Chapter 13

Community Relations and Philanthropy
Increasingly, organizations seeking to be global industry leaders are realizing that employees and consumers alike are closely scrutinizing not only a company’s goods and services, but its community efforts as well. Strong community relations and corporate philanthropy efforts should be a key component of any company’s overall business strategy, and these efforts should continually adapt to the changing needs of the communities in which employees and customers live and work.

Does the company show a genuine care for the people it serves and not just the bottom line? How is foundation money allocated, and to which groups? Do employees volunteer? Does this commitment cross local and national borders? The answers to these questions can ultimately determine whether a potential customer decides to buy a company’s product or whether a potential employee decides to apply for a position with the organization.

In this chapter, we will explore the following questions:

- What are the current trends in community relations and philanthropy, particularly as they relate to diversity and inclusion?
- What are the strategic steps of effective community relations and philanthropy programs?
- Who are the key players and audiences of a successful community relations and philanthropy plans?
- What is the role of employee network and affinity groups in community relations and philanthropy?
- How should an organization measure the impact and success of community relations and philanthropy initiatives?
Community Relations Trends

These days, Corporate Social Responsibility (CSR) has moved beyond compliance to become instead a central factor in determining corporate success and authenticity. As such, CSR is increasingly about how a company earns profits, as opposed to focusing on how profits are spent. Some other important CSR trends include:

- **Strategic alignment** Corporations are re-aligning community relations, philanthropy, foundations and other progressive functions to be more strategic.

- **Diversified giving portfolio** The portfolio of corporate giving, in addition to cash and in-kind donations, now includes cause-related marketing, community partnerships, workplace giving campaigns, employee volunteer programs and fundraising. Company contributions have become more results oriented, reflecting a corporation’s business goals.

- **Focusing on fewer causes** Companies are directing their contributions to fewer causes, thus avoiding stakeholder confusion and dilution of the corporate social mission.

- **Greater need for business support** The need for business leaders to play an active role in civic affairs is increasing, especially since the government has reduced its involvement and delegated much of its responsibility to the local level.

- **Cause selection aligned with corporate strategy** Best-practice companies leverage their unique capabilities in support of social causes that fit their corporate positioning and strategy.

- **Evaluation of ROI** Companies are tracking returns on investments such as improved morale, stock price and stakeholder relations.

- **Greater accountability** Companies are challenged to determine what to be accountable for, who they should be accountable to, and how they will demonstrate this responsibility. Information is now easy to gather through corporate websites.

- **Transparent reporting** Meaningful corporate social responsibility reporting today requires that companies share both successes and failures with stakeholders. Honest, candid, transparent disclosures often garner greater trust and loyalty.

- **Expanded definition of “community”** Although “community” has traditionally meant the community directly surrounding the company’s operations, today it includes an array of communities, such as those where employees live and work, where customers are located, where supplier operations reside, and where raw materials are acquired.

- **Expanded reporting mediums** The increased flow of communications, especially from media sources, has cast attention on corporate behavior. This has prompted an increase in reporting of corporate-responsibility, environmental-impact, and sustainability reports.

- **More value given to community partnerships** Companies and non-profits are increasingly creating more integrated partnerships (previously limited to corporate
sponsorship and philanthropic donations) that advance the missions of both partners as well as the company’s bottom line. Cause-related marketing and workforce development are common practices.

- **Diversity and Inclusion** Diversity and inclusion as a component of CSR is gaining momentum and attention. Diversity is now linked to business objectives throughout best-practices companies.

### Strategic Contributions Plan

A plan for community involvement and giving should be a joint effort forged amongst community relations, corporate communications, foundation executives, and the corporate diversity and inclusion officer. Some key factors to consider when crafting a contributions plan include:

- **Alignment** Alignment between corporate giving and corporate mission has never been more significant, and the synergies with community relations, corporate communications, and marketing functions have never been stronger. In best-practices companies, we witness an alignment of functions and the ability to have greater synergy. Today’s companies are approaching community relations in a more strategic way. They set goals and objectives. Companies try to figure out what it means to be a good corporate citizen, how they can involve the workforce and leadership, and achieve a return on investment.

- **Volunteer opportunities** Many employees are interested in volunteer work, and smart companies are finding ways to channel that impulse into activities that help the business. For example, Fannie Mae and Freddie Mac provide support for low-income community activities, while AARP gives a day off for community relations projects, such as Habitat for Humanity.

- **Partnership** Partnerships with universities and organizations have never been stronger, with support tied to a corporation’s foundation or philanthropic efforts.

- **Input** This can involve requests from affinity groups. It also may come from employees (and matching grants), from stakeholders, or perhaps from those diversity third parties that have a clear plan of alignment for a company. It can come directly from the diversity team and the diversity council(s).

