TODAY'S SEED...
TOMORROW'S CROP

COMMUNITY EXCELLENCE THROUGH **PHILANTHROPY**

FRANK K. SIMON, JR., CEO
GEORGE J. MARKON, SPHR

Table of Contents

◁ Section 1 ▷

OVERVIEW

Today's young people will be our community and corporate leaders of tomorrow. They will be our teachers, doctors, engineers, machine operators, laborers, and technicians. They will also be our pastors, husbands and wives, and the mothers and fathers of the next generation. They will be the very fabric of social order through government, church, and most importantly, the family.

It is in the most basic of all social institutions, the family, that the community faces dynamic challenges. Too many families are being torn by abuse, divorce, violence, addictions and a host of other distorted values and practices. The traditional Judeo-Christian family structure is being challenged. Today's response will dictate the quality of tomorrow's life.

The attack on the traditional family has vast implications for the corporate world. Employees embroiled in dysfunctional families are more likely to experience productivity problems, suffer injuries from workplace accidents, have counter-productive absentee records and be the object or perpetrator of workplace violence.

Today's corporate world is not simply the victim of the breakdown of social and personal values, it has in some cases contributed its own poison. Corporate and financial scandals, stemming from a distorted sense of morality, responsibility and accountability, have rocked the Boardroom and shattered public confidence. Professional standards, once reflecting the absolutes of the Creator, have surrendered to personal greed and creative relativism. Those who once depended on God for guidance in the office have traded prayer for blind ambition. The results have been devastating, to corporate confidence, personal priorities and family moral foundations.

So how best can Today's Seed be guided into a Future Crop that returns our families and communities to the fortress of integrity and values that once ruled this land? Do we let them mature with a "come what may attitude?" …with an inclination to respond to the loudest voice regardless of the message? Or, do we impact lives at their point of need to reap a harvest of young people instilled with the crucial values society needs?

WHEN FAMILY ISN'T ENOUGH

Nonprofit organizations play an important role in Tomorrow's Crop. They offer services and programs that provide the moral compass to point families and youth in the right direction. When families are incapable of providing the proper love and nurturing, these organizations put young lives back on track. Whether the need is for preventive action or intervention when moral patterns have deteriorated, para-church and other nonprofit organizations are there.

◁ Section 2 ▷

THE ROLE OF PHILANTHROPY

The direct impact of nonprofits on the lives of those who struggle is immeasurable. But an indirect benefit also crowns their efforts. Every nonprofit must be involved in fund raising in order to meet the challenge of ever increasing expenses. This fund development task has great value for the community. When people learn to give, the giving binds the community together. The discipline of giving raises the individual and the community from ego-centric thought patterns to actions imparting the greater good to those who struggle. When giving replaces taking or hoarding, the community escapes the bondage of entitlement and rises to full moral maturity.

The donor base of most nonprofits includes foundations, churches, individuals as well as corporations. Because of the unique symbiotic and mutually beneficial relationship between nonprofits and corporations, the focus of this treatise is on corporate philanthropy and volunteerism.

Preventive and rehabilitative services partner with corporate interests at the point of identifying resources. Corporations and businesses in a community have both financial and human resources that can be directed to those providing invaluable services. Granted, a corporation exists for purposes other than philanthropy. But as the entrepreneurial energy of leadership realizes success, resources can be identified to compliment the heart and vision of the nonprofit. As that partnership flourishes the nonprofit is released from the tyranny of financial shortage to impact people at their point of need.

The responsibility of the nonprofit in the process of fund development is to connect the resources of enterprise to the needs of the disadvantaged and under-achieved. The contribution of financial resources out of corporate success is an investment in the beauty of community and the power of tomorrow's leadership. The people of the corporation benefit in that they rise above self-interest to bless the community. The nonprofit benefits as it is enabled to accomplish its beneficial mission.

Central to the partnership between corporate entities and nonprofits is the role of the business or professional leader. History shows that sincere donors have one or more of the following five motivators in their philanthropy:

Personal Freedom	A quest to be free from influences that potentially restrict the enjoyment of success.
Personal Financial Freedom	Effective management of financial resources to provide freedom from finan cial entanglements and worries.
Family	The use of financial resources to guarantee family health, comfort and cohesiveness.
Community	A commitment to better the communal environment for the good of family, friends and neighbors.
Heritage	Leaving a legacy of positive moral and financial impact on the family and community.

