

Corporate Philanthropy 2007: Finding the Compatible Intersection

by Andrew Crosby

BILLIONS OF DOLLARS ARE donated each year through a combination of corporate foundations, and corporate offices, and those figures are on the increase (see “Trends in Corporate Philanthropy” on page 52), but is the price of entanglement potentially too high? Government regulators such as state attorneys general express concern about “cause-related marketing” relationships in which much higher paybacks accrue to corporations than to nonprofits,¹ and recently the Senate Finance Committee issued a report criticizing pharmaceutical companies’

grantmaking to medical schools.² Outside of government, nonprofit watchdogs have warned grant seekers about the explicit and implicit strings attached to corporate support and the potential damage such support can inflict on the reputations of unsuspecting nonprofits.³ Thus nonprofits are wise to approach these relationships as a mature partner with a realistic understanding of the exchange proposition.

Corporate fixation on “strategic” philanthropy⁴ means that potential partner companies, from the local furniture store to the biggest corporation, will try to extract the greatest value

they can from their grants. Nonprofits need to maximize benefits and protect against potential risks with the same vigor as their corporate partners.

To help you with your consideration of risk versus benefits, we have provided a partial checklist in the box on page 54, but first some discussion from nonprofits that have benefited from corporate money.

What’s It All About?

“We as nonprofits have to do our homework,” says Tim Sheahan, president and CEO of the Boys & Girls Clubs of Metro Denver. For those that do, the rewards

Organization	Boys & Girls Clubs of Metro Denver, Denver, Colorado	The Center for Arts in Natick (TCAN), Natick, Massachusetts	Minnesota Council of Nonprofits, St. Paul, Minnesota
Name	Tim Sheahan, president and CEO	David Lavalley, executive director	Leslie Nitabach, development and membership manager
Geographic area of service	Metro Denver	Natick and surrounding areas	Minnesota
Budget	\$6,000,000	\$800,000	\$2,000,000
Corporate donations	10 percent	25 percent	10 percent (100,000 grants plus 120,000 sponsorships)
Years in operation	45	10	20
Members	8,000	1,000	1,780
Web site	www.bgcmd.org	www.natickarts.org	www.mncn.org

Trends in Corporate Philanthropy

Navigating the shoals of corporate philanthropy might require some good mapping of the shoreline and landscape. The following facts may serve as a cartographic survey of the world of corporate philanthropy today:

- In 2006, total foundation grantmaking topped \$40 billion, with some \$4 billion coming from corporate foundations. But that's less than 30 percent of the nearly \$14 billion in charitable giving from the corporate world. In 2005, in terms of foundation giving, corporate grantmaking increased 16.5 percent, in part because of Hurricane Katrina- and tsunami-related grantmaking, the largest one-year proportional increase since 1997. In 2006, corporate philanthropy continued to climb another 6 percent.⁶

- An increasing chunk of corporate grantmaking comes from the pharmaceutical industry. In 2005 a dozen pharmaceutical foundations accounted for more than \$3 billion in donations for medications for people in need. Four of these pharmaceutical foundations now rank in the top 10 largest grantmaking foundations in the United States.⁷ Some critics might suggest that the high prices of prescription drugs render their manufacturers' charitable deductions for in-kind donations a dubious form of philanthropy.

- Overall and in cash grantmaking terms, the largest corporate grant maker continues to be Wal-Mart Stores, Inc.; in 2005, Wal-

Mart became the first corporation to give away more than \$200 million in cash in one year.⁸ Other big corporations ranking among the top 50 grant makers are Ford Motor Company, Wells Fargo, and Citigroup.⁹ Among the largest corporate grant makers

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overall—regardless of whether they use corporate foundations as their vehicles—are Bank of America, Altria, Wachovia, Exxon Mobil, Target, and Johnson & Johnson.¹⁰

- Corporate philanthropy is dominated by a relatively small number of large corporations. In 2002, 95 C corporations with net income of more than \$1 billion accounted for 40 percent of corporate charitable deductions; 10 corporations alone accounted for almost 20 percent.¹¹ Corporations that are particularly open to philanthropic grantmaking are “consumer sensitive” retail firms that see corporate giving as increasing their market sales and revenue growth,¹² corporations that advertise extensively, and highly regulated firms.¹³

- Not only do a relatively small proportion of corporations account for a large proportion of corporate grantmaking, corporate philanthropy doesn't necessarily reach all geographies evenly: one study of nearly 3,000 corporations in 50 cities indicates that 77 percent of corporate charitable giving stays within corporations' headquarter communities.¹⁴ In 2004, corporate funding priorities emphasized health and human services and education: health and human services received 44 percent of funds; education received 14 percent; international efforts got 19 percent; civic and community received 8 percent; and culture and the arts received 4 percent.¹⁵

