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UDK: 336:008(497.54)

Review article

Received: June 8, 2018

Accepted for publishing: December 5, 2018

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# ALTERNATIVE SOURCES OF FUNDING IN CULTURE: CASE OF EASTERN CROATIA

## ABSTRACT

Cultural institutions and businesses (CIBs) in Croatia are facing financial challenges due to the recent economic crisis and limited state support, as well as the growth of competition that is partially the result of the development of new technologies that have made culture more accessible on a global scale. For the purpose of filling the budget gap, CIBs are now forced to “step out” on the market trying to be more competitive in securing alternative sources of funding. The aim of this paper is to determine if CIBs have been successful in this endeavour, and to what level they use and understand the concept of alternative financing, as well to assess their ability and competence in raising funds from these alternative sources. The research was conducted by using a highly structured online questionnaire on a sample of public and privately-owned CIBs registered in Eastern Croatia and semi-structured, in-depth interviews with the CIBs executives. The research results showed that although the CIBs are to some extent using alternative sources of funding, these sources are underutilized and there is a recognized need for increasing the level of knowledge, employment of experts in the field of alternative funding in culture and introducing employee motivation models. The government was found to be one of the most important factors in conducting the activities aimed at providing preconditions, i.e. creating the regulatory framework, education, raising awareness, and motivation of CIBs for increasing the share of alternative sources of funding.

**Keywords:** Funding of culture, Cultural institutions and businesses, alternative financing, employee motivation

## 1. Introduction

Economic laws are an integral part of human society and are present in all segments of social activity, including culture. It follows that, as in all other economic sectors, cultural activities are not free of charge and all cultural products and services have their cost and price. The difference between cultural products and products of other sectors is that it is very difficult to assign a sales price to the real value of cultural products, to make a profit only by sales and on the other hand to measure the social benefit of cultural products (Belfiore, 2004).

Funding of cultural institutions and projects in culture, as one of the segments of cultural economics, is the area addressed in this paper, since funding directly affects the way cultural institutions work and the quality and quantity of the products and services they offer. Cultural institutions in the Republic of Croatia and most Eastern European countries are mainly founded by the state or local self-government units and are therefore predominantly financed from the founder's budget. However, these sources often do not cover all operative business expenditures and additional needs of institutions for funding development and innovative programmes. Dragičević Šešić et al. (2014) and Bestvina Bukvić et al. (2015) agree that the system of financing culture that is based on an annual allocation of financial resources can be quite restraining for the cultural institutions considering the need of being competitive in a dynamic cultural sector. Moreover, Bestvina Bukvić et al. (2015) state that such a way of funding can be uncertain to some level, given that there is a degree of suspense as to the amount of funds that are going to be approved from the state budget. That is, this support is not fixed and can be changed on an annual basis, as well as by rebalance of the budget within a business year. At the same time, privately founded cultural institutions and businesses (CIBs) are also trying to find new sources of funding since sales revenues from their own cultural products and services do not provide sufficient funds to achieve self-sustainability. Precisely for this reason, this paper focuses on researching the readiness of the cultural sector to use alternative ways of financing as cultural institutions, especially in times when the state budget is unable to meet all

their needs, should behave like any other business or for-profit entity (Vojtišková, Lorencová, 2015; Toepler, Dewees, 2005).

The aim of this paper is to contribute to a theoretical framework, clarification and understanding of alternative (unconventional) financing methods, as well to their understanding and use by CIBs. To this end, the authors conducted research on alternative financing methods in CIBs in Eastern Croatia. Within the framework of this research, the authors analysed the financing structure of CIBs, available resources, knowledge, and experience that they can use in the preparation of their projects and applications for the calls for financing project activities as well as securing other sources of alternative funding. Larger obstacles to an increase in the share of alternative sources of funding in the total financing structure of CIBs were also identified in the frame of this work.

In this paper, the authors are trying to contribute to the identification and understanding of the factors influencing the potential for the implementation of alternative financing in the cultural sector.

