



A BETTER WAY TO GIVE. A BETTER KANSAS CITY.

SOCIAL RESPONSIBILITY:
The Power of the Corporate Philanthropy Platform

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Introduction

“Not long ago, if you asked the average Fortune 100 director, the whole concept of corporate social responsibility would have been deemed the province of woolly-headed tree huggers with little connection to the core tenets of the uniquely American brand of capitalism that demands the primacy of enhancing shareholder value. That has changed, as the concept and practice of corporate social responsibility has become increasingly mainstream.”

Corporate Social Responsibility and the Board of Directors: New Demands, New Opportunities, Kerry D. Moynihan, NACD Monthly, June 2006

In 1968, 70 percent of Americans answered “yes” when asked “Does business act responsibly?” By 2008, that percentage had dropped to 20 percent.¹ Yet even in an era when no CEO can deny the importance of embracing operating principles that respect the people, communities and environments where business is conducted, many companies find daunting the prospect of developing and implementing a corporate social responsibility (CSR) program that delivers a return on investment.

Whether a company is evaluating its existing CSR strategies or just beginning to incorporate CSR principles into its work, business leaders need a simple, cost-effective place to start. This paper builds the case that a well-organized corporate philanthropy platform is a critical component of any effective CSR program. A CSR program that starts with corporate philanthropy can boost revenue, energize employees and even achieve a net cost savings to the company by reducing overhead.

Why the Greater Kansas City Community Foundation?

The Greater Kansas City Community Foundation consistently ranks among the top ten community foundations in the country. For more than three decades, the Community Foundation has led the industry in developing best practices and innovative tools for a better way to give. The Community Foundation's team, including the non-geographic Greater Horizons option, is a leading provider of back office services for the charitable giving field and is proud to serve more than 3,000 funds and foundations across the country, representing assets totaling more than \$1 billion, processing tens of thousands of charitable transactions every year.

The Community Foundation's corporate giving inventory, described in this paper, is part of a full line of best-in-class philanthropic services tailored to meet the needs of companies of any size. To learn more about best practices in philanthropy, including corporate case studies, we invite you to view the team's innovative work at www.greaterhorizons.org.

What's the buzz about?

According to Business for Social Responsibility, CSR means that a company is committed to "achieve commercial success in ways that honor ethical values and respect people, communities and the natural environment."ⁱⁱ

That is a noble cause and a tall order. The literature and third party resources can be overwhelming. A Google search of "corporate social responsibility" yields weeks of reading material. And, as authors Michael Porter and Mark Kramer point out in their breakthrough analysis, *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*, "In an effort to move beyond this confusion, corporate leaders have turned for advice to a growing collection of increasingly

sophisticated nonprofit organizations, consulting firms and academic experts."ⁱⁱⁱ

The statistics prove what the literature and experts profess: CSR is indeed on the corporate community's radar screen. The 2008 Corporate Giving Standard Survey, conducted by the Committee Encouraging Corporate Philanthropy,^{iv} found that CEOs and giving officers in every industry are striving to integrate philanthropic strategy with company-wide business objectives.

Consider a few notable results in the Corporate Giving Standard Survey:

- In 2007, Wal-Mart's cash donations totaled more than \$301 million, topping the *Forbes* list of the most generous companies.^v
- Fifty-three percent of 137 surveyed companies (including 55 of *Fortune* magazine's 100 largest public companies in America) increased giving from 2007 to 2008, 27 percent of those by 10 percent or more.
- Pro bono service and employee volunteerism continue to rise. Thirty-eight companies of the 137 surveyed had a formal program, and the median dollar value of the hours contributed was just under \$1 million.
- Eighty-six percent of the companies surveyed had a corporate foundation.

Why should I care?

Today's CEO should insist that a company adopt a CSR program, regardless of the program's size or scope, if not for altruistic reasons, then at the very least for two reasons that directly affect the company's bottom line: (1) revenue depends on it because consumers demand it; and (2) productivity depends on it because employees demand it.

"The focus has changed from whether a company itself behaves well, to whether its products help me, the consumer, become a

more responsible person,” writes Jack Leslie, Chairman of Weber Shandwick, in *The Corporate Philanthropist*. “People strongly connect with businesses that respond to social needs.”^{vi}

In a study recently released by Cone Inc., in collaboration with Business for Social Responsibility,^{vii} 80 percent of corporate responsibility professionals cited increasing stakeholder demands as a major driver of the increasing importance of corporate responsibility.

No company can afford to ignore what is quickly emerging as “conscious capitalism,”^{viii} especially when it comes to attracting consumers in their 20s and early 30s. The results of the 2006 Millennial Cause Study^{ix} conducted by Cone Inc. and AMP Insights confirmed that well over half of the consumers in that critical demographic consider a company’s social commitment when deciding where to shop. In fact, 83 percent of 20 and 30-somethings will place more trust in a company if it is socially and environmentally responsible.

The same is true for the workforce. In *How Gen Y and Boomers Will Reshape Your Agenda*, Sylvia Ann Hewlett, Laura Sherbin and Karen Sumberg observed, “Stated at the highest level, our finding is that people, especially Gen Ys and Boomers, are looking for what we call a ‘remixed’ set of rewards: Flexible work arrangements and the opportunity to give back to society trump the sheer size of the pay package. That was true before the downturn hit and remains so even as its full brunt is being felt.”^x

Expectations for corporate responsibility are increasing among workers of every generation. For example, of the 28 percent of Millennials surveyed in the Cone/AMP study who describe themselves as full-time employees, 79 percent want to work for a company that cares about how it impacts and contributes to society, and 56 percent would flat out refuse to work for an irresponsible corporation.

Moving into action: The corporate philanthropy inventory

“Do not wait; the time will never be ‘just right.’ Start where you stand, and work with whatever tools you may have at your command, and better tools will be found as you go along.”

