CORPORATE COMMITMENT

Companies Find Profit In Corporate Giving

BY MINDA ZETLIN

In the 1920s and '30s, America's captains of industry endowed whichever institutions struck their fancy, which is why so many worthwhile endeavors still sport the names *Carnegie* and *Rockefeller.* In the '50s and '60s, the CEOs of major companies made discreet corporate contributions to the opera companies or zoos where they also sat on the boards.

But that was then. Today, corporations with a tradition of philanthropy perform careful analyses of their giving programs. What they're looking for is the kind of efficiency they seek in their money-making operations. They're starting to look at giving as, well, business.

"It's a new way of treating the function," says Mary Hall, vice president of corporate contributions, Weyerhaeuser Co., which gives away $10 to $15 million annually. "We believe charity requires and deserves the same level of tough-minded thinking, and the same kinds of accounting and performance review as any other business function." Over the last 12 years, more and more companies have come to agree.

Corporate giving, which reached $5 billion in 1989, has grown at a gradual rate that just missed keeping pace with inflation over the past five years. And contrary to popular perception, corporate philanthropy is only a minor piece of overall American giving—4.4 percent in 1989.

If corporate giving is not growing in either size or importance, why are so many companies taking a harder look at it? In a word: Reaganomics. Cut off from government funds during the early '80s, nonprofit organizations found themselves scrambling to fill a financial vacuum. Corporate America—supposed to benefit from Reagan's changes—seemed a logical place to go fundraising.

DEEP POCKETS IN THE BOARDROOM?

"Social responsibility was basically shoveled onto a corporate world that was disinclined and ill-equipped to take it on," says Delwin Roy, president of the Hitachi Foundation. Suddenly companies, especially visible, wealthy ones, were flooded with funding requests. For the first time, they were called on to explain why they were willing to give to this charity but not that one. "Because we've always done it that way" or "The CEO's wife is on the board" seemed like unsatisfactory answers.

"Companies began to think they had to put some intelligence into these decisions," says Edmund Burke, director of the Center for Corporate Community Relations at Boston College. "So strategies emerged rather rapidly."

The new approach is often called "strategic giving:" giving with an eye to the company's eventual best interests. One of the first to adopt this policy was Weyerhaeuser, which declared at the end of a 1978 study that it would focus its giving "at the crossroads where company and public interest intersect."

"We came to the point of view that our real rationale should be to focus on issues that had a direct relevance to the long-term success of our business," Hall says. As a result, the lumber company until recently sponsored the popular PBS series "This Old House," reaching viewers who were potential customers. Weyerhauser also gives to some conservation groups.

