

# Exploring **CORPORATE PHILANTHROPY**

## **A Member Survey**

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## BACKGROUND

Once considered a limited corporate function, informally guided by the personal interests of top senior executives, many corporate philanthropy programs appear to be currently undergoing an extensive transformation. Multiple aspects of individual corporate giving programs – including strategy, operations, partnerships and communications – are being revised to reflect a new emphasis on business and social impact. As a result of these developments, corporate giving officers must navigate new challenges and opportunities, both internally and within the broader philanthropic space.

Recognizing these developments, the Committee to Encourage Corporate Philanthropy (CECP) embarked on a research initiative to inform and support our member giving officers and others involved in corporate philanthropy. Beginning in June 2005, we conducted a series of confidential interviews with philanthropic executives at thirty-one CECP member companies. These companies, situated in a dozen industries, represent a broad-section of CECP's membership roster. Almost all companies are listed on the Fortune 500, and possess a national (and typically global) presence.

Based on these interviews, we have produced the following report which compiles the key learnings into a snapshot of the corporate giving landscape. This document is organized into twelve distinct areas that we believe directly impact the management of competitive corporate giving programs today:

- ◆ Strategy
- ◆ Making the Business Case
- ◆ Senior Management Engagement
- ◆ Employee Engagement/ Volunteerism
- ◆ Inter-Departmental Engagement
- ◆ Internal Communications
- ◆ External Communications
- ◆ Partnerships
- ◆ Focus Areas
- ◆ Operations
- ◆ Decision-Making
- ◆ Signature Campaigns

Each area has been divided into three sections: “*Learnings*”, which provide explanations and analysis of our interview findings and explore current and future trends; “*Quick Tips*”, which offer concise suggestions from giving officers; and, when available, “*Best Practices*”, which illustrate a variety of best practice approaches from participating giving departments.

# EXECUTIVE SUMMARY

## SUMMARY OF RESULTS

### **Significant Emphasis on Strategy and Restructuring**

Over two-thirds (68%) of giving departments have significantly revised their philanthropic strategy and/or the structure of their departments within the past four years. Close to one-half (42%) of companies interviewed are either currently in the midst of a comprehensive strategic review of their philanthropy department, or have completed one within the past year. This has been motivated by several developments, including the Tsunami and 9/11 tragedies; government legislation; the external business environment and/or internal corporate events. *[see page 5]*

### **Increased Interest in International Philanthropy**

Two-fifths (42%) of companies reported they have an international philanthropic presence. Almost one-half (46%) of those companies are developing strategic plans to further increase and refine their involvement in this area. *[see page 7]*

### **Business Case is Extremely Important to Giving Departments**

More than 90% of all companies interviewed identified one or more specific business-related goals. During the interviews, we heard 26 reasons that companies use to substantiate the business case for corporate giving. *[see page 8]*

### **“Chief Giving Officers” (CGOs) Are Close to CEOs**

Three-quarters (74%) of companies reported strong senior executive engagement (via their CEO or other senior management) with their philanthropic programs. Slightly more than three-quarters (77%) of all CGOs are, at most, one-step removed from their CEOs in their company’s reporting structure. Almost one-third (29%) of CGOs report directly to their CEO. Methods of increasing senior level engagement include using Boards/committees to oversee giving programs, developing Board placement programs, staffing their CEO’s personal

nonprofit involvement, and utilizing the CEO as a corporate philanthropy spokesperson. *[see page 11]*

### **Employee Initiatives are Important**

Over 90% of giving departments reported the existence of volunteer programs at their company. Almost one-half (48%) of the companies interviewed encourage volunteerism by either providing paid time off to engage in personal volunteer projects, or creating coordinated “volunteer events”. Some giving officers were concerned about the growth of employee-matching programs, while others mentioned a growth in faith-based giving issues. *[see page 15]*

### **Key Interaction with HR, Marketing and, Recently, Investor Relations**

Three-quarters (75%) of the philanthropy departments interviewed interact with their company’s human resources department; almost two-thirds with their communications groups (61%) and marketing divisions (58%); and approximately one-half (48%) with one or more business lines/divisions. This cross-company interaction can significantly enhance the effectiveness of a giving department’s functioning. In addition, one-third (36%) of giving units now interact with the investor relations unit at their company. This latter amount may increase, as some giving officers saw this occurring with increasing frequency across the corporate philanthropy community. *[see page 19]*

### **Internal Communication Remains a Challenge**

Almost three-quarters (73%) of giving departments utilize their company’s Intranet, while more than one-half (54%) distributed a newsletter to inform and communicate with employees. However, many giving officers described challenges in communicating information to employees about the company’s philanthropy. One-third (32%) of giving departments are either developing a new communications strate-

gy/process or in the process of implementing one. *[see page 21]*

### **Changing Perspectives on Publicizing Giving**

While the strategy and tactics behind publicizing giving initiatives is evolving, many challenges remain, including limited media interest, lack of internal resources and low nonprofit participation. While over two-thirds (71%) of giving departments use PR as a communications strategy, one-third (35%) are now also utilizing some type of marketing or advertising to raise awareness. One-quarter (26%) have begun to issue an annual community relations/corporate responsibility report, a number CECF expects to increase. *[see page 23]*

### **Evolving Nonprofit Relationships**

Corporate relationships with nonprofits may be developing into more in-depth, mutually beneficial partnerships, due possibly to the increased emphasis on “strategic” corporate philanthropy. More than one-third (39%) of giving departments referenced the importance of business benefits in a successful nonprofit relationship. Several giving officers also mentioned issues and concerns with nonprofits revolving around a general lack of publicity for the company’s efforts and poor nonprofit management and collaboration. *[see page 26]*

### **Most Companies Focus on Education and Take “Business Impact” into Account**

Fully three-quarters (77%) of all companies interviewed have adopted education as a focus area for their company’s philanthropy. Due to this “overcrowding”, many giving departments are looking at ways they can brand or own a specific niche in this area. Two-thirds (65%) of giving departments mention a specific business factor behind their focus area selection. *[see page 27]*

### **Location of Corporate Giving Departments within Organizational Structure Varies**

The structure of corporate giving departments within companies varies considerably. However,

two-thirds (65%) of companies interviewed utilize some version of one or more giving department(s) located within the corporate structure to manage their philanthropic activities. Only one-fifth (18%) possess a nonprofit corporate foundation that operates outside the corporate structure and uses an independent Board to direct giving. *[see page 30]*

### **Funding Occurs Mostly through Budget Process**

Four-fifths (82%) of corporate giving entities are funded annually, via the same budget process the company’s individual business units undertake each year. *[see page 30]*

### **Small Staffing Requirements**

One-half (52%) of all giving departments interviewed employ five people at most. Several utilize only one or two employees. One-third (39%) retain more than 10 staff members. *[see page 31]*

### **Decision-making is Generally Not Centralized at Corporate Headquarters**

Only one-quarter (26%) of the companies interviewed manage their giving departments exclusively from company headquarters. The rest allow local or regional offices to manage some areas of their corporate philanthropy program (20%), or operate through a hybrid model of the two (54%). One-quarter (29%) of giving departments say compliance challenges have impacted the management of the philanthropic giving. *[see page 32]*

### **Signature Campaigns Used by Majority of Companies**

More than one-half (55%) of giving departments engage in one or more signature campaigns (defined as a significant philanthropic initiative that is advanced as a central focus of a company’s philanthropy). In addition, a number of companies that are not pursuing signature campaigns are reconsidering this approach. Seven examples of signature campaigns are included in this report. *[see page 35]*

# I. STRATEGY

## LEARNINGS

### Increasing Emphasis on Strategic and Focused Giving

Although corporate philanthropy has been practiced by many companies for decades, a new approach to corporate giving is emerging across the business community. Over two-thirds (68%) of the companies we interviewed have significantly revised their giving department's strategy and/or structure within the past four years. Close to one-half (42%) of the companies are either currently in the midst of a comprehensive strategic review of their philanthropy department, or have just completed one within the past year. The impact of this cannot be understated; most of the analysis and trends referenced in this report have their genesis in this development.

The process for conducting a strategic review varied considerably. Many companies conducted their review internally, letting the giving department direct the review, or relying on a cross-company task-force of senior management. Other companies used external consultants (including management consultants, marketing agencies, PR firms, individual consultants, or former giving officers), while some conducted their review using a combination of both external and internal groups.

### Several Factors Underlying Enhanced Strategic Giving

This new focus on more strategically guided and tightly focused giving programs may have been initiated by a number of somewhat interrelated factors.

#### Mergers / Acquisitions

Numerous interviewees spoke of the impact of a merger or large acquisition on their giving department. Within the past five years, almost one-third

(29%) of the companies we spoke with have undergone a significant merger or acquisition. Many utilized this disruption to conduct a complete strategic review of their philanthropic departments. Through this, these companies incorporated a variety of best practices from peer companies and several were able to develop a unified operating strategy across several formerly disconnected giving units.

