FROM CORPORATE HANDOUTS TO CORPORATE PARTNERSHIPS

Philanthropy is about donating to charity without expecting a return. Companies have historically contributed to society in this way. Strategic philanthropy, which is a more modern approach, is about directing corporate giving to a cause that is aligned with the core business. Yet in the 21st century, strategic philanthropy does not suffice in providing leadership. There is a growing demand for companies to move beyond strategic philanthropy to modern community partnerships, co-creating solutions to pressing societal and environmental problems by contributing core competencies and truly aiming for impact. In the process, shared value creation for both society and the company is not only desirable for companies, but also to stakeholders.

By Veronica Scheubel

The term philanthropy can be traced to ancient Greek ("to love people"). In the context of what companies usually do, this may seem a little incongruous. It involves the giving of money, goods, services, time, and/or effort to support a socially beneficial cause, with no (or little) reward for the donor.

Corporate philanthropy is often also called corporate giving. Corporate donations are about "the writing of checks to charity." Companies donate some of their profits, or their resources, to non-profit organizations. Giving is often handled by the company directly, or it may be done through a corporate foundation. Typical causes supported include artistic, religious, sports, charitable, and humanitarian causes as well as support for educational institutions. Local donations especially tend to go "all over the place" — to schools and kindergartens, theaters and museums, hospitals and orphanages, the local fire brigade and the local swimming pool. This is called "unstructured giving."

History of corporate philanthropy

To understand the history of corporate giving, it is helpful to think back to the roles of some companies in 19th century industrialized society. Back then, corporate giving was often an integral part of how companies supported their employees' existence: for example, by funding their housing, setting up schools for their children, or financing a hospital for the community. Those companies understood back then what the World Business Council for Sustainable Development states in its "10 messages by which to operate": "Business cannot succeed in societies that fail." They understood that in order to do business effectively, they needed to contribute to the creation of local infrastructure. However, as business became more market-oriented and government's role grew — especially in Western society — the motivation for corporate giving changed.

Sometimes it was cut almost completely; other times it was sidelined to an obscure part of the organization. More commonly, it was (and often still is) not "managed" at all. Sometimes, a company's giving interests simply depended on what causes or charities the CEO's spouse wanted to see supported.

Giving money is still an important element of how a company supports the communities in which it operates — but it is just the beginning. Sometimes it may be in the company's interest to support an issue or cause that is not aligned to the business — for example, when a particular cause is very important to a local stakeholder whose support is needed. We also see small companies in villages donating to local community causes in order to maintain good, long-term relations with their customers and out of a sense of responsibility as "corporate citizens."

For any sizeable company, however, it is advisable to keep the sums that are going into unstructured corporate giving relatively small. Any company can make its donations even more effective by aligning them to its business. This is called "strategic" philanthropy.

More Focus: Strategic Philanthropy

Given that companies also look for a return — usually a reputation benefit — for making their contributions, increasingly they are looking to focus their corporate giving. This is called strategic philanthropy. Companies have been adopting increasingly strategic approaches in their support of important causes.

Through strategic philanthropy, companies seek to align their charitable giving with a cause that connects to their core business. Companies that pursue this path might say, "We only give money to hospitals," or "only to community organizations in our region," or "only to causes that support children's education." Thinking about a strategic focus for corporate giving also means considering the potential reputation value gained from a focused approach to giving. For example, it makes sense from a public recognition and credibility standpoint for a pharmaceutical company to support cancer research, as opposed to arts and culture programs.

For strategic philanthropy, it is helpful to look at the company's business strategy or, if it exists, corporate responsibility/sustainability strategy. Are there some specific themes that could also be followed in the company's giving? For example, the majority of Avons' customers and employees are women. It therefore makes sense for the company to be actively involved in charitable initiatives around breast cancer and against domestic violence.

