Give for GOOD

A How-To Guide

for

Business Giving

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PHILANTHROPY
PRESS

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Why Give?

"There can be little doubt that a certain amount of corporate philanthropy is simply good business and works for the long-term benefit of the investors."

- **John Mackey**, co-CEO of Whole Foods

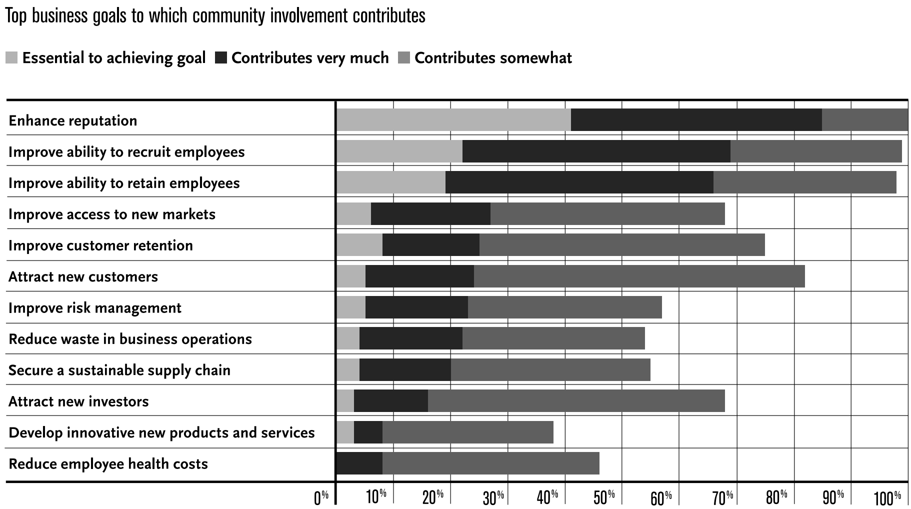
We believe businesses should give as much emphasis to their philanthropy planning as to their employees, their growth potential, and other areas of their business plan. The "Director Notes" report from The Conference Board says it this way: "In order to ensure the effectiveness of corporate philanthropy programs, executives should apply the same prudence to giving decisions that they do to other business activities."[3]

Bruce DeBoskey in the *Denver Post* (March 2015) reinforced this point, noting "Successful companies now recognize that philanthropy is a key component of corporate citizenship and overall business strategy. Too often, corporate philanthropy is random and uncoordinated. To be truly effective, it must be strategic."[4]

However, as an initial part of the planning, it is important for businesses to understand the motivations for giving as each one has its own unique reasons for participating in philanthropy.

The virtuous cycle

So what are the main drivers of corporate giving? The Center for Corporate Citizenship at Boston College identified the following drivers for giving:



From The Corporate Citizen. *©2015, Boston College Center for Corporate Citizenship. Reproduced with the permission of Boston College Center for Corporate Citizenship.*

According to Tom Kochan, the George Maverick Bunker Professor of Management at MIT's Sloan School of Management, "If firms do these kinds of things (socially responsible measures) they will get an economic return for their investment and a higher quality workforce that is more loyal and productive. It is a virtuous cycle."[5]

Because of this "virtuous cycle," we believe being a "good corporate citizen" is a concept on the rise in corporate America. There is a community expectation that businesses should play a leadership role in solving our social problems. And, for most companies, it entails cultivating a broad view of the business's self-interest while simultaneously searching for ways to align this self-interest with the larger good.

The Corporate Citizen report (2015) cited above demonstrated that enhancing reputation, improving ability to recruit and retain employees, improving access to new markets, improving customer retention, and attracting new customers, are all viable core reasons for corporations to engage in philanthropy.

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Internal Reasons to Give

"This principle of doing well and doing good holds true for any one person or organization, but it's an especially powerful principle for business and the private sector today. In a business sense, it's the idea that the private sector can be a force for growth and a force for good. That business can make money and make a difference."

- **Ajay Banga**, CEO of MasterCard

Many companies find that the "people" part of the triple bottom line plays an increasingly crucial role in a business's success as they vie for the right human capital to stay competitive and support their customers with excellence.

