Stakeholders and Museum Crowdfunding

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Abstract
Crowdfunding is considered a particularly interesting strategy able to combine fund-raising with new participation formats. In particular, this paper focuses on the crowdfunding campaign launched by a specific kind of cultural institutions: the museums. Present research tries to understand what the best stakeholder management model is in order to implement a successful museum crowdfunding campaign.

Keywords
Stakeholder Management, Crowdfunding, Museum, Relational Museum, Participatory Museum

1. Introduction
According to the European Crowdfunding Network, crowdfunding can be defined as a collective effort of many individuals (the “crowd”) who network and pool their resources to support efforts initiated by other people or organizations [1]. This is usually done via or with the help of the Internet. Individual projects are financed with small contributions from a large number of individuals, allowing innovators, entrepreneurs and business owners to utilize their social networks to raise capital. The pillars of crowdfunding phenomenon are three: fund-raising, crowd and Internet [2].

There are four main crowdfunding models: donation-based, reward-based, lending-based and equity-based [3]. The donation-based initiative can be assimilated to a philanthropic model, in which donations are made to the project without compensation returned. A reward-based system provides non-financial incentives to backers, such as special thanks and eulogies, project merchandising, or special access to events. In the lending-based model funders expect repayment of their contribution to the project, in some cases with interest. The equity-based projects share the profits of their project with the funders.

Before its diffusion worldwide, in Italy, crowdfunding began to take its first
steps in the early 2005, thanks to the crowdfunding platform “Produzioni dal basso”. Nonetheless the creation of Italian crowdfunding platforms reached the peak in 2013 and 2014. A map realized in 2015 (www.crowdfundingreport.it) counted on the presence of 82 crowdfunding platforms. Among 69 active platforms, 31 are reward-based, 13 donation-based, 13 equity-based, 3 lending-based and 9 hybrid platforms (mostly rewards and donations). On the whole, the creative and cultural campaigns are those prevalent (37%) followed by social campaigns (34%) and entrepreneurs ones (20%). In addition to projects presented though vertical or general platforms, there are the so-called “Do It Yourself Crowdfunding” campaigns that allow the founder to create his own campaign with various online tools and web spaces, promoting to his target audience with social media and other outreach.

According to the Massolution Crowdfunding Industry Report, in 2015 the total number of active crowdfunding platforms amounted to 1,250, of which just 600 in Europe and 375 in North America. In addition to this, the report shows that in 2015 the global crowdfunding industry reached a fund-raising volume of $34 Billion. A breakdown of the study reveals that of this total amount, $25B was reached by P2P lending, $5.5B by reward and donation crowdfunding, $2.5B by equity crowdfunding and $1B by hybrid platforms [4].

In the light of the previous figures and statistics, it would be acknowledged that crowdfunding is and could be a very important tool for the cultural sector. In “crowd economy” there are new rules of the “game”, the crowd is the real “asset” to study, understand, analyze and listen. The crowd is the “place” where economic resources may be drawn.

For enterprises the ability to interact with own target markets has always been a key element of differentiation and market success. This ability seems to have become even more important today in digital era. The cultural sector, particularly museums [5], were involved in a strong push towards the adoption of managerial behavior, in order to achieve greater management effectiveness and efficiency.

Based on previous considerations, the present study tries to understand what is the best stakeholder management model in order to implement a successful museum crowdfunding campaign.

The present study starts with the theoretical background that emphasizes both the crowdfunding traits and the stakeholder management models, then I formulate four research hypotheses and define the research methodology. Finally I get to the conclusion, the research limits and the future research steps.

2. Theoretical Framework and Research Hypotheses

2.1. General Aspects of Crowdfunding

In general, the key elements characterizing crowdfunding phenomenon can be synthesized into the following points [4]:

1) Open context: anyone who has got a creative idea or a project can make it accessible to all people and engage into a crowdfunding campaign.
2) Fixed-term plan: the crowdfunding campaign has a limited duration.

