

The business case for corporate giving

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You might think that in the hard, cold world of profit and loss numbers, businesses would be reluctant to give away their money.

And you'd be wrong.

Corporate philanthropy — donating time, products and cash to social causes — is a small but significant part of funding for nonprofits nationwide and is increasingly part of corporate strategy, as a way to build branding, increase employee morale and loyalty, develop a future work force and customer base, and, of course, to just do the right thing.

"It's really just expected [of the company]. It's expected from consumers and it's expected from our employees," said Jessica Gonzalez Joseph, program director for the Campbell's Soup Foundation, the charitable arm of the Camden-based food company. "But beyond that, there are benefits to the company."

The half-century-old foundation contributes \$1.6 million to charities annually. The company also sponsors several programs to encourage customers to donate money and canned food for hunger relief. It donates considerable employee time to volunteer projects, particularly in its economically troubled home town.

"We have a very long history in Camden. It's our home town, it's our birthplace," she said. "I think it's incumbent on us to improve the quality of life here."

Corporations contributed \$12.7 billion, or 4.3 percent, of \$295 billion in charitable donations nationwide last year, according to Giving USA Foundation. Foundations, many of which are affiliated with companies, contributed an-

other \$36.5 billion, or 12.4 percent.

The Committee Encouraging Corporate Philanthropy, a New York-based organization made up of CEOs of major corporate donors that surveys more than 100 mid- to large-sized companies every year, calculated their giving alone at more than \$10 billion in cash, time and goods.

"Corporate philanthropy can best be described as corporate behavior: You're playing out your values, your business values, your social values, in terms of your corporate philanthropy as you invest in your communities," said Charlie Moore, executive director of the committee.

Corporate giving is up, if slightly, according to the committee's latest report, which covers 2006. More than half of the companies surveyed, 57 percent, reported increasing philanthropy from the year before.

The median corporate giving was up to \$32.6 million from \$29.5 million in 2006. Donations accounted for about 0.12 percent of revenue of the donor firms, or about 0.88 percent of pre-tax profits, according to the committee's research.

But however much companies give, it is impossible to define any kind of dollar-for-dollar economic return, Moore and others say. There is no simple return-on-investment formula. Moore said the committee has tried for several years to correlate corporate giving and stock price, without success.

So what do companies get out of the

millions they spend? How can executives justify an expense that has no specific and definable economic value?

Sometimes, it's just as simple as this: Companies can't do business in blighted communities — they'd have no customers, no work force and no reason to exist.

Pittsburgh-based PNC Bank, for example, is spending \$100 million over 10 years, and focusing nearly all of its exten-

sive employee-volunteering program, on an early childhood education program that it says will help ensure a supply of well-educated, literate workers and productive customers.

"We as a bank have always believed a strong bank cannot exist in a weak community... We want to be able to hire people, so we want to make sure their schools are good," said Eva Blum, chairwoman of the bank's charitable arm, PNC Foundation. "We want them to live in good homes and we want to help them with that. We want them to have savings and buy cars and do all of those things, so you grow together."

Often, the giving is motivated mostly by a desire to give employees an outlet for volunteerism and to encourage them to get involved in

— and be proud of — the company's activities.

For example PNC's rival, Wachovia Bank of Charlotte, N.C., focuses closely on this strategy, known as employee-

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ROI: Corporations gave \$12.7B last year

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based philanthropy.

The company gives employees four hours of paid leave to volunteer and donates \$100 to any organization where an employee volunteers 24 or more hours in a year. It also offers to match up to \$4,000 per employee in charitable gifts every year — up to \$3,000 for educational gifts and up to \$1,000 for any other nonprofit.

And all larger charitable projects or donations have to be reviewed and approved by regional employee committees.

"We feel like this will engage the people who know the communities best and allow us to know what the greatest needs are or where we can have the greatest impact," said Kevin Dow, community affairs manager for Wachovia's mid-Atlantic division.

But it's more than just feel-good work, he said. There is a real economic imperative, even if it is somewhat hard to determine the precise dollar value.

"Turnover costs a lot more than retention," he said, since the cost of training new workers can be high. "We know that employees who are more engaged in the work in the company in the community are better retained. If we reduce turnover, we will save the company money."

Companies say, however, that investments must be well-thought-out and strategic. The giving must be consistent and make sense in terms of the company's core business. Otherwise, the money might not be used effectively and consumers might become confused and cynical, concluding that the company was merely trying to buy good will.

Philadelphia-based GlaxoSmithKline focuses the vast majority of its \$558 million in annual giving on health care, from a massive 20-year project to wipe out the dreaded parasitic tropical disease lymphatic filariasis, at a cost of over \$1 billion, to its relatively modest "impact awards," which are \$40,000 grants the company gives to health-related nonprofits in Philadelphia every year.

"Health is a natural thing for us," said Justine Frain, GSK's vice president for global community partnerships. "We don't fund sporting events; we leave that to Nike or somebody else. We don't fund entertainment. We don't actually fund very many galas — we do a very small number of those — because we feel we can use our money more effectively by funding organizations to being about change."

Corporations are an essential component of the local charitable community, which numbers 21,000 nonprofits in the Philadelphia area.

The local United Way raises more than \$50 million a year from fund drives in 1,200 local businesses. Many of those businesses match all or part of the contributions made by employees, said David Fair, vice president for community impact for the United Way of Southeastern Pennsylvania.

Although the largest donations obviously come from the largest companies, corporate and nonprofit leaders say that even small businesses can get in on the philanthropic act. Something as small as allowing an employee some time off to volunteer, or helping with the United Way campaign, can make a difference to somebody.

"I think all of us in the corporate world or business world have a responsibility to be involved in the community," said PNC's Blum. "We can move mountains, even small mountains — hills — but they should never be afraid" to try. ■

Beyond simple check-writing

Over the past 10 years, David Fair, vice president for community impact for the United Way of Southeastern Pennsylvania, has seen a change in the way companies give.

Companies used to cut a check and leave it at that. Increasingly, however, companies are getting more intimately in-



Fair

involved — sending volunteers, giving donations of equipment and consulting services, or enlisting corporate executives to serve on nonprofit boards, he said.

“What I think a lot of corporate leaders in this region have recognized,

better than most around the country, is that their sense of corporate social responsibility doesn't stop with just making a donation,” Fair said. “There are a lot of other things that they can be doing that will make a difference in the community.”

Deepening involvement also allows companies to get more out of their philanthropy in terms of community interaction and, in some cases, executive development. Utility company Peco Energy Co., for example, has recently started a program, along with The Non-Profit Center at La Salle University, to train executives to serve on boards.

“It's a great way for them to develop their community network, to develop their leadership skills, to address a new set of challenges that they don't address during the business day,” said Jeff Gordon, Peco's corporate relations manager. “It's nice to write a check, but it's even better to invest your expertise in these organizations.”

Likewise, tech giant IBM Corp. spends considerable effort to make sure that it makes donations to companies that can use the money and equipment wisely, said Diane Melley, IBM's director of corporate citizenship and corporate affairs. For example, the company's Reading Companion program donates equipment to schools to use a Web-based literacy program for kids, but it also provides volunteers to help set up and use the equipment.

“IBM is not into just 'writing checks for dinner' type of philanthropy,” Melley said. “We're very much about bringing solutions to problems.”

— Sean Scully