



Driving Social Change...

A Snapshot of Select Community Involvement Trends: What's Changed, What Hasn't



LBG Associates

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Introduction

LBG Associates' major benchmarking report, "Trends and Best Practices in Corporate Community Involvement," dug deep into the workings of community involvement departments across industries. Since its publication in 2007, however, the world has changed. We wondered, had community involvement programs changed as well? To find out, LBG Associates compared the results from 2007 to the results of client benchmarking projects completed in 2011 in a few key areas:

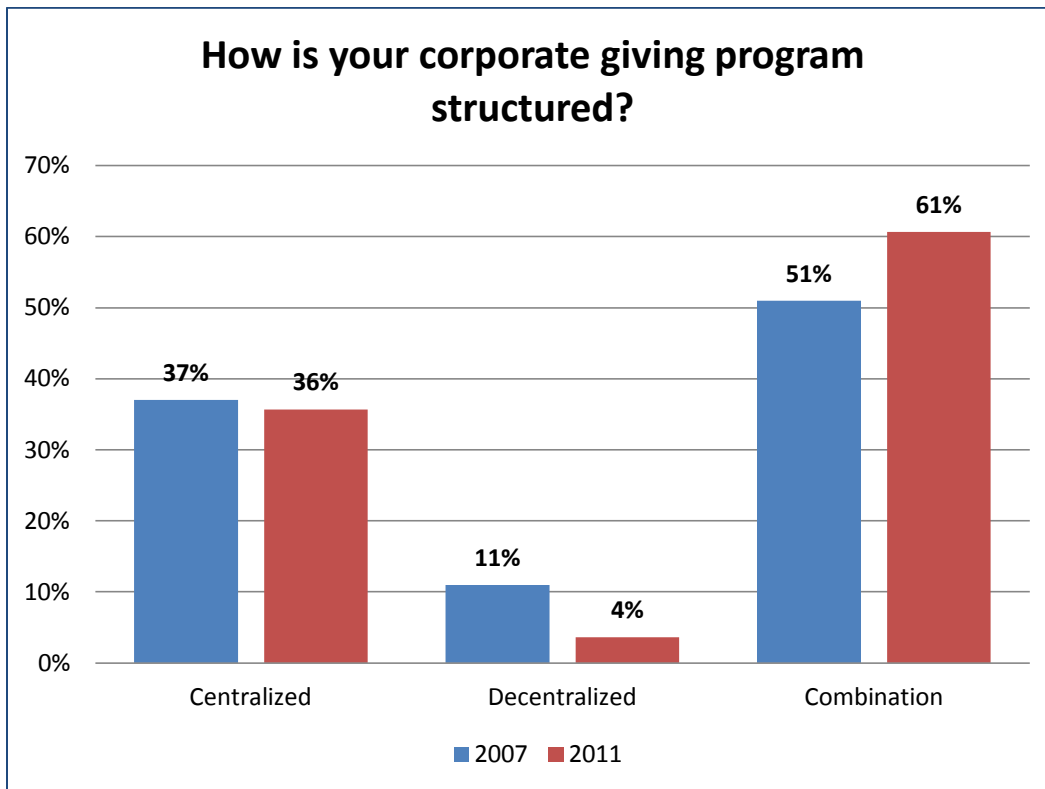
- program structure
- budget formulation
- multiyear grants
- average corporate grant size
- average foundation grant size
- matching gifts programs
- in-kind giving, and
- strategic partnerships

That exercise illuminated some very real changes in the community involvement (CI) world, detailed in the following pages.

