Looking for Opportunities

Adapting to Uncertainty and Capitalizing on Your Corporate Contributions Record

BY CATALINA RUIZ-HEALY

Despite the robust growth of the U.S. economy in the late 1990s, uncertainties in the global marketplace and changes in the economic and competitive environment have forced companies everywhere to reevaluate their current ways of doing business. Who could have predicted the rapid impact of e-technology on business? Who would have anticipated the effects of regional financial crises? Uncertainty in many forms — mergers, stock market downturns and global financial crises that force cost cuts — poses a challenge for corporations, and corporate philanthropy is no exception. How do companies adjust their corporate philanthropic strategies when confronting uncertainty or other types of economic constraints?

It’s important to keep in mind that many of the causes of uncertainty with which corporate grantmakers grapple are frequently direct results of strategic business decisions. New business directions, downsizing, relocation, or mergers and acquisitions are all undertaken with specific business goals and the long-term profitability of the company in mind.

A traditional company’s strategy for reacting to uncertainty is to reduce costs by eliminating cost centers that are not central to the company’s business. Corporate contributions departments have sometimes topped these lists. But our experience suggests that this is a shortsighted approach. Especially during times of uncertainty, corporate contributions can add value — other than revenue generation — to a company.

Chris Marden, formerly at British Petroleum (now BP Amoco), believes based on his 20 years in the business that corporate philanthropy’s unique value to companies:1

- Improves corporate reputation with local communities, opinion leaders and customers;
- Establishes business and community contacts, builds alliances with stakeholders — shareholders, suppliers, employees, public leaders and customers — and provides important business management knowledge by better understanding the local operating environment; and
- Takes advantage of direct marketing opportunities where corporate community involvement activities can be tied to business interests.

While these values are important to almost all companies, they are especially critical for companies facing major change or uncertainty.

This briefing paper from The Conservation Company draws on the firm’s twenty years of experience with corporations to offer a perspective on how companies and their corporate contributions departments can adapt to uncertainty and add value to their business. We lay out situations in which your company may find itself one day and illustrate how other companies have adapted. In addition, we describe various strategies that can enable contributions managers to better prepare to confront uncertainty.
Factors Causing Uncertainty

Uncertainty can be brought on by myriad situations. In the past few years, however, we have seen the following trends affect corporations’ operations, and believe that these trends will continue to influence the way that companies do business in the future.

- **Mergers and Acquisitions.** It’s no secret that industries are consolidating. In the United States alone, mergers and acquisitions worth $570 billion were completed in the first half of 1999, compared with $528 billion for the same period the previous year. European deals, fueled by monetary union, were worth $346 billion in the first half of 1999; in the whole of 1998 the total was $541 billion. And the mega-mergers announced in late 1999 and the first quarter of 2000 — Viacom and CBS; Dai-Ichi Kangyo Bank, the Industrial Bank of Japan and Fuji Bank; SmithKline Beecham and Glaxo Wellcome; and Time Warner and America Online — indicate that this trend is continuing unabated.

- **Corporate Restructuring and Cost Containment Across the Company.** The technology revolution has changed shareholders’ expectations about returns on investments. More traditional companies are responding to these demands by becoming leaner and more efficient in hopes of producing competitive returns.

- **New Corporate Strategies Requiring Realignment.** New market and competitive realities are forcing companies to redefine their ways of expanding or maintaining market share. Knowledge is arguably becoming more valuable than goods and services. Corporations need to increasingly engage and work with a more diverse set of stakeholders. The Internet has greatly affected the way corporations must manage their relationships in their communities and in the marketplace.

- **Trouble with Internal Perception.** In addition to these competitive factors, a particular internal perception of the corporate contributions department and its value can also add to uncertainty. The graph below illustrates a 1999 survey of corporate contributions officers at 17 Japanese multi-national corporations. The responses show that the majority of those working as corporate contributions employees believe that those outside the department do not consider its role to be as important as they do.

**Studies Show That Philanthropy Adds Value**

Research shows that consumers do believe that philanthropy adds value — in fact, consumers pay close attention to the issue of corporate philanthropy, and they are increasingly rewarding socially responsible companies that engage in it. According to a Wirthlin Group Study, over 50% of consumers said they avoided purchasing a particular brand because the company was a poor corporate citizen. The 1999 Cone/Roper Cause Related Trends Report found that almost 66% of consumers surveyed would switch to a socially active brand or retailer given equal price and quality.

Cone Roper reports that executives are listening: 93% of executives surveyed said they choose to engage in socially conscious activities to build deeper relationships with customers, and 89% do so to enhance their corporate image.