However, a number of affected companies also referenced the challenges associated with combining two disparate giving entities. Competing characteristics of the merging companies that have caused difficulties include differences in:

- ◆ Company cultures, especially around vary in degrees of employee involvement (volunteerism, gift-matching)
- ◆ Decision-making models (centralized vs. decentralized)
- ◆ Nonprofit relationships/grants (how long to honor and to what extent?)
- ◆ Focus areas (e.g. arts/culture vs. education)
- ◆ Databases (merging of different data sets)
- ◆ Emphasis on measurement
- ◆ Differing views on importance of business vs. social impact of philanthropy

#### 9/11 and Tsunami

Both of these tragedies may have had a significant influence on the move towards a more strategic style of philanthropy. The 9/11 attacks appear to have inspired increased engagement in community involvement among all levels of employees (junior and senior management), as well as within the company culture. This has fostered increased internal interest in how the company

conducts its philanthropy. In addition, the large sum of cash and in-kind corporate donations for each tragedy caused senior management to take a fresh look at their overall giving strategy. CECF expects the incredible outpouring of corporate attention and aid to the Katrina devastation to further these trends.

#### Government Legislation

The passage of the Patriot Act and Sarbanes Oxley has challenged giving departments in terms of their due-diligence, grant-making and choice of focus area. Several giving officers referenced the importance of a renewed strategic emphasis in monitoring and managing the effects of legislation on funding and operations.

#### Corporate Developments

##### □ *Meeting Obligations of a Growing Company*

Dramatic growth rates – either via increased sales or mergers/acquisitions – have expanded certain companies’ “footprint” in both foreign countries and the United States. As a result, these companies are being brought into contact with stakeholders who are interested in these companies’ social and community objectives. This has pushed some companies to increase their involvement in this area, necessitating a stronger, more strategic emphasis on corporate philanthropy.

##### □ *Responding to “First Movers”*

Several years ago, a limited number of companies boosted their spending on corporate giving, and reaped consumer-awareness and brand-building benefits by being at the leading edge of this trend. Now, senior executives from some of the companies interviewed believe their compa-

ny faces a competitive disadvantage in this space and are seeking to quickly match their peers. A rapid development of highly-targeted and focused giving strategies has been required to regain mindshare as a socially aware and community-involved company.

##### □ *Aligning with Business Priorities*

The corporate leadership of some of the companies interviewed has begun to recognize the business benefits of philanthropy, and has challenged giving officers to provide value to the company’s business interests. As a result, giving officers are now strategically aligning the company’s philanthropy with the company’s business strategy, partners, brand, and customer interests.

##### □ *Increasing Social Return on Investment*

Senior management at some companies is actively pursuing “Social ROI” and wants to increase the social impact of the company’s giving efforts. Accordingly, giving officers are being directed to refine their existing selection of causes/grants (which senior executives believe to be too broad and unfocused), and manage their charitable programs strategically, in order to enhance the results of the company’s philanthropy.



## International Focus is of Growing Importance

Focusing on international regions (in addition to domestic issues) is a developing philanthropic trend among the companies interviewed. Numerous companies are currently reviewing and revising their international giving approach. Two-fifths (42%) of companies reported they have an international philanthropic presence. Almost one-half (46%) of those companies are developing strategic plans to further increase and refine their involvement in this area.

We believe this increased emphasis on international giving will continue, especially as more U.S.-based companies grow their international revenue.

However, this may point to several challenges relevant to giving officers:

- ◆ Establishing a unified global giving strategy within the company while allowing for needs and goals within different countries
- ◆ Vetting international organizations and establishing partnerships with local groups in foreign locations with limited or non-existent on-the-ground staffing and resources
- ◆ Managing philanthropic efforts within and across distinct countries that require personalized attention and consideration (decision-making, communications, employee involvement, etc.)

### QUICK TIPS

- ✓ A great opportunity to engage senior-level management is during a strategic review (which can include establishing a signature campaign, or determining grants for specific focus areas). Creating a senior executive committee can increase executive involvement and understanding of your program and ensure further commitment to your success.
- ✓ Ask the following questions when conducting a strategic review of your giving department: “Does our giving strategy suit our company today (e.g. values, assets, culture)? Does it take advantage of our capabilities? Could we be doing more in terms of both social and business impact?”
- ✓ Review your strengths for untapped resources. For some companies, a volunteer-aligned strategy taps the strengths of a wide-ranging local store/office base. For others, a deep-rooted international presence allows companies to build an international giving strategy relatively efficiently.
- ✓ Developing a compelling giving strategy that generates positive publicity and pursues impactful signature philanthropic initiatives can prove immensely helpful in unifying and preserving a company culture that has thousands of employees and multiple business units scattered around the world.



## II. MAKING THE BUSINESS CASE

### LEARNINGS

#### Pressure on Giving Programs

In our interviews we found that a number of giving departments are being directed to generate impact in either (or both) of two areas: first, a demonstration on the social impact achieved by their company's philanthropy; and/or second, a quantifiable ROI for the *business-related* benefits of their corporate giving. Connecting these two aspects of "strategic corporate philanthropy" to each other and to overarching corporate goals may be one of the primary challenges of giving departments moving forward.

This focus may help to explain why we are seeing an increase in the emphasis on "measurement" from most giving departments, as a way of demonstrating the "*impacts*" of philanthropic programs. It also demonstrates why the business case for corporate philanthropy has become so important to almost every company surveyed.

Over 90% of all giving departments have at least one or more business-related goal(s) underlying their corporate philanthropy programs. Below is a compilation of perspectives to substantiate the business case for corporate giving:

#### Internal Business Benefits

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##### Employee Retention

- ◆ Enhances communities in which employees live (via funding/work in community development, education, arts/culture, health, etc.)
- ◆ Demonstrates that the company is attentive to employee needs/interests and builds morale (via employee-matching gift programs, giving to employee-relevant causes, etc.)
- ◆ Assists in transmission of company culture across scattered locations and employees

##### Professional Development

- ◆ Assists internal team-building efforts, which encourages collaboration and productivity among employees
- ◆ Develops individual leadership and communication skills, and provides management and delegation experience
- ◆ Creates networking opportunities

##### Inter-Departmental Assistance

- ◆ Supplies positive publicity for the company, and internal messaging for Communications departments
- ◆ Generates charitable activities that can be developed into marketing vehicles
- ◆ Provides relationships that can be tapped for various human resource initiatives (diversity, etc.)
- ◆ Answers concerns raised by socially-aware shareholders to Investor Relations

##### "Legitimated Refusal"

- ◆ Establishes focus areas and funding guidelines that give other departments the ability to decline requests that do not meet the objectives of the company

## External Business Benefits

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### Brand-building and Awareness

- ◆ Builds acceptance of company presence when entering new markets or countries, especially by establishing an early philanthropic presence
- ◆ Helps companies entering a foreign market to maintain a positive local presence and brand the company as a member of that country's business community, by representing the company to a larger constituency and demonstrating long-term commitment to local markets
- ◆ Improves customer loyalty and retention (among pro-social customers)

### CEO and Other Senior Executive Involvement

- ◆ Allows senior managers to build business-relevant relationships in their communities, specifically local community leaders and government representatives (through Board placement and other nonprofit activities)
- ◆ Develops "spokesperson" opportunities for executives that can indirectly enhance the company's brand positioning and value

### Employee Recruitment

- ◆ Improves the community in which a future employee will live
- ◆ Connects with prospective employees who are socially-aware and seeking to engage with specific causes/organizations

### Business Development

- ◆ Builds a strong and stable infrastructure for the company by improving the surrounding community's economy, health, safety, and environment
- ◆ Strengthens a surrounding community's potential workforce through improved access to technology, education and health care
- ◆ Increases potential customer base by developing more educated, empowered, financially viable consumers (especially among previously under-served communities)
- ◆ Facilitates the penetration of new markets regionally and internationally, by assisting in new location launches (e.g. via positive early messaging around the company's reinvestment in the community)

### Relationship Building (*sub-category of Business Development*)

- ◆ Develops governmental relationships, (domestically and internationally), by building goodwill among the communities/countries that a company aids
- ◆ Enhances relationships with third party vendors, suppliers, etc.
- ◆ Builds media relationships, which can gain aid a company should a community-related/corporate citizenship PR issue occur
- ◆ Grows relationships regionally among other philanthropically-minded companies

## QUICK TIPS

- ☒ Do not try to achieve all possible business objectives of corporate philanthropy. Instead, review your company's business plan, employee needs, global locations, target markets and develop your business case accordingly.
- ☒ Develop two documents that can be distributed internally that make the case for business philanthropy – one tailored specifically to senior management, the other for staff. Recognize the distinction between internal and external business objectives which may be relevant to different parties.
- ☒ Look to develop programs or partnerships that achieve multiple business objectives. For example, group volunteer initiatives can have employee benefits (professional development, team building, retention), internal and external communication opportunities, and brand recognition/awareness benefits. Funding career-track scholarship programs achieves similarly multiple benefits.
- ☒ Communicate internally how your company's business will be impacted by challenges that have a “social” or “community” component (e.g. lack of education, global warming, etc.) to help make the case within your company for corporate philanthropy.
- ☒ Conduct employee surveys to demonstrate the importance of philanthropy on employee retention, recruitment and development.
- ☒ Determine which business units at your company that your department has the best chance of assisting, and tailor the business relevance of your corporate philanthropy accordingly. If your business case involves Human Resources, you may want to look at employee impact and how your focus area choices will impact other departments; if it is Marketing – look at what social causes your customers are most interested in, and what fits with company branding goals and its product/industry.