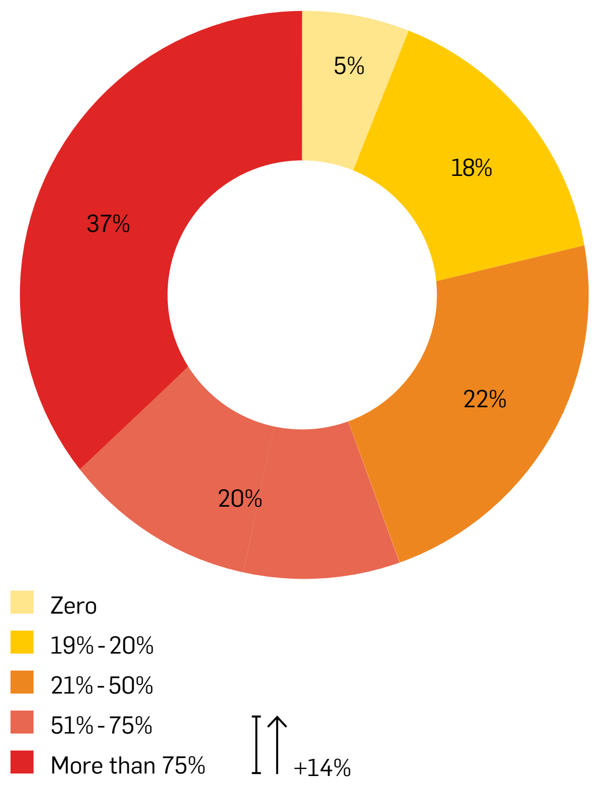
Beyond strategic philanthropy: Why "just giving" is no longer enough

By the late 1990s, it had become clear that national governments were increasingly losing power and influence. Civil society started to assume a more important role. Stakeholders became increasingly aware and — in light of societal and environmental issues — demanded both transparency and collaborative contributions from companies. In 2000, a report on the top 200 corporations by the Institute for Policy Studies established that of the top 100 financial entities in the world, 51 were companies, and only 49 were nation states. In this context, companies are seen as having a growing role in helping to solve social challenges related to employment, health, safety, education, culture, and the environment.

A new role for corporations: Modern community partnerships

This new role for business asks companies to think together with governments and NGOs on a higher level about finding and co-creating solutions to pressing problems — and then to apply those solutions together in local contexts. This new thinking represents a shift in roles, emphasizing the participatory responsibility of all sectors for co-creating societal innovation and change — for collaborative impact.

CLEAR SHIFT TOWARDS MORE STRATEGIC PARTNERSHIPS



Percentage of Corporate NGO partnerships described as strategic (Corporate respondents)
57% of companies classify their partnerships as "strategic" (up 14% on prior year)

Source: "The Changing Face of Corporate Partnerships," C&E Advisory (www.candeadvisory.com/barometer), March 2012

Doing this work together demands cross-sectoral commitments, making partnerships increasingly important. It also requires a range of collaboration and partnering skills that companies need to develop. These cross-sectoral commitments tend not to be called strategic philanthropy, but rather "corporate community involvement." Since the beginning of the millennium, corporate community involvement has been the term most used for active community partnership projects between a company and/or governments and/or NGOs in the countries, regions, or communities where a company operates.

Aiming for impact

These are partnerships aimed at co-created solutions, to which the company contributes funding, project management, corporate core competencies, and employee involvement. In such partnerships, companies aim for societal impact. As a second step, they can then also leverage the results of their efforts in stakeholder communications or marketing to achieve business benefits (e.g., an improved reputation, an enhanced brand image, or expanded markets).

Enlightened self-interest

Leveraging results for business benefit is what is called "enlightened self-interest," and it is now a generally accepted concept. The thinking is as follows: If a company claims that they are doing good for society only because of their ethical convictions, stakeholders will most probably be skeptical and not believe them. If, on the other hand, companies are only concerned about their business benefit and neglect the needs of society, stakeholders will be outraged (and the company runs a clear risk of failing in the long run). What has emerged in corporate practice is a balanced, threefold approach: 1) striving for real societal impact, based on sound ethics and values; 2) implementing programs through co-creating community partnerships; and 3) leveraging results for improved reputation, brand image, and sales.

Should companies undertake this work through a foundation?