Napoleon Hill

Any company can quickly launch—or re-energize—a CSR program simply by getting organized, taking a close look at costs, and piloting a few new ideas.

Getting organized is a must. Most companies are dabbling heavily in corporate social responsibility through a potpourri of often disconnected charitable and community activities. In fact, American businesses account for more than \$15 billion in donations annually, a full 5 percent of the country’s total giving. In some communities that statistic is even higher. Corporations in philanthropy-rich Kansas City, for example, give nearly 7 percent of the annual philanthropic total.^{xi}

A simple tally of the various charitable giving activities that are spread among the various departments of any company can be a real eyebrow raiser. Even most small and mid-sized companies are spending a lot more than just pocket change each year. Sponsorships, events, employee matching gifts programs, employee giving, employee volunteer hours, executive giving, donations of product and even grants through a formalized corporate foundation can add up. Include the soft cost of diverting employee time away from the core business to administer the various programs, and the expense is even greater.

It is difficult to measure the cost effectiveness—or community impact—of a scattershot approach to corporate philanthropy. The total expenses associated with the program cannot easily be

tied to consumer-targeted strategies or employee satisfaction because a smattering of disparate activities is hard for a company's executive team, human resources professionals, public relations team and marketing experts to package into a compelling set of messages and promotions.

How can a company sort it all out? A corporate philanthropy inventory is a wise place to start. A comprehensive list of a company's charitable giving and community activities gives corporate leaders the information they need to determine true costs and make strategic decisions that align with the company's business objectives, creating a valuable baseline for developing an effective CSR program.

A qualified corporate philanthropy professional who reviews corporate records, interviews key employees and surveys clients can prepare a corporate philanthropy inventory in short order, usually within a few weeks.

A comprehensive inventory should address all areas of a company's corporate giving and community activities: giving practices; internal structures and processes for grant making; guidelines for making decisions; roles of clients, staff, and management in making decisions; methods of measurement; types of giving, including grants, sponsorships, events and scholarships; volunteerism, including executive board service and employee volunteer hours; in-kind contributions; employee giving and matching gifts; corporate giving campaigns; historical giving; systems for tracking donations; and amounts of giving based on employee and customer requests versus corporate mission.

Organizing all of these activities often creates opportunities for companies to cut costs with little or no negative impact on customer and employee perception. Fortunately, most companies recognize that, while eliminating low priority and inefficient programs is a must, CSR programs, especially philanthropic

activities, should not be viewed as easy targets for wholesale cuts. Experts note that "...scrapping such activities altogether would be extremely damaging to [companies'] reputations and profits. ..."xi

Instead, savvy companies are preserving the best of their corporate giving and community activities and scrapping the duplicative and less effective elements. For example, Ford projected that its philanthropy in 2009 would be 40 percent less than in 2008, but it stated publicly that it remains committed to the principle of corporate giving.

At a minimum, the results of a corporate philanthropy inventory not only lead to wise cost efficiency decisions, but the results almost always offer at least two or three immediate opportunities for the company to enhance program delivery and effectiveness. Examples include a matching gifts program that could be more effective if outsourced, giving programs for employees that boost morale by affirming the causes employees care about, and innovative ways to give customers the ability to participate in the company's philanthropic activities. Enhancements like this reinforce the socially responsible corporate values that the consumer and employee marketplaces increasingly demand.

What's next?

Corporate philanthropy is at the foundation of any effective CSR program. A CEO can unleash its full potential by making corporate philanthropy a priority and asking the right questions. Can the company's inventory of charitable giving and community activities be managed more cost effectively? Can the activities be organized so that they are more easily communicated and promoted to customers to increase sales? Can the company's corporate giving be deployed to better engage employees, creating a more satisfied, productive and loyal work force?

In most cases, the answer to these questions is yes. With its charitable giving and community activities organized, costs contained and programs tweaked, a company is ready to consider whether the business could benefit from next steps. Specifically, could the company generate a fundamental competitive advantage through CSR, building on the corporate philanthropy platform, by further incorporating socially responsible strategies into the advanced areas of brand alignment and cause marketing?

Whether or not a company chooses to take its CSR program to the next level, completing a corporate philanthropy inventory is, by any standard, a major step forward for any company that is launching or re-energizing its commitment to social responsibility.

How can we get on board?

The Greater Kansas City Community Foundation team can help you get started right away. Please contact us today to begin work on a corporate philanthropy inventory. In just a few weeks, your company could be well on its way to an efficient and rewarding corporate social responsibility program. The Greater Horizons option is available to those who wish to use the Greater Kansas City Community Foundation's services but prefer the flexibility of a non-geographic name to better serve customers outside of the Kansas City region. To learn more about Greater Horizons, including corporate case studies, we invite you to visit www.greaterhorizons.org.

ⁱ Yankelovich and *CNN/USA Today* Gallup Poll

ⁱⁱ www.bsr.org

ⁱⁱⁱ Porter, Michael E., and Kramer, Mark R., "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review*, December 2006

^{iv} www.corporatephilanthropy.org

^v For a list of the largest corporate funders, see the Foundation Center's Web site at <http://foundationcenter.org/findfunders/topfunders/top50giving.html>

^{vi} www.corporatephilanthropy.org/resources

^{vii} www.coneinc.com/news/request.php?id=1195

^{viii} www.consciouscapitalism.com

^{ix} www.coneinc.com/news/request.php?id=1195

^x *Harvard Business Review*, July 1, 2009

^{xi} Statistics provided by the Center on Philanthropy at Indiana University, including the Giving USA study and the Giving in Kansas City study

^{xii} "A Stress Test for Good Intentions," *Economist*, May 14, 2009





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