Given the potentially uncertain external environment and the asset that corporate philanthropy can be, the question then becomes: *How does a company use corporate philanthropy in the face of uncertainty in the corporate environment, and preserve — or even perhaps grow — its equity among consumers and the community?*

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**Comparing Perspectives on the Value of a Corporate Contributions Department**

![Comparing Perspectives on the Value of a Corporate Contributions Department](image_url)
Reactions to Uncertainty

Conservation Company research shows that companies tend to have reactions to economic and environmental changes that can be arrayed along a “resource involvement spectrum.” Each reaction — exiting from long-standing relationships, delegating to field offices, partnering with other grantmakers, or finding other, non-cash ways to support grantees — reflects differing degrees of involvement and resources that companies can devote to a community involvement strategy.

Clearly, no one approach can be expected to fully address a particular situation — and none is easy. Changing circumstances require a company to assess its priorities, make difficult choices and ensure that important relationships do not suffer. Below we recount scenarios in which companies have used one or more strategies to deal with uncertainty and change.

Exit Strategies: 1+1=1.7 (If You’re Lucky)

In 1995, when AT&T acquired McCaw Cellular, the company discovered some overlap in grant recipients around the country. The new AT&T Foundation identified grantees common to the formerly separate giving programs and made these organizations aware that future gift amounts would not equal the sum of previous grants. This strategy required taking inventory of their grantees as well as assessing what specific grants would no longer fit with the new direction of the larger company. Grantees were not surprised by the changes.

Spinning-off: A Case of Adoption

When CBS and Westinghouse merged, the companies attempted to consolidate their giving programs and approaches, and several of Westinghouse’s long-standing programs, such as the prestigious 56-year-old Science Talent Search Program were eliminated or spun-off. In 1998, Intel Corporation took over the Science Talent Search Program and has successfully raised its profile since then.

Decentralizing: Delegate, Delegate, Delegate

In the early 1990s, American Express cut its corporate giving administrative and managerial staff from 17 to 10, thus placing more responsibility and a higher workload on those who remained. In response, in addition to reducing the number of grants disbursed, American Express shifted some grantmaking responsibility to the local managerial level. Local managers now distribute one-third of the company’s giving budget.

Adding Value: Education Starts at Home

Since 1993, Eastman Kodak has undergone dramatic management and organizational change, resulting in a much more global business strategy. Changes included a new CEO, the selling of business units, and substantial staff reductions. In addition, budgets were reduced throughout the company, which forced Kodak’s Community Relations and Contributions Department (CRC) to devise a strategy to expand the program globally with a smaller budget and under a higher degree of scrutiny from other parts of the business. To adapt to these new constraints, the CRC department developed partnerships with each of the business units to educate them about the value of philanthropy in the community and share in the grantmaking responsibility.

Innovating: Thinking Outside the Box

As a result of a major restructuring that included divestiture and a joint venture, Ashland Inc., an oil refiner with presence in the community for over 75 years, was to move its corporate headquarters out of a Kentucky town that bore the company’s name. Before leaving, Ashland worked with the community to ensure that its exit strategy would protect the morale of — as well as the relationship with — the community of Ashland employees who would remain behind. Ashland helped create a local foundation, then donated its corporate headquarters building to house it. In addition, the company established a $2.5 million collaborative fund with a local foundation that would be expended over three years, and provided interim staff to support the efforts.
No Need for Drastic Measures

Not all strategies need be so drastic or resource intensive. More often than not, a common consequence of economic change is simply doing more with less. Companies have adapted in several ways: from making fewer or smaller grants; to shifting from cash to in-kind contributions; and increasing visibility through employee volunteer efforts.

CASE STUDY: Levi Strauss

Leaving Communities a Legacy: Innovating

Levi Strauss’ decline in the blue jeans market share has caused the privately-held company to cut its workforce. Since 1997 the company has announced plans to shut 29 factories in North America and Europe and to eliminate 16,310 jobs. With 1998 sales dropping by 13%, Levi Strauss made the decision to shift manufacturing from U.S. communities and begin outsourcing overseas. While closing plants, the company wanted to minimize the economic impact its departure would have on its employee communities and continue its commitment to being one of the most socially responsible corporations in the world.

The Transition

The biggest challenge for the company was to strike a balance between making grants to ease the transition and avoiding deeper engagement in the communities at such a vulnerable time. Both the Company and the Levi Strauss Foundation worked in tandem to address how this sensitive situation would affect both workers and communities.

