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Research on Corporate Citizenship Reveals Program Trends for the Future

This article reflects The Consulting Network's (TCN) research on emerging business practices, strategic planning assignments and program benchmarking, as well as interviews with business executives. TCN's president, John Coy, addressed the resulting trends during a presentation to the Contributions Council of The Conference Board earlier this year. Subsequent articles will include observations made at the same presentation by David Logan of The Corporate Citizenship Company and Martin Schneiderman of Information Age Associates.

A number of trends in corporate citizenship will shape the way companies approach these activities in the years ahead. Foremost among the trends are:

- ◆ Integration.
- ◆ Branding and signature programs.
- ◆ Globalization.
- ◆ Partnerships.

- ◆ Issue-driven strategies.
- ◆ Employee involvement.
- ◆ Measurement.

This order reflects our view of the importance each will play in shaping future programs. However, the trends are not isolated; they are integrated and influence each other. For example, the trend to be more strategic relates to the growth of focused programs, which leads to signature programs that are linked to branding and image building. The trend to integrate resources influences employee involvement and product and in-kind giving to enhance traditional cash grants. So rather than seeing trends that are isolated or linear in nature, we see the overall movement as a set of overlapping activities that tend to have influencing effects on each other.

INTEGRATION

Integration happens at a number of levels:

- ◆ Linking programs with company values, goals and issues.
- ◆ Combining resources: cash, in-kind donations, sponsorships and people.
- ◆ Leveraging contributions and enhancing broader goals of corporate citizenship, public affairs, social responsibility and communications.

Linking Programs with Company Values, Goals and Issues

Programs are being designed to reflect the values and goals of a company in order to address issues that are important to the enterprise. This may include focusing on programs of interest to customers, employees or other key influential audiences that have an impact on the company's success.

Better known examples include Avon's breast cancer awareness program, the American Express World Monument Watch and the Fannie Mae Foundation's affordable homeownership initiative.

Programs often are directed at an issue that is a natural extension of the company's business concerns or the social issues that have an impact on its customers and employees. The character of these programs reflects key messages that the company wants to convey about its image — messages such as innovation, technology, leadership, teamwork, preferred business partner, exciting place to work, global enterprise or good neighbor.

Increasingly, these activities are about building brand differentiation and relationships around important issues.

Although the degree of focus and integration may vary from company to company, few are investing in corporate citizenship and contributions simply to fulfill a social obligation. Senior and operations managers are consistent in their expectations for these activities. They want clarity of purpose, a linkage to the overall values and competencies of the company, an impact and a companywide or global application.

Integrating Resources

Smart companies realize that cash giving is just one of the resources they have in their corporate citizenship portfolio.

Pharmaceutical companies have recognized the value and importance of product donations, as have computer and electronic equipment industry companies

such as Apple, Hewlett-Packard and IBM.

In addition to product donations, companies are recognizing the added value of employee involvement. Not only can a company leverage its community relations and contributions program with highly visible employee volunteer talent, but it

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also can build pride and good will with employees. This is increasingly important to a company that wants to be viewed as a preferred place to work when recruiting and retaining the best employees in this competitive job market.

Beyond cash, products and employee involvement, many companies are engaging in social or cause marketing or cause advocacy. Recent consumer polls by Cone/Roper and WalkerInformation confirm that consumers are attracted to products and companies tied to causes they value or support. The American Express Fight Against Hunger and Avon's breast cancer awareness program are two good examples of such programs.

Although the level of investment made in cause marketing is less than one-fourth that of total reported corporate contributions, it is a growing trend among consumer product companies.

In short, leading companies are using a variety of resources to effectively support their social and community initiatives in much more strategic ways. Contributions and company foundations remain a major player in the mix of resources, but they are becoming part of a *portfolio of resources* supporting corporate citizenship and social responsibility initiatives.

Enhancing Broader Company Goals

Most companies expect contributions to enhance the capacity of the business to succeed.

Corporate citizenship or social responsibility should add to the value of the business. Thus the impact of "bottom line" commitment, integrated resources and linkage to company goals and values draws contributions into a larger arena. In this arena, it is expected to be a valuable resource and an investment in activities that will improve the environment in which the company conducts its business.

When bundled into an overall strategy of corporate citizenship and social commitment, contributions programs become an internal partner and force

that can support the long-term interests of the company. Thus, the investment of resources in this broader context is about image and brand enhancement, building valued relationships and helping to address issues that affect the company's overall performance. It is *not* about doing the business of the company, but enhancing the environment in which the company conducts its business.

Successful programs reflect core values, vision and companywide messages. They are natural extensions of the image, core competencies and brand messages of the company.

