

The Business of Doing Good

More U.S. businesses are jumping on the goodwill bandwagon, but why?

By Christina Dyer

No longer a PR stunt or done at the whim of a CEO, today's corporate philanthropic acts are all about strategy. It's been a very charitable few years: U.S. corporate contributions increased by 22% in 2004, according to a recent

Conference Board survey. Hurricane Katrina and other disasters prompted an outpouring of donations in 2005, totaling an estimated \$13.5 billion. Then a few months ago, Warren Buffett announced he was giving away the bulk of his fortune—approximately \$31 billion—to the Bill & Melinda Gates Foundation.

Pictured above: Microsoft's Bill Gates with his wife Melinda and Berkshire Hathaway's Warren Buffett

This growth in charitable giving isn't the only change that's going on. Corporations are now taking a more businesslike approach to giving, reassessing their philanthropic programs to meet overall business objectives, such as reputation and branding needs.

"Corporate leaders are very aware they are spending shareholders' dollars. It isn't like the old days when it was just a good thing to do. Now it is also a strategic thing to do. It has to make sense," explains Bruce Nolop, CFO of Pitney Bowes. "We made a concentrated decision to relate philanthropic spending to basic business strategy." Pitney Bowes' focus on literacy and education fits with its mission of "engineering the flow of communication™."

"Companies increasingly are looking at corporate social responsibility—philanthropy and other activities—in a comprehensive fashion, recognizing that philanthropy can be a way to reinforce key attributes of their corporate identities and further solidify their bonds with their customers and communities," says Lisa Dollinger, chief communications officer for Clear Channel. Last year Clear Channel hit a record, donating more than \$1 billion to such groups as the American Red Cross, St. Jude's Children's Research Hospital, City of Hope and the National Multiple Sclerosis Society. Its donation to the Ad Council was the greatest donation by a media company and was part of an effort to support public service announcements, including the "Be Clear About Your Health" campaign in Chicago, which focused on four key health

concerns in the community: smoking, depression, asthma and obesity.

They're not alone. Whether you call it CSR (corporate social responsibility), philanthropy or corporate citizenship, companies now see giving as a way to please customers and employees. This is particularly helpful in an era of disillusionment following the Disgraceful acts of Martha Stewart and Enron execs, not to mention the government's response to Hurricane Katrina.

Consumers are now more aware via blogs and corporate consumer rights Web sites about a company's good works, so building a true business case for giving is more paramount than ever. A national opinion survey commissioned by the National Consumers League and Fleishman

International Communications found that while Americans believe that CSR is important, only 21% gave

U.S. companies high marks for being socially responsible. When compared to two to three years ago, only 30% believe companies are doing a better job of being socially responsible now.

"The less trust you have, the less your services are bought. Philanthropy becomes a concept for change that allows you to rebuild trust with consumers," explains Mary Donohue, president of Donohue Mansfield, a firm specializing in strategic philanthropy. Donohue says that over the years, consistent contributions can build goodwill that can help weather hits to a company's reputation. It also

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The Biggest Givers

Corporate foundation donations last year rose 5.8% to a record \$3.6 billion, according to *Key Facts on Corporate Foundations*, a report released by the New York City-based Foundation Center. Twenty-six percent of the donations targeted education and 24% targeted public affairs, such as community development.

Wal-Mart, once again, heads the list as the largest corporate cash contributor in the United States. Most of its contributions were made at the local level. In fact, Wal-Mart donated more than \$22,000 an hour or \$6 a second in 2005. More than \$100,000 local grants, totaling more than \$70 million were made in 2005.

According to the Foundation Center, the top corporate givers in 2005 are:

1. Wal-Mart Foundation – \$154,537,406
2. Aventis Pharmaceuticals Health Care Foundation – \$114,668,984
3. The Bank of America Charitable Foundation – \$80,734,705
4. Ford Motor Company Fund – \$77,916,903
5. The Wells Fargo Foundation – \$64,747,007
6. ExxonMobil Foundation – \$63,660,965
7. Citigroup Foundation – \$57,720,957
8. Verizon Foundation – \$ 56,968,636
9. The JPMorgan Chase Foundation – \$56,786,083
10. GE Foundation – \$49,177,477
11. AT&T – \$48,159,537
12. Fannie Mae Foundation – \$47,742,454
13. Johnson & Johnson Family of Companies Contribution Fund – \$42,871,365
14. The Merck Company Foundation – \$41,736,724
15. The Wachovia Foundation, Inc. – \$40,983,073
16. The MBNA Foundation – \$38,914,413
17. The UPS Foundation – \$36,552,454
18. Intel Foundation – \$34,561,326
19. General Motors Foundation, Inc. – \$36,416,411
20. Avon Foundation – \$33,611,181

helps to engage consumers in an environment where it now takes 25 ads from the major networks to reach the same percentage of users that three ads used to reach.

