Our research argues that the involvement of companies with arts and culture is specifically target to create this added-value to their customers and stakeholder by adding symbolic, aesthetic and cultural connotation to the company products or services.

The company's capacity to create new and unique products, with a specific qualitative added value related to their creativity and originality is clearly related to the development and investment in the cultural and creative dimensions of the product. These new dimensions can be further researched and developed thanks to the investment placed in culture and arts. Therefore it can be claimed that companies tend to interrelate with arts and culture organisations in order to develop their creativity and to find new competitive strategies. However, as this type of cultural investment has a multi-faceted impact on the local environment, they also support the development of a competitive advantage for the local area. The resulting cultural development can be seen as catalyst, where the whole economic environment benefits. This growth support new products and service in the region that create a qualitative advantage that is inherent to that environment that initiated it. For example, much of the current success of the *Made in Italy* brand is derived from the investment of a few individual companies as they improved the quality of their products. This initial investment has changed the business environment in such a way that all the companies within the region have felt the same need for their products to meet a specific standard and quality. As Rullani (2003) suggests the European economy has expended the resources on which is quantitative growth could be based, therefore the possibility for growth can only be linked to the quality of the products and their subsequent added value. Kirchberg (2003) reinforce the concept underlying that "one important economic factor affecting local corporate arts support is the degree of post-industrialization […] corporate arts support is higher in metropolitan areas where the population is better educated and the local service sector generates more income than the local manufacturing" (p.150).

If this point of view is adopted, it seems clear how specific cultural projects and investment become the strategy of single companies or local clusters to create an economic development based on specific cultural and qualitative assets. Where the intrinsic standards and added value are specifically embedded in the environment, such that it cannot be copied or lost.

As Porter and Kramer (2002) suggest many companies invest in philanthropic programs in a diffuse and unfocused way. This results in an incoherent charitable behaviour which does not provide any benefit to the company and cannot be justified to their shareholders. The competitiveness of a company is often influenced and is identified with the quality and characteristics of the place where it is based. For the authors the reason why these programs prove to be unsuccessful lies in the fact that they are not focused on improving the local competitive environment in which the company is operating. Also Moir and Taffler (2004) have questioned whether in the business investments in the arts corporate philanthropy exists. The answer provided by Porter and Kramer (2002) seem to be that the motivation is not important (whether it is purely philanthropic or with a specific interest) because any investment which aims to have an impact in the environment where the company operates can have a positive feed-back on its operations.

The key elements (Porter and Kramer, 2002) of investments in arts and culture is in order to improve the company competitive advantages are therefore two.

Where. To have a stronger impact on the competitive environment, investments made have to involve developing key areas important for the business stakeholders. They have to affect human resources, demand sophistication, quality of the competitive environment and of the suppliers. Linked to this argument is the importance of arts and culture in the marketing of a region and in the encouragement of the companies to relocate. As suggested by Florida (2002) within his creative class argument, a key factor is the attraction of talented individuals to a specific place.

How. The investment needs to be not just a donation but also a co-management of initiatives in order to maintain the link with the business's mission and to improve its know-how, innovation processes and networks.

If the focus remains on *the where* and *the how*, businesses can use their cultural or philanthropic investments to improve their competitive context, improving also the possibilities for a long term development of their business strategy (Porter and Kramer, 2002). In this respect investing in arts and culture can become a strategic answer in order to make intensive use of knowledge for the production of added value. Developing the ability to manage relationships and communicate with the customers to sell meanings and create values that differentiate and stress the wide range of expertise used.

Specifically, taking from Porter (2002) one could group all the competitive factors of a company in eight macro-areas ranging from company operations & strategies to national business and social environment: *Investments in R&D, staff training and human resources management, brand image and customer interface, international markets and access to new markets, process or products innovation, quality of business infrastructure, quality of regional or local infrastructures (with impacts on demand or supply), corporate social responsibility and community engagement*.

One of the interesting aspects of the model of Fahy *et al*. (2004) is that there is a third level of competitive advantage generated. Although companies need to invest assets both tangible and intangible, and their capabilities to develop philanthropic and sponsorship programmes, these project have a return in developing further the tangible, intangible and know-how assets of the company itself.

Some examples from Italy

The framework provided by Porter (1998, 2002) and Fahy *et al*. (2004) is very useful in order to understand the practice of Italian companies investing in arts and culture. Comunian (2003) presents different case studies to show how companies approach arts and culture as a form of investment, which is usually specifically focused on one of these strategic areas of operations. One interesting case study of the use of investment in culture as *development of the company R&D* is represented by the Targetti Sankey Group, company working with architectural lighting design. The company has created *The Lighting Academy*, a research hub centred on architectural lightening with an established training program. Additionally, it has developed an award for light based art. The artworks included are "light works", i.e. luminous installations linked by the common denominator of electric light. From this competition the company has developed a corporate art collection and built relationship with most important contemporary art institutions in Italy and around the world. It is easy to see how this cultural programme can be useful in promoting the company in the sector, with a touring exhibition travelling worldwide. Further more it is specifically linked to the development of creativity and know-how within the company, enabling it to draw on new ideas and artists' project to develop new products. Another interesting case study, specifically focused on the *brand image and customer interface*, is the one of the Benetton Group and *Fabrica*. *Fabrica* was developed as the Benetton communication and cultural centre, experimenting with new forms of communication through different media. Each year a group of young artists are invited from all over the world to work with photography, design, music, video, writing, interactive and visual communication, to uncover the future. So far, as a centre for the production of culture, it has been actively involved with awards at international film festivals, produced books, CDs and DVDs, musical projects, exhibitions and international campaigns for major institutions. These projects and ideas are spread worldwide as communication material inside the Benetton shops. It is easy to see how the cultural production of *Fabrica* can be used by the company as a mean of communicating and involving audiences worldwide through the contemporary art language, developing a cutting-edge and young image for the company.