### 1.1 Definition and objectives of financing in culture

Culture and creativity are increasingly perceived as generators of economic development and even non-profit domains of the arts and culture are becoming part of economic industries necessary to increase overall economic growth. However, in order to realise the economic potential of culture and cultural heritage, it is necessary to invest in new CCI projects and provide funds for normal business operations, which are often insufficient. There is an obvious increase of public interest but also in the intensity of research and scientific work in the field of financing culture and the arts (Mickov, Doyle, 2013), which shows that globally, there is no broad understanding of the economic value and the potential of cultural and creative industries. Consequently, this sector has been neglected, remains underdeveloped in many regions and is often poorly funded and forced to seek other sources of funding (Ruyembe, 2014; Mickov, Doyle, 2013; Buljubašić et al., 2016; Manda et al., 2017). In an effort to overcome the difficulties, some cultural institutions "... as public institutions,

strive to adapt to the economic principles for doing business applicable in the state administration system” (Karajić, 2016: 326). In this area, “from state arts organisations to non-profit and private institutions, the strategies are similar: additional alternative support is seen as the key to overcoming challenges and facilitating growth” (Munkhuu, 2014: 108). Additionally, there is a broad understanding that financial independence of CIBs, based on sustainability of their financing sources, is an essential condition for their harmonious development (Galecka, Smolny, 2017), where there are efforts to apply new business models, such as the “economy tripod” model (Mermiri, 2008).

In Croatia, as in most Eastern European countries, public CIBs (contributory organisations) are still showing resistance to organisational and funding changes (Vojtišková, Lorencová, 2014). According to Maarit Keto-Seppälä, “Cultural services in the public sector are financed by taxes, and nowadays they are getting less and less money from this source. Because of this, cultural organisations need to invent new ways of sourcing funding” (Mickov, Doyle, 2013: 202). This situation will eventually force CIBs to change their business models (Jung 2015). The author’s suggestion for CIBs is to “... achieve more revenue through ticket sales, renting extra space, finding sponsorships and similar activities” (Mickov, Doyle, 2013: 194). On the other hand, Lindqvist (2012) claims that financial sustainability for an organisation can only be achieved through the relationship between the cultural institution and the stakeholders (sponsors, donors, etc.). In that sense, although in most cases cultural policy is public policy towards the arts and culture defined at the national level, sometimes that is not the case, but the private sector, trusts and NGOs significantly affect and shape cultural policies (Čopić et al., 2011)<sup>1</sup>.

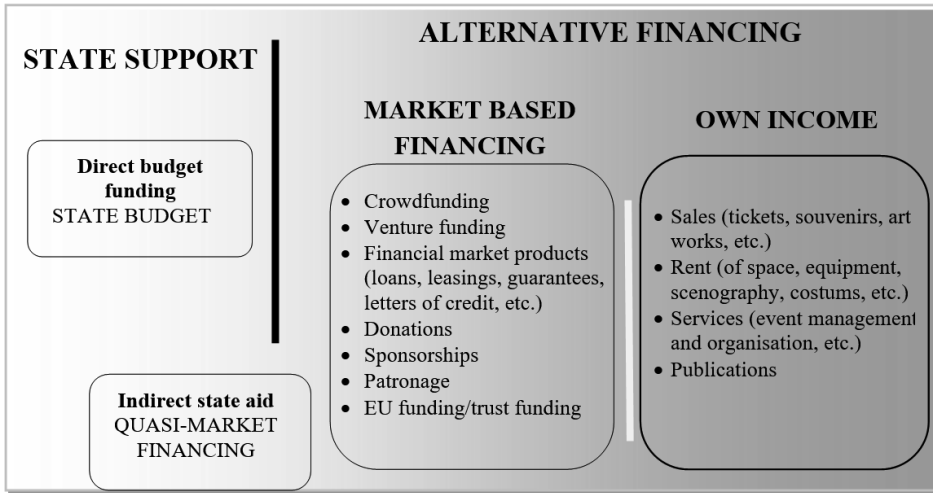
Public support includes direct and indirect state subsidies, while private support includes all investments, subsidies or spending in culture on an individual, non-public level (Čopić et al., 2011; Manda et al., 2017). The first funding model, i.e. federal funding or financing entirely by the state, is typical of most European countries, while the other funding model is present only in the United States and several European Union countries. Dragičević

Šešić and Stojković (2013) and Toepler and Dewees (2005) state that they noticed the convergence between these models: European cultural policies are in this respect beginning to converge towards the American model with its greater emphasis on private revenue and earned income. There exists a considerable body of literature concerned with public funding models in the arts and cultural sector (Craik, 2007; Hillman, 2016<sup>2</sup>). The discussion on which model of financing culture should be chosen is mainly due to the arguments for and against direct or indirect financing of culture. Firstly, the state can be a major financier of CIBs (that is usual practice in Eastern Europe). Secondly, it can have a supporting role as the regulator (by approving tax reliefs for donators and sponsors or CIBs, founding advisory offices for CIBs, establishing educational programs for CIBs employees, networking platforms and coworking spaces etc.). Thirdly, the state can choose to combine these two ways of financing in relation to CIBs.

