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Technical Assistance Center
Denver, Colorado

**DOING GOOD
CAN MEAN
DOING WELL**

"Company Community Involvement, Strategic Planning Guide"

Developed in Conjunction with Citicorp
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DOING GOOD CAN MEAN DOING WELL

Business leader, Clifton G. Garvin, Chairman of the Board and Chief Executive Officer, Exxon Corporation, says, "The underlying philosophy of corporate philanthropy is that it is good business to be an enlightened corporate citizen. It doesn't make sense to talk about successful corporations in a society whose schools, hospitals, churches, symphonies, and libraries are deteriorating or closing."

The 1980s herald a time of greatly heightened sophistication in applying the term "enlightened self-interest" to corporate giving. Aetna Life and Casualty Insurance Company's Vice President, Allison Coolbrith, capsulizes the idea: "Now is the time to establish corporate contributions programs firmly as a part of the corporations' business. Priorities must be set and the investment must be strategic."

A well-run company community involvement program can accomplish many things for the company—*improved market share, positive image, employee development, employee recruitment edge, improved business operating environment, creation of good will, position for disaster survival*—while at the same time the business makes a greatly enhanced impact on the society in which it works. The day of "knee jerk" philanthropy is not quite over, but it should be, and will be soon, as smart business leaders make this aspect of their business another means of reaching their company goals.

"The wave of the future isn't checkbook philanthropy..."

A recent *Wall Street Journal* article highlighted the success of American Express Company in combining an ad campaign promising a contribution to the Statue of Liberty-Ellis Island Foundation with a drive to increase credit card usage and to sell new cards. The statistics are impressive. Card usage increased 28 percent over the previous year, the company had predicted an 18 percent increase. New card holders rose more than 45 percent during the campaign. "The wave of the future isn't checkbook philanthropy," says Jerry C. Welsh, an American Express marketing executive. "It's a marriage of corporate marketing and social responsibility." This viewpoint is shared by other astute business leaders. Jeannette McElwee, Carter Hawley's corporate contributions manager, talks

of enlightened self-interest. "There's been a real determination to bring the contributions program in concert with corporate goals. You have to look at the second layer. Is this good for Broadway? Is it good for Neiman Marcus?" (Both Carter Hawley units)

UNDERSTANDING THE VOLUNTARY SECTOR

In order for a company to make strategic business decisions regarding its community involvement, it must understand the not-for-profit or voluntary sector. This third sector (business and government are the other two) is not easily seen but exists all around us in the form of health, education, civic, public affairs, social services, arts and humanities, religious and other non-profit organizations. The common characteristics of these diverse institutions are that they are private, run by a Board of Directors who are volunteers, and are devoted to serving the general welfare.

Because the sector is fragmented, it does not have easy visibility. The tendency is to underestimate its size and impact. The following facts may put that in perspective.

Size

1.2 million not-for-profit organizations, 454,000 of these are tax exempt organizations.

Share of National Labor Force

9.2 percent of total labor force of the United States.

Annual Income

1984 Estimates—

- Cash — 235 Billion
- Value of Volunteer Time — 70 Billion

Sources of Income

28 percent contributions—

- 5.4 percent-Corporate
- 5.3 percent-Foundation
- 9.0 percent-Bequest
- 80.3 percent Individual Living

38 percent Dues, Fees, Charges

9 percent Other Receipts

25 percent Government

The Corporate Share

- Corporate contributions have increased 10 fold in the last 3 decades, 1984 contributions are estimated at 3.7 billion.
- Various estimates show corporate contributions are increasing at between 7 and 12 percent each year, making this the fastest growing source of support for the sector.

Volunteers—Their Contribution

- 55 percent of American adults and teen-agers volunteer.
- Volunteer contributions equal over one quarter of the total income to the sector.

OPTIONS FOR COMPANY COMMUNITY INVOLVEMENT

In considering how a company can match its community involvement plan with its business plan, the company must choose carefully the method for involvement. Among the options are:

- Cash Donations
- Donated Products
- Donated Services and Facilities
- Loaned People
- Employee Volunteerism
- Volunteer Matching Gifts Program
- Program Related Investments

Cash Donations

One-third of the companies with positive income make charitable contributions. A percent of net income before taxes of 1 percent is common with 10 percent allowable.