For example, the Fannie Mae Foundation addresses housing and neighborhood development; the Nasdaq Educational Foundation concentrates on economic literacy and entrepreneurship; Intel focuses on science education. These all make sense when viewed in context with the core competencies and nature of each enterprise. Successful programs in the future will reflect this "hand and glove" approach where contributions strategies mirror the interests, needs and challenges of the companies that are investing resources.

BRANDING AND SIGNATURE PROGRAMS

Branding, like integration, can happen on several levels. One level is branding the entire

program of contributions or corporate citizenship to reflect a value or positioning statement.

Prudential's strategy is "Ready to Learn, Ready to Work, Ready to Live." MetLife's "Taking a Lead" also is a good example of a branding tag.

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A second level of branding involves naming specific grant or program initiatives as a way to design more focused programs, make longer-term commitments to issues and establish nonprofit partnerships. These programs are distinguished by the fact that the company is the major, if not only, investor. They carry the company name or a branded identification, and the company invests in communicating its support and involvement.

Examples of this kind of branding include the Intel Science Talent Search, Nasdaq Educational Foundation National Teaching Awards and The McGraw-Hill Companies Harold W. McGraw Jr. Prize in Education.

A third level of program branding is in the area of employee involvement. As companies formalize employee volunteer

programs or package employee involvement programs, they are identifying these activities under a companywide banner that is intended to unify activities across the company.

Marriott launched its "Spirit to Serve." Prudential has Community Champions, and Sears has "You Can Make a Difference." Branding employee involvement is intended to provide a unifying theme that employees can identify with no matter where they are located and to build a sense of pride and teamwork.

Regardless of the level at which the program is branded, the brand is intended to create distinction, speak to core values and promote important messages with employees, customers and key stakeholders.

GLOBAL PERSPECTIVE AND REACH

One of the major changes taking place in the field is the shift from a narrow view of traditional contributions to a broader concept of corporate citizenship or social and community initiatives.

In other words, we have moved to programs that support global social initiatives.

This change is driven by a number of factors, including the expanded view of resources that define contributions – products, employee involvement, company

skills and resources – and the expectations that international companies become more global in their commitment to corporate citizenship and social involvement.

More companies are establishing global enterprises, and the traditional Internal Revenue Service (IRS) definition of a charitable contribution does not translate to most other countries, cultures or tax codes. Therefore, companies are required to design programs that are not confined by the traditional U.S. charitable tax code.

This means that programs outside the United States may use sponsorships, business grants, expenses or other activities that are viewed as outside the traditional contributions arena.

This approach will have an impact on the way these activities are managed. Programs will evolve into global themes with decentralized implementation. There will be greater emphasis on accountability, communications, technical assistance and cross-company sharing of best practices.

Corporate foundations will become more global in the scope of things they fund, but their role will need to be clearly defined in the overall program to avoid self-dealing issues and to ensure that IRS requirements of expenditure responsibility are met.

BUILDING VALUED PARTNERSHIPS

Internal Partners

Unquestionably, the success of future activities will depend on engaging internal partners, be they human resources, recruiting, marketing, research or operations. Their involvement helps to build ownership, to implement programs and to confirm value across the enterprise. Without internal partners, the program will become isolated, not able to generate the necessary level of support and unable to tap into the expertise and people power needed to operate successfully. A program that does not have internal partnerships in the form of advisory groups, task forces or informal support groups is not leveraged. The future staffing of a program that uses this approach will place the manager in a team leader role where program guidance, implementation and strategy development is spread across a number of internal partners.

Chevron, Johnson & Johnson and Merck are three companies that place a high value on internal partnerships and use a number of management task forces and advisory groups to provide guidance and implementation support to their programs.

As one manager put it, “Internal partners are an extension of the staff that I know my department

will never be able to achieve.” Or as another said, “The internal partners are invaluable for validating what we do and for supporting increases in funding to our programs. They are my ambassadors; they keep us connected to the company.”

External Partnerships

Business has a vested and even competitive interest in local, national and sometimes global social and economic problems that drain the workplace of a competent work force and reduce the market’s capacity to support basic enterprise. Yet few corporations are in the business of addressing social and community problems. Therefore, they rely on nonprofit, non-government organizations (NGOs) to serve as the intermediaries or the conduit to addressing social issues important to them.

Today, companies are looking for long-term relationships with nonprofits and NGOs, which are viewed as the “suppliers” of services that address issues.

Manufacturing and service companies alike rely on products and services outside the scope of their expertise to conduct business. While supplier and vendor relationships are well defined on the economic side of the business, the challenge is to become as good at partnering in the social environment.