- **Coordination** Because of the growing number of philanthropic efforts on the part of corporations, unprecedented coordination and communication is required. All companies are linking their efforts to diversity and women’s activities as never before. The relationships require functional integration to support philanthropic interests.

- **Plans and Goals** Within the overall community relations strategy, companies must ensure all diversity questions are considered, including objectives, numbers of people to be reached and other such areas.
• **Personnel** Best-practice companies are employing a dedicated person responsible for coordinating with their PR staff. The community relations director generally reports to the top corporate communications officer; however, a dotted reporting line connects to others in the diversity office. The community relations and diversity offices must work together to create an effective program.

• **Measurement** Community relations must be measured closely and the results weighed, especially since areas of giving are often changed to meet the interests of the company, its customer base and its employees’ interests and involvements.

### Audiences: Local & Global

It is imperative that all audiences hear, understand, and embrace a company’s community relations and social responsibility platforms. The global impact of companies has never been more apparent. As such, social responsibility should be sensitive to both local and global implications. Research should document the impact of initiatives on local, national, and global communities to demonstrate how corporate values can bridge any cultural and economic divides.

#### Local Community

The most progressive companies try to make a positive impact on communities far before they even engage in business operations. For example, Home Depot is committed to meeting with civic and community leaders to discuss how they might provide resources or lead initiatives in a community before opening a store, and they communicate the accomplishments of each meeting on their website.

#### National Community

On the national level, large companies seek to cultivate an image of social responsibility, community mindedness, and financial generosity. Johnson & Johnson, for one, with 200 companies operating in 54 countries, is committed to improving the quality of life around the world. To that end, the company and its affiliates sponsor programs and team with local charities and social organizations to give back to the communities where they do business.

#### Global Community

In the global economy, it is becoming more and more important for companies to respect and contribute to the world as a whole. Leading in importance are issues relating to world health, population and the environment. Leading, community-minded companies stay abreast of issues of importance to world audiences. With this knowledge, they construct their global community relations strategy. Their challenge is to balance the national identity and
the initiatives that stem from it with those of the global communities with which it does business.

When expanding into new countries, a proactive social strategy is key to winning the good faith of the community, government, and stakeholders with which relations must be formed. For example, global furniture-maker Herman Miller has organized nine environmental groups that work in a number of areas to oversee its environmental philosophy. One of these groups has made considerable efforts to send production materials to the compost pile as opposed to the landfill. Another group has been working to save energy for the company that has resulted in approximately $1 million in savings.

Employee Networks

Employee networks are experiencing an increase in importance at progressive companies. These networks are a valuable source of information about feelings and attitudes of certain community groups. This information may be especially useful in determining minority needs in the community.

General Mills, for example, uses its diversity networks to reach out to the community. Its Asia-Pacific group helps with a program for the Chinese New Year that is sponsored by General Mills throughout local schools. General Mills also sponsors the Martin Luther King Parade and a Black Family Reunion, both of which serve to bring community members together to celebrate multiculturalism, and its Latin American group helps to sponsor the Telemundo Essay Contest that asks students to describe how being a Latin American encompasses the best of both worlds. All of these programs are used to help the employees and community members maintain pride in their heritage.

Measurement

Effective measurement tools are needed to prove how corporate community relations improve the bottom line. To quantify the strategic impact of community relations, leading companies are accounting for every dollar spent while articulating the benefits to all involved. Best-practice companies use research and measurement to evaluate their programs both before and after implementation.

One way to measure community relations programs is by their outcome:

- Do they link with educational programs that can aid recruiting, including internship partners?
• Do they access to women and minority talent?
• Do they create new entry points for products or services?
• Do they support community-based organizations or causes that are important to the company or a group of employees?
• Do they connect the company with minority and women suppliers?
• Do they provide external recognition?
• Do they provide media coverage?

Corporate Philanthropy

Today, the diversity and inclusion officer and team are playing a greater role in philanthropy. Today, philanthropy is not motivated by altruism alone, but by enlightened corporate and employee interests. Today's leading companies choose to utilize their resources with increased care, evaluation, and attention. Philanthropic contributions and community relations are implicitly understood to be both a cost of doing business and a requisite to success.

Key steps in creating an effective philanthropic giving program include:

• **Integrate philanthropy into strategic goals and company mission.** Rather than regarding philanthropy as separate from business operations, companies align both their strategic and business goals. They make sure the strategy pivots around employee, customer, community, and other stakeholders’ areas of interest.

• **Connect philanthropy with other community programs.** Connecting charitable donations with other community involvement activities maximizes the impact of a company's giving campaign. New trends show that “social investment” can increase impact, at a lower cost, by providing a mix of benefits of greater value to partners through more efficient means for the company.

