Corporate Support Goes Companywide

Big companies are putting more financial clout and staff time into efforts to promote the common good.

By Alex Daniels and Peter Olsen-Phillips

Brandee McHale has one foot firmly planted in the world of quarterly earnings reports and interest rates and the other squarely set in the realm of nonprofits and social good.

Ms. McHale’s twin responsibilities at Citi, where she serves as both the president of the Citi Foundation and the financial institution’s director of corporate citizenship, demonstrates a growing interest by big companies in using all parts of their business operations to push philanthropic goals.

The financial crisis — and the sour opinion Americans have had of banks — was behind the major retooling of Citi’s philanthropic approach.

While it still donates $78 million a year through the foundation, and $65 million more from the company’s business units, that is just one piece of how Citi is trying to solve social problems. Managers throughout the company, Ms. McHale says, are expected to provide social value — not just economic value — to the communities where they do business.

The expansive approach Citi takes may portend a big change in business giving. Increasingly, other companies, such as Walmart, have begun to put the entire heft of their operations, not just the check-writing functions of their foundations, behind efforts to solve social problems.

Companies now consider philanthropy "a business unit that’s core to how they express their purpose and values," says Carmen Perez, director of evaluation and data insights at CECP, a coalition of corporate chief executives focused on promoting the common good.

Companies are stocked with teams of workers who can be easily motivated to use their business expertise on social problems, she adds. "The corporate sector can lead."

Ambitious Goals
At Citi, the social-good goals are ambitious: improving the quality of life for city residents around the world.

In 2014, the bank created Pathways to Progress, a three-year, $50 million commitment to prepare young people in cities for careers. And in May, it made its first grants to 40 "anchor" nonprofits in six cities from its $20 million Community Progress Maker’s Fund, which provides general operating support to community groups trying to find new ways to serve urban residents.

Pathways to Progress started like a traditional corporate effort: Give money to groups that provide summer jobs to young people in cities.

But then it went much further: Both the foundation and Citi’s corporate units are working with other businesses, local governments, and nonprofits to teach financial literacy and then offer mentorship and job opportunities to students who participate in programs the foundation supports.

In addition, Citi’s bankers have increased their volume of small-business loans and have made lines of credit available to community-development organizations, helping to complete 228 financing deals in 2015, which resulted in 39,000 units of low-cost housing. And it recently offered young bankers a chance to take a year off and do public service, a nod to the growing demand from millennials who put a premium on public service.

Ms. McHale is clear that Citi’s approach is not just about altruism, it’s also about its bottom line — just as so much corporate philanthropy has been focused on in recent decades.

"These are our future markets and our future risks," she says. "Helping solve these challenges is in our business interest. If we don’t take this approach we’re not going to be relevant to our clients."

Even with such acknowledgments, some critics say corporations are exaggerating the societal benefits of expanding their good works, says Katherine Villers, president of Community Catalyst, a health-care advocacy nonprofit.

"If you look at the scale of benefits compared to the scale of profits the companies make, how philanthropic are they really being?" she asked. "I’m skeptical much of what is called corporate philanthropy makes much difference."

Double-Barreled Approach

Like Ms. McHale at Citi, Kathleen McLaughlin, president of the Walmart Foundation, has a dual role. In addition to leading the foundation, which awarded $301 million in grants last year, she is Walmart’s vice president for sustainability, a position that helps ensure that philanthropy is a part of broader corporate decision-making.

The double-barreled approach has several benefits, she says.

Grants from the foundation can help the lives of others and ensure stable communities that will help boost corporate profits in the future. Those grants can play a big role in creating change, Ms. McLaughlin says, but using the assets of the entire corporation might be the most effective way to have a bigger impact.

For example, the Walmart Foundation supports community-development organizations that provide low-interest loans to women entrepreneurs, and it provides grants to train women who run small businesses. Those efforts are buttressed by something much bigger: a commitment by the company to use its enormous purchasing power to spend $20 billion on products from women-owned firms over five years.

Similarly, the business has stepped in to advance a foundation goal of making retail jobs more attractive. To achieve that, the foundation has supported efforts to train employees so they can move into more lucrative jobs.

And in January, Walmart did something the foundation could never have accomplished: It gave raises to 1.7 million of the company’s employees. The goal was to multiply Walmart’s impact on a social problem — a lack of advancement for retail employees, Ms. McLaughlin says, and at the same time attract and replenish a supply of motivated workers at the retailer’s stores. "Companies should play a major role in restoring the systems that rely on them," she says. "We’re using philanthropy to fill in the blanks where business can’t go."

Some critics say things like a higher starting wage (Walmart’s went from $9 an hour to $10 an hour) are not enough. Businesses could do more to improve the world if they paid higher taxes to support government-run social programs, says Mark Rosenman, a professor emeritus and former vice president for social responsibility at Union Institute & University. "Corporate giving is more an instrument of business planning than it is of altruism," Mr. Rosenman says. "It’s relatively selfish in nature."