3) Active participation: the crowdfunding phenomenon can be assimilated to a form of crowdsourcing, in which the contribution made by the donor could be even not only strictly economic; in fact, there are platforms allowing donors to take part in the decisional process, so that they can express their own preferences about the product/service characteristics or they can make their own time and competencies available for the project realization.

4) Connective action: the project’s founders are nodes of a (digital) network, in which there is a peer-to-peer relationship.

5) Digital action and relationships: crowdfunding reduces both access and capital sharing barriers. This is possible because crowdfunding bases on online platforms. These latter facilitate the transformation of social capital (accessible through social media) into financial capital available for the realization of ideas, projects and new businesses. This phenomenon is demonstrated by a recent research made by Mollick [5], who shows that there is a positive correlation between the number of Facebook friends of founders and their crowdfunding campaign success.

6) Reputation and trust: the digital connective action spreads through reputation and trust mechanisms. Generally, the first backers of a project are those who know the founder, indeed they at first evaluate the founder's personal traits, then the proposed project. In this context social media allow to overcome the reach not only the Facebook friends of founders but also friends of friends and unknown people. In this sense the social proof provides useful signals to the evaluation of the project’s value.

7) No boundaries between production and consumption: the founders are also the future consumers, who take part in the productive process already in the planning phase, giving their creative as well as economic contribution and favoring the production customization.

8) New forms of rewards: often the rewards are no monetary, but they are based on a value sharing generation.

9) Transparency: most of the crowdfunding platforms make the number of contributions, the funds’ amount and the founders’ names accessible to all people. This transparency represents both a key factor to face dishonest behaviors and a way to encourage the potential funders’ involvement and active participation in crowdfunding initiatives.

From a research carried out by Associazione Civita in 2009, emerges that the factors able to influence and positively incentivize the potential donors are, in order of relevance:

a) transparency and traceability in using funds raised by the cultural association through donations;

b) provision of mechanisms of social recognition and visibility to the public;

c) application of a tax break system.

Concerning the motivations of crowd-funders, Weng and Fesenmaier [6] have referred to the following categories: instrumental effectiveness (satisfying other
members’ needs, being helpful to others, and providing advice), quality assurance (controlling product/service quality, enforcing service excellence, and product suggestions or evaluations), social-economic status and prestige.

Raising money through crowdfunding is a well-established practice especially in the US and it is used frequently also by the cultural institutions. More than the best cases, with high media impact (as the cases analyzed in this research), there are others considerable cases able to mobilize resources through digital tools, to support initiatives in order to enhance and promote culture heritage linked to the territory and local historical values. Among these emerges the case of Autry National Center of the American West in Los Angeles, which launched in March 2014 its first crowdfunding campaign online, aimed at creating a unique temporary exhibition: “Route 66: The road and the Romance”, dedicated to the legendary route from Chicago to Los Angeles, through the exhibition of over 200 historical and contemporary objects. The museum applied an integrated multi targets communication strategy inspired by storytelling (mainly focused on social media) in order to involve several generations of visitors.

2.2. Stakeholders Management

Starting from the assumption that all stakeholders care about fairness [7] and so all of them will be more willing to create value when treated fairly by a firm [8], the current literature on stakeholder theory considers two different stakeholder management approaches affecting firm value creation: the fairness approach and the arms-length approach.

According to the principle of fairness, when groups of individuals enter voluntarily into cooperative agreements they create an obligation to act fairly. Hence, in a fairness approach the firm’s interactions with stakeholders lie on some fairness considerations:

1) the formal contracts between firm and its stakeholders are not very detailed since parties rely on trust and self-enforcement [9];

2) in organizational practices there is an open exchange of information and a proactive attitude to solve problems through cooperation [10];

3) relationships with stakeholders tend to be long-lasting [11].

