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## Report International Expertmeeting: The role of fundraising for the board of trustees of arts organizations

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On November 11 the NVTC organized an exclusive event, sponsored by Camunico and DHR International, where James Abruzzo shared his expertise concerning the role of fundraising for the board of trustees of arts organizations.

Photograph: Gold treasure in showcase, RMO

On November 11, 2014 the NVTC held an exclusive event, sponsored by Camunico and DHR International, where James Abruzzo shared his expertise concerning the role of fundraising for the board of trustees of arts organizations.

DHR International has developed a prominent position among the cultural sector in the US under the leadership of Mr. James Abruzzo. Mr. Abruzzo has also consulted with cultural organizations in the UK, Germany and Italy as they confront challenges similar to those in The Netherlands. In that role, he has recruited fund raising professionals to European arts organizations.

In 2013 Mr. Abruzzo, who leads DHR's global relationships with arts clients, shared his experiences about cultural entrepreneurship in the US. This year Mr. Abruzzo shared his knowledge and experiences about the role of trustees in fundraising for the arts in the US. During this event we continued the dialogue on private fundraising and provided insights into how trustees of Dutch arts organizations may play a successful role.

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“The government is not going to cut the arts because it is too important” (2005), *Chairman (former), European cultural institution*

That was the mantra among European arts circles through the first decade of the millennium. However the business environment is changing and therefore the best cultural institutions will adapt their business models to those changes. Short-term to mid-term, it seems that government support in the Netherlands, Germany, France, and the UK will not improve; and therefore cultural institutions will have to look for other funding opportunities.

Mr. Abruzzo presented observations on the benefits and downsides of the dominance of government funding to the arts. Among the benefits are, for instance, that the institutions that are less dependent on earned income are not market driven, expanding artistic choices. In addition, the four year ‘funding’ cycle provided by the government helps with planning, allowing cultural organizations the freedom to not start earning the first euro each year; and most importantly, there is a guaranteed financial base, usually up to 70% of the total income.

The downside of major government funding could be that cultural institutions are not market driven, have less of a responsibility to market demand and have the potential for losing relevance.

The government’s draconian funding cuts are a result of not just changes in economy, but rather the more conservative orientation of the government. This change in arts policy could force arts organizations to engage in projects (like educational programs) that are outside of their core mission and the arts could become an extrinsic social tool rather than the intrinsic art for art’s sake.

### **Give money and participate!**

Abruzzo started with setting the framework when referring to the difference in terminology in the US and the Netherlands. In the US, an executive director or general manager or President is the person reporting to the board; a non-executive director or supervisory board member is called a trustee in the US.

The recruitment process for trustees involves actual written expectations on financial and professional responsibilities. The expected role of the trustee in the US can be described as the “three w’s”: wealth, wisdom and work. Another way of expressing the expectations is “the three g’s”: ‘give, get or get off.’ This simply means that all board members must contribute at the highest level they can afford and/or must solicit their friends, acquaintances and peers to contribute. If unwilling or unable to accomplish one of these two tasks the only option would be to get off the board.

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Dutch trustees do not ‘give or get’ because having a role in fundraising can easily be seen as a conflict of interest. ‘They who ask must give’ does not count for trustees in the Netherlands –though this rule might be useful. The thinking is that artistic freedom can be preserved because people who give money might want to have influence. To avoid conflict of interest, a checklist or roles and responsibilities for trustees could be helpful and clear expectations set before joining a supervisory board. Another possibility of avoiding conflict could be creating a separate fundraising committee.

### **The role of fundraising for the board of trustees of arts organizations**

Also, in the US, a board member’s responsibility is to understand the organization and its finances, to actually feel connected to the art or the mission of the organization, understand management procedures and engage with the management team. It is a courtship rather than an arranged marriage. When becoming a trustee it is good to keep in mind that you not only represent the institution – you represent ‘every citizen.’

One reason for becoming a trustee in the US is associating with people who have similar interests; that leads to the possibility of doing business together –contributing as a board member may be seen as an investment. For some, being emotionally connected to the institution is important, but perhaps less so.