Donated Products

Companies often have surplus goods, equipment or supplies that can be used for not-for-profit organizations. Some examples of companies who have donated products are:

- PEPSICO will donate cola beverages for select community events; a subsidiary, Pizza Hut distributes free pizza to community groups and schools.
- SYNTEX donates computers, copy machines, office furniture and laboratory equipment. Because they are already fully depreciated, the gifts cost the company little while benefiting community groups.

- CHEVRON donated an electron microscope to the biology department at the University of Pacific. While the value to Chevron was \$10,000, it would have cost the University \$100,000 if purchased new. A Chevron computer valued at \$150,000 was donated to the California Polytechnic State University's computer science department and thereby saved the college \$2 million in new acquisitions.
- DAYTON-HUDSON's liberal return policies leave many of their operating companies with merchandise that can't be resold. At Mervyn's this merchandise is donated to non-profit organizations for fund-raising events. John A. Brown gives merchandise to the Salvation Army, Goodwill, and Battered Children's Services. Through a nationwide program with Goodwill Industries, Target donated unsaleable or returned merchandise in more than 65 cities. In Target's Minneapolis headquarters, corridors are no longer overflowing with non-returnable vendor samples. Now Target employees categorize the samples and distribute them to charitable organizations. John A. Brown supported the "Christmas Connection," a store selling donated merchandise to needy families on a sliding scale. Target and Dayton-Hudson hosted senior citizen shopping nights providing transportation, free entertainment and a discount on all purchases.

Donated Services and Facilities

The expertise of corporate employees and the use of equipment or facilities can be a substantial resource to offer the community. Here are a few examples of companies who chose this method:

- ARTHUR ANDERSON has produced both a booklet and a larger volume on the income and estate tax implications of charitable giving. The analysis is intended to principally benefit individual givers but also helps non-profits in their fund-raising strategies.
- GOODYEAR has built a 1,400-seat community theater that operates independently of the company. The building is provided rent free to community groups, including materials for sets, free printing and postage, and a cash contributions program that uses company funds to match employees' gifts to user arts groups.
- GENERAL MILLS has a generous policy with its telephone bank, offering its use to non-profits for fund-raising and other purposes. The company also provides bulletin board space for advertising non-profit community services.

Loaned People

Companies donate executive services to help deal with community problems. Some examples are:

- METROPOLITAN LIFE lends its financial and accounting executives to Minority Equity Capital Company in New York which has over \$4 million in capital assets.
- CITIBANK of New York has a Loaned Executive and Professional Program (LEAP) where selected officers and professionals are loaned full time for six months to a year to non-profits and municipal agencies. They work in areas of financial planning, information systems, personnel, and real estate.

Employee Volunteerism

A strong trend is occurring for company employees to provide volunteer services. A few of the many examples are:

- HONEYWELL's Retirees Volunteer Program is one of the best around. Started nearly four years ago, it now boasts a membership of 3,000 retirees who work one half day a week in a community agency. Activities include everything from assisting technical schools on new curriculum to working in hospitals.
- TRAVELERS INSURANCE allows three days off a year for employee volunteerism. The time may be taken consecutively or an hour per week.
- CLOROX uses a volunteer coordinator to recruit and place company employees in various community projects. Through a process of systematic volunteer education, the company aims to get employees involved initially in a short-term service project in order to groom them for subsequent roles on agency boards.

Volunteer Matching Gifts Program

A number of companies encourage volunteerism by providing matching gifts to non-profits with which employees are involved.

- GENERAL MOTORS, on a one-time basis, asked employees to donate dollars or cans of food for Detroit's needy. The company matched each cash donation on a dollar-for-dollar basis, and 50 cents for each can donation. Over four million cans were donated. The combined employee-company campaign amounted to \$4.6 million.

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- AETNA's Dollars-for-Doers program gives grants of \$50 to \$500 to support activities of non-profit organizations in which employees are active volunteers. Activities include everything from helping equip a hospice for terminally ill cancer patients to supporting telephone costs of a crisis intervention center.

Program Related Investments

The President's Task force on Private Sector Initiatives has concluded from its survey of financial and human resources that, "Today in the United States a new universe of profitable, sound and constructive investments is opening outside of traditional channels." These investments know as "Program Related Investments" (PRIs)—represent a major shift in urban social strategy. The shift is away from traditional government-sponsored urban-renewal and anti-poverty programs and toward investment-oriented public/private partnerships. Major corporations and financial institutions are employing traditional financial techniques in new ways, making investment choices with community groups they would have ignored a decade ago. They are accepting a lesser rate of return on projects with a decided social or philanthropic purpose.