A foundation is often set up independent of — and therefore remote from — the company, which separates it from business interests. It is good for purely philanthropic giving, yet much less suitable for direct strategic community involvement initiatives. There are many legal limitations in profiling and involving the company, so added value from a foundation's giving record cannot be leveraged directly through the company's communications and marketing. Stakeholders also increasingly perceive starting a foundation as "outsourcing" a company's contributions to society. Accordingly, it is more effective to deliver significant, strategic social impact from within the company, as an integral part of the business and the overall corporate responsibility / sustainability strategy that involves employees and core competencies.

"As companies continue to strategize their corporate responsibility activities, corporate foundations become more popular as a way for companies to continue with charitable and philanthropic commitments (...) On the other hand, if companies want to distance themselves from philanthropy entirely, foundations might become less popular, with those already in existence either wound down or shifted towards a totally independent model." (The SMART Company Report 2007)

But are we all talking about the same thing?

There is some confusion regarding terminology. Some companies, especially in the United States, still speak of strategic philanthropy, although they have progressed to sophisticated, strategic community involvement. Some companies, like IBM, Microsoft, and Disney, will call such strategic involvement their "corporate citizenship."

Philanthropy, in the strictest sense, is about donating money to charity, which is considered a hands-off approach. Community involvement, as defined in our book Corporate Community Involvement: The Definitive Guide, is about being involved in a charitable project as a co-creating and participating partner: co-creating the concept, co-managing the project, and contributing core competencies and employee involvement. Usually, measurement and evaluation as well as communication are also managed in partnership.

Yet other companies that are doing "just philanthropy" will call this their corporate citizenship or their CSR — although, strictly speaking, a company's corporate social responsibility extends also to its human resources and supply chain policies and to the management of its overall stakeholder relations.

What are stakeholders looking for?

Between the confusion of notions around strategic philanthropy, corporate community involvement, corporate citizenship, CSR, and the latest notion — shared value creation — what is it that the world's stakeholders are looking for?

Stakeholders may want to ask a few questions like "So what does your company do in this area?" The answers they hear will offer them more clarity on how the company is actually involved.

Stakeholders want to see contributions — but ideally more than just donations. In this day and age of the so-called new social contract, where governments, corporations, and civil society organizations are called on to collectively contribute and find co-created solutions through "collaborative governance" (notion first coined by Simon Zadek, then CEO of AccountAbility), they want to see corporate representatives engage at the meta level to think together with other sector representatives about finding solutions to our world's pressing societal and environmental problems. They want to see that companies contribute more than just funds in strategic philanthropy. They want to see companies engaged with their best minds, and getting those best minds engaged in the community to co-create solutions and create collaborative impact. So this goes beyond donating money. It extends to contributing management know-how, problem-solving skills, as well as technological and scientific know-how.

Coca-Cola, for example, unleashed its potential with programs such as the Replenish Africa Initiative, a $30 million, six-year effort to provide clean water and sanitation to at least two million people in Africa by 2015. Similarly impressive in ambition is the "five by 20" project, an initiative to economically empower five million women by 2020.

This approach can then extend to shared value creation: Companies contribute solutions to societal problems and benefit from those solutions in their own bottom line, for example by opening new markets. The solar light bulbs in India that allow school children to study past dusk are a co-created education solution that is making the contributing companies real money. It is the same with BP's solar cooking stoves.

Whether we talk about strategic philanthropy, corporate community involvement, corporate citizenship, or shared value creation — we are dealing with an evolving field. It has evolved significantly and will continue to do so — we have not arrived at a final destination yet.

The President of the World Business Council on Sustainable Development, Peter Bakker, says: "I'm committed to finding solutions, and I believe that businesses are powerful tools to bring these big challenges to resolution. Together, the WBCSD's 200+ members are galvanizing action in the global business community to create a more sustainable future."

Your company, with all its business competencies, has the most powerful means to contribute, and to be seen as an impacting partner by all relevant stakeholder audiences.
Let's get started. ■

For many years, Veronica Scheubel was in a global role as Senior Manager Corporate Responsibility at Nokia. She is co-author of the book Corporate Community Involvement: The Definitive Guide to Maximizing Your Business' Societal Engagement (Greenleaf/ Stanford University Press 2010).