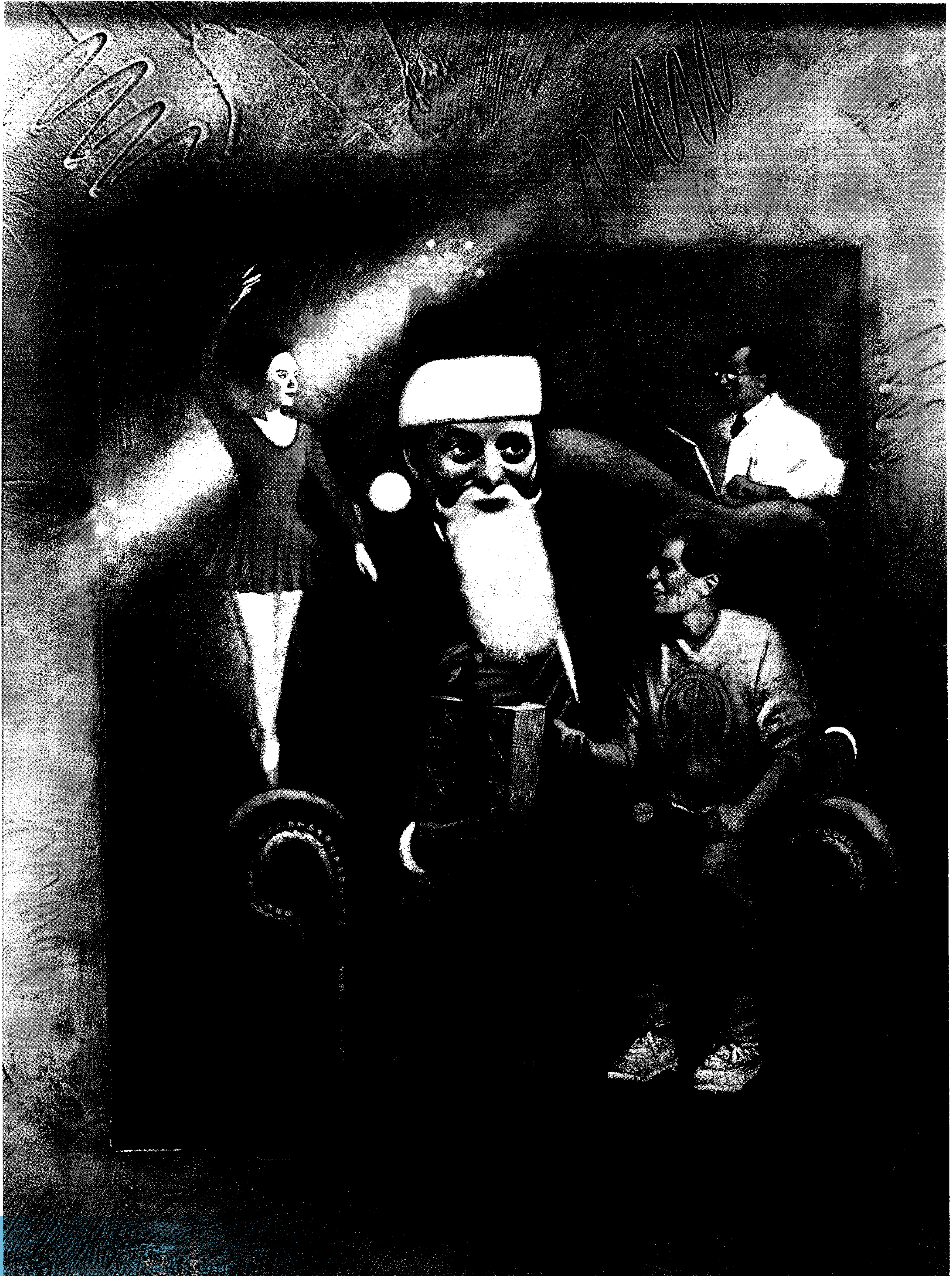
Isn't that somewhat ... cynical? "I wouldn't call it cynical, I would call it an investment," Hall answers. "It's not a right of society to have corporations giving away money.

"We're very straightforward. We let people know we see enlightened self-interest down the pike, as well as the chance to be a good partner with the community. We think it's cynical only if you try to fool people."

This approach does have some clear disadvantages. From society's viewpoint, not all areas that need funding will get it; it's un-

TERRY HOFF

Minda Zetlin is a New York-based business writer and Management Review's ethics columnist.



likely that a company would find enlightened self-interest in supporting, say, a homeless shelter. For most companies, public relations becomes tricky. Unless a company is completely candid about advancing its own interests, its motives will likely be questioned by outsiders.

Even so, the strategic giving philosophy is gaining favor at many major companies. For despite its drawbacks, strategic giving makes sense. In a public company, corporate philanthropy means giving away *shareholders'* profits, something some executives argue you should never do. Enlightened self-interest is the perfect counter-argument.

Also, those executives who see grantmaking as crucial to their company's interest are likely to take it more seriously than those who think they're just being nice guys. "You pick areas that are really important for your company, so you're in them for the long haul, and the groups you fund can count on you for the long haul. You're not there just to get a headline."

Besides, many experts believe *all* corporate giving has one agenda or another. "It never is totally charitable. Anyone who thinks it is, is naive," says Elliot Marks, vice president and Washington State director of the Nature Conservancy. Marks has worked with several major corporate donors, including Weyerhaeuser and Boeing.

TERRY HOFF

DO YOU HAVE ENOUGH PEOPLE TO GIVE IT AWAY?

As president of Independent Sector, a coalition of 750 philanthropic organizations and companies, Brian O'Connell visits many private foundations. He also visits many corporate giving departments. A few years ago, a difference between the two began to strike him more and more.

"The corporations always seemed to have many fewer staff members for what they were trying to do than the foundations," he says. "It jumped out at me."

