

The Business of Giving

Corporate philanthropists are increasingly leveraging their industry expertise to address the world's many social challenges.

In partnership with:





Changing the course of lives: Gap Inc.'s training program helps women garment workers in countries like India advance their careers.

As major corporations alter business strategies to become more globally competitive, corporate philanthropy is taking a similar turn. “There is growing realization,” says Margaret Coady, director of the Committee Encouraging Corporate Philanthropy (CECP), “that companies can take an active role in solving social problems in a way that simultaneously delivers tangible bottom-line results.”

The new philanthropic model, she argues, “goes beyond simply aligning philanthropy with business objectives or creating smart signature programs.” Rather, it calls for fusing and synthesizing organizational values and financial goals into a focused strategy—one that redefines the relationship between business and society for the benefit of both.

Founded in 1999 by actor Paul Newman and a handful of corporate leaders, CECP aims to raise the level and quality

of corporate philanthropy, while recognizing that corporate giving has to operate with the same degree of discipline as other business functions. The difficult economy has hastened this process: In philanthropy as elsewhere, Coady sees corporations focused as never before on leveraging their inherent skills and resources for maximum impact.

Guiding Principles

Most large corporations are finding that the quickest path is through close collaboration with philanthropic partners who can offer complementary skills and expertise, as well as a similar commitment to solving important social challenges. Among the most hopeful trends, says CECP, is the erosion of walls and silos that separated funders, grantees, governments, and activists. A prime example: Greenpeace, the environmental advocate once known for confrontational tactics, now works closely with former corporate adversaries, advising them on the billions

they invest in alternative and renewable energy technologies.

Health-care giant Johnson & Johnson exemplifies this new approach to giving. Its philanthropy leverages the company’s values, skills, and expertise on multiple levels, guided by the Johnson & Johnson Credo, which stresses putting people’s needs and well-being first. In the fall, responding to the UN Secretary General’s Call to Action on United Nations Millennium Development Goals, J&J announced a comprehensive, five-year effort to improve the health of women and children in developing countries. Combining donations of medicines with grants, plus targeted research and development, the program will increase life expectancy and quality of life for an estimated 120 million women and children yearly.

J&J’s many philanthropic initiatives can achieve such massive scale because the company packages them alongside large doses of business acumen. “We make it our business and our partners’



Life gives back.

Johnson & Johnson is proud to support community-based programs that impact the lives of women and children throughout the world. The desire to make families healthier and safer is at the heart of our giving.

Johnson & Johnson



Grand opening: A J&J and mothers2mothers center in South Africa will teach women about HIV transmission.

business by making continuous improvements in programs,” says Sharon D’Agostino, J&J vice president for worldwide contributions and community relations. The company puts substantial effort into developing the metrics to ensure that programs are having the desired impact. For example, J&J works with a partner, mothers2mothers, that trains HIV-positive mothers in Sub-Saharan Africa to counsel neighbors about HIV testing and preventing mother-to-child transmission. Together, they developed an approach to measure results and implement appropriate changes.

In addition, notes D’Agostino, J&J wants to play the role of “rainmaker” for its philanthropic partners. By helping them develop and communicate credible performance metrics, J&J also empowers its nonprofit partners to garner additional philanthropic support from other quarters.

Retail leader Gap Inc., whose brands include Gap, Banana Republic, and Old Navy, takes a similar approach to community investment, using its global manufacturing knowledge and vendor relationships to address social challenges and create opportunities. Leveraging these assets, says the company, enables it

to have deeper, more sustainable impact than by writing checks alone.

In the U.S. and other developed countries, Gap Inc.’s community investments focus on helping young people from underserved communities explore careers and get job-ready. In developing nations, where many of the company’s products are made, Gap Inc. invests in women garment workers. The company is committed to helping female factory workers move

beyond entry-level jobs and develop the skills and knowledge required to advance their careers and personal lives. “Women make up about 70% of Gap Inc.’s employees and 80% of garment workers worldwide,” says Dotti Hatcher, senior director of Gap Inc.’s social and community investment. “Investing in enhancing women’s lives is a natural fit for us.”

In 2007, the company pioneered a new signature program called P.A.C.E. (Personal Advancement and Career Enhancement). Through P.A.C.E., Gap Inc. works with select vendors in developing nations to train women garment workers in workplace and social skills so they can develop personally and professionally.