### 1.2 Definition and implementation of alternative financing in culture

Any financing of cultural activities not included in budget allocations from the government budget can be considered as alternative financing (Tomova, 2004: 10; Novković, 2011: 26). There are following forms of alternative financing in the arts and culture: maecenatism (a hedonistic approach), patronage (a cultural approach), donation, sponsorship (a commercial and marketing approach), purchases (corporate culture, a consumerism approach) (Dragičević Šešić, Stojković, 2013), reliefs (Antolović, 2013), crowdfunding and project financing (national and EU funds and programmes). All those different ways of alternative financing have their specific characteristics and are available to almost every cultural institution, where as stated by Woodward (2012) the generation of non-state support revenues will vary for certain reasons: available resources, staff skills, partner and trustee support, etc. The term alternative financing therefore includes market financing including fundraising and by Tomova (2004) indirect state aid as a quasi-market sources of cultural financing.

Figure 1 State, market and alternative financing



Source: The authors' work

“Fundraising (donation, sponsorship, project financing, grants and tax relief) for the needs of the arts and culture in Europe has a long tradition and covers a wide range of short- and long-term activities, from publishing books, organising exhibitions and similar events/cultural events, fostering cultural traditions, concerts, but also significant contributions such as building and equipping of museums, galleries, libraries, academies and the like” (Pavičić et al., 2006: 258). In addition, cultural institutions can also provide additional resources by participating in seminars as well as by a wide range of their own various commercial activities, such as ticket sales, museum (souvenir) shops and catering facilities, the provision of expert services, publications and space rental (Krivošejev, 2012; Toepfer, Dewees, 2005).

But, as “any funding source requires time, resources, and effort in making appropriate contacts, administering paperwork, and developing relationships” (Preece, 2011: 112) it is questionable if the CIBs have the capacity and knowledge to carry out the activities necessary for increasing the share of non-budgetary, especially alternative, sources of funding. Regardless, institutions in culture must in some way become entrepreneurial (Essig, 2013) and organisations that make money (Krivošejev, 2012). Although profit is not their primary objective, the shift in cultural policies towards economic goals with an emphasis on “competitiveness and regeneration” is expected (Hesmondhalgh et al., 2005: 99). Hence, it is important to develop *fundraising* skills

that could enable productive and continuous work of CIBs and help them in everyday adaptations to accelerated social changes.

## 2. Methodology

Within the framework of this research, the authors analysed the CIBs funding structure, available resources, knowledge, and experience that CIBs in Eastern Croatia can use in the preparation and application of their projects for the calls for financing of projects in culture and alternative fundraising overall. The research hypotheses were defined according to our expectations regarding the situation in the cultural and creative industries sector in Eastern Croatia. As of the recent Croatian accession to the EU and availability of sources for financing projects of different purposes, including the EU programme Creative Europe, the authors' expectation was that CIBs would take a more active approach in gaining the knowledge and resources necessary for attracting additional sources of funding and would increase the number of their submissions. The research hypotheses were formulated as follows:

H1: The CIBs in Eastern Croatia are predominantly funded by the state and the alternative sources of funding are non-existing or insufficient.

H2: At least 2/3 of the registered CIBs have tried to get alternative funding through calls for project proposals (state, local, county, private or EU funding).

H3: At least half of the registered CIBs have hired an expert on alternative and project financing in cultural and creative industries (CCI).

H4: There is a lack of experience, knowledge and internal motivational models for greater involvement of CIBs in finding alternative financing sources.

The research population covered 41 public and privately-owned CIBs registered in the area of Eastern Croatia, irrespective of their business activity within the cultural sector. Therefore, the archives, museums, galleries, libraries, theatres, and cinemas were included in this research. Information on registered CIBs' covered by the survey were collected from the lists published by the official registers of the Ministry of Culture of the Republic of Croatia.

