

JOURNAL REPORT: PHILANTHROPY

Firm Decisions

As companies become more involved in giving, charities are glad to get aid faster -- and with less red tape

By SARAH E. NEEDLEMAN

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Corporate philanthropy is operating more and more at the speed of business.

Many companies, eager to demonstrate their altruism, have put a higher priority on charitable giving. And with less formal systems in place for responding to aid requests, some are providing speedier help to charities than private foundations, as well as giving in more innovative ways.

"Companies have the ability to respond to immediate needs, such as disasters, because they can get volunteers from employees, match donations and give away product," says Matthew Nelson, a managing director at the Council on Foundations, a Washington-based nonprofit membership association of more than 2,100 grant-making foundations and corporations.

Take the wildfires that destroyed thousands of homes in California in October. Within a few days, employees at six Bloomingdale's Inc. stores in nearby areas donated scores of clothes, blankets and household items. And it took no more than a month for the department-store chain, a unit of Macy's Inc., to start a program to raise funds for the San Diego Habitat for Humanity Firestorm Disaster Rebuild Fund. Shoppers were encouraged to donate any amount to the charity, using normally accepted methods of payment, and the company's charitable foundation matched employee donations of \$50 or more. About \$20,000 was raised, Bloomingdale's says.

In contrast, private foundations typically require charities to submit formal aid-request proposals according to guidelines that vary from group to group. Some foundations evaluate proposals only at certain times of the year or when their boards convene. Also, private foundations mainly provide gifts in the form of financial donations.

It took about six months and a lot of hard work for WaterPartners International, a nonprofit based in Kansas City, Mo., to receive a \$100,000 grant from the Michael and Susan Dell Foundation in 2003. Starting late that summer, Gary White, the charity's executive director, engaged in several lengthy discussions with the foundation's officers about WaterPartners' strategy for helping impoverished individuals get clean water. He then had to submit a seven-page proposal according to the foundation's specific guidelines on how the money would be used, which he says took about a month to prepare, including a trip overseas for research. The grant was approved in December, and WaterPartners received a check soon after, Mr. White says.

Other grants issued by the Michael and Susan Dell Foundation can take as long as a year to process, depending on their level of complexity, says Janet Mountain, an executive director at the private institution. "Evaluating grants takes time, but for good reason," says Ms. Mountain. The purpose "is to focus our grant portfolio on areas where we believe we can have the most impact."

Avoiding Red Tape

Corporate giving has risen an average of 3.2% annually, adjusted for inflation, since 1996, according to Giving USA, a nonprofit group that supports research and education in philanthropy.

Still, companies continue to make up a much smaller piece of the overall philanthropy pie than private foundations. Last year, charitable contributions by corporations totaled \$12.72 billion, accounting for an estimated 4.3% of total giving in the U.S. to both domestic and international causes, Giving USA says. Private foundations, meanwhile, gave \$36.5 billion, or some 12.4% of the total, according to the report. (Donations from individuals accounted for most of the rest.) But Nancy Lublin, chief executive officer of Do Something, a nonprofit group with a mission to encourage young people to improve the world, says the competition for support from private foundations is fierce. "The foundations have stacks of proposals," she says. "They're like the captain of the cheerleading squad. She doesn't call anybody; the guys call her."

In contrast, asking for corporate support typically involves less red tape.

PepsiCo Inc.'s Frito-Lay division gave free publicity to Ms. Lublin's group last summer, featuring the photos of 23 Do Something members, along with captions about their work and the charity's Web address, on 500 million bags of Doritos. Ms. Lublin says that instead of having to complete a formal proposal form to win Frito-Lay's backing, she made her case in a PowerPoint presentation perfected in meetings, phone calls and emails with Jason McDonell, a Frito-Lay marketing director. After a sign-off by a group vice president at the company, the initiative was rolled out in less than three months.

Ms. Lublin describes the exposure as priceless. "It drove fabulous recognition for our organization and helped our Web traffic," she says. Mr. McDonell says Frito-Lay benefited because it was able to spread the word about its philanthropy without media coverage, helping demonstrate the company's authentic interest in giving. Plus, the initiative didn't cost a lot because the company regularly changes the design of its bags, he says.

Among other companies that have taken a more tactical approach to philanthropy in recent years is Bank of America Corp., which has created a service on its internal Web site to encourage employees to get involved and stay involved in volunteerism.

Employees can search for volunteer opportunities in their city and sign up for them through the site. The company gives workers two hours a week of paid time off for volunteering, plus other incentives. For example, if an employee performs 50 hours of volunteer service at a charity, Bank of America gives the group a \$250 grant on the worker's behalf.

The Web page was custom-designed and allows Bank of America to both recognize and measure employee volunteerism and share that information with shareholders and the public, says Andrew Plepler, president of the company's charitable arm. While the company wouldn't disclose the cost of the initiative, Mr. Plepler says its employees contributed more than 500,000 volunteer hours last year.

Winning Over Consumers

Demonstrating altruism can be of great value to companies. More than three-quarters of roughly 1,100 Americans surveyed earlier this year said they wouldn't work for a firm they deemed socially irresponsible, according to a 2007 report commissioned by Cone Inc., a branding-and-research consulting firm in Boston, and conducted by Opinion Research Corp. What's more, 87% of the study's respondents said that price and quality being equal, they would likely switch from one product to another if the other product was associated with a good cause.

Aligning philanthropy with business goals was listed as the leading factor influencing corporate giving for 77% of 204 companies surveyed in 2007 by the Conference Board, a nonprofit research group based in New York.

Indeed, charities and companies with the same target market usually make the best partners, according to Ms. Lublin. "If what you care about is the same, you can make beautiful music together," she says.

One potential downside to corporate charity is that sometimes it comes with strings attached. Ms. Lublin says a large corporation once offered \$600,000 to Do Something under the condition it be used to open offices in three U.S. cities. Because the nonprofit mainly operates online, it rejected the offer. "We will walk away from money if it doesn't make sense," she says.