



I helped to start CECP with the belief that corporate America could be a force for good in society.

—Paul Newman, Founding Co-Chair
Committee Encouraging Corporate Philanthropy¹

The Landscape: Evolution of Corporate Philanthropy

A CHANGING SOCIAL CONTRACT

The corporate world has always had a contract with society, but the dynamic of that relationship is rapidly changing. As recently as the 1980s, companies believed that by making cash donations to hometown charities, they were administering effective philanthropy that would help fulfill their social contracts. Today, society's expectations have changed dramatically.

Consumers now have more ability to put pressure on companies to contribute to the public good. Shareholders are exerting pressure to increase companies' social investment. And the news media, employees, community activists and nonprofit organizations are all increasing attention on what companies give and how they give it. All of these groups can influence, and may even redefine, the social contract and what it means to a company to fulfill or exceed it.

–67% of US consumers continue to believe “it is important to purchase products with social and environmental benefits.”²

–51% say they are “willing to pay more” for those kinds of products.³

“Fifteen years ago, responsible shareholders knocked on the doors of corporate America and asked companies to add *no discrimination on sexual orientation* to

¹ CECP website: corporatephilanthropy.org

² Conscious Consumer Report, BBMG, 2009

³ Ibid



Giving back to the community matters to employees and, therefore, helps to attract and retain good people.



84%

84% OF CORPORATE EXECUTIVES BELIEVE THAT SOCIETY EXPECTS BUSINESSES TO TAKE A MORE ACTIVE ROLE IN ENVIRONMENTAL, SOCIAL AND POLITICAL ISSUES THAN IT DID FIVE YEARS AGO.

their human resources policies,” says Timothy Smith, senior vice president of Boston-based Walden Asset Management and chair of the board of the Social Investment Forum. “Today, 99 of the Fortune 100 companies have included this in their policies.”⁴

So where does this lead us? CECP leaders say a company’s contract with society is not an obligation but a source for competitive advantage and a powerful opportunity to attract and retain talent and ensure the health of their markets over the long term.⁵ With this in mind, companies are now focused on the development of sophisticated, holistic approaches to their corporate philanthropy.

A MOVE TOWARD STRATEGIC CORPORATE PHILANTHROPY

–84% of corporate executives believe that society expects businesses to take a more active role in environmental, social and political issues than it did five years ago. Corporate philanthropy is one effective way to meet these new expectations.⁶

How does the current economic climate impact corporate giving?

Historically, corporate philanthropy is most affected by Gross Domestic Product (GDP), profits and changes in top marginal tax brackets. According to Giving USA, corporate philanthropy in 2008, including both financial and in-kind donations, accounted for five percent of all charitable giving in the United States in 2008, about \$14.5 billion.

Though this figure is down from \$15 billion in 2007, corporate philanthropy has withstood what some are calling the “Great Recession” in relatively good condition, considering corporate profits were down 16 percent during the same period. One reason why corporate giving did not decline as much as corporate profits could be the rise in in-kind donations. 2008 saw a marked trend toward increased in-kind giving, suggesting many companies want to maintain their support for the nonprofit sector through more creative ways that may not involve cash.

Looking ahead, forecasts for 2010 indicate that 52 percent of corporations and 47 percent of corporate foundations are reporting declines in their giving budgets.⁷

Adding complexity and pressure to the corporate philanthropy landscape are consumers, many of whom have become savvier about the goods and services they purchase. They are asking, and in many cases requiring, more authenticity, commitment and transparency from companies regarding how their businesses impact people and the environment. Strategic corporate philanthropy can offer significant competitive advantages to companies trying to build relationships with consumers and be heard over the din of negative news.

By now, you might be asking what’s the good news here?

In the past, much of corporate philanthropy was done without realizing the strategic value it provided. Recent re-evaluations from corporate givers provide a powerful impetus to leverage change. The long-term outcomes will likely be more strategic and deliberate corporate philanthropy, improving outcomes for both the corporation and the community.