• **Budget appropriately.** Although there are a variety of budgeting methods, companies must be sure to allocate their funds appropriately and update the budget as necessary. Some budgeting methods include: predetermined percentage, sliding percentage based on profitability, fixed percentage, per-capita, and fixed dollar.

• **Ensure effective program infrastructure.** Companies must determine the infrastructure that will provide the desired legal and tax outcomes. Nonprofit corporate foundations and direct donations are two examples.

• **Formalize policies and guidelines for funding.** When establishing guidelines, ensure consistency with the organization’s values and objectives. Policies should outline: focus
areas, issues of interest, and types of programs/organizations it will support. Many institutions also create written policies describing their decision-making processes and grant criteria. Websites are a great communication source for these objectives.

- **Involves employees in philanthropic activities.** Employee involvement is critical for the success of philanthropic objectives. Employees should play an active role in determining which causes to support and who will be awarded grants. Matched giving and employee volunteerism are also wonderful initiatives that initiate success.

- **Incorporate stakeholder communication.** Companies may incorporate a range of stakeholders into their programs and solicit feedback. Companies also accept external stakeholders to donate to their causes, sometimes including incentives.

- **Develop long-term business/nonprofit partnerships.** Developing long-term relationships with the organizations they support creates group/issue affiliation and aids nonprofit organizations due to creation of guaranteed support levels.

### Process of Diversity and Inclusion Philanthropy

**Input**

Requests may come from affinity groups. They may come from employees, stakeholders, or third parties that have a clear plan for aligning with the company’s mission. They can come directly from the diversity team or the diversity council(s).

**Coordination**

Companies must coordinate and communicate if they want to link their philanthropy efforts to diversity and women's issues. These relationships require functional integration and connecting the dots between different areas of the corporation.

**Plan and Goals**

Smart companies make a plan for their overall giving, including diversity interests. This plan should include objectives, numbers of people to be reached, and other such areas.

**Communications**

Smart companies with strong diversity programs communicate internally and externally. Increasingly, companies are publishing information on their philanthropy programs in various formats:
• In the annual report
• In a special diversity annual report or quarterly report
• In special reports to stockholders and employees
• On the Internet
• On their Intranet

Measurement and Evaluation

To maintain a successful, enduring philanthropy program, companies should thoroughly evaluate the impact of their donations and the value and effectiveness of their programs and individual grants regularly. Countless measurement mechanisms exist with which to do so.

Furthermore, it is critical that nonprofit organizations understand that they are accountable for the use of their funds. Therefore, it is in their best interest, as well as the interest of the donor, to assess the results of their philanthropic program.

While many organizations recognize the importance of philanthropic activities, they are under increasing pressure to demonstrate both value and return on investment. Effective measurement of initiatives provides countless benefits. Not only does it quantify the impact of philanthropic endeavors, but it also enables them to make a case for at-risk activities and promote successes throughout the corporate channels.

Measurement Mechanisms

There is no best way by which companies can measure the success of their contribution programs. Companies now measure philanthropy to weigh results. A good program will shift resources to meet the needs of the company, its customer base, and its employees.

Evaluation and Reporting

The extent of evaluation procedures typically varies depending on the size of each individual grant. For smaller grants, a brief report at the end of the year explaining how the funds were used is usually adequate. For larger contributions, however, the report should be more detailed. Project objectives, expected financial impacts, key accomplishments, recipients, time schedules, anticipated results, and other relevant information should be thoughtfully integrated into a thorough and inclusive report. These tools allow stakeholders to conclude whether the planned objectives and anticipated goals are being met effectively and with little to no wasted resources.
Conclusion

In this chapter, we:

- Revealed current trends in community relations and philanthropy, particularly as they relate to diversity and inclusion.
- Explored strategic steps to effective community relations and philanthropy programs.
- Determined the key players and audiences of successful community relations and philanthropy initiatives.
- Analyzed the role of employee network and affinity groups in community relations and philanthropy.
- Shared how organizations can measure the impact and success of community relations and philanthropy initiatives.

The success of any organization is based on reciprocal relationships between any number of vital players—such as employees, customers, stakeholders, lawmakers, and suppliers, among many others. Creating and nurturing these relationships is just as important to a company’s success as the quality of its products and services. Through efforts such as educational programs, volunteerism, environmental protection initiatives, and fundraising events, companies are able to strengthen their brand while establishing a close connection with those they serve.