Intrigued, he conducted an informal survey that compared the ratio of personnel to dollars given away at foundations and companies. His impression was borne out: Companies had fewer than half as many staffers for every million they gave away as foundations did.

"Some people would conclude that the private foundations are overstaffed," O'Connell says. But that isn't what he's seen. As it is, he says, executives at private foundations are cautious about spending on administrative costs, so that sometimes even foundations don't have enough manpower to properly study the areas they fund.

And it's not that corporations have to do the same job with half the people—in fact, they have to do more. "Corporate giving departments have to deal with matching gift programs, volunteer encouragement, low-interest or no-interest loans and gifts of property or materials," he explains.

They also have to consider a wider range of giving categories. Unlike private foundations, few corporations issue a blanket refusal to consider any cause outside their stated area of interest. Thus, O'Connell says, "my conclusion is that corporations are badly understaffed." Maybe so, but as long as the money is being given away, does it really matter? O'Connell thinks it does, and he makes a pretty good case: "Every day corporate giving departments have all these groups coming at them, and sometimes even very large companies have only three or four people trying to sort it all out. They have to

GIVE NOW, GET LATER

"The questions for most corporate giving are bottom-line questions," he says. " 'What do we get for our dollar?' " If the answer isn't long-term benefits, it's probably short-term publicity. "More and more companies are putting their public relations departments in charge of giving," Marks says.

Strategic marketing also often leads companies to invest in areas related to their own industries, and these are often the areas where their contribution can be most effective. Because they know the field well, they can make intelligent choices about how to distribute funds. More important, they also can contribute expert personnel, and sometimes materials, which are often as important as the money itself.

For instance, Cray Research Inc. made donations of approximately \$4 million last year. Although more than \$3 million of this total went to education, with a focus on math and science, Cray also offered its applications expertise. "That's the way you have real impact," explains Bill Linder-Scholer, director of community affairs. "You don't write a check and walk away."

Indeed, the search for enlightened self-interest has led corporations to fund education more than anything else in recent years. In

deal with everything from health to transportation to education."

As a result, he says, many companies can't even acknowledge contribution requests from community groups. Worse yet, "they don't have time to look into an issue and find out which projects are really more worthy than others. But a company that's said it's concerned about these issues creates a certain expectation of follow-through." If it doesn't follow through, the communities and groups wind up feeling miffed.

Some companies try to get a better handle on contributions by involving employees all over the company in their donation decisions. This made a difference, for instance, when the Aetna Foundation decided to address the AIDS epidemic.

"It allowed us to better identify some of the gaps in the services that were out there," says Sanford Cloud, vice president of corporate public involvement. "If we hadn't, we would have done some very traditional grantmaking, supporting national organizations and letting them take the lead. Instead we used our 40 branch offices to make a more significant impact on community support, particularly residential support services for people who don't need to be in the hospital but have nowhere else to go."

Another way to deal with limited staff is with a rigid focus on specific giving areas. Cray Research, for instance, has an unusually generous employee matching program, but all of its own giving is for education.

But most companies respond to the flood of requests by simply slicing their donation pie into ever smaller slices. "They have to be very timid and give a little money to everyone, and hope they don't make any mistakes in all those different subjects," O'Connell says.

"I'm not calling for enormous staffs. I'm simply saying corporations are trying to do much more with half the staff, and it's obvious that many of them are not doing it well. There's a danger that most will be perceived as not doing well unless they make their staff capacity equal with their stated intent."

—*M.Z.*

1989, nearly 40 percent of all corporate giving went to this category, almost all of it at the college level.

"If you're a high-tech company like Cray, you're almost inevitably going to be interested in it," Linder-Scholer says. "At a typical large manufacturing company in the United States, about 10 percent of the workforce will have four-year college degrees. At high-tech companies, it's anywhere from 30 to 50 percent. We are incredibly dependent on the education pipeline."

For many high-tech firms this means providing scholarships and other incentives to bring more women and minorities into the traditionally white male areas of math and engineering. It also means funding grade school programs as well, as executives like Linder-Scholer have become increasingly concerned about losing potential scientists because of inadequate preparation at the "K-12" level (kindergarten-through-12th grade).