⁴ Corporate Social Responsibility, Diversity, Inc. Nov/Dec 2007

⁵ CECP Board of Boards CEO Conference Executive Report. CECP 2009

⁶ Business’s Social Contract: Capturing the Corporate Philanthropy Opportunity. McKinsey & Co., CECP, 2008

⁷ “Corporate Giving is Moving Into a New Age,” LBG Research Institute, 2009



A NEW WAY OF DOING BUSINESS

When businesses think of corporate philanthropy as *social investing*, not charity, they become more alert to possible inefficiencies. Due diligence with potential nonprofit partnerships ensures that every dollar is spent wisely. Collaborating with other companies on philanthropic initiatives provides for even greater impact. Collectively, businesses can move the needle on important social issues far more than any individual company.

When companies adopt the approach of social investment to up-level their competitive context—using their charitable efforts to improve the quality of the business environments in the locations they operate—they align social and economic goals. They improve their long-term business prospects and direct their philanthropic activities to areas where they can be far more effective.

NO TIME LIKE THE PRESENT

“Typically, in a bad market, companies spend less money on marketing,” says Philip Nourie, President of Park Lane Communications in New York City. “But in this instance, there is a great opportunity for companies to take a strategic approach to how they market their services and their track record. By cutting philanthropy in a time of greater community need, companies may miss an opportunity to communicate their messages and reinforce their brands.”¹⁰

Governments at the local, state and federal level have fewer dollars available to address the most pressing problems within communities. Companies have an opportunity to fill the void, make investments in their communities and leave lasting legacies. “The best corporate philanthropy is about passion,” says Nourie, “and consumers and the public are drawn to a company that has a passion for something.”

Nourie recommends a few tips for successfully protecting a company’s philanthropic investment:

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Successful philanthropy is often a learning process, in any market. Patience, continuity of involvement and open communication are important criteria for success.
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- **Don’t consider philanthropy solely a marketing expense.** Consider it an operations expense that reflects human resources and financial objectives as well.
- **Increase payout in down markets, even if pretax profits will be lower.** The impact of a company’s giving will be noticed more during difficult times.
- **Retool the philanthropic construct.** Is it financially based, a combination of goods and services or all three? Where is the greater need, hence opportunity, for a corporate presence and response to the needs of targeted constituencies?
- **Clarify expectations with nonprofit partners.** Ensure that there is agreement on the expected outcomes of contributions. Build an evaluation component into the giving strategy to measure the investment over a reasonable time period and determine whether the company’s philanthropic commitment was met with stated goals and objectives.
- **Be patient.** Successful philanthropy is often a learning process, in any market. Patience, continuity of involvement and open communication are important criteria for success. This is even truer in a troubled economy where trust and good intentions will need to be earned, not assumed.
- **Leverage opportunities.** With fewer dollars it may be advantageous to all parties to explore how to partner with other corporate entities or executives.

¹⁰ Focus on: Is This the Time for Companies to Be Philanthropic?, Strategic Philanthropy, Ltd, October 2008

Snapshots of Strategic Corporate Philanthropy

Getting it right is not easy, but a number of companies are embracing a new vision of corporate philanthropy with appropriate resources and strong leadership. They are working to achieve both social and business goals with their philanthropic programs—thus helping to shape a new sustainable social contract. One such example is the innovative corporate-nonprofit collaboration between PepsiCo and PFLAG, which is featured here. See Chapter 6 for additional examples of successful partnerships.



It's about expanding workplace equality. Every person has value, and we need to ensure that everyone feels comfortable bringing their *whole* selves to work each day."

—Claire Lyons
Manager, Global Grant Portfolios
PepsiCo Foundation

PepsiCo and Parents, Families & Friends of Lesbians and Gays (PFLAG) Expanding Workplace Equality

ORGANIZATIONS

PEPSICO is a multinational food and beverage corporation headquartered in Purchase, NY, whose brands include Quaker Oats, Frito-Lay and Tropicana, among others. At the core of PepsiCo is *Performance with Purpose*—achieving business and financial success while leaving a positive imprint on society. PepsiCo defines its business success by being—and by being recognized as—a leader in sustainability. PepsiCo launched *Performance with Purpose* in 2003.