### III. SENIOR MANAGEMENT ENGAGEMENT

#### LEARNINGS

Three-quarters (74%) of companies reported strong senior engagement (via their CEO or other senior executive) with their philanthropic programs. In addition, among the companies interviewed, most giving department leaders are well-positioned within their companies to engage their CEO. Three-quarters (77%) of all “Chief Giving Officers” (i.e., the head of a company’s specific giving division) are, at most, one-step removed from their CEOs in their company’s reporting structure. Almost one-third (29%) of CGOs report directly to their CEOs.

However, even across CECP companies, the engagement of senior executives in corporate philanthropy programs varies. Some CEOs head efforts and are personally engaged, while others are less connected.

#### Challenges in Engaging Senior Management

Several giving officers mentioned challenges in engaging other senior managers. For some, finding even a few hours of an executive’s time each year can be difficult, as is coordinating schedules among the executives. Another issue is that, in seeking to enhance internal buy-in for corporate philanthropy, some companies have incorporated too many senior executives into the management committees of their giving departments. This has led to difficulty in establishing consensus and moving projects forward.

#### Methods of Enhancing Engagement

##### □ *Boards/Committees*

One-half (52%) of the giving departments surveyed are managed or advised by a Board of Directors or committee composed of senior leaders. Most included the CEO and all include some senior leadership from various departments. Several companies utilize a Board or advisory committee. This provides several benefits, including engaging senior leaders on a one-to-one basis, increasing senior-level buy-in,

and sending an internal message that the company is serious about corporate philanthropy.

##### □ *Board Placement Programs*

Over one-third (39%) of giving groups have formal programs to place company executives (of varying levels of responsibility) with nonprofit Boards (both locally and nationally). In addition, numerous other giving officers mentioned informal efforts to work with employees on Board placement.

However, some companies are experiencing difficulty with their Board placement efforts. Typically, the executives placed on nonprofit Boards have limited exposure to the community relations world. Accordingly, the giving departments must provide extensive consultation. In addition, there is often a financial commitment associated with being a Board member, in terms of expected contribution from the Board member’s company and personal insurance needs.

##### □ *Staffing CEOs*

A number of companies serve as quasi- or formal staffing entities for their CEO’s personal nonprofit activities.

##### □ *CEO as Spokesperson*

Generally this tactic was mostly motivated by the individual CEO’s interest in social causes. However, while recognizing the importance of working with senior management, several companies have been judicious in their use of senior management as spokespeople (especially on the CEO level), recognizing that their extensive pre-existing time commitments may make it a challenge to be an effective spokesperson.

## QUICK TIPS

- ☒ Focused and engaged senior leadership sets the social tone for the company, and can quickly and easily foster community interest and involvement among employees. To reach your CEO, provide regular status updates to make sure they stay well informed. In addition, ensure your CEO is helping to set strategy and making decisions to keep them engaged and active with your philanthropy.
- ☒ Staffing your CEO's nonprofit involvement can promote the giving department internally, build important connections with the CEO and help raise his/her level of social-awareness.
- ☒ Careful and strategic selection of your Boards/Committees membership can enhance internal engagement, and improve internal communications.
- ☒ Providing opportunities for senior colleagues to serve on nonprofit Boards can have both company-specific benefits (aiding professional development, increasing community presence, building brand awareness) and giving department-specific advantages (motivating senior-level engagement, expanding nonprofit partnerships, inspiring "socially-aware" culture within the company, especially among future senior leaders of the company).
- ☒ Building Board membership opportunities into nonprofit grants can ensure multi-tiered engagement with nonprofit partners. In turn, encourage your CEO to establish internal Board membership requirements of management.
- ☒ Build out a network of "partner champions" at non-HQ locations, so more senior level executives can become engaged and champion philanthropy to others in your company.
- ☒ Utilizing a CEO as spokesperson can enhance the company by promoting the CEO, and through extension, the company as socially-aware and responsible.
- ☒ Look for hands-on volunteer projects that business leaders can direct, or team projects that managers can rally their employees around.

## BEST PRACTICES

### Site Visits



The Fifth Third Foundation consistently takes its key senior executive decision makers on site visits to visit its key nonprofit partners, and invites them to attend grant presentations to nonprofits. Through these efforts, the Foundation hopes that senior management is able to see the results of their giving decisions, and learn first hand the issues their company is impacting. It also allows these executives to develop relationships with the nonprofit partners and gain trust in the efforts of the Foundation and its achievements.

### “Field Trips with Marcia”



While some might argue that this would be too difficult a proposition at their own company, Marcia Argyris of McKesson, developed an interesting method of engaging senior management. Informally titled “Marcia’s Field Trips”, Ms. Argyris holds the important Foundation meetings (involving senior executives) on-site, at one of the local nonprofit organizations that the company supports. Through this strategy, executives see first-hand the issues they are impacting (e.g. providing healthcare to runaway children), and can directly meet the leadership of these organizations. Per Ms. Argyris, these efforts have proven extremely beneficial and important to management.

### Grant-Review Technology



Internally, Carlson Holdings in conjunction with the Curtis L. Carlson Family Foundation has developed an interesting technology for grant-reviews that is useful in engaging the Board of Governors (who provide oversight for the Foundation). After reviewing existing technologies, the Foundation (through the company’s IT department) customized an application that allows the BOG to review each grant on the company’s Intranet prior to a board meeting. The process begins as each nonprofit with a grant request is directed to a website, where it completes a standardized template form. The grant application is then directly ported to an internal Carlson Companies database. The CGO and her staff can then post comments, include historical data and do a preliminary screen on the non profit, before posting each nonprofit grant request on a separate Intranet. The members of the BOG then log into this site to review and vote to approve or decline a grant request prior to the meeting.

## **Xerox Focuses on Diversity**

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**XEROX®**

Xerox has emphasized diversity in filling the Board of Trustees of The Xerox Foundation. In addition to the CEO, CGO, a senior Operating Executive and the senior technologist, the rest of the Board includes the senior African American, Hispanic and female executive (in addition to Anne Mulcahy) at the company. This focus on diversity also provides a broad representation of the company's departments, as the Board of Trustees includes the head of Human Resources, the head of Marketing and the head of R&D.

In addition, several other committees also provide counsel and hands-on direction for the Foundation. For example, a committee of eight, each one a graduate of a historically black college, is responsible for maintaining relationships with his/her alumni school, and directing the distribution of a total of \$750K annually to these schools. Xerox has a long history of recruiting from these institutions. Another committee, with the same set-up and operations, is in place for schools with a large Hispanic population.



## IV. EMPLOYEE ENGAGEMENT / VOLUNTEERISM

### LEARNINGS

#### Prevalence of Volunteer Initiatives

With over 90% of giving departments reporting that their companies have specific volunteer initiatives, and almost two-thirds (61%) of the giving departments directly managing their company's volunteer programs, it is clear that volunteering is a vital aspect of many corporate philanthropy programs.

Almost one-half (48%) of giving departments interviewed encourage volunteerism among their employees in one of two ways. Some have created specific and coordinated "volunteer events" that typically take place during a day or over a week. Other companies instead provide paid time off for employees to engage in personal volunteer projects.

The business case for employee volunteerism is one of the strongest, both internally and externally. We heard from many giving officers who believe that volunteer programs can be one of the most impactful methods of spreading the concept and importance of corporate philanthropy throughout a company. Volunteerism puts a human face on a company's involvement and can improve a company's image within a community. In addition, engaged volunteers make good employees. Volunteer initiatives increase collaboration, team-building and internal networking, enhance employee retention and provide professional development opportunities for all levels of employees.

In turn, giving departments can accomplish several internal objectives with volunteer campaigns, including greater senior management engagement in their department, increased internal communications and involvement with employees, and improved connectivity with other departments.

#### Employee-Matching Grants

For several giving officers, almost half of their department's budget is dedicated to employee matching gift programs and employee volunteer grants. This has come about by a relaxing of the criteria for company matching, which spurred an increase in the amount of funding these initiatives required. As a result, these giving departments are facing potentially substantial difficulties in determining how to manage the growth of these matching programs.

#### Faith-based Concerns

A few companies spoke specifically about the increasing pressure to provide employees with a set of guidelines for matching employee gifts to churches, and other faith-based charities and schools. Another faith-based challenge concerns funding groups that offend a person of a particular faith. One company in particular spoke of adverse effect (albeit very small) that this involvement had on their company's business. Another giving officer spoke of the challenge in developing a consistent policy to address all faith-based charities (for example, giving to "faith-based universities", or working with charities that were originally founded on faith-based principles, but are not currently concerned exclusively with promoting a specific faith). While this challenge was not voiced by a majority of the companies interviewed, this may be an emerging trend that some companies should monitor.