ISSUE-DRIVEN STRATEGIES

Perhaps one of the more significant changes taking place in corporate citizenship is the movement away from defining programs by categories of giving to defining them by issues. For example, instead of supporting education, a company might address the issue of employable youth, the future work force or high school graduation rates among minorities. Health is a category, but addressing the awareness of HIV-AIDS is an issue. Community and civic is a category, but neighborhood

revitalization, youth violence, homelessness and hunger are issues.

The movement to issue-driven programs is related to several trends. First, as companies become increasingly focused on issues, their programs make a more specific statement about their interests. Saying that you support education takes you only a small step toward clarity. It is not specific to the issue you are addressing or what you want to achieve. People can relate to issues more readily than to broad categories such as civic, arts and culture or human service.

Defining involvement by issues also can be more easily linked to branding strategies.

EMPLOYEE INVOLVEMENT

Employee involvement deserves special attention because it is the fastest growing component of corporate citizenship and community outreach. Companies are establishing a portfolio of activities that is attractive to employees. Creating global days of caring, redefining matching and employee-nominated grant initiatives, providing greater recognition and taking ownership

Corporate Citizenship Trends

In a 2000 survey of the Contributions Council of The Conference Board, TCN asked members to identify what they saw as the top five trends in corporate citizenship, management issues for practitioners and what issues would most affect their work in the future.

The results are listed in rank order.

TOP TRENDS

MANAGEMENT ISSUES

FUTURE WORK

Alignment with business goals

Doing more with less

Technology impact

Globalization
goals

Demonstrate value

Integrate with company

Technology impact

Recognition/ communication

Funding collaborations

Measurement

Focus on key issues

Link with company values

Targeted giving

Strategic use of technology

Reflect and involve employees

Source: The Consulting Network, February 2000

of and integrating the employee workplace campaign into an overall branded employee involvement program are among the most prevalent strategies.

Why focus on employee involvement?

- ◆ Employee volunteers are a highly visible extension of the company's commitment to the community.
- ◆ It is a way for the company to demonstrate its commitment to issues important to employees, to build teamwork and to create a fun and exciting place to work.
- ◆ It is a way to strengthen relationships and connections with employees, build pride and link employees around the globe in a time when recruiting and retention are competitive issues.

While some companies are very active in directing employee involvement, others are turning the direction of these activities over to employee committees. The major change is that employee involvement is being valued as a strategic investment and integral part of community outreach initiatives.

Freddie Mac, Hallmark, Marriott, Prudential and Sears are just a few of the companies that have taken an active role to formally brand, organize and promote employee involvement. They also reward employees active in community volunteer programs on a variety of levels.

MEASUREMENT

One of the challenges facing contributions and corporate citizenship professionals is demonstrating results. Whether you are operating a fund of \$5 million or \$50 million, you are in competition for capital. Management has expectations for its investment or the income from the equity it has accumulated in a foundation.

In interviews that TCN conducted within the last year, we asked the question, "What do you expect from your investment in contributions and corporate citizenship initiatives?"

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Managers have been consistent in their responses. They want to generate good will and an enhanced image, build employee pride, improve relationships, establish valued partners and get results.

From TCN's perspective, we are concerned that the terms "measurement", "evaluation" and "adding value" often are used as if they mean the same thing. They do not. Measurement is about precision – metrics. Evaluation uses metrics but adds qualitative assessment and analysis. Adding

value is a perception that something is important and that it adds value.

There is no question that the field must and will get better at measuring, evaluating and adding value, but there are no "one process fits all" solutions. We believe that using what is called the "balanced score card" is the best approach. First, you must have appropriate goals and objectives against which to measure or evaluate. Next, you must determine the scope of what you want to measure or evaluate (inputs, outputs and outcomes) – overall program, specific initiatives and relationships. Then, you can balance the cost of measuring and evaluating against the value of what you will gain.

As for adding value, you can do a number of things that have little to do with measurement or evaluation. For example, be sure that your program reflects the vision, mission and goals of the company; design an issue-driven strategy; involve management, and gain their ownership; link your global operations together; and communicate effectively with key internal partners.

TACTICAL TRENDS

Although the majority of this report deals with global or programmatic trends, there are a number of tactical and process trends that will help shape future programs.

Outsourcing

This trend of the 1990s will only accelerate in the next 10 years as corporate downsizing continues. In addition to the outsourcing of data management and administrative support, more companies will use contract services in designing and implementing major initiatives, managing events, conducting evaluations and providing communications support. The role of staff will focus less on the processes and more on providing team management, technical services and accountability to a global program.