The key to effective fund development is helping the potential donor realize wholeness, resolution and satisfaction in the most significant personal motivators.

The efficient fund development officer will be skilled in understanding the various types of donors as discussed in The Seven Faces of Philanthropy, (Prince and Maru):

Communitarians	The largest group of donors. This donor is usually a business leader who gives because it makes good business and community sense.
Devout	These donors give for religious reasons.
Investors	These are affluent donors who carefully consider the nonprofit cause and the personal tax and estate consequences of their contributions. They often give through community or personal foundations.
Socialites	This group prefers to use social events to support nonprofits.
Altruists	Individuals in this category are selfless and give out of pure generosity and empathy.
Repayers	Typically these donors have benefited from the nonprofit and are supportive out of loyalty and gratitude.
Dynast	Usually these donors have inherited wealth and giving is simply part of what they do with their family wealth.

Contemporary corporate giving has been labeled "Corporate Social Investing" in the work of Curt Weeden. In his model, Weeden suggests that the corporation benefits from its giving just as does the nonprofit. The strategic approach of the corporation to giving is based on the premise that giving has "business value". The giving doesn't necessarily have direct impact on the bottom line, but the investments meet business objectives because they promote business success. It is on this basis that corporations establish partnerships with nonprofits. The investment return from the partnership can come in any number of forms from marketing opportunities, to reputation building, to brand loyalty, or to improved hiring and employee retention.

(Some would suggest such giving is not "giving" at all … simply the purchasing of intangibles.)

While the financial health of the nonprofits is the most obvious aspect of corporate social investing, other benefits are added. The partnership opens the door to individual employee donations and to direct or indirect volunteerism.

◁ Section 3a ▷

THE ROLE OFORPORATE DONORS

In some cases, corporate social investing results from business owners individual donations. In others, corporate social investing stirs the owner's philanthropic intentions. Individual donations give business owners opportunities to create a heritage for their family and the community. They pass their values along to their families while their support for nonprofits speaks to the community as a whole.

Community recognition is important to family run corporations and corporations with local community roots. Although unspoken, the community exerts social and economic pressure on corporations to be good corporate citizens and neighbors.

Nonprofits receive vital support from other key individual donors. Corporate executives and managers contribute financially and offer time as volunteers. Their largesse often leads to or results from corporate partnerships.

All sides benefit greatly from fund development at its highest level. Tools exist which create gifts to expand corporate donors charitable intentions. Donors see their philanthropic motivations fulfilled. Nonprofits gain a higher level of support. The corporation reaps a return in the form of higher retention of key employees.

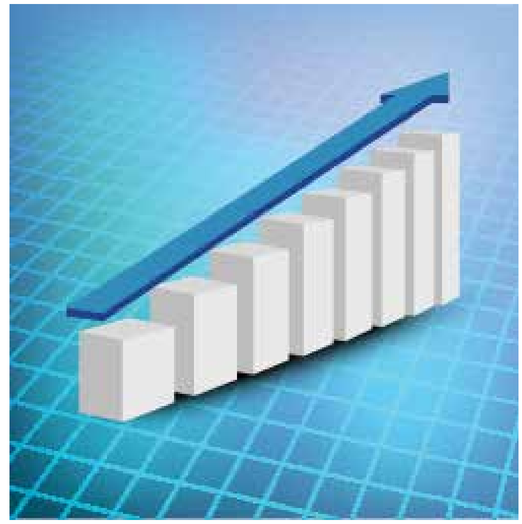
Corporate partnerships build individual donations in another way. Employees at all levels are more likely to give financial support. They understand the nonprofit's mission and what it means to them on a personal level. They appreciate the value of the partnership to the business, and they want to contribute.

Corporate matching programs also encourage employee donations. Corporations usually match employee contributions on a dollar for dollar basis. To qualify, the contribution has to be made to organizations meeting requirements set by the company.

The strategic partnership opens outlets for employee volunteerism. It allows employees to give back to the community with a positive connection to their workplace. Employees from top to bottom can find a way to help: board meetings, committee work, or assisting with nonprofit services.

Some companies include a community involvement component in their individual work plans. What better way to meet this goal than volunteering time to the nonprofit partner? A few businesses even allow time away from the job for volunteer work.

Volunteerism is a win-win-win for all. The nonprofits win from the skills provided and the services performed by the volunteers. Corporations win as employees develop leadership and team skills from the volunteer experience. Employee volunteers win in finding meaning and fulfillment in their lives.