But strategic giving can also lead companies in other directions. In addition to education, Aetna Life & Casualty also funds AIDS care and research and "reform of the civil justice system" projects with a view to "restoring some sense and equity in the way civil parties are compensated in our courts," according to Sanford Cloud, vice president of corporate public involvement. It's clear why the insurance provider is concerned: Aetna incurred roughly $300 million in total legal costs last year.

It's less immediately obvious why the company also funds urban revitalization and youth employment programs. But here, too, enlightened self-interest is the key. "As with education, we're involved in youth employment because that's where our future employees and our future market lie," Cloud said. And the concern with urban revitalization makes sense when you consider that Aetna is a major mortgage holder throughout the country.

Strategic giving has also led Weyerhaeuser to contribute to environmental groups, especially in Washington State, despite the fact that timber companies and environmental groups traditionally have had an adversarial relationship.

Weyerhaeuser is a member of the Washington Wildlife and Recreation Coalition. "It's a broad coalition of about 90 organizations, including environmentalists, hunters, outdoor enthusiasts, corporate people and government people," says Marks, who is also involved in the coalition. Many members, he adds, are "at each other's throats" on other issues.

The organization's mission is to convince the state's legislators to appropriate large amounts of money for parks, wildlife areas, water accesses, trails and so on, something Marks says the state has spent little on in the past. "Last year we got $53 million out of them, and this year we're hot on their heels for another $400 million," he adds.

Weyerhaeuser helped fund the coalition's "needs assessment," an in-depth project to prepare the group to make its case to the lawmakers. "Part of the result is that some of the land Weyerhaeuser owns is being purchased," Marks says. "So it provided a means for them to sell properties that they agreed ought to be in the public domain, instead of having the public gain that access by some other means, such as legislation."

NO MORE GRENADES

It's part of a trend, Marks adds. "There has been a general movement in this state toward negotiating issues, instead of just taking sides and throwing grenades, which characterized our past." Even so, Hall reports that Weyerhaeuser has been criticized by other lumber companies whose executives oppose funding *any* environmental group, while Marks received similar criticisms from more radical environmental groups.

The Nature Conservancy opened itself to similar criticism when it appointed a Weyerhaeuser executive to chairman of its board. "He's been an excellent board member, and I expect he'll be an excellent chair," Marks says. "It doesn't mean he's going to turn the Nature Conservancy into a timber company." In fact, having a timber executive around can be mighty handy when negotiating land purchases with other timber companies, which tend to mistrust environmental groups.

At the same time, this appointment has meant money in the organization's pocket. The Nature Conservancy recently received $50,000 from Weyerhaeuser, the company's largest contribution thus far. If a highly placed company executive weren't about to become chairman, Marks says, "I don't think we would have gotten that size of a check."

TERRY HOFF

SUN RISING ON JAPANESE GIVING IN AMERICA

Japanese executives have a reputation for being much more farsighted than American ones. While we worry about the next quarter, they're worrying about the next decade. They train employees whose jobs are obsolete for new positions, rather than let them go. In general, they seem as concerned about honor as they are about profits.

Given this reputation, you might expect Japanese companies to be leaders in corporate philantrhopy, putting their American counterparts to shame. But you'd be wrong.

Most Japanese executives in the United States look askance at contribution requests for a very simple reason: They wouldn't be receiving such requests at home. "I doubt seriously that all philanthropy exceeds $3 billion in Japan, and it's $110 billion in the U.S.," says Delwin Roy, president of the Hitachi Foundation, one of the few Japanese companies in the United States with a long and creative history of corporate giving.

Not that the Japanese are hard-hearted. Like many sources of East/West misunderstanding, it's a matter of cultural differences. "To suggest that corporations need to step in and solve social problems would imply that the government is failing," Roy says. "Not surprisingly, the state doesn't want even a hint that it is unable to solve human problems, so it proscribes corporate philanthropy."

But in the United States, where many natives are deeply resentful of Japan's economic strength, there's enormous pressure on Japanese companies to conform to American giving standards. In the past two years, many have started to comply. Most of these contributions, however, have been in "safe" areas, such as cultural exchange programs. And they've been recognized for what they are: an attempt to lessen anti-Japanese sentiment.

"Doing the right thing is almost an obsessive concern for them," Roy says. "That they would be overly concerned about image is not surprising."