The survey was conducted online by using Google forms, open during 2016 and 2017, where the requests to answer the questionnaire were directed to the CIBs management via direct email. The questionnaire was anonymous, and it was divided into three sections where, after some general information in the first section, the second section covered the questions regarding the understanding, competence and usage of alternative funding sources, as well as partnerships with other institutions when

it comes to conducting joint activities with the aim of increasing public attendance and alternative sources of funding. The third section solicited the respondents' opinions on the Croatian system of CIB funding and their attitudes on the possibilities of changing it towards the indirect (market) financing model. 20 responses were collected during the research period, which makes 48.8% of CIBs covered by the survey. The percentage of the response rate could be considered satisfactory in terms of the population and the ratio of the types of CIBs if considering the distribution in the analysed geographical area. Statistical methods of univariate and bivariate analysis and non-parametric tests were used for testing the hypotheses, as the research was conducted on a small sample.

With the purpose of obtaining detailed information about the situation of alternative funding opportunities and obstacles in CIBs, the authors conducted qualitative research by in-depth semi-structured interviews. For conducting the in-depth analysis, four representatives in executive positions of different CIBs were selected as a convenient sample that represents the analysed population. The examinees had the following characteristics:

**Table 1** Description of the examinee's characteristics

Examinee	Function	age	Educational background
A	head of the museum department	31-40	Master's degree in business
B	national theatre business director	51-60	Master's degree in business
C	head of the city gallery	61-70	Master's degree in business
D	head of the state archive office	41-50	Master's degree in history of arts

Source: The authors' work according to interview transcripts

Each interview lasted between 20 and 30 minutes; afterwards, it was transcribed and analysed. The interview was structured in a way to provide information regarding the opinion of the experts on the adequacy of the CIBs' financing structure and the existing obstacles for a greater proportion of the use of alternative sources of funding in culture. Moreover, the interviews revealed information regarding the human resources management and existing motivation models, especially for the employees who are engaged in the preparation and

application of projects on calls for project financing from funds at the national and EU level.

### 3. Research results

The research was conducted with the aim of determining to what extent CIBs use alternative sources of funding, which are the dominant sources of CIB funding, and if they have the necessary resources to increase the share of funding from these sources. In addition, the authors analysed the conducted

activities of CIBs that were aimed at obtaining alternative sources of funding and attitudes about the most significant barriers to a more intensive use of these sources.

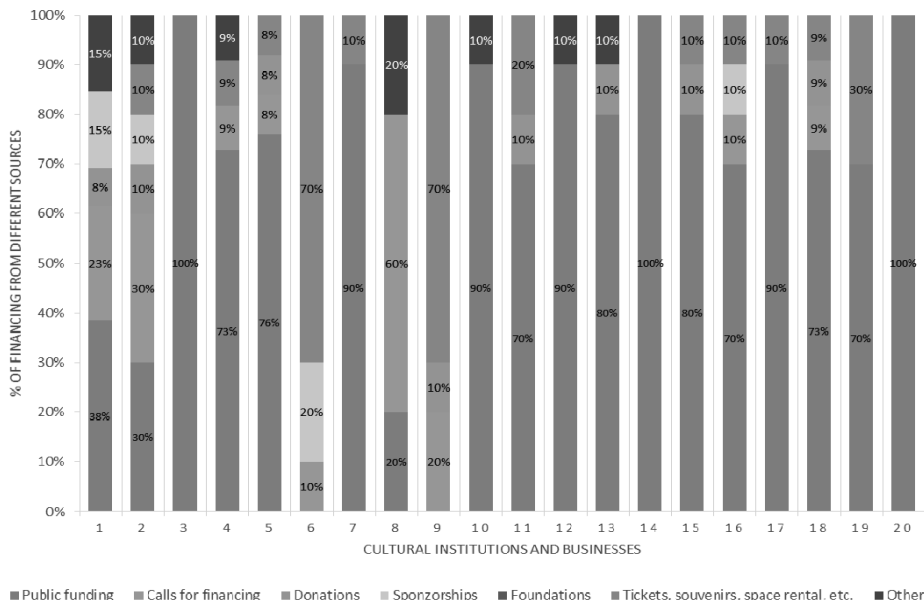
### 3.1 Analysis of the online survey results

Of the 20 CIB respondents, 90% are publicly owned, 11 (55%) of which are owned by the local government, 5 (25%) are owned by the state, one (5%) is owned by the regional government and one (5%) is owned jointly by the city and the county. The reason why there is such a small share of privately-owned CIBs, i.e. 10% (2), lies in the fact that there are rare examples of active privately-owned CIBs in

the researched geographical area. Private initiatives in culture are mainly registered as civic associations and not as CIBs, which this research is focused on.