Corporate social responsibility encompasses many different meanings dependent upon the nature of the business and its stakeholders. It is certainly more than mere compliance such as meeting pollution standards or following standard accounting practices. Corporate social responsibility means taking an active approach to doing the right thing.

Through corporate social investing, businesses take an active role in strengthening their communities. By supporting nonprofit organizations, corporations sow today's seed. Many nonprofits serve today's youth and families. They shape and develop tomorrow's leaders. They instill a strong sense of morality, accountability, and responsibility - values critical for financial integrity and vital for business success against global competition. The investment return comes in harvesting tomorrow's crop of committed, dedicated workers with ethical standards needed to compete.

◁ Section 3b ▷
UNDERSTANDING CORPORATE SOCIAL INVESTING

Some companies have a long history of corporate philanthropy. Many major corporations detail their approach to corporate social responsibility on their websites. Businesses recognize the importance of building their reputation while improving their bottom line. They support communities, partner with nonprofit organizations, and promote volunteerism by their employees. After Enron, Worldcom, and Tyco, more businesses understand the need to establish public awareness. They declare their corporate philosophy and report on their social investments.

In Corporate Social Responsibility: HR's Leadership Role, Nancy R. Lockwood, SPHR, GPHR, HR Content Expert, discusses comments from Unilever Chairman Niall Fitzgerald. In a presentation to the London Business School, he stated that no precedents existed. Decisions regarding corporate social responsibility were based on judgment rather than some tried and tested formulas.

In Corporate Social Investing, Curt Weeden defines the process of corporate social investing. Social investments should be tied in some meaningful way to company objectives. Businesses should extract value from these investments. Further, he defines what percentage of profits should be targeted. Thus a model exists.

Weeden's model provides a blueprint for corporations, nonprofit organizations, corporate and nonprofit board members, and employee volunteers. Weeden defines Corporate Social Investing and how it is practiced. The following summarizes his ten step plan:

Step 1 ▷ Moving from Corporate Giving to Corporate Social Investing

In the social investment model, corporate giving becomes a strategic, disciplined business function. This step encourages leveraged business investments specifically set aside for market-stimulating, society benefiting relationships. Frequently, corporate payments to nonprofit organizations should be declared common business expenses: marketing, advertising, or research. One advantage is companies receive the same financial benefit as a charitable donation. Another is avoiding complex IRS rules and related costly administration.

Step 2 ▷ Extracting Business Value from Social Investments

Social investments need to have a notable link to what the business is all about (e.g. marketing products with a portion of the price donated to charity). While society benefits from a company's social investing, the company is looking for a return. Not all investments need to improve the bottom line. Reputation building and brand loyalty are long term benefits. Social investing is part of the company's overall push for success.

Step 3 ▷ Which Nonprofits Qualify – and Which Don't

Social investing is limited to two groups: 501(c)(3) organizations or public sector entities (e.g. local, state, or federal government). This excludes social welfare organizations, business leagues, and fraternal societies, orders, or lodges.

Step 4 ▷ Making a Declaration for Corporate Social Investing

Statements about corporations' social responsibility provide validation that companies have taken responsible approaches. There are more advantages than disadvantages to making an open statement. Companies endorse corporate social investing or support a concept allowing its development. This allows businesses without a social investment strategy to work towards one.

Step 5 ▷ The CEO Endorsement

Corporate social investing has to start at the top. Social investing benefits the company and can improve the CEO's personal image. The CEO message sets the tone for employees and other stakeholders. The CEO must choose effective management to make investing happen. The suggested time investment for CEOs is about 5% or about one day per month.

Step 6 ▷ The Annual Social Involvement Report

Producing a review of social investments at least once a year gives credibility. It discusses the big picture, but does not include every detail. A printout of all social investments does not need to include dollar amounts. There are two reasons for reporting social involvement. First, pressure exists to require such reporting through legislation. Voluntary reporting allows companies to implement procedures that are manageable and logical. Second, companies demonstrate their creative and effective use of social investments. They move the business ahead while addressing social needs.

Step 7 ▷ Committing to the Corporate Social Investment Model:

Part I ~ Percentages

The percentage is based on corporate philanthropy in the 1980s. The level of support equals at least 2.5% of the average of the last three years of pre-tax profits. The minimum is 3.5% for manufacturing companies which donate product.

Part II ~ Strategic Plans

Corporations maximize their return through strategic programming prior to spending. Using **"RODES"** as an acronym, the process unfolds in this order: **R**esearch, **O**rganize, **D**esign, **E**ngage, and **S**pend.