Giving Rises

While more companies are spreading social good throughout the organization, that doesn’t mean nonprofits are seeing a big rise in grants. In a new Chronicle survey of giving at many of the biggest companies on the Fortune 500, cash donations rose just 2 percent, and the median share of pretax profits donated was just 1 percent.

The survey was based on 2015 data from 68 companies, which gave a total of $4.8 billion in cash donations.

With cash gifts of nearly $447 million last year, Gilead Sciences gave the most of the companies that responded to The Chronicle’s survey.
A pharmaceutical company, Gilead also made $1.9 billion in donations of drugs. According to its website, the Gilead Foundation supports "health and well-being" in communities that lack access to such services, including expanding efforts to educate people on preventing HIV and hepatitis.

Walmart’s $301 million in cash giving put it at No. 2., followed by Wells Fargo & Company, which gave $281 million. Most of its grants went to groups that are trying to improve the environment, provide low-income housing, and enhance the quality of life for poor children. Another financial giant, JPMorgan Chase and Company, was in the top 10, with $224 million.

ExxonMobil, at $268 million was No. 4. The energy company provides support to nonprofits that advance women’s economic opportunity, groups that work to reduce malaria, and efforts to improve math and science education.

Specific Problems
Not all companies are seeking ways to fight broad social problems.

Some hope to tackle specific problems where they think they can make a big difference while also advancing their own business goals. The security- software company Symantec decided that getting more minorities involved in cybersecurity was an area in which the company could "move the needle," says Cecily Joseph, the company’s vice president for corporate responsibility. Women account for about 10 percent of cybersecurity jobs, says Ms. Joseph, and minorities hold just 2 to 3 percent of such positions.

In 2014, Symantec created Cyber Career Connection to develop curricula and train people for the estimated 1 million jobs in cybersecurity that lacked qualified applicants. The company hopes the education and training organizations it supports, like NPower, Per Scholas, the Stride Center, and Year Up, will help place up to 60,000 minorities and women in those positions. Some of the people who received training from those programs will end up at Symantec, Ms. Joseph notes.

"There’s a business side, obviously," says Ms. Joseph, whose company last year gave more than $6 million in grants and more than $25 million in security software.

Employee Involvement
Other corporations are targeting significant efforts at single causes. Microsoft, for instance, devotes a huge part of its $1 billion in annual cash and product giving to computer training and access to the Internet.

In April the company announced grants to nonprofits in 55 countries as part of $75 million previously earmarked for its YouthSpark program, which aims to provide computer classes to disadvantaged young people, including potentially in places as unexpected as refugee camps.

In December, in an effort to place philanthropy closer to the center of its business operations, Microsoft created a new philanthropy division and named Mary Snapp, a veteran of the company’s legal and business divisions to lead it.

Many companies have been working on a single focus for many years.

PNC Bank is in the 12th year of a $350 million plan to support early-childhood education and health care. The bank has tried to orient its entire organization behind the cause by placing a priority on employee involvement. Employees, who helped pick the focus, are given up to 40 hours of paid leave for volunteer work that supports the cause. More than 50,000 have participated.

Picking one area of focus can help a company advertise its efforts with precision — making it easier for consumers to associate a corporation with its philanthropy — and marshal help from professionals across the company, be they marketers, branch managers, or software engineers.

But there are drawbacks, too.

Christopher Marquis, a professor at Cornell University’s Samuel Curtis Johnson Graduate School of Management, says the single-focus approach may be leaving many people in need unserved by corporate philanthropy.

"Some issues and programs fall through the cracks," he says. "Instead of sponsoring the local opera house, companies are doing unique programs that they find or invent themselves. This doesn’t bode well for philanthropy."

Watching for Missteps
As corporations reconfigure their philanthropic strategies, they know they are being watched closely. Carol Cone founded marketing firm On Purpose and is a longtime consultant to large companies and charities on corporate social responsibility. She says consumers — especially younger ones who can "smell inauthenticity from a mile away" — stand ready to ignite a firestorm on social media over any perceived missteps.

"Businesses have to sell more things and be competitive, but they get a license to operate from society," she says. "Companies need to show their humanity."

That’s good advice not just for companies but for nonprofits seeking corporate money, says Ms. Joseph of Symantec. "I’ve worked with some nonprofits where our business objectives and our mission just get lost in theirs and it’s not visible anymore," she says. "The ones who do a good job keep it at a high level."

