

Sustain Arts/SE Michigan: A Portrait of the Cultural Ecosystem



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HARVARD Kennedy School
**THE HAUSER INSTITUTE
FOR CIVIL SOCIETY**
at the Center for Public Leadership

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About Sustain Arts

Sustain Arts is an unprecedented effort to connect knowledge and networks in order to build the collective capacity of arts and culture in America, one region at a time. A project of the Hauser Institute for Civil Society at Harvard University, in partnership with the Foundation Center and Fractured Atlas, Sustain Arts equips communities with meaningful data, answering critical questions like: Where are arts and cultural organizations located? Who participates in them? From where does funding come? And how do they maintain relevancy over time?

Organizations, artists, private foundations, and public agencies access these answers through the Sustain Arts intuitive online platform. By combining innovative technology and on-the-ground capacity building, the project arms stakeholders with resources to assist in data-driven decision making, strategic collaborations, and effective community engagement.

Sustain Arts is grounded in the belief that a healthy cultural sector is essential to any vibrant ecosystem. Beginning in Detroit and the Bay Area, Sustain Arts will engage a total of six regions over the next three years, laying the groundwork for regional and national cultural policy conversations.



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Contents

7	Introduction: Why Should the Arts Care About Data?
11	Setting the Stage: Southeast Michigan’s Arts and Cultural Sector
11	For-profit Organizations Dominate the Scene
13	The Cultural Economy of Southeast Michigan is a Sector of Huge Asymmetries
14	One in Six Arts and Cultural Nonprofits Folded in the Past Decade
17	The Limits of our Current Knowledge about Southeast Michigan’s Cultural Sector
19	Capital Flows: Haves, Have-nots, and Creating “Public Value”
19	Cultural Organizations in Southeast Michigan Have Become Increasingly Self-reliant Since 2000
21	The Bulk of Foundation Giving Flows Almost Exclusively to the Largest and Oldest Cultural Organizations
23	Despite Increasing Diversity, Very Little Grantmaking Specifically Benefits Communities of Color
24	Alternative Giving Vehicles, Such as Kickstarter, are Making a Mark
25	Public Funding for the Arts Represents a Drop in the Bucket
27	The Limits of our Current Knowledge about Capital Flows to Arts and Cultural Organizations in Southeast Michigan
29	Arts Audiences and Cultural Preferences: Diverse and Distracted
29	Internet-based Cultural Options are Increasingly Preferred to Traditional Forms of Cultural Engagement
31	Diversity Increases Complexity and Creates Opportunity
33	The Cultural Marketplace is Niche-driven
35	Conclusion

Tables and Figures

- 11 Arts and Cultural Organizations by Discipline, 2012
- 12 Arts and Cultural Organizations by County, 2012
- 13 Arts and Cultural Organizations by Size (Annual Revenue), 2012
- 13 Composition of the Arts and Cultural Sector
- 14 Smallest Arts and Cultural Nonprofits by Discipline, 2012
- 15 Survival Rates of Arts and Cultural Nonprofits by Size, 2000–2010
- 15 Survival Rates of Arts and Cultural Nonprofits by Metropolitan Area, 2000–2010
- 16 Growth of Arts and Cultural Nonprofits by Size, 1990–2010
- 20 Revenue Breakdowns of Southeast Michigan Arts and Cultural Nonprofits versus All U.S. Nonprofits
- 21 Total Revenues of Arts and Cultural Nonprofits, 2000–2012
- 22 Arts and Cultural Nonprofits and Foundation Funding Received, by Recipient Organization Size
- 23 Share of Metropolitan Area Foundation Dollars Supporting Arts and Culture, 2011
- 24 Demographics of Southeast Michigan, 2010
- 25 Kickstarter Funding for Arts and Culture, 2009–2013
- 26 Federal and State Funding for Arts and Culture, 1993–2012
- 30 Participation Rates in Arts and Cultural Activities in the Past Year, 2012
- 31 Participation Rates in Internet-based Arts and Cultural Activities in the Past 30 Days, 2012
- 31 Interest in Foreign Cultures and Fine Arts, 2012
- 32 Preferred Forms of Arts and Cultural Participation by Gender, Age, Race, and Educational Level, 2012
- 34 Estimated National and Regional Participation Rates in Arts and Cultural Activities, 2010

Sidebars

- 9 Data Sources
- 10 For-profit Arts and Cultural Organizations
- 34 Cultural Opportunities in Southeast Michigan
- 34 Arts Participation in the National Context
- 39 Questions for Discussion and Further Research

Introduction:

Why Should the Arts Care About Data?

IT WOULDN'T BE MUCH OF AN EXAGGERATION TO SAY the arts and data are just barely on speaking terms. Only rarely have they interacted for strategic purposes. The kinds of data that tend to make their way into the hands of arts leaders typically address tactical concerns, such as how to raise more funds or increase audience engagement. Both of these are important goals and the Sustain Arts project is facilitating access to this data.

But for the first time, we are also in a position to employ increasingly robust data to map out the broader cultural landscape in which arts and cultural organizations operate. That map can show how many and what kinds of cultural organizations exist in a given community. It can illustrate trends in organizational lifecycles over time. It can identify the key sources of support for cultural activities—both public and private—and highlight the business models that different organizations have adopted, with varying degrees of success.

When creatively analyzed, data currently available on the cultural sector can lead to useful insights about the increasing proliferation of small arts organizations; the almost monolithic focus of private foundations on supporting a highly select group of large, well-established arts organizations; and the fact that established arts organizations are poorly positioned to satisfy emerging consumer preferences for cultural experiences. Such insights should provoke frank discussion and galvanize field leaders to advocate appropriate actions, both in response to existing disconnects and proactively, in anticipation of coming change.

The data that are now available to the field are not perfect. In fact, that's part of the story that needs to be told about the cultural sector. Systematic data collection on artists, cultural organizations, and audiences receives only a token amount of government funding. Instead, it is left largely up to private organizations to document trends in both the nonprofit and for-profit cultural arenas. This leads to multiple non-overlapping data collection strategies, making it difficult to construct a coherent picture of the field. There are gaping holes in the puzzle, and the tales we tell with existing data must be told with caution.



It is left largely up to private organizations to document trends in both the nonprofit and for-profit cultural arenas.

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But we can't wait for perfect data. Shifting demographics, emergent technologies, evolving consumer preferences, amplified competition, the rising costs of doing business, and a highly volatile funding landscape compel the field to identify and adopt novel responses. Opportunities to engage with the arts are supplied by an increasingly diverse range of actors, intensifying the need to scrutinize the fundamental structure and historic position of the traditional arts ecosystem within the broader cultural economy. Adapting to today's cultural landscape requires new thinking about the forms and functions of arts and cultural organizations. The field can develop new ways of thinking only if it gathers better and broader intelligence about the forces currently driving change in the cultural sector. That's where data comes in.

For more than a year, the Sustain Arts research team has located, gathered, cleaned, reconciled, integrated, and analyzed more than a dozen highly relevant national, regional, and local data sets that collectively begin to tell a cogent story about arts and cultural trends in Southeast Michigan. These data sets were specifically chosen so that we could examine the interrelationships among capitalization patterns, shifting demographics, and participation in the cultural sectors of a number of American cities, including Detroit.

By bringing these types of data together, we can begin to see how sector growth and development does or does not align with demographic changes or emerging cultural preferences. And we can begin to see whether capitalization flows favor established or emerging cultural organizations and how broadly (or narrowly) they serve the cultural needs of the community.

Many of these data sets are being incorporated into a state-of-the-art online platform—Sustain Arts/SE Michigan—that allows users to explore them in depth.¹ **In this report, we highlight the most important insights that have emerged from our initial analyses of these data.** The data in this report refer to arts and cultural activity in four Southeast Michigan counties: Macomb, Oakland, Washtenaw, and Wayne.

DATA SOURCES

To conduct the analyses described in this report, we had to locate and obtain data on four aspects of the arts and culture ecosystem: 1) data on arts organizations; 2) capitalization data; 3) demographic data; and 4) cultural preferences data. We examined dozens of data sets before settling on 16, upon which the findings in this report are based.

To understand the scope and activities of arts and cultural organizations in Southeast Michigan (defined as Macomb, Oakland, Washtenaw, and Wayne counties), we relied upon data from five main sources:

1. Our primary source of information on for-profit creative enterprises was the InfoGroup USA Business Database.
2. For nonprofit organizations, our primary source for historical data was the National Center for Charitable Statistics, which provided us with data from the IRS Business Master File, NCCS Core Files, and additional custom data from IRS Forms 990.
3. Current data on nonprofit arts organizations was obtained from GuideStar.
4. For unincorporated entities, we drew upon information from Fractured Atlas' database of fiscally sponsored organizations.
5. We also obtained data on unincorporated entities from Kickstarter's project database for Southeast Michigan.

To assess capitalization patterns across the cultural sector, we relied upon the following six sources:

1. Data on the revenue sources of nonprofit arts and cultural organizations was obtained from IRS Forms 990 provided to us by the National Center for Charitable Statistics.
2. Data on federal support for arts organizations was provided by the National Endowment for the Arts.
3. Data on state support for arts organizations was provided by the National Assembly of State Arts Agencies.
4. Data on local public support for arts organizations was obtained through primary research in the Detroit area.
5. Data on foundation support for the arts was provided by the Foundation Center.
6. Information on crowdsourced funding was provided by Kickstarter.

To document demographic trends, we obtained data from two main sources:

1. For national demographic data, we relied on the Census Bureau's American FactFinder tool.
2. Demographic data on Southeast Michigan was obtained from PolicyMap, based on data from the U.S. Decennial Census and the American Community Survey.

To understand cultural preferences and arts participation trends, we relied on three primary data sources:

1. For national data on arts participation, we pulled data from the three most recent waves of the National Endowment for the Arts' Surveys of Public Participation in the Arts.
2. For data on local cultural preferences, we used data from Scarborough Research.
3. Data on the programmatic activities of nonprofit arts organizations was provided by the Cultural Data Project.

There are specific limitations associated with each of these sources. Some are partial, others are more complete. Some have only data from recent years, others have trend data. Some of the trend data goes back to 1990; in other cases, it only goes back to 2002. Some are based on national samples that cannot be analyzed at the regional or local level; others are strictly regional in focus. Comparisons across data sets are often problematic; questions asked in one survey are not identical to questions asked in other surveys.

It is particularly difficult to find good data on the giving of private individuals. The data we have on giving by private foundations is largely restricted to the giving of the largest 1,000 foundations in the country. Very little data exists on unincorporated entities, although what data we have suggests that they are rapidly growing in number.

In short, the field's current "information infrastructure" only obliquely captures the breadth and diversity of arts activity today. Existing and emerging data collection strategies must co-evolve in step with the field if we are to have the intelligence we need to understand and leverage the forces that are driving change in the sector.

FOR-PROFIT ARTS AND CULTURAL ORGANIZATIONS

Many people think about the arts and cultural sector as being primarily occupied by nonprofits. Yet for-profit companies are increasingly recognized as having a role to play. To analyze this segment of the cultural economy, Sustain Arts has adopted 42 industry codes from the North American Industry Classification System (NAICS) that research studies of the “creative industries” have identified as relevant to this sector. Here’s what’s included in each discipline.