In order to define the present situation referring to the structure of financing CIBs for purposes of interpreting the research results, the relative frequencies of the CIB funding structure are given in Graph 1. It is evident that most CIBs are dominantly financed by public sources of funding while a small number relies on other sources, mostly on their income earned by selling tickets and souvenirs, and renting space, and then by calls for funding and donations, whereas sponsorships and foundations are present but to a rather small extent.

**Graph 1 Structure of financing of the CIBs in the previous business year**



Source: The authors' work

If the financing sources are categorised according to the model presented by Figure 1 (into state support and alternative financing - market-based and own income), it can be found that the average share of state support is dominant with 67%, the average share of market-based financing is at the level of 20% while the average own income accounts for 13% of total financing. Unfortunately, it is almost impossible to identify the value of indirect state-aid financing.

It can also be noticed that none of the institutions reached equal distribution of the three financing categories (i.e. state support, market financing and alternative financing) nor the “economy tripod” model, long-term financial independence and sustainability, respectively. Table 2 shows the descriptive statistics of average values of funding sources (according to Graph 1 which presents values on the level of every respondent).

**Table 2** Descriptive statistics of funding sources

	% of public financing	% of financing from applications for calls for financing	% of financing from sponsorships	% of financing from donations	% of financing from tickets, souvenirs, rental	% of financing from foundations	% of other financing sources
N	20	20	20	20	20	20	20
<b>Mean</b>	<b>67.0</b>	<b>9.0</b>	<b>2.8</b>	<b>3.7</b>	<b>13.3</b>	<b>.0</b>	<b>4.2</b>
Std. Error of Mean	7.13	3.35	1.33	1.06	4.67	.000	1.42
<b>Median</b>	<b>74.50</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>9.09</b>	<b>.00</b>	<b>.00</b>
Mode	90.0	0	0	0	0	0	0
Std. Deviation	31.87	14.96	5.96	4.75	20.88	.000	6.34
Minimum	0	0	0	0	0	0	0
Maximum	100	60	20	10	70	0	20

Source: The authors' work

Given variability of funding sources, for the purpose of further analysis, medium measure, i.e. the median, was used for each funding source (Table 2). It was found that the median for the public funding category is 74.5, where half of the respondents have a share of public funds in total revenue of less than 74.5%, and the other half of more than 74.5% with a rather high level of standard deviation ( $\sigma = 31.87$ ), which confirms the H1. The median for financing from revenue coming from selling tickets, souvenirs, and space rental is at the level of 9.1.

By analysing the CIBs financing structure (Graph 1, Table 2) it can be seen that there is a wide diversity of funding sources. The institutions owned by the state or municipalities are mainly financed from public funding, while the two privately owned respondents are primarily financed through core business activities like selling tickets, souvenirs or other

non-core business activities like property rental (both at the level of 70%). Here it can be seen that there are different state support practices for the public and private sector, where the public sector is strongly supported by state funding (on average 74.4%, where with distribution of state funding by CIB ranges between 30% to 100% of total funding) and privately-owned CIBs are not funded from this source at all.

The authors expected that at least 75% of CIBs apply for the calls for project financing, that 50% of CIBs have hired an expert in alternative financing and that the majority of CIBs would state that they recognise the need for hiring an expert in CIB financing. The non-parametric – Binomial test, was used to determine if there is a statistically significant difference between the expected and the real findings (Table 3).

**Table 3** Binomial Test

	Category	N	Observed Prop.	Test Prop.	Exact Sig. (1-tailed)
Applications for calls for project financing	Group 1	Yes	19	.95	.75
	Group 2	No	1	.05	
	Total		20	1.0	
Expert in alternative financing hired	Group 1	Yes	3	.15	.50
	Group 2	No	17	.85	
	Total		20	1.0	
Need for an expert in cultural and creative industries financing	Group 1	Yes	17	.80	.80
	Group 2	No	3	.20	
	Total		20	1.0	

Source: The authors' work

At a significance level of 5%, the Binomial test indicated that:

(H2) The share of CIBs that apply for calls is 0.95, which is higher than the expected  $\frac{2}{3}$  of the registered CIBs,  $p=0.024$  (1-sided,  $p<0.05$ ); therefore, the null hypothesis is accepted at a significance level of 5%;

(H3) The share of CIBs that hired an expert in alternative financing is 0.15, which is much lower than the expected 0.52,  $p=0.03$  (1-sided,  $p<0.05$ ); therefore, the null hypothesis that at least half of the registered CIBs have hired an expert in alternative financing is rejected;

As 95% (19) of respondents have applied for calls available for cultural institutions (including EU funds) and 85% (17) did not hire an expert in alternative financing (whose responsibilities would include sponsorships, donations, calls for project funding, etc.), it can be concluded that in 85% of CIBs in Eastern Croatia, employees also search for alternative sources of funding within their regular activities, as a secondary task.

