

Corporations aim for strategic engagement

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Integrated approaches combine giving, volunteerism, marketing.

By **Todd Cohen**

Faced with growing scrutiny and expectations in an increasingly competitive and global marketplace, corporations over the past 10 years have taken a more strategic approach to their social role.

Aiming to better serve their employees, customers, investors and communities, and keeping a close eye on their competitors, companies now are more fully integrating their philanthropy into a larger strategy of "corporate social responsibility," experts say.

That larger strategy involves looking for ways to leverage resources and assets to support and develop long-term relationships with nonprofits.

The emerging strategic approach to corporate citizenship creates both challenges and opportunities for nonprofits, experts say.

"Companies want to work with effective nonprofits," says Tom Knowlton, vice president and director of corporate practice for TCC Group, a consulting firm in New York City. "They want to reach their stakeholders in the community and they're wanting to find organizations that can be good long-term partners."

Craig Smith, a corporate-citizenship consultant in Seattle, says a growing number of companies are developing "porous boundaries" between their philanthropy and their business, with the corporate-philanthropy office serving as a kind of consultant to the company's other business units.

"Corporate giving is an area of expertise inside a company that can help the company's business units relate with nonprofit organizations, build their own relationships with nonprofits," he says, "and as they do that, find a path into corporate success that's informed by nonprofits and informed by the social issues."

GROWTH IN GIVING

Driven by a strong economy and growth in corporate profits before taxes, corporate philanthropy is growing, says Sophia Muirhead, associate director of research working groups for The Conference Board in New York City.

Corporate giving, including cash and in-kind support, totaled \$13.7 billion in 2005, up 22 percent from the previous year, according to Giving USA, an increase that also reflects strong corporate support for relief efforts for natural disasters like Hurricane Katrina and the Asian tsunami, Muirhead says.

Companies are giving more to international causes, with 97 of the largest companies giving nearly \$2 billion in 2005, she says.

And in 2006, she says, companies say giving will be important in China, India and other parts of Asia, where more companies are doing business and operating in local markets, she says.

In the U.S., health and human services are getting more than half of corporate support, followed by education, Muirhead says, with giving by the pharmaceutical industry eclipsing all other industries.

Pharmaceutical firms gave \$8 billion in the U.S. and abroad in 2005, Muirhead says.

Merck was the biggest corporate donor in 2003 and 2004, when it gave \$58 million in cash and \$921 million in products.

Like Merck, she says, many companies are giving more products than cash and are treating their giving more strategically, tying it to their business.

Companies also expect diversity to be an important program area in 2006, Muirhead says, particularly causes related to the growing Latino population in the U.S.

Knowlton says that in the wake of the Gulf Coast hurricanes and the Asian tsunami last year, companies are moving beyond simply responding to disasters and are developing strategies, structures and processes to be able to "react quickly to meet the expectations of their stakeholders."

"Everyone is thinking now about what is the role of companies in responding to disasters, and what's our criteria and process for doing so," he says.

MARKET FORCES

The corporate embrace of strategic philanthropy reflects increasing pressure, both internal and external, says Knowlton.

"Companies are being judged in so many areas beyond corporate giving, like environmental, diversity, labor and workforce issues, and what we tend to call 'community involvement or engagement,'" he says.

Customers, investors, employees and society in general are looking hard at companies' community involvement and comparing it to that of their competitors, Knowlton says.

Employees, for example, "want to work for companies they feel good about," he says, an expectation that only will increase as younger generations join the workforce.

So companies are doing more to engage their employees in giving and volunteering, he says.

"In general, companies are understanding that employees are interested in playing a greater role, and they're trying to help facilitate that process," he says.

MORE THAN MONEY

In the face of rising expectations, companies are developing "community involvement"

departments, Knowlton says.

Those departments cut across all aspects of corporate social responsibility, he says, and are playing a greater role internally to "leverage and utilize resources and work with other departments" such as government affairs, marketing and human resources.

Those department also are reaching both "internal and external stakeholders," he says.

Companies also are giving more than money, Knowlton says.

"Most companies start with the money side," he says. "But the reality is that more and more nonprofits and community groups really want the companies to engage and partner because they can provide knowledge and skills and resources they're not getting from other funders."

In particular, because they "are good at growing organizations and thinking about what it takes to build a company or organization," Knowlton says, some corporations are beginning to focus on helping nonprofits build their organizational "capacity."

VALUE OF BRANDING

A growing number of companies have recognized that their philanthropy can help build their brand, says John Vogel, a permanent adjunct professor at the Tuck School of Business at Dartmouth and associate director of the school's Allwin Initiative for Corporate Citizenship.

"Part of what defines your brand is being seen as a good company, not only to trust the product but to be someone you want to do business with," Vogel says.

As part of their shift to being more strategic with their philanthropy, he says, companies are focusing on a handful of causes and "trying to make a real difference" by making bigger contributions to those causes, particularly those that may offer a strategic benefit.

And companies are providing both dollars and expertise to help those causes, Vogel says.

SHIFT TO MARKETING

Smith, the Seattle consultant, says companies increasingly are investing marketing dollars to support nonprofits.

Corporate giving as a share of pre-tax income has dropped, he says, with companies increasing their spending on sponsorships and other partnerships with nonprofits.

That shift has coincided with an increase in marketing expertise on the part of nonprofits, Smith says.

Some nonprofits employ marketing directors who are paying greater attention to "how they manage business-to-business ties with corporations," he says.

And as nonprofits increase their marketing activity, he says, they also are integrating their marketing and development functions.

"Corporate giving should be considered for the most part an instrument of the marketing function of nonprofits," he says. "Nonprofits are in the marketing business, corporations are in the marketing business, and there's a basis for a relationship on that side of the company that might be profitable for nonprofits."

But marketing support can be a double-edged sword, and nonprofits need to pay attention to the impact it can have, Smith says.

Some companies may invest more in creating the perception they are doing good than they invest in nonprofits, he says, and companies that are effective at converting that perception into profits actually can drive competitors to shift funding from their own philanthropy to promotion of the perception that they are philanthropic.

Marketing partnerships, Smith says, also can force nonprofits into a "Faustian bargain," forcing them to "decide whether the benefit of getting increased marketing dollars is greater or less than the cost of going to bed with commercialization strategies that would undermine their core mission."

CHALLENGE FOR NONPROFITS

Securing corporate support requires "being able to communicate your impact in society" and "understanding how to partner with a company," says Knowlton.

"Companies are not experts on many of these issues," he says. "They need partners that understand issues" ranging from health and the environment to children's issues and education.

So nonprofits must be "clear about what you're accomplishing, and being able to communicate and articulate that clearly, and having a structure that enables the nonprofit to work effectively with the corporation," Knowlton says.

So nonprofits need a professional staff or board members with expertise in working with corporations, or expertise in the corporate sector.

Nonprofits also need patience, Knowlton says.

"Developing a long-term relationship can take a long time," he says. "What's often a problem between corporations and nonprofits is different expectations and different understanding about the amount of time everything will take."

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