DANCE

- 611610 Fine Arts Schools
- 711110 Theater Companies & Dinner Theaters
- 711510 Independent Artists, Writers & Performers

FILM & ELECTRONIC MEDIA

- 333316 Photographic & Photocopying Equipment Manufacturing
- 334310 Audio & Video Equipment Manufacturing
- 334613 Blank Magnetic and Optical Recording Media Manufacturing
- 334614 Software & Other Prerecorded CD/Tape/Record Reproducing
- 512110 Motion Picture & Video Production
- 512120 Motion Picture & Video Distribution
- 512131 Motion Picture Theaters (Except Drive-ins)
- 512132 Drive-in Motion Picture Theaters
- 512199 Other Motion Picture & Video Industries
- 512240 Sound Recording Studios
- 512290 Other Sound Recording Industries
- 515112 Radio Stations
- 515120 Television Broadcasting
- 515210 Cable & Other Subscription Programming
- 532299 All Other Consumer Goods Rental
- 711510 Independent Artists, Writers & Performers

HUMANITIES

- 519120 Libraries & Archives
- 711510 Independent Artists, Writers & Performers
- 712110 Museums
- 712130 Zoos and Botanical Gardens

LITERARY ARTS

- 323117 Book Printing
- 451211 Book Stores
- 511130 Book Publishers
- 711510 Independent Artists, Writers & Performers

MULTIDISCIPLINARY

- 611610 Fine Arts Schools
- 711110 Theater Companies & Dinner Theaters
- 711130 Musical Groups & Artists
- 711190 Other Performing Arts Companies
- 711310 Promoters of Performing Arts, Sports, and Similar Events with Facilities
- 711320 Promoters of Performing Arts, Sports, and Similar Events without Facilities
- 711510 Independent Artists, Writers & Performers

MUSIC

- 339992 Musical Instrument Manufacturing
- 451140 Musical Instrument & Supplies Stores
- 512230 Music Publishers
- 611610 Fine Arts Schools
- 711110 Theater Companies & Dinner Theaters
- 711130 Musical Groups & Artists
- 711190 Other Performing Arts Companies
- 711510 Independent Artists, Writers & Performers

THEATER

- 611610 Fine Arts Schools
- 711110 Theater Companies & Dinner Theaters
- 711190 Other Performing Arts Companies
- 711310 Promoters of Performing Arts, Sports, and Similar Events with Facilities
- 711510 Independent Artists, Writers & Performers

VISUAL ARTS

- 323111 Commercial Printing (Except Screen & Books)
- 323113 Commercial Screen Printing
- 332323 Ornamental & Architectural Metal Work Manufacturing
- 453920 Art Dealers
- 541310 Architectural Services
- 541430 Graphic Design Services
- 541921 Photography Studios, Portrait
- 541922 Commercial Photography
- 611610 Fine Arts Schools
- 711510 Independent Artists, Writers & Performers
- 812921 Photofinishing Laboratories (Except One-hour)

Note: Some codes can be found under multiple categories. Organizations with these codes were reviewed manually to determine which discipline to apply.

Part 1

Setting the Stage: Southeast Michigan's Arts and Cultural Sector

IN 2013, THERE WERE OVER 4,000 ORGANIZATIONS

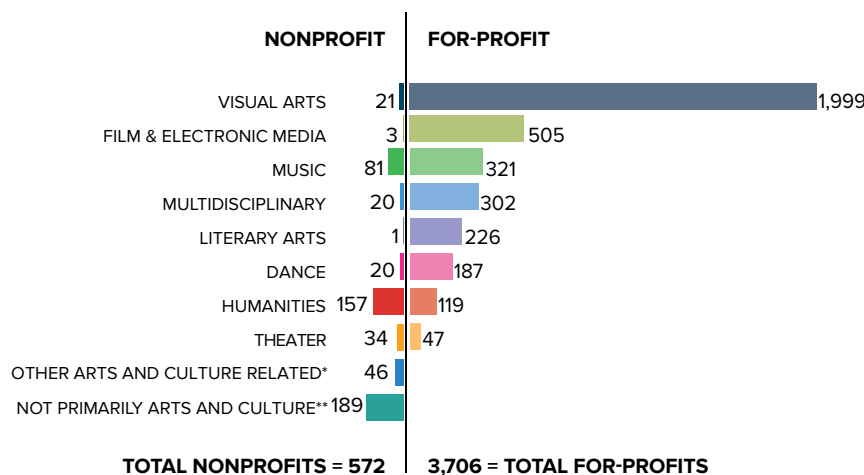
in the Detroit area—defined for the purpose of this report as encompassing Wayne, Oakland, Macomb, and Washtenaw counties—that provided some type of artistic or cultural activity. They vary by business model (for-profit, nonprofit, and unincorporated), by disciplinary focus (specific artistic discipline, multidisciplinary, and “not primarily arts and culture”), by geographic location, and most importantly, by size. As illustrated below, three key facts about Southeast Michigan's arts and cultural (A&C) sector stand out.

FOR-PROFIT ORGANIZATIONS DOMINATE THE SCENE

For every nonprofit organization in the four-county area (n=572), there are six for-profit organizations (n=3,706). The number of unincorporated entities is unknown (we've documented 82 so far, but anecdotally know of many more).

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Arts and Cultural Organizations by Discipline, 2012



* e.g., arts councils, arts centers

** e.g., religious organizations, universities

DATA SOURCES: Guidestar, 2013 (nonprofit organizations). Includes organizations that filed an IRS Form 990 between 2011 and 2013. Infogroup, 2013 (for-profit organizations). Includes creative enterprises from InfoUSA's business database.

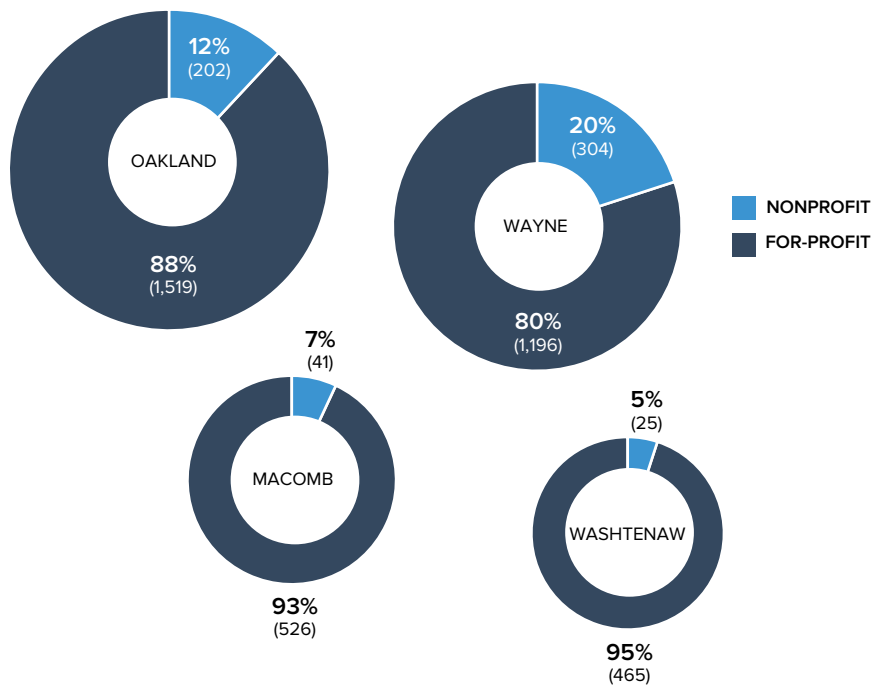
A significant number of nonprofit organizations that provide cultural experiences are not primarily arts and cultural organizations.

- Among for-profit organizations, the visual arts (54 percent) and film and electronic media (14 percent) are the most common types, accounting for more than 2,500 entities. In contrast, among nonprofits, there are just 21 visual arts organizations and only three that focus on film and electronic media.²
- Oakland County has the most for-profit organizations (n=1,519), followed by Wayne County, which is home to Detroit (n=1,196).

In all disciplinary categories but one, for-profit organizations are more numerous than nonprofits. More than a quarter of all nonprofit organizations (27 percent) are focused on the humanities. Such organizations are comparatively rare among for-profits, accounting for just 3 percent, but because there are so many more for-profit organizations in the Detroit metropolitan area, the total number of nonprofit humanities organizations (n=157) is only slightly larger than the total number of for-profit humanities organizations (n=119).

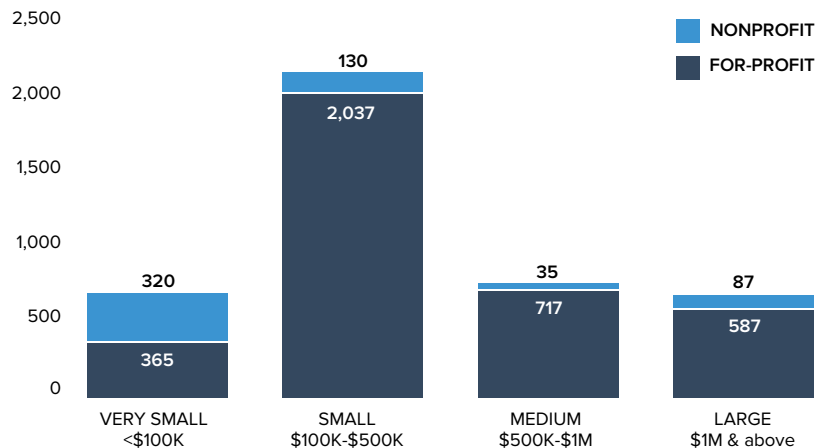
- A significant number of nonprofit organizations that provide cultural experiences (n=189; 33 percent) are “not primarily arts and culture” organizations, for example, religious organizations, schools, and universities.
- Wayne County has the most nonprofit organizations (n=304), followed by Oakland County (n=204).

Arts and Cultural Organizations by County, 2012



DATA SOURCES: Guidestar, 2013 (nonprofit organizations). Includes organizations that filed an IRS Form 990 between 2011 and 2013. Infogroup, 2013 (for-profit organizations). Includes creative enterprises from InfoUSA's business database.

Arts and Cultural Organizations by Size (Annual Revenue), 2012



DATA SOURCE: Guidestar, 2013. Includes arts and cultural organizations that filed an IRS Form 990 between 2011 and 2013.

THE CULTURAL ECONOMY OF SOUTHEAST MICHIGAN IS A SECTOR OF HUGE ASYMMETRIES

One of the most remarkable findings to emerge from the data is how many small arts organizations have sprung up in Southeast Michigan, especially in recent years. This is equally true for the nonprofit, for-profit, and unincorporated segments of the field. In short, with respect to the organization landscape as well as funding patterns that we discuss in the following section, the cultural economy of Southeast Michigan is a sector of huge asymmetries.