A US arts board consist of approximately 20 - 40 members and each member gives a significant personal contribution –and each member always pays for his entrance tickets. There is a growing role for trustees in fundraising as major gifts and board dues become a significant form of income for cultural institutions. Funding the arts institutions is also stimulated by the federal, and some state, government that offers significant individual and corporate tax benefits for contributions.

However, the requirement to donate a large sum of money to become a member of a board has its downsides. Potentially capable but less wealthy board candidates could be excluded from trustee membership. This may also limit the possibility of a more diverse board that represents all levels of society.

### **Conflict of interest**

Trustees are expected to become actively involved in business decision making, strategy, legal and financial issues. It is usual for a lawyer on the board to offer the resources of his firm for pro bono legal advice, likewise for an IT executive or investment advisor.

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However the role of a trustee in the Netherlands is different and while fundraising is not necessarily one of their natural supervisory responsibilities, neither is offering professional advice. Trustees in the Netherlands feel that offering professional advice could constitute a conflict of interest. In the US, as long as a trustee does not benefit directly or indirectly from advice and business with the organization, it is not a conflict.

### **Changing the cultural board of trustees' role in fundraising**

In the Netherlands, the possibility of trustees' support of cultural institutions is not top of mind, nor are there potential tax benefits to stimulate contributions. The government should stimulate this possibility and create a healthier balance between government and private funding. Trustees could play an important role in fundraising by advocating for the institutions and creating awareness. For example, introducing friends, colleagues, neighbours to the cultural sector and make their network aware of the importance of culture. In short they could demonstrate the pride they have for their arts organization.

Another possibility for stimulating fundraising could be realised when larger institutions collaborate and involve smaller institutions. Larger institutions receive most of the donations and could support smaller institutions by sharing their knowledge and expertise on fundraising. Additionally the larger institutions stimulate a cultural variety.

Although there is a difference in the role of fundraising for a trustee in the Netherlands compared to the US, creating awareness of the importance and intrinsic value of the cultural sector increases the circle of potential contributors.

Mr. Abruzzo believes that the situation in the Netherlands is much more complex than understood by outsiders. Great, long-standing organizations used to significant funding are finding it difficult to change, yet many arts organizations in the Netherlands are now employing professional fundraisers (some from the US) and are creating friends boards that are acting as fundraising boards. Some arts organizations are also fundraising in the United States through established US based nonprofits that act as a conduit for private and foundation funding. Wealthy Dutch individuals are also using existing tax vehicles to make contributions to arts organizations.

While the business model in the Netherlands remains significantly different from that in the US, it would be inaccurate and unfair to ignore these growing trends.

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## The role of fundraising for the board of trustees of arts organizations

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### *About the NVTC*

*The Dutch Association of Cultural Trustees (NVTC) is a platform for trustees in the cultural sector in The Netherlands. The NVTC stands for an aligned and strong cultural sector which has the ability and flexibility to respond adequately to the challenges of an ever-changing environment. To achieve this NVTC aims to: connect and unite supervisors from all parts of the cultural sector; exchange and deepen knowledge and skills of the cultural trustees; search for connections with other stakeholders and relevant parties within and outside the sector and to achieve a dynamic and sustainable sector that makes a real contribution to the arts and society at large.*

### *About Camunico*

*At Camunico we help clients to reconnect strategy to purpose. Our clients believe that combining an economic and social mission is the key to achieve sustainable business success. We guide them to understand their purpose, organisational culture and leadership behaviour, align it where appropriate and use it as key input in strategy development. In addition to our assignments we invest in start-up and maturing ventures that deliver social value and create a healthy profit as a consequence.*

### *About DHR International*

*For 25 years DHR International has been a leading, privately held provider of executive search solutions with more than 50 wholly owned offices spanning the globe. DHR's renowned consultants specialize in all industries and functions in order to provide unparalleled senior-level executive search, management assessment and succession planning services tailored to the unique qualities and specifications of our select client base.*

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