For its last round of plant closings, Levi Strauss designed a generous benefit package — valued at more than $245 million — which included severance pay, outplacement and career counseling services, and several kinds of performance bonuses to insure that output would not suffer due to potential low morale.

Working in tandem with the Company, the Levi Strauss Foundation created a $13 million Community Transition Fund (CTF) to assist local communities in the U.S. and Canada through the economic and social transitions resulting from the closures. While the Foundation’s core grantmaking focus areas remained the same — economic empowerment, HIV/AIDS, social justice and youth empowerment — priority was shifted to microenterprise, job creation and training, and efforts that would strengthen the local economic base.

In addition, special monies were allocated to support services that were likely to be in high demand during the transition period: childcare, food banks, domestic violence programs, counseling and transportation. Three-year capacity-building Legacy Grants were made to the communities’ United Ways to lessen the impact of the Foundation’s exit. Finally, employee Community Involvement Teams continued to designate grants to nonprofit organizations of their choice until the end of 1999.

This two-pronged strategy was successful in addressing both internal and community needs. The Company and the Foundation’s proactive nature in foreseeing community needs allowed the perception of the Company’s values to remain unmarred. Also, by working together with the Company, the Foundation demonstrated its effectiveness in addressing real community needs.

Hitachi Ltd. is a good example. In 1999, Hitachi Ltd.’s U.S. liaison office of Corporate Contributions in Los Angeles was charged with creating a greater presence in the southern California community with the same budget that it had worked with since 1986. “To get the most mileage out of our limited budget,” says Lori Strakosch, Director of Corporate Contributions at Hitachi Ltd., “we developed a three-pronged strategy. First, Hitachi increased its in-kind donations, figuring we would familiarize a new audience with Hitachi products; second, we created scholarship and educational programs to increase our community presence; and finally, we established personal relationships within the community by joining nonprofit boards and offering Hitachi employees as volunteers. Our community outreach has not only benefited the Los Angeles community, but also has helped to improve employee morale, which has suffered as a result of the economic situation in Japan.”

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CASE STUDY: Texaco

Turnaround Management with Limited Resources: Educating

Peter Bijur became CEO of Texaco in July 1996. Within six months, publicity about a claim of race discrimination by several employees against the company was front page news all over the country. News stories reported taped conversations of Texaco executives making disparaging remarks about the company’s African American employees. Bijur moved swiftly to settle the case, agreeing to a historic settlement of $145 million. Additionally, he immediately instituted new procedures and practices to ensure fair and equal treatment of all employees.

In March 1997, Texaco hired Anne Dowling to undertake a strategic review of its philanthropy and community relations. Dowling, former Director of Corporate Contributions at Philip Morris, had a consulting practice whose corporate clients included Coca-Cola, American Express, Avon and Sears. At the time that Texaco became a client, the settlement and its aftermath were still very much in the news and subject to continuing debate.

Dowling formed a nine-person Headquarters Planning Group (HPG) composed of key Texaco executives with responsibility in the communications, diversity, and corporate contributions areas. Throughout the review, they met periodically and provided invaluable guidance and feedback. The HPG was critical to achieving company buy-in for new directions in the corporation’s philanthropy. Over 60 Texaco employees, from the CEO down to program coordinators and administrative assistants in 13 locations, were interviewed during the review. More than 30 external interviews were conducted with community leaders in Texaco’s “hometowns” as well as those operating on the national scene.

Providing a sharper focus for the Texaco Foundation was a priority; specifically, Dowling sought to recommend a more strategic approach that would:

- Reflect corporate values, culture and tradition;
- Position Texaco as a leader in a narrowly defined area;
- Relate to future business needs;
- Address significant issues;
- Emphasize excellence and innovation;
- Be adaptable/transferable to the local level; and
- Produce measurable results.

Based on these criteria, Dowling and her team recommended two new “signature” programs for the Texaco Foundation. The first, Early Notes: The Sound of Children Learning, is intended to bring music education back into schools. It builds on Texaco’s 60-year affiliation with the Metropolitan Opera through the Saturday afternoon live opera radio broadcasts. The second program, Touch Science: Hands-on Learning for Kids and Communities, is designed to encourage better teaching of science in elementary grades. Encouraging more students in the study of science is critical to Texaco’s future workforce needs.

The Turnaround

Once Dowling’s review was completed, she accepted an offer to become President of the Foundation and help implement changes recommended in the study. Within two years, despite severe budget constraints (the price of oil dropped from $18.75 a barrel in December of 1996 to $10.50 in June 1999; at one point, in December 1998, a barrel of oil was $6.50), the Foundation had met the key challenge of creating and enforcing a positive image in the community for Texaco. At the same time, the Foundation was seen as addressing important issues in education reform, i.e., the value of restoring arts education and improving science teaching in elementary grades.