Findings

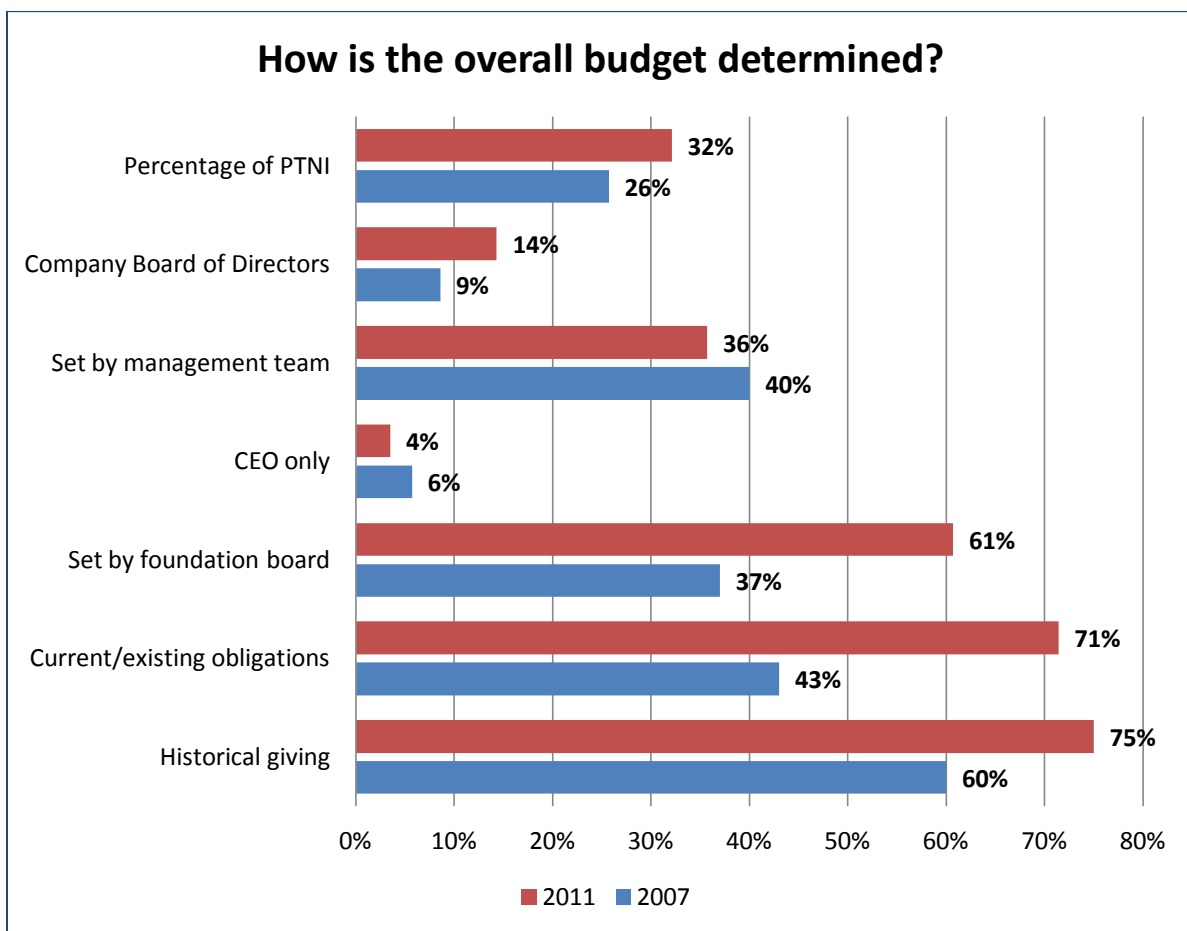
Changes in Structure and Budgeting

More corporate giving programs are now a “combination” structure, which is defined as one in which there is a companywide strategy but grant approvals are made at the local/regional level. LBG Associates considers the combination structure a best practice. Since 2007, the percentage of companies with combination structures has increased from 51% to 61%. The statistics show that a decentralized structure, in which there is no centralized strategy and all grant making approvals reside within the business units and/or at the local/regional level, is even less prevalent in 2011 than in 2007.



Companies have also changed the way they determine the overall giving budget. The company board of directors, although traditionally not involved in most budget discussions, appears to be more involved than in the past. Foundation boards are playing a much bigger role for more companies, too.

