CHAPTER 1

Giving Back: Good For You, Your Business, and Your Community

No one has ever become poor by giving.

—ANNE FRANK

On August 29, 2005, the largest natural disaster in recorded American history wreaked havoc on Louisiana, Mississippi, and Alabama—three of the country's poorest states. The devastation was widespread—covering an area roughly the size of the entire United Kingdom, including the New Orleans metropolitan area, home to some 1.3 million people—and the number of people whose lives were impacted was enormous. All told, government estimates peg the number of people who suffered some form of personal loss—loss of property, loss of job, loss of shelter, loss of health, and loss of life—at more than 2 million people.

And though the jury is still out regarding the speed and the intensity of the government's response in the immediate aftermath of the storm, there are many inspiring stories of people and organizations jumping in with both feet to do whatever they could do to help those who most needed it. And many of these stories are of businesses—and the businesspeople who work there, and those who own and run them. Within a week after the disaster, Ameriquest pledged $5 million toward hurricane relief efforts, ExxonMobil $2 million, General Electric $6 million, Freddie Mac $10.1 million, and Toyota $5 million. And this is just a small sliver of the list of organizations and people that freely gave their time, their labor, their facilities, and most needed of all—their money—to make a difference in the world around them.

In short, to give back.

Today, in the United States of America, there's a change in the air—a change that promises to have significant and long-lasting impacts on our nation, our institutions, and our people. More than ever before, businesses—and the businesspeople who work there and who own and run them—are seeking new ways to get involved in their communities by affiliating with charities and nonprofits in meaningful and deeply powerful new ways. Here are just a few examples:

- Reflecting a fundamental change in attitude for Silicon Valley venture capital companies, investments in fledging companies that "make money by doing good" are up sharply. Even the billboards along Highway 101—which slices through the area—have changed. Instead of ads for pre-dot-com meltdown firms like Excite.com, Homestead .com, or eGain.com, billboards now urge its readers to "End World Hunger" and to support the men and women of the California National Guard, who "keep America safe, secure, and free."
- Through www.benevolink.com, a percentage of the sales of more than 150 online retailers is directed to any one of more than 1 million different charitable and nonprofit organizations. Online retailers (and their percentages of sales contributed) include: Nike (6.5%), Home Depot (2.5%), Gap (3%), Neiman Marcus (3%), FTD.com (20%), and Sony (3%).
- When it comes to serving the communities in which it operates, Wal-Mart Stores, Inc. puts its money where its mouth is, contributing more than $270 million to support its 4,000-plus U.S.-based communities in 2006. According to the *Chronicle of Philanthropy,* Wal-Mart is the largest corporate cash contributor in the United States.

So, why do businesses—and businesspeople—choose to give back to their communities? First, giving back is smart business—there are plenty of positive, immediate, and downstream impacts to make engaging in community service and community building the right thing to do for the businesses that do it. For example, if these activities produce safer communities (for workers and their families by reducing crime or improving working conditions), a better-educated workforce, improved educational scores and better school results, and healthier citizens, then the cascading financial effects for area businesses will be positive. Businesses will have safer communities in which to operate and locate, and they will be able to attract and retain higher-quality workers who will want to put down deep roots—resulting in more stable communities and less worker turnover.

Second, for many businesspeople, giving back is something that is important to them personally. A group of 10,983 Harvard Business School (HBS) alumni (a group with a demographic skewed toward extremely busy people with highly demanding jobs) was asked to rate the importance of their involvement with nonprofit organizations, with zero being "unimportant" and four being "very important." The average score for these alumni was 3.5, almost the maximum. A large percentage (81%) of these HBS alumni report being involved with nonprofits, while almost half of these businesspeople—42%—dedicate more than 10 hours a month to their nonprofit activities. When asking why businesspeople seem to naturally be drawn to community service, the most common answer is because they want to "make a difference." The words of one of the survey respondents—a bank senior vice president—are typical: "I hope that I can turn and say I didn't just serve, but I made some meaningful contributions."[1]

A Long Tradition of Giving Back

Americans have a long tradition of giving back in their communities, but the number of citizens actually participating in them—and the extent of their participation—has been on a steady decline since the early 1900s, when the great institutions of federal government (and the resultant professional corps of bureaucrats and functionaries) were designed and institutionalized. The growth of this bureaucracy—and the resultant growth of massive government social programs—led citizens to become increasingly reliant on *government* to solve their problems, and less reliant on *themselves*.

