Strategic Corporate Philanthropy:
Using Social Investment to Improve Your Competitive Context
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Corporations in the Unites States annually give away over $11 billion to non-profits and other charitable organizations – an average of 1.3% of pre-tax income. Yet, many do so without realizing the strategic value it provides. Philanthropic donations provide a useful, though seldom fully leveraged, channel for improving outcomes for both the corporation and the community.

Fully utilized, effective giving programs can

- Enhance company image
- Strengthen employee morale
- Attract top talent
- Improve retention
- Develop corporate allies

According to the Committee Encouraging Corporate Philanthropy (CECP), companies that view business's contract with society not as an obligation, but as a source for competitive advantage, unlock a powerful opportunity to attract and retain talent and ensure the health of their markets over the long term. The CECP is an international forum of business CEOs and Chairpersons pursuing a mission focused exclusively on corporate philanthropy. Its Board of Directors is comprised of 23 international CEOs and Chairpersons, including our own local Marilyn Carlson Nelson of Carlson Companies.

Giving back to the community, when conceived and executed thoughtfully, creates a win-win scenario for businesses and the public. From eradicating disease and improving childhood literacy rates to boosting employee job skills, opening new markets, and heightening brand recognition, business and society both stand to benefit greatly if companies can demonstrate programmatic effectiveness, fiscal accountability, and good stewardship in their philanthropic contributions.

While large corporations typically have a staff dedicated to philanthropy with structure and parameters built in, giving at small companies tends to be more grassroots. Small and non-publicly traded companies can often utilize unique ways to give, such as putting their companies in a charitable trust or donating company stock. In fact, 80% of Minnesota businesses with fewer than 500 employees contribute annually through some type of giving program, according to the Minnesota Chamber of Commerce. Businesses of any size reap the benefits of social investment with successful communities in turn supporting successful businesses.

For example, charitable giving has always been a core tenet of Minnesota-based Cargill's operations. Each year, Cargill donates 2% of its global pretax earnings - $37 million last year. This philanthropy helps the company meet its mission of nourishing people and ideas, and strengthens ties with its employees. Cargill has found that giving back to the community matters to employees and, therefore, helps to attract and retain good people. Other top CEOs also recognize that prospective employees are highly influenced by corporate culture, and philanthropy is an integral component of a desirable work environment. In recent years, college graduates frequently have long records of community service and therefore seek employers that support their interest in community engagement.

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Similarly, Fargo, North Dakota-based State Bank & Trust recently earned national attention for its 'Pay It Forward' challenge in which the company gave its 510 employees more than $500,000 to pass onto a worthy cause or person. Each year, State Bank & Trust gives away about 5% of it's earnings to various local causes. This strategy has become a major recipe for success, with record growth over the past 10 years, consistent employee fealty, and a recent flood of new customers.

To duplicate this kind of success, a philanthropy program should mirror the culture of the company, be genuine in its intentions, and be communicated with full endorsement by the CEO. To generate optimal returns, the program should resonate internally and externally with company values, products, practices, and goals. CEOs should lead by example by getting personally involved. This level of leadership creates an authentic spirit that employees can support and extend as ambassadors of the company. Just as employees are inseparable from the success of any corporate initiative, so to are they essential when crafting a giving strategy. Including employee ideas through surveys or philanthropy councils guarantees buy-in and strengthens the program from design to execution.

Volunteering is another channel for corporate philanthropy, with companies allowing staff to take time off work to use their core competencies to invest in their communities. Volunteering can take many forms, from mentoring in local schools one day a week, to sending employees to work full time for several months in other national or global locations. For example, Wells Fargo employees regain their full salary and benefits after up to four months away from their jobs working with non-profits. An additional benefit to this type of social responsibility is the insights companies gain into new markets and unfamiliar economic environments. At the same time, these intensive sabbaticals double as powerful leadership development programs benefitting both the employees and the sponsoring organization.

In order to build sustainability into a philanthropic initiative, companies must stay on top of the same shifting dynamics that affect all of their business lines, such as globalization, diversity, and other market forces. In addition, philanthropy programs should be actively monitored, measured, and communicated. Customers expect transparency and shareholders expect specificity in understanding the business value of corporate giving. Attendees at the 2008 CECP conference suggest producing an annual report on citizenship, possibly including integrity, alignment, environmental concerns, workplace values and corporate giving. Managing corporate giving similar to other key business disciplines, with clear objectives, established metrics and reporting structures to senior management, reflects best practices and ensures shareholder support and stabilization of these programs, especially in periods of company change and volatility.

When businesses think of corporate philanthropy as social investing, not charity, they become more alert to possible inefficiencies. Due diligence with potential nonprofit partnerships ensures that every dollar is spent wisely. Collaborating with other companies, both for and non-profit, provides for even greater impact, as companies converge around solving significant issues. Collectively, businesses can move the needle on important social issues far more than any individual company.

When organizations adopt the approach of social investment to improve their competitive context – using their charitable efforts to improve the quality of the business environments in the locations they operate – they align social and economic goals. They improve their long-term business prospects and direct their philanthropic activities to areas where they can be far more effective by leveraging their unique assets and expertise.

Further information on the profitability and successful execution of strategic corporate philanthropy is available at the Center Encouraging Corporate Philanthropy website.

If you or your company is looking for a suggestion about where to invest your donations, Roselle Leadership Strategies has experienced remarkable returns and satisfaction from our time and money invested in Feed My Starving Children.