From the arms-length perspective, stakeholders are seen as interchangeable economic actors [12]. The bargaining power is considered the primary criterion with regard to influence over both firm decisions and value distribution. In this optic, value is distributed according to negotiations in which each stakeholder must fight for its own interest. Arms-length approach bases on some relevant points:

1) on the wake of the transaction-cost theory [13], an arms-length approach is characterized by a reliance on economic and legal sanctions to enforce obligations cited in detailed formal contracts;

2) in organizational practices problems are solved through confrontation and stakeholders are against each other to reserve their bargaining position;

3) relationships with stakeholders tend to be short-term.
Research in the field of social psychology and behavioural economics [14] [15] states that stakeholders can be classified in two main categories:

1) *self-regarding individuals* that only care about their personal payoffs, they are driven primarily by their personal monetary benefits and costs,

2) *reciprocators* that behave friendly towards others if those are perceived to behave friendly and they act spitefully when they believe facing spiteful behaviour of others [16]. In other words, reciprocal actors are willing to reward a fair and punish an unfair even this could lead to additional costs for themselves.

According Bridoux and Stoelhorst [17], while a fairness approach is more effective in attracting and motivating reciprocal stakeholders to create value, an arms-length approach is more suitable for motivating self-regarding stakeholders, above all those with high bargaining power.

Starting from previous considerations, it is possible to identify the crowdfunding pillars that reflect the fairness approach. In order to this, regarding the parties traditionally included in the stakeholder theory, in this study the focus is on the relationship between investor (or backer/funder) and museum (founder/fundraiser).

### 2.3. Crowdfunding Pillars and Stakeholder Fairness Approach

Some of the above-mentioned crowdfunding pillars mirror the key aspects of the fairness’ principle. Firstly, in a crowdfunding campaign, backers act as reciprocators since they establish a cooperative process to pursue a common goal that is to fund a specific project. More in detail, differently from the self-regarding individuals that are driven primarily by their personal monetary benefits and costs, funders, especially in non-equity crowdfunding campaigns, wish to experience satisfaction or fun when participating to a particular project and to receive special rewards such as merchandising products, carrier benefits, recognition, visibility [18].

Concerning the existence of an open and honest exchange of information, mobilizing people and generating ideas is one of the main points crowdfunding is ahead on. In all crowdfunding operations, appears a possibility for the broad public, including backers, to express their opinions and suggestions, so the product, idea or project might be modified and perfected with their help. Hence, the aspect of a collaborative design is a characteristic of the crowdfunding community.

Moreover, another important aspect to highlight is the proactivity of donors on crowdfunding websites, many of whom do not passively wait for donation requests but rather take it upon themselves to seek out specific causes [19].

Moreover, instead of formal contracts, crowdfunding platforms foster trust between backers and fundraisers. In fact, funders are motivated to participate in crowdfunding campaign because they share the project idea.

The last aspect to take into account regards the long-lasting relationship between fundraisers and backers. Since both of them are gathered around the same project, it is very likely that they will build strong and long-lasting relationships,
before the campaign until its closing date at least. Based on the previous observations the following hypothesis have been formulated:

Hp1: in a museum crowdfunding campaign, stakeholders act in a context characterized by an open and honest exchange of relevant information and are willing to solve problems through collaboration.

Hp2: in a museum crowdfunding campaign, the contracts linking the museum to its stakeholders are not very detailed because parties share a common project, so they rely on trust.

Hp3: in a museum crowdfunding campaign, the relationships between the parties (museum and its stakeholders) tend to be long-lasting.

Hp4: on the wake of the previous hypotheses, the principle of fairness prevails in museum crowdfunding initiatives.

### 3. Materials and Methods

The research method carried out in order to test the research hypotheses is a multiple case study analysis, whereas the research approach concerns the understanding the nature of a phenomenon [20]. According to Aarikka-Stenroos and Sandberg [21] case studies “allow rich description and comparison” as well as proceeding with a cross-case comparisons [22] [23].

Data have been collected through museum experts interviews and different and multiple sources available through media; in more detail, after an overview on the most relevant features of case studies, I collected information through blogs and social networks, official reports or communications released by the analysed museums on their official websites, and other sources available online.

This paper is based on an exploratory design where three different samples of crowdfunding campaigns, launched in three different geographical areas are compared. In order to select the case studies, I chose to deep the analysis by comparing a national case (Palazzo Madama in Turin) with a European avant-garde museum (Louvre Museum, in France) and an international exemplum in the crowdfunding field (Smithsonian American Art Museum, in Washington DC).