While PRIs obviously involve financial resources, the strategy they represent is sufficiently different from traditional corporate giving to warrant consideration in a discussion of non-cash philanthropy.

The following is a profile of some of the PRIs and related activities of major U.S. corporations.

- MONSANTO is a leading participant in Missouri's Neighborhood Assistance Program (NAP). Under this program, the company formed a public/private partnership with the state and a community development organization to build low income housing. For its contribution, Monsanto receives a state tax credit.
- PRUDENTIAL is a leader in the PRI field. It has provided \$40 million in below market rate loans to projects in disadvantaged areas that promote job creation, overall economic development and improved health care. It has invested in a variety of enterprises from cable television to nursing homes. Its annual "give up" ranges from \$2 - \$2.5 million.
- CONTROL DATA is a recognized leader in nontraditional philanthropy. Control data views society's needs as profitable business opportunities. The company's credo is best expressed by its chief

executive officer, William Norris: "The only way to enrich the funding gap and simultaneously improve services is to fashion a new public/private partnership built on profit-driven initiative by the private sector." To that end, the company has initiated programs like "Fair-Break" that use CD's computer and education expertise to provide training, counseling and paid work to inner-city youth. In addition to developing the cadre of well-trained employees, CD uses the program as a marketing tool—selling it as a packaged product to public service organizations working with disadvantaged youth. Other CD ventures include a low-profit automobile leasing program that employs ex-felons and a housing renovation business that involves refurbishing and reselling rundown inner-city dwellings for small down payments and low interest rates.

Other opportunities for company investment include business operating decisions and policies effecting plant location, minority purchasing and banking, hiring practices, joint ventures with non-profits, and use of company influence.

- DIGITAL located a plant in Boston's Crosstown Industrial Park, the city's first inner-city industrial park. Over 200 jobs were created, mostly for area residents.
- SEARS invests a portion of its Foundation assets in minority-owned banks.
- MONSANTO increased its purchase of goods and services from minority contractors and vendors by 70 percent between 1979 and 1981. This translated to \$3 million of additional purchases for a total of \$30 million.

And One More

A final example of corporate philanthropy that departs from traditional grant making is another innovative program at American Express that uses charitable giving as a marketing tool. Quoting from a recent business journal article: "From October 1, 1982 to November 30, 1983, American Express is making a small donation to the Atlanta Arts Alliance each time one of its consumer charge card or travel services is used in 15 counties surrounding Atlanta. The alliance, which coordinated fund-raising for the city's symphony, art museum and repertory theatre, will receive five cents each time an American Express card is used or the company's traveler's checks are purchased, \$2 for each new American Express card issued, and \$5 each time travel arrangements valued at more than \$500 (excluding air fare) are made through one of its travel offices."

"American Express believes it will donate almost \$60,000 directly to alliance members during the promotion, in addition to spending \$300,000 to \$400,000 on local television, newspaper, and point-of-purchase advertising to promote the campaign. Meanwhile, the alliance will dovetail its own \$1.8 million annual fund-raising effort with the American Express campaign, benefiting from the blitz of American Express ads detailing the contributions of the arts groups to Atlanta's quality of life."

"We are looking for a way to make our marketing more in tune with local communities, and donating to the arts appeals to the upscale, traveling market that we traditionally go after," explains William M. McCormick, president of the company's consumer financial services group. "At first we didn't know whether we'd found a new philanthropic method or just a novel way to give away money, but increases in card usage and (issuance of) new cards in other cities where we've tried this, show it to be as successful—if not more successful—as any marketing program we've ever done."

"American Express says that the funds for the program would normally have been spent on advertising and promotion in the local areas and were not shifted from its philanthropic foundation's budget."

Which brings us full circle with our premise that *doing good can mean doing well*. The viewpoint that company community involvement is a complex business decision which deserves to be integrated into the companies' strategic plan can pay off for all involved.

Businesses need to commit now to develop their own community involvement plan.

Many benefits can follow: improved image, larger market share, employee development, employee recruitment edge, improved business operating environment, creation of goodwill, and disaster survival planning. Businesses need to commit now to develop their own com-

munity involvement plan. The Technical Assistance Center offers services to businesses to help them develop their plan. This is the time to take action. Contact the Technical Assistance Center at (303) 691-9610 for further information.