- Strikingly, just over half (51 percent) of nonprofit arts and cultural organizations have annual budgets of less than \$50,000. More than three quarters (79 percent) have annual budgets of less than \$500,000. (Nationwide, 74 percent of all nonprofits fit into this budget range.)³
- On the for-profit side, nearly two thirds (65 percent) of arts and cultural organizations have annual budgets of less than \$500,000.

The activity of the smallest organizations is largely invisible to us without systems in place to capture and document their work.

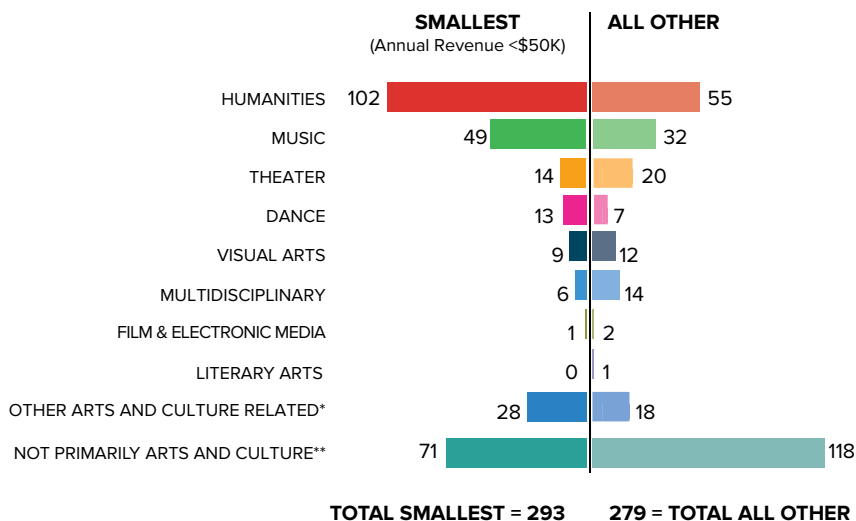
Composition of the Arts and Cultural Sector

		Nonprofits (2012)		For-profits (2013)		National Average for Nonprofits (2010)
		#	%	#	%	%
Very Small	\$0-\$50K (smallest)	293	51%	365	10%	45%
	\$50K-\$100K	27	5%			
Small	\$100K-\$500K	130	23%	2,037	55%	29%
Medium	\$500K-\$1M	35	6%	717	19%	8%
Large	\$1M & above	87	15%	587	16%	18%
Total		572	100%	3,706	100%	100%

DATA SOURCES: Guidestar, 2013 (nonprofit organizations). Includes organizations that filed an IRS Form 990 between 2011 and 2013. Infogroup, 2013 (for-profit organizations). Includes creative enterprises from InfoUSA's business database. Urban Institute: The Nonprofit Almanac, 2012 (national nonprofit averages).

Do some disciplines prefer to remain small, or do small organizations reflect lack of access to the resources needed to grow?

Smallest Arts and Cultural Nonprofits by Discipline, 2012



* e.g., arts councils, arts centers
 ** e.g., religious organizations, universities

DATA SOURCE: Guidestar, 2013. Includes organizations that filed an IRS Form 990 between 2011 and 2013.

Among the 293 smallest nonprofit organizations, with budgets of less than \$50,000, 59 percent were formed since 2000, suggesting a great deal of small-scale entrepreneurship in the field. This stands in contrast to the pattern seen among larger nonprofit organizations. Of the 279 nonprofits with annual revenues of at least \$50,000 that exist today, only 85 (30 percent) were formed after 2000, while 194 (70 percent) were formed before. This is not surprising because most organizations—nonprofits or businesses—start small and grow. Ones that do not gain traction go away and only the ones that endure become larger.

While most of the smallest organizations were formed in the 2000s, many have been around for more than a decade (some even date back to the 1940s), evidence of resiliency despite size. Most of these entities are humanities organizations, which include a high number of libraries (which tend to remain small). What’s particularly noteworthy is the high number of music and dance organizations with annual revenues of less than \$50,000, which outnumber their counterparts across the larger size categories. This raises an intriguing question: Do some disciplines, for example music and dance, prefer to remain small (perhaps for artistic or mission-related reasons) OR does this result reflect lack of access to the resources needed to grow?

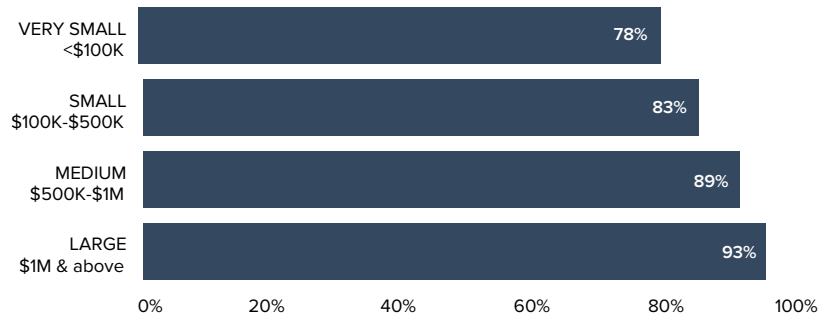
ONE IN SIX ARTS AND CULTURAL NONPROFITS FOLDED IN THE PAST DECADE

Southeast Michigan’s nonprofit arts sector has grown rapidly over the past decade, and we project continued increases in the numbers of organizations across all budget sizes and geographies, particularly for very small organizations. (Historical data on for-profit organizations and unincorporated entities is currently unavailable.)

- In 2010, the total number of the smallest entities (annual budget of less than \$50,000) surpassed the total number of all other organizations regardless of budget size.

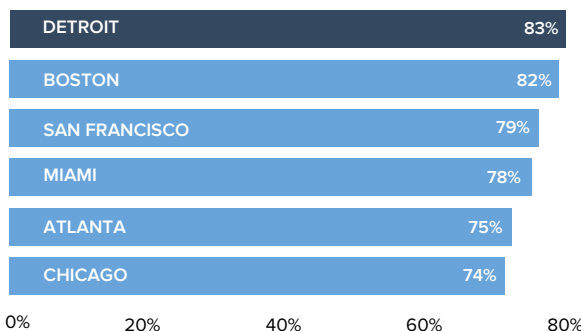
Unchecked growth tends to choke out the least sustainable organizations. This is not necessarily a bad thing—a certain amount of natural selection is good, weeding out the organizations that can't deliver or manage well. Other organizations may have been formed for a short-term purpose, or may just not reflect shared community

Survival Rates of Arts and Cultural Nonprofits by Size, 2000–2010



DATA SOURCE: National Center for Charitable Statistics, 2013. Includes organizations that filed an IRS Form 990 in 2000 with over \$50,000 in revenue.

Survival Rates of Arts and Cultural Nonprofits by Metropolitan Area, 2000–2010

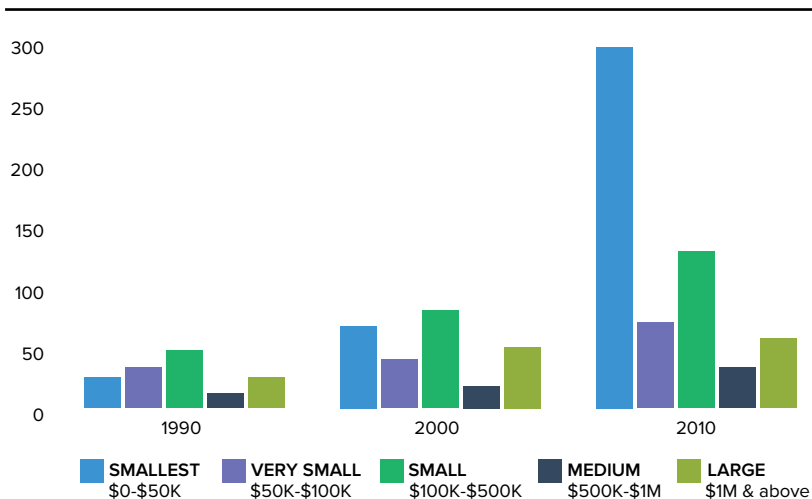


DATA SOURCE: National Center for Charitable Statistics, 2013. Includes organizations that filed an IRS Form 990 in 2000 with over \$50,000 in revenue.

Are there natural limits or an optimal “carrying capacity” associated with the nonprofit arts ecosystem?

Many of the organizations that are likely to fail over the next 10 years may be those that embody newer ideas and initiatives.

Growth of Arts and Cultural Nonprofits by Size, 1990–2010



DATA SOURCE: National Center for Charitable Statistics, 2013. Includes organizations that filed an IRS Form 990 between 1989-1991, 1999-2001, or 2009-2011.

values. A longitudinal analysis of the birth and mortality patterns of arts organizations in Southeast Michigan revealed that 17 percent of arts organizations active in 2000 were no longer in business in 2010. But despite Southeast Michigan’s challenging economy, this is actually a lower turnover rate than was found in five other metropolitan areas.

- **Small organizations are most at risk.** Organizational size (as measured by net assets and gross revenues) was the primary determinant of whether an organization survived over this 10-year period. Organizations with total revenues of less than \$500,000 were more likely than larger organizations to fail. Given that a disproportionate share of the smallest arts organizations in the Detroit metropolitan area were founded after 2000, many of the organizations that are likely to fail over the next 10 years may be those that embody newer ideas and initiatives. Is such an outcome in the best interests of the field’s long-term health?
- **“Right-sizing” the Arts Ecosystem?** If one in six extant arts and cultural organizations are likely to fail in the next decade, does this suggest that there are natural limits or an optimal “carrying capacity” associated with the nonprofit arts ecosystem? On the other hand, perhaps a crowded creative ecosystem serves as a stimulus for innovation. Future research should examine whether the organizations that prevail over time adopted any particular ideas, practices, or even personnel from those that ceased to exist.

THE LIMITS OF OUR CURRENT KNOWLEDGE ABOUT SOUTHEAST MICHIGAN'S CULTURAL SECTOR

Analyses of available data provide some key insights into the current composition of Southeast Michigan's cultural sector—among them, the prevalence of for-profit entities, the proliferation of small organizations, and the precariousness of nonprofit organization survival over the long term. But the picture could be made even clearer with better data.

For example, in Southeast Michigan as well as the U.S. broadly, we know far less about the characteristics of the smallest organizations (with budgets below \$50,000) than we do about larger organizations, because organizations that meet the \$50,000 threshold must file tax returns with the IRS. Yet, there is an enormous amount of entrepreneurial activity taking place, as evidenced by the increasing numbers of small organizations that have been formed since 2000. This activity is largely invisible to us without systems in place to capture and document the work of these organizations.

Likewise, we have a skewed view of unincorporated organizations, since the only ones we know about are those that have received funding from sources that disclose such information, such as Kickstarter. What other sorts of emergent activity are we missing because there is no data trail to follow?

The for-profit data we have compiled are generated by matching the NAICS codes⁴ of specific organizations with a list of 42 codes that are used most often in research studies of the “creative industries.” While this particular “net” captured 3,706 for-profit organizations in the four-county area, local stakeholders may wish to tweak the classification system to better reflect their notions of which for-profit organizations are most relevant to these discussions.