## QUICK TIPS

- ☒ When developing a volunteer program, consider how it will be coordinated, based on the overall decision-making process of your giving department. The management needs may be different depending on whether you operate through a decentralized decision-making structure vs. a centralized process. (see “Decision-Making” section)
- ☒ Company-wide “days of volunteerism” are media-friendly, and can provide a focused and strategic platform to engage employees and senior management, in addition to their deep (although short-term) community impact. However, manufacturing companies and decentralized giving departments may find them a challenge to execute.
- ☒ Providing employees with paid time off to volunteer at organizations of the employees choosing can be an effective way of serving individual employees’ charitable interests and may fit better with their work schedule.
- ☒ Set up a website (or outsource to a web technology company) to inform employees about available volunteer opportunities and to track individual volunteer time (for measurement and benchmarking purposes). This site can be a valuable source of information and can be accessed for information on employee interests when selecting future focus areas and signature initiatives.

## BEST PRACTICES

### **IMPACT Day**

# Deloitte.

During Deloitte's IMPACT Day, which occurs once a year during a business day, each Deloitte office offers volunteer community projects in which its employees can participate. 20,000 employees participated in the most recent event, undertaking 580 projects in 76 locations, involving 320 nonprofits and community groups. The company is able to track its employee volunteerism through a code which employees enter on their online weekly time reports. This event is mandatory, and provides several benefits to Deloitte:

- ◆ Opportunity to give back to the community in which it operates.
- ◆ Introduces value of volunteering to employees.
- ◆ Rewards existing nonprofit partnerships.
- ◆ Kicks off new relationships with nonprofit organizations.
- ◆ Develops leadership skills, especially among more junior employees, helping them enhance communication, delegation and management skills.
- ◆ Builds teams and networking opportunities for employees (each event incorporates a team-building exercise and utilizes cross-functional teams).

### **Employee Involvement Initiatives**

Wachovia has a large employee volunteerism program, engaging 26 cities with corporate volunteer chapters. Currently, one in five Wachovia employees is a member of a volunteer chapter. The Wachovia Foundation supplies the structure, tools and policies for the volunteer program, while local volunteer chapters inform individual employee volunteers of needs and objectives.



**WACHOVIA**

In addition, each Wachovia employee is given four hours of paid time each month – totaling six days each year – to volunteer in their community. The company has an intranet site where employees are encouraged to record their volunteer hours. In 2004, over 600,000 employee volunteer hours were recorded through this program, which the company believes is 40% of the actual total. To supplement and reward the employees' activities, for each 24 hours an employee volunteers with an organization, the Wachovia Foundation provides a \$100 grant in their name to that organization – up to twice a year.

Another component of Wachovia's employee-based philanthropy is WE Care, an employee to employee support program to assist employees dealing with disaster and hardship. Employees voluntarily donate a small portion of each paycheck to the WE Care fund. Due to IRS requirements, the Wachovia Foundation then works with the independent "Foundation for the Carolinas" which actually manages the grant processing, decision making and administrative aspects. Under terms of the program, one-time grants of up to \$10,000 may be awarded to an employee to cover expenses that have resulted from a natural disaster, emergency or family crisis.

## Home Depot's Focus on Volunteerism



Home Depot has spent the past eight years repositioning its charitable efforts to align with volunteer initiatives, in recognition of the benefits of volunteering for employees, local stores and the communities in which it operates. Recently, led by CEO Bob Nardelli (who is on the advisory council of volunteerism-enabling nonprofit Hands On Network), the company has helped establish the Corporate Month of Service. The project originated in fall 2004 with Home Depot's Week of Service, where company employees donated over 260,000 hours toward 1,600 projects. During this year's events, taking place in September 2005, Home Depot partnered with the Hands On Network to enlist thirty other companies to engage in volunteer projects across North America. Mr. Nardelli's ultimate goal through this initiative is to expand corporate volunteerism in the U.S. by 10%. As a result the Corporate Month of Service had over 75,000 volunteers working on 1905 service projects, logging over 850,000 hours of community engagement. Home Depot led 1288 of these projects with 41,000 volunteers and logged over 320,000 hours as an associate lead volunteer program, working on 130 schools, 44 parks, 20 community centers, 20 educational murals and 54 playgrounds.

- ◆ 94% of employees said Corporate Month of Service had positive impact on their community
- ◆ 33% of employees never volunteered before
- ◆ 92% of employees said they are likely to volunteer again
- ◆ 91% of employees experienced a greater sense of pride in their company

For the company, the business case for a volunteer-based approach begins with the knowledge that an engaged volunteer is a strong employee. Volunteerism gives employees the chance to enhance their skill sets, and gain confidence in their abilities, which ultimately enhances their professional development. It also ties associates to the company on a more emotional and impactful level. This has been proven by internal employee surveys that show associates are excited by Home Depot's efforts, and want the company to enter into more volunteer programs.

## Community Days

# McKESSON

Timed to coincide during National Volunteer Week, this program allows employees one paid day off to engage in volunteer projects of their choice. Currently in its seventh year, 2,000 employees (out of 23,000) in 38 separate communities took part in this April's recent event. However, because of the nature of McKesson's work, many of its employees can not leave work to engage a volunteer activity. Doing so would shut down its business for a day. The company solved this challenge by allowing people to choose a day that fit their schedule, and, if the location could not allow many employees time off, drawing names randomly to determine who could participate. Per McKesson's CGO, the program is so well-liked by both management and employees, growth in participation has occurred organically, with only limited encouragement necessary by the company.

## V. INTER-DEPARTMENTAL ENGAGEMENT

### LEARNINGS

In general, we found the vast majority of giving departments engage with at least one other department within their company.

#### Key Departments

- ❑ *Three-quarters (75%) interact with Human Resources.* Almost all companies possess a community involvement or volunteerism program, which requires a strong connection between HR and the giving department.
- ❑ *Almost two-thirds (61%) interact with Communications.* Most philanthropy units interviewed are in direct contact with their company's Communications unit to coordinate internal and external communications. Several giving departments have a full-time resource within the Communications department.
- ❑ *Over one-half (58%) interact with Marketing.* Several giving officers stated that their interaction with Marketing was growing. Increased senior management interest in enhancing consumer awareness of corporate philanthropic initiatives, coupled with challenges in using public relations to tell the company's philanthropic story, may be influencing this development.
- ❑ *Approximately one half (48%) interact specifically with one or more business lines/divisions.* While this can take many forms, it demonstrates the growing link between a company's

philanthropic endeavors and its relevance to the company's business.

- ❑ *More than one-third (36%) now interact with Investor Relations.* Multiple giving officers stated that they believe Investor Relations engagement may increase across the business community, due to an increasing number of shareholders who want to know about the company's policies, community efforts, social mission, cause selection, etc. Some giving departments assist Investor Relations in completing surveys, and provide background for the CEO at annual shareholder meetings. Other giving units help Investor Relations assemble a Corporate Responsibility Report.

#### Legacy Location

One other point of interest – most giving departments appear to be grouped historically (i.e. based on an earlier precedent), judging by the disconnect between their location and the departments they interact with the most. This may change in the future, as many companies – having recently restructured their giving departments – may review and alter the location of their giving departments within their organizational structure. In addition, as the giving departments within our survey continue to evolve and refine their strategic focus, we believe they will increasingly come into contact with departments that previously they had not interacted with before (e.g. Investor Relations).

#### QUICK TIPS

- ✓ Remember the importance of “internal networking” in building out philanthropic initiatives. Know a key manager in every department, and educate yourself on their needs.
- ✓ Regularly communicate your corporate philanthropy activities to all departments to ensure that they know what you are doing and you can collaborate with them.

# BEST PRACTICES

## Assisting Departments Across the Company

### ***The McGraw-Hill Companies***

By design, The McGraw-Hill Companies' giving department interacts heavily with the company's various business divisions, and has emphasized the importance of developing and communicating the business case for philanthropy. As a result, business units are increasingly engaging with the giving department, due to a growing recognition of the business benefits. For example, during a recent bidding process, the company's past charitable work in financial literacy differentiated it from its competitors, and helped it win a large contract for its Education business unit. Among the departments the giving department engages:

- ◆ *Human Resources*: worked closely with Human Resources on an internal corporate volunteer campaign (which HR views as vital to the growth of the company), and helped HR in recruitment and retention. In addition, HR has leveraged the giving department's work with affinity groups to develop a number of diversity initiatives.
- ◆ *Marketing*: assisted the Marketing department on an ad campaign which ran in the company's business publications, promoting the company's philanthropic activities.
- ◆ *Chairman of The McGraw-Hill Companies*: supported Terry McGraw in his personal philanthropic endeavors and staffed him for his relationships with nonprofit Boards.
- ◆ *Investor Relations*: supported Investor Relations on CSR issues, engaged stakeholders on their behalf as needed and participated in responding to Socially Responsible Investment Fund Surveys.
- ◆ *Across the corporation's three business operating segments* (Education, Information and Media Services, and Financial Services): on a daily basis interacts with a number of individual business units within those segments. For example, corporate contributions has worked with the corporation's business publications and educational division, leveraging business unit expertise to develop ways to create a more financially literate potential customer base.