In order to test mentioned hypotheses, I structured case studies on the basis of some key elements, which largely reflect the crowdfunding pillars mentioned in the theoretical background. More in detail, the study focused on:

1) clearness of the crowdfunding objective;
2) values sharing about the crowdfunding initiative;
3) openness, transparency and active participation;
4) funders’ rewards;
5) museum communication strategy and use of social media tools.

### 4. Results

#### 4.1. Palazzo Madama

The case “Be with us and buy a piece of history. Support fund-raising to bring
back in Turin a service of Meissen porcelain”, which belonged to the Taparelli d’Azeglio family, has been the first Italian crowdfunding campaign realized in 2013 by Palazzo Madama to buy an artwork.

In 2012, the museum agreed with Meissen family and the British house auction Bonhams to buy the porcelain service before the auction sale. The aim of the campaign, launched in January 2013, was to raise £66.000 within March 31, 2013. This goal was overcome, indeed Palazzo Madama gathered 66.203 euro from 1591 donators, of which 58.944 through the website and 7.259 thanks to offline activities. This was assimilated to a reward-based crowdfunding campaign because donors received different rewards, such as special visits to the museum and citations in acknowledgements.

The campaign’s message was based on the community’s involvement in a process of local culture and shared values’ valorization. In addition to this, some favorable situations occurred: the 150th anniversary of the Turin Civic Museum opening; the D’Azeglio service finding, after years of research; the fact that the museum did not buy any artwork since the crisis began in 2008.

Palazzo Madama chose to implement a “Do It Yourself” campaign because there were not previous crowdfunding experiences for museums and all Italian crowdfunding platforms were suitable for smaller projects. For this choice, the support of the Council for Heritage valorization of Turin was of paramount importance. It made available the technologic know-how in order to build and manage the platform.

The initial contribution of €30.000 made by Palazzo Madama played a key role in terms of transparency and active participation, because it demonstrated to potential donors the museum’s strong commitment in funding the project. In other words, the museum’s certainty to be able to buy the artwork stimulated the people’s involvement in the crowdfunding initiative.

With respect to the crowd participation and community building, it was crucial the museum’s long-lasting commitment to listen, involve and know its public. In particular, since 2006, when the museum reopened, the strong use of social media was decisive; indeed the donations’ peaks exactly correspond to the social network activities’ peaks.

4.2. Louvre

Another successful case study is represented by the Support the Louvre! crowdfunding campaign launched by the Louvre Museum at the end of 2010. It was inspired by the purchase of a painting of Lucas Cranach, “Les trois Grâces”, considered as a “national treasure”. The museum could not raise the total amount (4 million Euros) alone and therefore decided to launch a public campaign for private donors, resident in France. This campaign was widely sponsored by the media because of its innovative nature: no cultural institution had thought to call on individual people before. It was a success as over 7000 private users donated more funds than was necessary (1.5 million Euros instead of 1 million) before the end of the time allowed for the operation.
The Support the Louvre! initiative is associated to a reward-based crowdfunding campaign as the donors were mentioned in a golden board of Louvre patrons. Moreover, on the basis of the amount of their donations, donors were rewarded with incentives, such as invitations to special events and private visits to the museum.

With such a success, the Support the Louvre! campaign has become a major annual event. Each year, several thousands of private donors contribute to the conservation or acquisition of major artworks such as the Winged Victory of Samothrace in 2013 or the Breteuil Table, also known as Teschen Table, in 2014. The most recent Support the Louvre! campaign regards the acquisition of Saly’s sculpture of Cupid. Through the generosity of more than 4200 donors, the Musée du Louvre has raised €660,000. This latter donation campaign has once again demonstrated the public’s strong support for the Louvre and its mission to safeguard, enrich, and pass on Louvre’s heritage to future generations. Starting from the second campaign, the website www.tousmecenes.com has been created and up to date it is a reference point for all the crowdfunding campaigns launched by the Louvre foundation.

