

## **SESSION I : Corporate Philanthropy -- Present and Future**

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### **Issues and Trends in Corporate Philanthropy: The American Experience**

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I am pleased to report that corporate philanthropy is alive and well in the United States. By the end of 1984, the American philanthropic sector had come to represent more than 800,000 organizations, 93 million volunteers, 7 million full-time jobs and \$74 billion in charitable giving.

While corporate philanthropy (\$3.8 billion) represents only 4.7% of the total giving in the United States, it can have an impact far beyond the actual dollars contributed. For example, the Dayton-Hudson Corporation and the Cummins Engine Company have for years committed 5% of their taxable income to charitable causes. While Dayton-Hudson has played a leading role in the fight against illiteracy throughout the United States, Cummins has greatly improved the quality of life in its headquarter's community.

Many smaller companies with smaller budgets have also found ways to leverage their dollars for maximum impact. Working through neighborhood organizations, local colleges, local arts, institutions and a wide variety of non-profit activities, these companies have invested their charitable dollars the way they invest their profit-making dollars --to secure maximum return.

I would like to first discuss the reasons behind corporate philanthropy, and then mention the various areas corporate responsibility has focused on in the United States over the last 25 years. Lastly, I want to briefly examine some current issues

likely to affect corporate philanthropy's future.

I see at least three major reasons for corporate philanthropy, for justifying that a corporation invest some of its profits in the community rather than in the corporation or its shareholders. First, the idea of civic duty--that as a citizen and a social institution the corporation is a trustee of the public good and has a duty to directly contribute to the broader community. Second, the idea of enlightened self-interest --that by engaging in philanthropy a corporation not only gains the goodwill of the entire community, but that the vitality of the community is directly related to the vitality of the corporation. Lastly, the idea of philanthropy as a marketing device --corporate philanthropy is sometimes directly related to marketing efforts through "cause-related marketing."

The concept of corporate responsibility to society has gradually expanded from the idea of basic duties owed shareholders, employees, and direct consumers. Tax incentives have been provided to encourage corporate grantmaking to meet a public need. Corporate responsibility for such things as employee training, medical care, child care, sound environmental policy, and urban renewal has gradually expanded from the headquarters community to include other places where the company operates. Corporate attention next focused on civil rights and equal employment opportunity, ideas recently expanded to include selected investing and purchasing in order to support minority enterprises, and boycotts of businesses or nation states which violate accepted human rights standards. American business next began to develop standards of appropriate behavior for their operations abroad, and pay closer attention to their impact on local communities.

As for current trends in philanthropic activity, there is a realignment of contributions occurring with increasing gifts to civic organizations dealing with matters of justice and community improvement. There are increasing numbers of company-sponsored foundations, now 723 with one million dollars or more in assets, or contributions of at least \$100,000 a year. Overall corporate contributions have risen steadily for the past 10 years.

The last few years have seen an increase in "cause-related marketing." Generally, a company contributes cash or products to a charitable cause based on customers' purchase of specific products during a short period, reinforced with company-financed advertising campaigns intended to win public support for both the

company and the cause. Cause-related marketing has raised serious questions about the nature of corporate philanthropy and the distinction between enlightened self-interest and a more narrow self-interest.

One other cause for concern is the effect of corporate mergers and restructuring upon philanthropy. Not only do resultant factory closings displace workers, placing a strain on the corporate philanthropy if the corporation attempts to aid such displaced workers, but often the philanthropic budget of a corporation resulting from a merger is less than the combined budget of the two companies prior to merger.

Despite these few concerns, the future looks bright for corporate philanthropy in the United States. We would be happy to assist anyone who is considering making a grantmaking program in the United States.