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Upfront

Rethinking Corporate Philanthropy: Exploiting core competencies is only half the story. By Alessandra Bianchi

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Rethinking Corporate Philanthropy

Exploiting core competencies is only half the story

For 10 days after Hurricane Katrina, Web portal Yahoo! dedicated its front page to news and information about the disaster. Charities listed on the portal raised \$40 million within the first 48 hours after Katrina struck, and an additional \$20 million in subsequent weeks. "You could see the ticker rising minute by minute by hitting the refresh button on your screen," recalls Meg Garlinghouse, director of Yahoo! for Good, the company's community relations program.

Yahoo!'s Katrina response was not just an isolated charitable impulse. Instead, Yahoo!, the world's largest online services provider, weaves philanthropy into the fabric of its business. Garlinghouse and her

team evaluate hundreds of potential charitable opportunities for Yahoo! every year, with the litmus test for adoption being that "they are somehow related to our core competencies," she says. Yahoo! for Good then makes charitable giving both easy and personal for visitors to its Web site by organizing causes, supporting e-mail alerts, and letting users personalize their online avatar.

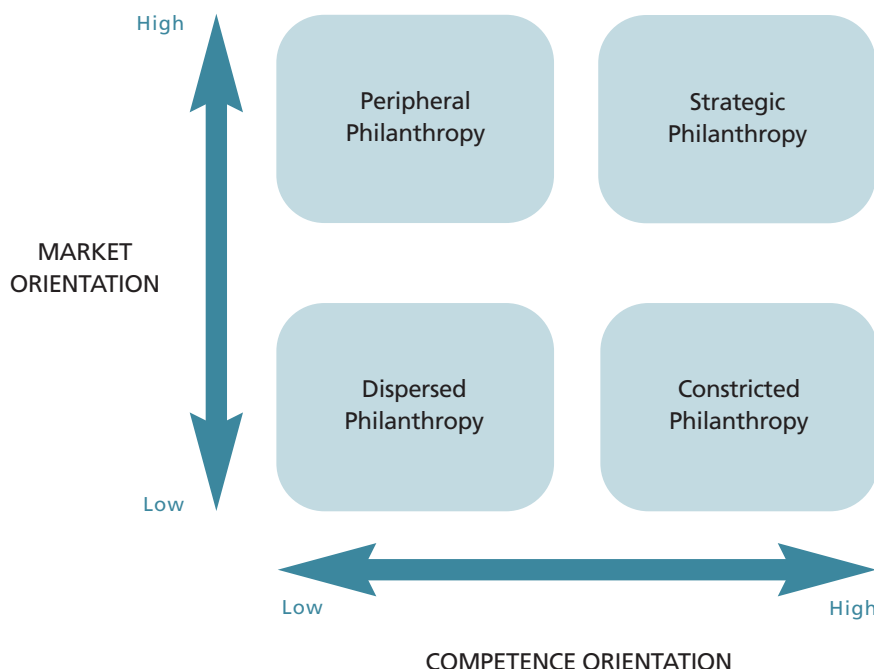
Both playing to core competencies and meeting beneficiaries' needs – as Yahoo! does – make up the most effective form of corporate philanthropy, find Heike Bruch and Frank Walter in a fall 2005 *MIT Sloan Management Review* article. "Only philanthropic activities that both create true value

for the beneficiaries and enhance the company's business performance are sustainable in the long run," the authors write. To date, however, they find that few corporations have adopted this approach, which they call "strategic philanthropy."

Bruch, a professor of leadership at Switzerland's University of St. Gallen, and Walter, a research associate there, base their findings on more than four years of research with seven global companies (including Lufthansa and Tata Steel) and 12 small- and medium-sized enterprises. Using questionnaires and interviews, the authors identified two dimensions that define different approaches to corporate philanthropy. The first dimension, market orientation, is how much an organization's philanthropic policies are geared toward the expectations of its employees, customers, shareholders, regulating agencies, or surrounding communities. Competence orientation, the second dimension, is how much corporate philanthropy is aligned with the companies' abilities and core competencies.

By crossing these two dimensions, the authors then pinpointed four different types of corporate philanthropy programs (see chart at left), ranging from "dispersed philanthropy," which is not clearly defined on either dimension, to "strategic philanthropy," which is highly responsive to both external market forces and internal competence resources. (The other two types of corporate philanthropy, peripheral and constricted, are high on only one of the two dimensions.)

Four Types of Corporate Philanthropy



Strategic philanthropy works best because it allows companies not only to benefit society, but also to learn how to apply their core competencies in new areas, improve employee morale, stimulate customer demand, and enhance their attractiveness in the labor market, the authors write. In other words, strategic philanthropy strikes a balance between meeting the corporation's needs and those of the beneficiaries, says John Coy, who handled John Deere's con-

Playing to core competencies while meeting beneficiaries' needs is the most effective form of corporate philanthropy.

tributions for years and now consults with Fortune 500 companies about giving. "Somewhere between pure philanthropy and commercial self-interest," he says, "lies a strategic approach to being a responsible corporate citizen: where a company voluntarily addresses issues important to both society and its business, and at the same time builds valuable goodwill with key stakeholders," he says.

Garlinghouse articulates the happy medium this way: "The best philanthropy is in the best interest of the company, but will also ultimately make the biggest difference for the world." —Alessandra Bianchi

Listening to Tsunami Survivors

Treating aid recipients like valued customers gives insights into disaster relief

How much good did all those donations to tsunami relief actually do? To answer this question, the Fritz Institute, a San Francisco-based nonprofit, broke the mold for international aid studies and asked a rarely heard group: the aid recipients themselves. The institute released a report of its findings last December.

"In all these years of disaster management, there never has been a real understanding of the perceptions of the customers of the aid," says Anisya Thomas, the Fritz Institute's managing director and a co-author of the report.

In keeping with the institute's mission, which is to apply private industry methods to humanitarian aid, researchers approached tsunami survivors like customers and asked them how satisfied they were with the goods and services they received. Over the course of 10 months, trained interviewers spoke with 3,700 people in scores of Indian, Sri Lankan, and Indonesian villages.

Their main findings, which may not be a surprise to frontline aid workers, include:

- Many donations were useless. Western clothing (used business suits, high-heeled shoes, etc.) is inappropriate in tropical, rural settings, as are bags of rice without pots and potable water to cook it in. Other dubious tsunami donations, according to Thomas, were fiberglass motorboats, which local fishermen are unable to maintain.
- Even in the traditional cultures affected by the tsunami, survivors appreciated the psychotherapy they received and wanted more of it.
- Local preparedness is critical, because neighbors, relatives, and municipal employees are the first-response rescuers.
- Nine months after the tsunami, life was far from normal, with survivors reporting significant decreases in their incomes and a lack of permanent housing.

"It seems commonsensical, but we in the international aid community have never paid much attention to the recipients and how all the assistance we provide affects their lives," says Mary B. Anderson, executive director of CDA Collaborative Learning Projects, a nonprofit group in Cambridge, Mass., that analyzes disaster relief and peace work. Anderson's group recently launched its own recipient-centered study called the Listening Project, for which interviewers are speaking with people from all walks of life in 20 countries ravaged by war or natural disaster.

Both the Listening Project and the Fritz Institute's research are part of a growing trend in assessing the long-term effects of aid on recipients, says Johan Schaar, special representative for tsunami operations for the International Federation of Red Cross and Red Crescent Societies. He notes that these projects recognize that "we are accountable not only to those giving us resources but to the people we're trying to assist. This is one way of shouldering that responsibility, by paying serious attention to the people on the receiving end of what we do." —Leslie Berger