Besides crowdfunding initiatives, another important tool built to sustain strategic projects is the Louvre Endowment Fund. Its mission is to finance the museum’s long-term investments through aid from individual donors, foundations and corporations. Instituted in 2009, so before the first Louvre crowdfunding campaign, the Louvre Endowment Fund is a pioneering initiative in the French museum sector and gives donors the opportunity to make a sustainable contribution to museum projects that will ensure its long-term development. Endowment Fund donors receive advantageous tax benefits and special benefits based on the amount of their donation. Moreover, the Louvre is opened to feedback from its donors.

In a few words, both the crowdfunding campaigns and the Louvre Endowment Fund can ensure sustainable action that will pass on a rich heritage to future generations and help the Louvre become a permanent forum for dialogue among different users.

4.3. Smithsonian American Art Museum


The Smithsonian’s Freer-Sackler Gallery campaign Together We’re One: Crowdfunding our Yoga Exhibit started on May 29, 2013. Its funding goal of $125,000.00 was reached and surpassed by 1July, 2013, so the campaign was extended until July, 8, 2013 and a second goal was set of $200,000.00. During the 41-day Together We’re One campaign, 640 donors contributed more than $176,000.00. The enthusiasm went beyond philanthropy, as more than 200 volunteers signed up to promote the exhibition throughout their communities.

The Freer-Sackler exhibit “Yoga: The Art of Transformation” included 130
Indian art objects representing the practice’s two thousand years of existence. Artefacts were borrowed from twenty-five different museums around the world. The collection includes temple sculptures, illustrated manuscripts and court paintings.

The exhibition and crowdfunding project was intended to catch the interest of yoga practitioners. The aim of the crowdfunding campaign was to bring yoga’s past to light through masterworks of Indian arts.

For this reason, the Freer-Sackler Gallery chose a crowdfunding platform that would allow it to engage the online community of yoga practitioners. They entered in partnership with Razoo and launched their campaign Together We’re One “Yoga: The Art of Transformation”. The Smithsonian chose Razoo as its fundraising platform in order to give its 30 million annual patrons, as well as its large network of museum, art and history enthusiasts, the option to easily contribute to this historically significant exhibit. Razoo, the crowdfunding platform for causes, was created in 2006 with the aim to make online fundraising easy and engaging for individuals, no-profits, teams, and communities. The majority of funds raised through Razoo are for no-profit organizations, such as the Smithsonian. Razoo’s website is based on a reward-based funding model and it has hosted about 250 fundraisers to help museums to increase awareness and engagement among new online donor communities. The Smithsonian chose to launch a crowdfunding initiative because of its propensity to ask more people for a smaller amount of money, rather than to ask a few people or corporations for a large amount of money. Since many people practice and are enthusiastic about yoga, the Smithsonian decided to adopt a format that allowed everyone to get involved, not just those who had the means to make large donations.

The crowdfunding campaign’s success is undoubtedly linked to the large use of social media tools. The Smithsonian began moving ahead in the social media in early 2009 [24]. It started to use social media, such as blogs, podcasts to engage users via participatory communication. This states that Smithsonian publicly communicates its role as custodian of cultural content.

The message the Freer-Sackler Gallery posted on various social media was “crowdfund the world’s first exhibition on yogic art”. To spread its message, the fundraiser recruited the so-called “Yoga Messengers”, that are more than 170 participating individuals or yoga enthusiasts who wanted to go beyond donating because their main purpose was to help Freer-Sackler Gallery in promoting the Yoga exhibit and campaign.

In addition to the connections to yoga practitioners, Together We’re One marketing campaign included a brief two-minute professional short movie clip. The Smithsonian used the video to explain why the Freer-Sackler Museum needed the money for the exhibit, how it intended to use it and why it selected crowdfunding campaign.

The Smithsonian Institution has widely counted on volunteers’ support. They represent an essential link between the public and the Galleries in carrying out the museums’ mission of engaging with visitors and enriching their experiences.
In particular, since the federal government provides only 30 per cent of the Freer and Sackler Galleries’ annual budget, the Smithsonian relies on the Friends of the Freer/Sackler, a distinguished group of contributors to support both Galleries. While federal taxpayer funding covers some of operating costs, (such as keeping the galleries clean and the lights on), private and public support cover the majority of expenses related to exhibitions and programming.