- There is significant growth in corporate “cause-related marketing”: that is, attaching a corporation's name and brand to nonprofit activities through marketing, advertising, purchase-triggered giving, licensing of charitable logos, and sponsorships. Between 2002 and 2006, cause-related marketing sponsorships in the United States alone increased from \$816 million to \$1.34 billion.¹⁶ More than 80 percent of Americans say that they would switch corporate brands, with price being constant, to help support a “cause,” and 75 percent say corporate commitment to causes is an important factor in deciding which products and services to purchase.¹⁷

can be significant. “We actually have the Denver Broncos funding a Boys & Girls Club location, as well as providing broader support to our organization,” Sheahan says. “We have a five-year commitment—we're in year four of it already—and they are very interested in renewing it. This partnership has been a win-win for both the Boys & Girls Clubs and the Denver Broncos and a phenomenal investment in our local youth.” Naturally, the Broncos didn't

decide to support just any Boys & Girls Club, but the Denver Broncos Boys & Girls Club branch in particular. A key attraction was the public identification of the Broncos' brand with philanthropy; explicit identification meant publicity, credit, and value.

The Center for Arts in Natick, Massachusetts (TCAN), also successfully collaborates with local businesses. “Our recent partnership with a high-end furniture chain that just opened a

new location nearby has provided the store with good local publicity, and TCAN with a new way to reach potential members. The company's focus on the aesthetics of interior design, combined with our focus on the arts, makes the partnership a great fit,” says David Lavalley, TCAN's executive director.

Taking a slightly different approach, the Minnesota Council of Nonprofits (MCN) partners with a wide variety of local businesses and larger corpora-

tions through foundation grants, event sponsorship, ad placement, and special-membership categories that bring company representatives closer to its members. “Part of our strategy is to carefully discern where the joint interest is and to pursue those mutually beneficial relationships while being careful to protect the interests of MCN and its members,” says Leslie Nitabach, the council’s development and membership manager. “Does this mean that we will sometimes turn down an opportunity? You bet.”

As tempting as this potential pool of investment might be, each of these nonprofit leaders cautions that corporate contributions come with some obligations, expectations, and associations that nonprofits must consider before sealing any partnership. “It used to be, from the corporate fundraising side, ‘Sure, we’ll sponsor a kid, and it makes us feel good,’ and that kind of thing,” Sheahan says. “But now we’re seeing corporations want more bang for the buck. They want to know what they’re going to get out of it and whether it will come out of the marketing budget or philanthropy budget.”

A recent study conducted by the Center on Philanthropy at Indiana University and sponsored by the Target Corporation entitled “Corporate Philanthropy: The Age of Integration” concurs: “Overall, the companies consider support for nonprofit organizations a key business function, not a marginal activity.”⁵ The report identifies several trends within corporate philanthropy, including the following:

- a representation of the essence of what the company stands for rather than an effort to boost revenue in direct ways;
- a way to strengthen the corporation’s internal and external linkages, with different goals for internal and external relationships and, frequently, different management strategies applied to these relationships;
- a “trialogue” among corporations,

nonprofits, and the public (comprising consumers and community members), with all participating at nearly equal “volume”;

- negotiation with nonprofits as formal, multiyear partnerships with contracts and terms and with both partners participating in the responsibilities; and

- an approach that emphasizes building capacity or changing a field of knowledge or practice rather than supporting change in the lives of individuals.

These corporations want to maintain a positive image and want various constituencies within the public to view them as good corporate citizens.

According to the report, corporate philanthropy is one way to help build loyalty. Giving may be focused on strengthening close links such as on employees, customers, suppliers/vendors, shareholders/owners and local community (sites); while other giving may be focused on strengthening more distant links such as the global community/international public, regulators/policy makers, opinion makers/media/stock market, and the general public.

“We’re finding that corporations are much more targeted and have defined their interests a lot more than in the past,” says Lavalley. “And, they have also more narrowly defined their philanthropic interests as well. For example, in education or health care they might seek programs more closely aligned with their business mission. They still participate in philanthropy, but they’re looking for something much more connected to their business objectives.” According to the Center on Philanthropy at Indiana University’s report, companies are focusing corporate giving programs into efforts that show the essence of what they stand for. For example, Procter & Gamble espouses the motto “Live, learn, and thrive”; Wachovia’s is “Employee engagement, stronger communities, diversity”; and IBM’s is “Innovative use of technology to solve problems.” So,

explains Nitabach, “if a corporate donor wants to reach moms with kids, because that’s who buys most of their stuff, and they say that that’s their brand, and they’re pretty clear about that. Not every organization can go in and get general operating support from that donor. It has to be about ‘How are you going to reach moms and kids?’ And it can be through the arts, and it can be through other means; but at the end of the day, the organization must clearly demonstrate how they are going to help the company appeal to moms and kids, because that’s who the company wants to impress.”