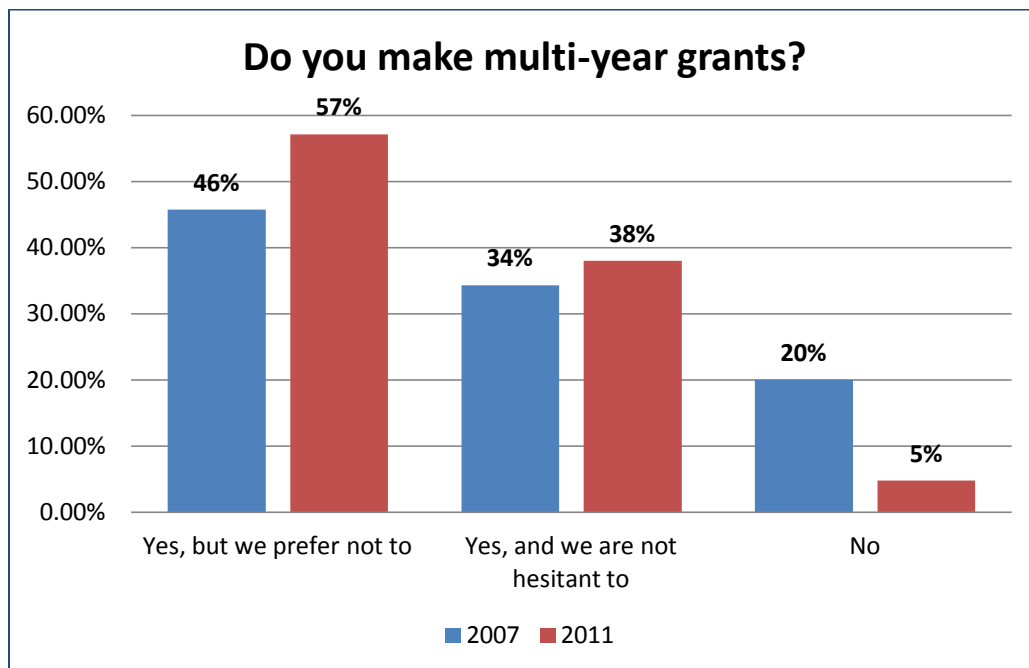
The most striking change, however, is that historical giving and current obligations have become even more important in the formulation of the budget. This is not a best practice in any economy. Ideally companies should zero-base their budgets each year and select nonprofits based on a number of factors, including strategic relevance, and not on historic precedence alone. Perhaps companies believe they should be loyal to their historical or current partners in a poor economy; but that could result in precious dollars being used for non-strategic purposes or having a limited impact.