The Internet/Intranet Connection

Most leading companies have Web sites where they post grant policies and guidelines, annual reports and information about their programs. It is a resource that can help streamline administrative tasks, freeing the staff to focus on the real purpose of their work – designing and implementing programs.

For example, Verizon (Bell Atlantic/GTE) now will accept grant proposals only through the Internet. Others are creating pages that screen interested prospects to determine whether proposed programs fit corporate guidelines.

The greatest potential of the electronically linked environment may rest in the company's intranet as a means of linking

company operations around the globe. It has the potential to share important information that will increase communications and accountability and cut costs and response time for program managers.

The intranet also has the capacity to increase ownership, share best-in-class initiatives and provide technical support in a quicker, less costly way.

A number of companies currently, or are planning to, use their intranets for interactive communications in training and linking employees interested in volunteer and community leadership activities.

Request for Proposals

Increasingly focused, strategic programs lead companies to become more proactive in determining the issues they want to support. The company can then, through its guidelines, respond to requests that fit the issue or actively generate targeted proposals.

One technique increasing in popularity is for companies to use formal requests for proposals (RFPs) to attract funding opportunities.

In selected cases, companies are moving beyond the traditional RFP process by identifying the best funding candidates and entering into negotiations for a major grant, creating a true partnership. Although no formal

studies have been undertaken, TCN's experience shows that a higher percentage of grant budgets are being directed to targeted programs rather than given to the best unsolicited proposals.

GOVERNANCE AND OVERSIGHT

Eventually, companies that make the shift to highly integrated programs and resources must face the dilemma of who oversees the overall strategy, policy and budget for corporate citizenship initiatives and who oversees program implementation. When a foundation is involved, a board of trustees dealing with the grant side of the program is already in place. The decision must be made as to whether the foundation board assumes a broader role, the company reconstitutes a new policy group that includes foundation board representatives, or a new policy group is created separate from the foundation board.

The easiest solution is to create an oversight policy group that also serves as the foundation board. Another option is to have a smaller executive officer group oversee policy, while a management committee guides programs and also serves as foundation trustees. More responsibility will be delegated to the department and staff that are responsible for implementing strategy and programs.

MERGERS

Although not a trend within the field, mergers, acquisitions and spin-offs are having a dramatic impact on the face of corporate contributions and community relations programs. Verizon (Bell Atlantic/GTE), BP Amoco, DaimlerChrysler, Pfizer/Warner Lambert, Pharmacia/Monsanto, Honeywell/Allied Signal, ExxonMobil, Lucent and Agilent are but a few of the recent examples.

Mergers, acquisitions and spin-offs offer change, but few companies have taken advantage of that change to rethink the purpose, direction or structure of corporate citizenship and contributions.

Unfortunately, addressing contributions and community relations during the reorganization process often is not a high priority for senior management. Yet the outcomes to the community, its leaders and nonprofit organizations affected by such change are very important. It would seem that the messages and communications with valued community partners would be viewed as an important priority in a new brand rollout.

Seldom are two programs a perfect match in a merger. There seems

to be three options followed in a reorganization caused by merger, acquisition or spin-off:

- ◆ Retain or simply continue the programs of the dominant, parent or legacy company.
- ◆ Conduct an audit to show a side-by-side comparison to determine variances and areas where policies and programs need to be changed.
- ◆ Conduct a top-to-bottom assessment and develop a new strategy based on the values and direction of the new enterprise.

Two companies that stepped back and took a fresh look at the purpose, themes and structure of community relations and contributions are Lucent and BP Amoco. Lucent has created a program that is uniquely its own. BP Amoco has moved to a program and structure that is truly global. It even changed the name of the function to global social investments.

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SUMMARY

In 25 years, contributions and community involvement have evolved from a hands-off, do-good, checkbook mentality to a potentially strategic, global, integrated function. Companies today are fiercely competitive. Consumers are more sophisticated

and discerning. Image, brand and differentiation are major issues for most companies. In some cases, the lines have blurred between what is charitable giving and what is marketing, which may sometimes seem self-serving.

But most critical are the social issues that companies have a legitimate stake in and responsibility to address. Good stewardship today means looking at all the resources in the corporation's portfolio. Corporate citizenship in the new century will be more complicated because the issues are more complicated. The approach will require a highly integrated, hands-on corporate involvement strategy.

One final and rewarding trend that we see is the emergence of CEOs who believe in and are committed to corporate responsibility that goes beyond the quarterly earnings report. They understand that a company can do well for its stockholders and do good for its stakeholders — all at the same time.