

When Philanthropy Business Gets Business Orientation

CECP report makes case for alignment of goals

By Dennis Schaal



One philanthropy trend parallels developments in the Corporate Responsibility (CR) arena as a whole: As in CR, many corporations are aligning their philanthropy with business objectives.

The Committee Encouraging Corporate Philanthropy (CECP) identified the synergy between philanthropy and business goals in a new report, **“Business’s Social Contract: Capturing the Corporate Philanthropy Opportunity,”** which was based in part on research conducted by McKinsey & Co.

In the McKinsey survey, which drew responses from 536 C-suite officials representing companies in North America, Europe, Asia-Pacific and Latin America, 56 percent of “efficient philanthropists” stated that corporate philanthropy is a very or extremely effective means of meeting business goals compared with 7 percent of “all other philanthropists.”

Efficient philanthropists, self-defined as “very effective” or “extremely effective” at addressing social goals and meeting society’s expectations of their firm, made up 11 percent of the respondents and all other philanthropists were 89 percent of the pool.

The CECP report, which also was based on 24 interviews with CEOs and other top officials and from a “fact base” produced from a recent CECP conference, identified a divide between companies that do philanthropy right and those that are middle of the pack. The research from the entire report took place from November 2007 to March 2008 and was released June 19.

“While firms have made tremendous advances, a significant gap still exists between leading companies in corporate philanthropy and the average state of practice,” the report says. “Unless they close this gap, many companies will not only miss an opportunity for greater social impact, but—equally important—one for stronger business performance.”

The disparity between the two groups is evident in their approaches to addressing business goals through philanthropy. For example, 11 percent of all other philanthropists said their philanthropy addresses no business goals while all of the efficient philanthropists reported that their efforts indeed target business goals.

Among the differences, 54 percent more efficient philanthropists than all other philanthropists stated that their philanthropy “informs areas of innovation,” and 21 percent more efficient philanthropists than all other philanthropists said their efforts build new market knowledge, according to the report.

“A small group of companies is at the forefront of getting corporate philanthropy right,” the report says.

“These philanthropists treat the social contract and corporate philanthropy’s role in

meeting it as an integral part of their business, and as an opportunity rather than an obligation,” the study says. “They are more likely than other companies to meet social goals, yet they focus significantly more attention on business benefits than other companies.”

The report cites Wells Fargo’s community outreach program as an example of a company using philanthropy to enhance business goals. CECF quotes Wells Fargo President and CEO John Stumpf on the issue: “When we build in ethnic communities, we build ethnic stores. Might we have gotten that concept without our community outreach? Maybe. But we wouldn’t have gotten there as fast.”

Tailoring philanthropy to fit social and political goals brings business benefits, the report states.

“For example, companies that align philanthropic priorities with their business strategy can boost growth potential by exploring new markets (Wells Fargo); these companies may be less vulnerable to product litigation if they are paying greater attention to product safety, for example; and they can be better positioned to create win-win solutions with regulators because of residual good will.”

Three key best practices separated the efficient philanthropists from their fellow practitioners, according to CECF. The efficient philanthropists “lead from the top, align philanthropic programs with the business strategy, and manage philanthropy as a business investment,” the report says.

Much like other areas of the business, many companies are measuring their philanthropy efforts and periodically evaluating the impact, the report says.

CECF states: “...CEOs are finding people with business acumen to manage philanthropic initiatives, and they are held accountable for success.”

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