If one looks at how companies can improve their *local competitive environment*, one interesting example is the one of the Italian hotel chain, StarHotels. While being present in some majors Italian arts cities has supported some major restorations projects, like the one of the 28 statues of 'Uomini Illustri' in the 'Loggia' of the Uffizi Gallery. There is obviously a straight connection between the market where the hotel is operating (mainly the tourist visiting the arts cities of Italy) and the project intervention undertaken.

A similar kind of intervention is the one undertaken by Progetto Lissone, an association of furniture designers and manufacturing just outside Milan, which has supported, in kind, the local contemporary art gallery donating and designing all its interiors spaces and furniture. Also in this case, the local gallery become a showcase of the talent and expertise in design and manufacturing of the whole area, as well as engaging the local workforce and managers in a project for their own city.

In terms of *reaching international markets* and *differentiating from the competitors* Illy caffè[6] has had a long term collaborations with artists on the design of its products (the logo of the company was designed by the artist James Rosenquist ten years ago). Last year the company opened, for three months, a gallery space in New York in which to present the artworks they commissioned to various artists for their campaigns and products while offering the visitors their own brand of coffee.

If we look at the projects in terms of what *capabilities and know-how* are developed by companies through these collaborations, the results are quite interesting.

One important trend within the major Italian companies[7] is the one to establish "Corporate Museum and Collections", which are usually managed in house by company curators and ordinary employees. This kind of investment again develop specific knowledge and skills within the company, but have an important impact both on its image and brand activities and its connections with the local economic development through tourist attraction and the preservation of local traditions.

These examples are only part of the wide range of connections that these companies try to build between the economy and cultural world in order to increase their competitive advantage. This framework can therefore provide a useful insight to the researcher which wants to investigate further into business investment in the arts. As Darsø (2005) points out "there are many reasons for integrating artistic processes and products within a business, the most common being increase creativity, improve innovation, foster an acceptance of ambiguity and risk" (p.58) and this aspects seem to be specific relevant in nowadays companies' competitiveness.

5. Conclusions

This paper has tried to prove how cultural sponsorship and patronage need to be understood not as just a philanthropic or marketing action but also within a wider economic model. The framework not only summarises the different factors influencing business decisions when companies invest in arts and culture, but also presents the different levels of involvement that such an investment can generate.

The paper has shown the limits of considering the practice of business investments in the arts as a simple marketing or promotional tool. Therefore it is vital to consider the growing importance of the cultural economy and of its impact in terms of the competitive advantage that it can provide. The results suggest that there is further need to investigate sponsorship and cultural patronage, both in terms of data and policy and also in terms of rational business choices affecting companies' competitiveness.

An important question which also need to be addressed is that of the implications for arts and cultural organisations in this new landscape of business involvement with the arts. Wu (2002) presents a very negative picture of the 'use and abuse' of arts and culture by corporations, while other examples can show integration of local economic developments, community involvement and business investments in the arts. The answer is certainly worth investigating with further research. The understanding of business investment in the arts has been set for the last decade within a model that did not take into consideration the post-fordist and immaterial economy. Now that research show that the arts and the business are becoming everyday more intertwined, there is a need for more research and a new understanding of these practices.

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Endnotes

[1] Many authors draw a fine distinction between patronage and sponsorship. Although it is clear that the two processes answer different needs and dynamics within business strategy, the paper argues for a more 'inclusive' approach. It aims to explain why business investment in the arts occurs, whether it derives from a sponsorship contract or from a simple donation. Often the term 'business investment in the arts' is used as inclusive of sponsorship and patronage activities.

[2] The author has been involved with extensive research examining the companies who have taken part to the business competition *Impresa & Cultura.* This is an annual prize awarded to Italian companies who have invested in culture (www.impresaecultura.com). All of the case studies are drawn from that first research project (Comunian, 2003). Although, methodologically it would be interesting to give a complete overview and analysis on whole of the case studies involved, however this is outside the scope of the present paper. Here, the case studies are used only as evidence in support of some of the trends identified among Italian companies investing in art. These first examples are demonstrating the need to undertake further research in the Italian and international context.

[3] The impact on arts organizations resulting from the decrease in public funding and the increased importance of the involvement with the business world is not the focus of the present research, Wu (2002) provides a deeper analysis of these issues.

[4] Times Newspapers Ltd, 2004 quoted in A&B (2005) p.4

[5] Ninetto (1998) reports at p. 272 the chairman of the company making an association between the artists and the company strategy "Cézanne went his own way. He broke with tradition and tremendously influenced many artists. With a bit of hyperbole, I liken his life to some of the things Advanta has done. We're in n industry that's seen as being very traditional, yet our iconoclastic approach has produced results that are surpassed by a few companies".

[6] The website of Illy caffè states in its opening page "Come and discover the world of Illy […] Where coffee opens the mind, stimulates creativity, meets the arts and beauty" (from www.illy.com)

[7] All the major museums, archives and collections promoted and developed by private corporations are listed in the website www.museimpresa.com. There are 31 corporate museum listed, but this is a specific association with a selective membership, so it could be argued that the phenomenon is much larger, involving also smaller companies.