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Employers' Approach to Charity
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Armed with lessons from their responses to Hurricane Katrina two years ago, many employers are trying to make their philanthropic efforts reflect their best business strategies.

Katrina's devastating effects and a major earthquake in Pakistan put corporate charity programs to the test in 2005. But most companies still raised their giving level in 2006, according to a survey of 136 large companies released last month from the Committee Encouraging Corporate Philanthropy, a New York nonprofit advocacy group funded by its 170 corporate members.

The median dollar value of giving increased to $30.6 million in 2006 from $29.5 million in 2005, with an average increase of nearly 5% per company. Total giving as a percentage of revenue among companies surveyed, which had revenue ranging from $500 million to $375 billion, was unchanged at 0.14%, the study found.

Even so, businesses were split, with 57% of companies reporting increased giving in 2006 and 43% noting declines in their direct cash, foundation cash or noncash gifts. Giving is often influenced by industry- and company-dependent factors such as strong profits, growth by mergers and acquisitions and improved measurements of charitable activities.

Many businesses like to stay flexible so they can respond to employee preferences in how they give back, said Margaret Coady, the report's author.

"Companies have learned a lot from the last few years about the importance of the ability to react when needed, but also the importance of establishing a budget that allows them to give reliably year to year," she said. "When asked to stretch, companies can do it quickly and effectively, like with Hurricane Katrina. But in a year like 2006, which was quieter in that regard, leveraging those funds wasn't as needed as it was in 2005."

Last year, more companies gave to international causes, whether directly to an agency in Africa, for example, or to a domestic nonprofit that serves Africans. Nearly 13% of total corporate giving was to organizations serving international recipients in 2006, up from an average 9.6% in 2004, the survey found.

"It looks like the beginning of a trend," Ms. Coady said.

The bulk of corporate contributions, 31%, went to programs associated with health and social services, followed by education at 25%. Capturing only 3% of total giving, environmental causes drew the least amount of support.

Corporate giving is often part altruism and part smart business strategy, philanthropy experts say. It can allow companies to develop long-term partnerships with nonprofits that may extend their reach and broaden their exposure. It also can permit some to burnish their images or shore up their brands after a scandal or misstep.

But partnerships incur risks for companies as well, and a small degree of attention-seeking for their giving efforts is understandable, said Michael Bisesi, director of the Nonprofit Leadership Center at Seattle University. "In most cases I think all they want is recognition that they are doing it."

Deloitte & Touche USA LLP, a professional-services firm with 40,000 U.S. workers, has shifted to leveraging its intellectual capital, said Evan Hochberg, Washington-based national director of community involvement. Helping nonprofits increase their efficiency is a high priority, he said.

Mr. Hochberg quoted research from the Independent Sector -- a group of charities, foundations and corporate philanthropy programs -- that shows the estimated dollar value of volunteer time is $18.77 an hour.

"We've left something on the table if we take people that have education and experience and skills with a value 10 times greater than that," he said.

Deloitte deploys its consultant-volunteers to examine inventory-management processes at urban food banks and troubleshoot technology problems at nonprofits, Mr. Hochberg said. "If it's a Catholic Charities retail store...we focus on store layout and use of square footage."

One day a year Deloitte also closes most business activities to allow workers to participate in a companywide day of service. Last year, 77% of workers engaged in 500 volunteer projects in 70 cities.

Measuring what results from the donated labor is crucial, he said. "Everyone is stretched for time, regardless of what your job is in the organization or how old you are. To the extent they're going to spend two hours or 40 hours or 200 hours, they want to know their time made a difference and had an impact."

Workers at CDW Corp., which sells computer products and services to businesses, decided to cancel their traditional company-sponsored holiday party two years ago in response to Hurricane Katrina, said Sandy Pierantoni, community relations coordinator.

About 7,000 to 8,000 people attend the gala every year, so CDW, Vernon Hills, Ill., reallocated those funds and held a lottery for employees interested in going to New Orleans to work with Habitat for Humanity. Selected workers -- 400 were picked out of 600 who wanted to go -- went one time each in Sunday-through-Wednesday shifts, she said.

Mike Hayes, a sales manager at CDW's Chicago office, had his turn during the second phase of construction in 2006. But the bulk of his volunteerism is much closer to home. Through CDW he serves as a Big Brother to a 12-year-old boy, whom he meets at the boy's Chicago school for an hour and a half every Wednesday morning as part of the company's breakfast-buddy program.

"I've been hooked," Mr. Hayes, 31, said of his four-year mentoring relationship. "To see what these kids have gone through and to go there and be able to offer them a perspective of life outside their community, it's what they need, and I think it's incredible."

Mr. Hayes also became president of the leadership board for Big Brothers Big Sisters of Metropolitan Chicago, work that falls outside his employer's involvement.

Employers' desire to promote volunteer work is rational, Ms. Coady said.

"Companies are seeing more and more the positive for skill-building through volunteering," she said. "For example, a promising employee who might be on a management track might do some board service on a local nonprofit . . . both to help that nonprofit immediately but also to prepare [the employee] for a management track where [he or she] currently works."

At Keller Williams, a large real-estate firm, charity means fund-raising to help agents who find themselves in hardship. KW Cares follows IRS standards to determine financial need before making grants of between $1,000 and $30,000 to eligible employees. Only 10% of funds KW Cares raises goes to nonprofit organizations.

"We did the Florida hurricanes, we've done the California fires, but Katrina was huge because we had so many people who had lost it all," said Mo Anderson, vice chair of the Keller Williams board and chairwoman of KW Cares. "We had nearly 270 that either lost everything or almost everything."

KW Cares raised $5.3 million among its 50,000 agents, which was redistributed to the agents who were hardest hit, she said.

But many personal disasters are far more hidden -- and frequent -- than Katrina-scale catastrophes. A growing number of agents who benefit from KW Cares face medical debt as a result of being uninsured or underinsured with high-deductible health plans, Ms. Anderson said.

"When their medical bills reach a certain amount then their insurance kicks in, and because they're so ill and have to quit working then there's no income," she said.

Managers in the field offices often apply for relief funds on behalf of their struggling workers, she said. "A lot of agents have so much pride they don't want to apply."

Keller Williams' charity will have a more lasting impact than its business model, Ms. Anderson said. "It's going to be our culture that's our legacy, and it manifests itself as KW Cares."

Unlike the competitive business world, many companies freely trade ideas about what kind of giving has worked for them, Ms. Coady said. "There's a strong interest in learning best practices."

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