

Approaches to Corporate Philanthropy

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The Role of Innovation in Corporate Philanthropy

Over the years tradition has become an integral part of philanthropy. As a matter of record, when corporations started taking over where individuals had left off, gifts continued to be channeled in exactly the same direction and to similar institutions. Only in most recent times have attempts been made to break away from this inherited pattern. There is no doubt that some elements of continuity should be considered, and change for the sake of change discouraged. However, it is equally evident that new methods of giving must be explored.

Corporate philanthropy, in my view, need not hamper innovation. On the contrary it can provide a tremendous opportunity for creativity and accomplishment. Indeed, it is an unequalled challenge when one is faced with the prospect of being as effective in giving money away as he was in making it! As a base for discussion, I would like to take the liberty of making a few assumptions or predictions. First, I feel, there will be no significant victory over social unrest without a great deal of time, patience and goodwill.

Secondly, pressures will mount in many areas that current public opinion may consider to be the responsibility of government alone, shifting the emphasis to corporations in helping overcome problems in these areas.

Finally, I believe that industry will be asked to provide expertise in urban planning and curriculum development at all levels, as well as to encourage the interchange of personnel among government, industry and universities.

I believe that in the near future there will be vital new thrusts in social development that we haven't even thought of yet. Yesterday's concerns over material needs, and today's so called "urban crisis" will pale into insignificance when compared to tomorrow's "crisis of the spirit" unless industry, in cooperation with various levels of government, works toward long lasting solutions, as opposed to stop-gap measures of contributing traditional dollars to clear our social conscience.

Why Should Industry Change Its Approach?

I have given the question of why we should change our approach serious thought. It is obvious that we cannot suddenly stop giving. We are doing a great deal and the impact would be too great. We are pouring millions into campus devel-

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opment, construction of new hospitals, clinics, sports and civic centres. Health and welfare agencies enjoy our support. Our money has bandaged wounds, provided artificial organs and limbs, and even dried a few tears. Talented actors, dancers and musicians continue to please the eye and ear because we choose to encourage their efforts. But in spite of these activities, industry is being severely criticized in some cases and ignored in others. Why? It would appear that there are two basic reasons: (1) some agencies are not getting the service down to the intended recipient; (2) people generally don't know that we contribute over and above the tax base. We know that the media, except on rare occasions, prefer not to publicize corporate gifts, and many companies fail to give it internal coverage. Most, if not all, of the interaction takes place between the donor and the agency. Industry must examine its rationale for giving. Why does industry give in the first place? It is because legislation is taking on what some consider to be ugly overtones or taking away our freedom to help choose the direction of social change, or is it because of enlightened self-interest where we feel that we have an obligation to people, particularly in communities where we live and work?

Even allowing for a little of the first, it is obvious that the latter is the only acceptable reason. Even on a moral plane, it is now well established that the conditions that make it possible for the businessman to operate, for investors to reap rewards, and for the wealthy to enjoy their wealth, must also imply that he takes care of the less fortunate of the populace. After all, none can deny that industrialization and urbanization have played a role in upsetting traditional land-based systems of social security.

I am in no way implying now that the corporation has, or should have, the sole responsibility for overcoming social problems. However, I feel industry should recognize that it may have a greater role than it thought necessary and may have to make the first move.

From Traditionalism to Innovation

How then can industry move toward more innovative and effective giving? One approach might be to set up a special department to examine the problems and start by integrating over-all company policy regarding all outside activities with innovative corporate giving. Companies might also consider more ways of working closely with academics, other industries, governments, and the community at large, in determining needs and priorities. Industry might also challenge the objectives and programs of traditional institutions with a view towards ensuring that full attention is being given to these priorities. In summary, identify the need, commit the money, spell out how it is to be used, and follow up.