Implementing an effective new grant-making program in an environment of constraints required disciplined and strategic spending, graceful exits from many existing relationships, and nurturing new relationships with key community organizations by leveraging other corporate resources, such as leadership training programs, use of facilities and employee volunteers.

Engaging employees was a key factor in setting out in new directions. Creating the infrastructure necessary for linking employees and the community not only helped to rebuild morale within the company, but also provided common ground across communities to address diversity issues. A role for Texaco volunteers was incorporated into the Foundation’s grant selection criteria.

Dowling reports that some of the results she has seen from effective restructuring of a giving program include recognition through particular awards and favorable press coverage; higher levels of employee volunteerism; and an improved quality of proposals submitted from nonprofit organizations in response to newly defined and carefully developed criteria. Texaco has also begun a corporate national television advertising campaign based on the Early Notes program.
There are many other ways in which a company dealing with uncertainty can supplement or even replace more traditional grantmaking strategies.

Some Possibilities…

• **Giving employees more ownership of giving programs**, through Community Committees or Employee Funds, can dramatically improve morale and increase employee contributions of time and money for community initiatives. The Kraft Employee Fund, for example, reports that employee giving is up more than 10% in the Chicago area, and 40% more employees are volunteering in their communities. The Philip Morris Employee Fund has seen similar success: in its first year, employee giving rose 7% over the previous year’s United Way Campaign, and volunteerism increased by 35%.

• **Using service projects as employee training** accomplishes both team-building and corporate presence in the community at low or no cost to the company. New York Cares — an organization that reaches out to nonprofit organizations in all five boroughs in New York City to identify their needs and determine how volunteers can address them — has enlisted more than 150 companies to involve their employees as volunteers to meet identified needs and build teams.

• **Identifying public or private collaborative partnerships** with other organizations that may have compatible interests can enable the company to leverage its resources and heighten the impact and awareness of its grantmaking. General Mills found that building an alliance with a nonprofit organization helped it revive its marquee brand: for every Wheaties coupon that a customer cuts out and returns to the company, the company donates fifty cents to the Lance Armstrong Foundation for Cancer Research.

On a larger scale, the National Community Development Initiative combines resources from 15 major national corporations and foundations (including Bankers’ Trust, J.P. Morgan and Chase Manhattan Bank), the United States Department of Housing and Urban Development, and scores of local public and private organizations. Together, these entities are working with community development groups to build housing, spur economic revitalization, and provide employment opportunities and other essential services that will help restore the quality of life in these neighborhoods.

Implementing these kinds of approaches will be difficult unless a strategy for creating internal buy-in is concurrently developed; forging internal support can be accomplished in a variety of ways.

• Developing baseline data about the community in which the company gives, and designing indicators that measure and evaluate outcomes for grantmaking initiatives, makes reporting back to key stakeholders more meaningful, and builds a case for continued investment in communities.

• Educating employees and executives by hosting on-site “meet the grantees” days puts a face on your company for its grantees and allows the company to learn more about how corporate philanthropy affects the community.

• Demonstrating the value of community relationships in the face of public affairs difficulties can signal the value that the company’s philanthropy adds to the company in terms of generating goodwill.

Think Before You Lead

Implementing these kinds of approaches will be difficult unless a strategy for creating internal buy-in is concurrently developed. Key areas from which to garner support in the company include the executive offices, the marketing and human resources departments as well as the public and/or community affairs units. As we’ve talked about earlier, these departments all have much to gain from corporate philanthropy ventures.

Forging internal support for using philanthropy to add value can be accomplished in a variety of ways.

• **Placing executives on the foundation’s board** to align funding strategies with core business priorities can achieve buy-in from senior management and executives from other parts of the business.

Taking The Next Step…

Times of change or uncertainty provide excellent windows of opportunity to revisit current practices. Below we highlight some of the best practices or “must dos” that emerge from, or are best suited to, situations of flux from which we have learned.

• **Overcoming stale grantmaking**. Grantmakers should not be afraid to either redirect or hone current
focus areas, or proactively manage their relationships with grantees. A positive aspect of uncertainty or change is the opportunity for risk-taking and transformation.

• **Communicating openly with grantees and collaborators.** Facing any kind of uncertainty is especially difficult to do alone. Honesty and effective management of grantee expectations will protect your relationships against misunderstandings about obligations. Grantees and other partners will appreciate transparency and are more likely to be supportive and loyal during tough times.