Improve employee attraction and retention

The Wall Street Journal posited that corporate social responsibility is no longer optional for successful businesses because today's prospective employees, the young generations, are practically requiring that the company they work for stand for something more than just the financial bottom line. In this same article it was reported that more than half of 70 surveyed CEOs said that their employees are the primary motivation for their philanthropy.[8]

A recent *Forbes* study supports this conclusion. It noted that 72% of respondents agreed or strongly agreed, that philanthropy and volunteerism is critical to attracting our newest generations in the workforce, millennials and Gen Y.[9]

The current generation is Generation G, for generosity. "Joining Generation G as a company or a brand is not really optional, it's a fundamental requirement if you want to stay relevant in societies that value generosity, sharing, and collaboration."[10]

In the fifth Millennial Impact Report, more than 50% of the millennial respondents said that a company's involvement in various causes influenced whether or not they accepted a job. By positioning your company as a purposeful corporate citizen, you have a better chance of engaging these potential employees — so much so that millennials are more likely to stick around if they feel like their passions for social good are being fulfilled through your company's mission and everyday operations.

Similarly, in a study conducted by Bentley University, 84% of millennials said that making a positive difference in the world is more important than professional recognition.[11] These statistics make a compelling argument for using philanthropy not only to attract talent, but also to keep it. Millennials aren't going to stay around just for the promise of higher pay or a corner office; rather, they stick around because they see their job as integral to the causes that they support.

By aligning your business to the purpose-driven mindset of this group, and setting up operations in a way that allows employees to see how their work is affecting the world, you set your business up for success in retaining the next generation of talent. Says one millennial in the report, "I took the position here because if a company cares that much about outside causes, I know they are invested in treating me right as an employee."[12]

And yet another organization supports this notion. The Committee Encouraging Corporate Philanthropy (CECP) is a coalition of CEOs who believe that societal improvement is an essential measure of business performance. Michael Stroik, manager of research and analytics for the CECP, reports that millennials are demanding volunteer opportunities as they look for work. He says, "Companies know that they have to build these programs into their workplace if they are to recruit and retain the best talent available."[13]

> A Stanford University study reports that current MBA graduates would accept an average of $13,000 less in annual salary to work for a "responsible company."[14]

Not surprisingly, employees agree: a UnitedHealth Group study found that four out of five people who volunteer say they feel better about their employer because of their employer's involvement in volunteer activities.[15]

To be sure, in our discussions with small businesses, we see employee recruitment and retention as *the* primary driver for them to engage in philanthropy. And research supports that approach:

- Sandra Larson Consulting reports that 53% of employees say their loyalty to their employers is strengthened when they are involved in the company's philanthropy.[16]

- Carolyn Cavicchio, in "Building the Business Case for Cause-Related Marketing," reports that:
  - 77% of consumers say a company's support of social issues is a key factor in deciding where to work
  - 80% of consumers would refuse to work at a company which has negative social practices[17]

- A noted researcher on this topic, CONE, finds that 87% of Americans felt that their job loyalty would increase if their company supported activities that improved society.[18]

- Another study found that employees in companies with strong sustainability programs are happier, more satisfied and have higher retention rates.[19]

- The 2014 Millennial Impact Report highlighted the sincerity of philanthropy among millennial workers; most rated an increased desire to be part of greater social change higher than using charitable giving as a way to reduce tax obligations.[20]

Conventional wisdom says that the turnover costs of replacing employees is at least a full year's salary, although CBS News Money Watch estimates the cost to range from 20% of an employee's salary to over 200% for executives.[21] The exact amount depends on how much training the position requires, and how much productivity and knowledge is lost with an employee's departure. In any case, losing even an employee with a $30,000 annual salary would cost at least $6,000. Turnover is very costly to a business in both real costs and lost productivity.

On a practical level, attracting and retaining employees is mission-critical for most companies in today's marketplace. Marian Dozier, Founder and Owner of Austaco, a fast food holding company based in Austin, Texas, believes that philanthropy helps build the spirit of the company. The organization's culture is enhanced by caring about the staff and the community so employees are proud of their employer. Austaco therefore supports not only the community as a whole but also its individual employees. Sure sounds like a triple bottom line company, doesn't it?

The company even goes so far as to provide chaplains to support employees and their families with services such as weddings and funerals — all aimed at helping the staff maintain healthy personal lives. "Giving back gives you goosebumps . . . it makes the hair stand up on your neck," says Marian.

