

Corporate Giving Up, according to CECP Report

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By: Maria Nardell

It's been a big week for corporate philanthropy. Just before the Thanksgiving holiday, mega-bank Goldman Sachs announced the launch of its donor-driven fund, GS Gives. Focusing initially on soliciting donations from the firm's 350 partners, the fund aims to raise in the neighborhood of \$1 billion over the next few years. While non-traditional and unaffiliated with the cash contributions of the Goldman Sachs Foundation, the fund sends a public message corporate giving, and the company-inspired giving of employees, is here to stay. It's critical to business.

CORPORATE GIVING ON THE RISE

Size of Donations Grows,
as Firms See Philanthropy
as Important to Business



That's good news for nonprofits, and it's backed by more than just the Goldman example. The Committee Encouraging Corporate Philanthropy (CECP) released this fall its annual "Giving in Numbers" report, tracking the philanthropic activities and trends of 136 leading companies. These organizations reported higher giving on average in 2006 than in 2005 - a notable increase given that many companies had gone beyond their budgets to make disaster relief contributions in 2005. CECP is an international forum of CEOs focused on improving the level and quality of corporate philanthropy.

Findings from the report indicate that the rise in the median dollar value of contributions from \$29.5 million in 2005 to \$32.6 million in 2006 stems from a strong year of earnings, corporate growth by mergers and acquisitions, improved assessments of pre-existing giving, the launch of new multi-year funding initiatives, more accurate valuations of pro-bono services, and new funds allocated to greater international giving.

Still, 43% of included companies had decreased giving in 2006. These organizations cited key factors such as the absence of disaster-relief funding in 2006, a drop in

matching gifts, corporate spin-offs and department closures, completion of multi-year grants (from which many companies are now shying away, expecting individual grant year accountability from nonprofits), tightened procedures for non-cash giving, a decrease in the value of donated products, lower production of goods, and a change in Medicare policy (decreasing the population of eligible individuals in Patient Assistance Programs).

On the whole, median total giving as a percentage of revenue was unchanged at .14%, supporting the notion that it is economic growth that drives the dollar value of philanthropy, rather than a changing propensity to give. Median total giving as a percentage of pre-tax profit fell nominally from .98% to .93%.

Yet companies' commitment to philanthropy is also evident beyond the total amount of dollars given; more companies are working to enhance social ROI, as targeted giving and use of multiple company resources increases societal impact. Says report author Margaret Coady, companies are "becoming more tuned in to what they have to give that makes them unique in the world of philanthropy," including vendor relationships, skill-based employee volunteerism, business acumen and other corporate resources.

In addition, traditional giving mechanisms are being supplemented and in some cases replaced by innovative strategies. Commercial co-venturing is on the rise, as nonprofit/corporate partnerships increasingly enter the marketplace of cause branding and marketing.

Other takeaways from the CECP report include:

- **Associations found between giving motivations and grant types**
Findings show that foundation and non-cash donations were more often seen as charitable, defined as reactive, short-term giving in which the company expects little or no direct business benefit in return. Cash donations, however, were more often perceived as strategic or commercial philanthropy, the former defined as giving in which the benefit to the company is the primary motivating factor and the latter defined as proactive, long-term giving in which the company's philanthropic goals and community needs are aligned.
- **Direct cash giving remains prevalent overall**
However, non-cash giving constitutes a greater percentage of the philanthropy of manufacturing companies than of service companies given that manufacturing companies produce a physical product to donate.
- **Health and social services funding dominates, followed by education funding**
In comparison, the least-funded program area for the typical survey respondent was the environment, receiving just 3% of a typical company's total giving. Look for this focus area to be one of growth in the coming year; fuelled in part by consumers increasingly placing an emphasis on eco-friendly products and business practices.
- **More international giving overall**
In particular, there is a correlation between higher international revenue and

- higher international giving, as companies are more likely to give in their markets and operational regions.
- **Most survey respondents have at least one formal domestic volunteerism program**
Respondents emphasized the effectiveness of recognition awards, skill development programs, and company-wide days of service. Additionally, companies are placing a priority on more accurately capturing and encouraging employee volunteerism.
 - **Increasing professionalism of the corporate philanthropy field**
Greater interaction between CEOs and senior giving professionals, increasing press coverage of corporate philanthropy, and rising employee involvement in philanthropy are examples of how philanthropy is gaining greater clout and recognition within the corporate world.

As Coady points out, one of the main goals of the CECP study is to provide a “common language” to help businesses compare their philanthropic “personalities.” One practical application of this, she explains, is that it can allow companies to become “more sophisticated in how they determine their comparable philanthropic peers.” Two companies that produce similar products, for instance, may have different philanthropic goals based on factors including market, size, company culture and internal values.

To view the full report, please visit <http://www.corporatephilanthropy.org/>

About the Author

Maria Nardell is an Associate Director in the Fundraising Division of Changing Our World, Inc. a leading philanthropic services firm advising nonprofits, corporate, foundation and individual philanthropists on ways to create meaningful change through philanthropy. She can be reached at mnardell@changingourworld.com

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