• **Integrating marketing and corporate contributions functions.** In addition to responsibility being delegated to other departments as a result of smaller corporate contributions staffs, increasingly grantmaking is being used as a tool for strengthening the corporation’s image — and this new role can and should be more highly leveraged.

• **Becoming more integrated with the business.** Given their status as cost centers, as opposed to revenue-generating units, corporate contributions departments are viewed by many executives as “nice” or “do good” business activities, rather than as critical or strategic business tools. Changes in the business or operating environment present opportunities for contributions managers to make the case regarding the value contributions bring to the business, at a variety of levels — marketing, recruitment and retention, government relations, community relations, brand differentiation, and increased sales.

• **Revisiting workload expectations with shrinking staff.** Three people cannot do the work of a staff of ten. A realistic assessment about new or downsized capacity is necessary, and the program must be adapted accordingly. Program quality, focus and consistency are critical to a successful giving program, and are also dependent on realistic staffing plans.

**A Final Word**

Dealing with uncertainty or dramatic change is not easy. Adapting to uncertainty in the corporate environment presents a wide variety of challenges, as managers at Levi Strauss, Texaco and Hitachi learned. But their experiences also illustrate the opportunities that can grow out of such unknowns, and the benefits that can accrue to companies that take advantage of changes in their environments and strengthen their philanthropic and community involvement programs. As we have seen, flexibility, communication and creativity are key strategies when adapting to unpredictable times.

**About the Author**

Catalina Ruiz-Healy is an Associate based in the firm’s NY office, and has served as a lead consultant for clients in all of the firm’s practice areas. Recent corporate clients include PaineWebber, Philip Morris Companies Inc., Kraft Foods, and The Coca-Cola Foundation. Catalina is also a principal in the firm’s new International practice, where she has focused on work for the Ford Foundation, The World Bank, and the Amparo Foundation in Mexico.

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To receive additional copies, please see our web site at www.conso.com or call us at 888.222.2283.

**Notes**

9. Ibid.
About The Conservation Company
For over two decades, The Conservation Company has provided strategic planning, program development, and management consulting services to foundations, nonprofit organizations, corporate community involvement programs, and government agencies. The Conservation Company helps its corporate clients to more sharply define their place in the greater society and identify opportunities for using available corporate resources — financial, human, and business expertise — to contribute to the community while serving important business interests.

From offices in Philadelphia, New York and Chicago, the firm works with clients nationally and, increasingly, globally. Our services include strategic planning, organizational assessment and development, feasibility studies, program evaluation and development, board development, restructuring and repositioning, as well as grant program design, evaluation, and facilitation.

Our Approach
We are committed to a team approach in our consulting work, providing maximum benefit to our clients through one of our major strengths: the multidisciplinary expertise and diverse backgrounds of our professional staff who operate across sectors. The combined experience and skill of our principals and associates enable us to accept and successfully complete assignments that require both an outsider’s perspective and an insider’s expertise.

Of additional value to our clients is an ability to find productive synergy among our practice areas — private foundations, corporate community involvement, economic and social opportunity, and nonprofit organizations — through which our knowledge of events and issues in one sector can inform and enhance our work in another.

A Focus on Results
We recognize that our clients must operate effectively in an environment characterized by increasing demand and decreasing resources. Consequently, we work hard to understand each organization’s unique situation and potential, in order to design an approach that will result in the best possible outcome. The long-term relationships that we have maintained with many of our clients speak to the quality of our work and the commitment of our staff.

Our Services to Corporate Clients
We know the climate in which corporate funding programs operate, and can quickly get up to speed on individual companies and the directions in which they are heading. Corporate resources, leadership, and expertise can be effectively orchestrated to achieve significant benefits to all concerned. We aim our consultation practice in a strategic, results-driven way, offering services that include:

- Conducting strategic reviews of corporate community involvement programs
- Developing major contributions initiatives
- Crafting corporate-wide programs
- Conducting peer company reviews
- Managing major grantmaking programs or outsourced RFP initiatives
- Developing international grantmaking strategies
- Training staff and governing groups
- Preparing operating procedures and manuals
- Coordinating with both internal and external communications and public relations groups
- Designing evaluation capacities and other accountability measures

To help companies receive recognition from critical constituencies for their community involvement, we work closely with their communications departments in developing effective public relations efforts. Because many companies are expanding their community involvement globally, we design comprehensive programs that carefully balance decentralized operations with strong local program design, all within corporate policy, oversight, and budgetary control.

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