Step Right Up

“Matching the organization’s needs with the strategic goals of the donor—that is paramount,” says Lavalley. “We think carefully about the partnerships that we enter into as well to make sure that it’s going to feel right to the people who are supporting us currently. This is where a competent development organization can add value, by researching your own donor or patron base and seeing if you have existing relationships with the donor organization, individuals who might provide a better understanding of the things that are important to the donor. Often these are right in front of us. Also, connecting with the local chamber of commerce, you’ll find a number of businesses large enough to be very interested in some level of philanthropy, but maybe less than that huge, megacorporation that happens to have a headquarters in your area.”

Timing is also important, notes Lavalley. “Understand the business cycle. There are times of the year when they spend this money, and if they don’t spend it, they lose it. So if you miss that window of opportunity, you’re probably out of it until the following year.”

What’s in a Relationship?

Nonprofit-corporate partnerships pose their own communication challenges.

Look Before You Leap

Often the hardest part is beginning the conversation and getting the attention of a potential business supporter. How should nonprofits go about deciding whether to get involved in corporate partnerships and philanthropy? There are several questions to consider:

1. Does seeking and accepting corporate funds clearly fit your agenda and give you desirable flexibility in their use?
2. Do corporate funding and sponsorships come with a quid pro quo to support the business and its products? If so, consider this carefully, not only in the present but in the long term as well, because your nonprofit and the corporation will be exposed to the failures and successes of each other.
3. Does your organization have a process for conducting due diligence in researching potential corporate funders to ensure that it is appropriately informed about issues and is prepared to reject potential funding?

4. Does your organization have the human resources to establish and maintain a corporate partnership? Many corporations require nonprofits to deliver on a range of activities and report on their outcomes in detail.

5. Consider what standards your organization requires from its partner. Does the corporation support sustainable development? Does the company place women and minorities in management positions and on its board of directors? Does the company have progressive policies regarding purchasing from or investing in women- and minority-owned businesses? Does it have hiring programs for the disabled? Does it have progressive policies toward the treatment of gays and lesbians in the workplace? Does the corporation show a commitment to and history of fair labor negotiations? Does it show respect for the environment in its conduct of day-to-day business?

Differences in style and process, combined with the changing field of grant-making toward more automated processes mean that nonprofits entering this area will have to adapt. Increasingly, larger companies are using online applications and screening as well as relying heavily on Web sites to communicate grant and partnership priorities. According to the Center on Philanthropy at Indiana University's report, many funders see these mechanisms as a way to be "more transparent in their decision making about corporate support for nonprofits." Yet for some organizations, the establishment of a relationship before an application is submitted is critical in developing a partnership. "We've had limited success with those kinds of online applications," says Lavalley. "What we've been most successful with is where we have some sort of personal relationship with

the foundation or the organization."

He adds that once a relationship is established, "it's important that the executive director not be the only point of contact. Bringing board members into the discussion at the right time can really impress the corporate donor and help put the request for funds over the top." Sheahan notes that it is also important to "have almost an account manager-type person that knows that if the partner has a question about what's going on, they have one main contact to begin with once the deal is cut."

Check for Rocks Before You Dive In

"Be sure your prospective partner is not involved in something that might be in conflict with your mission," says Lavalley. Then take it slowly, advises Sheahan. "If you're a new organization diving into this lake, move slowly and

understand the way it works so you don't go after a whole bunch of corporations at once and then can't hold up your end of the stick." Nitabach also advises a pragmatic approach. "It's really important for nonprofits to be realistic about planning and clearly articulate what their organization can accomplish—what's reasonable given the time frame and other constraints—and keep in mind that businesses expect this. In an organization I worked for previously, my predecessor overpromised what we could deliver, and we definitely burned some bridges and had to work very hard to repair the relationships, which was a terrible use of our limited resources—never a good thing."

Lavalley agrees that nonprofits need to be realistic about what this kind of giving means down the road. "There is a day of reckoning with this stuff," he says. "And you know, after you've had the champagne toast of getting the nod or getting the check, there are meaningful check-ins later on down the line where they want to make sure that if they felt you were going to help them touch 20,000 more customers, they're going to want to measure that. Or if there was some program that you promised to implement, they're going to want to see that you've delivered. So I think it's important not to overcommit in the fervor of these campaigns and make sure they understand what your limits are."

Soliciting corporations for grant support, sponsorships, or other kinds of organizational support requires that a nonprofit knows not only what it wants and needs but also under what conditions it would be willing to accept the support if offered. The advice from NPQ's nonprofit experts can be summarized this way: take a hard look before you leap into the corporate pool.

Endnotes

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ANDREW CROSBY is the *Nonprofit Quarterly's* editor.

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