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In search of better corporate philanthropy

MOTHERS have their day. St Patrick has one, too. So, it turns out, does corporate giving. On February 25th, to mark America's fourth National Corporate Philanthropy Day, the Empire State Building's lights were turned blue and green which, in case you didn't know, are officially the "colours of corporate philanthropy". Earlier in the day, the famous bell of the New York Stock Exchange was rung in celebration by winners of the 8th annual Excellence in Corporate Philanthropy Awards.

This year's winners were a bank, PNC Financial Services Group, and a ratings agency, Moody's Corporation. PNC has given \$100m to a pre-school programme for needy children, called "Grow Up Great". Moody's has partnered with the Society for Industrial and Applied Mathematics to create the "Moody's Mega Math Challenge", an online mathematics contest for high school students, who can win scholarships. There was also an award for a non-profit, which went to Community Voice Mail, which provides free personalised telecommunications to poor and homeless people in partnership with Cisco, a large network-equipment firm.

PNC



PNC's corporate citizenship

The awards were handed out by the Committee Encouraging Corporate Philanthropy (CECP), which, under the executive directorship of Charles Moore, has been the driving force behind National Corporate Philanthropy Day. The CECP also hosted several events to promote best practice in corporate philanthropy, including a discussion with the United Nations on how business can help the UN achieve its Millennium Development Goals for poverty reduction.

Corporate executives have grown increasingly interested in the vast range of charitable and philanthropic activities known as corporate social responsibility and corporate citizenship. They have come to learn that to be effective, doing good must be grounded in a firm's long-term strategy,

otherwise it is too easily marginalised or abandoned when the core business faces financial difficulties or the chief executive changes.

At the same time, firms are trying to determine how to weigh philanthropy against other socially responsible goals, like reducing energy consumption and waste or insisting on high labour standards among their suppliers—options that, unlike giving money away, may improve their profitability, allowing them to do well by doing good.

Too often, corporate philanthropy has been used in ways that are far from a firm's core strategy—supporting the boss's (or his wife's, or a potential client's) favourite cause, say, a goal that changes often and lacks long-term impact. It is also relatively small beer, compared both to corporate profits and to other sorts of philanthropy. Although increasing—up by 4.8% year-on-year, according to the most recent data from CECP—corporate philanthropy in America is less than 4% of the country's total giving.

Speaking to his fellow chief executives on February 25th, Sidney Taurel, the chief executive of Eli Lilly, said that good corporate philanthropy has three key components. First, it should be “integrated in a robust strategy of corporate social responsibility. Simply writing checks really is a waste of shareholder dollars.” Second, it must effectively address real needs, “which means we have to measure the impact of the grants we make. That requires tracking outcomes rather than activities.” Third, corporations must “report to the public on what we're doing to fulfil our social responsibilities.” This is both to share good ideas with others and to “honour our contract with society.”

This is right, but it is also the exception. According to the CECP's Mr Moore, a new survey of chief executives found that 90% of them felt they had a responsibility to give to the community, and to be personally involved in leading their community focused activities. But only 20% of them were satisfied that they had achieved or surpassed their goals in this area. Mr Moore hopes this number will rise due to what he describes as a new “competitive market in corporate citizenship.” If so, National Corporate Philanthropy Day will really be worth celebrating.