

Ethics Activity 2

Overview

Students discuss corporate philanthropy and social investing. They decide whether their student companies will devote a portion of their retained earnings to the community, the amount of that portion, and on what basis it will be allocated.

Objectives

Students will

- examine the efforts of businesses to contribute to their communities.
- discuss the reasons for increased shareholder interest in socially-responsible corporations.
- balance social responsibility with shareholder responsibility.
- decide whether and how to allocate a portion of student company earnings to corporate philanthropy.

Preparation

Student understanding of the concepts and skills found in *JA Titan*, is critical to the success of this activity. Review Activities 1 and 2 of *JA Titan*.

Review the activity and the list of materials, then discuss the activity with the teacher. Explain that the activity will involve small groups that will act as business management teams. Be sure that you are familiar with your company's policy and record regarding contributions to the community. If your company doesn't have a giving program, familiarize yourself with a local company that does. Note any modifications to the activity on the outline that follows it.

You will need to make 32 copies of Student Handouts 1 and 2.

Write all key terms on the board.

Time

45 minutes. Ask the teacher to help you keep track of time.

Materials

- 32 Student Handout 1 (master included on Pages 12-14)
- 32 Student Handout 2 (master included on Page 15)

Presentation

Introduction

Greet the students. Begin the lesson by explaining to the class why you chose to spend your time volunteering with Junior Achievement. Introduce the notion that companies have a responsibility to be good corporate citizens. Explain that ethics is good business and that companies have a social responsibility to the communities in which they operate. Companies, just like people, need to be good citizens. Encourage questions.

Students should ask you questions similar to the following:

- Does your employer actively encourage, or simply allow, such volunteer activities?
- Why does your employer let you leave work for this activity?
- Who is responsible for your work while you are away?
- Is there any cost to you for volunteering?
- Does your employer support any other contributions to the community? Why?
- How do they determine which organizations they will support?

If they do not ask these kinds of questions, guide them into a discussion that will draw out these topics.

Tell students that Junior Achievement is dependent on business volunteers to carry out its programs in classes. They also depend on business contributions to pay for the writing and publishing of JA materials that are used in classes.

Define and discuss the term corporate philanthropy as a company donation of a portion of corporate earnings to charitable causes in the community.

Ask if any student has parents who volunteer in the community. Do any contribute money to causes or organizations in the community? Why do they do it?

Ask if students have heard of any companies that have donated money to charitable programs or institutions. Answers could include: Paul Newman food products—all after-tax profits go for educational and charitable causes; Target Corporation donates 5 percent of profits to public education.

Tell students that corporate philanthropy has become much more prominent in the modern information age. Corporate philanthropy helps fill the gap created when government is not able to meet all of the community responsibilities through the collection of taxes.

Still, many corporations do not donate. Can students think of any reasons why not? Answers could include: They are not able to meet all of the requests due to limited resources; it's just not part of their business philosophy; they are too small and have no employees to spare; their shareholders may object.

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Activity

Tell students that you will now distribute a handout for them to read. They will learn why and how some companies donate money, products, and/or services to society.

Distribute Student Handout 1, and allow students five minutes to read to themselves. When most students have finished their reading, call the class to order. Ask students if they have any questions or comments. Then, ask students to raise their hands if they have ever been on a sports team outside of school. Tell them to keep their hands up if they had team T-shirts. Tell them to continue to keep their hands up if their shirts had the logos of local businesses on them.

Explain that businesses contribute financially to support their communities. One of several benefits companies receive—in addition to an improved community—is logo visibility.

Ask, “What type of giving do you think would be the first to go if a company is not doing well financially?” Answer: cash contributions.

Next, ask students how they think shareholders feel about donating a portion of corporate earnings to charitable causes. Have them explain their views.

Distribute Student Handout 2, and have students begin reading. When most students have finished their reading, see if they have any questions or comments. Separate the class into business management teams, and ask each team to devise a plan for corporate giving that matches their company philosophy and resources. They should draw from the Student Handouts to establish their rationale and guidelines. Students should feel free to develop philanthropic ideas of their own. They should also decide on a dollar amount or a percentage of their pre-tax profits in the current round that they would be willing to commit to philanthropy.

When they are ready, ask a student from each team to present its plan to the class.

As each team presents its plan, call on members of other teams to play some of the following roles to comment on the plan: a shareholder, an employee, a proposed community recipient of funds, a customer, and a community organization that will not be eligible for funds.

Summary and Review

Corporate philanthropy is a key component of a corporation’s broader social responsibility and includes cash gifts, product donations, and employee volunteerism. It serves as a major link between the corporation and its communities.

Corporate philanthropy helps fill the gap created when governments are not able to meet all of the community responsibilities through the collection of taxes.

Presentation Outline

Introduction

Explain why you chose to volunteer your time with Junior Achievement.

Discuss your company's policy regarding employee volunteerism.

Give other examples of corporate philanthropy.

Activity

Distribute Student Handout 1.

Ask students if they have had sports team T-shirts with company logos on them; discuss why a company might provide these.

Ask how they think shareholders feel about a portion of profits going towards philanthropy.

Distribute Student Handout 2.

Direct business management teams to each prepare a corporate giving program.

Have each team present its plan, and have members of other teams comment.

Summary and Review

Companies have a social responsibility to the communities in which they operate. Corporate philanthropy is a key component of a corporation's broader social responsibility.