## VI. INTERNAL COMMUNICATIONS

### LEARNINGS

#### Searching for New Strategies

Communicating the objectives, successes and opportunities of corporate philanthropy to employees and management remains a challenge for giving officers. While giving officers recognize the importance of a strong internal communications effort, several spoke specifically about their difficulties in finding effective and easily implemented strategies. However, despite this, most giving officers interviewed currently utilize two conventional methods (Intranet and newsletters) to reach employees internally. Perhaps searching for new ideas, one-third (32%) of giving departments are developing a new communications strategy/process or in the process of implementing one.

Almost three-quarters (73%) post information on philanthropic efforts on a sub-site within the company's larger Intranet. However, few giving officers found this an especially successful tactic. Several

were restricted by their company's internal structure, which does not provide a collective corporate Intranet site visited by all divisions of their company. Within other companies, not all employees had access to computers and/or the company Intranet.

In addition, more than one-half (54%) distribute some type of newsletter to inform employees. The format varies between email and hard copy, distributed weekly, monthly or annually. Still, some giving officers described the difficulty in making the communications newsworthy, accessible and easy to read.

Only a few giving officers described their use of non-traditional tactics, most of which are described in the "Quick Tips" section below.

#### QUICK TIPS

- ☒ Push information to employees through email, mail, newsletters, live events, etc., instead of presenting information in a manner that forces them to seek it out (e.g. exclusively via a website/Intranet).
- ☒ For larger companies especially, with operations in multiple communities, paid advertising or public relations offers a useful platform to reach employees.
- ☒ Utilize your CEO more effectively in communicating your giving – have them tape mini-segments to announce new programs, endorse efforts or provide direction. Encourage them to serve as spokespeople for your company's philanthropic efforts. Ensure that company-wide emails, newsletters, video presentations, etc. that discuss your company's philanthropy come from the CEO.
- ☒ Work with key managers to communicate to the staff they manage; make it the responsibility of the manager to ensure staff awareness.



- ☒ Create an opt-in volunteer list-serv, allowing your giving department to push emails to employees who have expressed interest in your philanthropic efforts.
- ☒ Hold a Charity Fair and invite local nonprofit organizations to company locations to meet with employees during specified times. This allows employees to get involved with charities in which they are most interested.
- ☒ Conduct live events and “meet and greets” at local offices/stores/units to allow employees to ask questions and seek information from your giving department.
- ☒ Support new technologies such as blogs and online journals.
- ☒ Host webcasts twice a year for employees that cover important community-related topics.
- ☒ Utilize the internal new hire training sessions conducted by your company to communicate to new employees about your corporate philanthropy work and opportunities for involvement.
- ☒ Include community-related or philanthropic challenges in your professional/managerial development programs for new/junior executives.
- ☒ Encourage your CEO to deliver a recognition award to employees who are especially involved in their communities and/or your company’s philanthropic efforts.

## VII. EXTERNAL COMMUNICATIONS

### LEARNINGS

#### Changing Perspective on Publicizing Giving

Corporate sentiment about publicizing philanthropy efforts may be changing. Some companies we spoke with described company cultures and leaders that traditionally had not believed in promoting corporate giving (or in only limited publicity). However, companies that are comfortable engaging in public relations and marketing around their philanthropy have reaped a considerable amount of positive press, and consumer approval as a result. Those giving departments that have chosen to quietly fund causes and nonprofits now fear they are missing an important opportunity, and theoretically could even be appearing negatively in the eyes of the press and public. One company spoke of having to issue a post-Tsunami press release regarding an extremely generous, albeit quiet donation just to counter potential criticism of their “lack of involvement”. In addition, according to companies we interviewed that began outside the U.S., successfully communicating a company’s philanthropic efforts (and overall corporate citizenship) has become a pre-requisite for doing business in this country.

#### Challenges in Telling The Story

One of the bigger challenges currently facing giving officers is developing an effective external communications strategy that tells the story of their company’s philanthropy, and builds credibility, brand recognition and consumer awareness in this area. Some giving departments are given only limited internal corporate resources to dedicate to philanthropic communications. Moreover, their nonprofit partners do not have the budget, skills, or resources to promote the efforts of their corporate partners. This can be problematic, as most companies that issue press releases do so in conjunction with the nonprofit they are funding.

In addition, a negative business environment can make it contradictory to publicize philanthropy.

Almost one-quarter (23%) of philanthropy departments surveyed have experienced recent financial challenges. When this happens, it can wreak havoc on external communications efforts, as laid-off employees, current management and shareholders may take issue with overt corporate philanthropy, especially when corporate budget cuts lead to the elimination of jobs.

#### Alternatives to Public Relations

More than two-thirds (71%) of giving departments use public relations as a communications strategy, but many described difficulties in relying on the media to report their company’s philanthropic achievements. Several giving officers see the media as simply uninterested in or unwilling to report the story. Accordingly, a few companies are beginning to review the use of public relations as their exclusive external communications strategy. Currently, one-third (35%) of giving departments use marketing or advertising to raise awareness of their company’s philanthropy. In addition, as discussed in a previous section, over one-half (58%) of giving departments now “interact” with their company’s marketing division. In light of the challenges described above, we believe more corporate philanthropy departments may begin placing additional emphasis on marketing as a vehicle to communicate their giving activities.

#### Use of Corporate Responsibility Report

One-quarter (26%) of companies interviewed issue an annual community relations/corporate responsibility report (many having recently done so for the first time). Some giving departments interact with Investor Relations on these reports, others with Marketing departments. We expect these numbers to increase, as, for most companies, especially those releasing their first report, the response from employees, management, the public, and the media has been mostly positive.

## QUICK TIPS

- ☒ Good public sentiment and media awareness regarding your company's philanthropy can be a valuable resource should a potentially negative story regarding your company's ethics, business dealings, governance, etc. become news.
- ☒ Be sensitive to the external environment when publicizing your philanthropy (negative business environment, corporate challenges, layoffs, etc.).
- ☒ When researching causes or focus areas, pick a cause around which public opinion must be mobilized. This ensures that a comprehensive PR strategy can be developed in conjunction with the grant, and makes the publicity vital to the grant's success.
- ☒ The media is sometimes more inclined to report on a company's philanthropy if it coincides with a newsworthy event or occasion, rather than a constant stream of "good deeds" stories. The occasional use of PR firms can be an effective use of limited resources.
- ☒ Applying for "awards" or inclusion on various "best-of" lists can be an interesting external communications tactic that includes traditional and non-traditional PR. Success in this area can boost morale, show added value to senior management and improve your brand positioning and awareness. It also lays the foundation for building a stronger media and public response to your future philanthropic endeavors.
- ☒ Leverage your unique resources to break through the "clutter" in corporate giving publicity. For media companies this could be the airtime you control. For retail locations, this may entail signage in stores or radio broadcasts. For manufacturers, this might involve messaging on packaging.

## BEST PRACTICES

### **Prescription Bags; Circular Publication**

CVS/pharmacy will occasionally use its prescription bags to help promote its philanthropic efforts and its nonprofit partners by printing messages on the bags. In one instance, this method provided 2-3 million impressions during a recent “Covering Kids and Families Back to School Campaign” which educates consumers about state level insurance programs for children. Additionally, these messages, along with messages printed in the circular and on the website helped raise awareness and funds for the American Red Cross International Response Fund benefiting Tsunami victims. CVS/pharmacy’s Community Relations Department will also utilize the company’s circular to talk about its nonprofit partners. With a reach of approximately 40 million people each week, this can be an extremely effective communication tool.



### **Development of “KnowledgePlex.org”**

The Fannie Mae Foundation and its partners have developed KnowledgePlex ([www.knowledgeplex.org](http://www.knowledgeplex.org)), a web portal offering a range of housing information resources, including research, case studies, news stories, discussions forums, and a calendar. To create this online platform, the Foundation partnered with leaders in the housing field to pool information regarding affordable housing and community development. The site is designed to support a number of parties, including practitioners, funders, policy-makers, scholars, and investors. The Fannie Mae Foundation has even been able to replicate the platform and offer it to other organizations, free of charge. Its first project in this capacity was with the Ash Institute for Democratic Governance and Innovation at Harvard’s John F. Kennedy School of Government. Most recently, Enterprise, a founding partner of KnowledgePlex and a long-standing partner of the Fannie Mae Foundation, unveiled Version 2 of its resource database, now powered by KnowledgePlex. The Foundation is about to begin work on another portal with the National League of Cities.

### **Fannie Mae Foundation**

With the help of key partners, the Fannie Mae Foundation recently launched another initiative of KnowledgePlex called DataPlace. DataPlace is a free, online source for housing and demographic statistics about any area of the United States. KnowledgePlex and its partners’ sites are key examples of the Foundation’s focus on knowledge sharing with the goal of creating more affordable homes for people who need them the most.