RESEARCH
ORGANIZE
DESIGN
ENGAGE
SPEND

RESEARCH includes a "Business Checkup". The corporation reviews its customers, products, opportunities, and problems. It keeps in mind that corporate social investing has business value.

"Opportunity Appraisal" determines what programs, organizations, sponsorships, and events meet business interests and requirements.

"Quality-of-Life-Analysis" examines what issues exist in the communities where corporations operate (e.g. crime, healthcare, or education).

"Private Sector Environmental Scan" studies what other businesses are doing. Do they have the same areas of interest? What are they doing in the communities where the corporation is active?

> Weeden suggests larger companies consider using a consultant to do the research. Smaller companies can ask questions at business or civic meetings.

ORGANIZE and **DESIGN** begin by organizing the research into different "chambers" to aid the design process. Then the designer can devise programming alternatives. The author describes the following chambers:

▷ **High-Impact Grants** – grants qualifying as charitable deductions. They have a major impact on the business and the nonprofit receiving the grant.

▷ **Conditional Grants** – charitable donations impacting corporate conditions or circumstances:

- Availability of qualified new hires
- Safety of employees
- Quality-of-life standards to attract and maintain employees, etc.

▷ **Leveraged Business Investments (LBI)** – investments taken as business expenses not charitable donations. For example, a business underwrites a nonprofit's special event. Weeden lists the following LBI's:

- Sponsorships
- Memberships
- Cause-related marketing expenses
- Risk investments

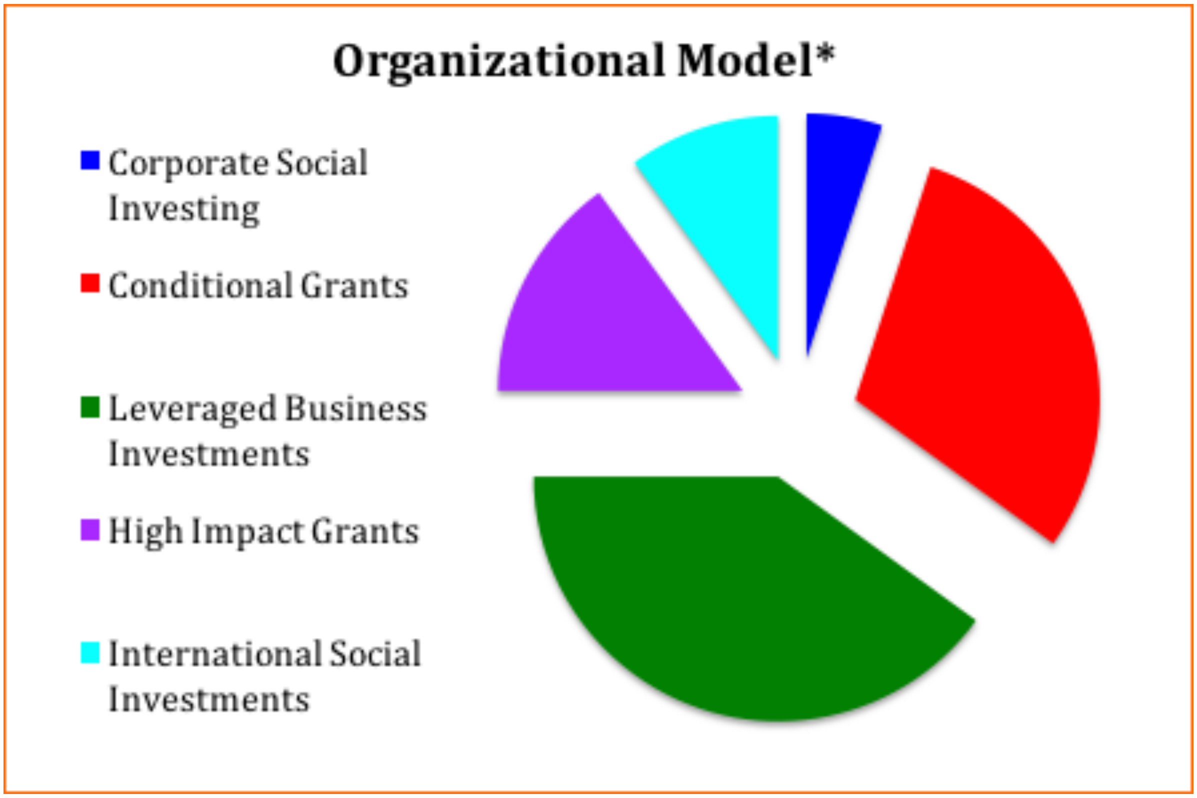
▷ **International Social Investments** – payments made to organizations outside the United States. They are the equivalent of 501(c)(3) or exclusively public entities. Global companies need to make global social investments.