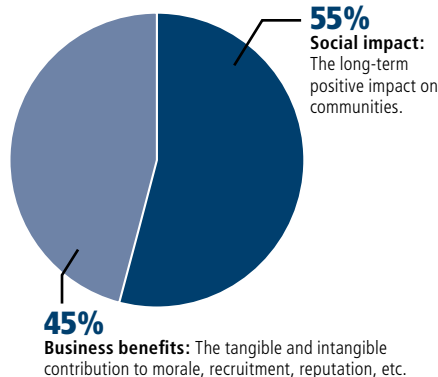
While many programs help women in the developing world get a job, P.A.C.E. is unique in that it helps women excel in the workplace setting. Designed in partnership with the International Center for Research on Women (ICRW) and Swasti Health Resource Center, P.A.C.E. has now expanded beyond India to Bangladesh, Cambodia, China, and Vietnam. Some 3,500 women have taken P.A.C.E. training; in one factory, women who completed P.A.C.E. were promoted at 4.7 times the rate of other female factory workers. Even more promising, notes Hatcher, is the development of a P.A.C.E. toolkit that other companies and vendors can use to implement the program. “There is opportunity to scale up,” declares Hatcher. “P.A.C.E. has the potential to help many thousands of women, their families, and communities to advance and thrive.”

Intel Corp., the global leader in chip technology, has reinvented its approach to philanthropy over the past decade, becoming much more strategic in its giving, says Shelly Esque, vice president of legal and corporate affairs and president of the Intel Foundation. “We’ve stopped writing checks unless we have strong relationships in place and an opportunity to shape the programs.”

Intel’s philanthropic focus, not surprisingly, is education—science, technology,

GIVING BACK

A CEO survey reveals the top benefits of community engagement.



SOURCE: CECP Board of Boards CEO Conference, February 2010

Gap Inc.



**Opportunity.
Sewn into every garment.**

Gap Inc.'s P.A.C.E. program - Personal Advancement and Career Enhancement - has helped thousands of female garment workers in the developing world. The P.A.C.E. program is just one thread of Gap Inc.'s commitment to advancing women to advance the world.



P.A.C.E.

engineering, and math education in particular. To date, Intel's extensive teacher training programs have reached more than eight million teachers in 70 countries, working in partnership with local ministries of education. The company also sponsors a series of renowned student science competitions. The Intel Science Talent Search is the oldest, most prestigious pre-college science competition in the country, with roughly 1,600 U.S. high school students competing annually for more than \$1.25 million in awards and scholarships.

The Intel International Science and Engineering Fair attracts more than six million middle- and high-school participants from around the world, competing for more than \$4 million in awards and scholarships. The company recently staged its first such competition in the Middle East, at the Library of Alexandria in Egypt.

Intel makes a special point of encouraging employee volunteerism, in part, says Esque, because community engagement is important to the active, highly tech-savvy people who comprise the core of Intel's workforce. More than 40% of Intel employees regularly volunteer for community programs, and the com-

pany matches the time they commit with additional financial support. Intel contributed to more than 5,000 nonprofit organizations last year in response to the volunteer efforts of its employees.

Sustainable Value Creation

In the past, corporations had typically approached philanthropic initiatives without turning to spreadsheets to calculate return on investment. "Shaping the Future," a recent report by CECP on solving social problems through business strategy, notes that U.S. companies have used such hard-to-quantify benefits as corporate reputation and improved employee recruitment and retention to justify their philanthropic activities.

Now, however, forward-thinking companies are in the vanguard of those acknowledging the need to make philanthropy count, and results are exceeding expectations. To go beyond conventional levels of engagement, these companies need to show that there are tangible long-term benefits for all their stakeholders, shareholders included.

For companies to achieve sustainable value creation, says CECP's Margaret Coady, the social issues they choose for

their philanthropic focus must offer a potential source of real competitive advantage—if not by increasing revenues, then by reducing risks and operating costs over the longer term. It is only by targeting the most appropriate social issues in this way, she argues, that companies can resolve the inherent tension between business pressures and societal needs. Such an approach usually narrows the list of relevant social issues each company can address. At the same time, it helps heighten the company's commitment, along with the effectiveness of the internal resources it can bring to bear.

Increasingly, farsighted companies are approaching philanthropy in terms of sustainable value creation. As with J&J and Gap's focus on empowering women in developing nations, and Intel's focus on fostering innovation and scientific curiosity, companies are becoming more adept at singling out philanthropic issues that can yield a truly sustainable business payoff for them.

They accomplish this by targeting social challenges the organization feels passionate about. They then treat those philanthropic initiatives the same way they would a long-term venture capital investment. Advises Intel's Shelly Esque: Start by reaching out to external partners to broaden your view of the problem. "Then be disciplined, and actually spend the time necessary to plan for the future in all aspects of your business."

Put another way, enlightened companies are learning to approach philanthropy in the same manner they would any other aspect of their business, with insistence on common organizational standards, processes, and goals. They see a payoff in terms of their ability to make philanthropy an extension of their business strategies—while, at the same time, giving back to the community more effectively than ever before. ●

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