In sum, existing data collection frameworks, particularly those used to capture information about very small nonprofits, unincorporated entities, and freelance professionals, have not evolved in step with the field. Understanding the composition of the ecosystem in greater detail is especially important when examining how limited resources can be allocated more equitably. If an entity is not “on the map,” so to speak, it is unlikely to enjoy equal access to resources and opportunities. Furthermore, the role and impact of these entities, whether through offering new modes of cultural engagement or through reaching new audiences, is likely to be underestimated.

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Part 2

Capital Flows: Haves, Have-nots, and Creating “Public Value”

HERE OUR FOCUS SHIFTS TO NONPROFIT ORGANIZATIONS


in the cultural sector, who must strike a delicate budgetary balance between earned income and contributions in order to operate. While nonprofit and for-profit organizations differ in many ways, it is important to keep in mind that for BOTH, earned income is essential. For-profit organizations only stay in business by providing goods or services that the public is willing to pay for. Were we to highlight but a single point about capital flows in the arts and cultural sector, it would be this: **regardless of their current level of reliance upon contributions, nonprofit arts organizations need to continuously consider how their offerings create “public value,” that is, value the public is willing to pay for.**

Five key facts about capitalization patterns in Southeast Michigan’s arts and cultural sector rise to the top:

1. Cultural organizations in Southeast Michigan have become increasingly self-reliant since 2000.
2. The bulk of foundation giving flows almost exclusively to the largest and oldest cultural organizations.
3. Despite increasing diversity, very little grantmaking specifically benefits communities of color.
4. Alternative giving vehicles, such as Kickstarter, are making a mark.
5. Public funding for the arts represents a drop in the bucket.

CULTURAL ORGANIZATIONS IN SOUTHEAST MICHIGAN HAVE BECOME INCREASINGLY SELF-RELIANT SINCE 2000

As tracked by the IRS, nonprofit organization revenues come from four sources: 1) Contributions and grants; 2) Program service revenue; 3) Investment income; and 4) Other revenue (e.g., royalties; rental income; and income from fundraising events, gaming activities, or sales of inventory).



Nonprofit arts organizations need to continuously consider how their offerings create “public value.”

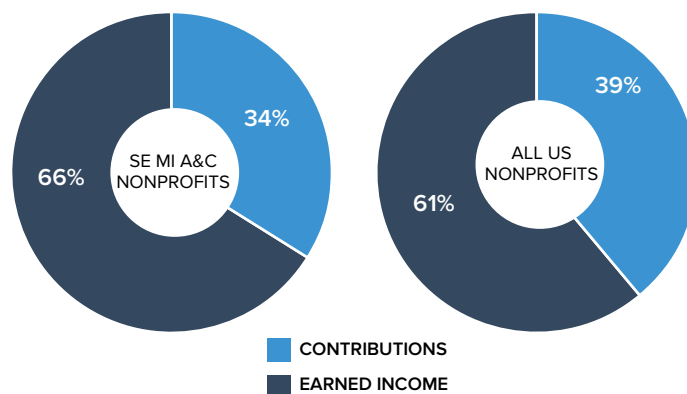
The growth of the nonprofit arts and cultural sector over the past decade has been entirely supported through increases in earned income.

In 2010, total revenues for nonprofit A&C organizations in Southeast Michigan were \$657 million, with earned income accounting for \$434 million (66 percent). (“Earned income,” in the present context, is defined as “program service revenue” + “investment income” + “other revenue.”) On the flip side, about one-third of their revenues (34 percent) came from contributions in 2010. This compares quite favorably to nonprofit organizations in general (excluding universities and hospitals), where contributions account for 39 percent of total revenues.⁵

In a sign that could be interpreted as either hopeful or distressing, the percentage of total revenues for A&C organizations coming from contributions has steadily declined since 2000. Contributions accounted for 40 percent of the total revenues in 2000 and 33 percent in 2012. The hopeful interpretation is that while contributed income has basically remained flat since 2000 (in terms of actual dollar amounts), earned income has risen by 27 percent, resulting in a net growth in total sector revenues of 13 percent. **In other words, the growth of Southeast Michigan’s nonprofit arts and cultural sector over the past decade has been entirely supported through increases in earned income.** This is not the story when you isolate very small and small organizations. Among this subset, a 28 percent rise in total revenue from 2000 to 2012 was supported mainly by contributions, which increased by 54 percent.

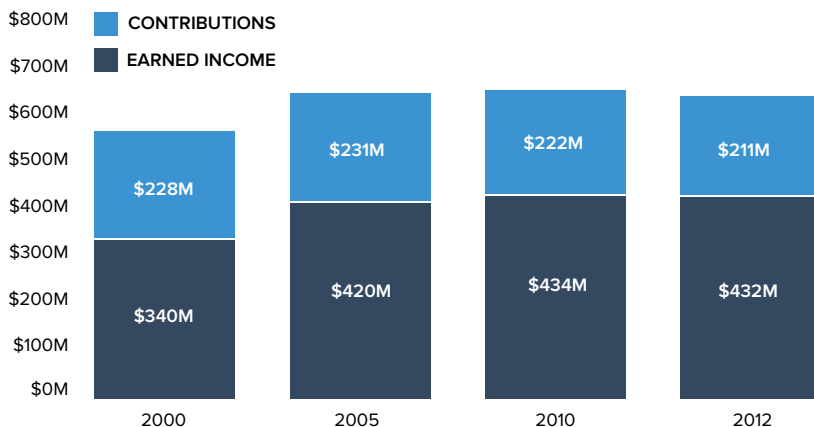
The distressing interpretation is that contributions have remained flat, while the sector has grown. Indeed the number of music, visual arts, and multidisciplinary nonprofits grew in this period, while the total dollar amount of contributions for each contracted. But for the long-term health of the sector, holding total contributions at a fixed level in the coming years may be the best course of action. Over the past decade, Southeast Michigan’s arts and cultural organizations have demonstrated strong fiscal discipline, growing only when that growth can be supported through the creation of public value. This is the surest path toward sustainability.

Revenue Breakdowns of Southeast Michigan Arts and Cultural Nonprofits versus All U.S. Nonprofits



DATA SOURCES: Guidestar, 2013 (arts and cultural nonprofits in Southeast Michigan, 2012). Includes organizations that filed an IRS Form 990 between 2011 and 2013. Urban Institute: The Nonprofit Almanac, 2012 (all U.S. nonprofits, 2010). All reporting public charities, excluding hospitals and higher education.

Total Revenues of Arts and Cultural Nonprofits, 2000–2012



DATA SOURCE: National Center for Charitable Statistics, 2013. Includes organizations that filed an IRS Form 990 between 1999-2001, 2004-2006, 2009-2011, or 2011-2013.

THE BULK OF FOUNDATION GIVING FLOWS ALMOST EXCLUSIVELY TO THE LARGEST AND OLDEST CULTURAL ORGANIZATIONS

As described earlier, the vast majority of Southeast Michigan’s nonprofit A&C organizations are small. Only 15 percent (n=87) have budgets of \$1 million or more, compared to 18 percent of nonprofits nationally. Yet in 2011, these large organizations received 78 percent of the funding provided by private foundations.⁶

True, these organizations account for the vast majority of all expenses (93 percent) and revenues (92 percent) generated by the nonprofit A&C sector, and there is little doubt that these large, anchor organizations play a vital role as visible and marketable symbols of the cultural significance of the Detroit metropolitan area. Still, what consequences might the nearly single-minded focus of foundations on funding large organizations have on the health and vitality of the arts and cultural ecosystem as a whole?

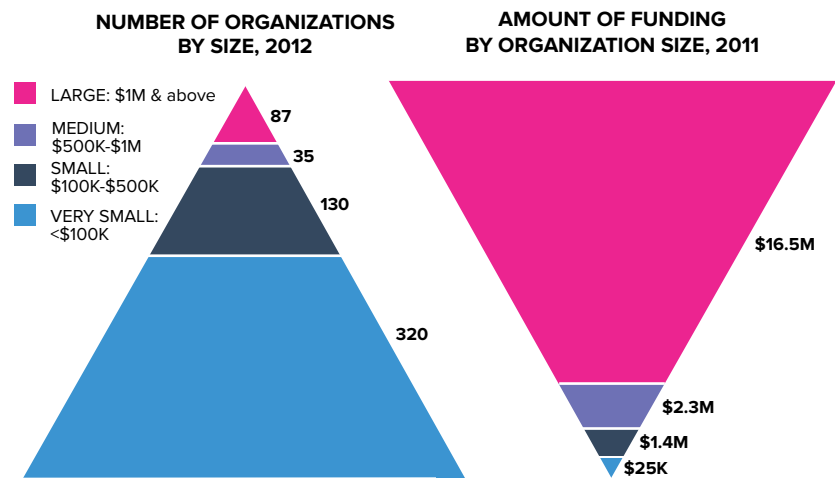
For one thing, it perpetuates a sector of haves and have-nots, in which the largest organizations can count on being able to supplement their earned income by drawing upon a relatively consistent pool of foundation contributions, from which smaller organizations are virtually shut out. Across 87 large organizations (annual revenue greater than \$1 million) we were able to document 116 grants received in 2011, amounting to nearly \$16.5 million. Across 165 medium or small organizations (annual revenues between \$100,000 and \$1 million), we found just 35 grants, totaling less than \$3.7 million.

Moreover, 79 percent of 2011 foundation funding went to organizations established before 1980. In a field that is often referred to as the “creative sector,” it is somewhat ironic that foundation giving tends to favor the traditional and established over the experimental and emerging.

What consequences might the nearly single-minded focus of foundations on funding large organizations have on the health and vitality of the arts and cultural ecosystem as a whole?

To what extent are foundations funding specific organizations, as opposed to the arts?

Arts and Cultural Nonprofits and Foundation Funding Received, by Recipient Organization Size



DATA SOURCES: Guidestar, 2013 (number of organizations). Includes organizations that filed an IRS Form 990 between 2011 and 2013. Foundation Center, 2013 (amount of funding). Based on all grants of \$10,000 or more awarded by a set of 20 U.S. foundations that were responsible for the majority of foundation giving for arts and culture in the region over the past decade. For community foundations, only discretionary grants are included. Grants to individuals are not included.

Yes, the chances of long-term organizational success are lower for smaller organizations, making them riskier “investments” for philanthropy. But while any given organization may not survive over time, the emerging artistic talent that is incubated there may eventually find a home elsewhere, if supported at a critical early stage.

Perhaps the question to ask is: to what extent are foundations funding specific organizations, as opposed to the arts? Compared to other types of nonprofit organizations nationally, arts organizations in Southeast Michigan are more likely to receive general operating support (46 percent vs. 29 percent).⁷ But this support tends to be concentrated on large, established organizations while general operating support is even more essential to small and emerging organizations that lack the operations or risk capital that comes from having annual funds, major donors, and reserves.

Overall, arts and cultural nonprofits in Southeast Michigan are comparatively well supported by foundations. In 2011, 14 percent of total foundation dollars to Southeast Michigan went to arts and culture. This is slightly higher than the national average of 13 percent⁸ and second only to the Miami metropolitan area.