As a few possible suggestions, innovative giving could include such things as:

- direct management assistance to the appropriate organization in the fields of accounting, planning, etc.;
- challenge grants involving both the community at large and the government;
- scholarships and fellowships graduated to need;

- input into educational T.V., including sponsorship for pre-school programs;
- promotion of the off-hour use of existing facilities, already paid for through the tax base, in lieu of duplicating them (here I am thinking of getting the maximum use out of schools and school facilities by supporting adult education and community recreation programs using these facilities);
- use of our own facilities during off-hours for conducting lectures and seminars for teachers to up-date their competence in their respective fields;
- arrangements for lectures and seminars, and making available films and other data on community planning for the benefit of elected municipal officials;
- seed money for cancer, heart and other clinics, made available to all on a first-come first-serve basis, within the framework of existing agencies;
- support of research projects which have a community as opposed to a corporate flavour, and use of their recommendations as a base for future innovative projects.

These are but a few of the many innovative projects that can be supported in cooperation with existing agencies, governments, academic institutions and other industries.

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The Problem

Today, every company executive responsible for administering donations policy must feel increasingly frustrated and bewildered in his attempts to deal fairly and impartially with the mounting volume of requests for financial support received from every part of Canada. He finds it difficult to evaluate properly the many different types of requests, and he often wonders whether the number of demands will ever taper off, and how long his company can afford to keep up with them on anything like its present scale.

The difficulties arise, not because corporations are reluctant to respond, but because responding has become such a complex affair. The pressures brought to bear on a corporation for a particular donation are numerous and arise unpredictably in many instances.

To complicate matters still further, problems arise from the need for corporations to shift emphasis constantly in their giving as the result of contributions made by other sectors of society. For example, in the field of education, governments in recent years have assumed a greater share of the financial burden with respect to scholarship assistance and student loans, as well as for the “bricks and mortar” expenditures of universities. This has not eliminated the need for corporate support to higher education, but it has certainly tended to change the direction of educational giving.

How then can corporations set up intelligent guidelines in this field, thus making their contributions more effective?

Guidelines for Contributions Policies

Let me emphasize at the start that I believe corporate giving should not be entirely governed by philanthropic principles, but rather by the principles of sagacious corporate management. By this I mean there should be good reasons for such expenditures in the pursuit of a company's over-all business objectives. Having said that, I must qualify my remarks by stating that those objectives must not be narrowly limited to profit maximization alone. For it is becoming increasingly evident that business has a responsibility to society beyond the making of profits. More and more the public is demanding that business help solve the many pressing social and environmental problems we face.

It seems obvious, then, that private enterprise must demonstrate that profit and progress go hand in hand—that without profit there will be no progress. And one way this can be accomplished is through realistic, generous, corporate contributions policies aimed at assisting the socially handicapped and designed to improve the quality of life. For business can only thrive in a healthy society.

The Future Direction of Corporate Giving

It is worthy of note that while education and health and welfare have traditionally been the major beneficiaries of corporate giving, accounting for some 75 to 85 per cent of total contributions, there has been a discernible shift of emphasis recently away from these two areas because of greater government funding of both university and hospital projects. Within the Health and Welfare category, federated drives and United Appeals continue to receive a significant percentage of available corporate moneys although they are receiving increasing criticism, the charge being that they are incapable of responding to changing situations and attitudes, and that they won't innovate.

Innovation and criticism are necessary but not at the cost of impairing or destroying the services they provide. In my view there is no reasonable replacement for United Appeals and, as administrator of corporate contributions for Union Carbide, I shudder to contemplate the deluge of individual appeals emanating from our forty-four plant communities that would require attention if federated campaigns ceased to exist.

Some of the money diverted from education and from health and welfare may find its way into cultural projects. According to a recent report to the Canada Council, *The Financing of the Performing Arts in Canada*, by Vincent Bladen, the performing arts are facing a crisis and need greatly increased government grants or they will perish. In addition to government aid, corporations will undoubtedly be approached by cultural groups for a greater share of the donations pie. In fact this is already happening in my experience.