### **Brand Integration**

In an effort to publicize its corporate philanthropy, one recent tactic pursued by the WalMart Foundation involved a new marketing approach called brand integration. A step above simple product placement, with brand integration, a brand, product or brand message is woven into the story-line of an entertainment property (typically television or film) and verbally referenced in some way. In this instance, the ABC network brought WalMart a new reality TV show entitled “The Scholar”, which searched for excellent high school students in need of a college scholarship. The Foundation worked with Wal-Mart’s marketing department to pay an “integration fee”, and provided funding for the scholarships. While the program’s ratings were not high (due to time slot issues), the WalMart Foundation found it an interesting concept.



## VIII. PARTNERSHIPS

### LEARNINGS

#### Evolving Nonprofit Relationships

Many giving departments are now reassessing how their resources, influence, relationships, and knowledge base can assist their nonprofit partners. One giving officer commented that some corporate philanthropy programs are looking at their funding less as “grants” and more as “investments”. This transformation may have its roots in giving departments’ growing emphasis on strategic objectives and outcomes, as discussed in the “Strategy” section of this report. Giving officers also spoke of the growing movement towards requiring measurements data from nonprofit partners that move beyond anecdotal evidence and surveys demonstrating awareness-raising.

Among the most important attributes that giving officers seek in their nonprofit partners are:

- ◆ “Business benefits gained through involvement with the nonprofit” (39%)
- ◆ “Strong financial management and governance” (32%)
- ◆ “Alignment with the company’s philanthropic cause/focus” (29%)
- ◆ “Ability and desire to develop in-depth and wide-ranging partnerships” (26%)

#### Issues with Nonprofits

While all companies were positive about their key nonprofit partners, a set of common issues/concerns surfaced:

- ◆ Inability/unwillingness to publicize the corporate partner and raise awareness of the company’s philanthropic efforts in a particular area
- ◆ Unwillingness to vouch for the funding company as a good corporate citizen when the company faces public or media criticism
- ◆ Negative reactions from organizations that expected funding based on a past history of consistent funding
- ◆ Lack of delivery from nonprofits, especially around operations and procedures
- ◆ General inability to promote or market themselves
- ◆ Lack of commitment to consistency and measurement
- ◆ Lack of knowledge of similar nonprofit groups operating in the same cause/area, leading to resource-intensive fund-raising for the same limited pool of funding
- ◆ Inability/unwillingness to use nonprofit peers for resources or best practices

### QUICK TIPS

- ☒ Sometimes a company does not need to look for a new nonprofit to develop a signature initiative, but can find one within its current partnerships. The exploratory work of a small grant or limited short-term partnership can become the future long-term engagement.
- ☒ Build additional attributes into your grants to nonprofit partners such as opportunities for employee involvement, senior representation, and public relations/marketing opportunities.
- ☒ The clients you represent, your employees’ skill sets, governmental relationships and marketing platforms can be effective and beneficial resources to a nonprofit. Many times there are only limited incremental costs associated with tapping these resources on their behalf.

## IX. FOCUS AREAS

### LEARNINGS

#### Primary Focus Areas

Over three-quarters (77%) of survey respondents have adopted K-12 Education, as a focus area for their company's philanthropy. Most of the efforts targeting education (with the exception of niches like professional teacher development and education measurement) directly impact children, and thus the two focus areas can overlap considerably.

#### Overcrowding

A number of companies discussed the challenge of establishing an external footprint within a specific focus area, and of "owning" a certain cause, in terms of consumer and media recognition of a company's specific efforts. Those companies engaged within a "crowded" charitable area can find it difficult to differentiate themselves and gain credit for their activities, due to the large number of competitors engaged in the same field.

Many large companies have chosen to overcome this by refining their efforts. For example, several companies target distinct sub-categories within the broader K-12 Education category (e.g. College Prep, Ethical Student Leadership, After School Arts), and are beginning to look towards owning these specific niches.

#### Business Reasoning Behind Selection of Focus Areas

Perhaps befitting their new strategic corporate philanthropy perspective, most companies, are targeting business needs with their choice(s). Two-thirds (65%) of giving departments discussed specific business factors in considering the selection of a focus area.

In choosing a focus area, companies are looking to answer questions in several categories:

- ◆ *Existing Customers* – are there causes or groups that are especially popular among existing customers?
- ◆ *Alignment* – what would best align with the company's line of business/industry?
- ◆ *New Business* – is there potential to develop new business or open new markets (through building relationships with new customers, organizations, government groups, foreign officials, etc.)?
- ◆ *Community Impact* – will targeting this focus area improve the community in which current or future employees live? (recruitment and retention benefits)
- ◆ *Competitive Impact* – will funding and resources in this area enhance the competitive positioning of its industry (e.g. improving potential workers' education and skill sets, encouraging interest in the company's industry)?

Other giving units chose altruistically, with one-quarter (23%) responding to a specific community need and trying to achieve a social impact with their charity. One-quarter (23%) of giving departments also mentioned that they look internally at the causes and charities employees are already involved and engaged with (either financially or from a volunteer perspective).

## QUICK TIPS

- ☒ When selecting a focus area, survey a variety of stakeholders (employees, customers) to determine what issues are most important to them, and what issues they would like to see your company support. Consider other topics, such as if it matches company goals, aligns with your brand, can be communicated easily, is a cluttered issue, if you can make an impact, and if you can execute.
- ☒ Try to not be reactive in selecting a focus area (responding to negative publicity or sudden consumer interest in “hot trend”). Be strategic and careful, as your choice of focus area is the bedrock of your philanthropic commitment.
- ☒ Consider exploring niches within a crowded area, or engaging causes where no one is currently operating.
- ☒ Having a clearly defined focus assists headquarters and other business units in gracefully turning down funding requests.
- ☒ Ensure your focus area ties into the company’s culture, as well as its business mission.
- ☒ Develop focus areas that allow you to tap all of your resources – employee skills and interests, business relationships, technologies, systems and processes, etc.
- ☒ Be aware of your limitations – “owning” any category, or at least acquiring a presence, requires a significant financial and time commitment, which some departments do not have.



## BEST PRACTICES

### **Creating Social Impact through a Focused Approach**



CVS/pharmacy CEO, executive leadership and Community Relations department determined that its Corporate Social Responsibility work and the effectiveness of its foundation, the CVS/pharmacy Charitable Trust, could be maximized with a focused and strategic approach. Through a series of surveys and research projects conducted with CVS associates, customers and leading health experts, results indicated a tremendous need and interest by stakeholders to impact the lives of children. Additional time was spent determining if the issues identified matched company goals, aligned with the CVS brand, could be communicated easily, would make an impact and if CVS could execute effectively. Based on those findings, the company developed a strategic approach to its corporate philanthropy that included the re-engineering of many of its existing programs.

The company felt strongly that a focused approach would reap greater results for its associates through employee volunteerism, would create improvements in the lives of children, and would enable the company to align its other assets, including vendor and business partners in its mission. CVS/pharmacy began working with Cone, Inc., a cause-marketing consultancy, to create a signature cause program that would combine all of their good works into one issue, and support the goals of the CVS brand.

As a result of this process, CVS/pharmacy and the mission of the CVS/pharmacy Charitable Trust will have a primary focus on making life easier for children with disabilities. By repositioning around a single, more clearly defined issue, CVS believes it can have a much greater impact. In addition, the focus on children with disabilities allows CVS to work in communities, schools, and with leading health organizations that are important to the company.

## X. OPERATIONS

### LEARNINGS

In this section, different aspects of operations were explored across giving departments, including structure, funding, department location within the corporate hierarchy and size.

#### Organizational Structure Varies

The structure of corporate giving departments in companies varied tremendously across the interviewees, as evidenced by the number of categories in which each department could be separated:

- *Giving occurs exclusively through one “corporate giving department”.* About one-quarter (26%) of companies have one exclusive “corporate giving department” from which their philanthropy originates. Typically within this structure, the “giving department” is situated next to other corporate functions and is managed as part of a large corporate division within the company.
- *Several “giving units” within the company are consolidated within a broad “giving department.”* Within this arrangement, used by one-quarter (23%) of companies, multiple “giving groups” are responsible for various philanthropic activities within the company, but are all located within one large “giving department”. This department is typically located within a specific corporate division/function and operates in the same fashion as any other corporate unit.
- *Foundations operate as exclusively separate entities.* Some companies utilize only one nonprofit corporate foundation to oversee all corporate giving. The foundation exists outside the corporate structure and is managed by an independent Board. Overall, about one-fifth (18%) of all companies’ giving units are managed separately in this manner.
- *Giving takes place through a “corporate giving department” and a smaller nonprofit Foundation.* Within this set-up, a company will direct most of its contributions through a main “giving unit” (which exists in the corporate structure) but also fund a separate nonprofit Foundation to provide resources to additional nonprofit groups. A small group one-sixth (16%) of companies follows this model.
- *Several “giving units” are responsible for philanthropy within the company, with no central “giving department.”* In this structure, a company has several units responsible for individual philanthropic activities, but does not combine these groups into one single corporate area. Instead, these groups are placed within different departments, and managed and budgeted accordingly. One-sixth (16%) of companies utilize this approach.