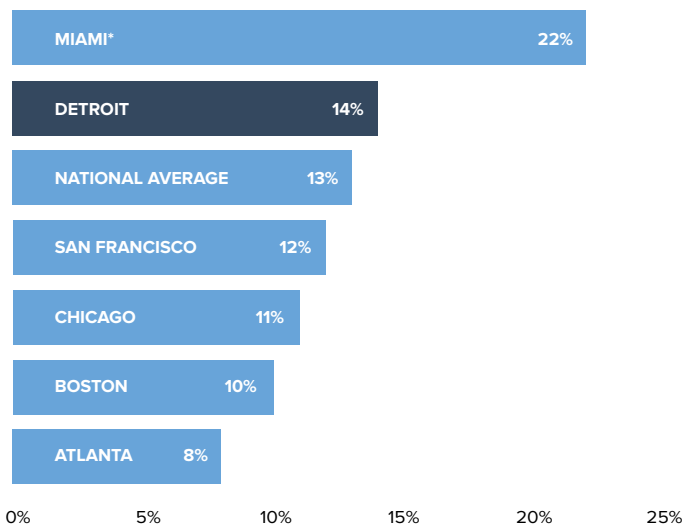
DESPITE INCREASING DIVERSITY, VERY LITTLE GRANTMAKING SPECIFICALLY BENEFITS COMMUNITIES OF COLOR

Southeast Michigan is demographically diverse—people of color make up one third of the population. One in four people (24 percent) are African American; 4 percent are Hispanic/Latino and 3 percent Asian. **In Wayne County specifically, people of color now comprise half the population.**⁹ Southeast Michigan is also home to one of the largest Arab American populations in the country, a population that is subsumed under the White/Caucasian race category in official census counts.¹⁰

With its focus on grantmaking to large organizations, more than 90 percent of foundation funding tends to benefit “the public” in general, rather than any particular demographic group. This fails to take into account the larger demographic context in which arts and cultural organizations are operating. **To the extent that these organizations are currently meeting the cultural needs of Southeast Michigan, demographically blind funding will at best preserve the status quo.**

In the next section of this report, we take a closer look at the cultural preferences of different demographic groups and present evidence that suggests the existence of a significant disconnect between current cultural preferences and existing cultural opportunities. Such a disconnect is not likely to be overcome in the absence of funding and engagement strategies that take a more targeted approach to engage diverse population groups.

Share of Metropolitan Area Foundation Dollars Supporting Arts and Culture, 2011



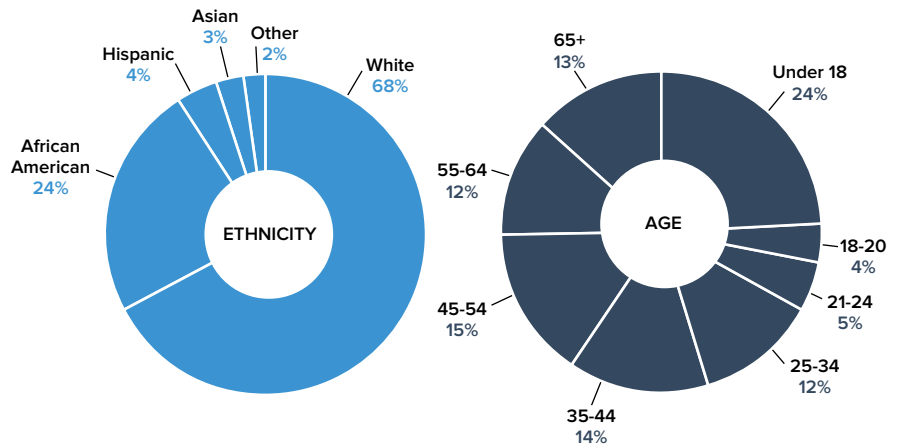
*This figure includes an unusually large grant of \$10M; when excluded, this number drops to 15 percent.

DATA SOURCE: Foundation Center, 2013. Based on all grants of \$10,000 or more awarded by a national sample of larger U.S. foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included.

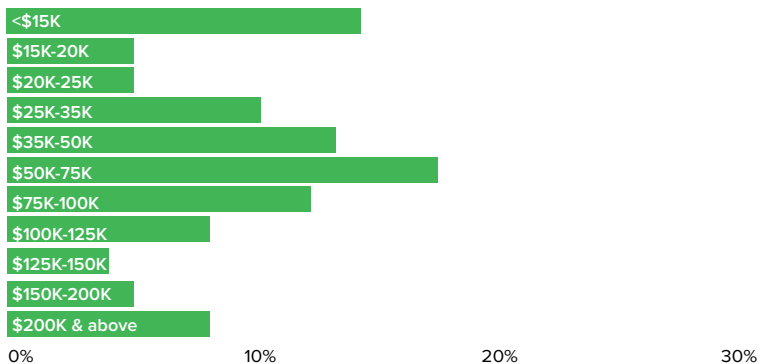
More than 90 percent of foundation funding benefits “the public” in general, rather than any particular demographic group.

The types of arts and cultural organizations supported through Kickstarter may well serve as a bellwether regarding current and emerging cultural preferences.

Demographics of Southeast Michigan, 2010



HOUSEHOLD INCOME BY RANGE



EDUCATIONAL ATTAINMENT



DATA SOURCE: PolicyMap, 2013.

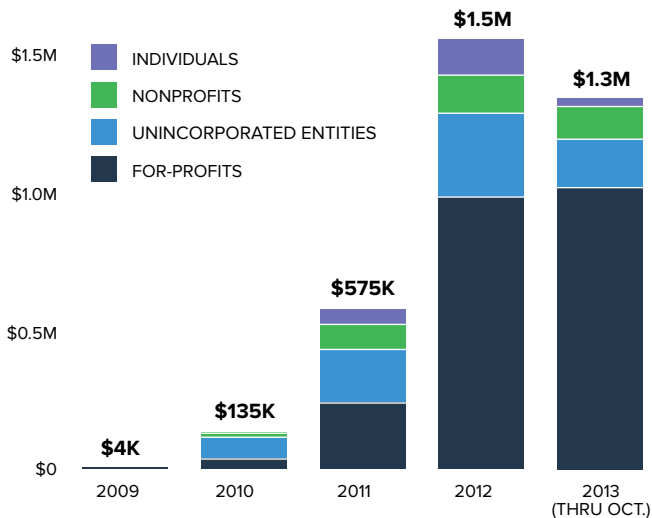
ALTERNATIVE GIVING VEHICLES, SUCH AS KICKSTARTER, ARE MAKING A MARK

There is intriguing evidence that alternative sources of private giving, such as Kickstarter and Indiegogo,¹¹ are playing an important role in the funding picture, and this is a trend to watch closely as online and mobile giving platforms continue to develop.

In 2013, more than \$1.3 million was raised by Kickstarter for arts-related projects in Southeast Michigan. From small beginnings in 2009, when less than \$5,000 was raised for such purposes, contributions through Kickstarter have totaled nearly \$3.6 million through 2013.

Kickstarter tends to be used most often as a vehicle for getting for-profit organizations off the ground. Nearly two thirds (63 percent) of the funds raised by Kickstarter for arts and cultural organizations in Southeast Michigan from 2009 through 2013 went to for-profit entities. Just 10 percent were invested in nonprofit arts organizations, while 21 percent went to unincorporated entities.

Kickstarter Funding for Arts and Culture, 2009–2013



DATA SOURCE: Kickstarter, 2013.

The types of arts and cultural organizations supported through Kickstarter may well serve as a bellwether regarding current and emerging cultural preferences. Notably, half of all funds raised through Kickstarter for arts and cultural organizations in Southeast Michigan since 2009 (50 percent) have been in the area of “film and electronic media.” Music (21 percent) and visual arts (16 percent) rank second and third, respectively. These findings tend to square with available data regarding the strongest cultural preferences of the general public. We explore this further in the next section of this report.

PUBLIC FUNDING FOR THE ARTS REPRESENTS A DROP IN THE BUCKET

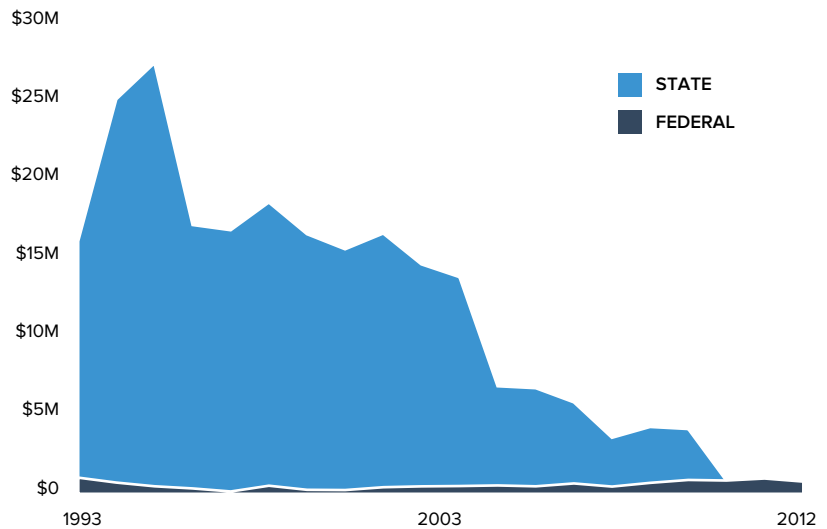
Throughout its history, the United States has largely considered funding for arts and culture to be a private matter, best left to individual, community-based investors. National trend information provided by the National Assembly of State Arts Agencies shows that, historically, the highest levels of public support come from local governments, while the lowest come from the federal government. In 2013, for example, local governments provided an estimated \$727 million of support for arts and cultural organizations, state governments provided \$279 million, and the federal government provided \$139 million.¹²

Patterns of support for the arts in Southeast Michigan reflect this longstanding orientation insofar as private giving dwarfs public funding. However, within public funding, with the exception of two large organizations that receive property tax dollars through millage, support at the level of local government is conspicuously missing.

**Local
government-
level support
for arts and
culture in
Southeast
Michigan is
conspicuously
missing.**

Lack of local government support has a particular impact on artistic expression and access to cultural experiences.

Federal and State Funding for Arts and Culture, 1993–2012



DATA SOURCES: National Endowment for the Arts, 2013 (federal funding) and National Assembly of State Arts Agencies, 2013 (state funding).

Southeast Michigan’s cultural sector received just \$1.6 million in state and federal funds in 2012, reaching an historic low. During the period from 1993 through 2003, state and federal funding for arts and culture in Southeast Michigan averaged more than \$18 million per year. Funding between 2004 and 2009, however, dropped to an average of \$5.3 million per year, a decrease of more than two thirds from the previous 11-year period. Funding levels fell by another two thirds following the Great Recession. Between 2010 and 2012, Southeast Michigan received an average of just under \$1.8 million per year in state and federal funding for arts and culture.