In the next part of the survey, respondents answered open questions regarding their knowledge, resources available and the possibility of hiring an expert. It was found that 40% (8) of respondents believe that they do have the necessary knowledge and resources for preparing high-quality applications; 50% (10) of them consider that their knowledge is only partially sufficient and the remaining 10% (2) think that they do not have sufficient knowledge and resources. This leads to conclusion of rejection of H4, although the majority of CIBs did not succeed in being predominantly financed from the funds based on successful project applications. Furthermore, the authors tried to identify how many CIBs have hired an expert in alternative financing and if there is a connection between the CIBs size, measured by the number of employees and hiring an expert in alternative financing. Although 55% (11) of respondents employ more than 16 employees, only three of them have hired an expert in financing in culture, although the majority of respondents, 85% (17) consider that this kind of knowledge and expertise is needed in their institutions. Additionally, results have shown that all respondents that have already hired an expert in this field consider this employment justified.

As to the answer to the question: "What are your experiences with alternative financing?" attitudes are generally divided. Although according to the majority of responses it can be concluded that the institutions are satisfied with the model, some of them state alternative financing includes "a too large scope of documentation", contains "unclear legal regulation which as such does not encourage entrepreneurship and sustainability", where "the ratio between the investment and the gain benefits is unrealistic". It was also stated that "funding is relatively modest" and implying that it is extremely difficult to get alternative financing, the funds raised are often insufficient to implement the project and there is usually a significant time delay from the approval to the first transfer of funds.

Since we talk about both, the private and the public sector, which question on a daily basis the financial viability of the planned programmes and project activities, these additional comments indicate numerous difficulties met by CIB management.

### 3.2 Analysis of the in-depth interview results

By analysing the responses from the in-depth interviews, it was found that the CIBs are using quite a satisfactory variety of different alternative funding sources. Nevertheless, all of them consider that the share of alternative financing in total financing is inadequate. Here respondent A claims "I believe that the state is insufficiently investing in culture and cultural institutions for us to be able to offer visitors quality content (which is not inexpensive to provide so it is certainly important to have an additional source of income." Respondent D, who represents a state archive, states that improvements could be made by obtaining EU funding because their "ability to use alternative sources such as own sales, donations or sponsorships is very limited since our target groups are mostly budget users with free access (researchers, institutions, students and citizens)". At the same time, respondent B claims that the social values should be changed where financing of culture should not be considered as a relief but as an investment into the development of society. Moreover, the respondent confirms that corporate sponsorships and donations are to a great extent influenced by economic uncertainty. All respondents agree that there is a significant lack of competent and educated personnel who can, successfully and permanently, obtain new sources of funding. Thus, by generalizing statements of all four respondents,



the following obstacles to increasing the share of alternative sources of funding in culture are as follows:

- Lack of education and understanding of the possibilities of alternative sources of funding, (especially EU funds) that is combined with insufficient engagement and creativity of CIBs employees in conducting fundraising activities, which on the other hand confirms H4.
- Inadequately educated personnel that are only specialized in strictly limited business segments (expertise) with no desire for expanding knowledge to other fields, prevent improvements of CIBs towards strategic management, increase of revenue and independent funding.
- Wealthy citizens and companies do not yet have a developed awareness of the importance of culture and the need for its supporting and financing.
- Low level of economic development that affects the size of available alternative sources of funding and willingness of the business sector to invest in culture.
- Lack of adequate regulatory models that will stimulate investment in culture.