Another company, Zumasys, a cloud-based infrastructure company, agrees. The company allocates one percent of its revenue to philanthropy and 10% of that amount to "people in need in our network" such as relatives, friends, neighbors, and coworkers facing hard times. One Zumasys sales representative found out that one of the company's customers had an employee whose spouse suffered from multiple sclerosis. The employee planned to participate in an MS walk and was searching for sponsors. When CEO Paul Giobbi heard about it from the rep, he not only authorized a company donation, he then made a personal donation as well . . . and accompanied the customer's employee on the walk. After the event, Paul received the following email:

> *My wife was overwhelmed with emotions when she found out that you traveled all the way from Vegas to join our walk. She had asked if you had a family member or someone you knew personally that was suffering with MS. I simply told her that you do now. I want to personally thank you for taking the time to be with us and acknowledging our cause. The actions you take every day and the generosity you show to your community are a shining example of what we all strive to be as human beings. We are all blessed to have what we have, but to share that with people you don't even know firsthand is truly a miracle at work.*[22]

M.P. Mueller, past President of Austin-based advertising agency Door Number 3, concurs that philanthropy helps build the right culture for her company. Job candidates are impressed with Door Number 3's community support, and it makes the company more attractive to work for. Mueller says, "Philanthropy brands you as a company who cares about people, so it's easy to conclude that the company will care about them as employees as well."

She says that giving back serves as a way of employee self-selection — prospective employees who "get it" are drawn to work for Door Number 3 because their values align with the company's vision. Philanthropy is clearly a way to differentiate yourself among employers and attract a more motivated group of employees. "Not only do my employees feel good about working for a company that gives back," says M.P., "but they also work harder for a company that cares."

My (Debbie) personal experience at AT&T and Lucent Technologies confirms the preceding accounts. Our employees really liked our generosity towards the community, which made them want to work for such a company. While we certainly had good pay and good benefits, it was also important to my staff that we were philanthropic.

According to CECP's Michael Stroik, "A highly engaged workforce is more likely to exert extra effort and have lower turnover rates, which can be linked to increased output, sales, and profitability."[23]

Cardinal Health, a healthcare support company headquartered in Columbus, Ohio has detected higher company loyalty and employee satisfaction scores as a result of their intentional commitment to strategic philanthropy.

Another Austin firm, ABC Home & Commercial Services, a provider of pest control and other home support services, agrees that the staff feels good about the company, which tends to "lock the employees into the business," says company President Bobby Jenkins.

Enhance employee skills

There are all kinds of ways to get your employees trained: formal company-led training programs (think McDonald's University), on-the-job learning, experiential programs, job swaps, attending conferences, or reading relevant materials.

Another very effective way to learn new skills is by participating outside the business in philanthropy. This role could be anything from front-line, hands-on volunteering; participating in a team event sorting food; board service; or anything in between.

Each type of service leads to developing different skill sets. I (Debbie) have helped build many Habitat for Humanity homes, volunteered in food pantries, and served food to the homeless (in addition to going on several mission trips). This hands-on volunteering has taught me patience, understanding, how to be a good team player, and communication skills, as well as the particular physical skills we were using such as hammering, roofing, etc. I have also been honored to serve on more than a dozen boards of directors of nonprofits. This board service, because it is governance-oriented,

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G is for Gear-Up

"If you think of life as like a big pie, you can try to hold the whole pie and kill yourself trying to keep it, or you can slice it up and give some to the people around you, and you still have plenty left for yourself."

\- **Jay Leno**, comedian

We have reviewed the benefits of giving back: internally improving employee skills and their attraction to your company, externally enhancing your reputation and revenue, and addressing a moral imperative to improve the community to help make it a better place in which to live and work.

So what's next? According to the "Director Notes" report from The Conference Board, "Given the evolving expectations for corporate philanthropy, corporate giving programs must go beyond simply doing good." The further exhortation is that, in order to ensure the effectiveness of corporate philanthropy programs, executives should apply the same prudence to giving decisions that they do to other business activities.[61]

Doing good can be accomplished, one might contend, by just writing checks to nonprofits when solicited. But in order to really be effective, you must first develop a strategic philanthropy plan. Just as you would not run your company without a strategy, why would you invest your hard earned money and other precious resources in the community without a strategy?

Rachel Clemens, President of Creative Suitcase, says, "You need to treat philanthropy just like any other business priority: commit, plan and execute."