Student Handout 1

Corporate Philanthropy

Corporate philanthropy is a key component of a corporation's broader social responsibility and includes cash gifts, product donations, and employee volunteerism. It serves as a major link between the corporation and its communities.

Corporations support their communities in numerous ways—foundation giving, providing local volunteers, donating goods and services, and even pro bono assistance. Corporations work hard to help improve the quality of life in their communities and have a strong sense of responsibility to the people in their communities. As a result, companies get countless requests to support community organizations. Whether or not a business contributes support depends on numerous factors, one of which is limited resources. Companies are not able to provide support for every request.

In our country, people of all ages volunteer to help organizations whose missions they support. Many students are volunteers outside of school, and many adults are volunteers outside of business hours. Organizations often depend on such volunteers to get their work done.

Businesses that believe strongly in community improvement may support their employees who volunteer. One way to do this is to recognize employees in a company publication, or at a staff meeting, for the many hours they have donated. Some companies contribute money to the organizations their employees volunteer for. Other companies support employees who need to perform their volunteer service during the workday. There are also businesses that not only allow, but actively encourage their workers to volunteer during business hours. The Xerox Corporation, one of the pioneers in this field, allows ten employees annually to take a whole year off—with pay—in order to pursue volunteer interests. IBM and several other large corporations have similar programs. Companies recognize that volunteer service can give employees experience and training that will help them become better leaders in the future. Volunteer work may be listed in their personnel files.

By sponsoring charitable events, businesses accomplish two goals. One is to help an event take place (with money, volunteers, or supplies) and thereby improve life in the community. Another is to showcase their company at the event by means of signs, banners, or publicity so that their contributions are recognized. Philanthropy is good public relations. In fact, the company's public relations department often manages giving, which is in turn part of the marketing function.

Outright donations to community organizations are also common. Many companies have special committees that meet a few times a year to consider requests for help. Usually the committees have guidelines for giving and a budget. Some focus their giving on particular segments of interest, such as environmental causes, education in fields related to the product or service they produce, health, or social diversity. A common requirement is that the receiving organization be a tax-exempt, non-profit entity whose impact is community-wide. Causes which good customers or employees champion are often given special preference. Corporate philanthropy is a sound business practice

that is in the best interest of shareholders and which should be institutionalized as an integral part of a company's mission. The need for business leaders to play an active role in civic affairs is greater than ever before, especially since the federal government has reduced its own involvement.

As an example of philanthropic policies, here is a paragraph taken from the Marshall Field's website:

Every time you shop at Marshall Field's, you support worthy causes in your community: arts and cultural events, projects that encourage children to read, and programs that strengthen the lives of children and families in a variety of ways. Marshall Field's community giving program also includes many team-member volunteer activities and The United Way.

Here is a statement from the Goodrich Corporation's website:

The Foundation provides support to charitable organizations serving the needs of the public in Goodrich Corporation's United States headquarters and plant communities, to selected educational institutions, and to selected national groups.

The Foundation will generally allocate its annual charitable giving according to the following percentages:

| | |
|--------------------------------------|---------------|
| Education | 30-40 percent |
| Arts and Culture | 15-25 percent |
| Civic and Community | 15-25 percent |
| Health and Human Services/United Way | 20-30 percent |

The 2002 Cone Corporate Citizenship Study Fact Sheet shows that Americans would likely react in the following ways if they were to find out about a company's negative corporate citizenship practices:

These stakeholders are more likely to

- consider switching to another company's product or services (91%).
- speak out against that company among family and friends (85%).
- refuse to invest in that company's stock (83%).
- refuse to work at that company (80%).

Americans feel that supporting the following social needs is one of many important practices companies need to do in order to rebuild their trust with stakeholders:

- fair treatment of employees (96%).
- quality and fair-priced products or services (94%).
- adherence to laws and regulations (94%).
- environmentally-safe business practices (94%).
- employees volunteering in the community (86%).

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- support of social issues important to individuals and the community (86%).

Sources: The Foundation Center— www.fdncenter.org; Giving USA—www.aafr.org
Cone/Roper Cause Related Branding Study www.roper.com

Student Handout 2

Social Investing

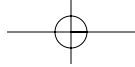
In the first three months of 2003, investors invested \$185 million in funds holding assets thought to be socially or environmentally responsible.

More than 200 U.S. public mutual funds—most of them small—focus on socially responsible investing (SRI). Together, these funds have attracted \$13 billion in investment and, as a group, have performed at the same level as the Standard & Poor's 500-stock index. The SRI group had an average annual gain of 9.64% over the last 10 years, while the S&P's gain was 9.66%.

SRI fund managers' concepts of social responsibility differ. One fund will not invest in companies that make alcohol, tobacco, or guns; operate nuclear power plants; or earn 2% or more of sales from military weapons. Another fund eliminates companies based on poor records on worker safety and the environment. Still another might favor companies with positive records in employee relations, community involvement, human rights, or product safety.

A different philosophy of social investing is that one should buy stock in companies that are managed well and ethically, regardless of what one thinks of the product or service they produce. One who makes money on these shares can donate it to the charity of his or her choice.

Sources: The Social Investment Forum (www.socialinvest.org), James K. Glassman, "Mixing Money and Morality," The Washington Post National Weekly Edition, June 2-8, 2003.



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