Of the 13 local cultural agencies for which we have data, just three—the City of Detroit, Anton Art Center, and Warren Cultural Center—operate direct grantmaking programs. These agencies provided a combined \$240,000 to the sector from 2010 through 2013, and much of this is pass-through funding from the state of Michigan. Significant local government support is awarded, on the other hand, to the Detroit Zoological Society and the Detroit Institute of Arts. Wayne, Oakland, and Macomb counties approved a dedicated millage for each organization in 2008 and 2012, respectively. Estimated tax revenues collected in 2012 were \$11.4 million for the zoo and \$22 million for the Detroit Institute of Arts.

Documented public funding for arts and culture in Southeast Michigan, therefore, accounted for only about 2 percent of total sector revenues in 2012. **Nationally, public funding routinely supports artistic expression and access to the arts, both of which are vital to the sector.¹³ Lacking this type of regional support has a particular impact on these areas within Southeast Michigan.**

THE LIMITS OF OUR CURRENT KNOWLEDGE ABOUT CAPITAL FLOWS TO ARTS AND CULTURAL ORGANIZATIONS IN SOUTHEAST MICHIGAN

As before, in our overview of Southeast Michigan's arts and cultural sector, we must acknowledge that there are limits to what we can say about capital flows due to gaps in available data. Foundations aren't the only, or even the most important, source of private funding for arts and cultural organizations. Individual giving for arts and culture typically outpaces foundation funding by a ratio of more than three to one. This includes giving through donor-advised funds and crowdsourcing, as well as direct contributions by individuals.

But detailed data on the giving patterns of individuals are not available at the local level. Giving USA, the authoritative source of information on individual giving, reports national-level trends, but it doesn't provide sufficiently detailed information to be able to characterize individual giving in the four-county area.

Moreover, most of the data available on foundation funding represents the giving of the largest 1,000 foundations in the country, which partially explains why the foundation giving we've documented in Southeast Michigan tends to flow primarily to the largest arts and cultural organizations. If we had more complete data on the giving of small foundations, we could better assess the extent to which this apparent funding gap between large and small arts organizations is being addressed by foundations not currently on our radar screen.

**Foundations
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Part 3

Arts Audiences and Cultural Preferences: Diverse and Distracted

CONFRONTED WITH MORE OPTIONS FOR CULTURAL

engagement than ever before, the 21st-century arts audience is diverse and distracted. **The balance of power in the consumer/producer relationship has decidedly shifted in favor of the arts audience.** Because there is ample product available, both outside and inside the home, to meet almost every cultural demand, arts organizations face programming challenges that stretch their capabilities and challenge their very self-image. The need to develop creative responses to changing cultural preferences has never been greater.

Based on available data, three key facts about arts audiences and cultural preferences stand out:

1. Internet-based cultural options are increasingly preferred to traditional forms of cultural engagement.
2. Diversity increases complexity and creates opportunity.
3. The cultural marketplace is niche-driven.

INTERNET-BASED CULTURAL OPTIONS ARE INCREASINGLY PREFERRED TO TRADITIONAL FORMS OF CULTURAL ENGAGEMENT

From the perspective of the cultural consumer in Southeast Michigan, opportunities to engage with traditional forms of the arts are seldom top of mind.¹⁴ Cultural preference data provided by Scarborough Research shows that the most popular traditional art form in the four-county area in 2012 was “live theater,” which 17 percent of the population said they attended in the prior 12 months. From among a list of 15 ways of engaging with the arts, this activity ranked 4th. Other traditional art forms ranked lower, with art museum attendance at 16 percent (5th), “other musical concert (jazz, big band, etc.)” at 13 percent (8th), “symphony concert, opera, etc.” at 8 percent (11th), and “dance or ballet performance” at 4 percent (15th).



The need to develop creative responses to changing cultural preferences has never been greater.

Cultural habits are evolving and traditional arts organizations may need to expand their notions about where their programming boundaries lie.

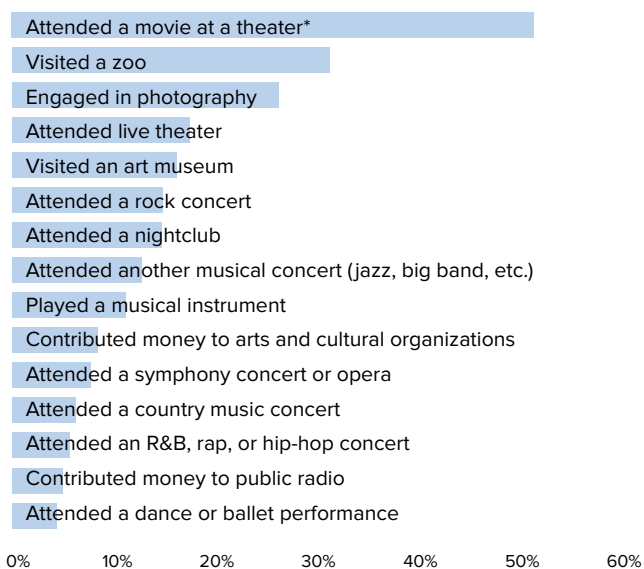
Movies remain the most popular option among both traditional and non-traditional arts, attended by more than half of the population “in the past 3 months.” The zoo and photography ranked second and third—31 percent said they visited the zoo in the past 12 months and 26 percent said they engaged in photography.

Still, these options have always been part of the environment. The most worrisome source of competition is something that wasn’t much of a factor at all until the turn of the millennium. **Increasingly, the Internet is capturing a larger share of the cultural attention space of consumers in Southeast Michigan and elsewhere.** In 2012, 29 percent of the public viewed “video clips” on the Internet in the past 30 days “on any device.” In addition, one quarter (25 percent) used the Internet or apps to listen to or download music and 21 percent listened to local or Internet radio.

These percentages don’t seem alarming at face value, but they are deceiving. The time frame for these activities is “in the past 30 days,” while the time frame for the questions about participation in the traditional arts is “in the past 12 months.” These are activities that now occupy a persistent position in the attention space of cultural consumers on a day-to-day basis.

Does this mean that the traditional arts need to develop more of an online presence, for example, by making programming available over the Internet? Perhaps. But the larger message is that in an environment where novelty-seeking behavior is instantly rewarded, cultural habits are evolving and traditional arts organizations may need to expand their notions about where their programming boundaries lie.

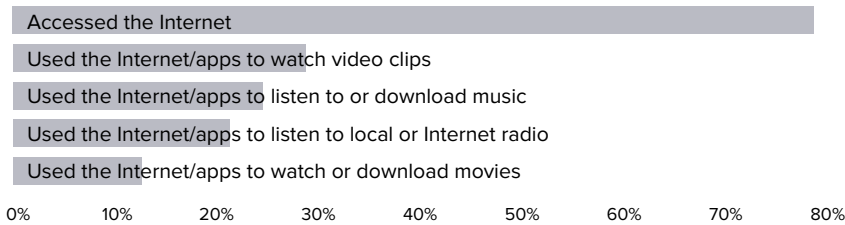
Participation Rates in Arts and Cultural Activities in the Past Year, 2012



*Timeframe for this item is “in the past three months.”

DATA SOURCE: Scarborough Research, 2013. Projections based on 2,916 survey respondents in the region.

Participation Rates in Internet-based Arts and Cultural Activities in the Past 30 Days, 2012



DATA SOURCE: Scarborough Research, 2013. Projections based on 2,916 survey respondents in the region.

DIVERSITY INCREASES COMPLEXITY AND CREATES OPPORTUNITY

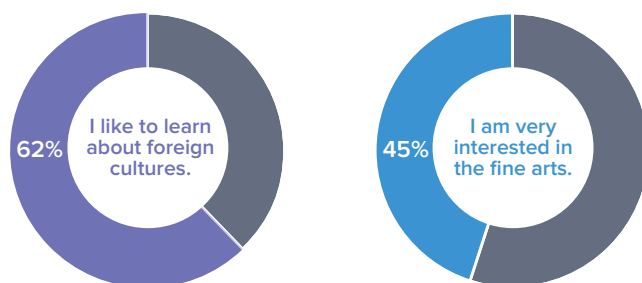
Southeast Michigan’s cultural organizations don’t need to be told that potential audiences for the arts are becoming more diverse. They have lived with that reality for a long time. As organizations with institutional histories and core audiences, they seek to maintain a line from the past through to the future that is true to their mission and artistic vision, even as the environment mutates around them.

In such an environment, cultural organizations cannot afford to succumb to institutional inertia. Rather, they must draw more deeply on the original creative impulses that brought them into being in the first place.

Artists and organizations may be initially resistant to a message that encourages arts organizations to focus more on the creation of “public value” in order to increase earned income and lessen reliance on contributions. But public value doesn’t have to come at the expense of creative expression and artistic quality. Instead, the creative response that is called for is to embrace the roles of arts organizations as thought-leaders and artists as “sense-makers” in a complex world.

A particularly intriguing finding from data on cultural preferences adds additional salience to this point. A substantial majority of people in Southeast Michigan (62 percent) agreed with the statement, “I like to learn about foreign cultures,” a far higher number than agreed with the statement, “I am very interested in the fine arts” (45 percent). **This suggests that a shift in organizational perspective from deliverer of arts products to cultural “sense-maker” could potentially engage audiences in new and vital ways.** Audiences hunger for what they’ve always hungered for—experiences that challenge and delight them, and allow them to see the world in new ways.

Interest in Foreign Cultures and Fine Arts, 2012

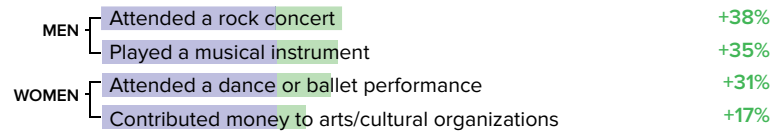


DATA SOURCE: Scarborough Research, 2013. Projections based on 2,916 survey respondents in the region.

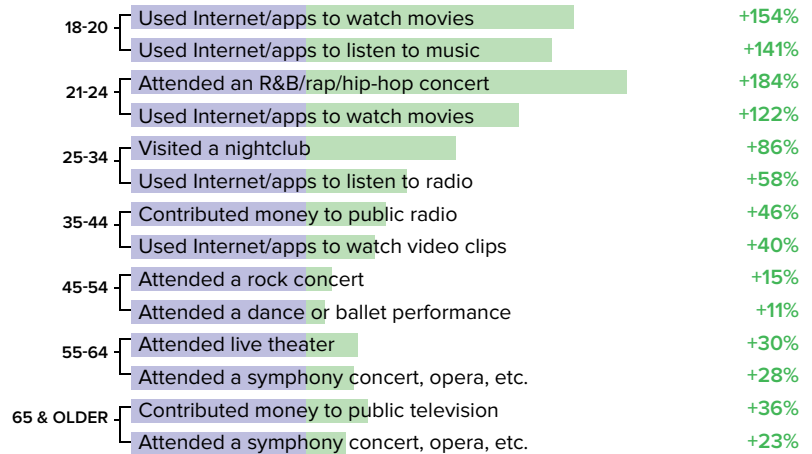
**Audiences
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Cultural behavior is ever more niche-driven as opportunities to satisfy cultural needs proliferate.