Sharon Watkins of Chez Zee restaurant reinforces the same concept: "You should match your philanthropy to the business and do what makes sense, creating a strategic plan to identify what you want from your giving and making sure you get it."

UMoveItWeCleanIt CEO Sheri Marshall advises thinking of corporate giving as a process rather than a one-time shot. With a never-ending need for community support, philanthropy should be an iterative cycle.

P.D. Morrison of P.D. Morrison Enterprises, Inc. notes that "the more you can develop philanthropy programs based on the company's core competencies, the more sustainable they become." This synergy enables a business to stick with giving even in tough times.

Gammon Insurance also supports the long-term nature of giving back. "Do it consistently over time so you become known for it," says CEO Billy Gammon. Clients still thank him today for sponsoring their Little League baseball teams when they were children — witness to the longevity of his philanthropy.

In fact, the book *The Business of Generosity* notes one of three main trends occurring in business philanthropy is the shift from *indiscriminate* giving to *strategic* giving.[62]

The Conference Board, mentioned above, says "A well-designed program clearly articulates congruence between the company's philanthropic activities and its other business activities," reinforcing the point that some forethought is needed.[63]

In order to give your philanthropy thorough deliberation, we recommend that you follow the GIVES model in developing your philanthropy strategy:

The first step in developing a philanthropy strategy is the "G" in our GIVES model: Gear-up. This phase is all about getting started on the right foot by determining what causes grab your attention and really light your fire.

TOOL #2: What Lights Your Fire?

Even though you or your business may have never donated to some of these causes, please check those in which you have an interest and may want to explore further.

1. In general, what are your broad areas of interest? *(Check all that apply.)*

- ❑ Arts and culture
- ❑ Environment
- ❑ Health
- ❑ Human services
- ❑ Education
- ❑ Animal welfare
- ❑ Disaster relief
- ❑ Scientific and/or technology research
- ❑ Political/social change
- ❑ Poverty
- ❑ Faith/spiritual
- ❑ Human/civic rights
- ❑ Public safety
- ❑ Economic development
- ❑ Preserving cultural heritage
- ❑ Preserving land or species
- ❑ Leadership
- ❑ Other ______________________________

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I is for Identify Your Philanthropy Giving

"Success unshared is failure."

- **John Paul DeJoria**, businessman and philanthropist

We know about the many benefits of giving back, including employee advantages, business benefits, and community enhancements. You have identfied causes to support and developed both a mission statement and a decision-making process that will guide your philanthropy. Now it's time to ask: exactly *what* will you give back?

Your methods of giving are limited only by your imagination. But there are three categories of giving typically most appropriate for businesses:

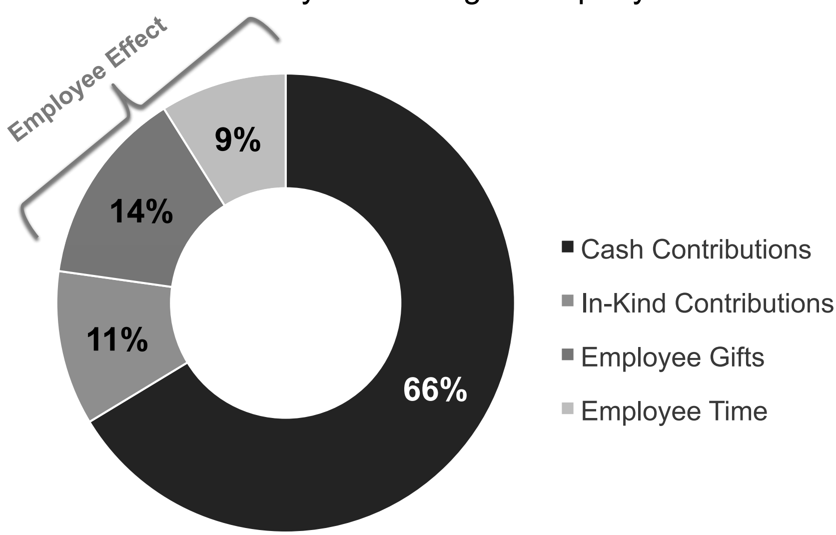
1. Financial
2. Volunteering
3. Donating products or services (also known as *in-kind* or *pro bono* gifting)