Regarding the question on the existence of the models for increasing the motivation of employees, especially those who are more closely engaged in the preparation and application of projects on calls for funding published by foundations and programs at the national and EU level, or the organization of innovative events, all respondents answered with a negative response. Respondent A stated: "Even more so, it is considered that if an employee spends time on preparing a project, he or she has neglected his or her (primary) job. Here, among other things, lies another problem why institutions do not use EU projects. The employee model of motivation, which I consider to be greatly needed, is not implemented in my organization nor in any of the organizations I worked with in the Republic of Croatia." Therefore, it can be concluded that except the regulations that are defining the rules of regular promotion, which depend on the job description in every institution, there are no regulations that define the ways of rewarding excellent employees. On the discussion about the activities that should be done at the

level of cultural policies and strategies and in CIBs' management in order to generate improvements in the field of financing, respondent A emphasized: "Significantly higher education of directors / principals / managers of cultural institutions. I also think that the problem is that the institutions are led by 'people in the profession', not the managers who have been trained for it." Other respondents gave higher importance to the involvement of the state, as respondent B states: "First and most important is planning and networking of CIBs in the field of the production"... "Moreover, there is a big importance of networking under the umbrella of the Ministry of Culture and setting up an advisory body at the state level that would help cultural institutions in finding sources of financing."

#### 4. Discussion

Through this research it was found that there are different support practices by the state for the public and the private cultural sector, where the public sector, as in most Eastern European countries (Tomova, 2004) is strongly supported by state funding (in some cases up to 100% of the budget). Private CIBs, however, do not have this option nor are supported by the state in any other specific way, which is opposite to the recommendations of the European parliament (Institute for International Relations et al., 2011). At the same time, as confirmed by Holden (2006) and Pugh and Wood (2004), the private sector must compete with the public sector for a share in alternative sources of financing and for a market share in the context of audience and attendance. Therefore, although not highlighted by other authors, it was concluded that private CIBs are in an unfavourable position, which could be one of the reasons for the existence of the rare examples of private entrepreneurship in the cultural sector of Eastern Croatia. Matić (2018) evaluated the reasons for underutilization of the sources available in the frame of the EU Creative Europe programme, sub-programme Culture and emphasized that there is a need for strengthening the internal institutional capacities of Croatian cultural institutions to increase the success of project application results. Although the CIBs are applying for the calls for project financing and to some extent using different alternative sources of funding opportunities, these sources are underutilized and there is a recognized need for increasing the level of knowledge and motivation of existing personnel and employment of experts

in the field of alternative financing. Matić's (2018) findings are confirmed by the fact that although a high number of the CIBs analysed in this research have submitted their applications in response to calls for project proposals, their achievements are not noteworthy.

As already stated, CIBs in general understand the importance of alternative sources of funding, and more or less use some of the options but at an unsatisfactory level that is in accordance to the Bestvina Bukvić et al. (2016) statement. As these sources could be one of the essential elements of conducting innovative new projects and improving CIBs' operations it was important to identify the reasons for the underuse of its potential. The majority of respondents claimed that they do not have or only partially have the necessary knowledge and skills to successfully work on all segments of providing alternative financing although they are applying for calls for project financing. This leads us to conclude that employees, usually with a non-financial background are simultaneously working on project financing issues in addition to their regular responsibilities within their job description and therefore there is a question of sustaining an adequate level of their working motivation. In this part the role of the state as a regulator becomes important where there are numerous possibilities for bringing measures with the aim of empowerment of CIBs (Tomova, 2004; Bestvina Bukvić et al., 2015; Alfrević et al., 2013; Craik, 2007, Mikić, 2011; Primorac, 2014). This position was also confirmed by this research where the importance of the role of the state in the area of defining adequate regulations, motivation models, information and education about alternative financing as well as networking of CIBs was emphasized, but the measures taken until now seem to be inadequate.

## 5. Conclusion

This paper covers the problem of the financing of cultural institutions, from classical or state financing to alternative sources of funding with the aim to contribute to a theoretical framework, clarification and understanding of alternative financing methods and identifying the potential for and obstacles to the increase of its share in the financing of culture.

The classical model of financing that is mainly used in Croatian cultural institutions and businesses (CIBs) provides a certain level of security and, to

a greater or lesser extent, allows regular operation and programme activities to continue. Given the economic crisis in the last period, culture has also felt the consequences of the reduced economic activity in all spheres, through a decrease in event attendance, lower domestic expenditure on culture, and smaller budget allocations for culture. CIBs were not adequately prepared for such changes, and there were no significant changes in their financing strategies. The consequence is the low share of alternative financing in the total financing of culture and the number of financial experts employed. **The open question** that emerged through this analysis is whether the cultural institutions in Croatia will be able to achieve the "economy tripod" model. This question is underlined by the fact that there are hardly any preconditions in terms of institutional capacity and in terms of state support to accelerate the proactive approach of cultural institutions to finding alternative sources of financing.

