

# A shift in values

There was a time when corporations were happy to donate cash to a charity with no questions asked, but that model has changed – ‘doing good’ is no longer enough;

corporations now want to see what good charities can do for them.

“I don’t use the word ‘charity’ any more,” says Ros Tennyson, director of The Partnering Initiative. “Most corporations I know are moving away from charitable giving. They’re aligning their core business interests with whoever can help them achieve them, not with whoever has the worthiest cause.”

To understand the tectonic shift in corporate donations we need to understand the Corporate Social Responsibility (CSR) movement, how it’s changing and where companies are now putting their money. And to do that, we need to go back to an article written in 1970 by the economist Milton Friedman, who later won the Nobel Prize for Economics.

In his article, Friedman argued vehemently against businesses getting involved in social affairs. “When I hear businessmen speak eloquently about the ‘social responsibilities of business’... that business has a ‘social conscience’ and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords...they are...preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.”

Friedman doesn’t stop there. The only ‘social responsibility’ a business has, according to Friedman, is to increase its profits (so long as it doesn’t break the law). Any attempt to extend the responsibility of a business beyond turning a profit is deemed as a “fundamentally subversive doctrine”. Strong words from a man who is regarded as one of the dominant economists of our generation.

Friedman’s argument is simple, compelling and diametrically opposed to the thinking found in most of today’s charities. It also happens to represent the future of corporate funding.

Executives, argued Friedman, are hired by their employers (read: shareholders) to maximise the corporation’s profits. If they choose to divert the corporation’s funds to causes other than increasing profits, they are, in fact, imposing a tax on the owners of the business, as well as deciding how this tax is distributed. Taxation, argues Friedman, is the responsibility of the government. Charity is the responsibility of the individual. Corporations should steer clear from both.

It would seem that the world has changed completely since Friedman published his article in 1970. In 1971 Greenpeace was launched, and with it the conviction that corporations don’t exist in a vacuum. Today, companies as diverse as Cisco, Nike and Merck invest millions of dollars in promoting diversity, sustainability and social responsibility.

But if you think these companies are simply giving their money

The changing model of corporate social responsibility means that charities must adapt their approach if they want to ensure sustainable corporate support. Ziv Navoth examines the causes of the shift in business mindset, and lays out what charities seeking corporate funding can do about it

away to ‘good causes’ think again. The rise in accountability and transparency is pushing corporations to be very clear about why and where they invest their funds.

“We’ve seen a marked change over the past ten years,” says Terry Mills, corporate fundraising manager at Comic Relief. “In most cases there has to be a definable business benefit for corporations to give us money. The investment they make in us has to stack up to any other (non-charity) investment they could make.”

Look inside the corporate responsibility office of many corporations today and you’ll hear three reasons why handing money to charities because “it’s a good thing to do” is actually wrong:

**1. Giving away shareholders’ money because “it feels good” is not a strategy.** Many companies give money to charity because they feel pressured by activists to do so. In other cases, company executives simply select charities they are fond of. Neither approach, argues Harvard’s Michael Porter, is sustainable. “If we want to make sure that companies – not leaving it to individual leaders – are to maintain an interest in corporate social initiatives, we have to provide the rationale for them as to why they should be doing it... Giving money away is easy,” claims Porter, “but if that is all, it is going to create cynicism – among shareholders, managers and employees.”

**2. Many companies use ‘corporate responsibility’ to mask their own negative**

impact on the environment. By showing governments and activists that they are “already doing good” they aim to fend off additional regulation and probing into their own activities. Citing companies such as Coca Cola, Shell and British American Tobacco, a recent report by Christian Aid shows that the ‘loudest’ donors often have the most negative impact on their environment.

**3. Indiscriminate giving to charity only increases the confusion over how and who to give to.** This confusion seems to be already taking its toll: according to research done by Porter, US corporations are now giving 50 per cent less than they did 15 years ago (measured as a percentage of profits). The reason,

claims Porter, is that more and more corporations feel that whatever they do, they’ll still be criticised.

So what’s a charity to do? How can you ensure that corporate donors continue to support your cause? The answer lies in following three golden rules:

## 1. It is not about you

If you’re looking for support from corporations, the first rule you have to understand is that it is their priorities, not yours, you have to appeal to. “Most non-profits feel that their cause is serious and wonderful enough to get corporations to fund them,” says The Partnering Initiative’s Tennyson. “Most of them think that they don’t have to do the research into what the corporation’s business objectives are. Most of them are wrong.”

To appeal to a corporate donor, you need to show how you can help them, not focus on how they can help you. “We spend quite a bit of time trying to recognise what our USP is,” says Comic Relief’s Mills. “We never stop thinking about what we can offer (the corporation) that no one else is.”

## 2. It is not about the money

If the only way you measure success is by how much funding you’ve raised you’re missing the point (and can expect to raise a lot less in the future). As long as you’re finance-driven you actually reduce the likelihood of getting a corporation’s support. But by focusing on what your mission is, and identifying corporations who have an interest in that mission, you’ll get far more support for achieving your objectives.

“Corporations recognise that in order to remain profitable in the long term, their activities must be sustainable,” says Per Bogstad, senior corporate programmes manager at Kew Gardens. “Accordingly, that’s how we measure success. These partnerships can result in great benefits for the environment – and sustainable profits for the corporation.”

## 3. It is not a competition

The incessant focus on fundraising causes many charities to lose track of why they exist in the first place, resulting in intense competition between charities over corporate donations. “It’s not uncommon for non-profits to be more competitive than corporations in certain sectors,” says Tennyson. “That simply ends up pushing away the corporations. You need to think about the bigger picture and look for the shared story that can unite you, the corporation and other non-profits.”

The business world is changing. Corporations are being asked to much more clearly define how they interact and support the environment in which they operate. If charities continue to function as if these changes never happened, they’re in for a rude awakening. But for those who understand how to operate in this new reality, there’s a way to be good (to corporations) and do good at the same time.

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