It wasn't always this way. In his book *Democracy in America,* Frenchman Alexis de Tocqueville related the following observations of American life in the 1830s:

> Americans of all ages, all stations of life, and all types of dispositions are forever forming associations. There are not only commercial and industrial associations in which all take part, but others of a thousand different

> types—religious, moral, serious, futile, very general and very limited, immensely large and very minute. . . . Nothing strikes a European traveler in the United States more than the absence of what we would call government or administration. There is nothing centralized or hierarchic in the constitution of American administrative power.

This is not to say that the government played no role in the United States at that time—it did play an important role in national defense, international commerce, and the building of infrastructure such as roads and a postal system—but what most impressed de Tocqueville was the American penchant for citizen initiative and involvement, forming groups to solve problems in their communities and to help each other without any direction from government. When it came to the issues that had the greatest impact on the daily life of individual citizens, citizen interest and engagement in the development of solutions was quite high.

We don't think anyone today would accuse the United States of having an absence of government or centralized administration. Since those early days of our nation, the term *big* government has become synonymous with our federal government—and for very good reason. The annual budget of the U.S. government is more than $2.3 trillion, which goes to support a wide array of organizations, programs, and services that touch the lives of each and every American citizen. And, while the federal government directly employs only about 1.7 million civilians (plus a couple million more in the uniformed military and postal service), this number rises dramatically—to about 17 million people—when one considers the nonfederal employees who work under federal contracts and grants.

According to the Brookings Institution's Paul Light, this "shadow of government"—which is charged with all sorts of tasks, from peeling potatoes for the Department of Defense, to running Indian schools for the Bureau of Indian Affairs, to opening tax returns for the Internal Revenue Service—has grown dramatically over the past 30 years, and it plays an increasingly important role in the lives of each and every American citizen. And this is just the federal government; there are many millions more people employed by state and local governments all across the nation.

This huge bureaucracy—aided and abetted by state and local governments, and countless government-sponsored agencies, commissions, and task forces—has played a key role in dramatically decreasing citizen self-reliance and in disengaging people from decision making in their communities. Fortunately, this disengagement is being increasingly fought by a new vanguard of businesses and the businesspeople who work there, and those who own and run them.

The Advantages of Engaged Citizens

The simple fact is this: Members of a community—families, providers, agencies, businesses, community groups, and other local partners—are in a much better position to understand exactly what it is they need than are people who do not live in that community, no matter how well intentioned they may be. Not only that, but because members of a community are directly impacted by the effects of the decisions that they make—often for an entire lifetime, they have a vested interest in making sure that they are implemented effectively.

There are two key advantages of an engaged citizenry:

First, by increasing the diversity of input into the decision-making process, the decisions that result are actually better ones. Why? Because no one person—and no single group or constituency or business or government agency or department—has a monopoly on the best solution to every possible issue or problem. And no one person or entity has a monopoly on new and creative ways to leverage or take advantage of opportunities as they arise. Everyone in a community has *something* to contribute to the process, and everyone in a community should be invited and encouraged to do just that.

Second, engaging citizens in the decision-making process enhances social capital by broadening constituencies and stakeholders. Social capital is a set of resources (norms, networks, traditions) that helps to solve problems by collective action, and that builds goodwill and trust. When people in a community have a voice in decisions that affect them, they suddenly see themselves (and, others see them) as a vital part of the solution. Indeed, they are. Self-respect and self-confidence are raised, as are communication, goodwill, and trust among the different constituencies and stakeholders.

And while the focus of the move to local governance has traditionally been on the partnership between government and community, this thinking has been changing in recent years. The local governance (community decision making) has become an opportunity for citizens to build the types of networks of support (both formal and informal) that may actually prevent children and families from needing to seek out public agency help. The need for public services—however good they may be—indicates in most cases that something went wrong somewhere for an individual or family.