▷ **Restricted Commercial Transactions** – these transactions do not count as social investments. Products and services purchased from a nonprofit are included here. However the corporation can discuss these transactions in their annual disclosure report. This shows the close relationship and economic ties with nonprofits. The report notes some dollar amounts are not included as social investments.

▷ **Administrative and Related Costs** – the dollars spent to develop and administer the social investment plan. Reasonable administration costs include payroll for social investment staffing.

ENGAGE requires endorsing the social investment strategy by top management. This is achieved by placing top level executives/managers in the social investment committee. Weeden suggests they will become advocates of the program. They add input in the planning process.

SPEND takes place after all the other processes are completed. Spend is more than just creating a budget then making social investments. It means having the right manager taking full advantage of corporate social investment strategies.



***Please Note:** The chart is based on Weeden's model. Corporations need to adjust the model based on their circumstances.

Step 8 ▷ When Social Investing Should Be Postponed

This step is the "emergency brake" for corporate social investing. Some or all corporate social investing is postponed if conditions warrant it. There are three tips to assure that Step 8 is used appropriately. The 50-Percent Rule budgets half of the spending after midyear. This allows the emergency brake to be pulled any time during the first 6 months. It reduces or postpones up to half of the planned spending on social investments. The second tip makes social investing a specific budget line item. This prevents social investing from being easily eliminated. The third tip sells social investing as something that has business value. Then it is not subject to cost cutting.

If the emergency brake is applied, corporations can decide to increase future payments to make up for reductions. Another option is reinstating the previous level of giving.

Step 9 ▷ Building the Management Team for Social Investing

The CEO assembles the team. He personally asks influential managers from across the organization to take part. Numbers will vary from corporation to corporation with teams ranging from 5 to 15 members. Meeting two to four times a year, the team develops the social investment plan.

Step 10▷ The Day-to-Day Manager

The plan requires competent day to day management. The manager handles administration once the plan is in place. Day to day managers should hold positions no more than one away from the CEO or COO. The position is half-time for social investing in the $2-5 million range. Above $5 million, the corporation should consider a full-time manager.

◁ Section 4 ▷

HUMAN RESOURCE PERSPECTIVE ON CORPORATE SOCIAL INVESTING

In Corporate Social Investing, Curt Weeden emphasizes that corporations need to extract business value from their social investments. From a human resource perspective, his concepts work hand in hand with Today's Seed … Tomorrow's Crop.

The importance of these concepts is magnified by current trends impacting human resources. Human Resource leaders discussed several of these interrelated trends at recent conferences:

- ▷ Looming labor shortages
- ▷ Staffing and retention issues
- ▷ The cost of benefits
- ▷ Changing demographics

Expect skill shortages to be the most critical factor in tomorrow's labor shortages. As our economy heats up, businesses will have a greater demand for highly skilled workers. Additionally, emerging economies in China, India, and elsewhere will increase the demand for nations to retain their highly skilled workers.

Demographic changes and employee turnover further complicate matters. The aging of the American workforce spells trouble. As baby boomers retire, insufficient numbers of younger workers are available to fill in. Additionally, retirees take their skills with them. Increased numbers of women, minorities, disabled workers, unskilled workers, and foreign born workers joined the workforce. One HR leader quoted a survey indicating 83% of workers planned to begin or intensify job searches.

The cost of healthcare coverage, already a major business expense, is plagued by double digit inflation. Heart disease and cancer cause death and disability in our aging workforce. Meanwhile diabetes and obesity are on the rise. As costs increase, employers scale back coverage. Employees and retirees are sharing a greater portion of premiums and paying higher deductibles. More and more retirees are losing their coverage entirely.

Strategies to deal with these trends give businesses tremendous opportunity to practice corporate social investing. In Weeden's model, research is critical to making wise social investments. An opportunity appraisal determines what partnerships meet business needs, for example:

- ▷ Support of workforce readiness initiatives and technology curriculums ease staffing burdens.
- ▷ Control healthcare costs by partnering with nonprofits like the American Cancer Society (ACS) or the American Heart Association (AHA).