PARENTS, FAMILIES & FRIENDS OF LESBIANS AND GAYS (PFLAG) is a national support, education and advocacy organization for the LGBT community and their families, friends and straight allies. Acting to create a society that is healthy and respectful of human diversity, PFLAG believes that change happens at the grassroots level in local communities. One of the organization's core programs, *Straight for Equality*, aims to equip straight allies with strategies that promote an open and inclusive workplace for the LGBT community.



THE CHALLENGE

Building a distinct, clear, broad LGBT strategy owned by, and activated through, key functions of PepsiCo, including Human Resources / Diversity; the Employee Resource Groups—EQUAL; and Philanthropy / PepsiCo Foundation.

Though most companies have diversity and inclusion statutes written into their corporate bylaws, there are too often limitations on how strongly such policies are enforced. Being openly LGBT in the workplace is still a problem in many areas of the country. When employees feel uncomfortable at work, there can be adverse affects on health and job satisfaction, and job performance is often diminished as well.

Recognizing the value of diversity and inclusiveness in the workplace, PepsiCo's *Performance with Purpose* includes Diversity & Inclusion as an important component of the platform, with emphasis on fostering an open and safe space for all employees. (Each year since 2004, PepsiCo has achieved a perfect 100% score on Human Rights Campaign's Corporate Equality Index.) To ensure this corporate value extended to its LGBT employees, PepsiCo's employee resource group (ERG) EQUAL partnered with an organization that could provide a framework and training with actionable steps to advance LGBT inclusiveness as a mainstay of an equal workplace environment and culture.

THE APPROACH

PepsiCo and PFLAG came together after more than a year of partner and solution searching, spearheaded by PepsiCo's Foundation, human resources division and employee resource group EQUAL. The corporate team held a series of roundtable meetings with preeminent LGBT groups. At the heart of these in-depth dialogues was the charge to identify the critical horizon issues in the LGBT space related to American workplaces and come up with practical programs and resources to address these challenges. The horizon issue for PepsiCo was how to define equal culture in business, particularly the nuances and intangible elements of corporate culture.

Out of this shared exploration, the PepsiCo Foundation developed a theory of change framework for workplace equality investment. The LGBT Horizon Plan emerged after 16 months of investigation, collaboration, learning and due diligence. A four-stage strategic plan was laid out, which hinged on gaining alignment and go-ahead from the board of directors of the PepsiCo Foundation for workplace equality as a plank within its diversity and inclusion funding priority. The green light was given. Philanthropic LGBT investment then became a component of PepsiCo's overall presence and commitment as a responsible global corporation and citizen.

PEPSICO FOUNDATION STRATEGIES

1. Use philanthropy as a strategic tool to strengthen, integrate and catalyze
2. Fund issue-areas that otherwise aren't funded that will drive significant advancement for all
3. Maximize investments with alliances, collaboration and engagement
4. Look at the long haul to drive sustained benefits and success

The LGBT mission for the Foundation then was fundamentally to collaborate and fund organizations to design resources, toolkits and engagement programs that would enable companies in the United States—large, medium and small in size—to advance equality in their workplaces by focusing specifically on Culture, Climate, Policy and Compliance.

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Activating the mission meant giving companies the tools they needed to measure and evaluate their workplace climates and then to navigate through adjustments and changes in their corporate cultures and work environments.

Human Rights Campaign received the first Foundation grant for the LGBT Workplace Climate to create:

—*The LGBT Inclusion Toolkit for Corporate America...Workplace Equality—
creating safe and affirming environments for LGBT employees and their
colleagues*

...the aim being to
develop people and
remove obstacles to
productivity. A place
where everyone is
valued and cherished is
a productive workplace.

Simultaneously, the PepsiCo Foundation paired PFLAG National with its employee resource group EQUAL across its three headquarter locations to anchor its second grant program: PFLAG's *Straight for Equality*.

With more than 350 chapters and affiliates across the United States, PFLAG stood out because of its ability to engage a large network of individuals on the local level. "They had a proven track record of effectively mobilizing their network. They know how to engage society one-by-one to vote, to pledge support and to take a stand for equality," says Lyons. "They are also experts at empowering straight allies to stand up for LGBT equality. Allies are crucial and a pillar in the Foundation's workplace equality strategy."

The PepsiCo Foundation provided PFLAG with seed funding to develop a pilot concept of *Straight for Equality* and the following year funded a two-year grant for the creation and rollout of the full *Straight for Equality* program with an emphasis on their workplace training program as well as the development of additional ally-building modules.