#### Funding Through Budget Process

Of the 39 corporate giving entities (Foundations, Corporate Giving, Community Relations, etc.) represented by the 31 companies interviewed, four-fifths (82%) are funded annually, via the same budget process the company’s individual business units undertake each year. The rest operate through endowment or fund-raising models.

#### Giving Departments Located within Multiple Corporate Functions

The location of giving departments within a company’s organizational structure also varied tremendously. At least eight separate departments were mentioned (and several variations within) including Administration, Corporate Affairs, Communications, CSR, External Affairs, Human Resources, Legal and Marketing. In addition, as

discussed previously, several giving departments were placed outside of their corporate hierarchy.

However, if we include other departments that the giving departments are *next* to, as well as *under*, we see the following patterns:

- ◆ Almost half (43%) are under or next to Communications.
- ◆ One-quarter (24%) are under or next to Marketing.
- ◆ Slightly less than one-quarter (21%) are under or next to Human Resources.

### Size Does Not Matter

Most philanthropy departments interviewed have small staffs. One-half (52%) employ up to five staff. Several utilize only one or two employees. Two-fifths (39%) of all companies interviewed

retain ten or more individuals in their giving department. In general, we noted a trade-off between operating signature initiatives and the other functions of a giving department. Typically, philanthropy departments with fewer than five employees choose between either operating a signature initiative that dominated their program, or the management of a broader grant-making program that engaged employees, senior management and the communities in which they operated.

To execute both simultaneously (especially multiple signature initiatives), most companies required five philanthropy department employees or more. Still, as demonstrated by numerous member companies, it is completely possible to execute a well-managed, nationwide program that engages workers in multiple offices, with only a few staff.

### QUICK TIPS

Other cost- and resource-effective ways around the “size” issue are to:

- ☑ Develop a hybridized decision-making model. By utilizing other department’s employees on a less than full-time basis (and sometimes employees in a volunteer capacity), some companies were able to vastly expand their national philanthropic footprint, and engage employees in their communities across the country.
- ☑ Leverage other departments (e.g. Human Resources, Communications, Marketing) to fill some of the functions that larger giving departments manage internally.
- ☑ Leverage third-party relationships (e.g. vendors, suppliers, wholesalers, etc.) to enhance philanthropic commitments (via additional funding, in-kind resources, employee time, etc.). Typically, these third parties will want to make themselves supportive of your company, and the causes important to your employees.

## XI. DECISION-MAKING

### LEARNINGS

In exploring the decision-making models of giving departments, decision-making breaks down into three categories: Centralized, Decentralized and a Hybrid model of the two. We looked at how companies made decisions and managed programs regarding the most important aspects of their giving – Strategy, Focus Areas, Budget Allocation, Grant-Making and Partnership Relations. In general, we defined a company as “Centralized” in its decision-making if the vast majority of decisions regarding the above were made and executed at the “company headquarters”. A company was defined as “De-centralized” if the above was decided and managed on the “regional/local” level. Finally, we defined “Hybrid” as a decision-making and management model that was a combination of the two.

#### Centralized Decision-Making and Management

Only one-quarter (26%) of companies interviewed manage their giving departments centrally. Several giving officers discussed how meeting regulatory standards has required a strong, centralized presence in the grant-making component of their philanthropy. Overall, over one-quarter (29%) of giving officers described having to change their giving decision-making process due to compliance issues within their company.

#### Decentralized Decision-Making and Management

The decentralized model is even more rare among the companies we talked to. one-fifth (20%) of the giving departments interviewed make decisions and manage their giving in this manner. However, of these groups, all were either currently developing processes at the corporate headquarter level, or already had them in place, to serve as a centralized information resource, offering relevant best-

practices and templates to assist local/regional areas in decision-making and execution. Some giving departments were also looking to provide an enhanced strategic template and more refined focus areas that could help local areas to create more focused, efficient and impactful programs.

#### Hybrid Model

The rest of the companies we interviewed (54%) follow a hybrid model in which different aspects of the company’s philanthropic program are decided and managed through a combination of the above models, splitting decisioning between national/corporate headquarters and the company’s regional offices or operating units. Typically, these companies’ hybrid structure was split either by location (e.g. regional or local offices), or by business division (e.g. specific business lines direct their giving). However, while there is no standard hybrid model used to carry out a company’s philanthropic endeavors, the following basic principles appeared across almost all of the hybrid models we interviewed.

In general, under a hybrid decision-making and management model, a company’s corporate headquarters is responsible for:

- ◆ Establishing giving strategy and focus areas
- ◆ Budgeting (typically split between national/global projects and regional areas or business units)
- ◆ Developing funding guidelines
- ◆ Grant-making decisions over a certain dollar value
- ◆ Measurement (collecting of data from all of the company’s philanthropic efforts)
- ◆ Processing of grants (i.e. cutting the check, accounting)
- ◆ National/global initiatives (if they exist)

In turn, the “regional unit” or “business division” are responsible for:

- ◆ Implementing giving strategy and focus areas (established by corporate headquarters)
- ◆ Managing their allocated budget
- ◆ Collecting and vetting local grant applications
- ◆ Grant-making up to a certain dollar value (usually via committee decision-making)
- ◆ Reporting measurement data to headquarters
- ◆ Execution of specific projects occurring in their area
- ◆ Nonprofit/community relationships established with small, local groups

### QUICK TIPS

- ☒ One method of creating a successful hybrid model is to allow the national giving department to determine the overall strategy and relevant focus areas that guide your company’s philanthropy, while letting local offices/business units refine their own strategy based on their local community needs.
- ☒ Look to strike a balance between flexibility and rigidity – an initiative that is important in one location may not be so in another. Plan your decision-making accordingly.
- ☒ Decentralized programs may want to set up a committee that meets to share information, disseminate best practices and coordinate activities between departments/divisions. This can be especially helpful if the staff is chosen to represent a broad cross-section of the company’s individual departments/business units.
- ☒ Communication can be challenging in the hybrid model, especially if the giving department operating in a hybrid model is organized by business unit (which can entail different Intranets, newsletters, and so forth). Many hybrid model giving departments find that successful communication occurs through platforms that incorporate information from across the company, such as an Annual Report or Corporate Responsibility Report. Inclusion of your CEO in these efforts can also be valuable, via either email, voicemail, or CEO newsletter.

## **International Decision-Making**

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In many countries, AMEX turns to its employees to determine the areas of focus for some of its significant grantmaking through a program called the International Community Service Fund. In countries with an important employee concentration, an employee committee works with local intermediary organizations or nonprofit consultants to develop a list of important social issues as well as the charitable organizations addressing these issues. This list of causes is then put to a vote (email or paper) among the employees of that country, and the charity or charities working in the chosen cause area are awarded a grant. The availability of volunteer opportunities for employees is an important criterion in the choice of charities to fund, and in some cases the support for the nonprofit in questions is renewed over several years.

Three immediate benefits are apparent through this approach. First, AMEX is able to show its responsiveness to the concerns of its employees. For example, in Hong Kong, the employees chose to work with the elderly, while in India, employees elected to work with children. Second, by working with its employees in this manner, AMEX provides local management and employees with an introduction to organized and sustained philanthropy. Third, by giving grants to the intermediate philanthropic organizations that assist in developing the program, AMEX supports the charitable infrastructure of these countries, and helps specific nonprofits build capacity.

## XII. SIGNATURE CAMPAIGNS

### LEARNINGS

The number of companies we interviewed that were involved in a specific signature initiative (defined as a significant philanthropic campaign that is advanced as a central focus of a company's philanthropy) is split with 55% engaging and 45% not directing any type of signature campaign. However, over half (52%) of those companies without a signature initiative were in the process of revising their strategy and focus areas.

Establishing a signature initiative can offer several benefits, allowing a company to aggregate its resources and focus its giving around a specific cause for increased impact. It can also link corporate philanthropy with a company's business objectives, provide opportunities for employees to get involved, and maximize media, government and consumer interest in a company's philanthropic activities.

### BEST PRACTICES

#### **"Teachers in Training"**

This five year, \$20 million program is a product of Wachovia's increased emphasis on K-12 education and work with the consulting firm The TCC Group. This in-depth, long-term program looks to close the achievement gap by better training teachers and retaining them longer.



As part of a new strategic process, the Wachovia Foundation investigated what specific objectives and processes it should follow in developing this initiative. Following this analysis, the program was built and invitations were sent to specific nonprofit organizations fitting certain criteria to apply for three year grants focusing on this concept. Wachovia has built strong evaluation and measurement components into this program, measuring impact as well as progress in different areas to see which programs work best. These measurement results will be communicated externally, to inform future initiatives by the Wachovia Foundation and other organizations engaged in this area of education.