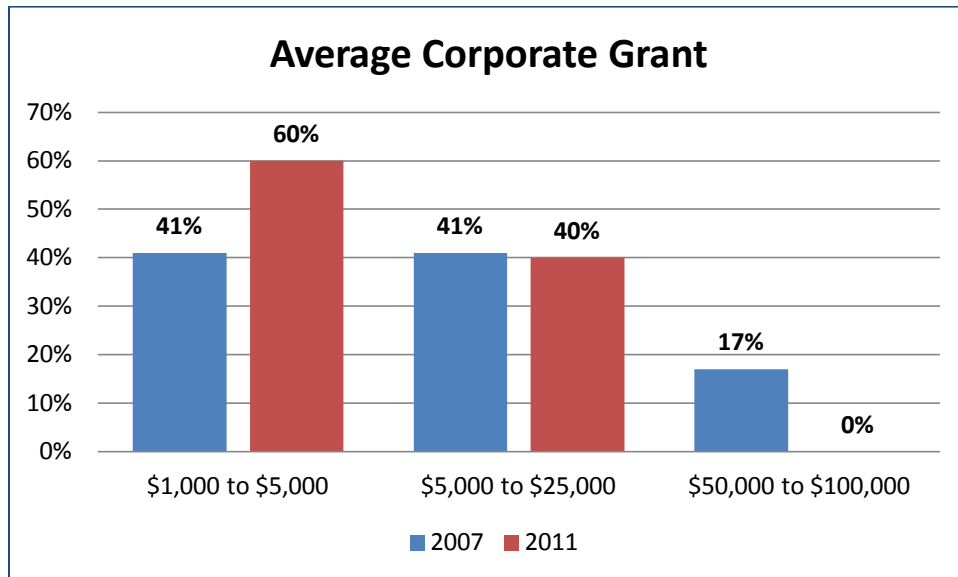
Trends in Cash and Non-Cash Giving

According to our recent research, corporate giving as a percentage of pretax net income (PTNI) has grown from .85% in our 2007 study to 1.09% in 2011. LBG Associates considers 1% to be the minimum percentage for a giving program. Ordinarily, this would be great news. In any other economy, an increase in giving as a percentage of PTNI would probably indicate an increase in giving overall. But in this economy, net income could have decreased while giving stayed the same or even decreased slightly, with the net effect of giving as a percentage of PTNI going up.

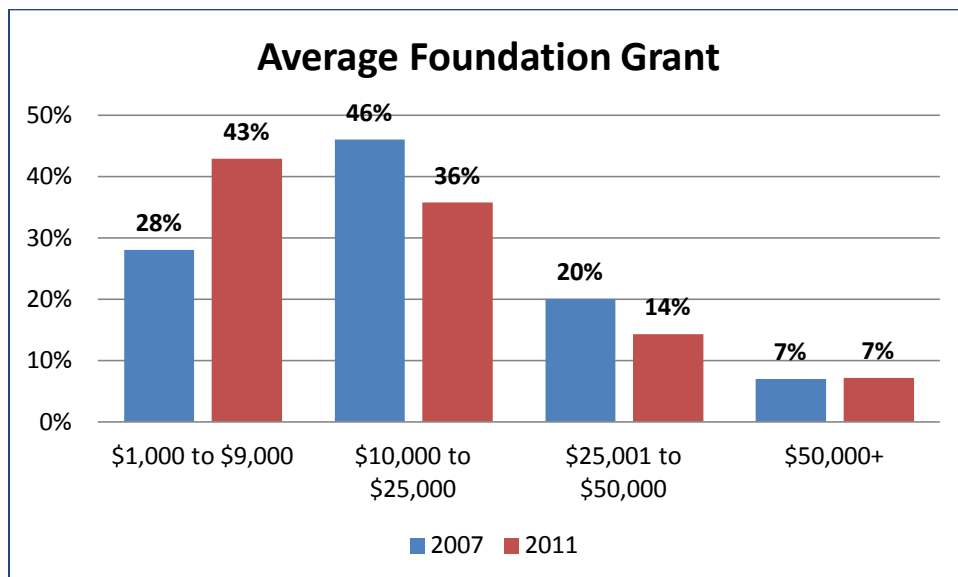
Despite lingering economic uncertainty, more companies are making multiyear grants, even if they prefer not to. This is good news for their nonprofit partners; multiyear commitments give the nonprofits certainty of funding for important programs. For companies, however, this could signal a departure from best practice. LBG Associates generally does not recommend multiyear grants unless they are part of a long-term strategic partnership. First, most companies do not know what their budgets will be from year to year. Second, if the company is bought or sold, these pledges may no longer be strategic or even appropriate. On the plus side, the average length of these multiyear grants has become shorter. There are far fewer five- to 10-year grants these days, and that is a good thing.