As for the benefits for the donors to the campaign, they were rewarded with incentives, such as previews of the digital catalogues, sneak peeks, and invitations to special events. Moreover, the campaign included a donor name wall, which was a digital plaque that appeared in the museum foyer.

5. Findings and Discussion

From the previous multiple case study analysis, some successful key factors can be pinpointed:
1) museums know and understand their market targets,
2) museums apply with their audience instruments of participation, involvement and sharing information in all phases (before, during and after) of crowdfunding campaign,
3) museums know and apply marketing tools,
4) definition and clearness of crowdfunding initiative goal,
5) strong, clear and captivating storytelling.

Another element to highlight is the adoption, in all analysed cases, of the reward-based crowdfunding model. This is likely due to the current regulations applied to museums, where there is a large participation of the private entities, which receive the typical benefits included in the reward-based model.

Both the case study analysis and the above-mentioned successful key factors support all four hypotheses. In particular, the Hp1 (in a museum crowdfunding campaign, stakeholders act in a context characterized by an open and honest exchange of relevant information and are willing to solve problems through collaboration) is confirmed by the fact that all crowdfunding campaigns denote an open collaboration process that facilitates voluntary cooperative activity by people at dispersed physical locations. This reflects the crowdfunding pillars related to the “open and honest exchange of information” dimension. Specifically, the Louvre and Palazzo Madama’s crowdfunding campaign was based on a direct and clear message that was to stimulate the community’s involvement in a process of local culture and shared values’ valorisation. In this optic, it was decisive the museum’s commitment in involving and knowing its stakeholders. Moreover Smithsonian museum leverages on the values that join an international market segment.

Hp 2 (in a museum crowdfunding campaign, the contracts linking the museum to its stakeholders are not very detailed because parties share a common project, so they rely on trust) is confirmed by the fact that people (or stakeholders) are brought together by the same aims. Also they have an active relationship with the museum before the campaign. The only legal relationship between the
museum and its stakeholders regards no monetary rewards if the campaign will reach its goal.

Hp 3 (in a museum crowdfunding campaign, the relationships between the parties—museum and its stakeholders—tend to be long-lasting) is confirmed by the fact that people are an active community, involved in the museum’s initiatives long before the crowdfunding campaign. In fact, all the museums examined have implemented marketing strategies in order to understand, know and attract their market targets.

It is evident that based on previous observation Hp 4 (the principle of fairness prevails in museum crowdfunding initiatives) is confirmed.

6. Conclusions

This research makes us reflect on the role of cultural institutions, and in particular of the museum, which carried off the isolation and self-orientation approach, it have to learn from museum success experiences and have to give attention to the community. It is necessary to exploit the full potential of the web and social media, relying on narrative forms can stimulate the involvement to international audience, speaking through storytelling elements such as: the uniqueness of the artistic and cultural heritage or the innovativeness of creative projects.

With the rise of social media, changes museum business model, giving beginning to participatory museum, in fact, the present study shows that the success initiatives of museum crowdfunding campaigns are characterized by adoption of fairness stakeholder management approach. Obviously, this process is beginning in many countries, such as in Italy, it have to overcome mistrust and opposition from those who fear that the new museum model may trivialize cognitive and training ability of traditional museology.

Growing social media, in a digital environment increasingly inspired by the logic of the web participatory, create an ideal environment to feed the process of collaboration between individuals that is the essence of crowdfunding. However, it have to be highlighted that this tool cannot be adopted without strategic and environmental conditions that allow the application of technology strategy with realistic ambitions of success.

About these two aspects (strategic and environmental conditions), present research doesn’t analyze museum organizational aspects in order to implement successful crowdfunding campaign. On this research limit, further study could focus on effect of museum technology strategy at the organizational level, using semi-structured interviews with museums’ internal stakeholders. Another limit of this study, which can be investigated in future research, concerns the contextual conditions that make possible the implementation of this new relational museum model.

References


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