#### **"Child Safety Day"**

This event couples employee volunteerism with auto safety and is State Farm's most prominent philanthropy program. Each year, during "Child Safety Day", the company holds over 200 car seat safety checks around the country. This year, the company sponsored "Child Safety Day" events every weekend in the months of May and September. Autonomy is given to local offices to hold the safety checks in whatever location they choose (e.g. State Farm locations, Wal-Mart or Babies R' Us stores). The company also uses advertising to promote this program. This signature campaign offers several strategic benefits for State Farm. It ties in with State Farm's business objectives and brand, offers extensive opportunities for employee engagement, provides an easily-publicizable media platform and allows State Farm to connect with consumers across America.





## **“Help The Homeless”**

The Fannie Mae Foundation is committed to preventing and ending homelessness in its hometown of Washington, D.C., and its surrounding areas. Since its inception in 1988, the Fannie Mae Foundation Help the Homeless Program has grown into the largest funding collaborative focused on homelessness in Washington, D.C. The Help the Homeless Program raises funds for Washington metropolitan area homeless service providers, with an emphasis on programs that assist homeless people in their return to independent living. Last year, 180 organizations benefited from the more than \$6.5 million raised by 110,000 people involved in the Program.

## **Fannie Mae Foundation**

Each year, a variety of groups participate in the Help the Homeless Program – including corporations, schools, faith-based groups, and other community organizations – in efforts that involve more than 600 mini-walks and other fund-raising projects. The Program culminates each year with the Help the Homeless Walkathon on the National Mall involving tens of thousands of individuals. In addition, employees of the Fannie Mae Foundation and Fannie Mae take part in fund-raising throughout the year, building to the Walkathon, by donating their time, and planning events ranging from bake sales to a live auction. Although, the Foundation’s and Fannie Mae’s employees participate in myriad year-round volunteer activities, the use of this large, signature initiative has proven especially effective in engaging employees in philanthropic activities.

## **Academies of Travel and Tourism**

The AMEX Foundation supports educational institutions and initiatives in areas connected to AMEX businesses and that provide access to the world of work. One example is the Academies of Travel and Tourism (part of the National Academy Foundation), or Travel and Tourism Programs (as they are called outside the U.S). This initiative was created by Amex over 20 years ago and has grown exponentially over time. Working with local education authorities, AMEX created a series of academic courses focused on travel and tourism that meet local standards. An important component of these courses is to expose young people to the work environment. Amex continues to support these efforts in the U.S. and internationally, reaching over 300,000 students annually.



The program exists everywhere from Brazil to Hungary to Russia to the U.S. Although it is difficult to trace student outcomes in many countries, it is estimated that 15% to 20% of the enrolled students eventually work in the travel and tourism industry. While this program does not directly benefit American Express’ short-term business interests, it provides a long-term benefit to the industry sector, of which AMEX’ travel business is a significant component

## Healthcare and Education Initiative in Africa

In October 2004, GE launched a five-year, \$20 million commitment that fuses GE's extensive knowledge and technology in water purification, power generation, and health care to help upgrade existing hospitals and build new medical centers in Africa.



The first major project sites are located in Ghana, where the company converted a local clinic into a district hospital for a community of 100,000 people. The company enlisted relevant stakeholders in the community (e.g. the health ministry to furnish supplies and assign a doctor; local community members to volunteer labor) and provided the necessary high-tech equipment (power generators, water purification) and project management expertise. While GE's aggressive timeline to complete the project was questioned, the company completed the hospital in 5 months and 28 days. Since then, the company has completed four projects in Ghana, including a water purification project that reached 30,000 people. GE plans to expand this initiative to other African countries and is currently assessing potential sites.

In the U.S., GE's 5,000-strong African American Forum of employees became deeply involved in the project, traveling to Africa to work on the project, and adopting individual sites to manage project sustainability and track community health. These local chapters have started funding drives to assist these African communities (in one instance sending 2,000 backpacks to school children in Africa).

## Initiatives In Africa

*Lymphatic Filariasis* – GSK has made a 20-year, \$1 billion commitment to help eliminate Lymphatic Filariasis in partnership with the World Health Organization (WHO). Ultimately, GSK will donate medicine to WHO that will treat one-fifth of the global population, and involve 83 countries (to date, 40 of those countries have projects already underway). GSK provides \$1m per year in grants and has four people dedicated to this project, plus a new manufacturing line devoted to producing a special formulation of the medicine, albendazole. In addition, GSK co-funds an employment position with Merck to manage the many overlapping layers between river blindness and LF programs in Africa.



*Malaria* – GSK's community work on malaria disease is focused on prevention efforts. GSK piloted the Malarone Donation Program as a mechanism to treat malaria while preserving this new highly effective medicine as "third line" therapy. This revealed that the most needy did not have access to standard "first-line" treatments, so, working with malaria experts, GSK defined a new program to target prevention and encourage mothers to seek early treatment for sick children. GSK's African Malaria Partnership program supports activities that encourage behavioral change, such as use of mosquito nets and early treatment for the most vulnerable – pregnant women and young children. In the first three years, GSK-funded initiatives will reach two million people in eight African countries. Mobilising for Malaria, GSK's new advocacy program, aims to raise the profile of malaria, call for increased funding and resources and intelligent, targeted application of those resources to achieve the greatest impact.

## **Financial Assistance Through Free Tax Preparation**

# **Deloitte.**

Deloitte directs a major initiative to boost financial literacy among the under-privileged, which involves numerous offices throughout the U.S. One element of this program is to help prepare taxes for those eligible for Earned Income Credits, many of whom are unaware they are entitled to refunds. Working in conjunction with government entities, a number of Deloitte offices hold tax assistance events, which include child-minding services and free lunches, where Deloitte employees prepare taxes for free. The most recent campaign occurred in Chicago, Atlanta, New York, and San Francisco, involving 500 volunteers, and served 1,069 families. All told, over \$1.6 million was returned to these communities. The program itself is 10 years old, and originated locally. However, as it builds momentum across Deloitte's local offices, the national office is identifying best practices and approaches that it can package for other offices to incorporate.



## MEMBER COMPANY LIST

Aetna, Inc.	Friedman, Billings, Ramsey Group, Inc.	Newman's Own
Alcoa, Inc.	Gap Inc.	Nokia Corporation
The Allstate Corporation	General Electric Company	Norfolk Southern Corporation
American Express	General Mills	North Fork Bank
American International Group, Inc.	Genworth Financial Inc.	Novartis AG
Applied Materials, Inc.	GlaxoSmithKline, plc	Ogilvy & Mather Worldwide
Arch Chemicals, Inc.	The Goldman Sachs Group, Inc.	PacifiCare Health Systems, Inc.
Arthur J. Gallagher & Co.	Halliburton	Payne, Forrester & Associates, LLC
Bank of America	Hasbro, Inc.	Pearson plc
BearingPoint, Inc.	The Hearst Corporation	Pfizer Inc.
Black Enterprise Magazine	HCA Inc.	The PNC Financial Services Group, Inc.
The Blackstone Group L.P.	Hershey Foods Corporation	The Prudential Insurance Company of America
Bloomberg L.P.	The Home Depot, Inc.	Schering-Plough
BMC Software, Inc.	HSBC Bank USA	Sprint Corporation
Bristol-Myers Squibb Company	Illinois Tool Works Inc.	State Farm Mutual Automotive Insurance Co.
Carlson Companies, Inc.	International Business Machines Corporation	Target Corporation
The Chevron Corporation	The Interpublic Group of Companies, Inc.	The Thomson Corporation
Cinergy Corp.	Johnson & Johnson	TIAA-CREF
Cisco Systems Inc.	JPMorgan Chase & Co.	Time Warner Inc.
Citigroup Inc.	KPMG	Toyota Motor North America, Inc.
The Coca-Cola Company	Legg Mason, Inc.	United Technologies Corp.
Colgate- Palmolive Company	Levi Strauss & Co.	Wachovia
Crane Co.	Lucent Technologies, Inc.	Wal-Mart
CVS Corporation	Mattel, Inc.	Washington Mutual, Inc.
Deloitte Touche Tohmatsu	McDonald's Corporation	WellPoint
Deutsche Bank AG	The McGraw-Hill Companies	Wells Fargo & Company
Dover Corporation	McKesson	Wien & Malkin, LLP
The Dow Chemical Company	Merck & Co., Inc.	Wyeth
DuPont	Merrill Lynch & Co. Inc.	Xerox Corporation
Eli Lilly and Company	MetLife	
Ernst & Young	Mitsubishi International Corporation	
The Estee Lauder Companies Inc.	Nationwide	
Fannie Mae		
Fifth Third Bancorp		
Freddie Mac		

## **Committee to Encourage Corporate Philanthropy**

...the only international forum of business CEOs and Chairpersons pursuing a mission exclusively focused on corporate philanthropy.

### **Mission**

CECP's mission is to lead the business community in raising the level and quality of corporate philanthropy. Engaging with the public, private, and independent sectors, CECP members seek and create opportunities to serve as corporate giving advocates, practitioners, educators, and spokespersons to advance the case for philanthropy and to inspire other business leaders to make a lasting commitment to community giving.

### **Vision**

A global society in which the business and community benefits of corporate philanthropy are widely accepted, actively measured, publicly appreciated, and continually actualized.



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