

# The Changing World of Corporate Donations: Clarica, A Case Study

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The solid buff-coloured brick and Ohio sandstone of Clarica's 1912 building on King Street in Waterloo, Ontario point to the company's deep roots in the community. This company is part of the fabric of Waterloo Region and of numerous other communities across Canada. Like many companies with long histories, Clarica could always be called upon to give its share to a hospital, a university, a community project. It was, and is, a good corporate citizen.

But community needs, charity fundraising and business have all changed and Clarica has changed with them. For Clarica today, the cheque presentation and sod-turning ceremony that were once the highlights of a corporate donation are passed over in favour of a detailed project plan, measurement tools, and progress reports.

There are good reasons to disturb the established order in corporate donations. First and foremost, few are impressed any more by the handing over of money and the placing of signs. The public responds: "Of course profitable companies give cheques to good causes, and so they should" just as they should also provide safe and fair workplaces, good benefits, and pension plans. Customers expect to deal with responsible companies – it's a cost of doing business.

The bar is higher today for many reasons. Our definitions of community and citizenship have changed: government stepped in to fill the social role that community once filled but now seems to have stepped back. Citizens, individual and corporate, are redefining the meaning of "community" and working together to rebuild a more civil society.

Somewhere along the way, fundraising became professional, and every company faces many, many well-prepared requests for donations to good projects and good causes. Combine a professional development executive with a community leader who has influential connections and you have the makings of a major fundraising project and million-dollar requests. It's hard to say no and it's even harder to see the impact one organization can have. A major donation completed a few years ago, for example, was earmarked for a particular building project as a way to ensure that there were immediately identifiable benefits attached to it. Unfortunately, the company discovered later that the project wasn't due to be started for another few years. By the time it was completed, no one would remember who paid for it!

At the same time, taking an aerosol approach – spraying too little money across too many projects – to meeting needs, however worthy, means that the value of the donation quickly evaporates. As capital campaigns meet the need for tens or even hundreds of millions of dollars, the impact a single business can have is so small it's almost invisible. At the end of the day, no one seems to know what results a donation has generated and few donors have followed up.

Interestingly, as fundraising evolved, investment analysts began to consider good corporate citizenship a significant measure of good management. In my view, however, the most important catalyst for change is that we're in a time of high need and high mobility for skilled employees. We've entered a time when organizations need to build strong internal morale, strong loyalties, and strong commitments to performance. Employees need to know that the company they work for is a good citizen – that's not new. What's new is that allowing employees to direct the company's giving and then see the results of their choices as a strong demonstration of the company's commitment to them, invites them to be part of a caring whole.

At Clarica, that's meant research to understand how staff and agents believe the company should act in the community. We based our major areas of focus on their direction, following the pattern of employee giving and volunteering across Canada – focusing on children, on issues related to their ability to succeed as they grow up: adequate family income, effective parenting and supportive communities. We have a strong case for giving in a way that is employee-driven and we follow that approach with communication to keep employees up-to-date about the company's giving – reporting on the results and ensuring that their involvement is reflected back to them positively by their neighbours.

To achieve that result, our approach has been to address three criteria in any donation. First, we try to ensure that the decision is transparent – based on clear guidelines and not influenced by individual choice. To do that, we brought together advisory panels for each of our three grant programs. The panels include experts as well as staff and agent representatives and they not only develop the request for proposals, they rank and select projects to be funded.

We have already found that advisors with in-depth knowledge of their fields add enormously to the effectiveness of our giving. There's a terrific dynamic that takes place as the panels take control of the process and guide it. We knew that we were onto a good thing when one panel told us that they would withdraw their names if we funded a project that would normally have been approved because it was simply not an effective use of the money.

As well as identifying needs and gaps, in many cases panel members provide detailed knowledge of the organizations whose proposals we're considering. They caution us about organizations in jeopardy. They identify best practices and projects that could be expanded across Canada. They also alert us to

proposals in which not-for-profits create a program outside their core skills – sometimes a good thing, sometimes a cause for concern. We’re finding that this knowledge is helping us to make choices with a better probability of success.

Second, we look for ways to attach our giving to specific, measurable results we can report back to staff and agents. For our grant programs, the advisory panels outline the measurement to be made for each project and will often monitor the results – especially in the technical area of organ donation. In some cases this is an area of accountability the funded organizations aren’t used to but it becomes more acceptable because we include funding for measurement in each grant as appropriate.

Once recommended by the advisory panels, Clarica bases grants on letters of agreement or contracts, depending on the size of the grant and its complexity. The elements of an agreement include the terms of funding, the measurements and reporting required and the timing of those reports, and the timing of payments upon receipt of progress reports for long-term commitments. Completing the circle, we also publish a public report that is evolving each year, providing increasing levels of information about our programs, individual donations and the results they create.

When the grant is made, our next imperative is to build a relationship that makes possible a free exchange of information. One organization we’ve worked with, for example, came back to us with the news that it could not spend the grant dollars committed for a program because other funding had fallen through and it needed to reduce staff. Because we believed in the organization, we then looked for ways to help it through the fiscal crisis.

We have limited the amount of our multi-year commitments to 10 per cent of the overall budget. Without that upper limit, annual budgets are very quickly reduced to a small amount of new giving. In this way we leave the door open from year to year but we also require results and strong relationships to continue. We make our expectations about staying in touch explicit – we want to be connected with the work and to be able to offer any in-kind help we can.

Once the groundwork is laid we had a firm basis for our giving – due diligence in selection, and written agreement on measurement and reporting – and we saw good results only 18 months after the changes began to be phased in. We are receiving both detailed reports of programs and warning when programs are delayed or changed. In one case, a research program was delayed because of difficulty in recruiting participants with special needs. That information allowed us to put the researcher in touch with our marketing staff who took on the interesting assignment with enthusiasm.

How would we respond in a case where there was a failure in results or funding? It hasn't happened yet, nor do we expect it to, but there would probably be three results:

- A halt to any continued payments until our concerns were resolved;
- A request for return of payments made under contract if they were not used for the intended purpose;
- When appropriate, working with the organization to restore its viability and confidence.

We're also monitoring and trying to balance our requirements for results with the needs of those we want to help. Clarica's need to identify its giving with specific results could become a trap for organizations that focus on finding new dollars for programs outside their core functions. We believe we can balance that concern by continuing to build community relationships so that we understand the issues and address them with care. We need to be involved in the community as a corporate citizen as well as a business and to understand the needs, the gaps and the duplications in the philanthropic world to ensure that we have a positive impact that our people can take pride in.