The results of in-depth research showed that executives consider the state as one of the most important factors in defining the regulatory framework and the creation of professional networks. The positive changes in the area of regulations and the wide range of development measures in the cultural sector could affect higher utilization of alternative funds and CIBs' overall performance. For this reason, the state should change its current governance format for the cultural sector and establish a development management model with the aim of cultural sector empowerment.

**The limitation of the research** includes the lack of previous specific empirical research on the financing of culture in Croatia, which prevented an analysis of possible improvements in the analysed field in the recent period. Additionally, there was a limitation of the size and the structure of the sample since respondents are CIBs from Eastern Croatia. We assume that there could be some regional differences between Eastern Croatia and other Croatian regions as Eastern Croatia is one of the economically less developed regions. For example, the largest number of Croatian CIBs is concentrated in the Zagreb region where around 24% of the Croatian population lives (Lukić, Prelogović,<sup>3</sup> 2014) and there is the largest number of registered companies (Croatian Bureau of Statistics<sup>4</sup>, 2018). Therefore, it can be concluded that they have more opportunities for securing alternative sources of funding. Moreover, CIBs in the coastal area could have a slightly larger portion of

alternative financing, mainly due to own sales and space rental because of their more attractive geographical location (for film or music productions, or different events). The authors are aware of the limitation of the small sample. However, regardless of the regional differences, they believe that overall the results of research have an indicative relevance on the level of the Republic of Croatia regarding the low existing preconditions in terms of institutional capacity and in terms of state support necessary for preparing the project applications for EU funds (underutilization of resources from EU program Creative Europe is confirmed by Matić (2018). Additionally, the responses are based on respondents' subjective opinions in both the questionnaire and interviews. The named limitations could be outbal-

anced by conducting comprehensive research on the state level and the area of Central and Eastern Europe, which would include more robust quantitative statistical methods, in-depth interviews and a comparison of the financial performance of private and public CIBs.

**Recommendations for future research:** Future research should be carried out in the wider region (Croatia and Central and Eastern Europe) with the aim of determining the level of use and understanding of the importance of alternative sources of funding by CIBs. By using this approach, it would be possible to identify more clearly which activities need to be carried out for the purpose of achieving financial independence and sustainability of CIBs following the "economy tripod" model.

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## **ALTERNATIVNI IZVORI FINANCIRANJA KULTURE: SLUČAJ ISTOČNE HRVATSKE**

### **SAŽETAK:**

Institucije i poslovni pothvati u kulturi (CIB-ovi) suočavaju se s financijskim izazovima uslijed ograničene državne potpore na koje je dodatno utjecala i nedavna gospodarska kriza, kao i uslijed rastuće konkurencije što je djelomično rezultat razvoja novih tehnologija koje su kulturu učinile dostupnijom na globalnoj razini. U svrhu zatvaranja proračunskog jaza, CIB-ovi su sada prisiljeni „iskoračiti” na tržište pokušavajući biti konkurentniji u pribavljanju alternativnih izvora financiranja. Cilj ovog rada je utvrditi jesu li CIB-ovi uspješni u ovom nastojanju, utvrditi do koje razine oni razumiju i koriste koncept alternativnog financiranja te procijeniti njihovu sposobnost i kompetentnost u prikupljanju sredstava iz ovih alternativnih izvora. Istraživanje je provedeno uporabom strukturiranog online upitnika na uzorku javnih i privatnih CIB-ova registriranih na području istočne Hrvatske. Rezultati istraživanja pokazali su da iako CIB-ovi do određene mjere koriste alternativne izvore, ovi izvori su nedovoljno iskorišteni i postoji prepoznata potreba za povećanjem razine znanja i zapošljavanja stručnjaka na području alternativnih izvora financiranja kulture i uvođenja modela motivacije zaposlenika. Ovdje je država jedan od najznačajnijih čimbenika u provedbi aktivnosti s ciljem ostvarenja preduvjeta tj. kreiranja regulatornog okvira, edukacije, povećanja razine razumijevanja i motivacije CIB-ova s ciljem povećanje udjela alternativnih izvora financiranja.

**Ključne riječi:** financiranje kulture, institucije i pothvati u kulturi, alternativno financiranje kulture, motivacija zaposlenika