The inclusion of athletic organizations among "tax exempt charities" will in all probability swing more corporate donations money in this direction. Finance Minister Benson has proposed inclusion of contributions to national amateur athletic associations for tax deduction purposes. This would tend to divert sup-

port from provincial and municipal athletic associations where donations are not to be granted the same tax-exempt status. In the case of corporations doing business nationally, this would simplify matters considerably since a single contribution to a national association would supplant a multitude of provincial and local donations in support of the same sport. In other words, such contributions would act like a country-wide united appeal on behalf of a particular sport.

So companies can expect to be tapped much more frequently in future for support of cultural and athletic programs. These are the areas which contribute to the quality of life—helping to improve the utilization of leisure time provided by the increased mechanization of work. Where contributions to cultural and athletic causes were gravely suspect a couple of years ago, in the new scheme of things they must be considered prudent investments of corporate funds contributing, as they do, to a better way of life.

Need for a Screening Agency

One further thought with respect to effectiveness of corporate giving. How do you sort the deserving from the not so deserving in the multiplicity of requests received over the course of a year? In the case of Union Carbide, 310 appeals were received in the twelve-month period ending December 31, 1970, all of which were acknowledged, close to 60 per cent with cheques. When the federal government enacted legislation in 1967 requiring charities to be registered with Ottawa before donations to them would qualify for tax deduction purposes, I for one had high hopes that at long last some screening by a responsible authority would be taking place, where a federal government registration number would be something like a seal of approval. Regrettably, this hasn't turned out to be the case.

One thing seems certain—there's a pressing need for more facts and figures on the multitude of agencies and organizations appealing for aid before decisions are made on the extent and scope of corporate support, if any. Ideally, research on individual organizations might be handled by a central bureau, cooperatively supported by a group of companies whose activities and interests are somewhat similar. Because of the time involved in getting the facts, and the duplication of effort when individual companies all make their own investigations, a centralized operation should prove more efficient and less expensive in the long run. It might be worth exploring, for the number of appeals is going to increase, not decrease, in the years ahead.

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Introduction

“Future Shock” is an apt term which fits many a situation including the subject of this panel, Effectiveness in Corporate Giving. It is an apt term, I think, because it implies a rate of change that is so fast that the future is telescoped into the present. Thus, while much can be learned from past attitudes on cor-

porate giving and from statistical reviews of the donation patterns developed by implementing these attitudes, we must today be increasingly alert to the impact of the phenomenal rate of change in attitudes in the real world.

What are these changing attitudes? First, the changed attitude of the public — the man in the street—toward what is responsible behaviour by corporations. Second, the changed attitude of certain definable sections of the public toward a company. To be specific, I refer to company customers, company shareholders, company employees. Each and all of these are subject, even as you and I, to the future-shock impact of today's rapid rate of change away from past expectations of rising profits as the sole measure of the effectiveness of corporate performance in favour of profit plus social responsibility. Third, the changing attitudes of corporate management itself in its task of acting and reacting intelligently in the rapidly changing climate of the world in which business must conduct itself.

Corporate Responsibility

United States economist Milton Friedman's views notwithstanding, business does have a responsibility to society beyond the making of profits and basic legal requirements—an idea now fairly commonplace, though still far from universally granted. Businessmen have often been confused, however, by the exact nature of their responsibility to improve society and how to carry it out. This past summer, the Committee for Economic Development, a prestigious group of U.S. top executives and academics, tried to cut through the confusion. After lively debate, its fifty-man Research and Policy Committee adopted a statement laying down principles and guidelines for corporate social action.