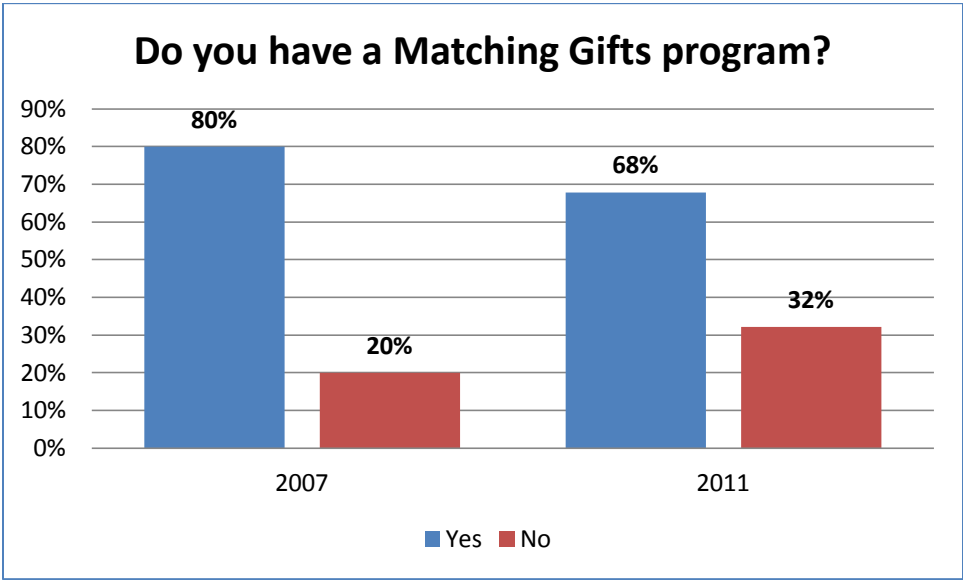
Regardless of whether a grant is for one year or more, the size of the average grant has gone down. In 2007, 41% of companies reported an average corporate grant size between \$1,000 and \$5,000, whereas 60% of companies in 2011 reported an average grant size in that range. And while 17% of companies reported an average grant size of between \$50,000 and \$100,000 in 2007, not one company reported an average in that range.



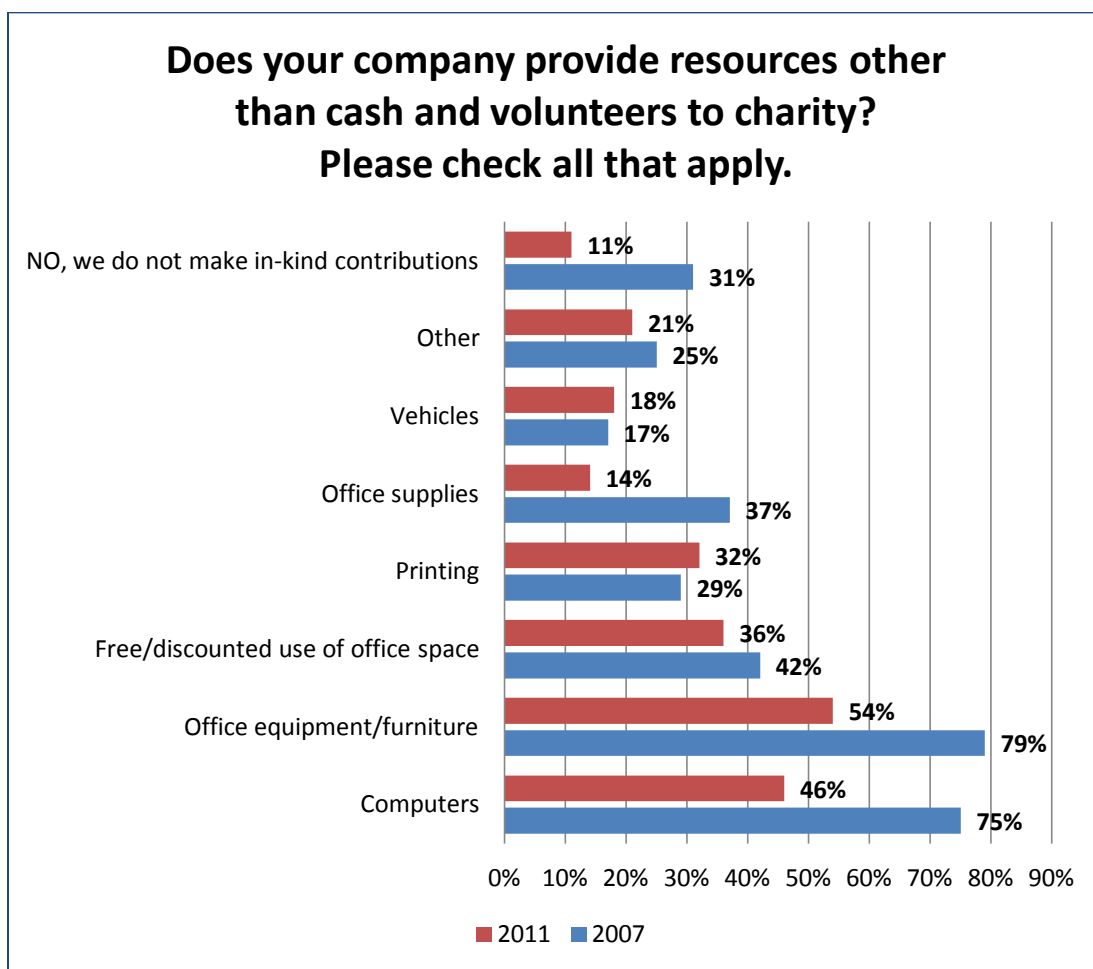
Similarly, while 28% of companies reported an average foundation grant size between \$1,000 and \$9,000 in 2007, that number grew to 43% in 2011. Far fewer foundations were averaging grants between \$10,000 and \$25,000 in 2011 vs. 2007—46% vs. 36%.