Preferred Forms of Arts and Cultural Participation, by Gender, 2012



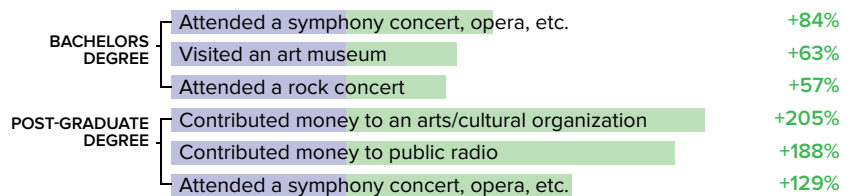
Preferred Forms of Arts and Cultural Participation, by Age, 2012



Preferred Forms of Arts and Cultural Participation, by Race, 2012



Preferred Forms of Arts and Cultural Participation, by Educational Level, 2012



How to Read This Chart: The purple bars represent the average participation rates for each activity. The green bars represent how far above average the participation rate is for a particular population group. For example, men participate in rock concerts at a rate that is 38 percent higher than the average participation rate for rock concerts.

DATA SOURCE: Scarborough Research, 2013. Projections based on 2,916 survey respondents in the region.

THE CULTURAL MARKETPLACE IS NICHE-DRIVEN

Adding to the complexity of the cultural environment is the natural propensity for participants to segment themselves into niches. **Cultural behavior is ever more niche-driven as opportunities to satisfy cultural needs (i.e., “supply”) proliferate.** There is no turning back this clock.

The most popular activities across the general public also tend to be the most popular activities among specific sub-groups. “Going to the movies” ranks number one regardless of gender, age, race, or education level, followed by “going to the zoo.” But beyond these activities, cultural preferences tend to differ dramatically among different groups. Few of these findings are surprising, but they do serve as reminders that arts and cultural offerings appeal in different ways to different people.¹⁵

Cultural preferences tend to differ dramatically among different groups.

CULTURAL OPPORTUNITIES IN SOUTHEAST MICHIGAN

A comprehensive inventory of artistic and cultural programming available in Southeast Michigan is not easily compiled from available information. But data obtained from the Michigan Cultural Data Project (CDP) suggests that nonprofit cultural opportunities are abundant and barriers to participation are low.

While the CDP doesn't have information on all 572 arts and cultural nonprofits in Southeast Michigan, it does have data on more than 150, including 64 percent of all organizations with annual revenues of more than \$500,000. Together, these organizations account for two thirds of all revenues generated by nonprofit arts organizations in Southeast Michigan, so they tell a fairly complete story of cultural opportunities at larger nonprofits in the area.

In the most recent year for which data are available (circa 2012), these organizations mounted 1,765 live productions,

including 60 world premieres. More than 1,000 of these productions (66 percent) were self-produced.

Here's a question. If you wanted to see a performance, where might you go? Certainly, you could see one at a performing arts organization—those represented in the CDP database (n=87) offered more than 4,000 in the past year. But you could also experience public performances at museums, libraries, and community centers. Across the 25 organizations that fall into this category, more than 10,000 public performances were offered in the past year. Certainly, there are differences in scope and scale, but opportunities to experience a public performance abound.

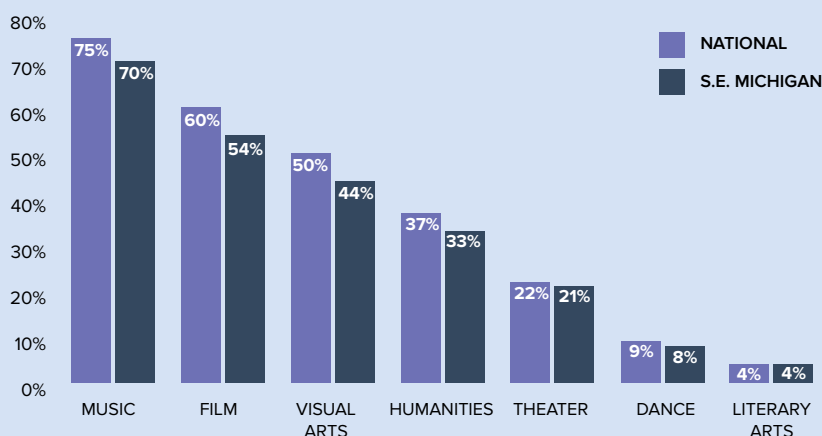
Moreover, the vast majority of these can be seen for free. Total attendance at arts and cultural nonprofits in Southeast Michigan exceeded 15 million in the "past year"; more than 10 million people attended at no charge.

ARTS PARTICIPATION IN THE NATIONAL CONTEXT

While data from Scarborough Research allowed us to create a highly nuanced and region-specific picture of arts and cultural participation in Southeast Michigan, it is also useful to place these results in a national context. For this purpose, we used the National Endowment for the Arts' 2012 Survey of Public Participation in the Arts (SPPA)—the nation's largest and most reliable survey of how American adults engage with the arts—and demographic data from the U.S. Census Bureau. While the SPPA data is insufficient to analyze participation rates in Southeast Michigan directly, we can develop plausible estimates of Southeast Michigan participation rates by weighting national participation rates using Southeast Michigan demographic data.

Our analyses suggest that Southeast Michigan participation rates in live arts events may lag behind national averages. Grouping SPPA questions into Sustain Arts' seven arts disciplines,¹⁶ we find that music is the most popular discipline both nationally—79 percent participation by the adult population in 2012—and in Southeast Michigan (estimated 70 percent). This is followed by film (59 percent national, 54 percent Southeast Michigan) and visual arts (54 percent national, 44 percent Southeast Michigan). Literary arts and dance are the least popular.

Estimated National and Regional Participation Rates in Arts and Cultural Activities, 2010



DATA SOURCE: National Endowment for the Arts' Survey of Public Participation in the Arts, 2012.

Conclusion


BRINGING TOGETHER AVAILABLE DATA ON CULTURAL organizations, capitalization patterns, demographic change, and audience preferences allows for new insights regarding the long-term health and sustainability of the arts and cultural sector. We can begin thinking more holistically about the sector, as an ecosystem within which individual organizations are born, grow, thrive, or pass away, and examine the contextual factors that constrain or sustain them.

There are many challenges to considering arts and culture through the “ecosystem” lens. First, we are all situated actors, operating for the most part in response to internal/organizational needs and local stimuli. Second, we typically do not have easy access to the information that would allow us to build a coherent picture of our operating environment. Third, we lack the time to adequately reflect on our relationship to larger trends and influences and how we should respond to them in order to thrive. The purpose of Sustain Arts is to fill these gaps so individual artists and organizations can make better decisions, guided by the best available information about the systemic forces and factors shaping our futures.

THREE CHALLENGES

The key findings presented in this report point to three major challenges facing arts and cultural organizations in Southeast Michigan:

1. Adapting to a dynamic, rapidly changing mix of arts and cultural organizations
2. Overcoming entrenched capitalization patterns
3. Meeting the needs of an increasingly distracted and niche-driven cultural audience



Bringing together available data allows us to begin thinking more holistically about the sector, as an ecosystem.

The sustainability of arts and culture is about whether the organizations and programs available are relevant to the community's needs and wants.

1. Adapting to a Dynamic, Rapidly Changing Mix of Arts and Cultural Organizations

Southeast Michigan's arts and cultural sector has grown rapidly over the past decade, and shows few signs of slowing. In particular, small organizations have proliferated, signaling the presence of a great deal of grassroots activity. At the same time, one in six extant nonprofit arts organizations are likely to fail in the next decade. This sort of churn tends to be typical of most urban areas, not just Southeast Michigan, but it raises the question as to whether there are natural limits or an optimal "carrying capacity" associated with the nonprofit arts ecosystem and whether steps could be taken to operate more effectively within that capacity.

2. Overcoming Entrenched Capitalization Patterns

For nonprofit arts and cultural organizations, reliance on philanthropic contributions as a significant source of revenues is an increasingly precarious strategy. Foundation funding for the arts has remained flat over the past decade and is unlikely to increase in a consistent fashion, recent developments involving the Detroit Institute for the Arts notwithstanding.¹⁷ Nevertheless, arts and cultural organizations in Southeast Michigan have adapted well—since 2000, revenues of nonprofit arts organizations have increased by 13 percent, supported entirely by growth in earned income. By growing only when that growth can be supported through the creation of "public value," arts organizations are following the surest path towards sustainability. In the end, the sustainability of arts and culture is not about guaranteed funding streams. It is about whether the arts and cultural organizations and programs available are relevant to the community's needs and wants.

At the same time, existing foundation funding patterns do little to disrupt the status quo, despite massive changes in both audience demographics and the range of alternative cultural options now available. The bulk of foundation giving flows to the largest and oldest cultural organizations and 90 percent of foundation funding is "demographically blind," that is, not targeted in ways intended to engage diverse population groups. It is worth asking whether foundations' often single-minded focus on funding large organizations that serve the general public is in the best interest of the long-term health and vitality of the arts and cultural ecosystem as a whole.

Southeast Michigan also suffers in comparison to other regions studied by Sustain Arts insofar as local government support for arts and culture is concerned. Local support from cities, villages, or townships usually comes in the form of relatively small grants that are distributed to groups serving those communities. This kind of public support provides greater access to the arts and supports artistic expression, both of which are vital to the health of the sector. It also is an important funding source for arts education. Because local government support is not an option for the vast majority of arts and culture organizations in southeast Michigan, this increases their dependence upon foundation and corporate support, particularly for those organizations that lack the staff to cultivate individual support.

3. Meeting the Needs of an Increasingly Distracted and Niche-driven Cultural Audience

Cultural “attention space” is inherently limited and as options for cultural engagement multiply, arts and cultural organizations face greater programming and marketing challenges. In particular, people are spending more time consuming cultural products online, such as YouTube videos and streaming music services. In an environment in which novelty-seeking behavior is instantly rewarded via the Internet, cultural habits are evolving and traditional arts organizations may need to expand their notions about where their programming boundaries lie.

The cultural marketplace is also becoming more niche-driven. Age, race and ethnicity, educational attainment, and to a lesser extent gender, are strong predictors of cultural preferences, making it increasingly difficult for cultural producers to program for a “general audience.” Moreover, as our communities become more diverse, the world around us becomes more complex and challenging to understand. A shift in the perspectives of cultural producers from deliverers of “arts products” to “cultural sense-makers” could potentially engage audiences in new and vital ways.

ADAPTING TO AND SHAPING TRANSFORMATION

We live in a time of transformative and disruptive change. At the same time, the arts are perhaps our most powerful vehicle for assisting people through change: from articulating what is different to envisioning the possible. Adapting to today’s cultural landscape requires new thinking about the forms and functions of arts and cultural organizations. The future health of the field will be largely determined by how well cultural organizations, the funders who support them, and the populations they serve navigate the transition together.

At the most basic level, meeting the challenges facing Southeast Michigan’s arts and cultural sector requires an evolution of the information infrastructure to stay in step with the field. Existing data collection frameworks, particularly those used to capture information about very small nonprofits, unincorporated entities, and individual artists, do not adequately capture the breadth and diversity of activity today. The significance of under-representing these key segments of the cultural economy in data collection is that if an entity is not “on the map,” so to speak, it’s unlikely to enjoy equal access to resources and opportunities, nor will its impact be fully recognized.