- (1) The “constituency” of a large corporation embraces not only its workers and stockholders but also consumers and “community neighbors,” the people who live near its plants and are inevitably affected by its activities. All have claims on the corporation.
- (2) Major companies should adopt specific goals—for example in hiring and promoting minorities and reducing pollution—and measure progress toward meeting these objectives as carefully and regularly as they now gauge progress in meeting financial targets.
- (3) Top management should not only continue to make judicious financial donations but to multiply the effectiveness of dollars by encouraging younger executives to contribute time to community projects in such areas as health, education and recreation — not as an “extracurricular” activity but as an “essential ingredient for managers aiming to equip themselves for broader corporate responsibility.”¹
- (4) Each big firm should set up a team, under a senior executive, that would look for potentially profitable “social market” activities in such fields as rebuilding ghettos and designing efficient transportation systems — and do so as aggressively as the regular marketing staff searches out other new commercial opportunities. This would be pulling social responsibility out from under the aegis of “donations”, where it has been for decades, and putting it to work as a staff function.

- (5) Government should spur business efforts by a program of contracts, loans and subsidies for social programs — and of penalties for socially or environmentally harmful activity. In areas like pollution control, where effective action depends largely on all business working toward that goal, corporate executives have a moral responsibility to propose and lobby for tough federal standards that all must meet.

Understandably, the statement drew objections from some CED members who still felt that business could serve society best by conducting its own operations effectively.

In a biting dissent, Philip Sporn, the former president of American Electric Power Co., argued that before business gets any heady notions of saving society it must first improve its own performance. The railroad industry, he said, would serve society best by designing the “modern system of transportation” that so far it “has not even approached”; the New York Telephone Co. should improve its present “third rate” service; and the utilities’ main obligation, which they have not met, is to provide “an adequate power supply, always reliable and not subject to sudden cataclysmic failures.” He concluded: “Let us cultivate our garden.”²

The gentleman undoubtedly had a point, for many businesses do need to do a much better job of fulfilling their basic economic functions. But I doubt if many of us here would admit that that excuses them from pursuing broader social goals.

Making the Program More Effective

Let us now look at some ways we can improve the cost effectiveness of a donations program. Here are some for your consideration:

- (1) We can make better use of our budgetary and statistical tools and ratios. Each company should have a comprehensive budget to permit an easy audit of the total allocated to the main classes of donations categories by percentages.
- (2) We need not swallow without question the targets of campaigns as presented to us by the canvassers, and then pledge an amount to an idealized objective that may never be attained. The concept of “Conditional Giving” which is gaining in popularity should be explored.
- (3) We can insist on an assurance that a campaign is to be more broadly based than on the usual 200 “good-guy” Canadian companies sitting up there at the top of every professional fund-raiser’s list.
- (4) We should be more ready than in other years to challenge the objectives of programs and projects. We should be more investigative of the cause or agency, and likewise in a regional appeal we can expect better assessments from our own field offices.
- (5) We should insist on periodic progress reports from recipients.

- (6) We should arrive at an estimated gift amount by independent research and our own yardsticks, not simply basing the donation on what others may be doing.
- (7) Ideally, dollar involvement should be matched with some direct executive or management involvement. I admit this is difficult — but even in a minor or occasional way it should help improve program effectiveness.
- (8) We could make our donations programs more effective by providing more information about them to our own employees via periodic pieces in the company magazine.
- (9) We should also be more effective in our donations in the public recognition sense. Business usually carries a pretty low profile, but what's wrong with getting some credit? Why are recipients, and donors for that matter, often reluctant about having their picture taken on the occasion of a cheque presentation?

Successful fund-raising depends on business strategy and operation, and successful agency operation is similarly dependent on a high level of administrative skill. For our part, we must administer our donations program in the same responsible, flexible and highly cost-effective manner, as we do in the other operations of our own business. And as in the operation of our business and the administration of our donations program, we cannot always stand pat, and by default allow an ancient model welfare-system to run the road that is taking us deeper and deeper into the challenging country of social responsibility in the 1970's.

¹*Research and Policy Committee, Social Responsibilities of Business Corporations (New York: Committee for Economic Development, June, 1971), p. 44.*

²*Ibid pp. 63 and 64.*