Matching Gifts (MG) are another part of cash giving, although driven by employees and for the most part not strategic. LBG Associates had many conversations with clients about changing or eliminating MG programs as a result of the recession. Comparing the prevalence of Matching Gifts programs in the 2007 survey versus 2011, it seems that some companies did end up eliminating the program. Whereas 80% of companies in 2007 had a MG program, 68% of companies in 2011 had one.



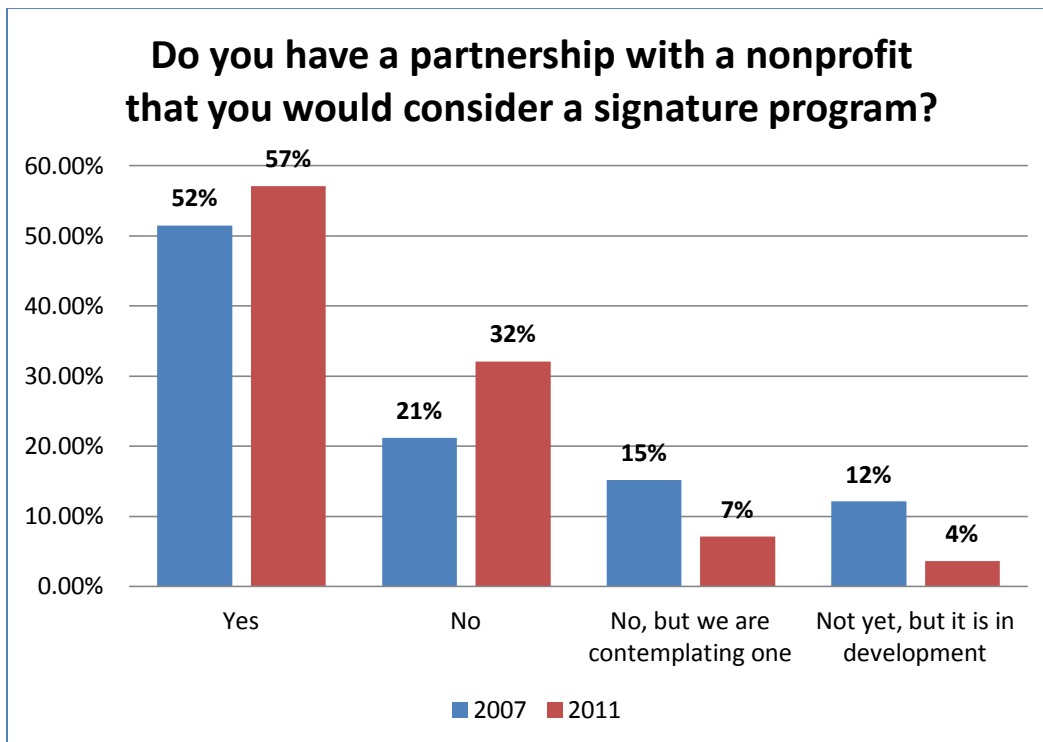
In the non-cash giving category, the studies show more companies are making in-kind gifts. In 2007, 31% of respondents said they do not make in-kind gifts, whereas in 2011, just 11% said they do not. The types of in-kind gifts have shifted over the past four years, too. Although more companies said they are giving in-kind gifts, the percentages giving certain kinds of gifts have gone way down. While 75% of companies donated computers as in-kind gifts in 2007, only 46% did in 2011. Similarly, the percentage of companies that contributed office furniture or equipment has decreased from 79% to 54%. This could be due to companies hanging on to these types of items longer in an effort to contain costs. Whether due to the recession or a recognition that companies have more than just cash to contribute, it is a very positive trend that companies are considering all the resources they have available to contribute to the community.