"Five years ago, the majority of CSR activities were PR events," says Jeff Resnick, executive vice president and global management director Opinion Research Corporation. The CSR events were doing just because the CEO decided it was needed. "But there has been a struggle in the executive suite. Is it OK to discuss it? Is it self-serving?" Resnick says if the reason for doing CSR events (whether that is giving

day off for employees to volunteer or giving to a charity of choice) is important to the internal culture, if the guy on top says "this is what makes us what we are from the inside," then the CSR activity works. It can be an employee retention tool. It can make the employee feel

good about working for that company. "Employees are the soldiers of the brand," says Resnick. "If an employee feels good about his company, then that employee conveys a better message."

If, on the other hand, a company focuses on CSR to impact the bottom line or build sales, then it doesn't work. Resnick says if it's an insincere effort, then it can hurt. If an employee sees the CSR even as not good beyond a machine to make money, then that employee won't hang around when the going gets rough. The CSR needs to have internal relevance.

According to Donohue, philanthropic efforts should match the brand and need to be transparent. "You need to manage expectations, build a story—the who, what, when, where, why." By listing both who you are donating to and who you aren't,



Jeff Resnick

Executive Vice President
Opinion Research Corp.

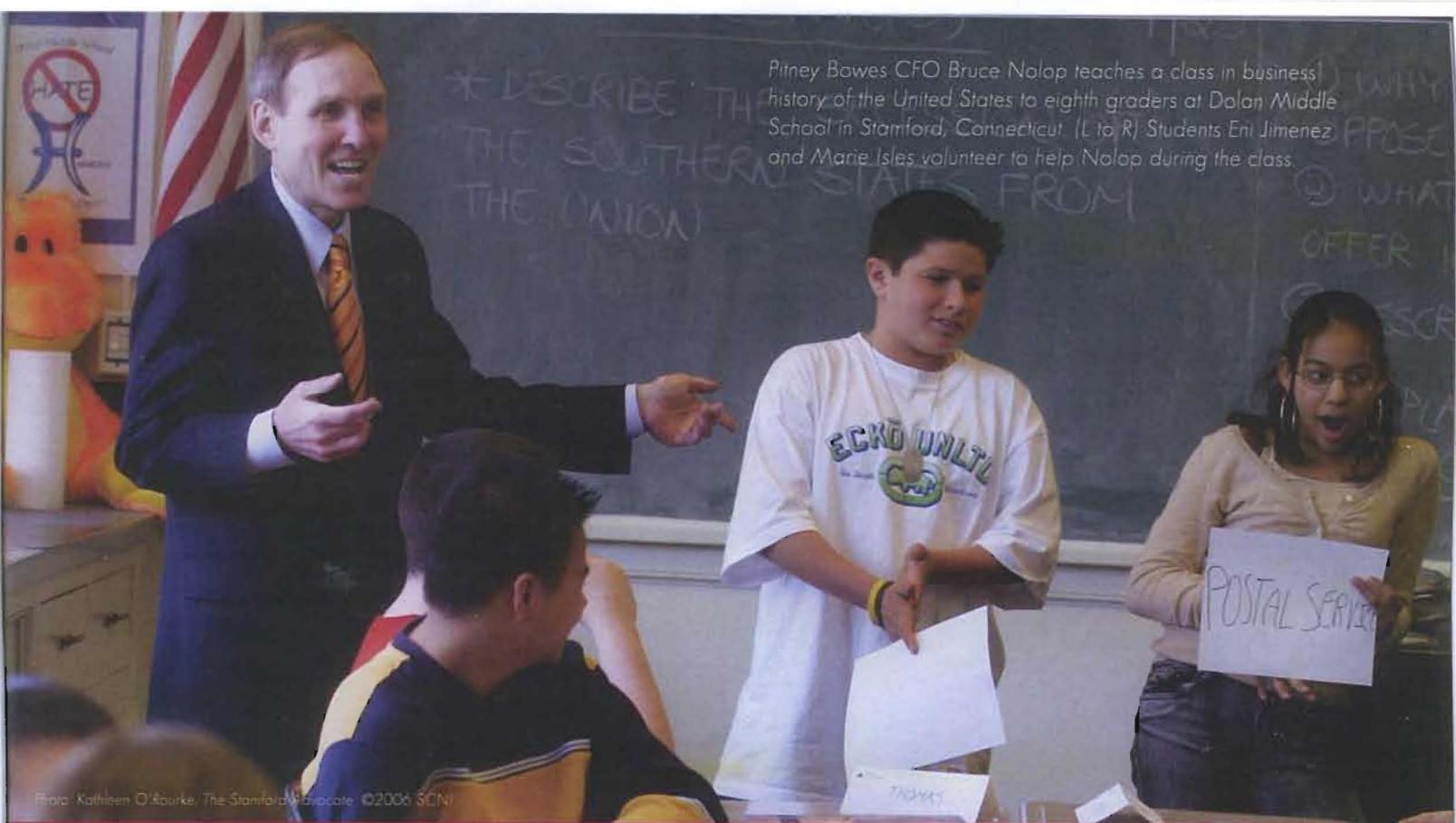


Photo: Kathleen O'Rourke, The Stamford Advocate ©2006 SCN

Pitney Bowes CFO Bruce Nolop teaches a class in business history of the United States to eighth graders at Dolan Middle School in Stamford, Connecticut. (L to R) Students Eni Jimenez and Marie Isles volunteer to help Nolop during the class.

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expectations can be managed. "For example, a liquor company shouldn't support anything with 12-year-old kids." Donohue cites Timberland and Molsen as two companies that understand and implement strategic—or applied—philanthropy.

Active Citizenship

Giving isn't just handing over a check. The definition of corporate philanthropy now includes environmental concerns, education, diversity, social justice and poverty. Employees are getting out from under the desk and out into the community.

Supporting these volunteers efforts are becoming a much greater management priority, says a recent Conference Board report. Businesses are providing people and expertise to non-profits, from Home Depot's employee

man-hours building houses to Accenture partners consulting the non-profit community. According to Stanley Litow, president of the IBM International Foundation, many of IBM's experienced employees have math and science backgrounds and have made it clear when they are ready to leave IBM they aren't ready to stop contributing. IBM's Transition to Teaching program helps newly retired employees become fully accredited teachers in their local community. It reimburses participants up to \$15,000 for tuition and stipends when they student teach, as well as provide online mentoring and other support services in conjunction with partner colleges, universities and schools.