Funding practices similarly need to evolve to meet the changing organizational forms of the sector. Tailored solutions that respond to the unique resource needs of entities that differ in size and age can allow resources to be used more effectively. The rise of alternative crowdfunding mechanisms such as Kickstarter, and in particular the growing number of unincorporated entities making use of them, demonstrates how this co-evolution can happen. It may be that crowdfunding’s unique value proposition compared to other funding sources is to support emerging forms of creative expression. Other funding sources should consider what their unique value proposition is and could be.

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Lastly, given the increasing importance of earned income to arts and cultural nonprofits, and the decline of participation in the kinds of activities that have typically been the bread and butter of these organizations, it would benefit the sector to seriously invest in future audiences by funding arts education. Arts education, in both childhood and adulthood, is a strong predictor of attendance at traditional art events.¹⁸ More importantly, it helps to develop innovative, creative thinkers that will move the community and the arts field forward. Arts education has received the increased attention of private foundations in Southeast Michigan over the past decade, accounting for only 10 percent of arts and cultural grant dollars in 2000, versus 16 percent in 2005 and 22 percent in 2010. Yet in the context of declining public funding for arts education across the country, it is unclear this is enough.

MOVING FORWARD

Data provides perspective. It can set information in context. It can point out trends—and highlight anomalies. But the highest purpose of data is not to answer our questions—rather, it is to spur us to formulate more relevant and informed questions. Are we allowing the arts to co-evolve with popular tastes and diverse participants? If major foundations concentrate their gifts in larger arts and cultural organizations, what revenue streams are available to smaller or emerging projects? If local government typically provides 70 percent of government funding for the arts, the state 20 percent, and federal 10 percent, what is the right mix in Southeast Michigan and what should it support? How can we better connect the four parts of the arts ecosystem—for-profit, nonprofit, unincorporated, and individual artists—to maximize the growth of talent and the efficient use of resources?

Sustain Arts has created a data-rich snapshot of this time and place, documenting what exists, some of the key sources supporting culture, and where funds are directed, and provided a glimpse into consumer preferences. If used as a catalyst for discussion, this work can be valuable in thinking about both the future of the sector as a whole and an individual organization's place within the sector.

We encourage readers to use this assessment as a diagnostic tool and to revisit its key findings as a means of monitoring the field's evolution. The data amassed can be interpreted as the starting point for an inventory of available cultural resources, as well as a roadmap for what more needs to be collected and analyzed. Now begins the process of determining how existing assets should be deployed. In many ways this work signifies the beginning, not the end, of what we hope will be a sustained process of collective reflection and strategic development, with data providing a firm grounding for collective and individual action.

QUESTIONS FOR DISCUSSION AND FURTHER RESEARCH

Limited time and resources compel us to set boundaries when embarking on a project like Sustain Arts. Yet the research we produce inevitably stimulates new questions that can be answered by acquiring more data, looking more closely at the diversity of actors and perspectives involved, or in some cases initiating a conversation on inquiries that cannot be revealed through data. Further research and ongoing community policy conversations should probe these questions, which address organizational considerations, funding, and participation.

Organization Landscape

- 1) What are the implications of the finding that smaller arts and cultural organizations are most at risk to fail? Does size matter? When considering nonprofit sustainability in the regional context, is perpetual growth valued?
 - a. What role do small-budget organizations play in servicing the community or providing economic opportunities? Is it the case that newer, smaller organizations are a better reflection of evolving market interests and community needs than more established organizations?
 - b. If failure to grow beyond a startup phase is a common cause of organizational failure, what is needed to assist with this growth? Support to improve grant writing, technology, and diverse boards and audiences may be places to start.
 - c. We know that financial viability is not the only factor in determining why organizations survive or fail. What other factors have been particularly salient in the Southeast Michigan context?
 - i. It may be that mission or programming duplication plays a role. How might we encourage greater collaboration or collective iteration to avoid this?
 - d. How might a wider generational shift towards “small is beautiful” play out in the cultural sector? Could this possibly expose larger anchor organizations to unacceptable levels of risk?
- 2) What would a deeper dive into the interrelations of the different segments of the cultural ecosystem look like?
 - a. What niches are filled by nonprofits, for-profits, unincorporated entities, and individuals? Do nonprofits work more in older or service-oriented art forms? Are unincorporated entities more digitally focused?
 - b. How do different types of arts and cultural providers interact?
 - i. When unincorporated entities grow, do they become nonprofits or for-profits? Why? Are nonprofits an important customer base for for-profits, and do they act as a training ground for the creative for-profit workers of the future?
 - c. Why are artists choosing the for-profit path? What can nonprofits learn from a for-profit business model without relinquishing nonprofit status, and how can we connect the nonprofit and for-profit communities?

Funding Landscape

- 1) What could we learn about financial trends with more complete data?
 - a. What do small foundations and individual donors fund? Are they a significant source of funds for smaller arts organizations, or do they tend to allocate their donations in a pattern similar to large foundations? Are small foundations less likely than larger ones to accept open applications? If so, does this make them inaccessible to small organizations?
 - b. The financial data we reviewed focuses on nonprofits. How can we begin to amass the data to understand parallel trends on the for-profit side?
 - c. Besides Kickstarter, in what other ways does “the Crowd” enter into Southeast Michigan’s arts and cultural sector? We encourage crowdsourced participation in this project by inviting your submissions to our online data platform.
 - d. How does the pattern of foundation funding flows in Southeast Michigan compare to other metropolitan areas? Is the concentration of resources on the largest and oldest cultural organizations common?
- 2) To what extent are foundations that support arts and culture in the region actively working to invest differently—supporting entrepreneurial ventures, providing risk capital, and using innovative models?
 - a. Might philanthropy take on the role of insulating risk in the startup of arts and cultural nonprofits, until they are sufficiently resilient and sustainable to enter into the “public value” market?
- 3) After reviewing available data sources and conducting primary research, local public funding remains conspicuously absent in the Southeast Michigan context. This is a distinct feature of the region that bears our attention. How do we shift the value proposition to re-energize the role of public funding for the arts?

Participation Landscape

- 1) We know that arts and cultural organizations can create public value by adjusting programming priorities, focusing on the “supply” side. What about the demand side—how can community engagement contribute to the public value conversation?
- 2) We’ve started to address diversity in the arts through the participation analysis, but this is only part of a larger conversation. What do we know about diversity in nonprofit boards, organization leadership, artistic and cultural practitioners?
- 3) Consumer behavior data obtained from Scarborough Research, which formed the basis of the above analysis, did not include arts education and classes. Does this constitute a significant piece of cultural engagement in Southeast Michigan?
- 4) The State of Michigan and the local business community are working to increase immigration and attract more people with advanced degrees to the region. How might these efforts affect cultural participation (in light of our findings)?
- 5) To what extent is arts and culture an active part of civic life in the region? How have cultural sense-makers used the arts to solve local problems, and what lessons have been learned?

Endnotes

- 1 Visit sustainarts.org/se-michigan to view this interactive data platform.
- 2 Discipline classification relies on a combination of automated techniques and manual review based on available data. As a result, classifications may sometimes conflict with the categories as understood by local stakeholders or arts and cultural organizations themselves. Sustain Arts is addressing this issue by inviting widespread participation in classification through our online platform, but it is a systemic, sector-wide problem.
- 3 Roeger, Katie L., Amy S. Blackwood, and Sarah L. Pettijohn. *The Nonprofit Almanac 2012*. Washington, D.C.: Urban Institute, 2012. Page 154.
- 4 The North American Industry Classification System (NAICS) is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.
- 5 Roeger, Katie L., Amy S. Blackwood, and Sarah L. Pettijohn. *The Nonprofit Almanac 2012*. Washington, D.C.: Urban Institute, 2012. Page 157.
- 6 We documented 300 grants totaling \$377 million awarded by private and community foundations for arts and culture in the four-county area in 2011. This analysis is based on grants made by a subset of 20 foundations that were responsible for 64 percent of 2011 funding and the majority of institutional giving over the past decade.
- 7 Foundation Center. Key Facts on U.S. Foundations, 2013. foundationcenter.org/gainknowledge/research/keyfacts2013/grant-focus-priorities.html
- 8 Foundation Center. "Foundation Stats," updated October 2013. data.foundationcenter.org/
- 9 U.S. Census Bureau. "State and County QuickFacts," revised July 8, 2014. quickfacts.census.gov/qfd/states/26/26163.html
- 10 Arab American Institute. "US Census Outreach." www.aaiusa.org/pages/census-2010/
- 11 Funding data on Indiegogo is unavailable, but qualitative feedback suggests it's widely used in the region.
- 12 Grantmakers in the Arts. Public Funding for the Arts: 2013 Update. www.giarts.org/article/public-funding-arts-2013-update
- 13 National Assembly of State Arts Agencies. State Arts Agency Overview, August 2013. www.nasaa-arts.org/Research/Grant-Making/2013_grant_making_and_funding.pdf
- 14 Our definition of "traditional" art forms aligns closely with the NEA's "benchmark" art activities (see arts.gov/news/2011/new-look-neas-survey-public-participation-arts-data-reveals-3-out-4-americans-participate) and includes live attendance of jazz or classical music concerts, opera, plays, ballet or other dance, or visits to art museums. These activities tend to be offered by nonprofit arts and cultural organizations. Movies; zoos; photography; rock, country, or R&B/rap/hip-hop concerts; and nightclubs are considered "non-traditional" engagement options.
- 15 All of these findings are based on Scarborough surveys of individuals living in the four-county area of Southeast Michigan.
- 16 The SPPA questions included in each artistic discipline were as follows:
Music: Attend any of the following live events—jazz; Latin, Spanish, or salsa music; opera; classical music; hymns, gospel, or choir music; country music, rap or hip hop music; blues, rhythm and blues, or soul music; folk music; pop or rock music
Film: Go out to the movies or to see a film
Visual arts: Go to an art exhibit; visit an art museum; visit a craft fair or visual arts festival
Literary arts: Go to a live book reading or a poetry or storytelling event; participate in a book club or reading group; do any creative writing
Humanities: Take lessons or classes in art appreciation or art history; go see any buildings or neighborhoods for their historical, architectural, or design value; visit any park or monument
Theater: Attend a live musical or a non-musical play
Dance: Attend live ballet or dance (other than ballet)
- 17 As of June 2014, 13 foundations with historic ties to Detroit and Michigan have pledged \$370 million to a common "grand bargain" fund to reduce pension cuts for Detroit retirees while protecting the assets of the Detroit Institute of Arts from being sold in the city's bankruptcy case. See www.philanthropynewsdigest.org/news/skillman-foundation-pledges-3.5-million-to-detroit-s-grand-bargain.
- 18 Rabkin, Nick and E.C. Hedberg. Arts education in America: What the declines mean for arts participation. National Endowment for the Arts, February 2011. arts.gov/sites/default/files/2008-SPPA-ArtsLearning.pdf



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