Childcare and increasingly eldercare create work/life balance problems for employees. Social investments addressing these burdens translate quickly to the bottom line.

Technology is a mixed blessing. It will help offset part of the labor shortage. But technology requires increased skills. On the job training is not the answer. Investments in nonprofits delivering the education and training are necessary. The return comes from creating a pool of skilled candidates.

Technology has also opened doors for disabled workers who are often highly motivated. They are eager to display their abilities in the workplace. Investments in training and technology allow corporations to tap into this underutilized resource.

The Society for Human Resource Management and many communities and corporations are working together to improve workplace readiness. The aforementioned demographic changes point to the importance of making this social investment. Businesses reap the benefits of a population ready to meet workday challenges. In fact, all society benefits by improving basic workplace skills.

The fight against dread diseases is producing better treatments and cures releasing us from early death and crippling disability. Contributions to ACS and AHA result in long term business value. Expect a quicker return from the partnerships by building awareness of preventative measures. Proper nutrition, regular exercise, and smoking cessation lower costs for pharmaceuticals, medical tests, and treatment. Nonprofits have an open forum when corporations sponsor local events such as walks and runs. And it gets employees involved in a healthy activity.

Childcare and now eldercare create significant hurdles for many workers. Childcare and eldercare problems cause absenteeism and reduce productivity. Investments in nonprofits providing care services impact the bottom line and improve employee work/life balance issues.

The impact of corporate social investment extends beyond direct financial support. Well developed partnerships with nonprofits lead to increased volunteerism by employees. The volunteer activities provide a corporate return in public relations and in employee satisfaction, recruitment, and retention.

This is not a comprehensive list of issues. Nor is it a complete list of strategies to address all issues. It does illustrate that corporate social investments today provide benefits now and into the future. The concept supports the philosophy – Today’s Seed … Tomorrow’s Crop.

◁ Section 5 ▷
THE ROLE OF FUND DEVELOPMENT

Strategic partnerships between nonprofit organizations and corporations suggest understanding the fund development process:

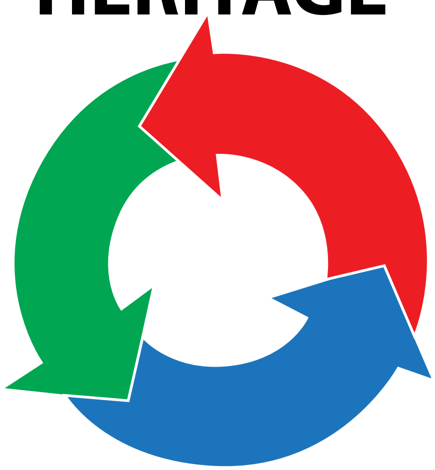
▷ Imagine ▷ Design ▷ Develop ▷ Implement ▷ Experience

This is how the process is supposed to work:

▷ **IMAGINE** a "Preferred Future" that creates the most effective fund development with a lack of donor remorse.

▷ **DESIGN** centers on creating endowments having positive influence on communities now and into the future … while nonprofits continue to receive gifts for capital needs and current operations.

HERITAGE



NON-PROFIT ORGANIZATIONS
- Prevention
- Intervention

COMMUNITY

▷Corporations
- Executives
- Employees

ADVISORY SERVICES
- Impacting
- Fund Development/Endowment Services

▷ **DEVELOP** funds at the highest possible level. This is critical in meeting current and future needs. The focus is on inter-generational management with donors considering Heritage to endow organizational income.

▷ **IMPLEMENT** the design asking donors to focus on the five key motivators: Personal Freedom, Personal Financial Freedom, Family, Community, and Heritage. Likewise, donors have a positive impact on the organization.

The process continues as nonprofit organizations and corporations develop their strategic partnership enriching the community. Nonprofits experience the full potential from donor commitment. Donors make current and/or future contributions. Their gifts fund capital projects and endowment building.

▷ **EXPERIENCE** the results. Corporations' strategic partnerships with nonprofit organizations plant today's seed. Fund development nurtures the process. The partners begin to sew with a designed result in mind. Corporations and nonprofits reap a greater harvest building a stronger community. Today's Seed … Tomorrow's Crop.

Article by
Frank K. Simon, Jr., CEO
George J. Markon, SPHR

Contact us:

P.O. Box 1443 • Findlay, OH 45839-1443

Email: frank@pfllc.org

Phone: 1-419-721-3038

TSTC8.2015