Leveraging more than 35 years of experience transforming opinions and attitudes of the LGBT community, PFLAG's *Straight for Equality* program provides training seminars, publications as well as online tools and resources that educate straight peers on the importance of being allies at work and in their communities. A key component of the program encourages straight colleagues to sign a pledge to speak openly about their status as a straight ally and proactively speak out against anti-LGBT attitudes and comments in the workplace.

PepsiCo immediately recognized *Straight for Equality* as a building block and lever to secure LGBT equality in businesses nationwide. Working with staff from PFLAG National, PepsiCo developed a partnership whereby the company would offer a multi-year grant for PFLAG to expand its workplace outreach. The grant served to further development, design and implementation of *Straight for Equality* by providing a more solid programmatic infrastructure, a detailed website equipped with user-friendly tools and resources, and grassroots support and local resources that could be activated and accessed through the 350-plus PFLAG chapters nationwide. PepsiCo fully believed in *Straight for Equality* and recognized that its value lies in its ability to bring a new perspective to LGBT diversity training in the workforce that focuses on climate change rather than policy change and provides targeted training as well as a connection for businesses to community-based resources through PFLAG's membership network.

THE RESULTS

PepsiCo's support provided PFLAG National with the much-needed funding to build *Straight for Equality*. However, PepsiCo's contribution did not end there. By promoting *Straight for Equality* and its workplace training programs throughout its own company, PepsiCo was able to generate interest in the learning program and bring *Straight for Equality* training to work sites nationwide. While many training sessions took place in more corporate environments in the company, PepsiCo also brought *Straight for Equality* to line workers and staff who generally have less access to diversity trainings. Notably, Frito Lay (a PepsiCo division) in San Antonio, TX, brought PFLAG staff in to train its entire plant. Other smaller sites leveraged the online training services to bring *Straight for Equality* to its staff, who might otherwise not have access to the training.

Behind the scenes, PFLAG and PepsiCo worked together to develop strategies to ensure successful implementation of the program within the company. Beginning at the PepsiCo headquarters in New York, PFLAG representatives provided thought leadership training to senior executives, covering topics including workplace sensitivity and crisis management. (PepsiCo has been the target of numerous boycotts regarding their LGBT-inclusive values.)

Outside of PepsiCo, PFLAG has been able to dramatically expand its *Straight for Equality* outreach in workplaces across the country. By the end of 2009, *Straight for Equality* will have been offered in more than 35 major U.S. corporations, with the vast majority of these trainings featuring local PFLAG chapter members working with National staff, ensuring lasting community connections for companies long after the training has ended. More than 3,500 people have been touched by these trainings and demand continues to be strong.

Additionally, PepsiCo's support has enabled PFLAG to distribute more than 40,000 copies of its first *Straight for Equality* publication: *The Guide to Being a Straight Ally*. The *Straight for Equality* team also used a portion of its PepsiCo funding to support the development and publication of a second book, *Straight for Equality in Healthcare*, which will have a companion training program available in 2010. Finally, research and development for the next *Straight for Equality* module, which will focus on faith communities, is in the works.

The partnership between PepsiCo and PFLAG continues to grow, with PepsiCo employees marching alongside PFLAG in parades; a senior PepsiCo executive has also joined PFLAG's Board of Directors.

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TIP

TIP FOR CORPORATE ERGS—Your voice is important. Employees' ideas can help strengthen the design of a company's giving program. Decide on two or three organizations you think would be an ideal match for your company, draw up a proposal that aligns their missions with your company's values and goals, and present it to your Philanthropy Officer.





THE PURPOSE OF THE SURVEY

**WAS TO BETTER UNDERSTAND THE CHALLENGES
THAT NONPROFIT ORGANIZATIONS FACE WHEN
TRYING TO RAISE MONEY OR AWARENESS, BUILD
STRATEGIC PARTNERSHIPS, OR DEVELOP THEIR
OWN CAPACITIES TO RESEARCH AND
UNDERSTAND THIS COMPLEX AND
EVOLVING PHILANTHROPIC LANDSCAPE.**