The State of Strategic Partnerships

The 2009 report from LBG Research Institute called “Corporate Giving in the New Economy” asked a number of questions about partnerships with nonprofits, the answers to which indicated that companies would be looking closely at the value of current partnerships and perhaps at new partnerships. For example, 46% of respondents to the 2009 survey said they would place more emphasis on partnerships over straight cash donations. About 33% said they would closely examine the partnerships they had, and 33% said they planned to actively seek new partners to better meet strategic goals.

In 2011, it seems that the cumulative effect of these actions is an overall increase in companies with active partnerships *and* an overall increase in companies that unequivocally do not have partnerships. The percentage of companies in the categories of “contemplating” or “developing” a partnership in 2011 has dropped as the evaluation process has been completed and strong direction determined. For some, that meant continuing or starting a partnership, while for others, it meant discontinuing or no longer considering a partnership.



Conclusions

Yes, the times they are a changin'.

On the surface, some of the changes seem positive, but might actually be indicative of a move away from a strategic CI program. For example:

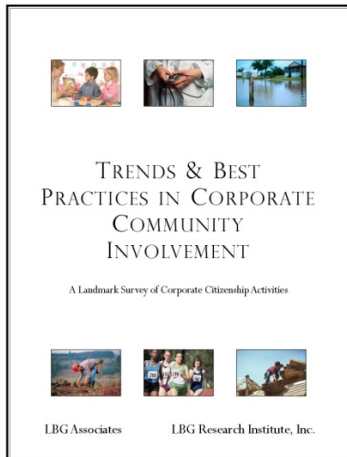
- Historical giving and current obligations are driving the giving budget more than in the past. This can lead to non-strategic giving for the sake of preserving or maintaining relationships, some of which may no longer be strategic or necessary.
- Average grant size—corporate and foundation—has decreased. But LBG Associates recommends giving more money to fewer nonprofits to maximize impact.
- Multiyear grants seem to be on the rise. However, unless they are part of a long-term strategic partnership or are limited in length to two or three years, they can divert resources to non-strategic projects and limit the ability of the company to respond to new initiatives.
- Speaking of strategic partnerships—a best practice—more companies have shut the door on forming one, saying a firm “no” when asked if they have one.

What does this all mean? Are these signs that CI is regressing, so to speak? Or just a temporary, recession-driven change? It is too soon to tell, but LBG Associates will keep tracking the trends and keep you informed.

Stay tuned...

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References



Trends & Best Practices in Corporate Community Involvement presents the extensive findings of a comprehensive survey of the community involvement programs of 35 major U.S. corporations. The report examines the following topics in detail:

- The business case for corporate citizenship;
- Structure and governance of the CI department and the foundation;
- Charitable giving program types and budgets;
- Employee-directed giving;
- Employee volunteerism;
- Sponsorships, memberships, and signature programs;
- Disaster relief;
- Measurement and evaluation; and
- Communication.

Publication date: 2007

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“Making the Most of What We Have: Corporate Giving in the New Economy” is a study from LBG Research Institute that shows how community involvement professionals are coping with the challenges in 2009. Publication date: August 2009.

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