By establishing a group of citizens who are willing to take on the responsibility to monitor community-wide conditions and results and then to convene, motivate, and cajole others to care "with them" about addressing those results, community decision making can become a proactive strategy for insuring good individual and community health. In these instances, the group may not have been started by a public agency, and it may focus on results that are not necessarily aligned with a public agency agenda. Further, the group would not be intimidated by a government agency.

The goal becomes one of an improved quality of life for a community so that the community might increase its chances of contributing to the healthy development of children and families who live within it. Furthermore, citizens give this work legitimacy because—unlike public agencies—they are motivated by the fact that they are attempting to improve their own lives and the overall community's health.

How Businesspeople Give Back

There are a number of different ways that businesspeople give back to their communities. And, although some require that the businessperson who is giving back apply a significant amount of personal wealth to get the initiative off the ground, that is not always the case. In fact, some approaches require nothing more than a person's time, talent, and energy.

Here are some of the most common ways businesspeople give back:

- Donate money (such as when Warren Buffett decided in 2006 to donate more than $30 billion of his stock to the Bill & Melinda Gates Foundation).
- Direct company resources (such as the $270 million+ that Wal-Mart executives directed the company to contribute to philanthropic causes in the United States in 2006).

- Start a foundation (such as Chicago's Comer Foundation—started by Lands' End founder Gary Comer—which provides funding to Chicago-area nonprofits in the fields of culture, education, environment, health, and social services).
- Start a nonprofit organization (such as the nonprofit A-T Children's Project in Deerfield Beach, Florida—founded by biotech executive Brad Margus—which is dedicated to finding a cure for the rare degenerative disease ataxia-telangiectasia).
- Start a company with a community mission (such as Benevolink—founded by Tunstall Rushton—which helps consumers give to their favorite charities through the act of shopping).
- Start a quasi-governmental agency (such as LINC—the Local Investment Commission in Kansas City, Missouri, founded by businessman and coauthor of this book, Bert Berkley—which acts as an intermediary between the state of Missouri and the citizens of Kansas City).
- Donate time and expertise (such as the group of 50 Rhode Island real estate agents who volunteered to build homes for Habitat for Humanity to be delivered to victims of Hurricane Katrina on the Gulf Coast).
- Act as a catalyst for change (such as Peter Economy's community action that—together with the collective action of hundreds of others who decided to break away from the Special Olympics organization—led to the founding of San Diego's SPORTS for Exceptional Athletes).
- Be a volunteer (such as the thousands of Home Depot employees who each year volunteer to build playgrounds for children, repair homes for the elderly, help inner-city teens learn job skills, educate customers about energy usage, and much more through the company's Team Depot Project 1-2-3 program).

While these are not the only ways businesspeople can give back to their communities, they are perhaps among the most common. If you are thinking of giving back, then, chances are your approach will match one of these categories. Remember: You can have a measurable and lasting impact on your community, even if you don't have a lot of money (or even *any* money) to devote to your cause. Just your time, your skills, and your passion can make all the difference in the world.

Looking Forward

As we have seen in this chapter, businesses and businesspeople can and are making a major difference in their communities—becoming considerably more engaged in them and bringing about the kind of change that used to be the sole province of big government. Increasingly, giving back is being seen not just as good business (imbuing businesses with a (public relations) PR-friendly halo of righteousness), but as *smart* business—creating economic value for these organizations and their shareholders.

In the chapters that follow, we will take a close look at a number of businesspeople who have given back to their communities—often in very dramatic ways. Some of these businesspeople were top executives when they started their giving habit, and some weren't. Some had a lot of money to devote to their causes, and others did not. In every case, we will show you how motivated and visionary businesspeople are bringing about fundamental and lasting changes in their communities—making peoples' lives better—and the very good business reasons for doing so.

We challenge you to join these men and women, because just as they have given back, so can you.

Note

1. James E. Austin, "Business Leaders and Nonprofits." Working paper, Harvard Business School, 1997.