He believes Japanese corporate donors are not being given a fair chance. After all, Japanese corporate giving is in a comparatively early stage of development. "Forty or 50 years ago, was American corporate philanthropy viewed as altruistic? As I recall, it was labelled a tax dodge. Today, a lot of it is still received with suspicion.

"It shouldn't surprise anyone that the Japanese would initially commit to this in a faltering and imperfect manner, nor that their effort is safety oriented. But, for whatever reason, they have stepped forward to do their share. And they are the only foreign investors that are responding across the board."

—M.Z.

Annual Corporate Giving (in billions)

Year	Amount	Increase (in percent)	Real Increase (considering inflation)
1985	$4.472	—	----
1986	$4.650	3.98%	**-0.78%**
1987	$4.650	0.00%	**-5.12%**
1988	$4.800	3.22%	**-1.29%**
1989	$5.000	4.17%	**-0.48%**

Source: Internal Revenue Service

This doesn't bother him a bit. "There are a lot of people on the environmental side who feel it's inappropriate to even accept money from large companies that they view as environmentally unsound. But I'm happy to solicit and accept money from anyone, because it still turns green when it goes through my door. As Mark Twain once said, it may be tainted money, but t'ain't enough."

One thing is clear: As strategic giving leads companies to make contributions within their own areas of interest, both donors and recipients will have to learn to walk an ethical tightrope.

A PHILANTHROPIC FIASCO

If it's handled badly enough, corporate philanthropy can leave a company looking worse than if it had never parted with a dime. The most stunning example in recent memory is AT&T's dealings with Planned Parenthood. In March, the company announced that after 25 years of grants, it would no longer fund Planned Parenthood in 1991. The announcement came shortly after the Christian Action Council, an anti-abortion group, had threatened an AT&T boycott in response to its Planned Parenthood support. Since 1985, AT&T's grants had been targeted at the group's teen pregnancy prevention program, and specifically away from abortion.

Where Corporate Gifts Go

Education:	38.8%
Health and Human Services:	26.4%
Civic and Community:	14.0%
Culture and Art:	11.2%
Other:	9.6%

Source: Council for Financial Aid to Education. Figures are for 1989.

"Eighty percent of the decision to stop funding Planned Parenthood was based on its ever-increasing political nature, and its increasing attention to a very divisive issue," says Burke Stinson, an AT&T spokesperson. The company had for years been growing uncomfortable with Planned Parenthood's orientation—which is why it felt compelled to put restrictions on its grants in 1985, he adds.

"Nonsense," answers Planned Parenthood's vice president of resources Peter Wilderotter. "We were working with them and knew all about the CAC boycott. We asked if they had a problem with us and they said everything was fine."

Planned Parenthood also told AT&T it could bring out as many letter-writers as the CAC—something it would be happy to demonstrate. But the company said no thanks. "They asked us not to politicize it," Widerotter says.

What happened next, both agree, was a masterpiece of mishandling on AT&T's part. The company sent Planned Parenthood a letter announcing its intention to stop funding—and simultaneously wrote the CAC, telling that group its decision. The CAC promptly sent out a victorious press release, and Planned Parenthood found itself faced with a barrage of press questions about AT&T's change of heart when it had barely been informed itself.

In response, Planned Parenthood ran an extensive ad campaign decrying AT&T's action and asking that supporters who held AT&T shares donate them to the organization. As a result, says Wilderotter, Planned Parenthood received some $100,000 worth of AT&T stock.

Though acknowledging that they'd been clumsy with communications, AT&T executives felt the ad campaign was overkill. "To spend this kind of money vilifying a corporation that has been in your corner for a quarter of a century, and been there when no one else would. It makes you wonder," Stinson says. It's partly thanks to this campaign, he adds, that AT&T does not plan to consider renewing its grant to Planned Parenthood in future years.

Whatever AT&T's reasons, its actions were unfortunate not only because they got the company in trouble, but also because they set a bad precedent.

"I don't know all the issues," said Brian O'Connell, president of Independent Sector, a coalition of 750 corporations, foundations and volunteer organizations concerned with philanthropy. "But even if AT&T made the right decision, it was interpreted as being unduly influenced by some customers and stockholders."

And in general, he says, that weakens philanthropy by forcing corporations toward "safe" giving—limited to causes no one could object to. "'Safe' philanthropy is pallid," adds O'Connell. "It won't get you a very good score with customers and stockholders." □

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