Dan Graham, Co-Founder and CEO of BuildASign, debunks the myth "Don't worry about giving back until you're bigger" by encouraging a company to give what it can from the start — whichever of the three methods listed above is appropriate. He says, "Giving back to the community is the right thing to do, no matter what size company you have. Don't have cash to donate? Get the team together and donate your professional skills to a nonprofit who needs the expertise, mentor a child, or help build a house for a deserving family. Every business should think about what positive impact their team can make, and as your company grows, that core value will stay ingrained in your corporate DNA."[68]

AT&T and Lucent Technologies, where I (Debbie) worked, were obviously very large and so could give back in all three ways. For example, one year we sponsored the AT&T/Cincinnati Ballet Fun Run, a financial commitment. That year we also donated a telephone system to the National Underground Railroad Freedom Center, which was still in the early stages of developing the concept of what would eventually become a full-fledged history museum, inspiring future freedom fighters. And we volunteered resources to support the United Way fundraising campaign.

The chart below categorizes giving similarly, though it adds employee gifts to the equation. (Although facilitated by business, employee donations are still essentially *personal* philanthropy — and as such not the focus of this book.) You can see the relative amounts that make up each category, with cash, at 66%, representing the largest percentage of giving:

Employee Time and Contributions Account for 23% of the Value Created by the Average Company



From Emerging Trends in Corporate Contributions, CECP, https://www.michiganfoundations.org. Reprinted by permission of CECP.

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V is for Vet

"To give away money is an easy matter and in any man's power. But to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter."

- **Aristotle**, philosopher and scientist

We have learned about how giving back offers your business many advantages, including building employee skills, boosting employee attraction and retention, increasing revenue and market share, enhancing your business reputation, and improving the community in which you do business. In the preceding chapters, we've discussed how to choose the causes you want to support and how to develop a philanthropy mission statement. We've also learned how to craft a process to guide your philanthropic decison-making, as well as about all the various ways to give back. But a big question remains: how should you choose precisely which organizations should receive your philanthropy?

Who will make the change happen?

In 2015, more than 1.5 million tax-exempt organizations of all kinds (various 501(c) subsectors) were registered with the IRS.[75] Determining which of these nonprofits with which to partner can be confusing . . . but it also has very real consequences. If the partnership goes well, both organizations will hopefully benefit tremendously. But if there is a mismatch, or if one side fails to operate with integrity, then both sides may experience great disappointment and possibly negative publicity.

We remember the example of one business we encountered (that will remain nameless) that decided to partner with a well-known local nonprofit. On the surface, there seemed to be a match. The nonprofit was launching an entrepreneurial business and the business owner had expertise in that area. The business owner expected that, along with his financial contribution, he would be asked for assistance with business development, financing mechanisms, and infrastructure support. However, after receiving the financial donation, the nonprofit didn't contact him again. This experience left him feeling both disappointed and underutilized. When he had the opportunity to renew his agreement with the nonprofit, he chose not to do so. Ultimately, he figured out that he had not thoroughly vetted the organization for its needs, nor had he sufficiently clarified his expectations at the outset.

The vetting process — determining which nonprofit organizations to support — assists in determining a good match. First, consider the organizations to which you are already contributing and identify the following:

- Are you satisfied with the relationship that has been built?
- Does it align with your business values?
- Does it align with the issues that you have identified as wanting to impact?
- Does it provide your business with the marketing or volunteer opportunities that you are seeking?
- Is it able to communicate success back to you?

If the answers to those questions are all "yes," then you may want to continue or deepen the relationship.

If you are considering engaging with a new nonprofit, then it is important to conduct due diligence and ensure that it is a credible, effective organization that aligns with your goals. There are several ways for vetting the nonprofits in which you are interested in supporting:

1. **Charitable rating agencies.** The following national organizations rate nonprofits based on a variety of factors:

    - Charity Navigator (http://www.charitynavigator.org/) evaluates 5,500 charities using criteria that includes administrative costs, working capital savings, revenue growth over time, and fundraising efficiency. The organization is now beginning the process of focusing on outcomes.

    - GuideStar (http://www.guidestar.org/) analyzes the income levels and tax forms of more than 1.5 million nonprofits. It also allows users to post reviews about each nonprofit.