Sometimes the recognition Ms. Joseph seeks for Symantec comes from people who directly benefit from the program. At a graduation ceremony last year in Baltimore, for instance, a woman thanked Ms. Joseph and the company for changing her grandson’s life. She later shared that story with Symantec leaders, and it had an impact. Spreading the news about such successes to employees, whether they are in human resources, software development, or marketing, helps to cement a sense of purpose and a companywide connection to Symantec’s philanthropic work, Ms. Joseph says.

"Being able to tell a story like that," she adds, "is really powerful."

No matter how grateful beneficiaries are, companies still receive plenty of mixed publicity about their motivations and approaches to corporate philanthropy.

Just last month Bloomberg Businessweek magazine published an investigative cover story about charities that accept donated drugs from companies and suggested that the donations may be charitable in name only. The magazine noted that many drug companies are able to provide tax-deductible gifts to "co-pay charities," which then purchase drugs at often inflated prices. And it said taxpayers are subsidizing those purchases because many of the patients receive Medicare.

**Strapped for Cash**

The pervasiveness of drug donations is clear from The Chronicle’s study: Three drug companies provided more than $1 billion apiece in drug donations.

Niki Jagpal, research and policy director at the National Committee for Responsive Philanthropy, says corporate foundations deserve credit for providing not just drugs but groceries and other support for poor people, but she added that stocking food pantries and providing employee volunteer tutors does little over the long term.

What would help more than donated groceries and other products, she says, is more grants for ongoing operations to keep charities afloat.

"They need to keep the dollars flowing," she says. "Nonprofits are often strapped for cash."

**Measures of Generosity**

Most companies gave less than 1 percent in cash relative to their profits, but a few stood out for giving substantially more than that. And some companies gave despite having lower profits than the year before — or, in some cases, even being in the red.

**Companies that donated the most cash relative to profit**

<table>
<thead>
<tr>
<th>Company</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>General Mills</td>
<td>6%</td>
</tr>
<tr>
<td>Chevron</td>
<td>5%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>4%</td>
</tr>
<tr>
<td>Xerox</td>
<td>4%</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>3%</td>
</tr>
<tr>
<td>Staples</td>
<td>3%</td>
</tr>
<tr>
<td>Kroger</td>
<td>2%</td>
</tr>
<tr>
<td>Merck</td>
<td>2%</td>
</tr>
<tr>
<td>Target</td>
<td>2%</td>
</tr>
<tr>
<td>Gilead Sciences</td>
<td>2%</td>
</tr>
</tbody>
</table>

Get the data

**Companies that donated despite being in the red**
<table>
<thead>
<tr>
<th>Name</th>
<th>Pretax Loss</th>
<th>Cash Donated</th>
</tr>
</thead>
<tbody>
<tr>
<td>ConocoPhillips</td>
<td>$7.2 billion</td>
<td>$44.1 million</td>
</tr>
<tr>
<td>Sears, Roebuck</td>
<td>$1.4 billion</td>
<td>$26.2 million</td>
</tr>
</tbody>
</table>

**Companies that increased giving the most, despite lower profits**

<table>
<thead>
<tr>
<th>Company/Change in Profit</th>
<th>2015 Cash Giving</th>
<th>Increase in Giving</th>
</tr>
</thead>
<tbody>
<tr>
<td>eBay (-32%)</td>
<td>$8.9 million</td>
<td>39.85%</td>
</tr>
<tr>
<td>Qualcomm (-26%)</td>
<td>$27.9 million</td>
<td>39.11%</td>
</tr>
<tr>
<td>Pfizer (-27%)</td>
<td>$93.3 million</td>
<td>26.78%</td>
</tr>
<tr>
<td>Merck (-69%)</td>
<td>$132.5 million</td>
<td>19.83%</td>
</tr>
<tr>
<td>Eli Lilly (-7%)</td>
<td>$50 million</td>
<td>17.67%</td>
</tr>
<tr>
<td>PepsiCo (-15%)</td>
<td>$56.4 million</td>
<td>17.01%</td>
</tr>
<tr>
<td>Microsoft (-33%)</td>
<td>$135.2 million</td>
<td>13.66%</td>
</tr>
<tr>
<td>Kimberly-Clark (-41%)</td>
<td>$25 million</td>
<td>13.64%</td>
</tr>
<tr>
<td>ExxonMobil (-57%)</td>
<td>$268 million</td>
<td>13.23%</td>
</tr>
<tr>
<td>Fluor (-40%)</td>
<td>$8.5 million</td>
<td>13.01%</td>
</tr>
</tbody>
</table>

Note: General Mills has revised its figures from 2013 through 2015. As a result, in 2015 it gave 6 percent of cash relative to pretax profits, not 7 percent. Also, 68 companies in the report gave a total of $4.8 billion, rather than 65 companies giving $4.7 billion. And JPMorgan has updated its giving figure from $236 million to $224 million, putting it in the top 10, not the top five.

Send an email to Alex Daniels or Peter Olsen-Phillips.

This article is part of:
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