Pitney Bowes' volunteer grant program recognizes employee and retiree volunteerism by donating grants to



Mary Donohue
President
Donohue Mansfield

charities based on the number of hours the participants served, such as 50 hours equals \$250 or 100-plus hours equals \$500. Grants are also available to groups of three or more that undertake a hands-on activity to cover the costs of the project's materials and supplies.

Nolop (who personally volunteers both on a local and national board level with Junior Achievement) says that volunteering has additional benefits, such as learning leadership and communication skills. "It's great executive training. If you can teach a group of eighth graders, then making a presentation to a board of directors is a piece of cake." Nolop also feels that it can correlate with job performance. "Employee engagement is a big word these days." Volunteering can help employees identify with the company, and internationally it can transcend geographies and become a tool for bonding.

Growing Up?

Will this philanthropic growth continue? While most expect 2006 to level off without another natural disaster, Buffett's recent gift should provide a bounce and act as a powerful example. On setting a trend, Bill Gates said at the announcement of Buffett's gift, "I hope we're seeing a rise in philanthropy...I hope people have learned from Warren's philosophy about how we really owe it to society to give the wealth back and getting the people who want to be involved to do it maybe at a younger age than when they die. We'd like to see more. And I think there is a slight trend in that direction. Ted Turner started off by kind of scolding people. And that was a good thing. We're trying to complement that by showing how much fun it can be."¹⁰

7 Steps to Philanthropic Change

According to Mary Donohue of Donohue Mansfield, there are seven steps of philanthropic change.

1. Demonstrate the need for change. To create trust, first build it with your employees and then your consumers.
2. Build a story for your program. Find out what people are interested in and what they believe in. Ask employees, customers and sales staff what philanthropic programs they'd like to support and what best represents the brand.
3. Create a vision and philanthropic portfolio. Understand the three types of giving (charitable, corporate and strategic) and create benchmarks for measuring trust.
4. Create tools that enable you to bank community capital or goodwill. Those may include a CSR report, philanthropic policy, exclusionary policy, online PR application or an online PR/corporate giving section that clarifies what types of organizations you'll consider giving to and those you won't, program measurement benchmarks and how the giving ties in with your brand.
5. Create employee involvement programs.
6. Create mini-wins or small programs that you can test before growing your program.
7. Don't let up.¹¹