    - The Better Business Bureau Wise Giving Alliance (http://www.bbb.org/us/Wise-Giving) offers reports on 1,200 nationally-soliciting charities that include typical fundraising activities. In addition, about 54 of the 113 Better Business Bureaus in the United States and Canada cumulatively produce reports on over 10,000 locally-soliciting charities using the same BBB Charity Standards as the Alliance.

    - CharityWatch (www.charitywatch.org) dives deep to identify how efficiently a charity will use donations to fund programs. CharityWatch states that it exposes nonprofit abuses and advocates for donor interest.

    - Give Well (http://givewell.org) offers what it considers to be evidence-based, thoroughly vetted and underfunded organizations as its "top charities." Its website also offers a "do-it-yourself" evaluation kit that provides a very detailed vetting process tailored to a range of causes, both domestically and internationally.

Characteristics of effective nonprofits

When vetting a nonprofit organization, the following are some key characteristics to help you identify if it might be a good match: a clearly-defined mission, a strong board of directors, good leadership, fiscal responsibility, and effective programs. A 2011 article in *The Wall Street Journal* also identified these same characteristics to validate when scrutinizing nonprofits.[76]

Mission: Does the organization clearly articulate its mission, vision, and values? All nonprofits should have a clearly stated mission. Many nonprofits also share their vision for the community and the values under which they operate. These items should be easily located on the organization's website and in its materials. The mission should be the guiding force for the decisions that are made within the organization.

Governance: All nonprofit organizations are required to have a board of directors. The directors' key roles are to provide policy governance and fiscal oversight. Generally, the minimum number of directors is three. However, the board should include enough members to ensure that it can provide effective guidance and supervision. The names of the members of the board should be readily accessible, as should the by-laws that provide structure on how the board operates. The stronger the board, generally the more effective the organization.

Be cautious if:

- The board consists of the minimum number of people, or includes only the executive director and family members
- There are no term limits for board members
- Turnover among board members is high
- Policies and procedures outlined in the by-laws are not followed
- The board meets less often than quarterly

Strong executive leadership: Just as with a business, core guidance and inspiration for a nonprofit comes from its executive director. The executive director must serve as the balance between guidance from the board and directing the staff who have to carry out the mission through programming. Research the executive directors of organizations with whom you are considering providing support and determine if they will be good partners with your business.

Fiscal responsibility: While nonprofits are not designed to make money, they should be able to demonstrate that revenues, at a minimum, cover expenses and that fiscal policies are in place and followed. A nonprofit should have an annual budget, diversified funding sources, a sustainability plan, and strong fiscal oversight.

Effective programs: Ultimately, the core reason for a nonprofit to exist is to achieve tangible outcomes. Nonprofits should be able to demonstrate that their programming has a positive impact on their organizational goals and the recipients of their actions.

One personal note is that it is easier to vet organizations in which you already have contacts — you will generally have enhanced confidence in the relationship and the information. So don't be afraid to use your network to both gather relevant information and to make the right connections.

In order to create long-term, meaningful, and strategic philanthropy, you will want to partner with nonprofits that align with your values and interests, provide opportunities for your business to meet its philanthropic goals, and can demonstrate outcomes. This true collaboration leads to better progress. As the old African proverb says, "If you want to go fast, go alone. If you want to go far, go with others."

The tools on the following pages are designed to help you methodically and thoroughly vet prospective nonprofit partners:

TOOL #9: Vetting Tool for Organizations

Organization: ____________	MAX SCORE	Your SCORE	Comments
Financial Health	**100 pts**		
Clear budget	20 pts		
Meets financial goals	20 pts		
Has financial controls in place	20 pts		
Variety of funding sources	20 pts		
Reasonable balance between infrastructure and program	20 pts		
Organizational Purpose	**100 pts**		
Clear vision and mission	50 pts		
Programs align with vision and mission	50 pts		
Program Outcomes	**100 pts**		
Demonstrates success	50 pts		
Uses best practices and research	25 pts		
Adjusts programs based on new information	25 pts		
Leadership	**100 pts**		
Strong executive leadership	40 pts		
Effective and engaged board	40 pts		
Inspired staff	20 pts		
Your Impact	**100 pts**		
Welcomes support	25 pts		
Will use gift appropriately	25 pts		
Will recognize gift	25 pts		
Makes it easy to give and volunteer	25 pts		