Community relations and corporate philanthropy can be an effective tool for companies that are trying to meet employees’ and consumers’ rising expectations of the role businesses should play in society. It is not enough to say the right things; companies that wish to remain competitive in years to come must embrace social responsibility through words and actions. Ultimately, the goodwill of the company will yield positive results in the community which will in turn boost sales. Bottom line? It’s a win-win scenario for all involved.
Case Study: KPMG International

The values of KPMG, a global network of firms providing audit and tax services, directly shape and define the company’s culture and identity. So when it says, “We are committed to our communities,” it means something. It means 12,000 employees and partners volunteer each year in their regions. It means 500,000 hours are donated to Corporate Social Responsibility (CSR) every year by member firms. It means 700 local volunteer events take place annually around the world. These practices not only expose KPMG employees to more diversity externally, but also bring diversity into the workplace.

KPMG in Shanghai supports Operation Smile, helping to provide 125 operations for children with cleft lips and palettes in China. KPMG in Brazil runs a program that allows 220 poor children to receive computer lessons, medical treatment, and sports activities. KPMG in Sri Lanka and Thailand worked hard to raise money after a devastating tsunami to build five villages with homes for over 180 families. Internationally, KPMG firms from Ecuador to Germany to South Africa donated 3.5 million dollars in aid to the communities affected by the recent tsunami.

With a presence in 148 countries, it is essential that KPMG continually strengthens its image and reputation around the world. As a responsible corporate citizen, it does just that. It betters international and diverse areas through employees’ hard work and a commitment to communities. In turn, this creates a more inclusive global economy, one that is supported by the United National Global Compact. The Compact’s principles correlate closely with KPMG’s values. There are also tangible business benefits to being socially responsible. A philanthropic attitude attracts more clients, particularly diverse clients, while opening up new consumer markets.

Internally, the benefits are numerous as well. KPMG attracts a more diverse employee population with its breakthrough corporate philanthropy. These new employees bring with them the skill set that KPMG wants for the entire company, a skill set where awareness and acceptance of cultures is critical for success. However, KPMG’s Corporate Social Responsibility also promotes diverse thinking for current employees as well. It develops these crucial diversity skills through action and contact with other populations. Overall, it makes employees more dynamic and open-minded.

Corporate responsibility and diversity are very closely linked at KPMG, believes with Lord Michael Hastings, global head of citizenship and diversity. “This responsible approach helps us maintain our leadership position as a recognized brand, highly respected for our people,” says Hastings. “You can’t underestimate the extra sense of purpose and self-worth that people develop when they feel they are genuinely making a difference and helping to create a better world for everyone.”
At Walmart, diversity and inclusion is not something that is simply talked about; it is engrained in the company’s identity. From community support and corporate giving, to associate programs and recruitment efforts, diversity and inclusion is interwoven in everything Walmart does.

Through Walmart’s Diversity Relations Department, the company has developed and maintained valuable relationships with diverse organizations and key influencers. Walmart is proud to partner with more than 400 diverse community organizations nationwide and selects each of these diverse community partnerships by truly looking at the areas that affect them at the local and national level. By focusing on educational initiatives, economic empowerment, leadership development, financial independence, and health and wellness, these relationships position the company to better support the issues that are important to its associates, partners, and communities.

To illustrate one area of involvement, Walmart has actively been involved with the Thurgood Marshall Scholarship Fund. In 2007, Walmart donated $1 million to the organization for the creation of the “Strive for Excellence” Scholarship to benefit students attending public Historically Black Colleges and Universities. The money helps first-generation African-American college students get an education.

At Walmart, the company does its best to connect its relationships with community organizations to its business goals as a company. Sam’s Club partners with the Women Presidents’ Organization (WPO) to produce an event focused on educating children on the key financial principles of savings, finance, and money management. The event, CASHFLOW for Kids, develops young people’s financial intelligence through a board game. With financial independence and education as two of Walmart’s major focuses, this partnership really allows the company to connect with this particular community while maintaining its business goals.

As a good neighbor, Walmart strengthens the communities it serves by creating new jobs, collecting billions in state and local taxes, participating on governing boards of community organizations, protecting acres of wildlife habitat, and providing charitable contributions.

Walmart believes in a philosophy of operating globally and giving back locally. Through the Walmart and Sam’s Club Foundation, associates have the option of giving to charitable organizations through payroll deductions. Some of these organizations include the United Negro College Fund, Hispanic Scholarship Fund, and the Asian and Pacific Islander American Scholarship Fund. The company also matches donations to these organizations dollar for dollar up to $1 million.

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Additionally, in 2005 Walmart established Associate Resource Groups to promote diversity and inclusion and create a sense of community among associates sharing similar backgrounds and interests. These groups are committed to advancing the company’s bottom line by leveraging the diversity of associates to become an employer and retailer of choice in the communities served.

While Walmart looks forward to growing to serve more and more communities, the company will also continue to strive for the best possible partnerships to help as many communities save money as possible so they can live better. As Walmart reflects on its accomplishments and celebrates its successes, the company looks forward to continuing the progress it has made and fully integrating diversity into all business units.